

PRESS RELEASE

New Industry Paper on Tackling Regulatorily-Driven Market Fragmentation in Asia Through the Policymaking Lifecycle

The report provides recommendations for a more holistic and coordinated approach to policy development and implementation with case studies from the region's capital markets.

Hong Kong, 5 August 2020 – [ASIFMA](#), the financial industry's leading regional trade association, today released a new report "[Addressing Market Fragmentation Through the Policymaking Lifecycle](#)". The paper was written as a collaboration between Oliver Wyman and ASIFMA on behalf of its members.

The new report builds on the existing body of analysis of regulatorily-driven market fragmentation by offering a comprehensive framework for analysing fragmentation – identifying its drivers; examining its impact on markets, economies, investors and other end-users of the financial system; and developing holistic solutions to avoid and mitigate fragmentation and its effects in future.

The report argues that market fragmentation and its effects must be addressed throughout the policymaking lifecycle – through better leveraging of existing international coordination structures, methodically considering fragmentation issues at the regulatory design stage, reflecting fragmentation concerns in implementation and supervisory considerations, pre-planning and performing systematic post-implementation reviews, and allowing for better feedback mechanisms to ensure introduced regulation is improved over time through greater awareness of, accounting for, the full spectrum of unintended consequences identified in the Oliver Wyman-ASIFMA report.

An [infographic](#) has also been produced to visualise the framework put forward in the paper as well as its high-level findings, while more detailed recommendations are detailed through report itself.

"Asia Pacific is an inherently complex region and susceptible to fragmentation. In some areas, the difference in regulatory approach is substantial. In our analysis, we identify eight areas of fragmentation and split these into legacy and emerging areas. For many financial institutions that operate and serve clients in multiple markets, navigating a myriad of requirements across jurisdictions creates operational complexity. A divergent and uncoordinated approach by individual regulators, as well as deliberate choices to ringfence capital and localise data for example, both hinders the continued development of the region's capital markets, and risks adding to future market stress at a critical time when economies are look to the financial sector to facilitate economic recovery from COVID-19," said Matthew Chan, Head of Policy & Regulatory Affairs at ASIFMA.

The paper's analysis of where regulatory- driven market fragmentation is prevalent (supplemented with real-life examples) highlights the widespread nature and impacts of market fragmentation across Asia Pacific capital markets, informing practical solutions for remediation. Legacy areas of market fragmentation identified in the paper are: (i) Derivatives; (ii) IBOR & EU Benchmark Regulation; (iii) Recovery and Resolution Planning; and (iv) Capital Requirements & Liquidity; emerging areas of market

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fragmentation identified in the paper are; (i) Sustainable Finance, (ii) Data Privacy, Localisation & Cybersecurity; (iii) Financial Crime Compliance (e.g. AML/CFT/Digital Assets), and (iv) Operational Resilience. In addition to a comprehensive framework for analysing fragmentation overall, the paper also offers specific and practical recommendations in each of these areas, demonstrating the framework's robustness and suitability for dealing with fragmentation in other regions and at a global level.

"Market fragmentation is an inherent concern in Asia Pacific given that there are 20+ markets and the lack of a regional coordinating body. Fragmentation caused by regulation is something we have more ability to solve for. The COVID-19 pandemic exposes some of these structural challenges and vulnerabilities, but also give great examples of coordinated regulatory efforts. Without addressing this, markets in the long term will lose out on the efficiency and efficacy gains that coordinated approaches to regulations bring," added Peter Reynolds, Partner and Head of Greater China at Oliver Wyman.

COVID-19 itself provides an opportunity to understand the risks and global impact of market fragmentation in practice, as well as the value of more comprehensive approaches towards mitigating impacts of fragmentation on financial institutions, markets, and end users. Once the crisis subsides, policymakers and industry have an important opportunity to reflect on the effectiveness and impact of regulations, including their unintended consequences in relation to market fragmentation.

"ASIFMA welcomes dialogue on implementing a more holistic approach to assessing fragmentation consistently throughout the policymaking lifecycle by both the international standard setting bodies and national regulators, as well as taking on the various specific recommendations put forward in the report," concluded Mr. Chan.

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The paper can be found [here](#)

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About ASIFMA

[ASIFMA](#) is an independent, regional trade association with over 130 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

More information about ASIFMA can be found at: www.asifma.org.

About Oliver Wyman

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