

Press release

SFST stresses financial regulatory reform should not hinder capital flows to emerging markets and developing economies

Monday, August 10, 2009

International commitment was growing, for example as shown in the G20 London Summit Declaration, that reconstruction of global financial order, financial regulatory reform particularly, should not hinder capital flows to emerging markets and developing economies, the Secretary for Financial Services and the Treasury, Professor K C Chan, said in Kuala Lumpur today (August 10).

Speaking to about 400 guests at the Special Ministerial Session of the World Capital Markets Symposium, Professor Chan said that to address the global imbalances and to enhance financial stability in the region, Asian economies should continue efforts to deepen financial market reform to improve the efficiency of financial intermediation, for instance by developing local currency bond markets.

He noted emerging economies were seriously affected by financial market volatilities, an international credit crunch, and the drop of the world trade. At the same time, some larger emerging economies, in particular Mainland China and other BRIC countries (Brazil, Russia and India), had contributed to the world economic recovery.

Professor Chan said, “Understandably, there have been voices from emerging economies requesting increased representation in the international discussion on global financial regulation. We believe that this development is commensurate with the latest global evolvement and conducive to maintaining financial stability worldwide.

“Voices from these economies should be duly reflected in shaping the new global financial architecture, for instance, in the areas of regulation of global banks, hedge funds and credit rating agencies in view of the cross-jurisdiction business nature of these entities.”

While noting that there were gaps concerning the regulation of these entities, Professor Chan said that policymakers should be mindful that these reform measures would neither lead to market fragmentation nor hinder the development of level playing fields for financial institutions.

He said that Hong Kong was drawing lessons from the crisis and the experience of other countries in the review of the city's regulatory structure, so that any changes would facilitate market development and at the same time provide adequate investor protection.

Professor Chan reaffirmed that Hong Kong was strongly committed to a capital market with free flows of capital, with sound regulation that enhanced market quality and prevents excessive risk-taking that threatened the financial system as a whole.

He stressed that as a special administrative region and an international financial centre of China, Hong Kong would continue to contribute to the international and regional financial architecture, for example, through the separate representation in the Financial Stability Board and Asia-Pacific Economic Co-operation. Professor Chan added that Hong Kong should also actively participate as a member of the China delegation for other relevant forums where membership was limited to sovereign states.

Also speaking at the same session were Minister in the Malaysian Prime Minister's Department, (Economic Planning Unit) Tan Sri Nor Mohamed Yakcop, and Singapore Finance Minister Mr Tharman Shanmugaratnam,. The symposium was organised by the Securities Commission Malaysia.

Tomorrow (Tuesday), Professor Chan will call on senior Malaysian finance officials and discuss with them on issues such as the development of Islamic finance in Hong Kong. He will return to Hong Kong tomorrow night.

Ends