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Introduction

Recent events have shown that financial markets are now truly global. After a decade of tremendous growth in emerging markets, constant and impressive modernization, re-organisation of market infrastructures and product innovation, and rapid growth of cross-border activities and capital flows, we find ourselves in a world of rapidly changing and increasingly global financial markets. The aftermath of the sub-prime mortgage market crisis in the United States leaving the financial markets struggling with the most severe turmoil we have seen in many years is a poignant reminder of this.

A regulatory challenge of globalization stems from the fact that historically the regulation and monitoring of markets has been undertaken by national governments. Jurisdictions around the world have their sovereignty concerns and domestic priorities, and they come with different histories, and legal, cultural and political backgrounds, with different rules and traditions around commerce and trade, and with a great diversity of market systems. This is true of developed and emerging markets.

On the other hand capital markets in today's global world are no longer restricted by, and operate across, sovereign and national boundaries. One simple example of this is that some established stock exchanges have merged, to produce multinational markets. Perhaps more importantly, investors are seeking out the best investment opportunities regardless of their physical location across the globe. A number of commentators have reflected on the tension between national priorities and the pressures of conforming to international norms.

There has been a huge response from across the spectrum of the international financial system to the market turmoil. Much discussion, debate, review and reporting on the market situation has culminated in a number of recommendations and solutions emerging for improving market and institutional resilience.

Some of the proposed solutions lie in domestic regulatory reforms and this paper makes no comment on those (except in the mutual recognition context). There are also some global solutions which have been proposed. Whatever shape they finally take, in my view the solutions must share the following characteristics:

- they must be universal; they must apply to all jurisdictions;
- they must provide more effective transparency in the interest of investors, noting that more is not necessarily better;
- conflicts of interest must be avoided or effectively managed; and
- drivers of behavior of industry players, and in particular remuneration models, should be linked to outcomes for investors.

There will need to be new approaches to address the changing aspects of the global financial system. These will need to include new approaches to hedge funds, credit rating agencies, derivatives trading and much more. This paper will look at ways in which the current global architecture could be revised to address these challenges. It is a thought piece written from the perspective of a securities market regulator and hints at some ideas for the way forward. It is strictly a personal view and in no way reflects the views of the International Organisation of Securities Commissions (IOSCO), the organization, or my IOSCO colleagues.

Response of the Financial Regulatory System to the Market Turmoil

There has been a flurry of work from across the spectrum of the international global financial system, by financial services regulators as well as other self regulatory and finance industry organizations, in attempts to find solutions to the problems which arose:

IOSCO itself, through its Technical Committee, acted urgently to a call from the Financial Stability Forum (FSF) to report on this crisis from the securities markets perspective. It published its report and recommendations in May 2008 at IOSCO's annual conference[1].The report focused on the market for structured finance products and the specific areas where failings were identified. It contained a comprehensive analysis of the particular problems encountered in four key areas and contains recommendations by the Technical Committee for future IOSCO work to counter these issues in three of these areas, namely issuer transparency and investor due diligence; firm risk management and prudential supervision; and valuation and accounting issues. Alongside this the Technical Committee examined the roles and duties of credit rating agencies and published a final report containing amendments to the IOSCO *Code of Conduct Fundamentals for Credit Rating Agencies* in May 2008[2]. The changes are intended to address issues which have arisen in relation to

[1] See IOSCO, *Report on the Subprime Crisis - Final Report*, Report of the Technical Committee of IOSCO, May 2008. Available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf (last accessed on 24 June 2008).

[2] See the new version of IOSCO's *Code of Conduct Fundamentals for Credit Rating Agencies*, Report of the Technical Committee of IOSCO, Revised May 2008, available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf (last accessed on 24 June 2008). See

the activities of credit rating agencies in the market for structured finance products. Structured finance products backed by U.S. sub prime retail mortgages have figured prominently in the recent global market turmoil, and the quality of the ratings of these products-and the credit rating agencies' policies and methodologies that resulted in these ratings –have been questioned by many securities regulators and market observers, noting that a number of ratings were down-graded significantly once the subprime turmoil took hold.

Other organizations too have responded to the crisis. The Basle Committee on Banking Supervision announced on 16 April a series of steps to make the banking system more resilient to financial shocks. These include the Pillar 2 guidance to strengthen risk management and supervisory practices, including stress- testing practices and capital planning processes. The Committee issued for public consultation global sound practice guidance on management and supervision of liquidity risks on 17th June 2008.

Following the completion of the Financial Stability Forum report on Enhancing Market and Institutional Resilience[3], the G7 communique in April identified certain recommendations as priorities to be implemented urgently, including those identified by IOSCO in is credit rating code of conduct work, and the Basle Committee's work.

In May 2008 the International Accounting Standards Committee (IASB) announced plans to form an expert advisory panel in response to the recommendations made by the Financial Stability Forum to assist it in reviewing best practices in the area of valuation techniques and also in formulating any necessary additional guidance on valuation methods for financial instruments and related disclosures when markets are no longer active[4]. This panel met for the first time on 13 June in London to identify specific valuation and disclosure issues encountered in practice in the current market environment. The IASB is also accelerating its work to enhance the accounting and disclosure standards for off-balance sheet entities.

The Committee of European Banking Supervisors (CEBS) reviewed, and published on 18th June its report on issues relating to the valuation of complex and illiquid financial instruments[5]. The report puts forward a set of issues that should be addressed by institutions and accounting and auditing standards setters in order to improve the reliability of the values ascribed to these instruments. It also published a

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also IOSCO, *The Role of Credit Rating Agencies in Structured Finance Markets, Final Report*, Report of the Technical Committee of IOSCO, May 2008, available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf (last accessed on 24 June 2008).

[3] Financial Stability Forum, *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, 7 April 2008. Available at http://www.fsforum.org/publications/FSF_Report_to_G7_11_April.pdf (last accessed on 24 June 2008).

[4] See International Accounting Standards Board at http://www.iasb.org/Current+Projects/IASB+Projects/Fair+Value+Measurement/Expert+Advisory+Panel.htm. (last accessed on 24 June 2008).

[5] Committee of European Banking Supervisors, *Report on issues regarding the valuation of complex and illiquid financial instruments*, 18 June 2008. Available at http://www.c-ebs.org/press/documents/20080618b_valuation.pdf (last accessed on 24 June 2008).

report on Banks' Transparency on Activities and Products affected by the recent market turmoil[6].

The Senior Supervisors Group, incorporating 8 financial regulators and supervisors, has issued its "Observations on Risk Management Practices during the Recent Market Turbulence" which examines the risk management firms of several large globally active financial firms and makes some observations about the common features of those firms which appear to have weathered the turmoil better than others; as well as a report on "Leading –Practices Disclosures for Selected Exposures."[7]

Voluntary "self-regulatory" and industry bodies have also taken to examining the issues. For example the Joint Associations Committee (a number of trade associations including the European Securitisation Forum, International Capital Market Association, International Swaps and Derivatives Association, London Investment Banking Association, Securities Industry and Financial Markets Association) has issued for public comment a set of 12 Principles related to the purchase of 'structured' products by retail investors.[8]

The EU-US Coalition on Financial Regulation, which consists of 11 financial services associations issued its report on "Mutual Recognition, Exemptive relief and "Targeted Rules' Standardisation: The Basis for Regulatory Modernisation" in March 2008[9].

The Institute of International Finance, a global association of banks, published an interim report on market best practices.

Some Other Ideas

While there is much which can be done on an incremental basis across industry segments, recent events have indicated that there may be a need to think about the

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[6] Committee of European Banking Supervisors, *Report on banks' transparency on activities and products affected by the recent market turmoil*, 18 June 2008. Available at http://www.c-ebs.org/press/documents/20080618a_transparency.pdf (last accessed on 24 June 2008).
[7] Senior Supervisors Group, *Leading–Practice Disclosures for Selected Exposures*, April 11, 2008. Available at http://www.fsa.gov.uk/pubs/other/ssg_exposures.pdf (last accessed on 25 June 2008).
[8] See "Structured Products : Principles for Managing the Distributor-Individual Investor Relationship". Exposure Draft, May 12, 2008, sponsored by the European Securitisation Forum, International Capital Market Association, International Swaps and Derivatives Association, London Investment Banking Association, Securities Industry and Financial Markets Association. Available from the website of any of these associations, for example at http://www.isda.org/press/exposuredraft.pdf (last accessed on 25 June 2008).
[9]EU-US Coalition on Financial Regulation, *Mutual Recognition, Exemptive Relief and "Targeted" Rules' Standardisation: The Basis for Regulatory Modernisation*, March 2008. Available at http://www.foa.co.uk/publications/eu-us%20report-%20mar08.pdf (last accessed on 25 June 2008).The EU-US Coalition on Financial Regulation is comprised of ABA Securities Association, Bankers' Association for Finance and Trade, British Bankers' Association, Futures Industry Association, Futures and Options Association, International Capital Market Association, Investment Industry Association of Canada, International Swaps and Derivatives Association, London Investment Banking Association, Securities Industry and Financial Markets Association, Swiss Bankers Association. The Coalition's Secretariat is currently held by the Futures and Options Association (www.foa.co.uk).

overarching global financial regulatory architecture. There is for example a growing consensus of opinion that codes of conduct are emerging as an effective tool for ensuring a consistency of approach by global players such as credit rating agencies and others. This opinion reflects a view that these codes can better define the types of behaviours and obligations that are desired of industry participants, without seeking to be prescriptive about the business models that are adopted. But if this is indeed a way forward for protecting investors in the future it raises interesting questions of compliance. How will investors around the world be assured of compliance with such Codes of Conduct moving forward? This and other considerations are evoking a growing momentum for the development of international public interest oversight bodies. There has been the call in a number of quarters for the establishment of oversight bodies which will oversee such matters as the compliance with Codes of Conduct and the independence of self-regulatory bodies.

The idea is certainly one which I believe merits consideration in the future, and the not so distant future I might add.

Current Global Infrastructure-A Good Basis

The current consensus based international framework of securities markets regulation through the work of IOSCO provides a sound basis for future developments in the global financial architecture.

The IOSCO Approach

IOSCO, the International Organisation of Securities Commissions, is the unchallenged standards setter for securities regulation and the leading institution to foster international cooperation among securities regulators, and between regulators and its fellow organizations. IOSCO's focus is securities and derivatives regulation, but it maintains close relationships with the other major international regulatory bodies, the Basle Committee on Banking Supervision and the International Association of Insurance Supervisors (IAIS) –the global standard setters for the banking and insurance sectors respectively, as well as the Financial Stability Forum, and other global bodies. It's members regulate more than 90% of the world's securities markets and comprise regulators from 109 jurisdictions. IOSCO's vision is for markets which operate across the world on sound and explicit principles and standards, and regulators who can cooperate and exchange information across borders. It aspires to seeing globally operating markets that are fair, efficient and transparent, markets where investors are protected, and where systemic risk is reduced.

Much of IOSCO's legitimacy is drawn from the virtual universality of its membership. It has a consensus decision-making process and is governed in a democratic way. Both developed and emerging market representatives are involved in its standards setting and expert interpretation work and standards are approved by the full body of membership of the organization.

Thus its codes, principles and standards are the product of international consensus. It is an organization which brings together authorities from developed and emerging markets, and its programmes facilitate bilateral and multilateral exchange aimed at lifting regulatory policy and practice in all jurisdictions to a consistently high standard.

The Organisation carries out its functions through a number of committees comprising member jurisdictions. There are three main committees, namely the Executive Committee which is the governing body; the Technical Committee which reviews major regulatory issues related to international securities and co-ordinates practical responses to these concerns; and the Emerging Markets Committee which endeavors to promote the development and improvement of efficiency of emerging markets, as well as reflecting and advising on the implications of standards and guidance on emerging market economies. Working groups of the Emerging Markets Committee mirror their work programmes on those of the standing committees of the Technical Committee to ensure that emerging markets issues are considered in IOSCO's technical work. In addition each IOSCO member is represented in one of four regional committees which meet to discuss regional concerns of constituting members.

IOSCO has developed 30 broad Principles[10] for securities regulation, and it actively promotes and facilitates the full implementation of these Principles in the regulatory framework of every member jurisdiction. To explain, the Principles do not constitute rules and regulations which if implemented would achieve convergence between regulators. They are rather a set of benchmark standards against which any jurisdiction is able to measure and align their own laws in a manner consistent with their own priorities, traditions and legal frameworks. They have been accepted as an international benchmark for securities and derivatives regulation, and have come to be regarded as an internationally acceptable basis for measuring rules' outputs and establishing a common set of regulatory values. The eight areas covered by the Principles emphasise the importance of high standards of regulation in terms of fairness, accountability, resources, enforcement, information-sharing and co-operative arrangements; and set out the duties and obligations of issuers; set out the business conduct priorities expected of intermediaries; and address the need for exchanges to maintain high standards in terms of transparency, market integrity and monitoring, managing and supervising market activities. These are an organic set of standards which are currently in the process of being revised and updated to reflect more contemporary regulatory thinking since the Principles were adopted in 1998.

Secondly, to facilitate a mechanism for regulators to share information and co-operate to engage in effective enforcement across borders, IOSCO has also developed a Multilateral Memorandum of Understanding (IOSCO MOU) among member regulators. The IOSCO MMOU is very specific about the types of information, such as banking and client records, that must be made available, and about the types of purposes for which the information must be made available.
As signatories the securities regulators can gather information from their counterparts overseas on cases of insider trading or other securities violations that they are investigating. There are currently more than 63 jurisdictions from around the

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[10] *IOSCO Objectives and Principles of Securities Regulation*, IOSCO Report, April 2008 (Up-dated with references to work done by IOSCO from September 1998 to February 2008). Available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD265.pdf (last accessed on 24 June 2008).

world who have either signed on to the IOSCO MOU or committed to making the changes necessary to do so, and IOSCO has set the bold objective of having all member jurisdictions signed up or committed to by 2010. More than half of those 63 jurisdictions are from emerging markets.

This work of IOSCO's is certainly a major advance in facilitating a consensus approach to securities regulation in a global world. The standards setting work with the IOSCO Principles provides the seeds for growing regulatory convergence. Mechanisms are now in place for greater cooperation between regulators for enforcement across borders through the IOSCO MOU. All this is geared towards ensuring fair, transparent and efficient capital markets and better protection of investors globally.

However recent events and the response to these events might be starting to acknowledge, as I hinted earlier, that this infrastructure only takes us part of the way to a solution. Are the mechanisms we currently have in place adequate we might ask?

IOSCO is but one part of the global financial regulatory jigsaw. The other key organizations which make up the global financial regulatory system are likewise playing their part in evolving and implementing the necessary standards and the acceptable behaviors to ensure transparency, efficiency and fairness for the protection of investors and the growth of capital markets and financial systems globally. The Basle Committee on Banking Supervision and the International Association of Insurance Supervisors are addressing the concerns from their respective mandates of setting international standards for the banking and insurance sectors respectively. The Financial Stability Forum has led an urgent review and the World Bank and IMF are similarly engaged in addressing the problems and seeking solutions.

Harmonization- The IFRS Example

In terms of milestones, an excellent example of regulatory harmonization or convergence and one that has opened up a pathway in many respects for greater levels of convergence or co-operation across jurisdictions and disciplines is the work being undertaken on global accounting standards. The work by the International Accounting Standards Board (IASB) towards the goal of a single set of global accounting standards, known as the International Financial Reporting Standards (IFRS) regime has been an ambitious and laudable undertaking, which has now gained global momentum, international recognition, and increasing commitment from around the world.

There remain ongoing challenges, for example with off-balance sheet entities such as Special Purpose Entities (SPEs) and with mark-to –market valuation issues in the context of illiquid markets, and these are all being addressed by the IASB.

Not all standards and norms lend themselves readily to harmonization or convergence however. We might need to review other mechanisms and approaches for achieving the desired goals for the global financial system, for a number of the reasons I have already outlined. One thing however remains constant and that is that co-operation between regulators, an entrenched theme of IOSCO's, remains at the core of any solution.

Mutual Recognition

Turning to another approach, and one certainly based on cooperation between regulators, is the approach of mutual recognition. Mutual recognition is a system which is gaining international acceptance and recognition. There is an increasing international acknowledgement of mutual recognition as a solution for effective regulation in the world of cross border trade.

To explain mutual recognition: Rather than envisaging standardized model frameworks across jurisdictions, mutual recognition allows domestic laws and regulations to reflect national imperatives whilst providing the capacity for cross-border cooperation and enforcement.

To work effectively, mutual recognition requires coordinated responses and consistent approaches to regulating cross border transactions. As a first step for achieving mutual recognition, one must agree on a common basis of principles on which to assess the effectiveness of foreign regulations and the work of the foreign regulator. The IOSCO Principles I noted earlier provide such a basis.

A worldwide application of mutual recognition is still some way off. There has been however a number of steps adopted in both bilateral and multilateral agreements recently which are edging towards a broader mutual recognition approach. There was the MOU of 2006 between the US Commodity Futures Trading Commission and the UK Financial Services Authority dealing with consultation and cooperation in relation to some US and UK exchanges for example.

The US SEC announced in late March a series of actions to further the implementation of mutual recognition with a number of other countries. It has entered formal discussions for mutual recognition with the Australian Securities and Investments Commission, and has commenced processes aimed ultimately towards achieving mutual recognition regimes with Canada and also with the EU. From an industry perspective the EU-US Coalition (the Coalition) on Financial Regulation (a group of global financial industry associations) has noted mutual recognition as among the requirements necessary to form the basis for regulatory modernization.[11]

In my own part of the world, New Zealand and Australia have just last month introduced mutual recognition of securities offerings. This regime allows businesses to raise capital in Australia using New Zealand offer documents – and vice versa. Investors will also benefit from having a wider choice of investment opportunities.

Not only in the developed markets however are we seeing the application of this mutual recognition solution. A number of emerging markets are embracing the approach. One example is a voluntary opt-in scheme for mutual recognition of

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[11] See n 9 supra

general/non-specialised collective investment schemes offered to non-retail investors developed through a working group of the IOSCO Regional Committee for the Asia Pacific Region which was endorsed at that Committee's meeting in Seoul last November. This arrangement is currently open to IOSCO members from the Asia – Pacific region, which comprise a majority of emerging market economies, provided that specific requirements, including implementation or relevant IOSCO Principles, are met.

All these arrangements recognize the importance of local regulation applying to local markets and create mechanisms for consultation and cooperation between regulators.

Mutual recognition does not require adoption of identical standards. What will be core to the effectiveness of arrangements based on mutual recognition is the level of trust in the capacity and willingness of the other regulators to enforce and cooperate. It requires a mutually acceptable legal framework, and a similar appetite to take action. Domestic regulators who wish to participate in mutual recognition arrangements will be compelled to look at their own regulatory arrangements and ensure that they have regulatory frameworks and enforcement capabilities in place that others would wish to mutually recognize. Under mutual recognition there would be true confidence in the regulatory frameworks of both jurisdictions. This framework can be extended to multiple jurisdictions.

Mutual Recognition and IOSCO

I have talked about the IOSCO approach. I have introduced the mutual recognition solution.

In my view there is an intersection between the two. As a prerequisite, adherence to the IOSCO Principles and being a signatory to the IOSCO MOU should be the fundamental underpinning to mutual recognition considerations. If a jurisdiction in the future wants to participate in market developments of the future its domestic regulation and capacity for cooperation with other jurisdictions will need to be world class.

International Public Interest Oversight Bodies

Much work has been underway to review the causes leading to the recent turmoil and to strengthen the global institutions and standards to ensure a safer place for investors. Following these troubled times we may need to reflect on a broader vision.

There may be a need to think about the overarching global financial regulatory architecture. We are seeing a growing consensus of opinion amongst protagonists making up the international financial regulatory system that codes of conduct are emerging as effective tools for ensuring a consistency of approach by global players such as credit rating agencies and that public interest oversight bodies are increasingly important in overseeing self-regulatory institutions. IOSCO has also addressed hedge fund disclosures useful for investors, issues around private equity and some suggestions have been made that sovereign wealth funds could be more transparent. IOSCO could do further work on these transparency issues. If this is indeed a way forward for protecting our investors in the future it raises interesting questions of compliance. How will investors around the world be assured of compliance with such Codes of Conduct moving forward? This and other considerations are evoking a growing momentum for the development of international oversight bodies. There has been the call in a number of quarters for the establishment of oversight bodies which will oversee such matters as the compliance with Codes of Conduct and the independence of self-regulatory bodies.

Looking at the concept of oversight bodies, some initiatives are currently underway. For instance the objective of the international Public Interest Oversight Board (PIOB)[12] is to increase the confidence of investors and others that the public interest activities of the International Federation of Accountants (IFAC) - including the setting of standards by independent boards operating under the auspices of IFAC - are properly responsive to the public interest. This body was formally established in February 2005 to oversee IFAC's auditing and assurance, ethics, and education standard-setting activities, as well as its Member Body Compliance Program. This last activity is designed to encourage member bodies to adopt international standards and to implement quality assurance and investigation and discipline programs.

The International Accounting Standards Committee Foundation (IASCF) recently organized a round table regarding the creation of an IASCF Monitoring Group, and this was welcomed by the world's securities authorities –represented by IOSCO, as well as the European Commission, the Japan Financial Services Agency and the US Securities and Exchange Commission[13]. The IASCF is a private foundation that provides public oversight to the International Accounting Standards Board (IASB) which promulgates International Financial Reporting Standards (IFRS). The IASCF Monitoring Group will provide for organized interaction between national authorities responsible for the adoption or recognition of accounting standards for listed companies and the IASCF. The IASCF Monitoring Group would participate in the selection and approval of IASCF Trustees and the IASCF Trustees would regularly report to the IASCF Monitoring Group on their oversight of the IASB.

I note from a recent report of the Committee of European Securities Regulators (CESR) that CESR has called for an immediate step to form an international CRAs standard setting and monitoring body to develop and monitor compliance with international standards in line with the steps taken by IOSCO, using full public transparency and acting in a "name and shame" capacity to enforce compliance with these standards via market discipline[14]. For its part IOSCO is looking into the CESR

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[12] See www.ipiob.org.
[13] See IOSCO media release: "Joint Statement on IASC Foundation", Madrid, 18 June 2008. Available at http://www.iosco.org/news/pdf/IOSCONEWS123.pdf (last accessed on 24 June 2008).
[14] See The Committee of European Securities Regulators, *CESR's Second Report to the European Commission on the compliance of credit rating agencies with the IOSCO Code and The role of credit rating agencies in structures finance*, May 2008, and related press release. Available at http://www.cesr-eu.org/index.php?page=home_details&id=289 (last accessed on 24 June 2008).

proposal and considering the options for monitoring implementation of the IOSCO Code of Conduct by credit rating agencies globally.

New Global Architecture - The Way Forward ?

We have reflected already on the IFRS developments and challenges. What would be the characteristics of some new global financial architecture? What are the challenges and realities that face any conversation around any new global regulatory infrastructure?

Follows is my thesis:
Any new global regulatory architecture will need the following characteristics:

1) It will need to be established within an internationally respected framework, and attract confidence globally from the international financial community.
2) It will need to work effectively in a consensus manner in order to attract commitment and buy-in from all members of the international financial community including the emerging market participants.
3) It will need to work in a manner which takes account of and accommodates differing legal frameworks, cultures and histories and varying market conditions around the world. One set of jurisdictions could not impose a set of rules on another. In particular rules would not be imposed by the developed world over the emerging markets.
4) It would need to attract universal commitment by both large and small countries and economies.
5) It will need adequate resources.
6) It will require appropriate expertise, from both developing and emerging market economies.
7) It will need to offer a market value for commitment to it, otherwise outliers will continue to undermine any framework in place.

Where might the candidates for hosting such a body emerge from within the existing financial regulatory and supervisory system?

I would contend that a valid place to start would be with IOSCO.
IOSCO has a proven a track record and well meets many of the criteria I have just outlined.

- It is virtually universal, and has both developing and emerging market coverage.
- It works by consensus and promulgates solutions for all sizes and types of markets and national legal systems.
- Its set of Objectives and Principles of Securities Regulation are broad enough to be adopted across all markets.

But it is becoming patently clear that there probably needs to be something more in order to undertake monitoring of some of the frameworks currently being developed.

I consider some public interest oversight body might be appropriate. Closely aligned to IOSCO, the Basle Committee on Banking Supervision, and IAIS, a body could be established which would monitor codes of conduct which are developed by these other bodies in the global public interest.

The challenges we would face include addressing how it will be funded; how its committee or members would be appointed; how its market value for inclusion would be addressed; the areas over which it might have oversight and so on. For example I have already mentioned the CESR idea of an oversight body for credit rating agencies. Should the remit be wider? What about issues of transparency of hedge funds and sovereign wealth funds for instance?

Concluding Comments

We have strong and viable international financial regulatory infrastructures in place, we have the mutual recognition solution which provides for potentially universal participation. We have a number of international public interest oversight bodies either formed or in formation.

What now is necessary is consideration of enhancing the current global architecture by the addition of a global public interest supervisory body to monitor the implementation of industry based codes of conduct. There are many issues to be addressed in arriving at any global solution and informed input is important as we all continue to confront the issues and challenges of today's global capital markets.