



**MENA-OECD
INVESTMENT
PROGRAMME**



Ministry of Business & Trade



QATAR FINANCIAL CENTRE
**REGULATORY
AUTHORITY**

LAUNCH OF THE
MENA-OECD CAPITAL MARKETS TASK FORCE

ON THE OCCASION OF THE
**ROUNDTABLE ON
EFFECTIVE AND EFFICIENT FINANCIAL
REGULATION IN THE MENA REGION**

6-7 DECEMBER 2010

Doha, Qatar

Summary Record

Hosted by the Qatar Financial Centre Regulatory Authority

Contact: Jorge Gálvez Méndez
jorge.galvezmendez@oecd.org

MENA-OECD CAPITAL MARKETS TASK FORCE

ROUNDTABLE ON EFFECTIVE AND EFFICIENT FINANCIAL REGULATION

6-7 December 2010, Doha, Qatar
SUMMARY RECORD

OUTLINE

The [MENA-OECD Capital Markets Task Force](#) was launched at the [Round Table on Effective and Efficient Financial Regulation in the MENA Region](#), on 6-7 December in Doha, Qatar. The event was co-organised by the MENA-OECD Investment Programme, in co-operation with the Ministry of Business and Trade of Qatar and the Qatar Financial Centre Regulatory Authority (QFC Regulatory Authority) and was co-chaired by the QFC Regulatory Authority and the Securities and Exchange Commission of the United States. The round table brought together representatives from financial markets regulatory and supervisory institutions in MENA and OECD economies as well as representatives from international financial institutions and experts.

Discussions at the round table focused on:

- The impact of the 2008-2009 crisis on MENA and OECD financial systems;
- Effective and efficient financial regulation;
- Institutional designs for financial regulation and supervision; and
- Financial reform in MENA and OECD economies.

The round table provided a timely occasion to discuss challenges faced by MENA and OECD economies with regard to financial regulation and supervision in the aftermath of the severest financial and economic crisis in decades, as well as initiatives to develop or overhaul regulatory frameworks and the importance of international co-operation between countries and with the support of international institutions and forums.

Lessons and challenges from the crisis were discussed from a global perspective ...

Participants in the round table stressed the need to address the factors that led to the crisis such as the lack of effective monitoring mechanisms to detect the accumulation of systemic risks, overleveraging by financial institutions and the effective implementation of financial regulations, among other concerns.

Specific proposals put forward were reducing incentives for regulatory arbitrage and the taxation of systemic activities and attention was called on emerging risks such as the overheating of the economies of some emerging markets, the formation of asset bubbles, accumulation of sovereign debt and persistent trade imbalances.

... and from a MENA perspective;...

In the case of GCC countries it was noted that although the region was less affected by the crisis, the economic and financial turmoil of 2008-2009 unveiled the vulnerabilities derived from rapid credit growth

OUTLINE

...with a focus on Gulf countries...

and inflows of short-term capital, which have led to exposures to disruptions in the real estate and construction sectors, increased leverage and dependence on foreign capital of speculative nature.

To respond to this it was suggested that GCC countries develop macro-prudential measures to address systemic risks, economic cyclicality derived from oil prices, volatility produced by short-term capital inflows and enhanced regulatory and supervisory tools as well as the development of domestic debt markets and the collection and dissemination of financial and economic statistics and early warning systems.

... and with respect to OECD principles for effective and efficient financial regulation

More generally, and based on the responses provided by six MENA countries to a survey undertaken by the Secretariat of the MENA-OECD Investment Programme¹, it was observed that some MENA financial regulatory frameworks seem to be well aligned with some OECD principles for financial regulation, such as the provision of legal enforcement powers to authorities to compel the production and dissemination of financial information, thus ensuring proper transparency in the financial system; and that there is a coherent articulation of policy objectives, a good understanding of the policy instruments that authorities have available to intervene in financial markets, and a thorough elaboration of policy responses.

However, regarding the same set of principles, it was also noted that institutions need to better recognise and assess the macroeconomic, monetary and international linkages of the financial system, and hence the linkages between financial regulation and monetary policy. Increased efforts seem also necessary in areas such as the comprehensiveness of financial regulation,² the execution of cost-benefit analyses in the regulatory process³ and market openness.

The round table also provided a forum for the exchange of experiences with regard to initiatives for the

Some specific initiatives for the development and reform of financial markets in MENA and OECD economies were also presented in the round table, notably efforts by countries to develop or strengthen their markets for securities and inter-ministerial initiatives for reforming

¹ Cf. the *Draft Discussion Paper for the Round Table on Effective and Efficient Financial Regulation*. Responding institutions are based in Algeria, Egypt, Iraq, Morocco, Qatar and the UAE.

² i.e. Financial regulation should be comprehensive in nature, in terms of ensuring that all identified problems (market failures and broader economic and social needs) are properly addressed, both at the domestic and at the global level, and that all necessary regulatory and supervisory tools and mechanisms are being used to achieve policy objectives, including through the combination of regulation with other policy instruments. *OECD Policy Framework for Effective and Efficient Financial Regulation*.

³ i.e. Evaluating if the benefits of government intervention exceed the costs.

OUTLINE

development and reform of financial markets...

financial markets and monitoring emerging risks.

With regard to the development of markets for securities, the Iraqi government has developed a new and comprehensive securities law which is expected to be passed by the Parliament in 2011 and which will substitute the provisional securities law of 2004. Similarly, Yemen is undertaking a project for the establishment of a stock exchange, in collaboration with the Securities Commission of Jordan, the Arab Monetary Fund, and the Financial Services Volunteer Corps, among others.

... and institutional coordination in financial reform and the monitoring of systemic risks in the overall financial system.

In terms of institutional coordination, Algeria has established an inter-ministerial committee to implement the financial system reform strategy, aimed at mobilising savings and better allocating financial resources in the economy. The committee is composed of working groups addressing the main reform priorities. Similarly, in Mexico an inter-agency council for financial stability has been set-up. The council is composed of financial regulatory and supervisory authorities and aims at monitoring and assessing systemic wide risks and strengthening macro-prudential regulation. These approaches characterise the necessity of having institutionally coordinated strategies that correspond to complex and interlinked modern financial systems.

Discussions at the round table served to stress the importance of international dialogue and co-operation among MENA economies, OECD countries and international institutions and...

Participants in the round table repeatedly stressed the importance of dialogue and co-operation among MENA and OECD economies and international organisations in the reform and development processes of financial systems. Specific examples of cooperation arrangements between MENA economies, international institutions and OECD countries were mentioned, as well as valuable and relevant experiences of how countries can learn from crises and how these can shape a country's regulatory landscape.

... to put forward ideas for future work under the MENA-OECD Capital Markets Task Force.

Particular topics suggested for future work for the MENA-OECD Capital Markets Task Force were the completion and publication of the analysis of MENA financial and supervisory regulatory frameworks vis-à-vis OECD principles and the extension of the analysis to more economies; the expansion of the task force's network; the development of a flagship publication on capital markets and a newsletter with relevant and recent information on regional developments; to engage in closer co-operation with the AMF and other relevant international financial institutions; the establishment of linkages between the task force and the OECD committees on financial markets and pensions and insurance and the development of mutual initiatives with those committees.

The following pages contain summaries of the speeches and presentations given at the Round Table on Effective and Efficient Financial Regulation in the MENA Region.

SUMMARY OF THE PRESENTATIONS

MONDAY 6 DECEMBER 2010

OPENING STATEMENTS

Mr. Phillip Thorpe, Chairman and Chief Executive of the Qatar Financial Centre Regulatory Authority welcomed the participants and invited H.E. Youseff Hussein Kamal to officially open the Round Table on Effective and Efficient Regulation in the MENA Region.

H.E. Yousef Hussein Kamal, Minister of Economy and Finance, State of Qatar opened the Round Table by underlining the importance of the development of capital markets and financial markets reform in a context of economic recovery. The Minister noted that more efforts are needed to put the financial system back on track and pointed to the initiatives and measures undertaken in the context of the G20 and the Financial Stability Board aimed at expediting the process implementation of financial reform. He said that Qatar is on track to achieve Basel III requirements by 2013. Mr. Kamal invited the MENA-OECD Capital Markets Task Force to look forward for ideas and suggestions for effective and efficient financial regulation.

Mr. Monkid Mestassi, Secretary General, Ministry of Economic & General Affairs, Morocco, presented an overview of the MENA-OECD Investment Programme. He invited the participants to the task force to put forward ideas for increasing the levels of investment by making use of the high savings rate in the MENA region and underlined the importance of financial institutions in this process and the scope for co-operation with the OECD in this context. On the task force, Mr. Mestassi mentioned that the initiative will facilitate the co-operation between MENA and OECD economies and expressed his full readiness to co-operate in the context of the MENA-OECD Capital Markets task force.

Mr. Alexander Böhmer, Head of the MENA-OECD Investment Programme outlined the activities of the Programme and provided background information about the initiative to launch the MENA-OECD Capital Markets task force. Mr. Böhmer stressed the objectives of the task force to provide a platform for the discussion of capital markets regulation and supervision and to give a stronger voice to good practices in the MENA region. He invited the participants to put forward ideas for future work for the task force.

Mr. Gian Paolo Ruggiero, Vice-Chair of the OECD Committee on Financial Markets (CMF), gave a presentation on the activities and structure of the OECD CMF, which is aimed at promoting efficient, open, stable and sound market oriented financial systems, based on high levels of transparency, confidence and integrity.

Mr. Sherman Boone, Assistant Director, Office of International Affairs, Securities and Exchange Commission, United States, underlined the importance of dialogue between regulators in financial development and reform and the relevance of the MENA region for the SEC. He cited some examples of co-operation with the region through the Office of International Affairs in terms of regulation and enforcement, technical assistance, among other initiatives, and highlighted the opportunity that the launching of the MENA-OECD Capital Markets task force provides for co-operation.

SESSION I. THE GLOBAL FINANCIAL CRISIS AND SYSTEMIC RISK: EXPERIENCES FROM MENA AND OECD COUNTRIES

Chair: **Mr. Michael Ryan**, Deputy CEO, QFC Regulatory Authority.

Mr. Gian Paolo Ruggiero, Vice-Chair of the OECD Committee on Financial Markets (CMF), gave a presentation on *The Financial Crisis: financial origins, flaws and some remedies*.

Mr. Ruggiero made a brief recount of recent crises (Mexico, Asia, Russia, Argentina, the “tech bubble”, etc.) and highlighted their common micro and macroeconomic and institutional elements such as imprudent lending practices, the build-up of leverage, herding behaviour, etc. He also noted that the particularities of the 2008-2009 crisis were the shift from “buy and hold” to “originate and distribute” practices; the increasing complexity of structured financial products; and failures in risk management, among others. Particularly, he noted, this crisis became systemic in nature as banks were not able to accurately value special investment vehicles in their balance sheets; this led to a diminished capacity to assess counterparty risk and caused the inter-bank market and lending capacity to come to a halt (a “credit crunch”) forcing central banks to intervene through market bail outs until the bankruptcy of Lehman Brothers.

Mr. Ruggiero pointed to the importance of deleveraging, reviving the credit and interbank markets through the recapitalisation of banks, and addressing moral hazard and over reliance on credit rating agencies. He noted that the moral hazard associated with systemically important financial institutions (SIFIs) is difficult, if not impossible, to eliminate completely and pointed to the measures of the G20 and the Financial Stability Board (FSB) to address the “too big to fail issue”. Mr. Ruggiero added that, in many cases, banks are not yet healthy and that continued government support is still needed and also noted the importance of overhauling financial regulation and supervision and the initiatives being undertaken such as Basel III, the resolvability of SIFIs, the convergence towards high standards of accounting principles, the migration of over the counter markets (OTC) to central clearance mechanisms and the role of macro prudential regulation and supervision. Regarding this last point, Mr. Ruggiero noted that some analyses identified risk factors in the prelude to the crisis whereas institutions failed to act promptly which leads to think that practical implementation of macro prudential regulation is needed.

Mr. Jean-François Lepetit, Member of the Board of Directors of the Qatar Financial Centre Regulatory Authority and non-executive director of BNP Paribas, gave a presentation on *Understanding the Dynamics of Systemic Risk*.

Mr. Lepetit stated that this is the second time in history that a crisis was caused by systemic risk (the first time being the 1929 crisis); that systemic risk is related to macro-financial issues; and that a systemic crisis consists on a disruption in the flows of financial services caused by an impairment in all or part of the financial system and leading to widespread consequences in the real economy.

Mr. Lepetit mentioned that several conditions play in identifying systemic risk, among them the size of the participants in the financial market, their inter-connections, their level of substitutability, etc. and that given the complexity of systemic risk and that systemically important financial institutions are found in all financial sectors (banking, insurance, mortgage, etc.) the attention should be put on systemic activities rather than systemic market participants. He added that to identify activities that could potentially pose systemic risk the focus should be put on how risk is priced, i.e. if some activities have a higher-than-expected or excess return then an incentive to accumulate risk is created. Mr. Lepetit mentioned some factors leading to systemic activities such as oligopolistic activities by investment banks and that activities

SESSION I. THE GLOBAL FINANCIAL CRISIS AND SYSTEMIC RISK: EXPERIENCES FROM MENA AND OECD COUNTRIES

were incorrectly priced leading to excess return. Regarding the latter he noted that investment banks had business models which assumed that the markets for the securities they held were liquid (citing that 85% of the portfolio of Wall Street did not have an active market); that some financial models underestimated market and counterparty risks; and that shadow banking, originate to distribute activities, among other types of regulatory arbitrage, played a role in underestimating risk.

Mr. Lepetit put forward some measures to prevent the formation of systemic risk. He noted that prior to the crisis there were limited micro-supervision mechanisms and suggested that the message to take from this is that governments should have the capacity to make sure that banks are able to withstand problems. He added that governments should have the capacity “to see the macro-picture” and to identify changing systemic activities such as the accumulation of sub-prime assets, the build-up and sustainability of government debt, etc. He also mentioned that information on the OTC markets and the shadow banking system should be collected in order to monitor them and that regulators should be able to intervene anywhere in the financial system and before the only solution is government backing. Mr. Lepetit recommended the implementation of a taxation of systemic activities across all market participants and to avoid regulatory arbitrage.

Ms. May Y. Khamis, Deputy Division Chief, Middle East and Central Asia Department, International Monetary Fund, presented *The Impact of the Global Financial Crisis on the GCC Region: Lessons and Reform Priorities*.

Ms. Khamis noted that GCC banks were less affected by the crisis due to a series of reasons such as their limited exposure to sub-prime assets, their focus on the mobilisation of savings through lending and their lower levels of integration with global financial markets, and added that GCC financial systems more integrated to global markets were more affected by the crisis and that the swift reaction by governments helped to contain its impact.

Regarding the transmission channels of the crisis in the GCC region, Ms. Khamis noted that those were the contraction of the global economic activity, the decline in oil prices, the plunging of asset prices and financial deleveraging. She added that the contagion was very clear and had strong effects on equity markets and cited that credit default swaps spreads in the region clearly increased after the failure of Lehman Brothers and that Dubai was the most affected jurisdiction in the region.

Ms. Khamis also noted that the external shock has exposed financial sector vulnerabilities arising from rapid credit growth and the inflows of short-term capital. She explained that this led to large exposures to real estate and construction, increased leverage in some sectors and increased dependence on foreign funding by some banks, which led to the build-up of foreign liabilities, mostly of short-term and speculative nature; therefore, she added, when the crisis hit, those inflows of capital left the GCC, forcing central banks to intervene with liquidity. However, the accumulation of capital during the boom years by GCC countries left them in a position to intervene and use those resources to stabilise the financial sector. Ms. Khamis noted that Qatar and the UAE made significant injections of capital as a precautionary measure.

Ms. Khamis noted that despite the lack of significant shocks and a systemic breakdown in the GCC region, there is need for action, particularly regarding the development of macro-prudential measures to avoid the accumulation of systemic risks; measures to address the cyclicity related to oil-price fluctuations and other factors such as capital inflows and increased supervisory and regulatory tools. She

SESSION I. THE GLOBAL FINANCIAL CRISIS AND SYSTEMIC RISK: EXPERIENCES FROM MENA AND OECD COUNTRIES

added that domestic debt markets, which enable corporations to have access to long term finance, need to be developed but that a hurdle to this is that GCC countries do not need to borrow and therefore there are no bond markets. Ms. Khamis also mentioned that there is a lack of adequate macro-financial and economic statistics and early warning systems, which are essential to underpin the success of policy measures.

The participants to the Round Table noted with interest and discussed these presentations. Among the issues discussed were:

- The need for international coordination in the current context of economic recovery and in preventing future episodes of financial turmoil;
- The national nature of financial regulation, despite the globalisation of financial markets;
- The high levels of capital adequacy in the GCC, which are expected to facilitate the implementation of Basel III;
- The role that the business models and financial practices of banks played in how those institutions weathered the crisis; etc.

SESSION II. EFFECTIVE AND EFFICIENT FINANCIAL REGULATION IN THE MENA REGION

Chair: **Mr. Sherman Boone**, Assistant Director, Office of International Affairs, United States Securities and Exchange Commission.

Mr. Timothy Bishop, Senior Expert in Finance and Insurance, OECD, Directorate for Financial and Enterprise Affairs gave a presentation on *The OECD Policy Framework for Effective and Efficient Financial Regulation* and a preliminary assessment of MENA countries with respect to the framework.

Mr. Bishop noted that the framework is the result of the work conducted by the OECD Committees on Financial Markets and Insurance and Pensions. He detailed the five structural elements of the framework, namely: the attributes of a well-functioning financial system; the policy objectives and policy instruments to achieve it; the institutional system design needed to implement those instruments and the review process needed to ensure that government intervention responds to the changing nature of the financial system. Mr. Bishop observed that although the framework was developed prior to the 2008-2009 crisis, it offers some insights for reflection such as the importance of the macroeconomic dimension in the financial system; the need for transparency and increased surveillance, understanding and analysis of the financial system; the need for accountability in the case of policy and regulatory failure; and the need for comprehensiveness and consistency in financial regulation; among other considerations.

He also presented a preliminary assessment of the responses given by MENA institutions to the selected questions in the policy framework. Mr. Bishop noted that in general responding countries appear to have some alignment with some principles in the framework such as enforcement and compelling information provision. But that there are also some difficulties in fleshing out macroeconomic and international linkages and the financial system and monetary policy. From the responses it was also found

SESSION II. EFFECTIVE AND EFFICIENT FINANCIAL REGULATION IN THE MENA REGION

that more needs to be done with respect to some of the principles such as regulatory comprehensiveness, cost-benefit analysis and market openness, and that there is scope for improvement with respect to institutional coordination, oversight and control.

Mr. Bishop noted the usefulness of the policy framework in considering government intervention in the financial system, but also stressed the difficulties in using the instrument, which are derived from its breadth. He underlined the lack of completeness of the information provided in the responses and added that the next steps for the task force could include getting further and more detailed responses to the questions in the High Level Checklist (part of the framework).

Mr. Michael Ryan, Deputy CEO, Qatar Financial Centre Regulatory Authority gave a presentation on *Effective and Efficient Financial Regulation in the MENA Region*, based on the responses of the Regulatory Authority to the OECD High Level Checklist of the policy framework.

Mr. Ryan explained that the QFC Regulatory Authority authorises and supervises institutions and individuals to operate under the framework of the QFC and ensures that participants fully understand the information available to them. He added that the overall approach of the QFC Regulatory Authority is set up in the “*Principles of Good Regulation*” and is founded on a “Risk-based approach” consisting in understanding and acting on emerging risks at the individual and institutional level and at a systemic level. Mr. Ryan added that the QFC Regulatory Authority has a risk mitigation programme and maintains close relationships with authorised firms and individuals to ensure appropriate behaviour and compliance. He also noted that the QFC Regulatory Authority has extensive relationships with other regulators through memorandums of understanding. Mr. Ryan outlined the supervisory tools used by the QFC Regulatory Authority, which are firm specific but also horizontal (benchmarking, compliance, etc.). Mr. Ryan also provided specific examples of the QFC Regulatory Authority alignment with some of the principles set out in the OECD Policy Framework for Effective and Efficient Financial Regulation.

The participants to the Round Table noted with interest and discussed these presentations. Among the issues discussed were:

- The importance of macro-prudential frameworks for government intervention in the financial sector and the role of international initiatives such as the Financial Stability Board;
- Measures undertaken by the G20 addressing pro-cyclicality through capital buffers, cross-border resolutions and systemically important financial institutions.
- The importance of open and direct dialogue between financial institutions and regulators as opposed to too prescriptive approaches by regulators.

SESSION III. SYSTEM DESIGN AND IMPLEMENTATION OF FINANCIAL REGULATION: INSTITUTIONAL ROLES IN FINANCIAL STABILITY

Chair: **Mr. Michael Ryan**, Deputy CEO, QFC Regulatory Authority.

Mr. Abdul Razzak Al-Saadi, Chairman, Iraq Securities Commission, presented the *Institutional*

SESSION III. SYSTEM DESIGN AND IMPLEMENTATION OF FINANCIAL REGULATION: INSTITUTIONAL ROLES IN FINANCIAL STABILITY

Design for Financial Regulation and Supervision in Iraq.

Mr. Al-Saadi noted that the Investment Commission of Iraq is the institution responsible for organising and managing non-governmental direct investments whereas the Securities Commission is responsible for indirect investments. He explained that the Securities Commission encourages limited companies to convert into joint-stock companies and list on the stock market and added that companies in need of financing find it easier to raise capital in the stock market. He also stated that there is a strategy to transform state-owned enterprises to privately-owned companies or mixed-ownership companies and therefore promote investment and create jobs, especially in the housing sector, tourism, transport and services. This is strengthened by the National Investment Law of 2006 to facilitate private investment in the country.

Mr. Al-Saadi announced that a new and comprehensive securities law is expected to be approved by the Iraqi Parliament during 2011 and that this law is expected to substitute the provisional securities law, legislated in 2004.

Mr. Abbas Ahmad AlBasha, Head of Unit, Securities Market Project Unit, Ministry of Finance of Yemen, presented the *Institutional Framework for Financial Regulation and Supervision in Yemen*.

Mr. AlBasha provided background information on the economic and governance reforms being undertaken and achieved in Yemen and described the main roles of government institutions. He also detailed the project for establishing a stock exchange in Yemen, launched by the Prime Minister in 2006 and which dates back to 1990. The project is being undertaken in collaboration with government institutions, chambers of commerce and private sector associations. He added that an action plan is being produced in close collaboration with the Securities Commission of Jordan, the Arab Monetary Fund, the Financial Services Volunteer Corps, among other institutions.

Mr. Diego Borja Lascurain, Banking, Securities and Savings Unit, Ministry of Finance and Public Credit, Mexico, *Presented the Institutional Design for Financial Regulation and Supervision in Mexico*.

Mr. Borja explained that the current institutional regulatory framework in Mexico was developed to respond to the 1994 financial and economic crisis in the country. He noted that before the crisis the capital adequacy ratio in the banking system was below international standards, which meant that there was a need to recapitalise the financial system and improve financial expertise in the country. To respond to this, he added, Mexico resorted to foreign capital and knowledge. This, added to the need to enhance the availability of resources to finance the private sector's activities led to a sounder financial system by 2000. By 2000-2006 Mexico reached a strong level of capital adequacy and registered an increase in the number of banking institutions.

Regarding the recent global economic and financial crisis, Mr. Borja noted that the Mexican banking system was in good shape and had no exposure to toxic foreign assets. The crisis, however, had effects in the stock market and some corporate firms experienced difficulties in rolling their debt which led to an increase in the risk aversion of investors. Furthermore, he added, from 2007 the quality of the assets held in the consumer loans portfolio of the banking system decreased (which was, however, attributable to the efforts undertaken by banks to increase credit to the population and not so much to the financial crisis).

In this context, Mr. Borja added, the government undertook a series of measures to counteract the

SESSION III. SYSTEM DESIGN AND IMPLEMENTATION OF FINANCIAL REGULATION: INSTITUTIONAL ROLES IN FINANCIAL STABILITY

effects of the crisis; among them were the purchase of long-term debt, the swap of short-term by medium-term debt; and notably, the establishment of inter-agency coordination arrangements through a Financial System Stability Council, composed of various financial regulatory and supervisory institutions such as the deposit insurance agency, the banking and securities supervisor, etc. The Council is led by the Ministry of Finance and is aimed at monitoring and assessing systemic wide risks and strengthening macro-prudential regulation.

Mr. Borja finally noted that current capital adequacy in the Mexican banking system is at 17.4% of risk weighted assets and that most of it is tier 1 capital. This denotes that Mexico is already compliant with Basel III capital requirements and other recommendations of the FSB and the G20.

The participants to the Round Table noted with interest and discussed these presentations. Among the issues discussed were:

- The openness of Iraq and Yemen to foreign investments and the cooperation with international organisations such as UNDP, the IFC, IMF, AMF, OECD, etc. in the development of the financial markets and the institutional regulatory and supervisory frameworks of those countries.
- The implications and efficiency of having single or multiple financial regulators. In this regard it was argued that in terms of economies of scale the single regulator approach was certainly more efficient; however, having different regulatory institutions provides a broader view to perceive emerging challenges. Furthermore, it was argued that the existence of a complex financial system in which several financial institutions operate in various fields demands a broad system of regulatory and supervisory authorities.

SESSION IV: FINANCIAL MARKETS REFORM: ISSUES, PROGRESS AND CHALLENGES

Chair: **Mr. Sherman Boone**, Assistant Director, Office of International Affairs, United States Securities and Exchange Commission.

Mr. Ismail Noureddine, President, Commission d'Organisation et de Surveillance des Opérations de Bourse, Algeria, gave a presentation on the [*Reform of the Financial Market in Algeria*](#).

Mr. Noureddine mentioned that the modernisation process of the Algerian financial system dates back to the 1990s, with the elaboration of laws for the reform of the financial system, including the banking law, the initiatives to establish the autonomy and independence of the central bank from the government, the securities law and the commerce law.

He explained that in the decade of 2000 the main priority was given to the development of the banking system and that the current concern is the need to develop a stock market able to better mobilise savings and improve the allocation of financial resources to the economy. Mr. Noureddine explained that an inter-ministerial committee has been established to implement the reform strategy and that such a committee is composed of working groups dealing with the main reform and development priorities,

SESSION IV: FINANCIAL MARKETS REFORM: ISSUES, PROGRESS AND CHALLENGES

namely, improving the confidence in the Algerian financial system among issuers and investors of securities; the professionalisation of financial intermediaries; ensuring a constant flow of security issuances; developing the legal and regulatory systems; among others.

Mr. Ugur Çiplak, Head of Regulation and Monitoring Division, Banking and Financial Institutions Department, Central Bank of Turkey, presented *Financial Markets Reform: Financial Stability and Macro Prudential Supervision*.

Mr. Çiplak argued that one of the factors leading to the 2008-2009 financial crisis was the focus on price stability and overlook of financial stability by central banks in developed countries. He cited some of the macro-prudential tools government institutions have available to promote financial stability (i.e. reserve requirements, liquidity management, capital adequacy ratios, taxes and fiscal discipline).

He noted some of the challenges faced after the financial and economic crisis, among them the risks of overheating in some economies and financial products, the excessive indebtedness in some countries; the increased flow of capital to emerging markets; the formation of asset bubbles and high current account deficits in some economies. He suggested that in a context of financial markets reform, the introduction of macro-prudential policies would be useful to address those challenges.

Mr. Sherman Boone, Assistant Director, Office of International Affairs, United States Securities and Exchange Commission, gave a presentation on the financial reforms being undertaken in the United States under the *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

Mr. Boone mentioned that the Dodd-Frank Act addresses issues related to the regulation and supervision of over the counter trading of financial instruments and participants involved in swap trading. The Act enhances market transparency through requirements for the collection and publication of data on derivatives and OTC transactions and requirements for hedge-fund advisors to register with the SEC as investment advisors, among other measures.

The participants to the Round Table noted with interest and discussed these presentations. Among the issues raised were:

- An invitation by the Arab Monetary Fund to the participants at the Round Table to attend the next meeting of the AMF.
- The role of the Algerian stock exchange in supporting the privatisation of state-owned enterprises.
- The establishment of off-shore financial centres in the region.

SESSION V: NEXT STEPS FOR THE MENA-OECD CAPITAL MARKETS TASKFORCE

The Co-chairs of the Round Table underlined the importance of the exchange of experiences and best practices regarding the regulation and supervision of financial markets and remarked that the issues uncovered during the recent crisis cannot be resolved overnight.

SESSION V: NEXT STEPS FOR THE MENA-OECD CAPITAL MARKETS TASKFORCE

Mr. Alexander Böhmer, Head of the MENA-OECD Investment Programme, underscored the support to the MENA-OECD Capital Markets task force given by Morocco, Chair of the MENA-OECD Initiative for Investment and represented in the Round Table by Mr. Monkid Mestassi, and by the Minister of Economy and Finance of Qatar, H.E. Yousef Hussein Kamal.

Mr. Böhmer noted that the MENA-OECD Capital Markets Task Force is filling a niche in the work of the MENA-OECD Investment Programme and added that the activities to be undertaken under the task force will provide valuable input for the next MENA-OECD Ministerial Meeting. He called the attention to the different levels of financial development between MENA countries and the importance of integrating regional and global institutions such as the Arab Monetary Fund and the International Monetary Fund in the work of the task force.

He added that the task force will be structured following the governance arrangement in the MENA-OECD Investment Programme, namely the co-chairmanship of a MENA economy (Qatar) and an OECD country (the United States). He stated that the Secretariat of the MENA-OECD Investment Programme will develop a document with the guidelines for the functioning of the task force. He also noted that the task force will be formed by financial regulatory and supervisory authorities from MENA and OECD economies and that the work of the task force will be supported by the Secretariat of the OECD. Among the proposed next steps for the MENA-OECD Capital Markets task force he cited:

- The finalisation and publication of the benchmark study of MENA regulatory and supervisory frameworks vis-à-vis the OECD Policy Framework for Effective and Efficient Financial Regulation.
- The development of a flagship publication on capital markets in the MENA region to be published regularly (e.g. every two years).
- Using the MENA-OECD Capital Markets task force as an instrument for increasing the voice of MENA economies in financial standard setting bodies.
- The development of the network and constituency of the task force with the support of the Arab Monetary Fund.
- The drafting of regular newsletters on important developments regarding the regulation and supervision of financial markets in MENA and OECD economies.
- Increasing the access of MENA economies to OECD expertise and publications in the area of regulation and supervision of financial markets.
- Organising a meeting of the task force during the second quarter of 2011, back to back with the AMF regional event and a meeting in Qatar during the last quarter of 2011.

The participants to the Round Table noted with interest and discussed these statements. Among the issues raised were:

- A proposal by the AMF to organise a yearly event on capital markets. **Mr. Yisr Barnieh**, Head of the Capital Markets Division of the Arab Monetary Fund informed that the next meeting of the AMF will take place in Abu Dhabi in May 2011 and invited the participants of the MENA-OECD Capital Markets task force to hold a meeting back-to-back with the AMF event. Mr. Barnieh mentioned that capacity building with regard to the regulation and supervision of financial markets is crucial for the MENA region and stressed the need for co-operation with OECD countries in the organisation of training workshops. He also emphasised the necessity of targeting the participation of the task force in either capital markets or financial markets. To conclude Mr. Barnieh underscored the need to create a

SESSION V: NEXT STEPS FOR THE MENA-OECD CAPITAL MARKETS TASKFORCE

yearly report on capital markets in the MENA region, which could be used as an informative and awareness-raising tool. He stated the willingness of the AMF to participate and co-operate in these activities.

- **Ms. May Khamis**, IMF, considered the Round Table as a very valuable meeting and declared that she would discuss with the IMF's headquarters regarding proposals for joint work.
- **Mr. Mustafa Gumus**, Deputy Head of Institutional Communications Department of the Capital Markets Board of Turkey (CMB) stated that Turkey has extensive experience in corporate governance, market surveillance, clearing and custody systems and public disclosure issues. He added that the CMB will be pleased to contribute to the task force's activities on the aforementioned topics.
- **Mr. Timothy Bishop**, OECD Secretariat, proposed the development of linkages between the MENA-OECD Capital Markets task force and the OECD Committees on Financial Markets (CMF) and on Insurance and Pensions (IPPC). He mentioned that both committees have a global relations strategy in which co-operation with OECD non-members is integrated into the committees' work. He suggested that discussions for the next meeting of the task force could be centred in issues discussed at the CMF and IPPC and that themes dealt with by the task force could also be discussed at the OECD committees. He also put forward the possibility of organising a joint MENA-OECD Capital Markets Task Force, CMF and IPPC round table and added that the OECD committees have done substantial work on financial statistics, which could be extended to include MENA financial systems and also Latin America.
- **Mr. Mazen Najib Wathaifi**, Director of Research and International Affairs Department of the Jordan Securities Commission, observed that the type of regulations to be addressed by the work of the task force should be specified and stressed the need to make a more specific use of the OECD Policy Framework for Effective and Efficient Financial Regulation with regard to banking, securities and insurance. He added that the work of the task force could benefit from principles developed by the International Organisation of Securities Commissions, the Basle Committee, and other standard setting bodies.
- **Mr. Sherman Boone**, US SEC, mentioned that regarding the SEC's involvement in the region, the commission has organised training workshops. He stated that at its last meeting in Seoul, the Financial Stability Board agreed to expand its regional dialogue for non FSB countries and that the task force could prove a relevant platform for this and that synergies should be established.

LIST OF PARTICIPANTS

MENA economies

Algeria/ Algérie

Mr. Ismail Noureddine Président
Commission d'Organisation et de Surveillance des
Opérations de Bourse (COSOB)

Bahrain/Bahreïn

Mrs. Waheeda Juma Al-Doy Director and Regional Coordinator
MENA Centre for Investment/Bahrain Economic
Development Board

Iraq

Mr. Abdul Razzak Al-Saadi Chairman
Iraq Securities Commission

Jordan/Jordanie

Mr. Mazen Najib Wathaifi Director of Research and International Affairs Department
Jordan Securities Commission

Morocco/Maroc

Mr. Monkid Mestassi Secretary General
Ministry of Economic & General Affairs

Mr. Brahim Qermane Adviser to the Prime Minister
Office of the Prime Minister

Qatar

Mr. Sharaf Abdulla Alsaïd Head of International Organisation
Central Bank of Qatar

Mr. Michael Dalby	Acting Manager, Securities and Issuers Affairs Qatar Financial Markets Authority
Mr. Phillip Thorpe	Chairman and Chief Executive Officer Qatar Financial Centre Regulatory Authority
Mr. Michael Ryan	Deputy Chief Executive Officer Qatar Financial Centre Regulatory Authority
Mr. George Pickering	Managing Director, Policy and Enforcement Qatar Financial Centre Regulatory Authority
Mr. Michael Lesser	Managing Director, Authorisation and Supervision Qatar Financial Centre Regulatory Authority
Mr. Jean François Lepetit	Board Member Qatar Financial Centre Regulatory Authority
Mr Brian Quinn	Board Member Qatar Financial Centre Regulatory Authority

United Arab Emirates/Émirats Arabes Unis

Mr. Gerald Santing	Managing Director of Markets Dubai Financial Services Authority
---------------------------	--

Yemen/Yémen

Mr. Abbas Ahmad AlBasha	Head of Securities Market Project Unit Ministry of Finance
--------------------------------	---

OECD Members

Italy/Italie

Mr. Gian Paolo Ruggiero

Vice-Chair of the OECD Committee on Financial Markets
Director Bureau VII (Financial Markets and OECD affairs)
Treasury Department - Directorate for International
Financial Affairs
Ministry of the Economy and Finance

Mexico/Mexique

Mr. Diego Borja Lascurain

Unit for banking, securities and savings (Unidad de Banca,
Valores y Ahorro)
Ministry of Finance (Secretaria de Hacienda and Credito
Público)

Turkey/Turquie

Mr. Ugur Çiplak

Head of Regulation and Monitoring Division
Banking and Financial Institutions Department
Central Bank of Turkey

Mr. Mustafa Gümüş

Deputy Head of Institutional Communications Department
Capital Markets Board

Ms. Seçil Sayın Gündüz

Senior Expert
Capital Markets Board

United States/ États-Unis

Mr. Sherman Boone

Assistant director
U.S Securities and Exchange Commission - USA

