

Lim Hng Kiang: The Tokyo Stock Exchange and Singapore

Speech by Mr Lim Hng Kiang, Deputy Chairman of the Monetary Authority of Singapore and Minister for Trade and Industry, at the Tokyo Stock Exchange Singapore Representative Office 10th Anniversary, Singapore, 14 December 2006.

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Congratulatory remarks

I am delighted to be here with you this evening to celebrate the 10th anniversary of Tokyo Stock Exchange Singapore Representative Office. Firstly, I would like to thank the Tokyo Stock Exchange for its commitment to Singapore and the region over the past decade and I hope Tokyo Stock Exchange will continue to scale greater heights in coming years.

Growth of Asia and Japan

When Tokyo Stock Exchange established its overseas office in Singapore in 1996, Singapore and the region were experiencing strong economic growth with Asian economies developing at rates of about 5 to 10% per year. Today, we continue to witness the rise of Asia on the back of the twin drivers of China and India. Prospects for South-East Asia have improved considerably and Japan, after years of stagnation, is firmly back on the track of healthy sustained growth and is a major investor in South-East Asia. As of 2005, Japan's FDI into South-East Asia totaled \$38 billion, and it is the top investor in Indonesia, and the third largest investor in Vietnam.

Changes in the global exchange landscape

The competitive landscape in the global exchange arena has also changed significantly. Equity and derivatives exchanges are consolidating globally in the bid to establish greater market share and to expand product offerings. The New York Stock Exchange-EURONEXT cross-Atlantic merger to create the first multi-time-zone exchange, and the recently announced merger between the Chicago Board of Trade and the Chicago Mercantile Exchange could lead to more centralized liquidity pool for derivatives trading in the US and Europe.

Asian exchanges can do more - TSE can take greater leading role

The consolidation trend has yet to reach Asia and Asian exchanges may face the risk of marginalisation. In order to remain relevant, the Asian exchanges may need to explore ways to deepen collaboration and product differentiation in the face of strong competition.

In Asia, the Tokyo Stock Exchange is the largest stock exchange by market capitalization. Since its establishment in 1878, it has grown to be the 2nd largest bourse globally, with a market capitalization of its listed companies exceeding US\$4 trillion, second only to the New York Stock Exchange. It also registers high average daily trading volume for domestic equities of about US\$19 billion for 2005.

I understand that the Tokyo Stock Exchange is currently in talks with major exchanges about alliances and I am heartened to hear its efforts to work more closely with the Asian exchanges. For example, the Tokyo Stock Exchange and the Singapore Exchange have been discussing about such strategic cooperation which would benefit both markets and their investors, including the possible trading linkage, and I urge both parties to work together more closely.

We need to cultivate and foster greater bilateral, if not, multilateral cross-border relationships with each other to develop greater liquidity in regional securities and derivatives markets. The current economic growth in Japan, Singapore, as well as in the broader South-East Asian region, gives us a window of opportunity to act swiftly to deepen and enhance trading linkages so as to strengthen Asia's competitive edge. Together, I believe we can present an attractive value proposition to global investors who are looking to Asia for growth.

Conclusion

On that note, let me extend my heartiest congratulations to the Tokyo Stock Exchange on its Singapore Representative Office 10th anniversary celebration. The Tokyo Stock Exchange and Singapore have enjoyed an excellent relationship over the years and I do treasure the very important ties and partnerships between Japan and Singapore. I certainly look forward to many more years of close and fruitful cooperation between the 2 countries in future projects.

I wish Tokyo Stock Exchange great success in their endeavours. Thank you.