

Financial Regulatory Regionalism in Asia

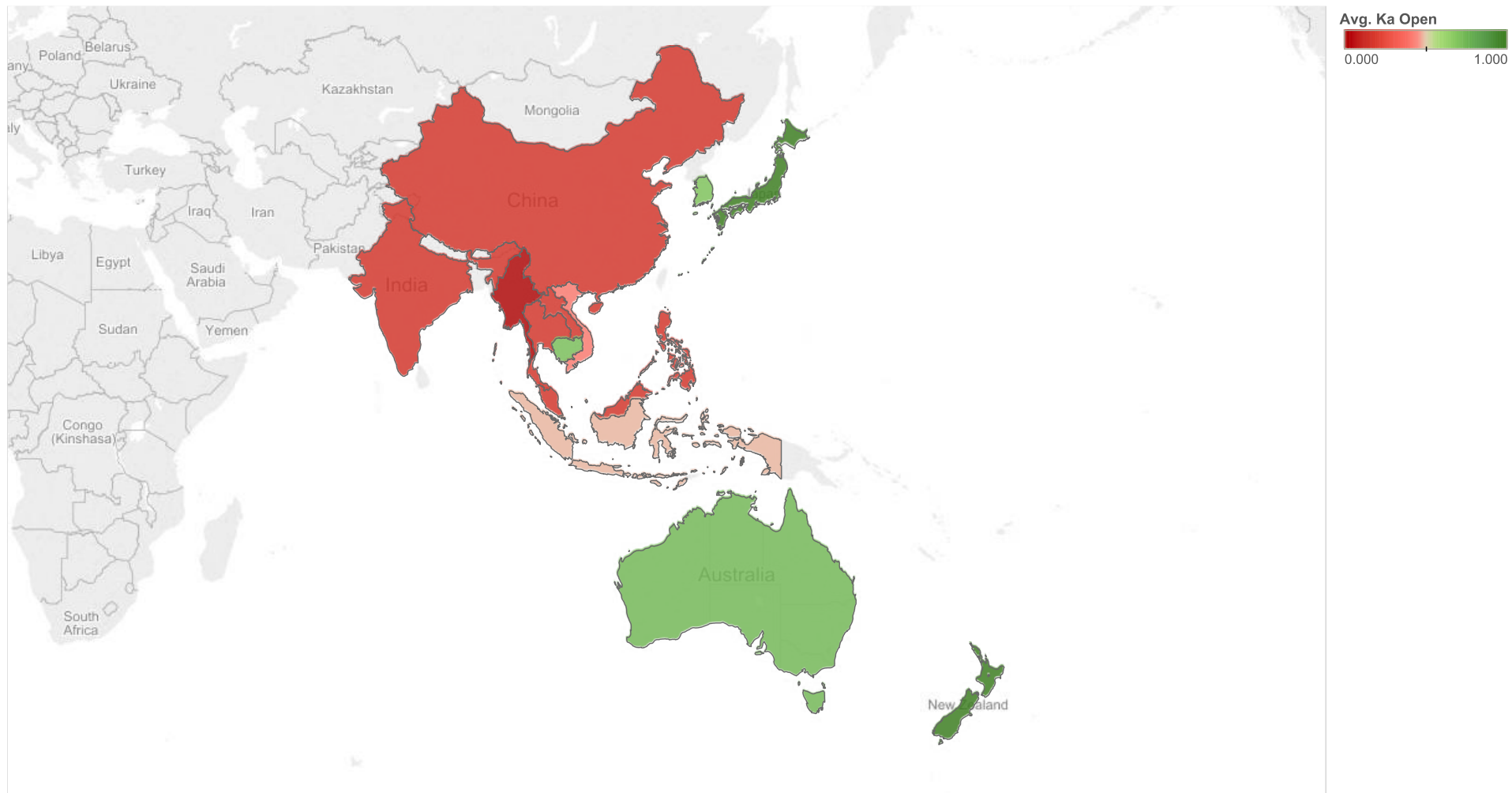
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Outline

- Trends in regional financial integration & in regulatory coordination
- What explains these trends?
 - Evolving market integration
 - Intra-regional politics
 - Asia's shifting position in global regulatory bodies

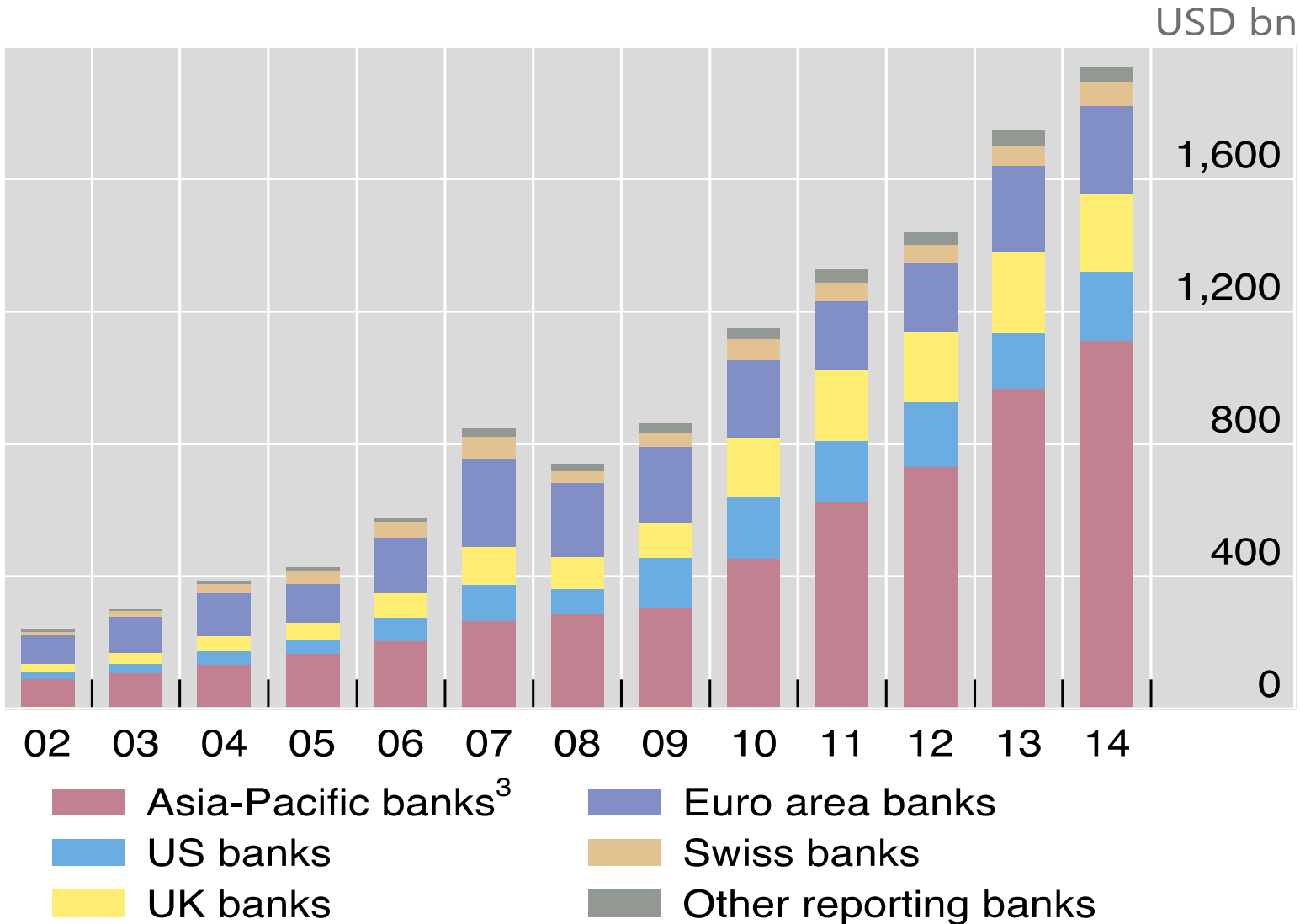
Variation in Capital Account Openness

ASEAN+6 countries, 2010-2013 average

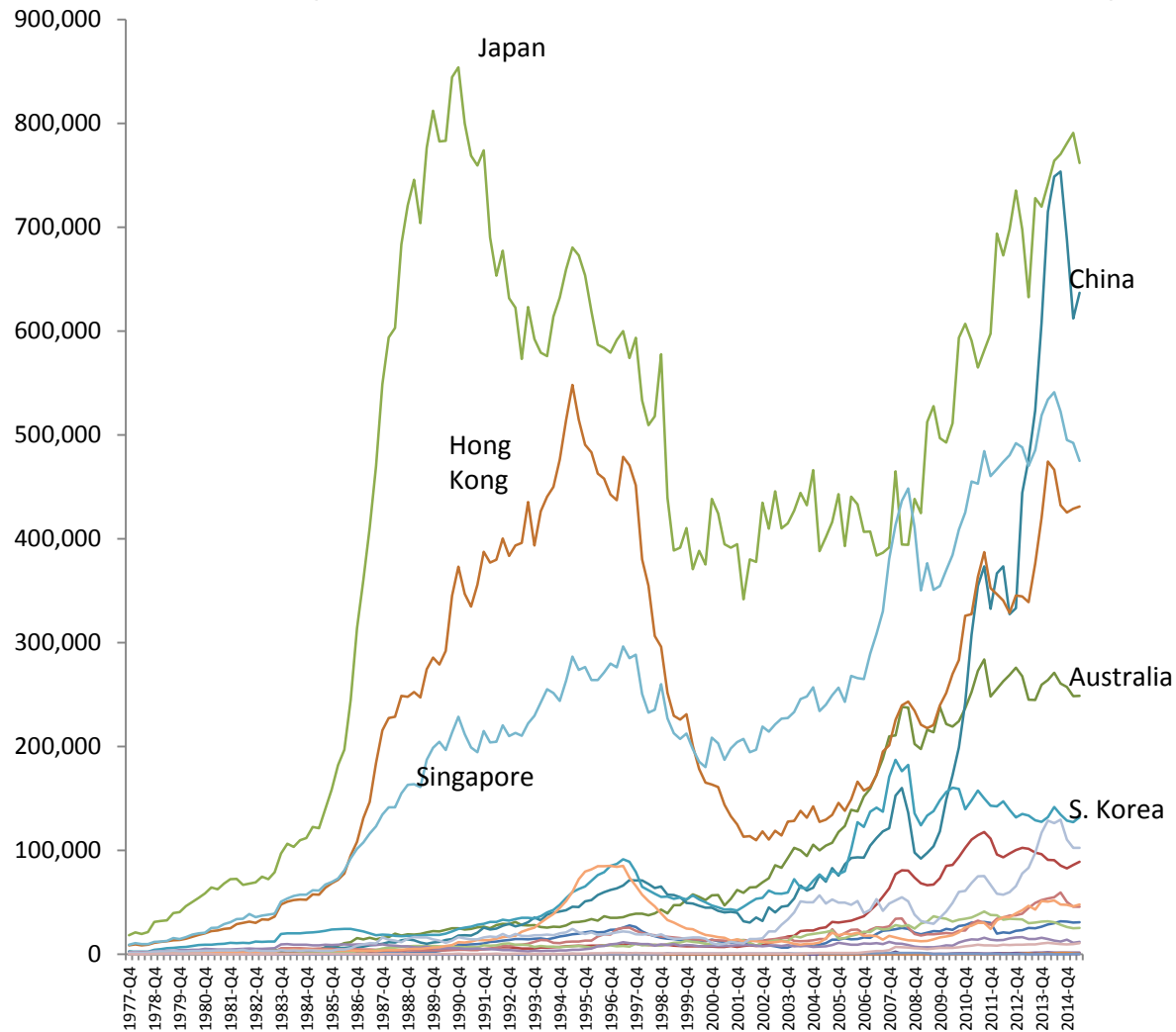


Source: Chinn & Ito 2013, 0-1 index (Chinn and Ito 2006)

International bank claims on emerging Asia-Pacific



All BIS reporting countries' total outstanding cross-border claims on selected Asian country banks (US\$ millions, 1997-2015)

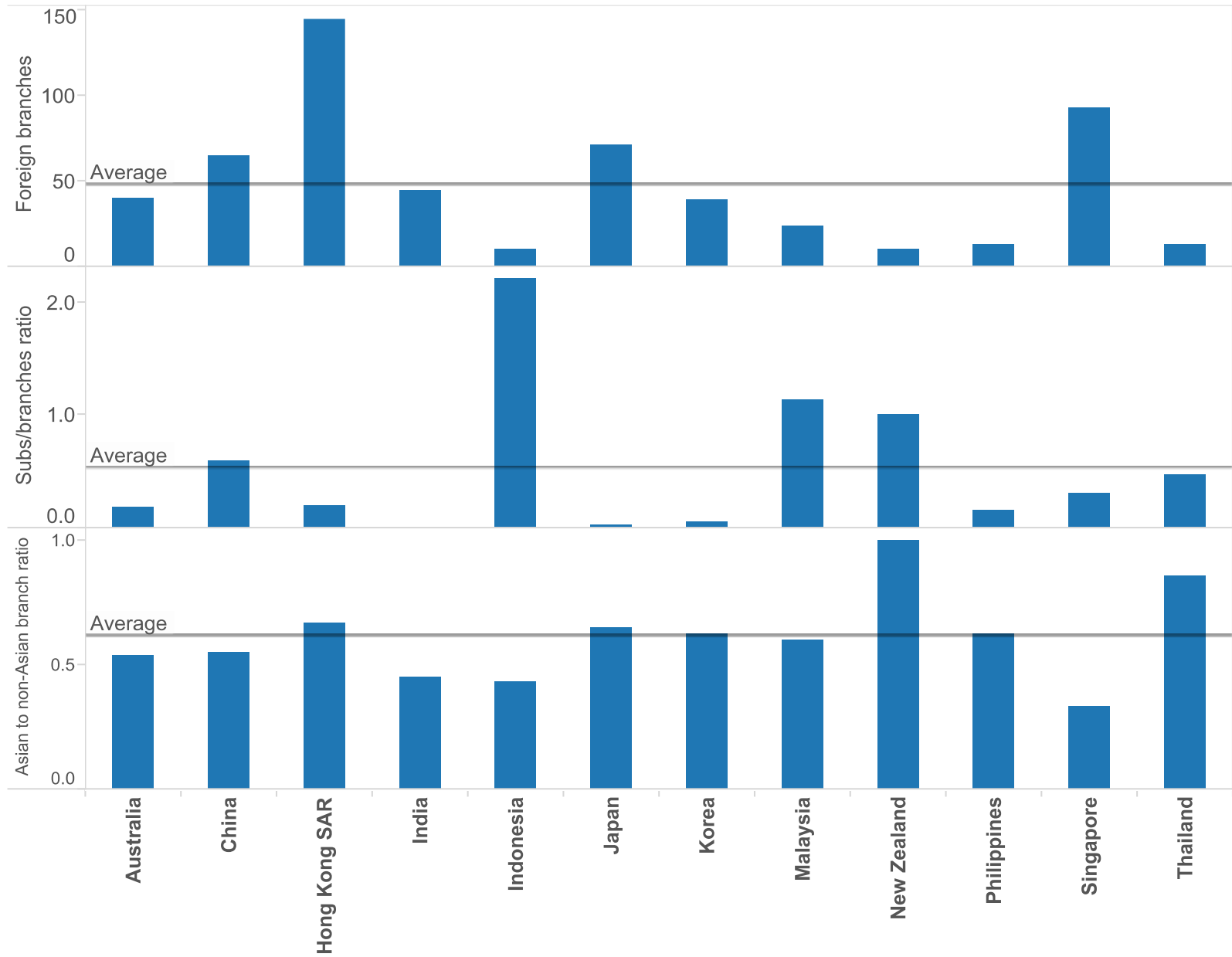


Source: Bank for International Settlements, locational banking dataset, quarterly data.

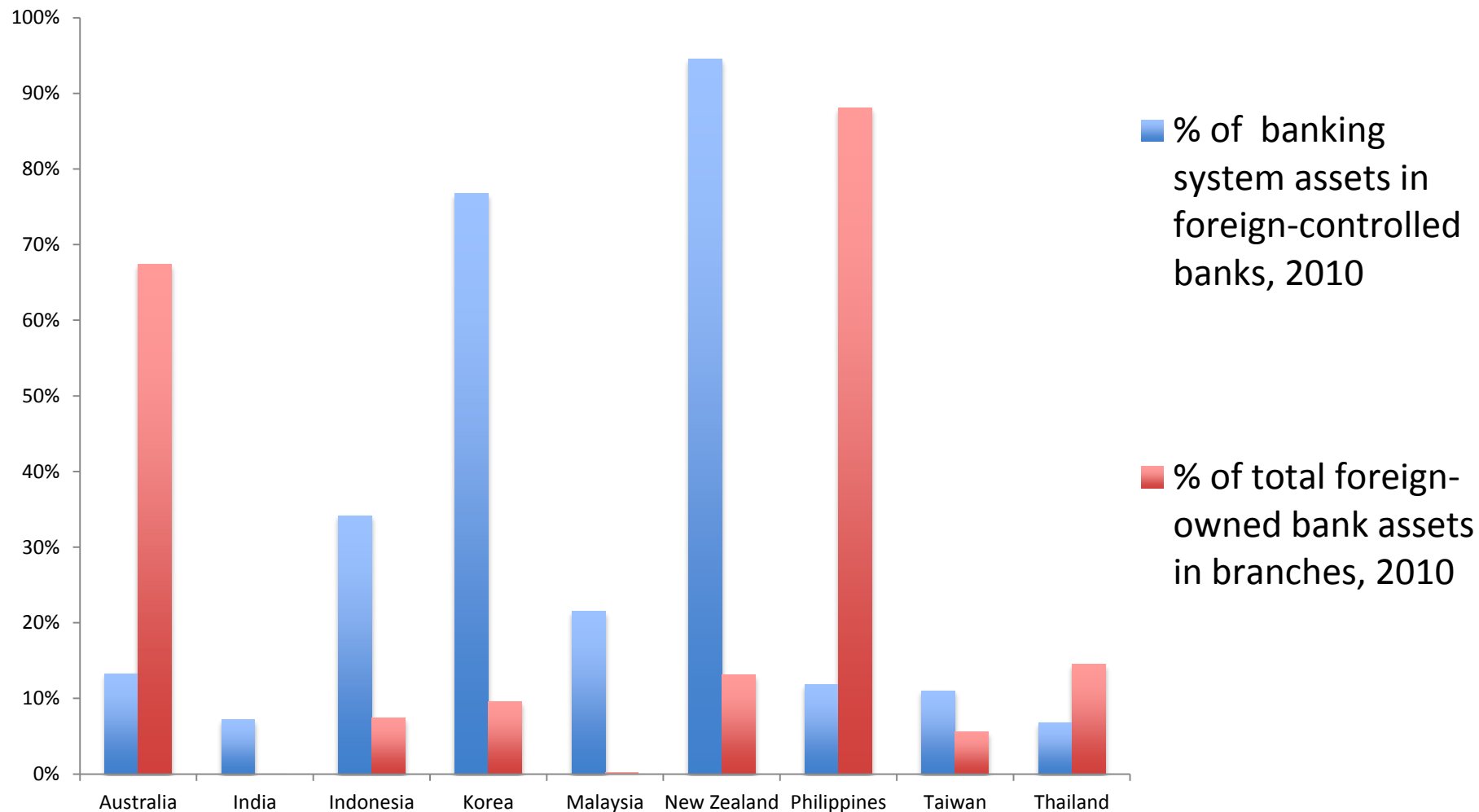
	Local Banks	Total Foreign Banks	Of which, Asian Foreign Banks	Of which, Non-Asian Foreign Banks
Australia	26	48	22	26
Brunei	2	3	0	3
Cambodia	24	23	23	0
China	866	41	29	12
Hong Kong SAR	10	147	86	61
India	46	43	19	24
Indonesia	94	24	15	9
Japan	141	53	29	24
Laos	7	29	27	2
Malaysia	8	19	9	10
Myanmar	27	9	9	0
New Zealand	5	17	12	5
Philippines	20	19	12	7
Singapore	5	119	56	63
South Korea	10	41	16	25
Thailand	11	20	12	8
Vietnam	39	58	n/a	n/a

Source: National regulator websites.

Foreign bank branching in Asia

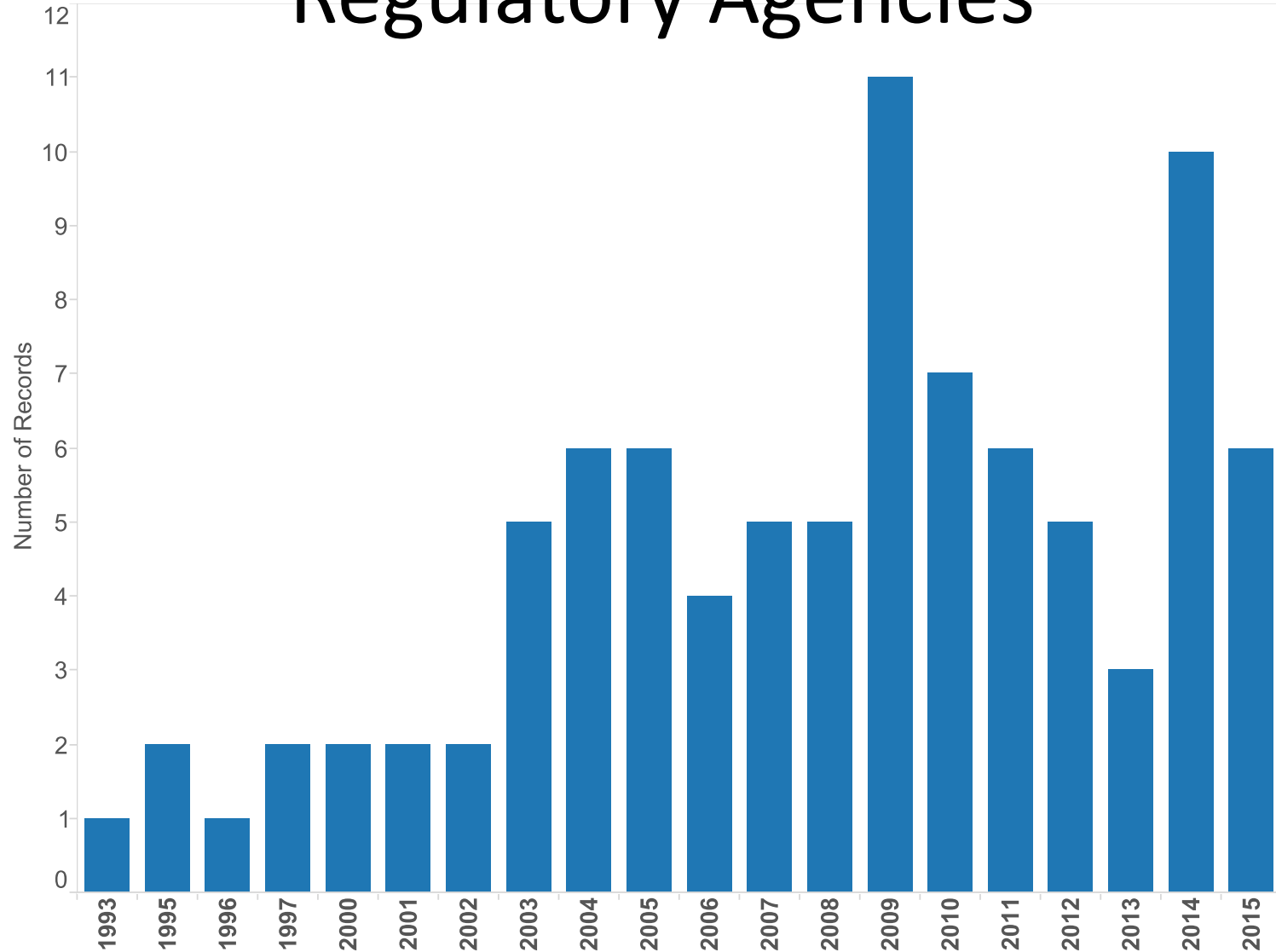


Assets in Foreign-controlled Banks and Branches (2010), % of total



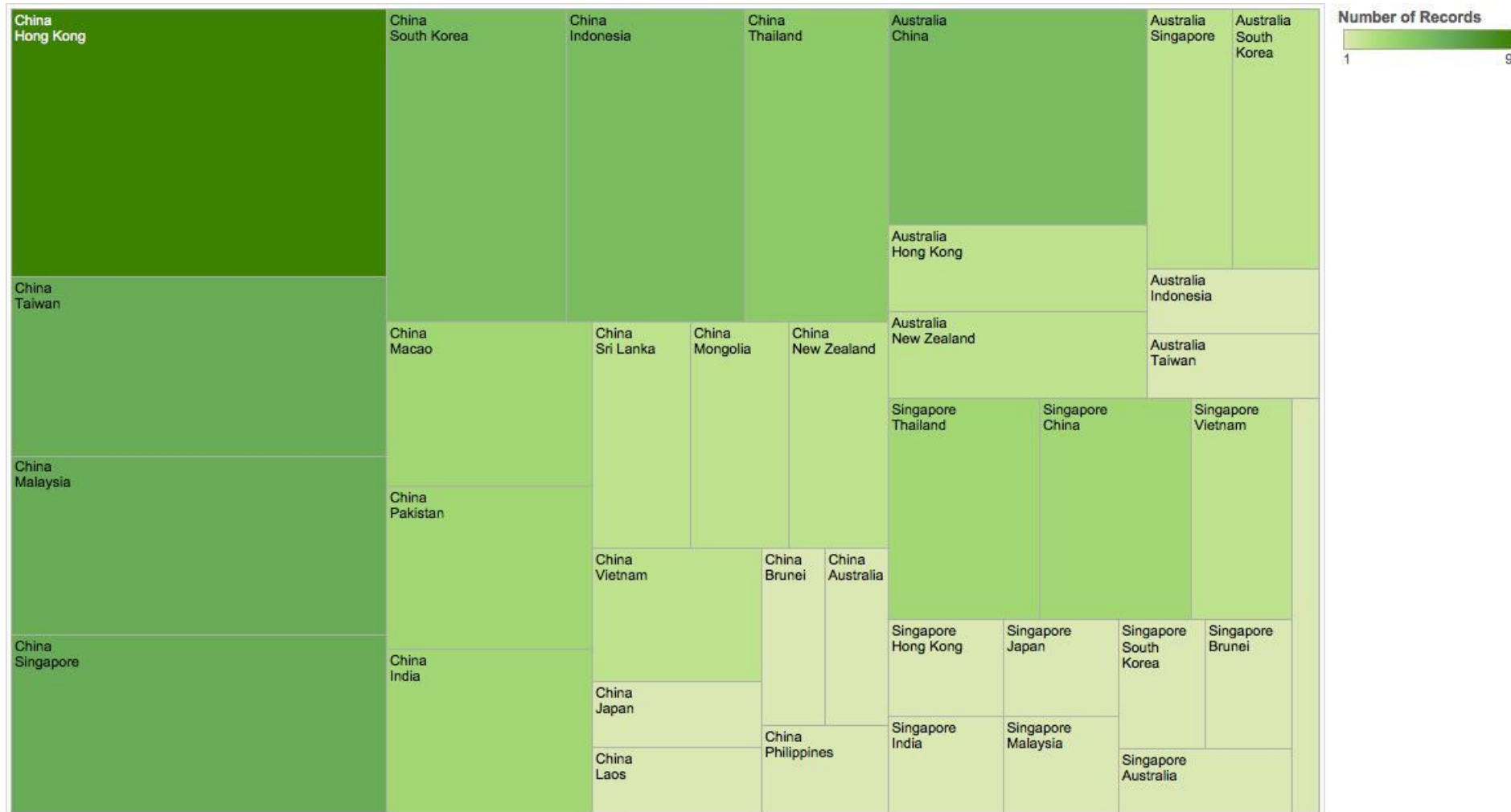
Source: World Bank, Bank Regulation and Supervision Survey, 2013

Bilateral MOUs between Financial Regulatory Agencies



Source: Agency websites

Bilateral MOUs, relative numerical importance of bilateral pairs



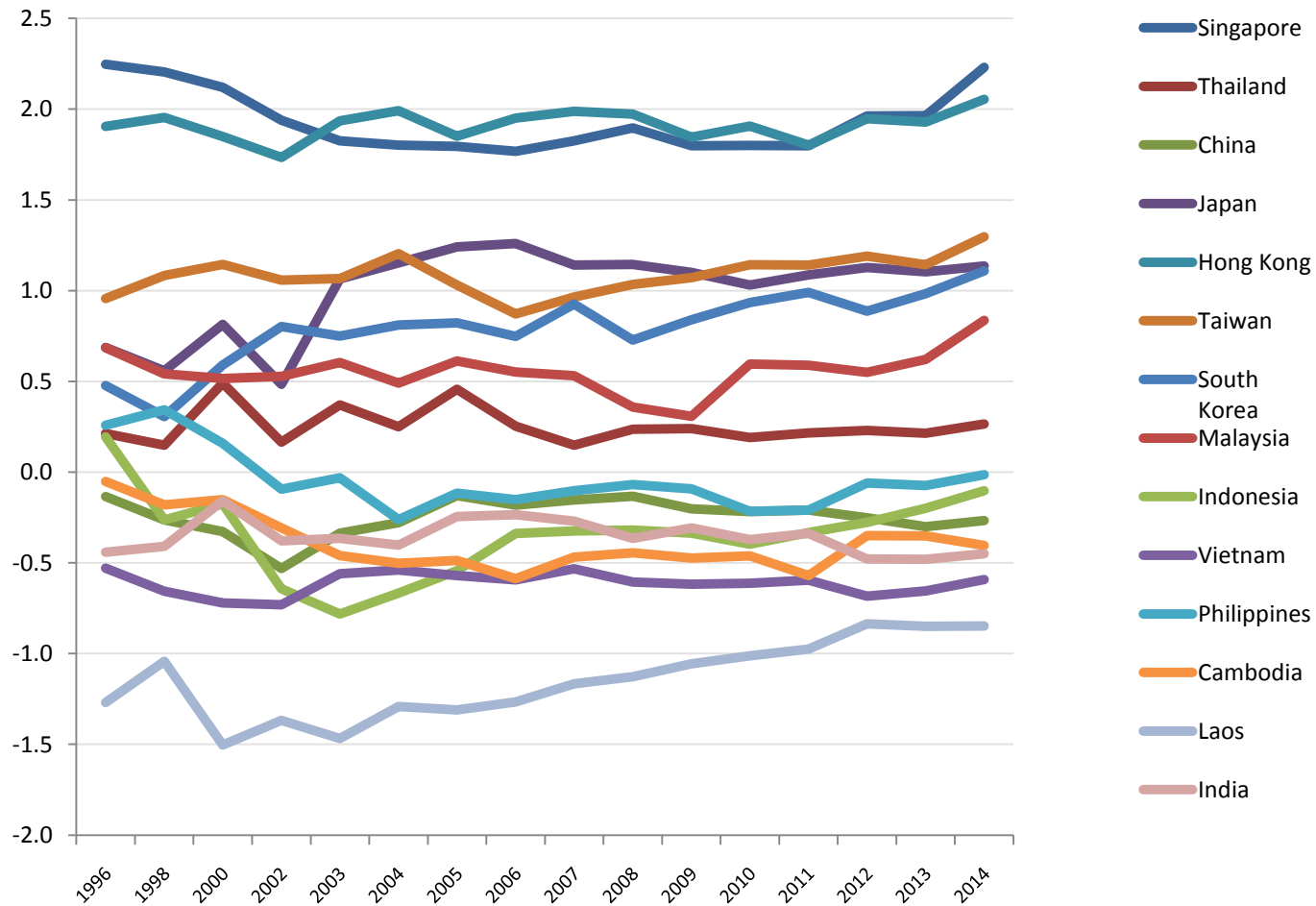
The impact of market integration

- Growing concern about cross-border lending & financial FDI, but:
 - Large asymmetries, & ltd role for regional branching
 - Major financial centres highly integrated with global centres
- Regulatory impact
 - Unilateral measures & coordination/mutual surveillance among G20 of more importance for major centres
 - This may also reassure capital recipients
 - Currently limited scope for regulatory arbitrage
- Focus on bilateral information-sharing agreements

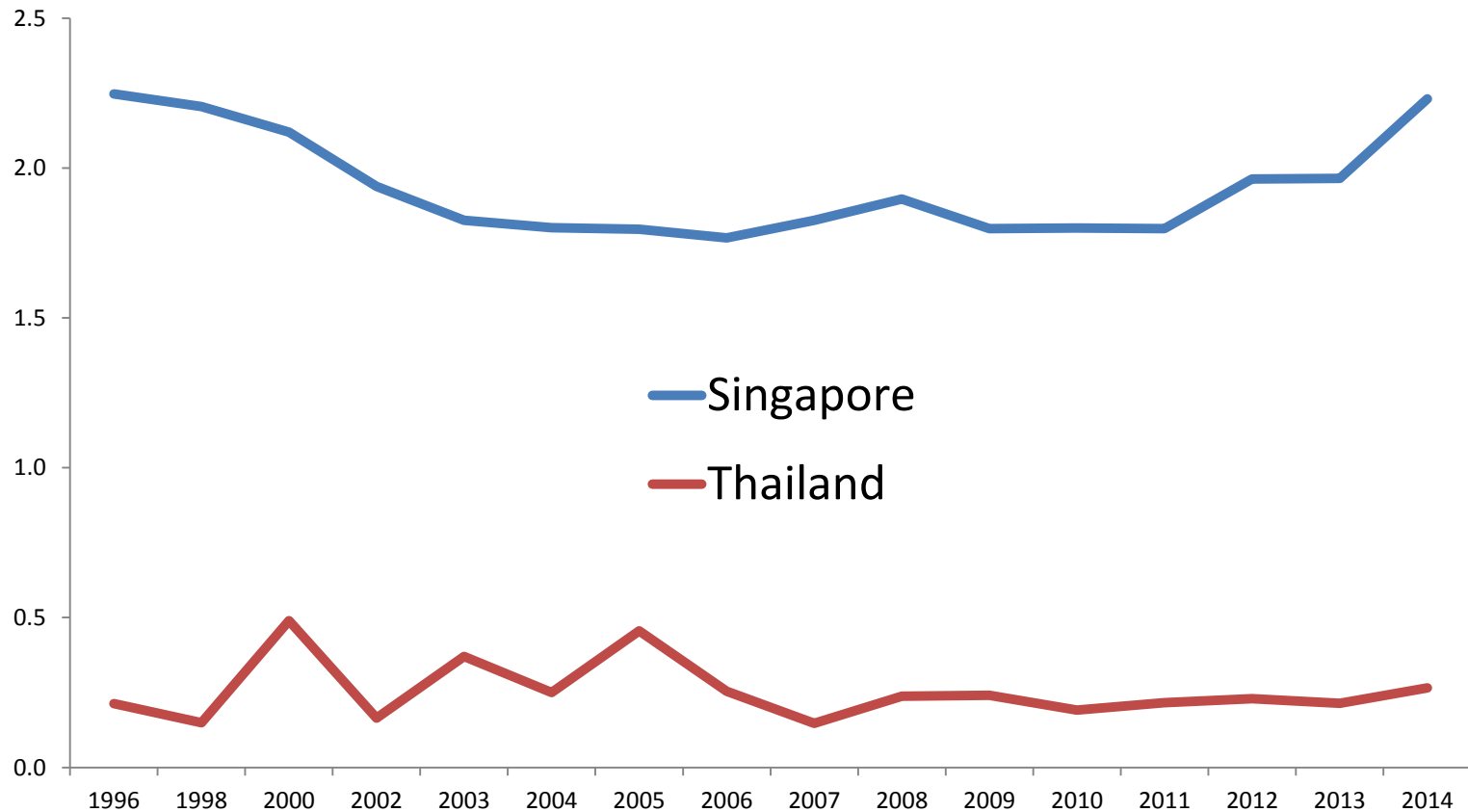
Intra-regional politics

- Financial centre competition
- Rising international political rivalry
- Diversity of development models & regulatory norms
- Reluctance to pool sovereignty (the ASEAN way)
- Mutual trust in quality of regulation low
 - Reduces incentives to coordinate regulation

Perceived regulatory quality 1996-2014 (World Bank)



Perceived regulatory quality in Singapore & Thailand



Is global financial governance failing Asia?

- Kawai & Morgan (2014) argue that continued western dominance of global bodies creates an incentive for Asian regulatory regionalism
- But few signs today of widespread Asian dissatisfaction with Basel, FSB
- Major Asian centres accept global standards & have clear interest in global supervisory colleges
- A case of successful co-optation? (contrast unfinished IMF reform)