

The International Conference

“The Role of the Financial Sector in Promoting Economic Growth in Asia”

*Session III Challenges for the Asian Financial and Capital
Markets and the “Growth Strategy”*

Fostering the Development of an Asian Financial Services Industry

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Abstract

- Demand for corporate capital and infrastructure has increased as Asian economies have continued to grow rapidly. At the same time, financial assets have accumulated, partly as a result of high savings rates. The two need to be linked by creating financial markets in the region that circulate capital smoothly.
- Indirect financing is currently the main form of finance in Asia. However, as Asian economies emerge from their development stage, a market-based model of finance becomes increasingly important. Governments in the region are also taking a keen interest in fostering the development of capital markets.
- For making further progress, it is important to develop a financial services “industry.” A financial services industry means not only front-end business but also so-called middle and back office functions. US and European experience indicates that the region should form a financial supply chain by effectively allocating each local expertise to different parts of the region. This should benefit the region’s economic growth including more job creation.
- In developing Asian financial system and market, right balance between healthy competition and regulatory harmonization is a key. Based on such balanced approach, the region should work for challenges both in pan-Asian and each national level including harmonization of soft and hard infrastructures, involvement in global regulatory reform discussions, and consistent and predictable regulatory approach.