

OPENING REMARKS
HIGH LEVEL EVENT
FOR THE EU-ASIA PACIFIC FORUM
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Ladies and gentlemen,

Thank you. My thanks, in particular, to the Monetary Authority of Singapore for hosting this conference and the first meeting of the EU-Asia Pacific Forum – the first of a steady series, I hope.

A year ago, when we received the invitation by IOSCO to intensify the dialogue between the European Commission and the Asia-Pacific region, we were enthusiastic at the idea [*Commissioner Hill, myself*]. We immediately started working with the Hong Kong Securities and Financial Committee and the Monetary Authority of Singapore so that it would become a reality. Vice-President Dombrovskis is now in charge of financial services and he fully endorses the project, urging us to make it a meaningful and concrete platform for mutual communication.

Finance is a global reality. As such, it benefits immensely from global convergence; and even more so as innovation transforms and challenges our regulatory models.

We are firmly committed to the work of FSB, G20 and other global standard setters, including IOSCO, who is present in the room today. We are firm believers in international standards, even if at times we might disagree on minor aspects. We also believe in consistent implementation by all partners of the standards agreed in these fora, as well as in the continuous evaluation of these standards.

This is the context in which we operate: and within this context, I believe three aspects to be key for successful financial regulation at global level.

1. Financial integration [*our push for regional level at Asia-Pacific level*]

Finance is global, but it benefits from financial integration

Over decades, the EU has set up a successful Internal Market for goods and services. Our experience is vast, and made of achievements and setbacks – and we are currently walking through headwinds. And yet, **our single rulebook, combined with our system of central European authorities of supervision, makes us stronger, and this is experience we are happy to share with you.** The EU Single Market does not concern itself uniquely with internal convergence: it works as a global partner to international jurisdictions, and the Asia-Pacific region is a partner full of promising developments. This is why I am delighted that DG FISMA and ESMA today sit with all of you around the table here, and at the Forum.

Many and varied economies and jurisdictions constellate your landscape: but the potential deriving from financial integration – as already envisioned by the ASEAN Economic Community project last year – is very large.

Some of the Asian and Pacific financial markets count on high levels of global interconnectedness and global capital inflows. Intraregional financial linkages, however, seem to be more limited: this is of course due to many reasons, among which the different level of economic development across the region.

However, as economies grow and open up; as incomes in the Asia-Pacific region continue to rise and consumers grow wealthier and more demanding; as business grows in size and complexity; and savings increase with demographic changes, particularly in some regions, financial sectors may find the need to deepen. This may trigger advantages: efficient capital allocation, better governance, higher investment and growth, risk-sharing.

As we have experienced in Europe, financial integration can also have adverse effects: it increases risk exposure, and can channel flows of capital weaker economies and institutions to more structured systems. This is why quality of financial integration is key, and that, in my opinion, is given by harmonized market and accounting standards and rules, common trading rules and platforms, and policies in place that develop robust financial systems before they liberalise and integrate. Then of course, the EU experience shows that

once a certain level of integration is reached, common institutions may become necessary.

We are here not only to share our experience, but to learn more about your intraregional models: the Hong Kong-China Mutual Recognition of Funds; the Hong-Kong-Shanghai Stock Connect, and the Hong-Kong-Shenzhen Stock Connect; the APEC Regional Funds Passport; the ASEAN Collective Investment Scheme. Our interest is certainly clear, as we hope they will open up to third countries, and to an extent similar to ours.

2. A shared vision [*what we do*]

We need a shared vision: finance at the service of the economy

For the next few decades, Asia's economic growth is expected to lead the world, and the solutions that your financial systems will find to cooperate with one another, and complement each other, are unique to your region and to each jurisdiction.

But I believe we share a vision for finance, which characterizes both your policy choices and ours. **In Europe, we want finance to return to its original role, the objective it was born to serve – channelling savings and surpluses into the real economy, creating the right environment to invest in.** It is my belief that **in the long run there is no trade-off between financial stability and economic growth.** They feed into one another: stability is necessary for growth, but the opposite is also true – there can be no stability without growth.

With this in mind we are working to deepen our capital markets and build a Capital Markets Union. To diversify funding sources for businesses – especially SMEs – knock down barriers to cross-border investment and help increase options for savers and institutional investors. What we aim at now is speeding all this up by dismantling some longstanding barriers: in national insolvency laws, tax regimes, scarcity of saving options, supporting retail investors so they can make sound investment decisions. This improvement of the investment environment in Europe can benefit all investors – including yours – not only EU ones.

Many of you are going in the same direction. Let us talk together. Let's open all possible channels of communication, by keeping each other up-to-date with

regulatory and policy developments on a steady basis. FISMA and, I'm sure, ESMA, have only to gain by understanding important global players like the Asia-Pacific financial markets, and we are happy to provide as much clarity as possible on our own regulatory framework, which can, at times, be difficult to decipher. **This Forum is first and foremost an opportunity to communicate.**

3. Cross-border cooperation [*champion our equivalence model*]

We need to make all this work

In a global economy, it is essential that finance be able to accompany trade and investments. But for this to happen, regulations should match. Divergent, overlapping, missing regulations would have the opposite effect.

In Europe we understand very well that **financial regulations cannot be made in isolation**: because finance is global, it is inevitable that they have cross-border effects. Part of our policy work is precisely to minimize these disruptions.

Our regulatory framework can be improved, but remains the book by which the Single Market abides. **We are proud of our achievement: but we do not export it outside of the EU.**

Our rationale rests on recognition and reliance. It is not to impose our rules on others – we believe that course of action to be disrespectful of diversities, and in the long term counterproductive to global stability: if we acted aggressively, then why wouldn't others want to do the same?

Recognition and reliance make for an open, outward-looking approach. This is how we have built the Single Market. And this approach has also won support at international level. The G20 and FSB approach on cross-border consistency are clear. Recognition, or as the G20 calls it, 'deference' is the internationally agreed solution to prevent overlapping or incompatible measures and avoid unnecessary and detrimental extraterritorial effects.

We also know that not all EU's foreign partners are very fond of deference as an approach. At the same time, we are reassured by the feedback we receive from our supervisory community that this is the most sustainable way forward in today's increasingly multipolar markets.

This model is complemented by a focus on accountability, to make sure that the standards in place actually work; and to an effort to understand frictions and impacts of regulation, possibly before we implement it.

Conclusions

The Asia-Pacific region is going to be the fastest to grow in the next years. We will be spectators of major, fast-evolving leaps forward, regardless of the starting level of economic and financial development. We believe that the right conditions are in place for a fruitful cooperation between European and Asia-Pacific markets – a shared vision for growth, joint work towards mutual recognition of rules, and, starting today, a platform that complements the work of the major global standard setting bodies by allowing us to meet, explain, understand each other and build trust. This has never been more important at global level, and well beyond financial markets.

Thank you.

Olivier Guersent

Director-General

European Commission – DG for Financial Stability, Financial Services and Capital Markets Union