

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**

Masamichi Kono

Vice Commissioner for International Affairs, FSA

abstract

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.

Despite the recent turbulence in global financial markets, Asia's securities markets are growing steadily, and bond markets in Asia are also developing. 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.

On-going international financial reforms will have implications for Asia. One of the issues that could affect Asia is the OTC derivatives market reform, which has been under discussion in response to the G20 commitments. The challenges associated with OTC derivatives market reforms have been identified among others: (i) potential regulatory overlaps or gaps for cross-boarder transactions, and (ii) the need for a greater international coordination and cooperation framework among authorities. There are also some issues for consideration such as the use of a global CCP or a local CCP and “Legal Entity Identifier”