

Joseph Yam: Competition and cooperation among global and regional financial centres

Congratulatory remarks by Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority, at the ACI Asia – The Financial Markets Association, Hong Kong, 11 July 2008.

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Mr Wiebogen, Mr Tan, Ladies and Gentlemen,

It is with great pleasure that I join you this evening to mark the inauguration of ACI Asia – The Financial Markets Association. On behalf of the Hong Kong Monetary Authority and the Hong Kong Special Administrative Region Government, I would like first to offer my congratulations to all those who have worked hard over the last couple of months on the establishment of ACI Asia. Special congratulations are also appropriate to Mr Wiebogen and Mr Tan for the foresight and leadership they have demonstrated in this initiative.

Financial markets in the developed economies have been experiencing considerable stress. At the risk of oversimplifying it, the current financial turmoil can be attributed to financial innovation creating distortions in the financial system, including the compensation schemes for the innovative lot, to such an extent as to lead to a serious erosion of credit standards. It is at a time like this that everybody should be reminded of the importance of professionalism in finance, at all stages of financial intermediation. With its long history and impressive membership, ACI has developed very much into an icon of professionalism in finance, contributing to "market development through education, market practices, technical advice and networking events for the financial practitioners of the world". The Association therefore has a very important role to play and faces in the coming years much greater challenge than before in promoting and upholding professional and ethical standards in finance.

One interesting, perhaps even perplexing, aspect of the current financial turmoil is that emerging markets, particularly those in Asia, have only been lightly affected, so far. One reason is that financial innovation, in the form of credit risk transfer through securitisation by the "originate and distribute" model, has not caught on in Asia to the same extent as in the United States. Indeed, economies in different stages of financial sector development face different issues, notwithstanding the clear trend of globalisation in finance. Correspondingly, in promoting and upholding professionalism in finance, there may be a need for different emphases and approaches, having regard to the different development stages that individual regions and economies are undergoing. But it is also important that these different emphases and approaches should be developed within the framework of global standards. I therefore wholeheartedly support regional outreach initiatives of international standard setting bodies such as the ACI.

Asia, of course, is region of rising importance in the global context, particularly in terms of finance. Whether it is the volume of foreign exchange reserves or the growth of foreign exchange turnover or the amount of savings that needs to be mobilised for promoting economic growth and development, Asia is likely to occupy top position in the world, if it is not already there. The prospects of a strong relative shift of financial market liquidity into Asia are clear, so is the need for upgrading professionalism in finance, hopefully at a pace that is commensurate with its increasing importance in global finance. It is therefore absolutely right for the first regional office of ACI to be established in Asia and, if I may add, for it to be established in Hong Kong, as the truly international financial centre in the region. On the choice of Hong Kong, we are of course grateful and feel honoured, and I as Chief Executive of the Hong Kong Monetary Authority and as Honorary President of the Treasury Markets Association offer the full support of the two organisations to the activities of ACI and ACI Asia.

Thank you.