

5th Roundtable on Capital Market Reform in Asia

19-20 November 2003
ADB Institute, Tokyo

AGENDA

Day 1

Wednesday, 19 November

8:45-9:00 Registration

9:00-9:30 Opening Session

- Welcome remarks by **Mr. Kiyotaka Akasaka**, Deputy Secretary-General, OECD
- Welcome remarks by **Mr. Peter McCawley**, Dean, Asian Development Bank Institute
- Introductory remarks by **Mr. Alan Cameron**, the chair of the meeting

Session I: Market Failures and Regulators - Why are regulators always blamed for market failures?

It is an essential feature of a capitalist system that there should be failures, but when they occur, governments seem to feel obliged to seek scapegoats – someone else to blame. Public inquiries are usually held. How should regulators deal with that? What problems do such inquiries cause for the regulators doing their jobs in such cases? How well do their statutory protections work in the event of lawsuits against them? There have been several incidents of market failures in large jurisdictions in the region lately which have led to inquiries and reports; we shall hear about and discuss both the processes and the outcomes.

Part A The HK Penny Stocks Incident

9:30-10:10 Presentations:

- **Hong Kong (Mr. Ashley Alder**, Executive Director, Corporate Finance of Securities and Futures Commission) is expected to speak.
- **Mr. Alan Cameron** is expected to comment.
- **Ms. Qiumei Yang** (Deputy Director-General, Department of International Cooperation, China Securities Regulatory Commission) is expected to comment.

10:10-10:40 **General discussion**

10:40-11:00 Coffee break

Part B **The Australian HIH Insurance Collapse Case**

11:00-11:30 **Presentations:**

- **Mr. Joe Longo** (former ASIC Head of Enforcement and General Counsel, Corporate and Investment Bank (Asia) Deutsche Bank, AG) is expected to speak.
- **Mr. Alan Cameron** is expected to comment.

11:30-12:00 **General discussion**

12:00 – 13:30 **Lunch**

Luncheon speech by **Prof. Eisuke Sakakibara**, Keio University, Former Vice Finance Minister for International Affairs

Session II: **Consolidation and Demutualisation - What Strategies Should Exchanges Adopt for the Future?**

Presentations will examine the responses that exchanges are making to competitive pressures, globalization, and technological changes. It will address the following key policy questions: To what extent should emerging markets support the development of their own equities markets, or instead encourage regional alliances or mergers? Should emerging stock exchanges demutualise?

13:30-14:40 **Presentations:**

- **Mr. Ruben Lee** (Managing Director, Oxford Finance Group) will speak as a lead speaker.
- **Hong Kong (Mr. Ashley Alder**, Executive Director, Corporate Finance of Securities and Futures Commission) is expected to comment.
- **New Zealand (Ms. Jane Diplock**, Chairman of Securities Commission) is expected to comment.
- **Mr. Toshitsugu Shimizu** (Executive Officer, International Affairs and Clearing & Settlement, Tokyo Stock Exchange, Inc.) is expected to comment.
- **Malaysia (Mr. Ranjit Ajit Singh**, Director, Securities Commission) is expected to comment.
- **Mr. Tadashi Endo** (Senior Financial Sector Specialist, Financial Sector Operations and Policy Department, World Bank) is expected to comment.

14:00-15:10 **General discussion**

Session III: Rebuilding Confidence in Markets

Part A Prolonged Bear Market and its Aftermath

The long bull market period since the 1980's ended three years ago, and opinions differ as to whether the prolonged bear market, particularly in the United States, has reversed or rather has become entrenched in investors' thinking. Although the stock prices in this region since last spring have shown progressive recovery, future trends are still unpredictable, and confidence in Markets clearly remains to be rebuilt.

What do participants see as the cause of the late 1990s bubble? Did conflicts of interest hinder financial intermediaries from acting in the best interests of clients? How serious and long lasting will the downturn be? Are there any encouraging developments in the Asian region recently? What should be the basic policy stance for market regulators/supervisors in this environment? Should one tread carefully to avoid damaging any signs of new confidence among investors, or act strongly against those who broke the rules during good times? Does one relax the rules, for example, to ensure that the requirement to meet a prudential margin does not cause more selling of securities, or tighten the rules on say, short selling, to remove a factor which might weaken the market? Are there dangers in failing to introduce needed reforms or in taking actions that may lead to excessive and/or unforeseen consequences for foreign investors? How can the authorities promote private sector "ownership" of reforms?

Have changes in patterns of financial intermediation led to a reallocation of risk? What role did newer products, such as credit derivatives, play in reallocating risk? What is the appropriate policy response to the reallocation of risk?

Against this background, how is the health of the industry? Are there any prudential concerns? What is the scope of the cost cutting/downsizing of the industry? What, if any, are the risks associated with extensive reduction of staff? Can cost cutting/downsizing lead to recovery in the near term?

15:10-16:10 **Presentations:**

- **Dr. Stephen Grenville** (Visiting Scholar, **ADB** and former Deputy Governor, Reserve Bank of Australia) will speak on "Restoring Trust in Financial Markets", **at the invitation of the ADB**.
- **Mr. John Thompson** (Financial Counsellor, Directorate for Financial, Fiscal and Enterprise Affairs, **OECD**) will draw a background picture of the problems with confidence in the financial markets, while summarizing how market participants and officials in the OECD countries have been seeking to correct the imbalances that surfaced since early 2000.
- **Dr. Ghon Rhee** (Professor of International Finance and Banking, University of Hawaii) will speak on "Bear market and short sale regulation".

16:10-16:30 Coffee Break

Session III: Continued

16:30-17:20 **Presentations**

- **Indonesia (Mr. Herwidayatmo**, Chairman of BAPEPAM) is expected as a speaker from the regulators side.
- **Singapore (Mr. Mohammad Nizam bin Ismail**, Deputy Director, Head of Market Conduct Policy Division, Market and Business Conduct Department, MAS) is expected as a speaker, on the key findings of the survey on Investor Protection that has been conducted for IOSCO APRC members.
- **Japan (Mr. Naohiko Matsuo**, Director for International Financial Markets, Financial Services Agency) is expected to comment.

17:20-17:50 **General discussion**

17:50 **Conclusion of Day 1 Program**

19:00 **Reception hosted by the OECD**

Day 2

Thursday 20 November

Session III (continued):

B. Governance of and by Institutional Investors

During the 1990s, equity markets benefited in particular from the continuous and large inflows of funds from institutional investors. Even in the bull market period, it was mainly through institutional investors that individuals increased their exposure to equities. Because of their key role in representing the interest of final investors, in discussing priorities of rebuilding confidence in markets, the issues of “governance of institutional investors” and “corporate monitoring by institutional investors” has received considerable attention.

Has the market downturn revealed any problems with institutional investors? Do these institutions face conflicts of interest or agency problems? How should institutional investors exercise their governance rights in companies in which they hold equity?

9:00-9:40 **Presentations:**

- **Mr. Stephen Lumpkin** (Principal Administrator, Directorate for Financial, Fiscal and Enterprise Affairs, OECD) will present, based on the latest survey, on the issues above such as internal control mechanism and measures for minimizing conflicts of interest (“governance of institutional investors”), voting rights and other monitoring activities (“corporate monitoring by institutional investors”), and policy implications for the Asian region.
- **Mr. Renato Limjoco** (Lead Financial Sector Specialist, **ADB**) is expected to comment.
- **Korea (Mr. Jung-Hoon Park**, Deputy Director, Securities Policy Division, Ministry of Finance and Economy) is expected to comment.

9:40-10:10 **General discussion**

10:10-10:30 Coffee break

Session IV: The Relevance of the European Experience on Regional Regulation to Asia -The Outlook for a Pan-European Securities Regulator

The Asian financial crisis implies that, in a rapidly progressing globalisation, countries have to be vigilant because problems in any part of the world transfer swiftly to other areas. It is also surely useful and practical to move ahead with greater co-operation at the regional level. And the regional financial co-operation has since been intensified through ASEAN/ASEAN+3 or in other multiple occasions. Given the difference in nature from the European context, what could be the relevance of the European experience on regional regulation to the region?

10:30-11:00 **Presentations:**

- **Mr. Ruben Lee** will speak on the outlook for a European Securities and Exchange Commission.
- **Hong Kong** is expected to comment.

11:00-11:30 **General discussion**

11:30-11:45 **Concluding Session**

11:45 – 13:30 **Lunch**

Luncheon speech by **Mr. Peter Clark**, HQ-based TA advisor, Financial Infrastructure Division, Monetary and Financial Systems Department, **IMF**

13:30 **Conclusion of the meeting**