

International Conference  
**“Asian Market Integration and Financial Innovation”**



Session 2: Towards a Better Framework for Supply of Funds in Asian Financial Markets

**Competition Policy in the Financial Sector and its Impact  
on Financial Intermediation**

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**abstract**

Asian economies have been steadily increasing competition in their financial systems. The initiatives to integrate capital markets are well known, but various measures have been taken to further liberalise other segments of financial systems. The subject of this presentation is the direction of competition policy in Asian financial markets, and how this can assist in developing alternative investment options, and a more diverse investor base in the region.

Financial systems were traditionally shielded from competition, but they have been gradually deregulating and liberalising, in response to the benefits that greater competition would bring. Asia is no exception, but while measures have been taken to liberalise their financial systems, deep and active financial and capital markets are yet to be realised in many Asian markets.

Areas that could support the deepening and integration of financial and capital markets in Asia are more robust insurance and pension funds business. Their penetration levels are low in most Asian countries, leaving ample possibility of growth. The prospect of greater market entry and investment opportunities, together with clarity of regulations, would not only encourage active investments, but would also create alternative investment opportunities for Asian households whose assets are currently dominated by bank products. In addition, this could alleviate some of the financial burdens that arises from longevity in the region in the long run.