



Notes pour une allocution
prononcée par

Jean St-Gelais
Président-directeur général
de l'Autorité des marchés financiers

Conférence de Montréal
9 juin 2008

Seul le texte prononcé fait foi

Monsieur Gérald Tremblay, maire de Montréal,
Monsieur Gil Rémillard, président-fondateur du Forum économique international des Amériques,
Distingués invités,
Mesdames, Messieurs,

Je suis très heureux et fier du fait qu'encore une fois l'Autorité des marchés financiers est étroitement liée à la Conférence de Montréal. Permettez-moi de saluer le travail de monsieur Paul Desmarais jr. qui préside le conseil des gouverneurs de la Conférence ainsi que son dirigeant principal monsieur Gil Rémillard. Aujourd'hui, la Conférence réunit à Montréal les décideurs de nombreux pays pour échanger sur les défis à surmonter et partager les moyens les plus susceptibles de leur apporter des solutions durables.

L'an dernier, à la même période de l'année, nous nous rencontrions ici sans nous douter de l'ampleur des secousses qui se produiraient dans le secteur financier à travers le monde. Depuis plusieurs années nous parlons de mondialisation, des relations de plus en plus intégrées, mais la crise que nous vivons encore sur les marchés financiers nous montre clairement jusqu'à quel point cette internationalisation des échanges a progressé.

The subprime mortgage debacle that struck in the summer of 2007 undermined the entire financial system. It rattled financial markets around the world. The majority of G8 countries have struggled since last summer, and most of their leading financial institutions have, at various levels, been faced with a credit squeeze with potentially serious liquidity problems.

The turmoil in financial markets clearly was triggered by a dramatic weakening of underwriting standards for U.S. subprime mortgages, beginning in late 2004 and extending into early 2007. The loosening of credit standards and terms in the subprime market was also symptomatic of a much broader erosion of market and regulatory discipline on the standards and terms of loans to households and businesses.

By the last trimester of 2007, exactly this situation appears to have occurred: changes in expected default rates among the subprime mortgages created considerable uncertainty about the cash flow prospects of subprime Residential Mortgage-Backed Security (RMBSs) and Collateralized debt obligations (CDOs).

This uncertainty caused credit markets to tighten and by mid-August 2007 actually led to a liquidity crisis for some investors with significant positions in these securities. This liquidity crisis itself had ramifications far beyond the United States and the subprime debt markets.

By March 2008, the direct and indirect spill-over effects to the subprime crisis led to a near failure of Bear, Stearns & Co. Inc., one of the world's largest investment banks.

In retrospect, this reflected a breakdown of both market and regulatory mechanisms.

The crisis that has shaken the subprime in the United States demonstrates the interrelation of today's global markets. The initial triggering event appears to have stemmed from defaults on risky mortgage loans in the United States. This resulted in a chain of events that need to be assessed.

In order to address the sources of the events, regulatory authorities around the world are looking at :

1. issuer transparency and investor due diligence;
2. institutional investor risk management and prudential supervision;
3. accounting and valuation issues for structured finance products under conditions of market stress;
4. the role of Credit rating agencies in structured finance markets.

Heureusement, les organismes réglementant le secteur financier travaillent aujourd'hui ensemble, globalement, à travers le monde. De cette manière, nous sommes plus en mesure de réagir adéquatement aux crises et de ne pas les exacerber par manque de cohérence, de communication ou de coordination.

Fortunately, Canada is in a relatively good position to cope adequately with the current situation barring worldwide major problems.

Role of regulatory authorities

Regulatory authorities, like various socio-economic players around the world, have a responsibility to help map out medium- and long-term solutions.

Of course, the mission of regulatory authorities is to regulate the financial sector and protect the public. But we must look beyond that role and, by drawing on our expertise and knowledge, propose measures adapted to new and anticipated realities and thereby foster effective market operations. The goal is to not to hamper operations, but rather facilitate their development.

We must therefore support market players and nurture the three essential factors for growth: stability, confidence and fairness.

Financial market regulators in Canada and Québec have successfully completed framework initiatives designed to modernize regulation by taking into account market realities and the balance required for growth.

As President and CEO of the AMF and Chair of the Canadian Securities Administrators, I would like to highlight some of these initiatives.

Passport

The Passport system is a shining example of co-operation among Canadian regulators.

Combination of exchanges

Exchanges, once composed of mutual associations owned solely by their membership and mainly emanating from the banking sector, are now made up of publicly traded companies owned by shareholders who are not necessarily members.

The rallying cry now encompasses competition, speedy low-cost trading, and larger cash flows. We no longer think from a local perspective, but from a global securities standpoint.

The combination of the Montréal Exchange and Toronto-based TSX Group is an excellent example. The AMF's approval of the combination covered key undertakings with respect to protecting the public interest and maintaining and developing exchange activities in Montréal, while offering the new TMX Group the flexibility needed to optimize its operations.

Derivatives

To ensure a modern, flexible framework for derivatives, principles-based legislation was recently tabled in the Québec National Assembly. Modeled on global best practices, this legislation will ensure that Québec remains at the forefront of the industry and help strengthen the derivatives sector in Québec.

Like legislative bodies and other regulators throughout the world, the AMF seeks to co-operate with its counterparts in other countries for the purpose of building an effective and credible international financial market.

To conclude, I would like to reiterate that it is our collective responsibility, through greater co-operation and a firmer understanding of our respective issues, to share our vision and aspirations for better financial market regulation and consumer protection.

This is just one reason why an event such as the International Economic Forum of the Americas adds so much value for the entire national and international financial community.

Soyez assurés que tout comme les autres législateurs et organismes de réglementation à travers le monde, l'Autorité des marchés financiers tient à collaborer avec ses homologues à la construction d'un marché financier international efficace et crédible.

Pour terminer, je tiens à réitérer qu'il est de notre ressort à tous, par une collaboration accrue et une meilleure compréhension de nos enjeux respectifs, de partager notre vision et nos aspirations de ce que doit être l'encadrement des marchés financiers et la protection des consommateurs.

C'est entre autres pourquoi la tenue d'un événement tel que le Forum économique international des Amériques, est une valeur ajoutée pour l'ensemble de la communauté financière nationale et internationale.

Sur ce, je désire remercier toutes les personnes qui, par leur participation à tous les ateliers qui sont proposés, feront un succès de cette journée.