

## SFC Regional Securities Regulatory Leadership Symposium

28 February 2024

Hosted by the Securities and Futures Commission (SFC) to commemorate its 35th anniversary, the SFC Regional Securities Regulatory Leadership Symposium on 28 February 2024 gathered more than 300 government officials, financial regulators and business leaders to exchange views on Asia-Pacific capital market developments and strengthen their ties. Prominent speakers from both Asia-Pacific and Europe and across both public and private sectors engaged in dynamic discussions on the current Asia-Pacific market landscape, fund flows and emerging market trends, such as sustainable finance, fintech and artificial intelligence.

### Welcoming remarks

*Mr Tim Lui, GBS, JP, Chairman, SFC*

In his welcoming remarks, Mr Lui highlighted the importance to embrace Asia-Pacific as a family. Home to 60% of the world's population, the region is vibrant and energetic but also diverse with notable socio-economic differences. Given this, he emphasised it is important for regulators and businesses to forge ties, share experiences, and bridge divides across regional markets. As Asia's international financial centre and premier capital intermediary, Hong Kong is well-positioned to drive regional growth and contribute to a more connected Asia-Pacific. In addition, he pointed out that the city's special role as a super value adder will be strengthened and its success will create an all-win situation for the region and beyond.

### Keynote address 1

*Mr Paul Chan, GBM, GBS, MH, JP, Financial Secretary of the Hong Kong Special Administrative Region*

Mr Chan remarked that the fundamental strengths of the Hong Kong financial markets remained strong and robust. Being a leading global financial centre and China's most important city for international finance, Hong Kong is a unique bridge connecting the capital markets and investors of the Mainland and the world. As the Mainland will be a leading force in the world with rapid economic growth, Hong Kong will continue to contribute to and benefit from the Mainland's development "every step of the way".

Acting as a financial super-connector and super value adder for Mainland and international markets, Hong Kong will continue to boost its various Connect schemes with Mainland markets and consolidate its relationship with traditional markets, such as the US and Europe. The city is also building closer collaborations with Asian partners. Furthermore, Hong Kong is a leader in the region in sustainable finance as well as in the Web3 space. It is well-positioned to support climate action and green transition in Asia. It was also among the first to put in place a licensing regime for virtual asset service providers and has implemented proper guardrails to ensure financial innovation in a sustainable and responsible manner.

## Keynote address 2

*Dr Fang Xinghai, Vice Chairman, China Securities Regulatory Commission*

Dr Fang highlighted in his keynote the close relationship between China and Hong Kong financial markets. With its freely convertible and reliable currency, excellent legal system, superb capital market infrastructure and regulation, Hong Kong's capital market can both serve China's economy and leverage its vast resources to attract international investors and issuers. This is an advantage unmatched by any other international financial centres, said Dr Fang. The success of Mainland-Hong Kong Stock Connect, for example, has solidified the city's status as a global asset management hub.

The China Securities Regulatory Commission (CSRC) has steadily deepened its relationship with the SFC and the broader Hong Kong capital market community over the past three decades. The CSRC and the SFC are working more closely and effectively than any other two independent securities regulators. Their close coordination and mutual support have produced major benefits to both markets. While Hong Kong remains unique and highly valuable to China's modernisation, the CSRC will continue to take practical measures to support the growth of the Hong Kong capital market.

## Panel 1: Global and regional – developments challenges and opportunities for Asia's capital markets

### Panellists

- *Ms Madhabi Puri Buch, Chairperson, Securities and Exchange Board of India*
- *Mr Ugo Bassi, Director, Financial Markets, Directorate General for Financial Stability, Financial Services and Capital Markets Union, European Commission*
- *Ms Harshika Patel, Chief Executive Officer, Asia Private Bank, and Chief Executive Officer, Hong Kong, J.P. Morgan*
- *Mr Kevin Sneader, President, Asia Pacific Ex Japan, Goldman Sachs*

### Moderator

- *Ms Julia Leung, SBS, JP, Chief Executive Officer, SFC*

The first panel focused on the rise of Asia's capital markets. It was noted that Asian capital markets have come of age, propelled by capital and wealth creation and that in a multipolar world, meaningful collaboration, both intra-regional and with Europe, would enable Asian markets to achieve shared priorities. These include broadening and deepening capital markets, strengthening financial regulation, and promoting intra-region and cross-border investments.

When surveying the capital market landscape, it was pointed out that the major forces driving markets include economic policies such as stimulus, company performance, investor confidence and market integrity. According to a panellist, Asian markets remain attractive to investments, given the strong growth in many areas including trade, foreign and outbound investments, wealth creation, companies and entrepreneurs. In particular, major challenges to this part of the world include sentiment, consistency and confidence.

For Indian markets, both market liquidity and trust have contributed to the impressive growth in retail and foreign interests and capital inflows, while technology has helped reduce the costs of financial activities, drive financial inclusion and enhance market surveillance. To maintain market liquidity in the face of crypto competition, the traditional financial markets should be able to equally offer effective tokenisation and instantaneous settlement. For European markets, it was noted sustainability and digitalisation are the two main priorities today, and collaboration with Asia is important to achieve these.

## **Panel 2: Landscape for investment funds in Asia**

### **Panellists**

- *Ms Verena Ross, Chair, European Securities and Markets Authority*
- *Mr Toshiyuki Miyoshi, Vice Commissioner for International Affairs, Financial Services Agency of Japan*
- *Mr Brian Dillard, Partner, Head of Asia Credit, KKR*
- *Ms Elisa Ng, Chairman, Hong Kong Investment Funds Association*

### **Moderator**

- *Ms Ding Chen, MH, Chief Executive Officer, CSOP Asset Management Limited and Vice Chairman, Financial Services Development Council*

In the second panel about Asia-Pacific asset management landscape, panellists stressed the region's capital markets are large in scale and growing fast, and mentioned a number of bright spots including alternatives such as private credit and private equity. In addition to a private credit market with plenty of upside potential, Asia's private equity sector has offered great opportunities for investors and prolonged growth in this area is expected. For active ETFs, which have boomed in recent years particularly in the US, Asian exchanges and regulators are now looking into this as another promising area.

For Hong Kong, it was pinpointed that the connectivity with Mainland China is one of the city's unique strengths. Serving as a bridge, Hong Kong has been transformed from a hub of fund distribution to one of "fund manufacturing", driving the tremendous growth of Hong Kong-domiciled funds. The Connect schemes have helped encourage asset management firms to create local vehicles in the city. The city also offers a full spectrum of support services for the asset management industry.

For Japan, the recent advances of its capital market were partly attributed to efforts made by both the public and private sectors, including government policies like corporate governance reform and tax exemption, as well as market expectations of an end to low interest rates. A risk, as mentioned at the panel, was the potential divergence of economic and policy developments from major jurisdictions such as the US and Europe.

The panel also discussed that the asset management industry is currently watching out for the development of the real estate market under a changing interest rate environment. Geopolitics will also impact markets, while sustainability will create both opportunities and risks. On these issues, it was said that market regulators should stay vigilant and agile.

### Panel 3: Role of regulation in advancing sustainable finance

#### Panellists

- *Mr Jean-Paul Servais, Chair, IOSCO Board and Chairman, Financial Services and Markets Authority, Belgium*
- *Dr Awang Adek Hussin, Chairman, Securities Commission, Malaysia*
- *Mr Joseph Longo, Chair, Australian Securities and Investments Commission*
- *Ms Emily Woodland, APAC Head of Sustainable and Transition Solutions, BlackRock*

#### Moderator

- *Mr Eddie Yue, JP, Chief Executive, Hong Kong Monetary Authority*

This panel highlighted the importance of using the “same language”, ie, common standards, across the world to promote sustainability on the back of its enormous growth in the past few years. Key factors for its success include interoperability and scalability. Prompt action is needed to implement international sustainability reporting standards, noted a panellist, which was a reason why the International Organization of Securities Commissions (IOSCO) quickly endorsed the IFRS Sustainability Disclosure Standards published by the International Sustainability Standards Board (ISSB) in July 2023.

The panellists noted regulators in different countries may take different approaches to adopting the sustainability reporting standards and face some challenges in their own jurisdictions. In pushing its sustainability agenda, Malaysia emphasises regulatory guidance for corporates and particularly small and medium enterprises (SMEs) and has set up an entire policy framework to drive environmental, social and governance (ESG) initiatives under a national approach. On the other hand, Australia expects alignment with global sustainability reporting standards to take time, and its capacity needs to be built up with sufficient expertise to execute the new regime. It was pointed out, for all watchdogs, the quantity and quality of data is a real challenge.

In the private sector, the focus is on providing suitable financial products for green transition and engaging with companies to identify the impact and risks. An engaging regulatory environment for product disclosure and labelling standards are fundamental to these areas. We need to build capacity and make regulatory standards interoperable, particularly in Asia where many products domiciled in other jurisdictions are sold across borders. Corporate disclosure under consistent standards enables better assessments to make investment decisions.

### Panel 4: Intersection of Fintech and AI in wealth management

#### Panellists

- *Dr Pornanong Budsaratragoon, Secretary General, Securities and Exchange Commission, Thailand*
- *Mr Lim Tuang Lee, Assistant Managing Director, Head (Capital Markets Group), Monetary Authority of Singapore*
- *Mrs Amy Lo, Chairman, Executive Committee, Private Wealth Management Association*
- *Ms Catherine Zhou, Global Chief Information Officer, Wealth and Personal Banking, HSBC*

#### Moderator

- *Ms Bénédicte Nolens, Head of the BIS Innovation Hub Hong Kong Centre, Bank for International Settlements*

In the last panel, speakers opined that the use case potential of artificial intelligence (AI) and generative AI (GenAI) is promising in wealth management, which can make trading and investments much more efficient and cost-effective. The use of AI is a mega trend and digitalisation is key to serve the next generation. Currently, traditional banks are working to embrace Fintech and leverage AI in various areas, including client servicing (eg, robo-advisors) and compliance (eg, regulatory requirements on know-your-clients and anti-money laundering). The panel also noted that tokenisation can be a game changer. Requiring no financial intermediaries, tokenisation allows instant settlement and fractionalisation of assets. In particular, it was pointed out that the private sector, including major global banks, is scaling up the use of AI in broad functions and businesses, while managing its risks.

From the perspectives of regulators, Thailand fully supports the use of AI in wealth management given its vast benefits for both businesses and investors. The country has put in place a regulatory framework to ease concerns about the conduct of asset managers and market participants, as well as set out good practices for entities using AI. On the risk management front, the panel looked into the associated risks of AI and recognised the need to address them. Issues and risks related to data governance, privacy and confidentiality, model instability and hallucination were discussed. Thus, the ethical use of AI and public trust are key to enabling the markets to fully harness AI.

### **Closing remarks**

*Ms Julia Leung, SBS, JP, Chief Executive Officer, SFC*

Ms Leung concluded that the importance of Asia-Pacific was a common thread running through the panel discussions and the region will continue to drive capital market flows and developments. She believed that the symposium had paved the way for regulators and industry participants across Asia-Pacific to join in efforts to harmonise standards, drive cross-border capital flows, promote responsible innovation and facilitate a global low-carbon transition. She also envisioned meaningful collaboration will play an important role to make the region's financial markets bigger, stronger and more resilient.

### **Notes:**

1. Opinions expressed by symposium speakers are their own and do not reflect the opinions of the SFC.
2. For more details, see the [event programme](#) and [speaker biographies](#).