

“Tipping Point”

The 8th FPL Asia Pacific Trading Summit 2010, Hong Kong, 13th May 2010

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Charles Li, CEO, Hong Kong Exchanges and Clearing

Martin Wheatly, CEO of the SFC (Securities and Futures Commission), asked the 424 delegates at the recent FPL Asian Trading Summit, held at the Marriott Hotel in Hong Kong, what the dictionary definition of a “Tipping Point” was. The answer was given - the level at which the momentum of change becomes unstoppable. Although this momentum has certainly been felt by the industry globally, what has it meant for Asia, from a Regulatory, Exchange, Institutional and Asset Management perspective?

Certainly from the Regulator, the fact that Hong Kong did not make a snap decision of regulation for short selling in response to the Global Financial Crisis solidified their position by understanding

the problem they were facing and learning lessons from other markets, before making an informed decision on any regulatory changes. The Hong Kong Exchanges and Clearing CEO, Charles Li, echoed this sentiment.

Some might pinpoint this discretion as the key differentiating factor between Asia and the US/ Europe, saying they want to watch and learn from others to see if it works, and whether it is the path they want to follow. Their focus is on grabbing the China opportunity whilst becoming globally competitive. An investment in IT infrastructure, where they will be increasing 15,000 orders per second to 100,000 orders per second, decreasing latency from 10 milliseconds to 1 millisecond

and ensuring a high connectivity to the Mainland, illustrates the Exchanges strategy whilst highlighting the importance of the Mainland market to this region.

So what of Alternative Trading Venues? An interactive voting session posed the question to the delegates, “Are Alternative Trading Venues good for the traditional stock exchange?”. 88% answered “Yes”, however, as aptly pointed out by Angelina Kwan, Managing Director and COO Asia Pacific for Cantor Fitzgerald, even though there is a gradual acceptance of Alternative Trading Venues across Asia, here in Hong Kong, the Exchange will remain a monopoly, as it is protected by legislation and this is unlikely to change anytime soon. However, with the

ASEAN Link launching, through Martin Wheatly of the SFC and Hong Kong's positive involvement in IOSCO, it is clear that Exchanges and Regulators across Asia are aware and addressing the change of momentum that is upon them. To fully capitalize on the opportunities for the region, it is in fact the governments of Asia that need to drive this.

George Molina of Templeton, Matt Saul of Fidelity and Christine To of T. Rowe Price wrapped up the day by talking about their desire

for innovation from their brokers, combined with product knowledge as well as, and no less important than, their understanding and knowledge of their clients' business. Their discussion resonated with a conversation I had the other day with an airline captain who trains pilots to fly the latest, most sophisticated passenger jets. He talked about the advancements in technology available to pilots today and how many of the younger pilots believe they can fly a plane perfectly just by monitoring their instruments and never actually looking out of

the window. The buy-side make the point that they will choose brokers that are not only using the technology available but are doing so whilst looking out the window!

To view the presentations made during the course of the day, please visit www.fix-events.com/hongkong.

Did you know...

FPL will be organising the FPL Singapore Briefing on September 23, 2010 and the Australia FIX Conference in Sydney on October 13, 2010. Please visit <http://www.fixprotocol.org/events> for details.



Martin Wheatley, Securities and Futures Commission



Matthew Saul, FIL Investments



Regional Regulatory Panel