

International Conference  
“Asian Market Integration and Financial Innovation”

Session 1: Post-Crisis Regulatory Reform in Financial Markets and Its Implications for Asia

**Post-crisis Regulatory Reform in Financial Markets  
and its implications for Asia**

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**abstract**

Asia is not immune to the effects of the global financial crisis as the international financial system is tightly interconnected. Against this backdrop, the global financial crisis of 2008 has highlighted 3 key areas of weakness in the financial system that has impacted Asia in varying degrees. These are:

1. The selling of complex investment products to retail investors

The growing complexity of financial products and product innovation make associated risks less apparent to investors. This is exacerbated by insufficient disclosure of product features and risks to investors and intermediaries recommending unsuitable investment products to investors.

2. The trading of OTC derivatives

The financial crisis highlighted weaknesses in the structure of OTC derivatives markets that contributed to the build-up of systemic risk including large counterparty exposures that were not appropriately risk-managed. The opaque nature of the OTC derivatives market and increasing complexity of products facilitate excessive leveraging and risk taking.

3. The risk of trading in overseas markets

There is an ongoing risk of local investors' assets being frozen overseas due to the failure of a 3rd party overseas intermediary who trades on behalf of those local investors, as exemplified by the collapse of Lehman Brothers and MF Global.

The presentation will discuss these areas and refer to specific measures that are being taken to address these issues at the international and local level by way of examples of regulatory initiatives by IOSCO and the experience in Hong Kong.