

## Asian Financial Forum 2018

### Plenary Session I - Steering Growth and Pioneering Innovation: Asia and Beyond

#### Synopsis

Steering economic growth underpinned by strong fundamentals is a challenge confronting countries across the world. In this global search for winning formulae, increasing emphasis is put on harnessing innovation and technologies to create value and drive changes. However, as history tells, innovation could both be an enabler and a disruptor to the markets. What could be done to manage the innovative process for success and positive reinforcement? In this session, ministers, regulators and policy makers from Asia-Pacific region and Europe share their insights and wisdom on the topic.

#### *Panel Chair*

- **The Hon James Lau, JP**  
Secretary for Financial Services and the Treasury, The Government of the Hong Kong Special Administrative Region of the People's Republic of China

#### *Speakers*

- **Dr Jiang Yang**  
Vice Chairman, China Securities Regulatory Commission
- **Mr Takehiko Nakao**  
President, Asian Development Bank
- **Mr Pierre Gramegna**  
Minister of Finance, Luxembourg
- **The Hon Kelly O'Dwyer MP**  
Minister for Revenue and Financial Services, Australia

Setting the scene by stressing that 2018 is likely to be a watershed for the global economy as markets continue to recover from the 2008 financial crises, James Lau, Hong Kong's Secretary for Financial Services and the Treasury, said the impact of technologies, big data, artificial intelligence (AI), blockchain and fintech, sometimes called The Fourth Industrial Revolution, is a new factor determining innovation, growth and sustainability. "Instead of looking at traditional factors that steer economic growth in the financial markets, we are looking at fintech and technology innovations," said Lau who was speaking as Panel Chair at the First Plenary Session of the Asian Financial Forum 2018.

Citing research predictions, Lau raised the issue of AI tools and robots replacing about 800 million or one-fifth of the world's workforce by 2050. Although a lot of jobs lost are likely to be in manual labour, Lau said that doctors, lawyers, accountants and financial professionals would also be affected: "We are already seeing plenty of examples of how machines can outthink and outperform humans." He added that the positive aspects of The Fourth Industrial Revolution have the potential to spur growth in the global economy and create benefits for businesses and consumers.

Having become a world leader in fintech and mobile payments, Dr Jiang Yang, Vice-

Chairman, China Securities Regulatory Commission, said innovation in China's financial sector is a convenience to consumers and businesses and makes a valuable contribution to the "real" economy. Jiang also explained how innovation in China's financial markets is part of a long-term plan to develop the mainland's economy in a quality-focused and sustainable way. "The 19<sup>th</sup> Plenary Meeting of the Chinese Communist Party made it clear that China's future economic growth needs to be durable and sustainable," said Jiang. He added that the AFF offers a timely and pragmatic platform to outline how Chinese companies are investing in new technologies as well as research and development to achieve quality and sustainable growth, and balance social differences. "As we reinvent, restructure and transform through re-growth we are also distributing our resources more smartly and wisely," Jiang observed.

With financing an important part of quality economic growth at a sustainable rate, Jiang said restructuring includes improving financial markets. He explained that technological innovation and reforms would make China's main, primary and secondary boards healthier and more accommodating to foreign investment. "Financing sustainable development through equities is a top priority." He also confirmed that through the Shanghai-Hong Kong Stock Connect, Mutual Recognition of Funds, Shenzhen-Hong Kong Stock Connect and Bond Connect, Hong Kong has an important role to play in developing China's financial markets.

Pierre Gramegna, Luxembourg's Minister of Finance, began by saying that European financial markets look in better shape than when he last spoke at the AFF in 2015 and Europe was facing a crisis over the sustainability of the Euro and Greece was in financial turmoil. He explained how Europe's smallest country is using innovative concepts to broaden and strengthen its financial markets and said the development of fintech in Luxembourg is a synergised process. Having launched its Digital Lëtzebuerg strategy in October 2014, the government has put innovation in financial services at the top of its priority list, making Luxembourg a pioneer and global hub for green bonds, the key to transforming technology into useful tools and sustainable services. "As a major financial centre we have the financial players present as well as technological skills," Gramegna noted.

While governments throughout Asia encourage fintech innovation by setting up regulatory sandboxes, Kelly O'Dwyer, Australia's Minister for Revenue and Financial Services explained how Australia has introduced a waiver to allow eligible fintech businesses to test specified services for up to 12 months without an Australian financial services or credit licence. "The sandbox framework is open to foreign companies registered in Australia," O'Dwyer said. "This allows more businesses to test a wider range of fintech products and services and creates the potential to offer them across Asia."

Takehiko Nakao, President of the Asian Development Bank (ADB) outlined how the ADB supports innovation and technological upgrading in energy efficiency, renewable energy, waste-to-energy technology, projects run by women in Pakistan, Cambodia and Laos, and education initiatives. "Education is vital for innovation to flourish and produce benefits," said Nakao, adding that communities can capitalise

on technological changes if they are well prepared and that, as technology creates both challenges and opportunities, Asia must be ready to provide more and better jobs since new technologies should be able to trigger the productivity to create these jobs and lift incomes.

During the panel discussion, Lau invited AFF delegates to use their mobile devices to register their opinions on the global economy for the year ahead with a vote of optimistic, neutral or pessimistic. The survey revealed that 58 per cent of delegates feel optimistic, compared with 20 per cent last year and 16 per cent in 2016. Only six per cent were pessimistic, compared to 31 per cent last year. Meanwhile, 36 per cent voted neutral. When asked to suggest the most likely challenge to innovation in the finance technology sector, 29 per cent thought overregulation, 21 per cent incumbents' conservatism, 15 per cent a lack of talent, and 14 per cent loopholes in cyber-security. The most likely causes of disruption to the financial industry in 2018 are expected to be AI, blockchain, big data analytics and payment systems development.

**ENDS**