

**“Harmony in Diversity”: Pathways towards Resilient
Asia-Pacific Capital Markets**
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Good morning, ladies and gentlemen. In the past two days, I have had the privilege to exchange views with peer securities regulators at the Asia-Pacific Regional Committee (APRC)¹ of the International Organization of Securities Commissions (IOSCO) and the European Union. Those conversations focused on resilience, market integrity and cross-border cooperation. It is particularly timely for us to be here with the Asia Securities Industry and Financial Markets Association (ASIFMA), to extend that dialogue from regulators to the broader market community.

Thank you to ASIFMA for bringing its flagship conference to the Southern Hemisphere for the first time. This is much more than a change of scenery; it reflects the growing weight, diversity and interconnectedness of our region in a rapidly evolving world.

Everything changed amid “everything rally”

We meet today at a time when global capital markets are becoming increasingly complex beneath a surface of buoyancy. Growth has returned, asset prices have rallied, and optimism has resurfaced, driven by a rare confluence of several powerful forces — fiscal expansion, global interest rate cuts and momentous technological advances.

Yet, this “everything rally” might have masked fundamental shifts in global dynamics. As irreversible as evolution itself, the new world order now taking shape is set to be reinforced in the years to come: globalisation is morphing into a more region-centric model; national interest increasingly outweighs traditional multilateralism; fragmentation is eroding the rules-based world order at the edges. These undercurrents are bound to expose market vulnerabilities upon any sudden turn of events, such as what occurred last weekend.

On top of this, fiscal profligacy may heighten global debt concerns, and any inflation uptick threatens to derail the rate cut trajectory. While artificial intelligence (AI) is widely touted as the “next big thing” to power economic growth, investors are increasingly concerned about how companies translate massive AI investment into shareholder returns. We have also begun to see AI’s potential to inflict value destruction, disrupt business models and even displace jobs en masse.

¹ Joining the APRC meetings were Heads of Delegation from 22 jurisdictions in the region.

Note: This is the text of the speech as drafted, which may differ from the delivered version.

And so, our foremost question is: *how likely is it for the stars to align for another year?* As regulators, we must caution against the risk of mistaking appearance for reality, or contingency for continuity. How should we prepare for this new reality?

My response to today's shifting global landscape is to **double down on market resilience**. We must rethink how we build resilience. Resilience is not being passive — it is not only about defence against risks, but also a proactive strategy to build bigger, more sustainable and interconnected market platforms. For Asia-Pacific, resilience in these times means broadening our markets, embracing technology responsibly, and strengthening cross-border partnerships that enable efficient capital flows even in stressed conditions.

Let me now offer a few thoughts on the Hong Kong case of resilience building:

1. Strengthening market microstructures

When a patient is recovering from illness, the first advice a doctor often gives is to strengthen the immune system. When Hong Kong recuperated from the pandemic a few years ago, our capital markets faced a similar challenge. As liquidity in the stock market had sunk, restoring market vitality became an urgent priority.

Our response was to reinforce the market's fundamentals through a comprehensive package of reforms. We simplified the listing regime and streamlined market microstructures to reduce frictions and improve capital efficiency. Working closely with the Hong Kong Stock Exchange, we tightened bid-ask spreads, lowered collateral costs, and also made plans to reform board lot sizes. These targeted measures were designed to make trading more efficient and accessible.

Taken together, the liquidity measures introduced over the past two years have meaningfully reduced trading costs and broadened the depth and breadth of our markets. Bid-ask spreads of related stocks have narrowed by 38%, and order execution time has improved by 26%. These and other efforts have begun to pay off, supporting a 90% year-on-year increase in the average daily turnover in Hong Kong's stock market in 2025. This is a clear illustration of how targeted structural reforms can translate into tangible improvements in market resilience and competitiveness.

2. Diversifying asset and market structures

A second pillar of resilience is the deliberate cultivation of multiple growth engines and the reduction of concentration risk across asset classes. This is not incidental, but a strategic response to the global diversification drive — one that enables Asia-Pacific markets to capture new sources of growth and relevance. In recent years, international investors have increasingly repositioned their portfolios towards Asia, supported by the strength in renminbi and other Asia-Pacific currencies. In 2025 alone, major Asian markets attracted US\$94 billion (HK\$730 billion) in capital inflows, representing a 74% increase from 2024². At the same time, exchange-traded funds (ETFs) tracking Asian indices saw a marked acceleration in assets under management, underscoring sustained investor conviction.

² Source: Emerging Portfolio Fund Research (EPFR).

These forces have elevated initial public offering activities in major Asia-Pacific markets and revitalised equity trading across the region. Yet, true resilience demands greater breadth. A capital market that can withstand cycles must be built on multiple, complementary pillars. That is why we have made it a strategic priority to accelerate the development of our fixed-income market — to anchor long-term capital, enhance market depth, and improve capital stickiness across cycles.

Working closely with the Hong Kong Monetary Authority, we set out a clear roadmap last September anchored in four strategic objectives: deepening primary issuance, enhancing secondary market liquidity, scaling offshore renminbi business, and future-proofing market infrastructure. Together, these objectives form an integrated strategy to diversify our market structure, strengthen systemic resilience, and position Hong Kong as an all-weather international hub that can better contribute to the Asia-Pacific financial ecosystem.

3. Technological transformation of financial markets

Third, as we all know, the force of technological innovation and digitalisation is both irresistible and irreversible. As capital market regulators, we must embrace technology to transform financial markets. This is why convergence matters in the digital age. Banks, asset managers and market infrastructure operators alike should be thinking hard about how technologies such as blockchain can help them not only survive, but also thrive in an increasingly technology-driven financial landscape. The imperative is clear: finance must evolve in step with how capital is created, allocated and accessed in a digital world.

This evolution is being accelerated by profound demographic shifts and changing investment behaviour. Across the developing economies in Asia-Pacific, the median age is around 30, while in mature economies like Hong Kong, a new generation is taking over family wealth. These millennial and Gen Z investors spend five to six hours a day on their mobile phones and increasingly manage their investments through them. They expect 24/7 access, seamless execution and instant settlement. Traditional finance must adapt to this faster cycle to remain relevant and competitive. We already see this in stock exchanges extending trading hours and moving to T+1 settlement, but incremental change may not be sufficient.

To truly meet the demands of a 24/7 world, we need fundamental upgrades to market infrastructure, particularly in how financial products are fractionalised, cleared and settled. Distributed ledger technology and tokenisation present a credible pathway forward. The true value of tokenisation lies in its programmability, which enables more efficient clearing and settlement. It would also support a broader range of tokenised products — from bonds and funds to gold and beyond. As this ecosystem scales, it is critical to integrate these innovations thoughtfully to safeguard client assets, while bridging the trust of traditional finance with the efficiency of decentralised finance. This convergence can unlock deeper liquidity, broader ownership and more inclusive access to markets, making Asia-Pacific's financial ecosystem more dynamic, competitive and future-ready.

4. Fostering climate resilience

The fourth strategy is to strengthen climate resilience. Floods, bushfires and heatwaves are no longer hypothetical risks; they pose immediate threats not only to businesses and investors, but more importantly to human lives. Across Asia-Pacific, the increasing frequency

and severity of extreme weather events underscore the urgency of building resilience in financial markets and the real economy alike.

Against the backdrop of growing global fragmentation, which complicates a coordinated regulatory response to the climate crisis, the APRC is working to galvanise collective resolve to keep the region at the forefront of international climate efforts. For example, 15 Asia-Pacific jurisdictions have committed to adopting or using the global baseline IFRS³ Sustainability Disclosure Standards. The SFC is actively contributing to regulatory dialogue and collaboration to promote greater consistency in these standards and practices.

This effort provides investors with decision-useful sustainability information and supports market discipline. It also helps channel capital towards credible transition finance that underpins long-term climate resilience and adaptation.

5. Building new networks and collaboration

The fifth and final strategy is to build new international networks. As global supply chains fragment into regional clusters, networks are expanding and re-aligning accordingly. Intra-regional trade now accounts for nearly 60% of total exports, while firms are increasingly diversifying production hubs across the region. In the first half of 2025, foreign direct investment inflows into developing Asia rose by 7%, defying a 3% decline globally⁴.

These structural shifts are manifesting themselves in Hong Kong's markets. While Chinese Mainland companies continue to dominate the city's new listings, our sustained engagement across Asia-Pacific is beginning to yield results. We are encouraged by an emerging pipeline of non-Chinese companies from the region planning to list in Hong Kong, alongside a growing number of overseas funds seeking to cross-list on the city's stock exchange. In parallel, we are streamlining our regulatory frameworks to facilitate international and dual listings of stocks, real estate investment trusts, as well as a wider range of products, including both active and passive ETFs.

At the heart of this new network lies international dialogue and collaboration. Financial markets are becoming ever more digitalised, borderless and interconnected. While these developments bring opportunities, they also pose fresh challenges to the core mandates of securities regulators — particularly investor protection and financial stability.

The SFC remains firmly committed to collaborative solutions. We co-lead, with the Australian Securities and Investments Commission, an APRC taskforce to combat online scams through proactive engagement with platform providers. We exchange intelligence with our peers and contribute to setting and harmonising standards in areas such as digital assets and sustainability-related corporate reporting.

Looking ahead, we need to be more strategic and proactive in deepening cooperation, which is essential to mitigate emerging risks, combat financial crime, and safeguard the resilience of the global financial system in an increasingly multipolar world.

³ International Financial Reporting Standards.

⁴ Source: UN Trade and Development's (UNCTAD) *Global Investment Trends Monitor*, No. 49.

Conclusion

Ladies and gentlemen, in Chinese culture, the idea of seeking harmony in diversity (求同存異) recognises that strength does not come from sameness, but from the ability to coexist, adapt and endure. In an era where market cycles move faster and shocks travel further, no jurisdiction or market regulator can build resilience in silos. It requires collective stewardship — across jurisdictions, sectors and institutions.

Asia-Pacific's diversity is often seen as a challenge. I would argue it is our greatest asset. If we can align around shared principles while respecting different market realities, we will be better placed to build pathways towards resilient Asia-Pacific capital markets to support long-term capital formation. Seeking harmony in diversity is therefore not just a philosophical ideal — it is a practical pathway for navigating uncertainty in an unsettled world.

Thank you.