

Press Release
International Conference on Asian Market Integration and Financial Innovation

February 17, 2012
Financial Services Agency

The Financial Services Agency (FSA), in cooperation with the Japan Securities Dealers Association and the Tokyo Stock Exchange Group, Inc., held an international conference on “Asian Market Integration and Financial Innovation” on February 10, 2012. Active discussions were held at the conference, which was attended by nearly 500 participants in total, including representatives from government organizations such as financial authorities, central banks, financial institutions, researchers and officials of embassies in Tokyo.

After welcoming remarks made by Senior Vice Minister, Financial Services Cabinet Office, Government of Japan, **Ikko Nakatsuka**, FSA Commissioner, **Ryutaro Hatanaka** delivered a keynote speech regarding the Japanese measures to date to deal with the financial crisis and facilitate financing for small and medium-size enterprises (SMEs) that may provide useful insight for the future development of Asian financial markets. During the conference, **Choongsoo Kim**, Governor of the Bank of Korea, and **Zeti Akhtar Aziz**, Governor of the Bank Negara Malaysia, also delivered keynote speeches. Dr. Kim delivered a keynote speech on the significance of financial market integration and the importance of macro-prudential policy for systemic risk management, and Tan Sri Dr. Zeti (who made a video appearance) also delivered a keynote speech on a flexible and gradual approach to financial and economic integration within Asia.

At the conference, there were four sessions, each of which addressed a theme concerning Asian market integration and financial innovation. The key points of the discussions in the four sessions were as follows (for the list of moderators and panelists in each session, see the attachment):

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

Session 1 (Moderator: **Jane Diplock**, Independent Director of the Singapore Exchange (Former Chairman of the International Organization of Securities Commissions (IOSCO) Executive Committee)) reviewed the current situation of post-crisis regulatory reform from both global and Asian perspectives, and based on this review, identified challenges for Asian financial markets and discussed measures to prevent future crises and the implications of such measures for Asian countries.

Presentations and comments were provided regarding the challenges for European integration, and the new financial supervisory framework in Europe after the financial crisis, as well as the work underway in international organizations including the IOSCO, and the relative soundness of financial systems in Asia was pointed out. On the other hand, the panelists shared the view that Asia also faces challenges to be addressed in light of the lessons from the financial crisis. Among such challenges were preventing the sale of complex financial products to individual investors without adequate explanation of risks, the need to ensure the consistency of international regulations on over-the-counter (OTC) derivatives markets, and the importance of both fiscal and financial discipline.

Session 2: Towards a Better Framework for Supply of Funds in Asian Financial Markets

Session 2 (Moderator: **Naoyuki Yoshino**, Director of the Financial Research Center (FSA Institute) and Professor of Economics at Keio University) analyzed the current status of financing for SMEs, including microfinance, and discussed measures for the further development of Asian financial markets, including the development of an appropriate regulatory framework, in order to address challenges related to the supply of risk funds in Asian financial markets.

In seeking reasons behind why SMEs in Asia generally fall short of funds, despite excess savings in Asia at the macro-level, some insights were drawn, including that the corporate bond and stock markets have been developed mainly as sources of fund-raising for larger companies; that there may not be enough transparency of financial information on SME borrowers; and that it is difficult in some cases to foreclose on the mortgage in SME lending in Asia. Thereafter, drawing on examples of policy initiatives taken in such countries as Korea, the panelists made proposals to achieve a smoother supply of funds, including credit supplements by public financial institutions, the greater use of capital markets, including investment trusts, and the development of pension and insurance funds as providers of long-term funds.

Session 3: Asian Market Integration: Competition and/or Cooperation

Session 3 (Moderator: **Zarinah Anwar**, Chairman of the Securities Commission Malaysia) discussed specific challenges regarding how competition and cooperation should be promoted from the perspective of the Asian market integration. Then, discussions were held on the means in general to promote cooperation and competition so as to invigorate the Asian financial markets.

Amid the global wave toward consolidation among exchanges, presentations were provided with respect to examples of India, where there are a number of exchanges competing intensively with each other and also those of Korea where international cooperation between exchanges have been actively promoted. The panelists recognized that Asian countries have their own distinct histories and cultures, and differences in the regulatory framework and economic openness are affecting their stance on competition and cooperation. In addition, regarding a merger between exchanges internationally, the opinion was expressed that benefits of investors tends to be disregarded sometimes from the perspective of national interests. There were also views that it is necessary to be cautious about such a merger from the perspective of fairness, given the public role of exchanges such as the settlement function.

Session 4: Innovation in Financial Market Infrastructure in Asia: Advanced Settlement Systems

Session 4 (Moderator: **Kanit Sangsubhan**, Director of the Fiscal Policy Research Institute, Ministry of Finance of Thailand) discussed what the securities market and payment and settlement systems should be like as the foundation of financial infrastructures, and also talked about the current status of innovation of settlement systems and the possibility of further development of the systems in Asian countries, based on the recognition that the financial market infrastructure that circulates funds safely and smoothly throughout the economy plays an important role in maintaining and developing markets.

For the purpose of enhancing the efficiency and safety of settlement systems, the panelists pointed out the importance of developing financial market infrastructures in Asia, including central counterparties (CCP), and ensuring appropriate competition among them. In addition, explanations were provided with respect to recent efforts to enhance the safety of Japan's payment and settlement systems and current initiatives by international organizations including IOSCO to strengthen financial market

infrastructures. The panelists shared the view that in Asia where financial markets are expected to expand in the future, it will become increasingly important to enhance the convenience, robustness and reliability of settlement systems. Discussions were also held on the challenges in the aspect of the financial business of settlement systems, such as the possibility of introducing Japan's electronically recorded monetary claims system into Asian countries and the associated challenges.

(End)

International Conference on Asian Market Integration and Financial Innovation

Date: Friday, February 10, 2012

Venue: Mita Kaigisho Auditorium

- 9:30-9:35 Welcoming Remarks Ikko Nakatsuka**, Senior Vice Minister, Financial Services Cabinet Office, Government of Japan
- 9:35-9:50 Keynote Speech Ryutaro Hatanaka**, Commissioner, Financial Services Agency (FSA)
- 9:55-11:15**
Moderator **【Session 1】Post-Crisis Regulatory Reform in Financial Markets and Its Implications for Asia**
Jane Diplock, Independent Director, Singapore Exchange (Former Chairman, International Organization of Securities Commissions (IOSCO) Executive Committee)
Panelists **Steven Maijoor**, Chair, European Securities and Markets Authority
Hans Hoogervorst, Chairman, International Accounting Standards Board
Stephen Po, Senior Director, Securities and Futures Commission, Hong Kong, and Chairman, IOSCO Standing Committee on Regulation of Market Intermediaries
Lee Chuan Teck, Assistant Managing Director, Monetary Authority of Singapore
Jaspal Singh Bindra, Group Executive Director and Chief Executive Officer, Asia, Standard Chartered Bank
Masamichi Kono, Vice Commissioner for International Affairs, FSA
- 11:20-11:35 Keynote Speech Choongsoo Kim**, Governor, Bank of Korea
- 11:40-12:55**
Moderator **【Session 2】Towards a Better Framework for Supply of Funds in Asian Financial Markets**
Naoyuki Yoshino, Director, Financial Research Center (FSA Institute) and Professor of Economics, Keio University
Panelists **Adrian Blundell-Wignall**, Special Advisor to the Secretary-General for Financial Markets, and Deputy Director of Directorate for Financial and Enterprise Affairs, Organisation for Economic Co-operation and Development (OECD)
Andrew Sheng, President, Fung Global Institute, and Convenor, International Council of Advisers to the China Banking Regulatory Commission
Jong-Goo Yi, Senior Advisor and Foreign Attorney, Kim and Chang (Former Standing Commissioner, Financial Services Commission, Republic of Korea)
Kenji Fujii, Executive Officer, Head of Global Risk Management Group, Mizuho Securities Co., Ltd.
Mamiko Yokoi-Arai, Principal Administrator, Financial Affairs Division, OECD
Masaharu Okada, Professor and Executive Director, Yunus & Shiiki Social Business Research Center, Kyushu University
- (13:00-14:00 Lunch Break)**
- 14:10-14:25 Keynote Speech Zeti Akhtar Aziz**, Governor, Bank Negara Malaysia (video appearance)
- 14:30-16:00**
Moderator **【Session 3】Asian Market Integration: Competition and/or Cooperation**
Panelists **Zarinah Anwar**, Chairman, Securities Commission Malaysia
Atsushi Saito, President and Chief Executive Officer, Tokyo Stock Exchange Group, Inc.
Madhu Kannan, Managing Director and Chief Executive Officer, Bombay Stock Exchange Ltd.
Greg Medcraft, Chairman, Australian Securities and Investments Commission
Julian Park, Director General, International Cooperation Department, Financial Supervisory Service, Republic of Korea
Ramin Toloui, Executive Vice President, Portfolio Manager, PIMCO Asia Pte. Ltd
Shigesuke Kashiwagi, Senior Managing Director, Government Affairs and Risk Advisory Group, Nomura Holdings, Inc.
- (16:00-16:30 Coffee Break)**
- 16:30-17:45**
Moderator **【Session 4】Innovation in Financial Market Infrastructure in Asia: Advanced Settlement Systems**
Panelists **Kanit Sangsubhan**, Director, Fiscal Policy Research Institute, Ministry of Finance, Thailand
Magnus Böcker, Chief Executive Officer, Singapore Exchange
Tajinder Singh, Deputy Secretary General, IOSCO
Atsushi Miyauchi, Director-General, Payment and Settlement Systems Department, Bank of Japan
Nobuhiko Sugiura, Professor, Chuo University Graduate School of Strategic Management