

CALS SEMINAR SERIES: CHINESE LAW

10 November 2014, Monday ✦ 9.00am – 12.00pm ✦

Lunch will be provided

Seminar Room 4-3, Block B, NUS (BTC)

BEYOND FRAGMENTATION:

BUILDING A UNIFIED SECURITIES MARKET IN CHINA (AND ASIA)

By Professor David C. Donald

The Chinese University of Hong Kong

ABSTRACT

This paper offers (i) an analytical schema for understanding existing techniques for linking securities markets, (ii) a critique of the methods employed in the US National Market System (NMS) and EU Market in Financial Instruments Directive (MiFID) projects, (iii) an analysis of the models of linkage used in the Shanghai-Hong Kong Stock Connect and the ASEAN Trading Link, focusing on the interoperability of these two projects, and (iv) a proposal that China and ASEAN consider linking the two systems to create the trunk of a unified securities market in Asia. The techniques of market linkage I analyse are dual listing, multinational funds and direct linkage. The primary critique I offer of the NMS and MiFID projects is that they fragment the market, disrupting both transparency and effective regulation, while offering their benefits primarily to the large broker-dealers in a position to profit from platform creation and exploitation. I explain that the alternative use of a concentrated trading model of linkage employed in China and ASEAN means that these two systems are interoperable, and recommend that significant advantages could arise from a direct linkage of (initially) the Hong Kong, Shanghai and ASEAN markets, with the first ASEAN linkage running through Singapore.

ABOUT THE SPEAKER



David C. Donald is a Professor in the Law Faculty of The Chinese University of Hong Kong. David previously taught at the Institute for Law and Finance of the University of Frankfurt, Germany and worked as a commercial lawyer in the US and Europe. His publications include *A Financial Centre for Two Empires: Hong Kong's Corporate, Securities and Tax Laws in its Transition from Britain to China* (Cambridge University Press, 2014) and *The Hong Kong Stock and Futures Exchanges – Law and Microstructure* (Thomson, Sweet & Maxwell 2012). He is participating with scholars from other universities on a Hong Kong Research Grants Council funded project, “Enhancing the Future of Hong Kong as a Leading International Financial Centre.” David is currently a member of Hong Kong’s Standing Committee for Company Law Reform and its Financial Policy Research Committee.

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Admission is Free & Lunch is Provided