

Darryl Chan: Opening remarks - Joint Workshop "Global interconnections and financial stability"

Opening remarks by Mr Darryl Chan, Deputy Chief Executive of the Hong Kong Monetary Authority, at the Hong Kong Institute for Monetary and Financial Research (HKIMR) – Bank for International Settlements (BIS) – International Monetary Fund (IMF) Joint Workshop "Global interconnections and financial stability", Hong Kong, 13 July 2026.

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Tobias (*Tobias ADRIAN*, Financial Counsellor and Director of the Monetary and Capital Markets Department, IMF), Benoit (Benoit MOJON, Head of Economic Analysis, Monetary and Economic Department, BIS), Professor XIONG (Xiong Wei, John H. Scully' 66 Professor in Finance, Professor of Economics, Princeton University), distinguished guests, ladies and gentlemen, good morning.

It gives me great pleasure to welcome you to this conference. On behalf of the Hong Kong Monetary Authority (HKMA) and the Hong Kong Institute for Monetary and Financial Research (HKIMR), my sincere gratitude to our partners at the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) for organising this conference, bringing together such a distinguished gathering of policymakers, researchers, and market practitioners.

The theme of this conference posts some challenging questions to us:

- Is the world seeing increasing global interconnections going forward? Or less?
- How big is the impact of geopolitics in shaping global interconnections?
- How will financial innovation and transformative technology redefine global financial linkages?
- How can regulators and the market differentiate between signal and noise, so as to take the right steps for maintaining financial stability?

The list can go on. In short, we are confronted by not just cyclical changes, but a multitude of far more fundamental structural shifts. These shifts are reshaping how risks emerge, propagate, and are managed across markets and borders. Understanding their systemic implications is not an academic exercise; it is a matter that is relevant to policy making with profound consequences.

As we reflect on these fast-changing dynamics, it becomes clear that the very foundations of financial stability are being re-examined: not just in response to known risks, but in light of emerging complexities that we do not yet fully understand. These unknowns are going to determine how systemic risks may unfold and interact with each other in the years ahead.

First and foremost are geoeconomic shifts. Ongoing events, such as regional tensions, energy shocks, and trade conflicts, often impact the economy through similar channels. They heighten uncertainty, raise costs, disrupt supply chains, and weaken growth. Meanwhile, limited fiscal space is constraining the public sector's capacity to absorb

economic and financial shocks.¹ What begins as a geoeconomic shift can quickly transmit to the real economy through capital flows, foreign exchange markets and asset price revaluations, especially when global investors reprice risk.

Second, as innovation reshapes the structure of the financial services industry, it is also creating new risks. The non-bank financial intermediation sector has grown dramatically, accounting for roughly half of the global financial system.² This less regulated sector is prone to harbour hidden leverage and liquidity mismatches. When stress hits, these vulnerabilities can compound market shocks.

Third, technological disruption. Artificial intelligence is widely regarded as one of the most important breakthroughs in this century, promising the potential of exponential growth in productivity. Yet, its rapid advance also brings systemic risks that we are just beginning to understand, including the emerging capacity to autonomously exploit vulnerabilities in critical infrastructure.³

Taken together, these shifts underscore a sobering reality: that financial stability risks are no longer confined to predictable channels. The transformations I mentioned just now are characterised by complexity, interconnectedness, and rapid innovation. It means that vulnerabilities and risks will arise from the unexpected interaction of multiple stresses across markets, institutions, and jurisdictions. The next systemic shock may emerge from a geoeconomic surprise, amplified by hidden vulnerabilities in the non-bank sector, or by the unforeseen consequences of technological disruption.

Our task, therefore, is to ensure that the financial system is able to cope with both anticipated and unforeseen shocks. How should we respond to both the unknowns and the knowns? Let me offer two complementary considerations: build resilience and foster cooperation.

Building resilience is a never-ending endeavour.

- It requires painstakingly challenging ourselves what may go wrong.
- It requires relentless efforts to build surveillance systems that enable us to monitor risks.
- It requires comprehensive scenario planning and building buffers that will act as shock absorbers should a crisis hit.
- It requires a forward-looking mindset that guides our efforts of future-proofing our financial supervision and infrastructure, made necessary and possible by technological advances.
- It also requires good market communications to uphold confidence and trust in the authorities' determination and capability to maintain financial stability.

Second, resilience must be reinforced by cooperation. The deep integration of global financial markets means that no jurisdiction can achieve stability in isolation. Financial stability is a public good and safeguarding it requires sustained international cooperation. Fostering global monetary and financial cooperation has always been at the heart of the HKMA's work. We participate actively in global financial governance and we engage closely with multilateral forums and international bodies, where we share best practices and contribute to the development of global regulatory and supervisory standards. We also collaborate with our central-banking counterparts.

Through the HKIMR, we champion research on monetary and financial stability to share insights with researchers and policymakers worldwide.

These diverse efforts reflect a broader point: in an increasingly complex and interconnected world, cooperation is most effective when it is underpinned by strong knowledge exchange. It helps us turn more unknowns into knowns, and translate research into common understanding that facilitates cooperation.

Now in its third year, this joint conference has evolved into a crucial forum where policymakers, academics, and market participants gather to exchange ideas, share insights, and foster meaningful connections. The conference also facilitates in-depth discussions about the Asia Pacific region's substantial impact on global economic growth, thereby capitalising on the city's unique position to bring together diverse stakeholders and promote a collaborative dialogue. Over the next two days of sessions, many of the complex topics I have touched upon will be examined in detail. I am confident that the discussions will deepen our understanding across sectors and geographies and help us respond more effectively to emerging risks.

The key priorities are clear: maintaining resilience, fostering trust, and ensuring effective cooperation.

With that, I wish you a stimulating and productive conference. Thank you.

¹ International Monetary Fund. World Economic Outlook: Global Economy in the Shadow of War. April 2026.

² Financial Stability Board. Global Monitoring Report on Nonbank Financial Intermediation. December 2025.

³ Hong Kong Monetary Authority. Strengthening Cyber Resilience amid Artificial Intelligence-Empowered Cyber Threats. June 2026.