Opening remarks at IOSCO Growth and Emerging Markets Committee Conference

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The Honorable Prime Minister and distinguished guests, ladies and gentlemen, it is my great honor and pleasure to have this opportunity to make an opening remark as the Chair of IOSCO Asia-Pacific Regional Committee (APRC) at this Growth and Emerging Markets Committee (GEMC) Conference. I would like to especially thank Chairman of SEC Sri Lanka and the Chair of the GEMC for organizing the Conference.

The title of the conference, *Enhancing sustainable and innovative market-based financing*, is a particularly relevant and timely one. The Asia-Pacific and emerging market economies have been rapidly developing and they would definitely need sustainable finance for the vast need for investment and infrastructure, while tapping financial and technological innovations.

What is noteworthy here today is that APRC and GEMC members share a number of common policy issues and challenges, given their commonality of membership. In this regard, today's conference is a memorable and valuable opportunity in the sense that both committees have their meetings back-to-back, with attendance of various stakeholders as well. This will provide a precious and useful occasion for the members of both committees and stakeholders to share the knowledge and experiences, thus creating a good synergy.

Today, I would like to touch upon several areas, on which I think APRC and GEMC may have common interest, together with the associated policy challenges.

First, I think it would be useful, and now perhaps even necessary, to take advantage of the evolving new financial technologies and the increasing availability of various data, thereby obtaining optimal benefit from them. The common benefits of these new financial innovations have distinct features, such as cost reduction and easy access to finance or funds. Actually, the potential for Fintech to leapfrog current technology, thanks to the presence of fewer legacy systems, has led many emerging markets to place significant emphasis on efforts to spur development in this area. This would

also bring about greater financial inclusion and help to attain sustainable economic growth in the end.

On the other hand, however, the increasing use of sophisticated technology in financial services may rather make supervision, surveillance and enforcement more complex and difficult. Regulators may face challenges cultivating the environment conducive to Fintech, while fulfilling their regulatory mandate, including ensuring investor protection, market fairness and financial stability. In this regard, cyber-attack is apparently another growing threat to the resiliency of the markets supported by the IT system. In addition, both public and private sectors will need to think about how compliance can be better observed and further enhanced through effective IT systems, so-called RegTech. Furthermore, the increasing use of crypto currencies like Bitcoin, as tools for fund transfer or settlement and the recent surge in the so called initial coin offerings are also presenting significant new and unprecedented challenges to securities regulators, compared with the conventional financial instruments, such as shares and bonds.

I can well imagine that those issues which I have just mentioned would likely be common challenges not only for the Asia-Pacific economies, but for jurisdictions worldwide. I think that, in this

regard, concerted global efforts would be needed to address these issues.

Second, another important issue which IOSCO may need to consider going forward would be how we can address harmful but legal conduct, which would present securities regulators with amplified and distinct challenges. These conducts, even if deemed as legal, would likely create so-called “grey areas” and could have adverse impacts on investor protection, market integrity and fairness.

However, to the extent that such conduct is considered legal, regulators may not be able to counter such conduct through enforcement and other regulatory actions. Changing and adjusting regulations may be costly and time-consuming. In this regard, one possible option may be to turn to some supervisory solutions, for instance, by applying informal pressure to regulated firms, inducing them to cultivate sound corporate culture and address wrong incentives if any, though these measures of course depend on local legal and regulatory frameworks.

This may not be an easy issue, but I think it would be important for us to continue discussions and consider a broad range of possible

tools to address it.

Third, promoting effective investor education in particular for retail investors, and improving financial literacy would be essential for investors to make informed investment decisions. Recently, IOSCO established its Asia Pacific Hub for capacity building and the Hub will soon convene its first workshop on the usefulness of behavioral economics for investor education and protection. I think this is a very important initiative and we made a very good start.

Fourth, conflicting and inconsistent extraterritorial rulemaking by other jurisdictions, if any, could pose difficulties in implementation when regulators of the Asia-Pacific region and market participants try to fit themselves in new requirements. To facilitate a balanced and informed debate on how Asia-Pacific jurisdictions should deal with the cross-border impacts of such rule-making, particularly in the context of equivalence or comparability assessment, we will need to continue to closely communicate about the Asia-Pacific regulatory and economic landscapes and the usefulness of deference to each other's regulatory regime, where appropriate.

In my capacity as the chair of the APRC, I would like to make my best efforts to have views of Asia-Pacific regulators reflected in

wider discussions at various fora.

In closing, let me reiterate the importance of promoting cooperation among regulators from the Asia Pacific region and GEMC members. Of course, there may be a number of differences in regulatory frameworks and market practices among those jurisdictions, but occasions like this conference, where APRC and GEMC members and other stakeholders get together, would help us to learn more from each other and share relevant experiences.

I wish today's conference a most fruitful and productive event.

Thank you very much for your attention.