

18th Roundtable on Capital Market and Financial Reform in Asia

AGENDA

1-2 March 2018
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.

■ Contacts

Contents and Agenda:

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Day 1 – 1 March 2018

09:00 – 09:30	Registration of participants
09:30 – 10:00	Opening Remarks <ul style="list-style-type: none"> • Mr. Masamichi Kono, Deputy Secretary-General, 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: The recent trends and prospects of Asian capital markets under steady economic growth and stable financial environment</p> <p>Asian financial conditions are favourable while vulnerable to external shocks. This trend supported by investor risk appetite and higher asset prices has brought capital inflow in this region, especially, into our bond markets. Although global sentiment remains strong and financial condition could remain loose into medium term, ongoing and prospective changes in monetary policy by a few major central banks may have the potential to prompt an outflow of capital from the Asian region, which could as a consequence harm Asia's financial stability. In fact, the impact of planned increases in policy rates in the U.S. may spill over into Asia, pushing up long-term financial costs, and strengthening the U.S. dollar. For the moment, a series of policy rate hikes in the U.S. has not yet triggered a repeat of the taper tantrum that was experienced in Spring 2013. Thanks to the gradual, transparent, and foreseeable nature of the U.S. monetary policy changes, its normalization process has less impacted on long-term interest rates in the U.S. and global markets. Consequently, capital inflow to the Asian region continues to be stable and Asia has not yet been experiencing capital outflows.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. What are the recent trends and prospects for capital flows in the Asian economies? 2. What kind of impact do the monetary policy changes in the U.S. and the EU bring about on the Asian financial markets? 3. What are the major factors which may significantly impact on the economy and capital flows in the region in the near future? 4. What are the major vulnerabilities of the Asian economies and financial markets against external shocks and how should be addressed?
11:00 – 12:30	<p>Moderator: Mr. Chul Ju Kim, Deputy Dean, ADBI</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Dr. Sayuri Shirai, Professor, Keio university, Visiting Scholar, ADBI <i>Recent Developments in the Capital Markets in Asia and Cross-Border Investment</i> • Dr. Pornpen Sodsrichai, Director, Economic and Policy Department, Bank of Thailand <i>Portfolio Flows to Asia: Challenges Ahead</i> • Mr. Akira Otani, Deputy Director-General, Financial Market Department, Bank of Japan <i>QQE with Yield Curve Control and Recent Market Developments in Japan</i> • Mr. Toan Nguyen, Deputy Head, Financial System Division, the Financial Monetary Stability Department, State Bank of Vietnam <i>Capital Flows to Asian Market</i>

12:30 – 13:30	<p>Lead discussant: Mr. Stephen Lumpkin, Senior Economist, Financial Affairs Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p>Open Discussion</p>
13:30 – 14:30	<p>Lunch</p>
	<p>Session 2: Increases in private (corporates and households) and public debt</p> <p>The US higher interest rates could spill over into the emerging Asia, raising interest rates in the region. This increase in the long-term interest rate would lead to higher effective discount rates, which would lower asset valuation and undermine the balance sheets of governments, corporates and households. Namely, economies with highly indebted households and corporates would be particularly vulnerable to financial shock. Historically, long-term interest rates increases in Asian economies are closely linked to those in the US and usually larger. Moreover, higher US interest rates would strengthen the US dollar against other currencies, which could cause more capital outflows from the Asian region. Capital outflows would challenge the stability of Asian currencies, especially in countries with flexible exchange rate regimes. Some economies with accumulated substantial foreign currency debt would pose a risk to financial stability. Currency depreciation also encourages central banks in the Asian region to follow the US policy tightening.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. What are the prospects and major challenges for private (corporates and households) and public debt financing in the Asian region? 2. Are some of the Asian countries still facing so-called “double-mismatches” referred to as currency and maturity mismatch in debt financing? Can we make sure that we are properly controlling risks of double-mismatches in debt management in both the public and private sectors? 3. Have Asian bond markets developed enough to enhance financial resilience? Is the high level of household corporate debt in the banking sector still a concern for investors in the Asian region?
14:30 – 16:00	<p>Moderator: Mr. Ilhyock Shim, Principal Economist, Monetary and Economic Department, Bank for International Settlements (BIS)</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Mr. Toshiyuki Miyoshi, Director, International Organizations Division, International Bureau, Ministry of Finance, Japan <i>Debt Vulnerabilities in Emerging Markets – A Global View</i> • Mr. Fakhri Hilmi, Deputy Commissioner, Capital Market Supervision, Indonesia Financial Services Authority <i>Investing in Asian Fixed Income</i> • Dr. Jae Young Lee, Group Head and Lead Economist, Asean+3 Macroeconomic Research Office (AMRO), Singapore <i>Private and Public Debts in the Region – Risks, Vulnerabilities and Challenges</i>
16:00 – 16:20	<p>Coffee break</p>
16:20 – 17:30	<p>Lead discussant: Mr. Masato Miyazaki, Head of World Bank Office in Tokyo, Japan</p> <p>Open Discussion</p>

Day 2 – 2 March 2018

9:10 – 9:30	<p>KEYNOTE ADDRESS:</p> <ul style="list-style-type: none"> • Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs Division, OECD
<p>II. Capital markets of the future</p>	
	<p>Session 3: The impact of new technologies, such as Fintech and Artificial Intelligence</p>
	<p>Part 1: New financial business, inclusion, products</p> <p>The new and emerging digital technologies, including distributed ledger technology, cloud computing, and artificial intelligence, are becoming a means of offering faster and more convenient and cost-effective financial services. The new financial products and business models are also targeting previously excluded market segments, for example, financially vulnerable groups in developing countries, while offering higher returns to institutional investors. At the same time, the new products and business models may entail negative externalities in the financial market in the longer term. Historically, some market innovations have changed the nature of competition and brought unintended consequences.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. To what extent do consumers perceive the new products from digital financial services providers to be close substitutes to those from traditional intermediaries when consumers can easily change from a service provider to another with low switching costs? 2. The new financial products and business models have not been around long enough to prove their long-term viability. Are they likely to remain available through financial and economic downturn? 3. Can we make sure that the Fintech innovation, considered as a structural regime change of financial markets, will not cause any negative effects such as systemic risks?
9:30 – 10:20	<p>Moderator: Ms. Flore-Anne Messy, Head of Financial Affairs Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Ms. Yuko Kawai, Head of Fintech Center, Payment and Settlement Systems Department, Bank of Japan <i>New Financial Business, Inclusion, Products</i> • Ms. Naoko Nemoto, Financial Economist, ADBI <i>New Approaches to SME Finance Using Bank Account Information(Big Data)</i> • Dr. Bihong Huang, Research Fellow, ADBI <i>Fintech and Financial Inclusion: A Case in Rural Areas</i> • Ms. Loretta Joseph, Director of Business Development at the Sydney Stock Exchange, Australia <i>Blockchain ... revolutionising financial services</i>
10:20 – 11:10	<p>Lead discussant: Ms. Naoko Nemoto, Financial Economist, ADBI</p> <p>Open Discussion</p>
11:10 – 11:30	<p>Coffee break</p>

	<p>Part 2: Regulation, consumer and data protection</p> <p>Fintech innovation is putting competitive pressure on incumbent service providers and may bring a threat of disintermediation in the traditional financial system. New technologies are providing a means of delivering more tailored and cost-effective services. Financial authorities may play an important role in unlocking the potential efficiency benefits of Fintech innovation and in facilitating regulatory compliance. Some changes may be required to safeguard a level playing field for market participants and consumer and investor confidence and protection, and resilience and stability in the financial system. Moreover, new innovations may introduce vulnerabilities in terms of cyber-resilience and digital security. Those risks may become security risks that not only cause operational failures, but also have systemic consequences, and undermine consumer confidence and trust.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. Will new digital technologies give rise to structural changes in the incumbent financial markets and institutions? To what extent can we expect that basic financial services provided by traditional banks will be replaced by new financial service providers, taking into account regulatory constraints and cybersecurity risk etc? 2. How can policy makers and financial industries provide effective financial education and financial consumer protection to consumers, enabling them to better understand new digital financial products and services? And how can we deal with the people who lack the connectivity and the technical skills or knowledge to get access to new Fintech services? 3. To what extent will concerns about cybersecurity risk limit the developments and growth of Fintech products and services? How do financial authorities need to introduce the regulatory structure to deal with the unique nature of cyber risk in the digitalized financial sector rather than having to rely on existing regulation framework relative to technology and operational risk?
11:30 – 12:20	<p>Moderator: Mr. Stephen Lumpkin, Senior Economist, Financial Affairs Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Mr. Motonobu Matsuo, Deputy Director-General, Planning and Coordination Bureau, Financial Services Agency, Japan <i>Japanese Fintech Policy - Promote Innovation and Consumer Protection</i> • Mr. Assylbek Davletov, Chief Fintech Officer and member of Executive Body, Astana Financial Services Authority, Kazakhstan <i>Keeping Pace with Digital Disruption</i> • Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs, OECD • Mr. Erik Vermeulen, Professor, Tilburg University and Tilburg Law and Economics Center, Netherlands <i>Regulating the “New” Fintech Revolution</i>
12:20– 13:10	<p>Lead discussant: Mr. Naoyuki Yoshino, Dean, ADBI</p> <p>Open Discussion</p>
13:10 – 14:10	<p>Lunch</p>

	<p>Session 4: Resilience of financial portfolios; ESG investment</p> <p>Institutional investors such as pension funds, insurers and asset managers are paying increasing attention to potential environmental, social and governance (ESG) risks and opportunities in their investment portfolios. Risk-based controls and prudential standards do not usually prevent institutional investors from integrating ESG factors into their investment governance, but the investors often face difficulties in reconciling their obligations (e.g. fiduciary duty) towards their beneficiaries with ESG integration. Lack of legal or regulatory clarity, practical complexity may discourage ESG integration. Some jurisdictions have taken steps to clarify that regulatory frameworks do not prohibit ESG factors considered in the investment decision-making process as long as it does not jeopardise portfolio performance. However, many institutional investors remain reluctant to adapt ESG factors into their governance processes because ESG are typically perceived as non-financial and long-term factors; they may find difficult to integrate ESG factors into conventional financial and risk models. There are also behavioural barriers to the integration of ESG factors. Many stakeholders feel that ESG investing needs to change mental model rather than financial model and to be considered as the morally correct or acceptable question.</p> <p>Questions for discussion:</p> <ol style="list-style-type: none"> 1. How do institutional investors integrate ESG factors in their investment decisions and how does this align with their fiduciary duties towards beneficiaries and clients? 2. What could discourage institutional investors from integrating ESG factors into their investment governance; lack of regulatory clarity, practical complexity or behavioural issues? 3. How does ESG integration influence investment returns? Which are ESG factors the most important in driving corporate financial performance? Is there a risk focusing on ESG that will narrow the investment universe? 4. Should ESG regulatory frameworks take the form of mandatory legislation or voluntary codes? How much do institutional investors need legal clarity and flexibility?
14:10 – 15:40	<p>Moderator: Mr. Timothy Bishop, Senior Advisor, Financial Affairs Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Mr. Yasuhisa Nakao, Deputy Vice Minister of Finance for International Affairs, Ministry of Finance, Japan <i>ESG Investment & Japan's Actions</i> • Mr. Nehal Vora, Chief Regulatory Officer and member of the Executive Management Committee of BSE Limited, India <i>BSE and ESG - The Dual Perspective</i> • Mr. Masaaki Nagamura, Division Head, Corporate Social Responsibility, Strategy & Synergy Dept., Tokio Marine Holdings, Inc, Japan <i>Task Force on Climate-related Financial Disclosures</i> • Ms. Fiona Stewart, Senior Financial Sector Specialist, Global Lead Insurance & Pensions, World Bank, United States Finance, Competitiveness and Innovation (FCI) <i>Resilience of Financial Portfolios / ESG Investment</i>
15:40 – 16:00	Coffee break
16:00 – 17:00	<p>Lead discussant: Ms. Mandy Kirby, Director, Reporting, Assessment and Accountability Principles for Responsible Investment (PRI)</p> <p>Open Discussion</p>
17:00 – 17:15	<p>Conclusions and Closing Remarks</p> <ul style="list-style-type: none"> • Mr. Greg Medcraft, Director, Directorate for Financial and Enterprise Affairs, OECD • Mr. Naoyuki Yoshino, Dean, ADBI
17:30 – 19:30	<p>Reception dinner hosted by ADBI and OECD</p> <p>Venue: Kazan Kaikan restaurant, "Shosetsu + Kobai" Room Common Gate Building 37F (Next building to ADBI, Kasumigaseki Bldg)</p>