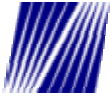


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Chairman of the Capital Markets Board of Turkey (CMB)
Chairman of the IOSCO Emerging Markets Committee (EMC)

IOSCO EMERGING MARKETS COMMITTEE
2004 MID-YEAR MEETING & CONFERENCE
OPENING CEREMONY

4th December 2004
Cairo, Egypt
09:00 hrs– 09:30 hrs



**Good Morning to you All,
Honorable Prime Minister
Ladies and Gentlemen,
EMC Members
and Distinguished Guests,**

I would like to express my warmest welcome to all participants to this year's (2004) IOSCO Emerging Markets Committee (EMC) Meeting and Conference. It is a great honor and pleasure for me to be here with you today in Cairo for this special event.

I would also like to express my warmest gratitude to the Capital Market Authority of Egypt for hosting this meeting/ conference and for their kind hospitality. I hereby wish to congratulate them for the organization of this event. I believe that this year's conference will mark yet another efficient and fruitful conference for all of us to remember.

As usual, during this conference in addition to the EMC members' private meetings, public panels have also been organized. This year we will have two **public** panels whose themes will be "**Challenges Related to the Implementation of the IOSCO Objectives and Principles of Securities Regulation**" and "**Challenges Related to the Regulation of New Financial Instruments**"

Ladies and Gentlemen,

With respect to the global economy, generally speaking, the recovery has become entrenched with a high GDP growth. On the other hand, as you are all surely aware of, financial markets have recently shown resilience in an environment of marked **increases in oil and commodity prices** and somewhat diminished expectations about the strength of the recovery. **Higher inflation** and **slower growth, run-up in certain asset prices** are among the **major risks** perceived by the market participants.



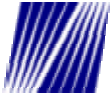
As Chairman of the EMC of IOSCO, I would like to stress the point that with respect to **emerging markets**, the overall performance has been **strong** although from the end of the first quarter through late May major emerging stock market indices fell sharply following the pattern exhibited by major stock markets of G7 economies, indicating the **substantial correlation between the markets**. The downturn had been driven in part by uncertainty about the effects of higher oil prices on the economies as well as about the effects on emerging markets of a possibly weaker-than-expected recovery in the major economies. While the economic outlook of the emerging markets remains positive, vulnerabilities still remain with respect to **higher interest rates** and **dependence on external demand**.

As a result of strong linkages among the economies and **increasing integration** between financial markets and institutions, any vulnerability in one market could have **adverse repercussions** not only on the stability of the domestic economy, but also on the cross-border markets. This is one of the reasons why all of the **financial markets** have to be **strong** enough and **well-regulated** for the global financial stability.

On the other hand, globalization is forcing domestic market participants to **integrate international financial markets** and thus to face greater competition. Considering that emerging markets have **insufficient domestic savings and funds**, they are in deep need of attracting foreign capital for fostering financial market development and financing economic growth. The **quality of securities regulation and practices** within the jurisdiction is increasingly becoming more important for attracting foreign capital. At this point, the question of “how can we determine the quality of the securities regulation?” underlines the importance of international standards.

Ladies and Gentlemen,

As the international standard setter for securities regulation, **IOSCO** has surely considered the need for international consensus on sound prudential principles and practices and in 1998 IOSCO has promulgated its **30 core principles** for the regulation



of securities markets with the objectives of **protection of investors, ensuring fair, efficient and transparent markets, and the reduction of systemic risk.**

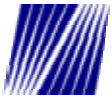
Moreover, in 2003, in order to provide guidance on the assessment of the level of implementation of the IOSCO Principles, IOSCO has adopted its “*Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*” (Methodology). Presently the Methodology is being used by members of IOSCO in their **self assessments** and by International Financial Institutions (IFIs) as a part of the Financial Sector Assessment Programs – **FSAP**.

Together with the international standards for securities regulation, the need for attracting foreign capital has also underlined the importance of implementation of **good corporate governance, international accounting and auditing standards, valuation standards for real estate, equipment and machinery of companies and cooperation and the exchange of information** among jurisdictions. Also, let me draw your attention to the fact that the concept of **socially responsible investment** (SRI) is becoming an ever increasingly important issue in helping attract more funds. It will be very valuable for both domestic and foreign investors if they can be assured that jurisdictions comply with minimum internationally acceptable standards in those areas.

These standards intend to set out the basic rules that should be met for effective securities regulation and practice. Therefore, due to the differences in their market structures and unique conditions, the **emerging market countries** should adopt an approach of “**think global, act local**”. **Financial education**, on the other hand, is another issue that should be taken care of in emerging markets as well as the developed ones in order to enhance the **public awareness** on the **opportunities and risks** of financial markets which in turn helps to implement the international standards.

Ladies and Gentlemen,

Another important aspect of increasing global integration of financial systems is the development of **new complex financial instruments**. Financial engineering has created **new opportunities** and posed **new challenges** for securities markets and



regulators with its creative solutions to financial problems by using innovative financial instruments.

These instruments **increase the linkages** between national and cross-border financial markets, which means that adverse events are quickly transmitted from one market to another. With the **improvements in IT** (information technology), one can now easily trade in securities, exchange currencies and change financial risk positions in just a matter of seconds by simply touching the keyboard. This trend allows all market participants such as investors, issuers and financial institutions to look to global solutions to meet their financial needs. Flexible and complex financial instruments have emerged as dominant products in this respect since they can meet various risk-return preferences of the market participants.

At this point I would like to divert your attention to the **need of improved cooperation** among regulators against potential use of complex financial instruments in financial crimes. As you may be aware of **IOSCO Multilateral Memorandum of Understanding** is a very important tool in this respect. This memorandum will help market regulators to integrate their respective jurisdictions with others and **facilitate cross-border cooperation** and **information sharing** to combat against cross-border financial crimes.

Ladies and Gentlemen,

I am sure that the set of panels to be held here will contribute significantly in helping us understand and discuss these very important issues. **IOSCO's approach** to solve the problems of globalized financial markets has been **to set minimum acceptable international standards** (IOSCO Principles) for securities regulation as guidelines. However, merely just setting principles is not sufficient by itself in helping ensuring the well functioning of capital markets. Rather, I would like to assure you that indeed the proper and effective implementation of these Principles by all EMC members is vital.



Once again, it has been a great honor for me to be a part of this organization and I would like to express my sincere thanks to all our distinguished speakers who will be sharing their views on the issues to be discussed.

I wish you all a pleasant conference.

Thank you.