

The International Organization for Securities  
Commissions (IOSCO)

Seminar Training Program

For the

Africa and Middle East Regional Committee (AMERC)

**HOSTED BY**

**CAPITAL MARKETS AUTHORITY UGANDA**

21<sup>st</sup> – 23<sup>rd</sup> November 2005

Kampala

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**Opening remarks**

By

**Dr. Louis Kasekende PhD**

Deputy Governor



**BANK OF UGANDA**

Mr. Dogan Canzisar – Chairman of the Emerging Markets Committee of IOSCO and Chairman of the Capital Markets Board of Turkey;

Mr. Musa al Faki – Chairman of the African and Middle East Regional Committee of IOSCO;

Mr. Phillip Richards – IOSCO Secretary General;

Mr. Twaha Kaawaase – Chairman of the Capital Markets Authority of Uganda, the hosts of this meeting;

Mr. Japheth Katto – Chief Executive Officer Capital Markets Authority Uganda;

Distinguished delegates in your various capacities;

Ladies and Gentlemen:

I wish to welcome you to Uganda the “Pearl of Africa” which as you will learn is “Gifted by Nature”.

It is a privilege for Uganda to be selected among all emerging market countries to host this important seminar focusing on implementing

IOSCO principles and combating financial fraud through enforcement, cooperation and information sharing.

Furthermore, I am delighted that such a seminar is taking place in this region where markets are considered fairly smaller and are associated with major regulatory challenges.

This particular seminar is timely especially at this stage when all regulators are focusing on enhancing regulation, which is driven by integration, international competition and financial consolidation. Central banks on their part have embraced regulations and principles such as Basle principles and Early Warning Systems. All these efforts are geared towards achieving an appropriate balance between market discipline, oversight and putting in place risk mitigating measures **in order to cope with the** increased complexity of financial markets that exposes them to the risk of failure. As regulators, you need to be at the forefront of identifying weaknesses in markets that increase the probability of market failure. Indeed in the banking sector, we have introduced risk based supervision which, **among others, enables the regulator to focus on areas of weakness within institutions and therefore take corrective action in time.**

As you are aware, financial markets are very sensitive; they **are prone** to extreme behaviour, they are vulnerable to dishonesty, they wither

and die under too much regulation . These weaknesses **often** come directly from imperfect information and opportunistic behaviour, which are characteristics of markets. **Unfortunately, upheavals in financial markets spill over into the real sector, with adverse consequences on growth and development.**

We realize that enhancing our frameworks and establishing the necessary systems for fraud detection is hardly enough. International Regulator - to - Regulator (R to R) cooperation is vital, particularly because the regulators are constantly challenged to be ahead of the game at all times. Cooperation of this nature brings forth reliable and timely information, which is the most effective tool in combating illegal activities **and ensuring fair play.**

We need to remind ourselves that markets have imperfections and failures. Financial markets are especially vulnerable to fraud and abuse. Recent examples of fraud cases that are still fresh in our minds are the Ponzi schemes, trading scandals at Barings, Salomon Brothers and Allfirst Insurance. We need to draw important lessons from such cases. In addition, abuse of informational advantages or insider trading are also a common feature of financial markets. Having said that, I would now like to emphasize a bit on the goals of regulation, which are known to all of us, which happen to be the core principles of IOSCO and these are:

1. Ensuring adequate information for investment decision
2. Protection and promotion of fair competition
3. Prevention of contagion where possible and
4. To enhance markets to survive systemic shocks.

The greatest challenge before all of us today is how do we achieve all these goals given the nature of the landscape where we operate. It is my view that the sources of financial market problems are not going to disappear. These are permanent features and we must take it for granted that market participants will always try to find loopholes and go around the regulations. **We ought to appreciate that market participants' actions are driven by greed and fear and may not be in line with the objectives of the regulator.** It is our duty as regulators to take a very broad perspective that is in line with the IOSCO principles **in order for markets to deliver on the objectives of growth and development.**

I am informed that the participants comprise senior representatives from at least 10 countries in the African and Middle East region. This will no doubt present a very useful opportunity for information exchange and learning. It will also be a good opportunity for you as leaders of our emerging markets in the African and Middle East region to map out strategies that will ensure that we move from the universal category of “emerging” to “emerged” sooner rather than later. You are also challenged to develop the necessary networks and contacts that will give rise to formal cooperation amongst you.

Let me urge you that as you deliberate, focus on the future. As you are aware, markets are very dynamic. As markets grow, there are potential problem areas that will arise. Again it is through close cooperation, networking and coordination that we shall be able to forge ahead. However, let's not disregard using the market players' as partners in regulation.

In conclusion, I would like to say that as regulators, we should permit market developments and competition between market participants, but be ready to intervene in order to ensure fair play. I thank all of you and I wish you fruitful deliberations leading to market changing resolutions for the benefit of our economies.