

# **Post-Crisis Regulatory Reform in Financial Markets and Its Implications for Asia**

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*\*Any views expressed in this presentation  
are those of the author, and not necessarily  
the official views of the FSA.*

## **Today's Presentation**

- I. Capital Flow in and out of Asia**
- II. Development of Asian Financial Markets**
- III. Implications for Asia of the on-going International Financial Reforms**

## I . Capital Flows in and out of Asia

- Although savings-investment balances for most Asian countries demonstrate excess savings, portfolio investment flows within Asia have been modest.
- A large part of Asia's cross-border portfolio investment flows is directed to the United States and the EU. On the other hand, a majority of foreign portfolio investment flows into Asia comes from the United States and the EU.
- Asia faces a challenge in utilizing its excess savings efficiently, and could benefit from enhanced circulation of capital flows within Asia, if it could develop in a stable manner conducive to sustainable economic growth.

## Savings/Investment Rates and Holdings of U.S. Treasuries in Asia

Savings/Investment Rates in Asian Countries

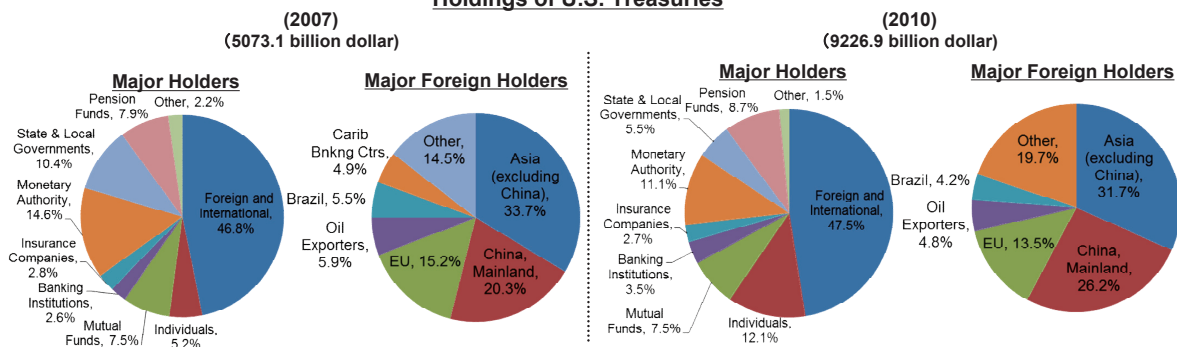
	GDP (billion dollar)			Savings Rate(%)			Investment Rate(%)		
	2007	2010	2011	2007	2010	2011	2007	2010	2011
Thailand	246.977	318.908	339.396	32.8	30.6	30.4	26.4	25.9	25.6
Malaysia	187.005	237.959	247.565	37.5	32.9	33.1	21.6	21.4	21.8
Singapore	177.329	222.699	266.498	48.4	46.0	45.8	21.1	23.8	26.0
Hong Kong	207.089	224.459	246.941	33.3	29.9	29.2	20.9	23.7	23.8
Indonesia	432.232	706.752	834.335	27.3	33.3	33.1	24.9	32.5	32.9
South Korea	1049.239	1014.482	1163.847	31.5	31.9	29.6	29.4	29.2	28.2
Philippine	149.36	199.591	216.096	22.1	24.8	22.3	16.9	20.5	20.5
Japan	4377.961	5458.797	5855.383	28.5	23.8	23.9	23.7	20.2	21.4

Source: International Monetary Fund, World Economic Outlook Database, September 2011

Estimates Start After 2010

Note: Savings Rate=gross national savings/GDP; Investment Rate=Total Investment (Gross capital formation)/GDP

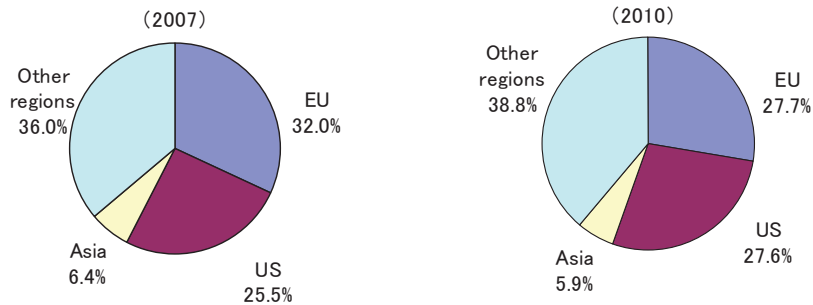
### Holdings of U.S. Treasuries



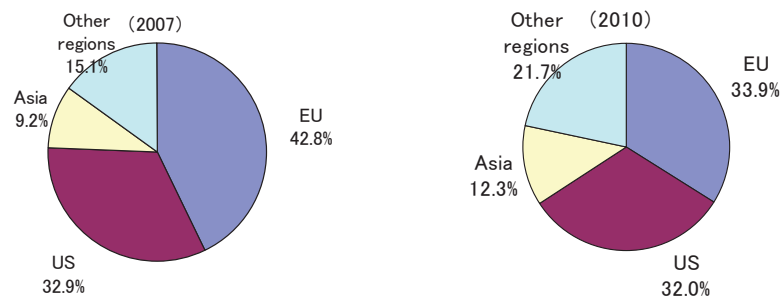
Source: U.S. Treasury, Securities Industry and Financial Markets Association (SIFMA)

## Capital Flows in and out of Asia

### (1) Portfolio Investment from Asia



### (2) Portfolio Investment into Asia



※Data for 2010 is preliminary.  
 ※Asia is excluding China  
 Source: IMF "Coordinated Portfolio Investment Survey"

## Portfolio investment out of Asia

2007

(billion dollar)

	Thailand (Amount: 15,187)			Malaysia (Amount: 12,935)			Singapore (Amount: 365,034)			Hong Kong (Amount: 778,530)			Indonesia (Amount: 2,608)		
	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)
1	EU	6,727	44.3	EU	2,933	22.7	EU	107,916	29.6	China	165,710	21.3	EU	0,676	25.9
2	Australia	4,174	27.5	Singapore	2,251	17.4	United States	50,052	13.7	EU	161,938	20.8	India	0,504	19.3
3	United States	1,591	10.5	Hong Kong	1,902	14.7	Australia	27,268	7.5	Cayman Is.	130,085	16.7	Hong Kong	0,423	16.2
4	Singapore	0,572	3.8	United States	1,408	10.9	Malaysia	26,283	7.2	Bermuda	103,279	13.3	United States	0,290	11.1
5	Korea	0,527	3.5	Korea	0,961	7.4	Korea	21,453	5.9	United States	70,387	9.0	Singapore	0,204	7.8
	Korea (Amount: 158,606)			Philippines (Amount: 6,520)			Japan (Amount: 2,523,566)								
	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)		value	ratio (%)		value	ratio (%)
1	United States	46,964	29.6	United States	2,369	36.3	EU	922,910	36.6						
2	EU	33,350	21.0	EU	1,302	20.0	United States	813,311	32.2						
3	China	23,268	14.7	Singapore	0,501	7.7	Cayman Is.	357,292	14.2						
4	Hong Kong	17,070	10.8	Australia	0,360	5.5	Australia	65,931	2.6						
5	India	5,801	3.7	Cayman Is.	0,297	4.6	Canada	51,235	2.0						

2010

(billion dollar)

	Thailand (Amount: 22,978)			Malaysia (Amount: 35,893)			Singapore (Amount: 398,757)			Hong Kong (Amount: 928,942)			Indonesia (Amount: 6,496)		
	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)
1	Korea	11,413	49.7	Singapore	9,187	25.6	EU	92,003	23.1	Cayman Is.	203,027	21.9	EU	1,474	22.7
2	United States	2,818	12.3	United States	7,534	21.0	United States	65,968	16.5	China	192,128	20.7	United States	1,117	17.2
3	EU	2,748	12.0	EU	3,685	10.3	China	36,186	9.1	EU	181,403	19.5	Singapore	0,744	11.4
4	Australia	1,330	5.8	Hong Kong	2,833	7.9	India	29,250	7.3	Bermuda	105,683	11.4	Hong Kong	0,146	2.3
5	Singapore	0,761	3.3	Korea	2,829	7.9	Korea	25,928	6.5	United States	90,958	9.8	Mauritius	0,138	2.1
	Korea (Amount: 116,687)			Philippines (Amount: 5,862)			Japan (Amount: 3,345,830)								
	investment into	value	ratio (%)	investment into	value	ratio (%)	investment into	value	ratio (%)		value	ratio (%)		value	ratio (%)
1	United States	35,225	30.2	United States	1,814	30.9	United States	1,138,244	34.0						
2	EU	24,022	20.6	EU	1,147	19.6	EU	1,038,421	31.0						
3	China	10,806	9.3	Indonesia	0,697	11.9	Cayman Is.	522,812	15.6						
4	Cayman Is.	7,052	6.0	Hong Kong	0,217	3.7	Australia	138,895	4.2						
5	Hong Kong	6,538	5.6	Singapore	0,143	2.4	Canada	64,340	1.9						

※Data of 2010 is preliminary.  
 Source: IMF "Coordinated Portfolio Investment Survey"

## Portfolio investment into Asia

2007

(billion dollar)

	Thailand (Amount: 64.028)			Malaysia (Amount: 102.559)			Singapore (Amount: 170.919)			Hong Kong (Amount: 335.121)			Indonesia (Amount: 60.277)		
	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)
1	EU	29.155	45.5	EU	45.636	44.5	United States	64.710	37.9	EU	121.379	36.2	EU	20.614	34.2
2	United States	13.119	20.5	United States	26.117	25.5	EU	57.099	33.4	United States	121.276	36.2	United States	18.349	30.4
3	Singapore	8.617	13.5	Singapore	17.095	16.7	Japan	11.314	6.6	Singapore	19.747	5.9	Singapore	11.729	19.5
4	Hong Kong	4.487	7.0	Hong Kong	5.524	5.4	Mauritius	9.639	5.6	Japan	18.351	5.5	Mauritius	3.429	5.7
5	Japan	1.176	1.8	British Virgin Is.	2.065	2.0	Hong Kong	8.774	5.1	Korea	17.070	5.1	Japan	1.433	2.4

	Korea (Amount: 366.241)			Philippines (Amount: 40.763)			Japan (Amount: 1,942.870)		
	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)
1	United States	139.555	38.1	EU	17.521	43.0	EU	892.891	46.0
2	EU	133.994	36.6	United States	14.461	35.5	United States	617.421	31.8
3	Singapore	21.453	5.9	Singapore	1.997	4.9	Switzerland	47.145	2.4
4	Hong Kong	20.233	5.5	Japan	1.952	4.8	China	41.837	2.2
5	Japan	13.763	3.8	Hong Kong	1.104	2.7	Singapore	39.902	2.1

2010

(billion dollar)

	Thailand (Amount: 84.673)			Malaysia (Amount: 128.531)			Singapore (Amount: 172.168)			Hong Kong (Amount: 320.760)			Indonesia (Amount: 101.919)		
	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)
1	EU	47.549	56.2	EU	57.665	44.9	United States	63.908	37.1	United States	134.817	42.0	EU	35.713	35.0
2	United States	15.190	17.9	United States	27.774	21.6	EU	49.271	28.6	EU	111.101	34.6	United States	34.861	34.2
3	Singapore	11.579	13.7	Singapore	16.617	12.9	Japan	13.424	7.8	Japan	18.037	5.6	Singapore	15.514	15.2
4	Hong Kong	2.623	3.1	Hong Kong	7.419	5.8	Hong Kong	11.791	6.8	Singapore	14.631	4.6	Japan	5.991	5.9
5	Australia	2.135	2.5	British Virgin Is.	1.842	1.4	Malaysia	9.187	5.3	Australia	7.282	2.3	Hong Kong	1.600	1.6

	Korea (Amount: 407.799)			Philippines (Amount: 46.532)			Japan (Amount: 1,871.717)		
	investment out of	value	ratio (%)	investment out of	value	ratio (%)	investment out of	value	ratio (%)
1	United States	148.188	36.3	United States	16.532	35.5	EU	602.630	32.2
2	EU	147.243	36.1	EU	12.679	27.2	United States	561.480	30.0
3	Singapore	25.928	6.4	Singapore	3.743	8.0	China	169.871	9.1
4	Hong Kong	20.039	4.9	Japan	3.208	6.9	Singapore	67.800	3.6
5	Japan	18.016	4.4	Australia	3.157	6.8	Saudi Arabia	57.333	3.1

※Data of 2010 is preliminary.

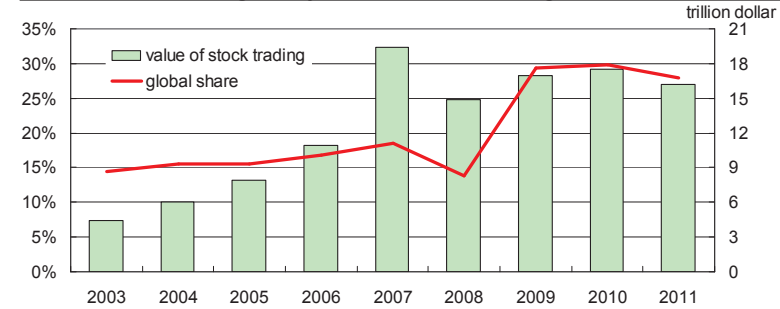
Source: IMF "Coordinated Portfolio Investment Survey"

## II. Development of Asian Financial Markets

- Despite the recent turbulence in global financial markets, Asia's securities markets are growing steadily. The number of IPOs appears stable, and trading volumes in stock exchanges and the number of listed companies continue to be on an upward trend.
- Bond markets in Asia are also developing. Trading volumes of both corporate bonds and government bonds are increasing. Coupon rates and credit ratings have been stable recently.
- However, there is a significant diversity in terms of the stages of market development across countries in Asia.
- In order to enhance the supply of stable funds to the economy, Asia should make further efforts to develop its financial markets and strengthen market infrastructures, while taking full account of the diversity across markets.

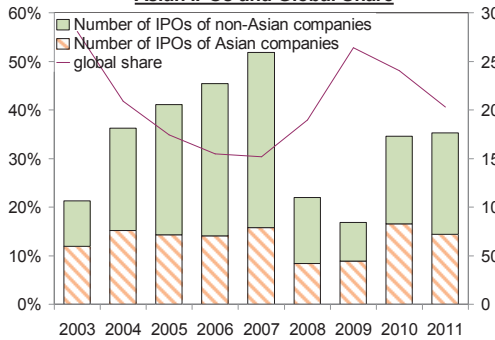
# Development of Asian Securities Markets

**Value of Stock Trading in Major Asian Stock Exchanges and Its Global Share**



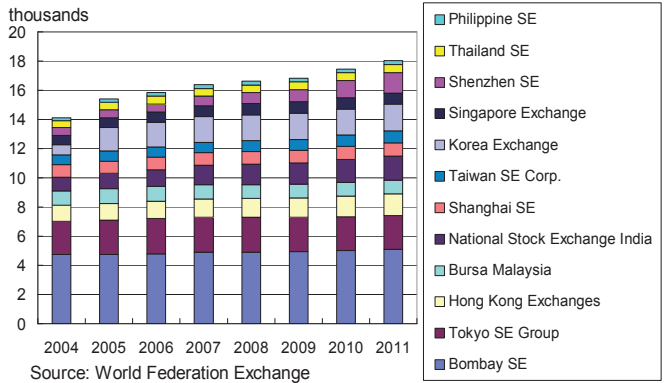
Source: World Federation Exchange

**Asian IPOs and Global Share**



Source: Bloomberg (left axis: share, right axis: number of IPOs)

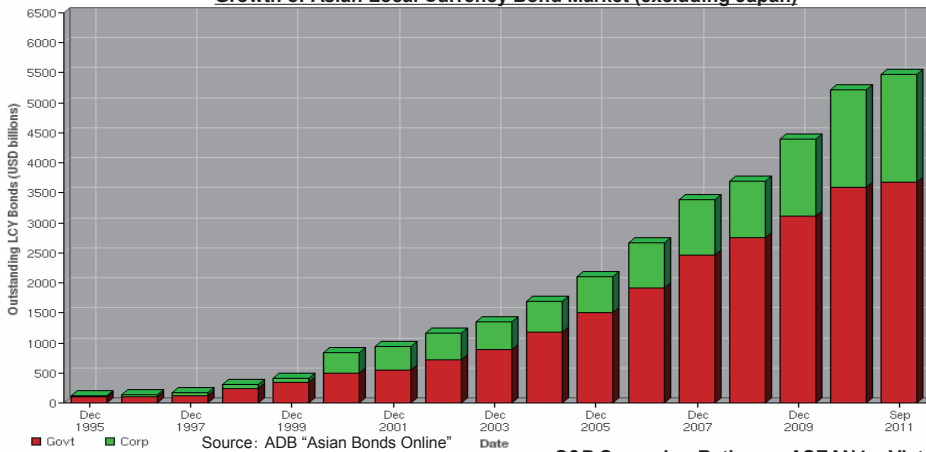
**Number of Listed Companies in Major Asian Stock Exchanges**



Source: World Federation Exchange

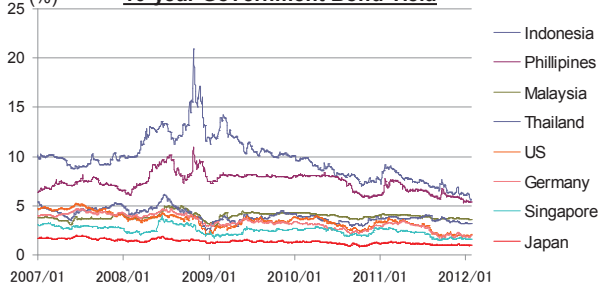
# Development of Asian Bonds Markets

**Growth of Asian Local Currency Bond Market (excluding Japan)**



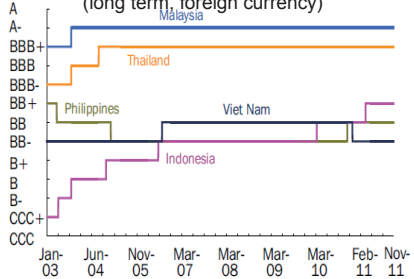
Source: ADB "Asian Bonds Online"

**10-year Government Bond Yield**



Source: bloomberg

**S&P Sovereign Ratings – ASEAN4 + Viet Nam**  
(long term, foreign currency)



Source: Bloomberg, Source: ADB "Asian Economic Monitor", Dec 2011

### III. Implications for Asia of the on-going International Financial Reforms

#### On-going International Financial Reforms

##### [G20 Commitments]

G20 countries are committed to a broad range of regulatory reforms agreed at the G20 Summit meetings. For example, regulatory reforms for OTC derivatives, including mandatory use of central counterparties (CCPs)/trade repositories (TRs) are underway in various jurisdictions. (e.g. DFA for US, EMIR for EU and Japan)

##### [Challenges associated with OTC derivatives reforms]

###### Potential regulatory overlaps or gaps for cross-boarder transactions

- Extraterritorial application of domestic laws and regulations
- Different implementation timelines among major jurisdictions

Need for a greater international coordination and cooperation framework among authorities

⇒ Efforts being made at the FSB, and standard-setters such as CPSS-IOSCO and Basel Committee etc.

## Implications for Asia of the on-going International Financial Reforms

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### [Some issues for consideration]

#### ➔ Use of a global CCP or a local CCP

- Safeguards needed for the use of a global CCP
  - ⇒ multilateral oversight arrangements, fair and open access to CCPs, and liquidity arrangements, etc.
- Consideration of links between global and local CCPs

#### ➔ Legal Entity Identifier (LEI)

- Development of a scheme useful for reporting and aggregation of transaction data
- Appropriate governance required at international level

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Thank you!

