

Annex I

FOURTH ROUND TABLE ON CAPITAL MARKET REFORM IN ASIA

Tokyo, 9th-10th April 2002

Organizers: ADB Institute, OECD

Co-operation: WB, IMF and ADB

[Provisional Meeting Agenda and Discussion Points] (as of 22/March/02)

<Theme and its Background>

Medium Term responses to the Crisis in Asian financial markets

The “Asian financial crisis” is now more than 4 years old, and yet there is a sense in which it is perceived that Asia is not yet over the problems. In this Round Table, we will focus, in turn, on four aspects linked to the crisis and what has been happening in the intervening period:

- The organised and regulated markets – developments in their structures since 1997
- The regulators of those markets – again, they look rather different now
- The governance of those whose securities are traded on the markets – has there been enough change?
- Issues concerning restructuring when issuers fail, and resurrecting the market for emerging enterprises – these issues are still being worked through in many places.

We shall seek to identify some of the major recent trends, and whether they are working for us, or against us, in our combined efforts to bring about a return to reality, and a sense of growth and prosperity, for the region. We recognise that the diversity of the region, and its size, means that growth in one part of the region does not necessarily mean growth everywhere; we recognise also the emergence of China as both a very large and active player in our region, but also as a significant contributor to overall growth in economic activity, at a time when one of the other major regional economies has not been growing for some years. Our organised markets have been re-organising themselves and entering into new agreements and arrangements, especially within the region. The region has led the world in some respects, with innovative structures and ways of doing business. Finally the International Financial Institutions have been making a major effort to assist in the reform of our regional regulatory institutions, and we can learn from a joint stocktake of those activities.

9th April (Tuesday)

09:00 Welcome remarks by **Mr. Seiichi Kondo**, Deputy Secretary-General, OECD, and by **Dr. Masaru Yoshitomi**, Dean, ADB Institute

Introductory remarks by the Chairman, **Mr. Alan Cameron**, Former Chairman, Australian Securities and Investments Commission

09:20 Introduction: Progress in Capital Market Reform in Asia

A presentation by **Mr. Akira Konishi**, Head of Outreach Unit for Financial Sector Reform, DAFPE, OECD

09:30 Part I: Market structures

Demutualisation, self listing and mergers of exchanges within a country, have become almost commonplace in our region, but are the benefits obvious? Some questions which merit attention include

Demutualisation

- What role has the regulator taken in the demutualisation process – supportive, opposing, neutral; why? Has it always been possible to say that one was opposed?
- Where demutualisation has been adopted, what model for the future regulation of the market was adopted, and why?
- Where demutualisation involved self listing, who is now regulating the listing of the exchange, and is that working?
- Has demutualisation worked to achieve the objectives for which it was carried out? What has been the experience of the exchange, its "members", the regulator, the market?

Cross border alliances

- Whatever happened to them?
- What is the basis for, and the regulatory experience with, the cross trading initiatives such as Singapore Exchange /Australian Stock Exchange? Are they the way of achieving the objectives of the alliances?
- What issues are arising in the back offices – clearing and settlement, depositories and so on.
- Is a genuine regional market just around the corner?

Mergers of securities and derivatives markets

- Can we do a stocktake of these developments in particular?
- What special problems have arisen from differences in areas such as counterparties, clearing and settlement, styles of doing business?
- Are there separate regulators still for these markets?

Presentations

Mr. K C Kwong (Chief Executive, Hong Kong Exchanges and Clearing Limited) (15 minutes)

Mr. Gerrit de Marez Oyens (Former Secretary General, Federation Internationale des Bourses de Valeurs) (15 minutes)

Mr. Atsuo Nishihara (Managing Director and Executive Officer, Tokyo Stock Exchange) (15 minutes)

Mr. Sadakazu Osaki (Head, Capital Market Research Unit, Nomura Research Institute) (15 minutes)

Coffee break (10:30-10:50 / 20 minutes)

Ms. Jillian Segal (Deputy Chair, Australian Securities and Investments Commission) (15 minutes)

Mr. Mark Dickens (Executive Director, the Supervision of Markets Division, Securities and Futures Commission, Hong Kong, China) (15 minutes)

Ms. Jane Diplock (Chairperson, Securities Commission, New Zealand) (15 minutes)

Discussion (11:35-12:05 / 30 minutes)

12:15 **Lunch: Luncheon speech: Mr. Haruhiko Kuroda**, Vice Minister for International Affairs, Ministry of Finance, Japan

14:00 **Part•: Regulatory Structures**

Integrated regulators in some form (usually FSA) or another (Australia) are becoming more and more widespread (Indonesia will be the next). But there are issues about the model in countries as diverse as Australia and the UK, both of which have seen major problems in the insurance sector in the last 12 months, so the structure will inevitably, if perhaps unfairly, come under scrutiny. And the assessment of regulators according to international standards will focus attention on their independence in particular.

Integrated regulators

- Is this now the trend for all to adopt and pursue? What has been driving these developments – genuinely local considerations, or a broader philosophy of wider, if not universal, reach?
- Are there shortcomings in the model – such as
 - lack of focus – problems in one area being missed by distraction in another area,
 - cultural schizophrenia – uncertainty as to whether to be the doctor of the institution's health, or the enforcer of the laws
 - contagion – damage to the regulator's reputation in one area making it less effective in other areas
- If so, what can one do to overcome or minimise these risks?

Conglomerates

- These are the usual reason for creating integrated regulation; is there a retreat by business to a more focused business structure?
- The work of the Joint Forum and other IFIs has tended to focus on issues relating to US and European conglomerates. What approach can and should be taken to regulating the Asian-style conglomerate? Is there such a style?

Governance of the Regulators

- The catchcry is independence with accountability; how do we achieve both?
- Independence comes in different shapes and sizes – do we mean structural, financial, attitudinal?
- Is funding by market levy the solution to all resource problems? Why should financial regulators be immune from limitations in government funding?

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- How do we keep the regulator market-sensitive, but avoid being "captured"?
- Are there new ways of dealing with the old problems of coordination between regulators?

Presentations

Mr. Phillip Thorpe (Former Managing Director, Financial Services Authority, UK) (15 minutes)
Ms. Shamshad Akhtar (Manager, Finance and Industry Division, ADB) (15 minutes)
Mr. Herwidayatmo (Chairman, Indonesian Capital Market Supervisory Agency) (15 minutes)
Ms. Chang Su Hoong (Director, Securities Regulatory Development Division, Securities and Futures Department, Monetary Authority of Singapore) (15 minutes)
Mr. J.H. Kim (Director, Financial Supervision Policy Division, Financial Supervisory Commission, Korea) (15 minutes)

Discussion (15:15-15:45 / 30 minutes)

Coffee break (15:45-16:05 / 20 minutes)

16:15 ADB Institute Session

Presentation on **Developing Patterns of Capital Markets in China and India and Assessment of India's Reforms**, by **Dr. Masaru Yoshitomi**, Dean, ADB Institute, and **Dr. Sayuri Shirai**, Visiting Scholar, ADB Institute (20 minutes)

Discussion (30 minutes)

17:15 End of the first day

19:00 **Reception**

10th April (Wednesday)

09:00 **Part•: Corporate governance**

The OECD Principles are the subject of seminars within the region from time to time and also the subject of international assessments, despite the high level at which they operate. Not all markets regulators have a role directly in this issue, but there is much happening within the region.

OECD Principles

- What is the state of play with these principles, their acceptance internationally, and their rollout across Asia?
- There are numerous domestic initiatives as well, the nature and status of which should be examined. In some places, corporate governance is being imposed, and in others it is a matter of disclosure rather than requirement. What is working?

Closely held companies listed on stockmarkets

- These were perceived as a major contributor to the Asian crisis, or at least to the difficulties in dealing with its aftermath. What has been done to address the phenomenon in different markets?

- What should be the role of the capital markets' regulator in the issue. Or is it one for the exchange, the government, or someone else?

Financial institutions

- Are there some special problems or issues concerning the governance of banks, insurance companies, pension funds?
- What should be the role of the capital markets' regulator in the issue. Or is it one for the specialist regulator (if any?), the government, or someone else?

Presentations

Mr. Masaaki Kaizuka <as for *OECD Principles* and *Closely held companies listed on stockmarkets*>(Principal Administrator, DAFPE, OECD) (15 minutes)

Mr. Jamie Allen<as for *Asian Corporate Governance Reform*>(Secretary General, Asian Corporate Governance Association, Hong Kong) (15 minutes)

Ms. Lilia Bautista (Chair, Securities and Exchange Commission, Philippines) (15 minutes)

Mr. Prasarn Trairatvorakul (Secretary General, Securities and Exchange Commission, Thailand) (15 minutes)

Mr. Ghyanendra Nath Bajpai (Chairman, Securities & Exchange Board of India) (15 minutes)

Coffee break (10:15-10:35 / 20 minutes)

Dr. Philip Wellons<as for *Financial institutions*>(Professor, Harvard University) (15 minutes)

Mr. Michael Pomerleano (Lead Financial Specialist, Financial Sector Development Department, World Bank) (15 minutes)

Mr. Jaw Chyuan Chu (Chair, Securities and Futures Commission, Chinese Taipei) & **Mr. Lawrence S. Liu** (Partner, Lee & Li, Attorney's at Law, Chinese Taipei) (15 minutes)

Mr. Kazuhiro Sakamaki (Deputy Director, Office of Compliance Inspections, Securities and Exchange Surveillance Commission, Japan) (15 minutes)

Discussion (11:35-12:05 / 30 minutes)

12:15 **Lunch: Luncheon Speech: Prof. Eisuke Sakakibara**, Keio University, Former Vice Minister for International Affairs, Ministry of Finance, Japan

14:00 **Part• Issuers**

Getting private businesses back on their feet, and persuading investors to return are essential to recovery. Corporate debt restructuring has been an important part of the process, but has taken a long time. And venture capital may have been scared off by the tech wreck, apart from regional concerns

Debt restructuring initiatives

- What methodologies have been adopted in different markets, with what outcomes?
- What are some of the lessons to be learnt especially concerning transparency and disclosure in our marketplaces?

SMEs and Venture capital

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- How do we make venture capital an important contributor to economic recovery?
- Should we re-visit the second board concept? Are there other ways of attracting and retaining some "patient capital" in the region?

Presentations

Dr. Philip Wellons (Professor, Harvard University) (15 minutes)

Judge Wisit Wisitsora-At (Executive Director, Legal Execution Department Business Reorganisation Office) (15 minutes)

Dr. Ghon Rhee (Professor, University of Hawaii) (15 minutes)

Ms. Zarinah Anwar (Deputy Chief Executive, Securities Commission, Malaysia) (15 minutes)

Mr. Norman Chan (Deputy Chief Executive, Hong Kong Monetary Authority, on “**Importance of Development of Securitization and Credit Guarantee**”) (15 minutes)

Mr. Yoshio Okubo (Deputy Commissioner, International Affairs, Financial Services Agency, Japan, on **Japan’s NPLs issue**) (15 minutes)

Discussion (15:30-16:00 / 30 minutes)

Coffee break (16:00-16:20 / 15 minutes)

16:30 **Tour de Table and Concluding Session**

17:30 End of the meeting