International Conference on Asian Market Integration and Financial Innovation
Summary of the Conference[1]

Organized by the Financial Services Agency (FSA), the Japan Securities Dealers Association (JSDA) and the Tokyo Stock Exchange Group, Inc. (TSE), the international conference on Asian Market Integration and Financial Innovation was held on February 10, 2012, in Tokyo. The conference consisted of three keynote speeches and four sessions, and question & answer time was set at the end of each session. The conference had 30 speakers, moderators and panelists from all over the world.[2] The conference was attended by more than 500 people in total.

Welcoming Remarks

Ikko Nakatsuka, Senior Vice Minister, Financial Services Cabinet Office, Government of Japan, delivered the welcoming remarks, and explained the aim of the conference. In order not to impede economic growth in Asia, and to make growth autonomous and sustainable, it is imperative to maintain and further strengthen the stability of the financial and capital markets in Asia, so that funds required for economic growth will be supplied smoothly. Based upon such recognition, he emphasized the importance of having this opportunity in which representatives from authorities, the central banks and the private sector, as well as academics from not only Asia but around the world are gathering to discuss future challenges for ensuring the stability of the financial and capital markets in Asia, and for further market development in Asia.

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1 The speakers', moderators' and panelists' views described herein reflect their personal views presented in this conference and do not necessarily represent the official views of the agency/ organization with which they are associated. Conference materials are available online at http://www.fsa.go.jp/inter/etc/201202_intl_conf/eng_top.html

2 Please see Appendix for a list of speakers, moderators and panelists.

Keynote Speech

Ryutaro Hatanaka, Commissioner, Financial Services Agency (FSA), delivered a keynote speech regarding the Japanese measures to date to deal with the financial crisis and facilitate financing for small and medium-sized enterprises (SMEs) that may provide useful insight for the future development of Asian financial markets.[3]

In his experience, with respect to maintaining the stability of the financial system, what is essentially important is to improve the self-discipline of financial institutions and enhance the forward-looking supervisory capacity of authorities. In order to minimize any disruptions to the financial system, regulators should bear in mind that regulation only complements self-discipline and supervision, or provides incentives for their improvement, because regulation is not a panacea.

In times of crises, bold measures to dispel uncertainties in markets must be taken promptly and in the proper sequence. For example, if banks are suffering a capital shortage, regulators should take actions to increase their capital base, without hesitating to inject public funds into banks when needed. When injecting public funds into banks, regulators need to gain the understanding of taxpayers by setting up a rule that banks would not be granted public funds unless their management assumes responsibility. In Japan's case, a good amount of returns have been gained from capital investment using public funds.

Japan will continue its efforts to actively contribute to reinforcing the stability of financial systems at home and abroad, and will also provide advice and support to any countries facing difficulties.

Asia's financial system has been relatively stable compared to those in the United States and Europe; however, it faces many challenges of its own. In Asia, there are an abundant savings which have not been effectively invested within the region. In addition, large capital flows from the United States and Europe into Asia gave rise to volatile movements in Asian financial markets. These movements could have adverse impacts on sustainable growth and development in Asian economies. Against such a backdrop, we need to discuss two challenges, namely, to devise a well-functioning scheme for SMEs and retail financing, and to work out how to develop and deepen capital markets in Asia, such as stock markets and bond markets, to ensure the stable financing necessary for achieving economic growth and industrial development within the region.

With regard to these two challenges, the initiatives that Japan has taken so far may provide helpful suggestions for other Asian countries.

Some initiatives have been introduced in Japan to improve SME financing, such as (i)

[3] The whole text is available on the website at http://www.fsa.go.jp/inter/etc/201202_intl_conf/eng_materials.html

strengthening financial institutions' consulting functions and supporting SMEs, (ii) measures to support borrower firms, including direct support through the Enterprise Turnaround Initiative Corporation of Japan and the Small and Medium-Sized Enterprise Revitalization Support Councils, and (iii) measures to provide necessary funds and human resources to innovative firms, through the Innovation Network Corporation of Japan and by other means.

In addition, there have been some initiatives to develop bond markets. When bond markets were created in the post-war period, Japan strived to promote the issuance and trading of bonds of public entities and quasi-public large enterprises. By doing so, Japan was able to increase the thickness and liquidity of the bond markets as a whole, and develop general corporate bond markets. An important factor in this process was maintaining strong discipline on the part of bond issuers. To foster bond markets, measures must also be taken to develop secondary markets.

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

Session 1 focused on the global regulatory reforms underway and Asia's cooperation with other regions for discussions of regulatory reforms. The session also examined possible causes of the recent financial crisis. Panelists analyzed causes behind the crisis and discussed measures for preventing future crises.

Jane Diplock, Independent Director, Singapore Exchange (Former Chairman, International Organization of Securities Commissions（IOSCO）Executive Committee), the moderator of session 1, provided a brief introduction. Experiencing the global financial crisis, she stated that the two challenges for the 21st century are financial stability and sustainability. These two aspects will be important for global prosperity with sustainable enterprises supporting it. In this conference, the focus is on financial stability. In spite of the difficult global economic situation, optimists, including herself, believe that there are great opportunities for Asia to contribute to future global prosperity. However, there are also some major challenges. Many of the markets in Asia are still developing and have their own challenges. There are questions regarding whether the global solutions can readily be implemented in these markets. In Asia, the level of market development differ with markets in the process of development and those more advanced, and it is important that these markets are integrated to function as one. It is encouraging to know that there are initiatives underway to promote cooperation and competition to this end. These initiatives were addressed in the later sessions.

The time has come for the global economy to repay the debt which they have expended. This would entail economic burdens and would greatly affect the global economy and financial markets. Given its increased standing in the global economy, it is expected that Asia needs to take leadership more in addressing this challenge, by calibrating regulatory and other settings.

There must be appropriate objectives for financial innovation, so we have to promote and support more productive businesses through innovation. This conference will also examine how we should balance the two challenges of financial stability and innovation.

Steven Maijoor, Chair, European Securities and Markets Authority (ESMA) began his presentation by saying that there is currently great concern about the sovereign debt crisis in Europe, and so far we have been unable to ease those concerns. It has been recognized that

Asia was more prepared relative to other regions against the crisis, since it had experienced and learned lessons from the Asian financial crisis in the 1990s. Therefore, he would like to be optimistic about the situation in Europe, saying that we are taking measures to be better prepared for future crisis. One of those measures is the establishment of ESMA, which will contribute to transparency and stability.

ESMA, EBA (banking authority) and EIOPA (insurance authority) were created on January 1, 2011, based on early lessons from the global financial crisis. ESMA is the successor of CESR (Committee of European Securities Regulators), but it differs from CESR since it has legally binding powers and supervisory powers. An effective regulatory system needs not only appropriate rules and regulations but also supervision. The strength of ESMA is that it can establish technical standards, and in the event of inconsistency among countries' supervision, it can intervene to correct that inconsistency.

ESMA is currently working to create a uniform rulebook in Europe in areas such as standards on OTC derivative transaction regulations, and supervision of rating agencies. ESMA is also contributing to the consistent supervision of financial institutions in the European Union (EU).

Regarding international cooperation, Steven Maijoor commented that the world's markets are closely interrelated to each other, and therefore how to regulate and supervise these markets is a very important issue. It is very important that regions implement consistently and on time the G20 commitments. If we deviate from this, there are dangers that regulatory competition, gaps and overlaps may arise. It is important that the Financial Stability Board (FSB) monitors the implementation of regulation and supervision.

Then he remarked on the implication for Asia from European experience. It is considered that one of the problems of financial integration in the EU was that, while integration has been achieved in some areas, in other areas it was not. The EU progressed very well on regulation, but has lagged on consistent supervision. Based on the lessons from the European experience, he recommended to Asia that, when integrating in a region, it is important to integrate at a similar pace in all relevant areas. Asymmetry in integration creates risks to the financial system.

Hans Hoogervorst, Chairman, International Accounting Standards Board, spoke on macro-economic response to the crisis. Regarding the response during the financial crisis in the 1990s, Europe and the United States demanded strict macro financial orthodoxy in Thailand, Indonesia and Korea. They told these countries to clean up their banks very quickly, to cut too-cozy ties between the banks and governments, and to impose strict macro-economic discipline, even though these countries were suffering from very deep recessions. In contrast, Europe has currently increased fiscal stimulus, and executed monetary easing to support banks. The IMF told governments to spend themselves out of the crisis, to which most governments happily complied. Monetary policies were loosened around the world, and the governments stepped in heavily to support banks, especially in Europe.

In the current financial crisis, the lessons of the 1990s crises remain pertinent in most Asian countries, and the bank systems in most Asian countries are much better capitalized and their macro-economic policies have been much more prudent prior to the crisis than in most of the West. The budgetary expansion which began in 2008 as a result of the Lehman crisis contributed to the current sovereign risk crisis in Europe. Because already in 2008 it was clear that not only in many European countries but also in the United States, public finances were already in very dire straits and the expansions that occurred at that time pushed a lot of countries over the brink. He also questioned what the results of the current extremely loosen monetary policies are going to be.

Up to now the consequences of this monetary loosening around the world have been very moderate. There is no inflation, but it is not clear whether these loose monetary policies will be very helpful in the end. Given the enormous deleveraging that needs to occur around the world, it is not clear to what extent low interest rates will contribute toward growth. The so called liquidity trap is very much in existence.

As a conclusion, Hans Hoogervorst stated that it is clear that one lesson that Asia should not learn from this crisis is that economic orthodoxy does not matter. One of the reasons we got into this crisis to begin with was a lack of monetary and fiscal discipline. It has by now been made clear that we need to return to at least fiscal orthodoxy as soon as possible in Europe and in the United States. Otherwise, he concerned ultimate consequences of all these policies might be as damaging as the competitive devaluation that we had in the 1930s.

Stephen Po, Senior Director, Securities and Futures Commission, Hong Kong, and Chairman, IOSCO Standing Committee on Regulation of Market Intermediaries, highlighted that regulatory reform, post-financial crisis, is needed in 3 areas: (i) the selling of complex investment products to retail investors, (ii) the trading of OTC derivatives, and (iii) the trading in overseas markets. Regarding the first area, regulators around the world are taking stern action against intermediaries that have mis-sold investment products to investors. IOSCO, the international securities standard setter, is working to provide guidance on the minimum suitability obligations for intermediaries when selling complex financial products to both retail and non-retail customers. In addition, IOSCO has introduced point of sale disclosure principles for market intermediaries in February 2011. In Hong Kong, enhanced intermediary selling practices and product disclosure regulation was introduced in 2009. Regarding the trading of OTC derivatives, there are various regulatory challenges such as maintaining international consistency on the implementation and operation of new regulations, avoiding market fragmentation, overseeing centralized clearing parties and implementing the reforms by the end of 2012. Regarding the third area, the collapse of Lehman Brothers and MF Global highlights the risk of trading in overseas markets via 3rd party overseas intermediaries. Many local client assets were frozen overseas as liquidators of the failed intermediary need time to calculate client exposures and return client money. This creates liquidity pressure on local brokers and clients.

Lee Chuan Teck, Assistant Managing Director, Monetary Authority of Singapore (MAS), said that he would like to talk about new regulations established after the crisis, because of the lessons that the market functioned imperfectly during the global financial crisis. He focused on the same points as Mr. Po, so he wanted to add that: (i) regarding sales of complex financial instruments to individual investors, there is a problem of asymmetrical information, and investors might not be provided with sufficient information sometimes. Individual investors do not have a homogenous level of knowledge. To respond to this problem in Singapore, since January 1, intermediaries are required to assess the knowledge levels of individual investors, and provide each person with needed advice; this is called the Customer Knowledge Assessment and Customer Account Review. It is also important to establish incentives which encourage sellers to voluntarily provide explanations. (ii) Some have the opinion that Asia is lagging in its introduction of OTC derivative regulations, but he thought this opinion is mistaken. In Asia, development of transaction infrastructure is proceeding ahead of the development of regulations, so these are proceeding in the reverse of their order in Europe and the United States. For financial regulatory reform, it is also generally inappropriate to do a one-sided introduction of European and U.S. systems into Asia.
The ASEAN Capital Markets Forum is an example of initiatives in Asia. This forum is making progress in (a) Mutual recognition of prospectuses, (b) Expedited review of secondary listings applications, and (c) Mutual recognition of collective investment schemes.

Jaspal Singh Bindra, Group Executive Director and Chief Executive Officer, Asia, Standard Chartered Bank, would like to state his views as a representative of Asian banking industry. Regarding whether financial reform affected Asia’s financial institutions from the banking regulations’ perspective, he sees that the new capital requirements under Basel III should have relatively moderate effects. Asian banks are generally well capitalized, their asset quality is fundamentally sound, their funding bases are not highly dependent on foreign or wholesale funding, and their earnings generation capacity is good. The impact of new liquidity standards is somewhat uncertain since some countries do not have enough Tier-1 eligible liquid assets. Another concern is whether Basel III can provide effective support to the strong credit growth needed in many Asian economies, especially given that it is relatively more difficult for banks to raise capital in Asian markets. Asian banks are still relatively weak in risk management, especially stress test and data analysis at the firm level. They stayed clear of overly-complex products and focused on customers they knew well. If regulators strike the right balance between effective global regulatory standards without inhibiting local or regional growth, this will provide real benefits. It will help the financial services sector to meet the growing needs of the Asian economy and see the growth of an increasingly important financial services sector in Asia.

Masamichi Kono, Vice Commissioner for International Affairs, FSA, started his presentation by describing issues of capital flows in 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 is directed to the United States and the EU. On the other hand, a majority of foreign investment flows into Asia comes from the United States and the EU. The capital flows were not sufficiently generated within Asia. So, if European economies go down because of the financial crisis, Asian economies might go down together. 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, in terms of overall trading values and the number of IPOs. Bond markets, both government bonds and corporate bonds, 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. In this process, the right balance needs to be struck between promotion of active financial markets and strengthening of market regulation and market infrastructures.

With respect to specific regulatory concerns for Asia, there were some issues regarding selling of complex investment products to retail investors, such as suitability obligation and asymmetry of information. FSA Japan has also been focusing on these issues recently.

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. Challenges associated with OTC derivatives market reforms include: the need for a greater international coordination and cooperation among authorities for avoiding regulatory overlaps or gaps, and aligning implementation schedules of regulations for cross-boarder transactions. There are also issues for consideration, such as the use of a global CCP or a local CCP and Legal Entity Identifier.

Asian regulators should consider regulations that are necessary at domestic and regional levels, while maintaining consistency with the ongoing global reforms. As the Chair of the IOSCO Technical Committee, he would also strive to address such issues as extraterritorial application of domestic laws, regulatory gaps and inconsistencies, so that Asian regulators would be able to find the best solutions by working together on a global basis.

Q&A of Session 1

Jane Diplock opened the discussion to the floor, and a question was made regarding coordination between banking regulators and securities regulators. Specifically, the question was whether banking regulators considered "contingent convertible bonds" as products simple enough to be sold to retail investors. Another question was also asked as to whether bank regulators and securities regulators consulted each other before issuing public consultation papers on regulation of financial products. For example, there are cases where a banking regulator regards certain products as not having liquidity, while the securities regulator of the same country regards the same products as having liquidity. In effect, the question was, "How do banking and securities regulators cooperate?"

Lee Chuan Teck answered that since MAS conducts banking regulation and securities regulation in Singapore, consistent responses have been made regarding contingent convertible debts. MAS considers such products complicated.

Regarding the question of which products are liquid and which are not, given that secondary markets are not developed in Asia, liquid assets are limited. Liquidity provision by central banks is one way to supplement liquidity.

Stephen Po commented that bank and securities regulators maintain close communication in Hong Kong. At the international level, there is the Joint Forum whereby regulators of the banking, securities and insurance sectors discuss issues of common concern. With regard to the recommendation of certain financial products to individual investors, intermediaries are obliged to consider various key factors beforehand, such as the investor's specific circumstances (e.g. investment experience, knowledge, risk tolerance and investment objectives) and the relevant product features (e.g. the investment horizon and associated risks), in order to recommend suitable products to investors.

Naoyuki Yoshino, Director, Financial Research Center (FSA Institute), and Professor of Economics, Keio University commented from the floor that ample liquidity is being provided now through the adoption of easy monetary policy by many countries, and such ample liquidity is flowing into Asia. In order for advanced countries to achieve stable money stock, they would have to continue easy policy, and this would further lead to capital flow into Asia. If capital inflow continues, capital control may become necessary in a small economy.

In response to **Naoyuki Yoshino'**s comments, **Hans Hoogervorst** said that most of the policy recommendations made for Asia in the 1990s were correct. As for capital control, which IMF requested not to implement, however, in the situation where there was adequate liquidity and where capital markets were not developed, such control would have been a desirable measure. Today, where capital flows freely, it seems difficult to control capital flow by just one country.

Keynote Speech

Choongsoo Kim, Governor, Bank of Korea, made a keynote speech on financial integration, financial stability, and central banking.[4]

Entering fourth year since the global crisis, it is time to pay greater attention to reviving economic growth and the related policy agenda. Ensuring financial stability is of course a prerequisite for reviving growth, but the converse is also true. In this context, Asia has weathered the global crisis and the following fiscal crisis in Europe well, but needs to play a greater role in the world economy going forward.

Asia has benefited and was able to grow rapidly by integrating themselves to the world economy through trade. Financial integration can do the same for Asia. Financial integration would facilitate domestic financial development, improve resource allocation within and across countries, and ultimately promote growth. It would also create a stronger market base for financial stability, by producing safer assets of Asia's own, offering greater risk hedging opportunities, and reducing financial mismatches.

Asian market integration should be guided by the same principles adopted by advanced markets, such as greater exchange rate flexibility, freer capital mobility, transparent rules and regulations, and fair competition based upon reciprocity. This is because Asian markets are not intrinsically different from other advanced markets in terms of modus operandi.

While financial integration and deepening could lead to a stronger market base for financial stability, it would in all likelihood also lead to increased systemic risk as countries and markets become more interconnected. Systemic risk control should be approached from a macro-prudential perspective, because enhancement of micro-prudential regulation is necessary but not sufficient.

Given their mandates and financial resources, central banks are well positioned to develop a macro-prudential judgment of systemic risk. In fact, in major financial center countries, where significant changes have been made to the governance structures of macro-prudential policy, central banks have now also become responsible for—or at least involved in—macro-prudential policy in addition to monetary policy. Although governance structures must be tailored to individual countries' circumstances, central banks should play a role in macro-prudential oversight on systemic risk. In the case of Korea, through 2011's amendment of the Bank of Korea Act, the central bank is now mandated with the responsibility not only to maintain price stability, but also to pay due attention to financial stability.

[4] The whole text is available on the website at
http://www.fsa.go.jp/inter/etc/201202_intl_conf/eng_materials.html

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

Session 2 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.

Naoyuki Yoshino, Director, Financial Research Center (FSA Institute), and Professor of Economics, Keio University, the moderator of this session, began the discussion by describing the key features of Asian financial markets, including large domestic savings and foreign reserves, and a maturity mismatch between long-term investment into United States and European bond markets from Asia and stock market investment into Asia, which chases short-term profits. He overviewed the Asian financial markets, noting that while large companies are able to access bond markets and bank lending for long-term funding, SMEs and infrastructure in the region generally lack such funding, partly due to information asymmetry between the lenders and the borrowers, which he believes can be resolved by the development of a solid SME database. Naoyuki Yoshino then emphasized that, while bank loans can be provided to safer SMEs to a certain extent, the development of a fund vehicle is desirable for the supply of riskier capital. He introduced the examples of regional funds, such as "solar energy funds" and "fishermens' funds," which emerged in Japan after the Great East Japan Earthquake in order to collect necessary money to purchase solar panels as an alternative power generator or to replace the fishing boats destroyed by the tsunami. He added that it would be effective to use banks as a distribution channel of such fund products to retail investors in a bank-dominant economy like Asia, saying that mutual funds were not so active in Japan until banks started to sell them over the counter.

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), pointed out (i) too much leverage used in the financial sector and, for given leverage, (ii) increased dealing in high risk products, as observed in the spread of OTC derivatives, as two of the fundamental causes of the recent financial crisis. He then described how the derivatives market has developed rapidly in the past decade, by introducing the fact that the outstanding amount of derivatives grew from 3 to twelve times the world GDP from 1998 until June 2011, while that of primary securities remained broadly stable at around 2 times world GDP. He mentioned that the Basel capital rule did not constrain banks from actively using leverage because the rule focused only on risk-weighted assets (RWA), not total assets (TA), and showed that the ratio of banks' total assets to Tier 1 capital kept growing, even after the implementation of Basel II in 2005 because banks are able to reduce the ratio of RWA/TA. He also explained some interesting observations, including that, despite the current concerns of banks deleveraging, credit to non-financial corporations in larger countries in Europe remained growing and that Asia so far did not seem to be strongly affected by the event in Europe. Adrian Blundell-Wignall strongly supported the idea of separating retail banking from investment banking business, or "ring-fencing" as proposed in the Vickers report in the United Kingdom, because it would not only prevent future financial crisis, but also result in supporting SME lending by shutting out the effects of problems in international markets, which could affect lenders to SMEs.

Andrew Sheng, President, Fung Global Institute, and Convenor, International Council of Advisers to the China Banking Regulatory Commission, started his presentation by raising the fundamental question of why SMEs, long-term infrastructure projects, and venture capital and so on in the region suffered from a shortage of funds despite excess savings in Asia. As structural reasons for this, he pointed out that Asian financial systems are bank-dominated, and that banks face maturity mismatch by their nature. It is not appropriate to accept short-term deposits and put them into high risk, long-term lending. He also mentioned that Asian markets are still shallow despite excess savings because of the small secondary markets and poor product innovation. There are also some technical reasons, including the issues of uncertain property rights and less transparency of SMEs, especially for those in rural area, together with some regulatory reasons, including the possible adverse impacts of Basel III on SME lending. He recommended that IFRS for SMEs should be implemented as soon as possible for Asia to improve the quality of credit information of SMEs. Andrew Sheng then warned that, even after three years of struggling to overhaul the global financial system since the crisis, the needs of real sectors were not satisfied by financial sectors. He concluded his presentation by emphasizing that financial regulators, financial institutions, exchanges, investors and any other relevant parties should cooperate and always bear in mind that "finance must serve the real economy" until we regain the public's trust, and also in addressing the issues of SME financing.

Jong-Goo Yi, Senior Advisor and Foreign Attorney, Kim and Chang (Former Standing Commissioner, Financial Services Commission, Republic of Korea) explained the situation of SME financing in Korea, where the SMEs rely heavily on bank lending but banks are generally reluctant to lend to them due to their higher delinquency rate, and described measures taken to ease SMEs' funding difficulties. In order to improve SME financing, Korea has implemented a financial support system for SMEs, for example, it requires banks to maintain a certain percentage of their loans being extended to SMEs, providing loans by the Bank of Korea to banks at a lower interest rate than the market rate, depending on their track record of loans to SMEs, and the effective use of policy institutions which provide direct loans or credit guarantee to SMEs and/or lenders to the SMEs. He showed an example of the Industrial Bank of Korea, one of the policy institutions, which increased SME loans during the past financial crises when private commercial banks decreased the loans. Based on Korea's experience, Jong-Goo Yi pointed out that the problem associated with SME financing is due to "market failure," and explained that the following measures are important: (i) to reduce asymmetric information, (ii) to establish a policy support system by the public sector, (iii) to develop market infrastructure for SMEs, and (iv) to advance corporate restructuring to separate good firms from bad ones.

Kenji Fujii, Executive Officer, Head of Global Risk Management Group, Mizuho Securities Co., Ltd. examined the pattern of fund flow in Japan and considered a possible framework for fund supply in Asian financial markets based on Japan's case. In Japan, excess savings in the household and corporate sectors are mainly stored in banks as deposits, which in turn finance the government sector and overseas portfolio investment. Banks are therefore expected to play the key role in providing funds to SMEs in Japan, but he pointed out the limitation of banks as credit providers to SMEs, due to such factors as constraints stemming from capital and liquidity regulations on banks, and from expectation gaps between SMEs and banks regarding the SMEs' financial information. He indicated that one alternative source of funds to SMEs can be capital market instruments, such as investment trust, pointing out the growth potential for domestic investment trust since currently 46% of the total financial assets held by Japan's investment trust are invested in overseas securities, in comparison with U.S. investment trusts, whose 88.5% of assets are invested in domestic bonds and equities. Based on the experience of Japan, he then explained the possible schemes of SME financing in Asia, including the use of collateralized loan obligations (CLOs) and collateralized bond obligations (CBOs), as well as the credit support scheme implemented by the public sector and joint venture private equity funds by the public and private sectors, like the Innovation Network Corporation of Japan. Kenji Fujii concluded his presentation by mentioning the necessity of developing domestic market infrastructure when utilizing such schemes.

Mamiko Yokoi-Arai, Principal Administrator, Financial Affairs Division, OECD, provided an overview of competition policy in the Asian financial markets, then briefly described the recent deregulation and liberalization measures taken in the region. She pointed out that cash and deposit holdings are high in Asian households, while the penetration of private pension and insurance are low in Asia implying a high possibility of growth in these countries. She then explained that investment allocation for pension funds differs greatly between Asia and other countries; equities account for nearly half of the portfolios in the United States and Australia, whereas Asian countries mostly invest in bonds. Investment regulation can affect the composition of investments of pension funds, mentioning that recent deregulations in Canada and Mexico on the easing of quantitative requirement on fund investments resulted in the increase of equity holdings. Given the increasing interest from Asian countries in having active institutional investors to create a robust investment base and the large potential for insurance and pension fund markets, Mamiko Yokoi-Arai emphasized the importance of providing greater investment opportunities to such funds by regulatory and tax regimes, offering insurance products that compete with bank products, together with taking appropriate prudential and consumer protection measures.

Masaharu Okada, Professor and Executive Director, Yunus & Shiiki Social Business Research Center, Kyushu University, briefly described the structure of Grameen Bank, a microfinance institution created in Bangladesh in 1983 with the aim of providing financial services to the poorest people, particularly the poorest women. He described the Grameen Social Business as a third way between traditional business and NGOs and public sectors, since the bank is self-reliant and run by depositors' money, unlike the NGOs that are mainly financed by donations. He also drew a comparison of the objective between the business of Grameen Bank and that of traditional business. He explained that, while the objective of the latter is to maximize its profit, that of the former is to maximize the social and ecological benefit, noting that the owners of the Grameen Bank, who are at the same time its borrowers in most cases, are stipulated to get back their investment amount only, with profits staying with the bank for expansion and improvement. It does not take collateral for loans, but has maintained a high repayment rate of 97% for the past 35 years. The significance of Grameen Bank is, Masaharu Okada said, that it has created "inclusive" financial services for poor people, who have otherwise been left out of the financial system and services. During his presentation, Prof.

Yunus, the founder of the bank, appeared through a video recording and said that it has changed the paradigm of the economy of poor people.

Following **Masaharu Okada's** presentation, **Naoyuki Yoshino** commented on the difference between Grameen Bank and Japanese consumer financing, noting that the financing by Grameen Bank leads to creation of income for borrowers, whereas Japanese consumer finance companies make loans not always to create income but just for the need of money. He said that, unless financing is made to create income, borrowers will face more danger of being heavily indebted.

Q&A of Session 2

Naoyuki Yoshino opened the discussion to the floor, and **Madhu Kannan, Managing Director and Chief Executive Officer, Bombay Stock Exchange Ltd.,** raised a question regarding enhanced transparency of information about SMEs. Although Madhu Kannan believes higher transparency to be necessary, he asked how SMEs would afford the costs incurred. **Andrew Sheng** commented that technology can provide a solution to this and, for instance, mobile phones can be great channels for SMEs. He emphasized that the real problem in Asia is the political economy protecting banks and we must seriously consider the issue of how the financial sector is going to serve the real economy as mentioned in his presentation. **Kenji Fujii** added that the development of a regulatory framework that does not prevent the flow of funds to the real sector is important. Financial institutions should intermediate funds in the surplus sector to the real economy, and regulation should promote such flow of funds, he said.

Keynote speech

Zeti Akhtar Aziz, Governor, Bank Negara Malaysia (video appearance) began her keynote speech by saying that the world economy and international financial system are entering into a new phase of globalization.[5] Then she pointed out that far from having an effect of slowing the pace of globalization, the recent global financial crisis has intensified the process, resulting in a more connected and interdependent world. She mainly talked about two issues, the approach of financial integration in Asia and global regulatory reforms.

Regarding the approach of financial integration in Asia, she touched on the main motivation for pursuing financial integration in Asia.

First she described that the integration process in Europe was taken forward with the establishment of supranational institutions with mandates to promote common approaches and frameworks across the member states in the union. In contrast, Asia is adopting a more flexible approach. In this approach, the most important things are the development of regional financial markets, the financial infrastructure including the regional payment and settlement systems, the harmonizing of the financial standards and practices including the regulatory and supervisory regime, and the building of the institutional capacity of the domestic financial intermediaries. The coordination and cooperation among regulators for sustaining regional financial stability is also important.

As an example of coordination and cooperation in the Asian region, she introduced initiatives to develop Asian regional markets, such as the creation of various Asian Bond Funds and the ASEAN+3 Bond Market Initiatives, as well as the collaborative efforts advanced under EMEAP to facilitate liquidity management for financial institutions.

Then she turned to talk about the importance of globalization of Islamic finance.

Islamic financial transactions require an underlying economic transaction; therefore they are well anchored to serve the real economy. There are now more than 600 Islamic financial institutions operating in more than 75 countries.

Next, she explained global regulatory reforms and their implications for Asia. The global regulatory response to the financial crisis is now moving into the implementation phase. She pointed out that Asia is in a relatively stronger position to implement the new standards, while it vigilantly monitors the global economic and financial consequences of its implementation in other parts of the world. Of importance is the need to recognize the point beyond which the costs to the real economy exceed the desired benefits of greater systemic resilience.

As a conclusion, her final remarks were on the whole that the world is increasingly now looking towards Asia. Asian economies would embrace the shared vision of financial and economic

[5] The whole text is available on the website at
http://www.fsa.go.jp/inter/etc/201202_intl_conf/eng_materials.html

integration that will contribute towards a more balanced and sustainable global economy.

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

Session 3 focused on the issue of Asian market integration, and discussed the benefits of integration and how it should be promoted. The session also examined the effects of and concerns associated with cross-border mergers between exchanges, and what principles should be applied in promoting such mergers.

Zarinah Anwar, Chairman, Securities Commission Malaysia, the moderator of this session, started by explaining the effects of Asian financial market integration that it would (i) enable the leverage of pooled liquidity, (ii) benefit from a wide range of products and services, and (iii) enhance risk diversification. She pointed out that there is a great disparity in terms of development of Asian financial markets with different level of legal and regulatory standards and frameworks, and posed the question what kind of integration would best serve the interests of the region, who should be driving the integration, and what approach should be taken to integrate its financial markets. She also stated that there have been national interest considerations, regulatory challenges and systemic risk concerns behind some recent merger failures.

Atsushi Saito, President and Chief Executive Officer, Tokyo Stock Exchange Group, Inc. (TSE), stated now is the time to discuss the future of the Asian financial markets. While Asia is diversified in terms of historical background and economic structure, we share a common sense of values in our pursuit of long-term profits and benefits for the whole of society, in contrast to the pursuit of short-term profit often seen in the United States and Europe. Therefore, Asia is more suited to the creation of soft alliances because of our shared values. Japan’s mission is to utilize our legacy of well-cultivated rules and systems as well as know-how from the long history of our capital market and contribute to building win-win relationships among Asian countries.

Madhu Kannan, Managing Director and Chief Executive Officer, Bombay Stock Exchange Ltd. (BSE) started by saying that Asia is often seen as one homogeneous group, but Asian countries differ greatly in the state of development, currency regimes, regulatory frameworks, and degree of openness. The situation of exchanges also differs, with strong internal competition in countries such as India, Japan and Australia, while some countries have just one national exchange. Ways to advance integration would therefore be different for each country.

With regard to the business model of exchanges, BSE is converting from an exchange platform to a financial infrastructure company. Hence, a higher priority for the BSE is to build a domestic basis as a financial infrastructure company, rather than international alliances. The potential of the domestic market in India are extremely high.

India's regulation places 5% cap on international investors' ownership of exchanges. Equity investment may not be the only way to build partnerships. There can be "gentle" cooperation such as more strategic, focused partnerships for value creation for exchanges before moving on to more broader, long-term cooperation.

Greg Medcraft, Chairman, Australian Securities and Investments Commission (ASIC) briefly described the role of ASIC, explaining that it supervises Australia's financial markets, regulates the conduct of all financial services and credit providers, and registers and regulates company activities. An important objective of the ASIC is to promote "fair and efficient financial markets in which investors and issuers have confidence," and this applies as an important principle for the integration of Asian financial markets. In promoting Asian market integration, "coordination," "convergence," and "caution" are the keys for investors and issuers. "Coordination" is essential as markets are becoming more interconnected, requiring a global approach to regulation. Australia takes part in global discussions in international organizations, such as IOSCO, FSB and the Basel Committee. Also Australia shares information for supervision and enforcement purposes with others in the Asian region. "Convergence" is necessary to ensure consistent regulation to avoid regulatory arbitrage. Australia has made mutual recognition arrangements with New Zealand and Hong Kong. ASIC has worked in building multilateral agreements, such as the Asian Region Funds Passport which will support the development of the East Asian funds management industry. Regulators should proceed with "caution" in strengthening regulation not to overburden markets.

Julian Park, Director General, International Cooperation Department, Financial Supervisory Service, Republic of Korea, started by describing developments in Korea's capital markets, and then explained its cross-border cooperation for the region's financial markets. The Korean capital market has a relatively short history. Growth actually started just after the 1997 Asian financial crisis. The Korean Government has taken a very dynamic approach to liberalize the capital market for foreign investors. Since then, the Korean capital market has grown exponentially. The most important reason for this remarkable growth in the stock market was the Korean governments' policy.

Korea has provided technical assistance to Cambodia and Lao PDR to support the creation of exchanges in these countries. Korea has also supported the development of IT infrastructure in Malaysia and Vietnam. Korea helped to modernize the financial markets in Uzbekistan and Kazakhstan. Apart from these private-sector efforts, the Financial Supervisory Service hosts workshops on capital market supervisions to share the knowledge and experience with the Asian regulators and securities exchanges.

The cross-listing of KOSPI200 Futures and KOSPI200 Options on the Chicago Mercantile Exchange and EUREX respectively, has increased the average daily trading volume of these products by enhancing the efficiency of trading. Foreign funds are also listed to increase the size of the Korean market size.

Ramin Toloui, Executive Vice President, Portfolio Manager, PIMCO Asia Pte. Ltd, said that more effective intermediation of capital within Asia is essential to consolidate strong growth in Asia and support the process of global rebalancing in the situation where there is a structural impairment in industrialized countries. Ability of Asia to more effectively intermediate capital helps to reduce the financing Asia has provided to industrialized countries, which has encouraged strong domestic demand in the United States and has proven to be unsustainably large. More effective use of capital within Asia will also lead to reducing the costs and expanding availability of credit to SMEs.

Emerging markets account for a third of global output, nearly half of global economic growth, but have only a small share in the allocation of investor portfolios. Hence, massive potential for the reallocation rebalancing anticipated in the coming years would expand the availability of credit, cause emerging market exchange rates to appreciate, and support global rebalancing.

Before concluding, he explained how incremental, micro-level regulatory issues can affect the way capital is deployed to a country. For example, a regulation limiting foreign investors to conduct foreign exchange transactions only with a single local custodian bank limits competitiveness in terms of pricing, and this could lead to investor decision not to invest in such markets.

Shigesuke Kashiwagi, Senior Managing Director, Government Affairs and Risk Advisory Group, Nomura Holdings, Inc., discussed key factors that are essential for developing Asian capital markets: integration, efficiency, and competition. He explained that harmonization and standardization of national rules and engagement in global regulatory reform discussions would be important for integration. Efficiency, more specifically a decrease in transaction costs, should be promoted through division of labor in the financial industry, through standardization of hard infrastructures and through promotion of consistent and predictable regulations. Competition would bring more transparency in price, higher liquidity, and stability and resilience in the region's financial markets. Alternative market venues are expected to improve financial system stability with increasing total market capacity by means of providing a backup function when a contingency event, such as a system failure, happens in other exchanges.

The system failure of the Tokyo Stock Exchange (TSE) on February 2, 2012 resulted in the decision by the Japan Securities Dealers Association (JSDA) to suspend off-exchange trading. From the perspective of a financial institution, it would have been desirable to maintain trading through other platforms, so the decision was somewhat regrettable. Financial institutions look forward to having close dialogue with JSDA on this issue.

Q&A of Session 3

Zarinah Anwar opened the discussion to the floor.

In response to **Shigesuke Kashiwagi**'s comment on JSDA's action on the occasion of the event of systems failure, **Yoshio Okubo**, Vice Chairman & Senior Managing Director of JSDA explained from the floor that the action was taken based on JSDA's judgment that JSDA should halt off-exchange trading under its self-regulatory rules in case prices in the off-exchange market could not be formulated with reference to those of liquid markets. He added, however, that JSDA received several comments in light of the very fast growth of alternative trading systems in the Japanese markets which could provide sufficient liquidity. Therefore, JSDA is prepared to look at whether these practices should be reviewed in light of the need to ensure developing fair and efficient markets in Japan.

A question came from the floor in relation to some unsuccessful recent mergers between exchanges, that whether there was a rethinking about business strategies of exchanges and regulatory approaches with regard to mergers between exchanges. **Greg Medcraft** commented that the mandate for the regulator is "fair and efficient markets." In the case of Australia, there were concerns about whether appropriate mechanisms would be implemented for settlement and clearing. **Atsushi Saito** remarked that stock exchanges have aspects of nationalistic business and sometimes final judgment is made based on national interests at the sake of end-users. The benefits of end-users must be protected. If we were to offer efficient, convenient, less expensive, fair and transparent markets for end-users, rather than for brokers or intermediaries, it would be acceptable, but often regulators are most interested in national benefits at the expense of end-users. **Zarinah Anwar** said monopolies owing to mergers may not have benefited end-users. An absence of credible competition would result in the bulk of efficiency gains being consolidated to exchanges, and not lowering transactions costs. **Madhu Kannan** commented that in India there is a great opportunity for market growth domestically, and there is a discussion now whether a foreign exchange can have a material ownership in a domestic exchange. **Julian Park** commented regarding cross-border exchange mergers that from a regulator's point of view, the most important issue is how to regulate when half of the exchange is in the hands of another jurisdiction.

Andrew Sheng directed two questions to **Ramin Toloui** and **Shigesuke Kashiwagi** whether retail investors have benefited from investment in the emerging markets in Asia or not, and which type of investors have benefited from the markets. **Ramin Toloui** answered that the bulk of investors PIMCO has in emerging market products are retail investors in the United States and Europe, and that they have clearly benefited. **Shigesuke Kashiwagi** commented that retail clients at Nomura, in recent years, have shown strong demand for Asian equities, U.S. High Yield bonds, Latin American (Brazilian Real denominated) products, and Australian Dollar denominated fixed income securities. Investments in these products are benefiting clients, vis-à-vis investment in Japanese equities.
Madhu Kannan remarked that the number of retail investors participating in equity transactions has actually decreased in India. One of the reasons is tax applied on equity transactions, and this need to be changed.

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

Session 4 examined innovation in payment and settlement systems, with a particular focus on central counterparties (CCPs). Presentations were made on examples of various innovations in Asia, such as Japan's BOJ-NET (an interbank settlement system) and Electronically Recorded Monetary Claims System.

Kanit Sangsubhan, **Director, Fiscal Policy Research Institute, Ministry of Finance, Thailand,** the moderator of this session, began the discussion by briefly describing the importance of payment systems, and explained its two aspects, payment instruments and clearing and settlement system.

IT innovation has contributed to making tremendous progress in payment instruments that enable distant transactions, such as the Internet and mobile payment. Asia is doing well in this area.

Clearing and settlement system is the most important part of a payment system. As transactions across securities markets and commodity markets around the world expand, clearing settlement systems have to be safe, smooth and efficient, responding to the changes.

Magnus Böcker, Chief Executive Officer, Singapore Exchange, shared his thoughts based on his 27 years of experience in securities exchanges and settlements. The crises of the past have shown us that CCPs are systemically important institutions which contribute to the stability of financial markets through improved default management, transparency, and counterparty risk reduction. We are all well aware of the Asian growth story – over the next 10 years, Asia's share of global GDP is set to increase from over 40% to approximately 55%. Fuelling this will be Asia's growing middle class that is expected to quadruple from over 600 million people currently to about 2.4 billion people in 2020. This rapid growth will lead to a rising demand for commodities, natural resources and infrastructure. Efficient capital markets are paramount for Asia to sustain its growth and, for firms and individuals to tap the region's growing wealth. In fact this is what we see –Asia's share of the world's exchange-traded derivatives doubled from 8% in 2004, to 15% in 2010; in the next five years, Asia's share of derivatives will approach its share of global GDP.

Distinguishing between local CCPs established in each country, and regional CCPs established in each region (China, India, ASEAN, etc.), Magnus Böcker said that it is desirable to encourage competition between CCPs to bring about efficiency. Having said that, CCPs also need to cooperate to ensure fungibility and access among players in different regions.

Tajinder Singh, Deputy Secretary General, IOSCO, explained initiatives by IOSCO for the creation of regulations on OTC derivatives. IOSCO is recognized as the international standard setter which covers more than 95% of the world's securities markets, and the Principles are one of the 12 key standards and codes recognized by the FSB as key to sound financial systems. IOSCO adopted a multilateral memorandum of understanding (MMOU) which is recognized as a benchmark for international cooperation and enforcement. In September 2009, G20 statement mentioned that all standardized OTC derivatives should be traded on exchanges or electronic platforms, where appropriate, and cleared through CCPs. With regard to the G20 statement on OTC derivatives, IOSCO published recommendations on trading exchanges and electronic platforms. IOSCO also prepared a report on data reporting and aggregation of OTC derivatives trades along with CPSS. It has finalized the recommendations on mandatory clearing and exemptions at the Technical Committee meeting in February 2012.[6] IOSCO also continues to work on issues relating to developing standards for the regulation of OTC derivatives market intermediaries, and on developing margin requirements for non-cleared OTC derivatives along with other bodies. With regard to financial market infrastructures (FMIs), IOSCO has been working with CPSS to finalize the Principles for FMIs. IOSCO is also continuing to work on issues of systemic risk reduction.

Atsushi Miyauchi, Director-General, Payment and Settlement Systems Department, Bank of Japan, explained the recent initiatives of the Bank of Japan to enhance the safety and efficiency of payment and settlement systems. Over the years, the Bank of Japan has enhanced the functions of the BOJ-NET Funds Transfer System and the BOJ-NET JGB services (BOJ-NET). In particular, BOJ-NET expanded the scope of settlements based on real time gross settlement (RTGS), to cover large-value payments settled in private-sector systems, namely the Foreign Exchange Yen Clearing System and The Zengin System, by November 2011.

Through the oversight activities, the Bank has been encouraging the operators of the private-sector payment and settlement systems to strengthen their risk management and business continuity arrangements.

[6] "Requirements for Mandatory Clearing" was published on 29 February.

Under the Lehman shock, Japan's payment and settlement systems managed to avoid a situation that crisis was amplified by the post-trade process. However, one of the lessons learned from the experience is the importance of shortening the settlement cycle for Japanese Government Bonds (JGBs). Market players, FMIs, and the Bank reached an agreement to make the settlement cycle of JGBs shorter from current T+3 to T+2 in April this year. And they will start the discussion to achieve T+1 and the target date of implementation is 2017 at the earliest.

Nobuhiko Sugiura, Professor, Chuo University Graduate School of Strategic Management, stated that a scheme of Electronically Recorded Monetary Claims (ERMC) is a new financial business utilizing IT innovation. He explained the possibilities of expanding its use into Asia. ERMC replace traditional paper notes. This leads to divisibility, improved safety, and lower costs. In May 2012, the Japanese Bankers Association's Electronically Recorded Monetary Claims System will begin operating. This is expected to lead to smoother cash flow for small and medium companies. Asian countries and Japan are similar in that they have structures with large percentages of SMEs. Also, many of Japan's SMEs are entering other Asian countries, where they can face obstacles to raising funds locally. Therefore, the actual state of settlement practices in each country was surveyed, and as a new method to support the cash flow of SMEs, we are studying the means of introducing ERMC into Asian countries. Surveys were done in Vietnam, Cambodia and Indonesia from November to December, 2011. Survey results indicate that the introduction of ERMC systems has great potential for contributing to the development of corporate finance in each country.

Q&A of Session 4

Kanit Sangsubhan opened the discussion to the floor, and a question came from the floor regarding Japanese settlement systems. The questioner asked **Atsushi Miyauchi** what role is played by the Bank of Japan in adjusting its transaction platforms. **Atsushi Miyauchi** answered that in order to maintain stability of the financial system, as a settlement system service provider, the Bank of Japan provides the safest and most reliable settlement system. The Bank has no intention of competing with the private sector but offer the safe bases for settlement systems. For example, in the recent cross-border collateral arrangement with the Bank of Thailand, the Bank of Thailand provides baht denominated liquidity to private banks, with Japanese government bonds in the custodian account of the Bank of Japan as collateral. He said that the Bank thinks that such a back-stop role is important for a central bank.

The next question was regarding ERMC. **Naoyuki Yoshino** posed to **Nobuhiko Sugiura** that electronic settlements lead to boosting the efficiency of transactions of SMEs, but that, on the other hand, this might bring risks such as security problems. **Nobuhiko Sugiura** responded that IT innovation enables the construction of low cost, high efficiency systems, like cloud computing. But it becomes unclear who bears responsibility. It is vital to develop excellent monitoring systems, with main monitoring roles played by the central bank, financial institutions and securities exchanges.

Another question came from the floor regarding interoperability of CCPs of the derivatives, as the lack of high quality collateral is now becoming a large problem. The question was how much progress has been made in discussions between CCPs' operators and regulatory authorities regarding interoperability. **Tajinder Singh** responded the problems regarding the interoperability of CCPs are raised in the CPSS-IOSCO final report on "Principles for Financial Market Infrastructures." In addition, the methodology serves to understand how principles are reflected in practices.

Then **Adrian Blundell-Wignall** commented that competition is important, but posed a question how CCPs would compete. If they compete on initial margin or variation margin, it might cause another big failure. **Magnus Böcker** answered that there will be standards on margin and capital, which IOSCO is preparing. Therefore, any CCP competing on margins will require cost to the users, and hence CCPs would not compete in such aspects. With regard to why we should have competition, the question of first-mover advantage, who offer the right products, how does CCPs connect to the world, and many more are important for better services and can be achieved through competition. **Tajinder Singh** added that competition is needed for the provision of better services. On the other hand, in imposing regulations, cooperative initiatives are important to avoid over-regulation. It is best to have competition in a strong regulatory framework.

Finally, a question was posed to **Magnus Böcker** as the CEO of stock exchange group about his view regarding Mr. Saito's opinion, "exchange is nationalistic business." **Magnus Böcker** expressed his thought that he agrees with the opinion. Each country should ensure their own efficient exchanges in order to prosper and grow, and they should function to cycle investors' funds into companies appropriately. Providing that function is important, but the issue of ownership is different. Competition must be based on international standards, to keep capital costs from rising.

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 **【Session 1】Post-Crisis Regulatory Reform in Financial Markets and Its Implications for Asia**

Moderator
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 **【Session 2】Towards a Better Framework for Supply of Funds in Asian Financial Markets**

Moderator
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 **【Session 3】Asian Market Integration: Competition and/or Cooperation**

Moderator
Zarinah Anwar, Chairman, Securities Commission Malaysia

Panelists
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 **【Session 4】Innovation in Financial Market Infrastructure in Asia: Advanced Settlement Systems**

Moderator
Kanit Sangsubhan, Director, Fiscal Policy Research Institute, Ministry of Finance, Thailand

Panelists
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