

1. Introduction

The purpose of this volume is to present papers and discussions of the first international conference organized by the Financial Research and Training Center of FSA (Financial Services Agency) and 21COE (Faculty of Economics and Commerce, Market Quality Project) of Keio University.

The title of the conference is “Legal and Economic Frameworks for Consumer Protection in Asian Financial Services.” The conference was attended by professionals and university professors from Thailand, Korea and China, together with representatives from their Embassies in Tokyo.

As the quality of the financial market improves, the protection of consumers who use it has to change at the same pace. In an environment where the financial market is dominated by deposits, consumer protection would be easier, since consumer protection can be attained by simply monitoring the products and behavior of banks. Through the development of financial markets, consumer protection can become much more complicated. There are three main actors in the financial markets: suppliers, users and the market. It is important to establish solid frameworks and a legal system.

At the initial stage, a simple form of depositor protection is secured through strict controls on entry to the banking business. A bank licensing system is one way to protect customers of banks. At this early stage of the financial system, a deposit-oriented banking system would be the most suitable. As the economy develops, risk taking consumer behavior through the stock market and bond market would be required to improve the functions of the financial market. Since information asymmetry exists in capital markets (such as the stock market and bond market), market transparency and the reduction of information asymmetry are also important to develop capital markets.

FSA of Japan introduced the Counseling Office for Financial Services Users in July 2005, whereby various user information related to financial markets is collected. The complaints and objections of users of financial markets are a very important information source for regulators.

A deposit insurance system is also important for a deposit-oriented economy. However, excessive protection of depositors by deposit insurance would circumvent the

development of the capital market. Well balanced protection of depositors is therefore required.

Home country bias is another character of financial markets in Asia.. Many users invest their money in their home country rather than in other Asian countries. This is known as “home country bias.” At various stages of economic development, it will be necessary to introduce outside capital and outside funds into their home country to promote economic growth.

The development of various financial products together with a firm legal system will enhance capital flows across countries in Asia.

Information exchange through consumer credit companies and the like will be needed. The huge liabilities of consumers as a result of too much borrowing from consumer credit companies are partly due to lack of credit information among finance companies. Credit scoring and credit rating through the exchange of financial information would prevent excessive borrowing by consumers.

Many similar issues can be seen in various countries in Asia. At the same time, the different stages of development of financial markets will lead to somewhat different market conditions and types of consumer protection.

This volume is organized as follows: Opening Remarks by Mr. Hirofumi Gomi, Commissioner, FSA; Keynote Speech by Prof. Hideki Kanda, Faculty of Law and Graduate School for Law and Politics, The University of Tokyo; Country Report 1 (1) (Thailand) by Mr. Chodechai Suwanaporn, Ministry of Finance and Mr. Nat Tapasanan, Bank of Thailand; Country Report 1 (2) (Korea) by Prof. Kon Sik Kim, Seoul National University and Prof. Sunseop Jung, University of Incheon; Country Report 2 (1) (China) by Prof. Dong Ansheng, Law School of Renmin University and Prof. Tong Shiping, Matsuyama University; Country Report 2 (2) (Japan) by Prof. Souichiro Kozuka, Sophia University and Dr. Nobuhiko Sugiura, Financial Research and Training Center (FRTC), FSA; Round Table Discussion (comments from Prof. Naoyuki Yoshino, Director of FRTC, FSA / Keio University, Prof. Noriyuki Yanagawa, The University of Tokyo, Prof. James Rhodes, National Graduate Institute for Policy Studies, and other participants).

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