

Speech

Speech by PSFS at Asian Financial Forum 2010 (English only)

Thursday, January 21, 2010

Following is the speech by the Permanent Secretary for Financial Services and the Treasury (Financial Services), Miss Au King-chi, at the breakfast meeting of the Asian Financial Forum 2010 today (January 21):

Welcoming remarks

Distinguished guests, ladies and gentlemen,

Good morning. On behalf of the Government of the Hong Kong Special Administrative Region, let me extend a warm welcome to all of you to the second day of the Asian Financial Forum 2010.

Theme of breakfast session

Building on the success of the last two years, we have attracted 1,700 participants from more than 30 countries and regions this year. This morning, it is our honour to host this prestigious breakfast session with leading financial experts, seasoned corporate players and senior government officials, to reflect on one of the most hotly debated topics arising from the financial tsunami, i.e., "Striking a Reasonable Balance between Financial Innovation and Regulation".

Around the globe, debates and discussions about the root causes of the financial tsunami are ongoing. Some said that global standards of regulation failed to keep up with financial globalisation and innovation; whereas some others believe that ample liquidity and low interest rates were indeed the major culprits, with financial innovation amplifying and accelerating the consequences. A review in the UK specifically identifies "financial innovation of little social value" as one of the underlying causes of the crisis.

At the same time, many would still recognise the role of financial innovation in promoting growth, efficiency and market development. Indeed in our evolution as an international financial centre in the past few decades, Hong

Kong has benefited from financial innovation, which helps attract a critical mass of financial products and services, market players and liquidity, which are essential for broadening and deepening our market and enhancing our competitiveness.

But innovation should not be given free rein. As the International Organisation of Securities Commissions has put it, "Financial innovation will always be a hallmark of a vibrant financial system; however such innovation need not, and should not, occur at the expense of investor protection and market confidence". The challenge for public policy-makers and market regulators is to strike a reasonable balance between these considerations in the interest of the public.

Introduction to speakers

I am delighted that the breakfast session this morning gives us a rare opportunity to tap the expert insight from professionals in Mainland China, the European Union as well as Hong Kong on how best we may meet this challenge.

We have from Hong Kong, Dr Eddy Fong, Chairman of the Securities and Futures Commission, the watchdog of our securities and futures market. Many of you know Eddy well. Apart from chairing the SFC, Eddy also holds a number of significant public positions. He is the Chairman of the Council of the Open University of Hong Kong, a Non-Executive Director of the Hong Kong Mortgage Corporation, and a member of the Banking Advisory Committee.

From the European Commission, we have Mr Emil Paulis who will update us on the European landscape regarding financial regulatory reforms against the G20 landscape. Mr Paulis was appointed as the director responsible for financial services policy and financial markets in the Commission's Directorate-General for the Internal Market and Services in June 2008. Since joining the European Commission in 1982, he has held various key positions. I am sure Mr Paulis will shed light on how the European Commission is adjusting its regulatory framework governing financial innovation.

Last but not least, we have Mr Qi Bin from the Mainland. Mr Qi is the Director-General of the Research Centre of the China Securities Regulatory Commission. In his former life in the private sector, Mr Qi specialised in asset management and capital market. Rapid developments in the Chinese Mainland market have caught the eyes of global players. They have been a source of stability since the international financial crisis. Needless to say, the audience today very much looks forward to hearing from Mr Qi the regulatory experience in Mainland China, especially in achieving both development and financial security.

Closing

Ladies and gentlemen, Hong Kong has long been a place proud of our "international DNA", capable of accommodating and bridging the East and the West. The breakfast session today underlines our unique positioning. Without further ado, I would like to give the stage to our prestigious speakers.

Thank you very much.