



Key Challenges for Securities Regulation in Asia

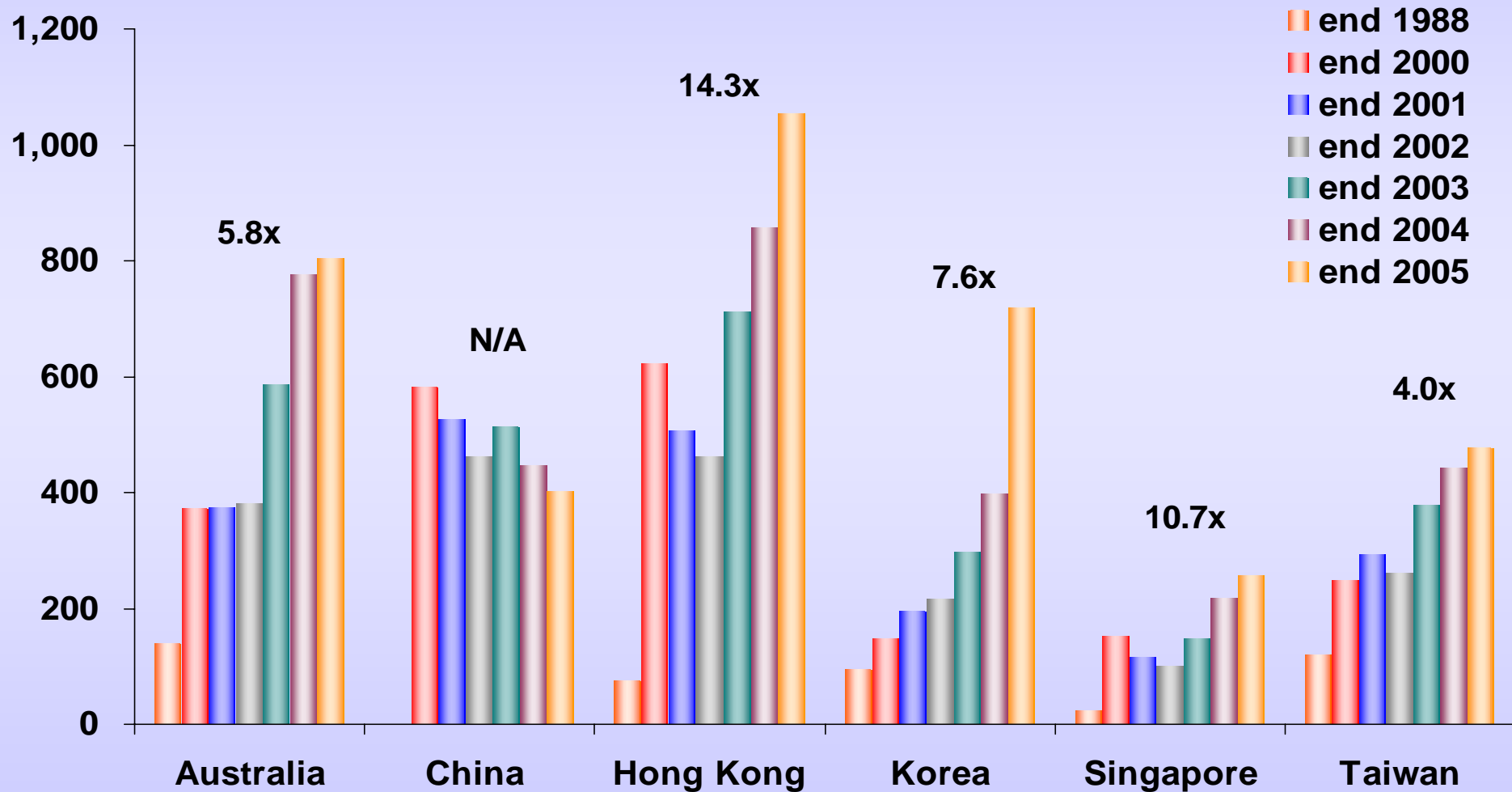
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Growth of Asian Stock Markets (Market Cap in US\$ bn)



Remark: x = increase from end 1988 to end 2005
Sources : WFE and IFC

Capitalization and Turnover of Major Markets (end 2005, US\$ bn)

	<u>Market</u> <u>Cap</u>	<u>change over</u> <u>Dec 04</u>	<u>Market</u> <u>Turnover</u>	<u>change over</u> <u>Dec 04</u>	<u>P/E</u> <u>ratio</u>
Australia	804	3.6%	673	28.1%	18
China	402	-10.2%	393	-24.0%	17
Hong Kong	1,055	22.5%	464	5.6%	15
Japan	4,573	28.5%	4,427	37.5%	23
Korea	718	80.2%	1,204	146.4%	11
Singapore	257	18.3%	116	8.5%	13
Taiwan	476	7.4%	585	-18.8%	18
Germany	1,221	2.2%	1,912	24.0%	15
UK	3,058	8.6%	5,674	9.6%	14
US (NYSE)	13,311	4.7%	14,125	21.6%	19
US (Nasdaq)	3,604	2.0%	10,087	15.1%	35

Remarks: Turnover - for the 12 months ending Dec 2005, P/E ratio - end Dec 2005
 Due to different reporting rules & calculation methods, turnover figures are not entirely comparable
 P/E ratio for China is the weighted average of A and B shares markets

Sources: WFE and websites of various exchanges

Key Challenges for Securities Regulation in Asia

Market Volatility

- ◆ Increasing participation of hedge funds
- ◆ Vulnerable to event risks under a globalised financial market

Focal points

- ❖ Monitor financial exposures of intermediaries
- ❖ Ensure firms have appropriate business continuity arrangement

Key Challenges for Securities Regulation in Asia

Product Distribution

- ◆ **Retailisation of complex financial products**

Focal Points

- ❖ **Educate investors for various investment risks of complex financial products**
- ❖ **Ensure best selling practices adopted by intermediaries**

Key Challenges for Securities Regulation in Asia

Corporate Governance of listed companies

- ◆ Protection of minority shareholders' interests
- ◆ Relevance and adequacy of disclosures

Focal Points

- ❖ Promote market discipline and enhance quality of disclosures
- ❖ Raise the standards of IPO sponsors and securities analysts

Key Challenges for Securities Regulation in Asia

◆ Regulatory structure

- Financial conglomerates operating under various regimes
- Cross border transactions and business operations

Focal Points

- ❖ Leverage on MOU arrangements to share information among regulators
- ❖ Proactive in setting international standards