

**Integration and Interconnectedness in Global Finance  
What Next for Asia's Financial Architecture?  
A Korean Perspective  
Hwa-Jin Kim**

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## **Integration and Interconnectedness**

- **Single Government with Global Authority**
  - ✓ **World Financial Authority**
  - ✓ **WTO in Finance**
- **Reality – Westphalian Regime**
  - ✓ **Financial Sovereignty v. Global Coordination**
  - ✓ **Loose Regulatory Networks**
  - ✓ **G20 just reinforced soft surveillance plus peer pressure?**
- **What Alternative Model?**
  - ✓ **European Union**
  - ✓ **FSB**

# International Regulatory Structures - Eric Pan

	International Organizations	State-to-State Contact Groups	Trans-governmental Networks	Bilateral and Regional Networks	Private Standards Setting Bodies
Examples	IMF World Bank WTO	G20/Gn8	FSB Basel IOSCO IAIS OECD	FMRD	IASB ISDA
Characteristics	Treaty-based; large secretariat; limited policymaking; policy administration	Political; no secretariat; policymaking	MOU/ Informal; small secretariat; information sharing; policy coordination; policy administration	MOU/ Informal	Private sector experts
Regulatory Tasks	Sovereign loans; economic development and technical assistance; international trade; market access	Crisis response; creation of networks	Rules and standards related to banking, securities, insurance, foreign investment	Market access; rules and standards; mutual recognition	Technical standards
Examples of Achievements		Creation of Basel and FSB	Basel II; international disclosure standards for cross-border offerings	IFRS accounting roadmap	IFRS; ISDA Master Agreement

# Our Mandate

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The FSB promotes international financial stability; it does so by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. It fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions.

The FSB, working through its members, seeks to strengthen financial systems and increase the stability of international financial markets. The policies developed in the pursuit of this agenda are implemented by jurisdictions and national authorities.

More specifically, the FSB was established to:

- assess vulnerabilities affecting the global financial system as well as to identify and review, on a timely and ongoing basis within a macroprudential perspective, the regulatory, supervisory and related actions needed to address these vulnerabilities , and their outcomes
  - promote coordination and information exchange among authorities responsible for financial stability
  - monitor and advise on market developments and their implications for regulatory policy
  - monitor and advise with regard to best practice in meeting regulatory standards
  - undertake joint strategic reviews of the international standard setting bodies and coordinate their respective policy development work to ensure this work is timely, coordinated, focused on priorities and addresses gaps
  - set guidelines for establishing and supporting supervisory colleges
  - support contingency planning for cross-border crisis management, particularly with regard to systemically important firms
  - collaborate with the International Monetary Fund (IMF) to conduct Early Warning Exercises
  - promote member jurisdictions' implementation of agreed commitments, standards and policy recommendations, through monitoring of implementation, peer review and disclosure
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## **Asia's Efforts and Limits**

- **Asia is not Europe**
  - ✓ **Weak geographical connectedness**
  - ✓ **Cultural, political and religious differences**
  - ✓ **Less sharing of historical and cultural heritage**
  - ✓ **Strong export-oriented manufacturing sectors and relatively weak service sectors**
- **The Ascent of Asia**
  - ✓ **Third biggest economic area after EU and NAFTA**
  - ✓ **Minimum community and common interest mindset**
  - ✓ **Holders of large financial assets: China and Japan**
  - ✓ **Global financial centers: Hong Kong and Singapore**

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## **Asia's Efforts and Limits**

- **Asian financial markets are more connected to US and EU than with each other.**
- **Non-Asian banks and financial firms are better integration facilitators than home-grown institutions.**
- **The lack of strong regional financial integration → Loose regulatory cooperation in Asia**

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## Asian Efforts and Limits

- ASEAN
- APEC: Focused largely on trade liberalization
- EMEAP
- Asia Pacific Regional Committee of IOSCO
- CMI, ARSP, ABMI, ABF, ADB
- FSB's RCG

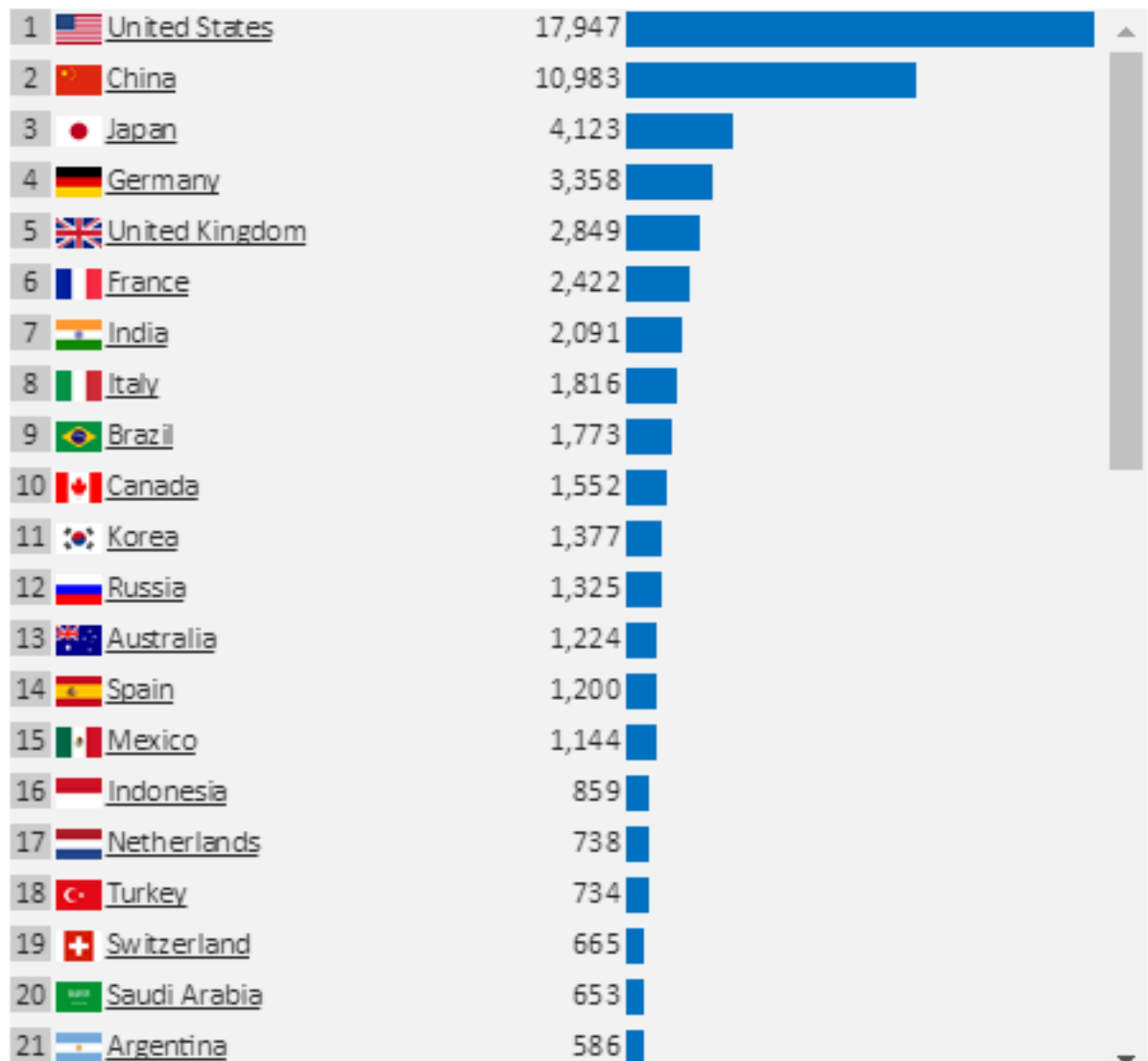
## Creating Asian Regional Champions – Why is Seoul missing?





## GDP, current prices

(billion USD)



1980 1990 2000 2005 2011 2012 2013 2014 2015

Source: [IMF World Economic Outlook \(WEO\), April 2016](#)

# Samsung Electronics

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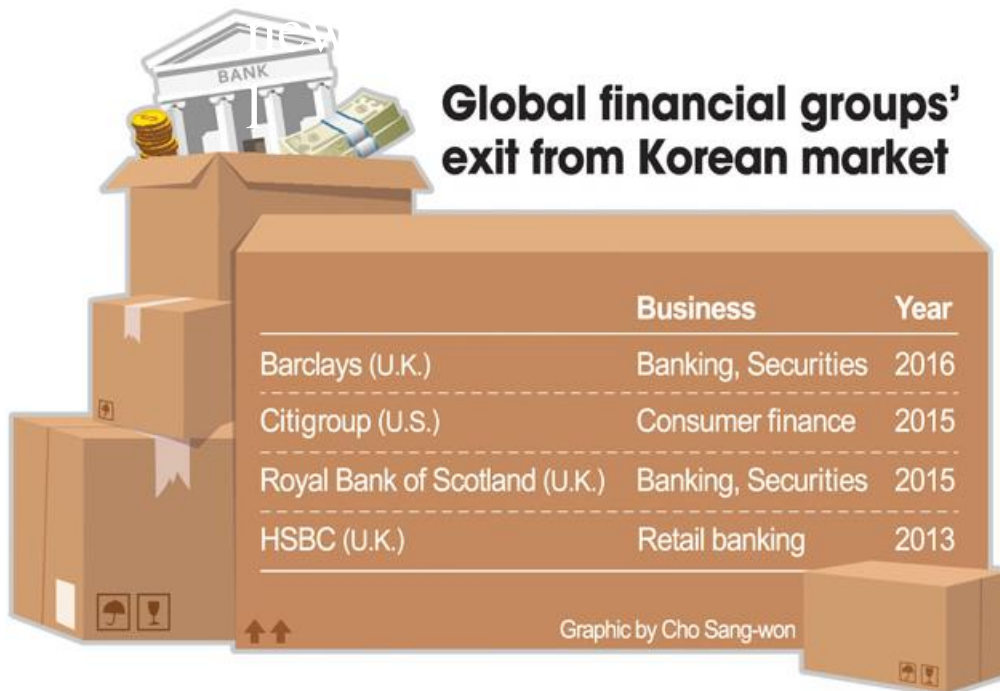
	▼ 11		<u>ICBC</u>	Banks	China
	▲ 12		<u>Johnson &amp; Johnson</u>	Pharma & biotech	US
	▲ 13		<u>Samsung Electronics</u>	Leisure goods	South Korea
	▼ 14		<u>China Mobile</u>	Mobile telecoms	China
	▲ 15		<u>Google</u>	Software & computing	US
	■ 16		<u>Procter &amp; Gamble</u>	Home building & goods	US
	▼ 17		<u>Shell</u>	Oil & gas producers	UK
	▲ 18		<u>Pfizer</u>	Pharma & biotech	US
	▼ 19		<u>China Construction Bank</u>	Banks	China
	▲ 20		<u>Roche</u>	Pharma & biotech	Switzerland

<i>Banks</i>					
	2	9	21	Industrial & Commercial Bank of China	China
	4	21	29	China Construction Bank	China
	5	24	52	Bank of China	China
	6	27	38	Agricultural Bank of China	China
	13	93	104	Mitsubishi UFJ Financial	Japan
	18	109	96	ANZ Banking	Australia
	20	116	107	National Australia Bank	Australia
	22	122	210	Bank of Communications	China
	24	143	245	China Merchants Bank	China
	30	174	366	Industrial Bank	China
	31	181	149	Sumitomo Mitsui Financial	Japan
	32	188	308	China Minsheng Banking	China
	34	196	330	China Citic Bank	China
	37	205	367	Shanghai Pudong Development Bank	China
	40	235	205	Mizuho Financial Group	Japan
	47	287	352	Boc Hong Kong	Hong Kong
	49	303	336	DBS Group	Singapore
	50	319	349	Hang Seng Bank	Hong Kong
	51	322		China Everbright Bank	China
	57	406		Ping An Bank	China
	61	434	485	Bank Central Asia	Indonesia
	63	446	402	United Overseas Bank	Singapore
	71	498		Bank Rakyat Indonesia	Indonesia



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## Seoul's dream to become financial hub evaporating



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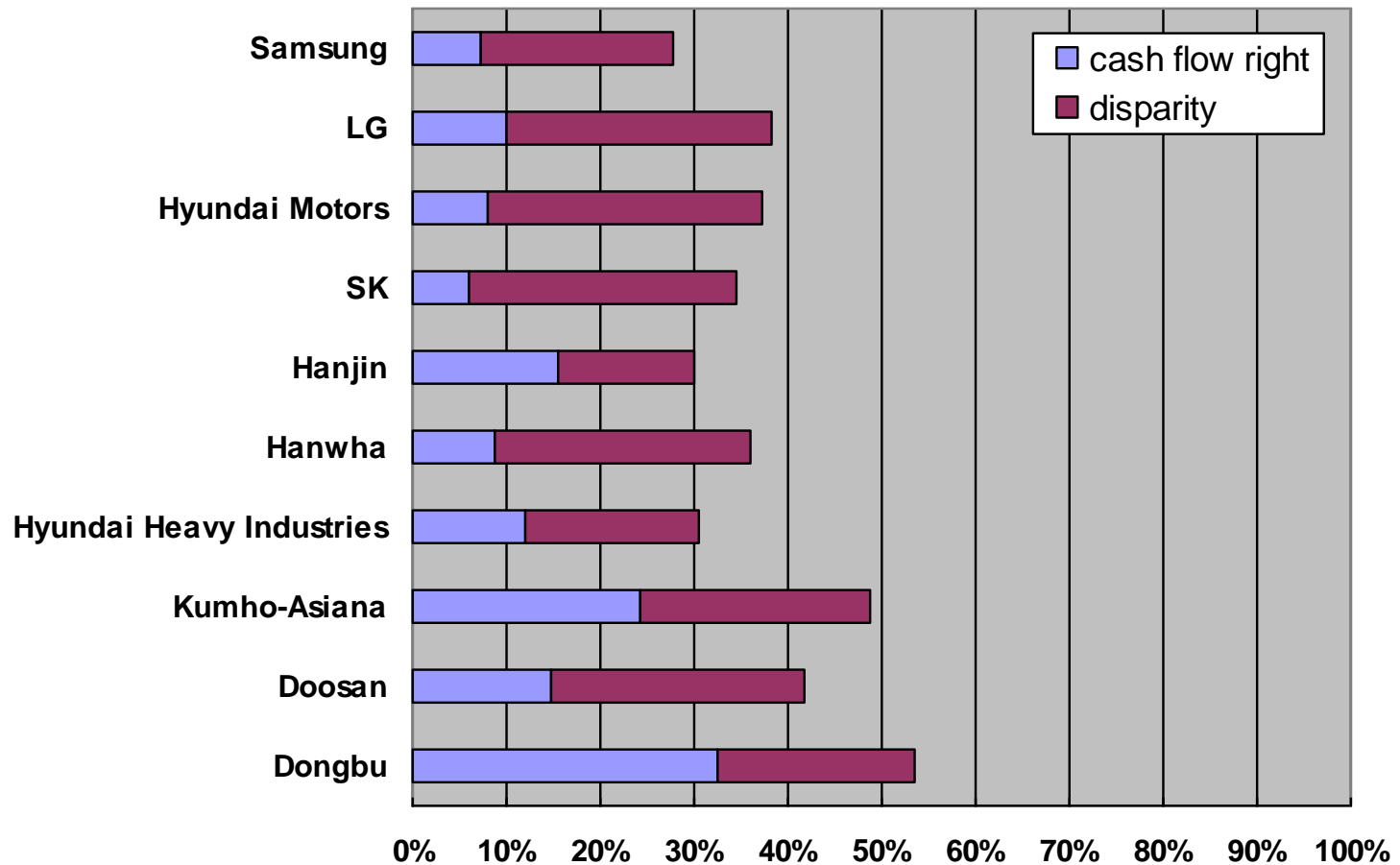
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## Industry and Finance

- **Distrust on Chaebols**
- **Bank Level Regulation on Financial Services Firms**
- **Mistakes of Governance at Policy and Regulatory Levels**

# Control-Ownership Disparity of the Top 10 Chaebol (as of April 2004)

E. Han Kim & Woochan Kim



President  
ong Kong



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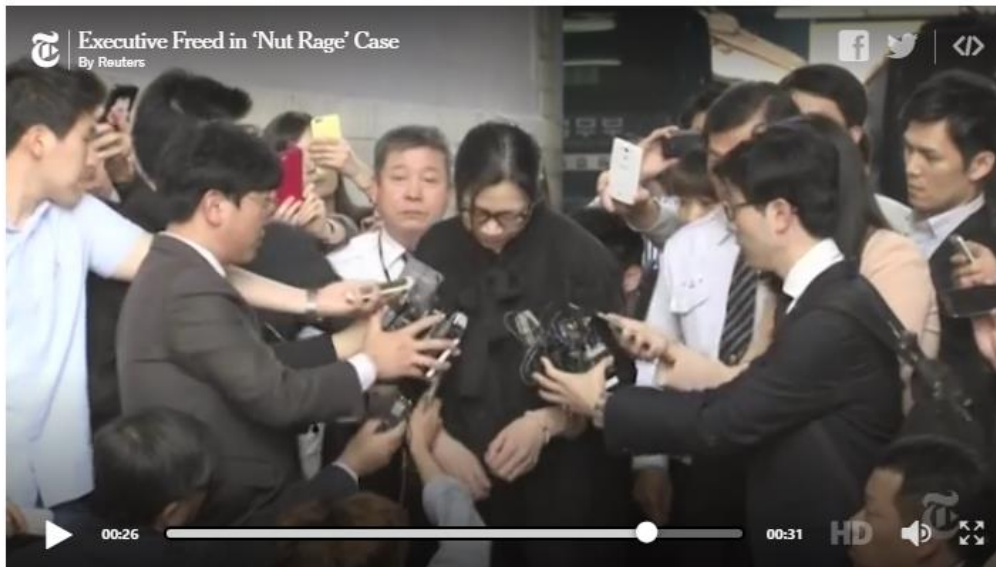
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ASIA PACIFIC

# Ex-Korean Air Executive in 'Nut Rage' Case Freed From Prison After Sentence Is Cut

By CHOE SANG-HUN MAY 22, 2015



The lawyer for a former Korean Air executive, Cho Hyun-ah, spoke after his client's release. Ms Cho had been imprisoned after ordering a plane back to the gate in a rage over how she was served nuts. By Reuters on May 22, 2015. Photo by Jung Yeon-je/Agence



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FINNAIR



Posted : 2016-01-10 18:12  
Updated : 2016-01-10 18:12

## Fintech 'big bang' shakes up banking industry



Yim Jong-yong, Financial Services Commission chairman, delivers a speech at the second Demo Day event organized by the Fintech Center in the Gran Seoul building on May 27. / Courtesy of Fintech Center



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## **Works To Be Done**

- **Fight the pressure from local politics**
- **Fight skepticism on global financial regulation**
- **Fight regulatory unilateralism**
- **Manage the geopolitics**

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- **The level of influence in international forums depends not just on economic weight but also on the state of research and policy analysis at the government, think tank, academia and industry levels.**

**Andrew Sheng**

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