



19th Roundtable on Capital Market and Financial Reform in Asia

AGENDA

**26-27 February 2019
Tokyo, Japan**

Sponsored by the Government of Japan

■ About the OECD

The OECD is a forum in which governments compare and exchange policy experiences, identify good practices in light of emerging challenges, and promote decisions and recommendations to produce better policies for better lives. The OECD's mission is to promote policies that improve the economic and social well-being of people around the world.

■ About the Special Projects and Outreach Unit

The Special Projects and Outreach Unit (SPOU) is funded by the Government of Japan and it operates within the OECD's Directorate for Financial and Enterprise Affairs (DAF). The Unit supports the OECD's Programme of Work and Budget in the field of financial and corporate affairs. Its projects aim at supporting policy dialogue with non-OECD developing countries and economies, with priority given to Asian countries.

■ About the Asian Development Bank Institute

Established in 1997, the Asian Development Bank Institute (ADBI) is the think tank of the Asian Development Bank (ADB). Its objective is to share knowledge and skills to reduce poverty and support long-term growth and competitiveness in developing Asia and the Pacific. The ADBI also provides fora for sharing development practices and country experiences in a wide range of research areas such as financial inclusion.

■ About the Roundtable on Capital Market and Financial Reform in Asia

Established in 1999 in the aftermath of the Asian financial crisis, the OECD-ADBI Roundtable on Capital Market and Financial Reform in Asia ("Tokyo Roundtable") provides an annual forum for high-level policy dialogue among OECD and Asian countries on topical issues of high interest from the viewpoint of capital market reform in Asia. It brings together high-ranking officials from finance ministries/treasuries, central banks and securities regulators from Asian and OECD member countries, as well as experts from international organisations, particularly the Bank of International Settlements (BIS) and the International Monetary Fund (IMF), including private sector representatives and academics.

■ Organiser

Shigeto Hiki; Head of the Special Projects and Outreach Unit, Directorate for Financial and Enterprise Affairs, OECD

■ Contacts

Contents and Agenda:

Yuya Yamada | yuya.yamada@oecd.org
Directorate for Financial and Enterprise Affairs, OECD
Policy Research and Advice, Special Projects and Outreach Unit

Pitchaya Sirivunnabood | psirivunnabood@adbi.org
CBT Economist, ADBI

Erica Paula S. Sioson | esioson@adbi.org
PhD, Research Associate, CBT, ADBI

Logistics:

Martina Limonta | martina.limonta@oecd.org
Directorate for Financial and Enterprise Affairs, OECD
Assistant, Special Projects and Outreach Unit

Wakako Kubota | wkubota@adbi.org
Administrative Assistant, ADBI

Day 1 – 26 February 2019

09:00 – 09:30	Registration of participants
09:30 – 10:00	Opening Remarks <ul style="list-style-type: none"> • Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs, OECD • Mr. Naoyuki Yoshino, Dean, ADBI
10:00 – 10:20	Keynote Address <ul style="list-style-type: none"> • Mr. Masatsugu Asakawa, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan
10:20 – 11:00	Coffee break and Group photo
I. Recent developments in the capital markets	
	<p>Session 1: Recent trends and prospects in the Asian capital markets under the rapidly changing economic and financial environment reflected by a series of US interest rate hikes and China's economic slowdown</p> <p>Financial landscapes in Asia are still broadly accommodative and supportive for stable growth in the near future. On the other hand, risks might rise sharply in emerging Asian countries due to the escalation of trade tensions between China and the U.S.</p> <p>For the recent months, as global financial conditions have gradually tightened, divergence of capital market between advanced and emerging countries in Asia has been growing. A couple of Asian emerging economies are vulnerable to spillover effect from monetary policy tightening in advanced countries, namely some Asian countries with fiscal deficit have experienced a small scale of reversal in portfolio flows.</p> <p>In advanced economies, high and rising leveraged level in non-financial sector could be other financial vulnerabilities and asset valuations in some major markets are stretched. These risks may accumulate and could be exposed by a sudden and sharp financial tightening.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. What are the recent trend and prospect for capital flows in the Asian economies? 2. In the U.S. and Europe, monetary policy normalization is being in place, what factors and conditions can be influenced and affected by tightening financial environment that would put the Asian economies in the most vulnerable position? 3. How does the recent trade policy discussion between the U.S. and China significantly impact in the capital flow in the Asia region?
11:00 – 12:30	Moderator: Mr. Chul Ju Kim , Deputy Dean, ADBI Speakers: <ul style="list-style-type: none"> • Mr. Akira Otani, Deputy Director-General, Financial Market Department, Bank of Japan • Mr. Robert Patalano, Senior Financial Expert and the co-ordinator of the OECD's Committee on Financial Markets (CMF) • Mr. Ilhyock Shim, Head of Economics and Financial Markets for Asia and the Pacific, BIS • Mr. Satoru Yamadera, Principal Financial Sector Specialist, ERCD, ADB
12:30 – 13:30	Lead discussant: Mr. Jean Pierre Lacombe , Director of Global Macro and Market Research Department in IFC Open Discussion

13:30 – 14:30	Lunch
	<p>Session 2: Some Asian countries in the face of population aging are required to adjust monetary and fiscal policies including social welfare; moreover, financial systems with rapid technological improvement should include elderly population</p> <p>Rapid population ageing has gradually happened in the Asia region and the impact will be substantial over the next two decades due to the demographic transition taking place in the single generation while European and North America societies have experienced the same transformation over a century.</p> <p>Although there are some divergences observed among Asian countries including differences in old-age dependency ratios and speed of aging, population aging poses significant challenges such as constant reduction of labor force and low productivity potentially leading to stagnant economic growth.</p> <p>A wide range of discussion is needed to consider policy responses for macroeconomic impacts of aging on fiscal, monetary, and financial sector policy, taking into consideration of lower inter-sectorial labour mobilisation and uneven intergenerational wealth distribution.</p> <p>Moreover, technological innovation and advancement tend to isolate elderly population and digital divide may cause serious intergenerational inequality in the financial market. It is essential to encourage and facilitate elderly people to gain access to new financial services and technologies as well as to undertaking adequate financial portfolio management to reduce longevity risk.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. Given that a large number of elderly people are not performing economic activities and a fewer young population are entering into labour market, how will these impacts influence the effectiveness of fiscal, monetary, and financial sector policy? 2. What is a well-balanced macroeconomic policy-mix that can be designed to maintain growth and fiscal sustainability in the serious and rapid aging process in the Asian region? 3. What should be the key- success factors and measures introduced for elderly people to be included in the financial development and to promote financial literacy for reducing longevity risk?
14:30 – 16:00	<p>Moderator: Mr. Naoyuki Yoshino, Dean, ADBI</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Mr. Junji Ueda, Director for Economic and Fiscal Policy Co-ordination, Ministry of Finance, Japan • Dr. Charles Yuji Horioka, Vice-President and Research Professor, Asian Growth Research Institute • Ms. Flore-Anne Messy, Head of Insurance, Private Pensions and Financial Markets Division, Directorate for Financial and Enterprise Affairs, OECD • Dr. Kirida Bhaopichitr, Director of TDRI Economic Intelligence Service, Thailand Development Research Institute (TDRI)
16:00 – 16:20	Coffee break
16:20 – 17:30	<p>Lead discussant: Dr. Peter Morgan, Senior Consultant for research, ADBI</p> <p>Open Discussion</p>
18:00 – 20:00	<p>Reception dinner hosted by ADBI and OECD</p> <p>Special Remarks</p> <ul style="list-style-type: none"> • Mr. Masamichi Kono, Deputy Secretary-General, OECD <p>Venue: Kazan Kaikan restaurant, “Botan-no-ma” (Room 8) Common Gate Building 37F (Next building to ADBI, Kasumigaseki Bldg)</p>

Day 2 – 27 February 2019

II. Capital markets of the future	
	<p>Session 3, Part 1: Digital Finance: How, Blockchain and Artificial Intelligence are transforming financial entities, businesses, and products</p> <p>Artificial Intelligence (AI) and blockchain are emerging as transformative technologies in finance. AI is enabling the analysis of unprecedented amounts of data, financial or otherwise, to formulate insights that are descriptive (describing the world as it is), predictive (predicting what happens next) and, increasingly, prescriptive (advising a course of action). At the same time, blockchain and other distributed ledger technologies are enabling the creation of an ‘internet of value’, enabling new classes of decentralised and global digital assets – including assets derived from data.</p> <p>Investors, consumers and policy makers recognize that innovative technologies are bringing benefits such as enhanced access to financing and innovative business models, faster and cheaper financial products, and a new means of transferring and storing value. At the same time, digital financial assets are raising issues regarding consumer protection, market integrity, security, privacy, and anti-money laundering and counter terrorism financing – as has been the experience with Initial Coin Offerings (ICOs). Market authorities are looking to establish a clear understanding of the different classes of digital assets, and to provide clarity on regulatory and legal treatments.</p> <p>International cooperation is needed to establish a common approach to these challenges and opportunities in order to maintain a level of playing field and global regulatory consistency. These efforts will also serve to alleviate the risks of regulatory arbitrage and market fragmentation.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. A number of digital new assets are being created by innovative DLT technologies. In order to smoothen the development process of the new financial products, business models and platforms, how do we clarify and align the definition or taxonomy of digital financial assets? 2. Under the early stage of technological development, to what extent do new rules, guidelines or regulatory frameworks need to put into place for assuring consumer protection, market integrity, security, privacy, and anti-money laundering and counter terrorism financing. 3. How can related authorities in each country cooperate to create internationally standardized competitive environment for further development of capital market, although they are facing national specificities and differences in their financial regulatory regime?
9:00 – 9:50	<p>Moderator: Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs, OECD</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Ms. Caroline Malcolm, Head, Blockchain Policy Centre, OECD • Mr. Motonobu Matsuo, Deputy Director-General of the Policy and Markets Bureau, FSA Japan • Mr. Sadakazu Osaki, Fellow, Head of Research, Center for Strategic Management and Innovation CMA(a member of the Securities Analysts Association of Japan), NRI, Ltd. • Dr. Xianguo (Jerry) Huang, Economist, AMRO • Mr. Benjamin Yablon, Co-founder and Chairman of SALT lending
9:50 – 10:40	Open Discussion
10:40 – 11:00	Coffee break

Session 3, Part 2: Some new digital financial services may require additional consumer and/or data protection, and be supported by the traditional safety net such as deposit insurance or lender of the last resort

The financial service sector is now in the face of rapid and significant advancement of information technology supported by an easing or removal of regulatory barriers and experienced marked structural changes. The technological shift to digital forms of interaction has already begun to alter the nature of asset creation and ownership structure.

Implications of digital innovations may influence certain core functions of the financial system. Depository institutions such as banks will remain in a special status and warrant financial protections afforded by the traditional safety net.

Banks are performing three important functions; 1) taking deposits that are withdrawable on demand, 2) providing liquidity from depositors to other entities with transformation of maturity, 3) acting as a conduit for payment system and monetary policy transmission. These three functions are being gradually challenged by developing digital non-banks.

In particular, some of the developing digital non-banks are effectively unbundling and rebounding commercial banking services; 1) some of these services separately, 2) rebounding together with some services, 3) combining together with some new services. .

Questions for discussion:

1. Why are banks recognized as special for the provision of traditional safety net? Are banks playing a conduit role of monetary policy?
2. Should digital non-bank institutes offering a subset of banking products and services be entitled to relevant provision of the financial safety net? Should digital non-bank institutes be guaranteed for access with the same regulatory requirements as treated to commercial banks such as capital requirement and other supervisory requirements?
3. Open banking initiatives are regarded as catalysis for enhancing competition and digital innovation in the banking sector. Though potentially efficient, is it safe and secure to allow open access to banking data for large technology firms that already control enormous data?
4. How can authorities regulate and supervise new digital financial services in principle more activities based rather than entity based?

11:00 – 11:50	<p>Moderator: Mr. Aerd Houben, Chair of the OECD Financial Market Committee/Director Financial Markets Division at De Nederlandsche Bank</p> <p>Speakers:</p> <ul style="list-style-type: none">• Mr. Stephen Lumpkin, PhD• Dr. Marcelo Corrales, Visiting Scholar at the Institute of European and American Studies, Academia Sinica in Taiwan• Mr. Yutaka Soejima, Head of Fintech Center, Deputy Director-General, Payment and Settlement Systems Department, Bank of Japan• Mr. Robert Patalano, Senior Financial Expert and the co-ordinator of the OECD's Committee on Financial Markets (CMF)
11:50 – 12:40	Open Discussion
12:40 – 13:40	Lunch

	<p>Session 4: Responsible, viable, and lifecycle infrastructure investments</p> <p>Most of advanced and developing countries are facing a massive financing gap for infrastructure investment. While spending amount itself is a crucial issue, there is a broad consensus; the promoting quality of infrastructure investment is a key for sustainable economic development.</p> <p>Quality of infrastructure can be defined by these criteria; 1) economic efficiency in view of life cycle cost, 2) safety, 3) resilience against natural disaster, 4) job creation, 5) capacity building, 6) transfer of expertise and know-how on mutually agreed terms and conditions, 7) degree of social and environmental impacts, 8) alignment with economic and development strategies.</p> <p>As for infrastructure investment, quality and quantity are not conflicting concepts but they are complementing with each other. Furthermore, wide access and open usage to quality of infrastructure can serve as a basis for positive economic spillover to local economy, contributing to sound debt sustainability.</p> <p>Moreover, macro-level of infrastructure governance, including debt sustainability, needs to be taken into account for ensuring quality infrastructure investment from the long-term perspective. Good governance will also allow a recipient country to keep good sovereign debt management, which may improve economic growth prospect and encourage private sector investment.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. What other key attributes and expected outcomes that we need to consider other than elements mentioned above? 2. Private investors are increasingly interested in environmental, social and governance (ESG) aspects of infrastructure investment, including as a means to manage short and long-term risks. What are the specific long-term risk factors are investors most concerned with, and which particularly aspects of ESG performance can help best mitigate these?
13:40 – 15:10	<p>Moderator: Mr. Timothy Bishop, Senior Advisor, Private Pensions and Financial Markets Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Mr. Naoyuki Yoshino, Dean, ADBI • Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs, OECD • Mr. Munenari Nomura, Director for Development Issues of the International Bureau of the Ministry of Finance, Japan • Mr. Ranjit Ajit Singh, Former Chairman of the Securities Commission (SC) Malaysia
15:10 – 15:30	Coffee break
15:30 – 16:30	Open Discussion
16:30 – 16:45	<p>Conclusions and Closing Remarks</p> <ul style="list-style-type: none"> • Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs, OECD • Mr. Chul Ju Kim, Deputy Dean , ADBI