



houses should not – and as a practical matter could not – be simply replicated across local Asia clearing systems.

Had we not made a concerted effort on this issue the result could have been a severe reduction in the participation of European banks in local securities markets. That would not have been a good outcome for anyone.

This was a small beginning, but signifies a new confidence that speaking with one Asian voice can be extremely effective. I should also say that the European Securities and Markets Authority and the EU Commission responded by working very hard to understand our different local regimes and to achieve a result which recognised that our approach in Asia is different, but achieves equivalent regulatory outcomes for investors.

We have since written collectively to the US Commodity Futures Trading Commission concerning the effect on Asia Pacific markets of its rules about derivatives exchanges.

These have led to some non-US trading platforms finding it hard to determine which clients might qualify as US counterparties, and some have stopped dealing with them altogether.

This implies fewer hedging opportunities, more cost and reduced market liquidity. We are confident that a unified Asian voice will resonate in the US as it has in the EU.

The broader lesson from all of this is that Asia can only have real influence on the shape of global financial regulation if it acts collectively. And I firmly believe that there is now a real determination to do so.

Regulation of large firms in Hong Kong

Another reason to work together is to do with a globally active financial industry which is larger and more complex than ever.

Big firms are now highly mobile, with subsidiaries and business lines stretching around the globe.

As a consequence, business, risk and compliance decisions affecting our local jurisdictions are often made elsewhere.

And here there are striking parallels between Hong Kong and Singapore.

Both are physically very small, and much of their success can be attributed to the fact that they are both very open markets, hosting an international financial services industry which is heavily entwined with global financial markets.

Financial services now make up nearly 16% of Hong Kong's gross domestic product (GDP) and 12% in Singapore. This compares to less than 5% in Japan – even in the UK it is less than 10%.

And we, like Singapore, are a net importer of financial services – rather than an exporter like Switzerland.

This means that, at a practical level, we need to work out how we can better regulate those larger firms who contribute so much to our financial markets and whose activities are often managed regionally or even globally.



They can enhance information-sharing, joint inspections, help develop a common understanding of risk in financial groups, promote a shared agenda for addressing risks and vulnerabilities, and serve as a platform for communicating key regulatory messages.

These arrangements will help regulators in Asia better understand a firm's local operations against the wider context of the firm's group-level activities. More importantly, they enable Asian regulators to start placing more reliance on each other, as an alternate to individual approaches which could drive further localisation of financial services.