

## CAPITAL MARKETS

# Changing face of region's financial services industry

By PETER SCHURING

The financial services industry throughout the region has undergone more change in the past two years than the previous quarter of a century.

Examples of this change can be seen in almost every marketplace with even the most restrictive markets being opened.

For example, Australia, has allowed 100 per cent ownership of domestic merchant banks, opened the stock exchange to foreign investment and virtually doubled its commercial banks by proposing to grant 16 new banking licences to non-Australian banks in February.

Japan is seriously considering establishing an "off-shore" market in Tokyo designed to rival Hongkong, Singapore and even the giant financial centres of London and New York. In addition, the Ministry of Finance is moving to further liberalise its capital markets by opening up Japan's trust banking business to foreign banks.

Driving the change are the ever-increasing demands of more sophisticated and knowledgeable investors who view the world as their marketplace and borrowers who minimise their costs by accessing global markets. In other words, it is customer-driven change, the healthiest kind of progress.

Liberalisation has helped create new markets as well as innovative fund-raising opportunities for governments, corporations and individuals. Debt and equity funding is available in more markets and more currencies than ever before.

The increased competition among financial insti-

tutions has caused an explosion of products, thus bringing about significant price variations and rendering financial instruments more liquid.

The net result is that merchant banks have broadened their financial services, creating what we at Citicorp like to refer to as "investment banking." By our definition, investment banking is the business of meeting organisations' need for capital in a way that also achieves the objective of investors.

The financial products created by investment bankers are designed to meet these needs and to reflect the political, social and economic environments in which organisations operate.

In meeting this challenge merchant banks, or the more broadly defined investment banks, have responded by dynamically growing and restructuring themselves through acquisitions of other investment houses and brokerage firms, pumping capital into their existing businesses and expanding operations into the major financial markets of the world. This process is by no means finished.

Citicorp's Investment Bank has been at the forefront of the movement. Our major objective has been to anticipate the changing environment. In a sense, this has meant responding to change before it takes place! The acquisition by Citicorp of Vickers da Costa was an initial foray into the stockbrokerage and equities business.

This gave us a distinct edge over other investment banks due to Vickers da Costa's privileged position as one of the few foreign

houses with a licence to originate, distribute and trade securities in the second-largest economy in the world — Japan.

This acquisition was following by purchase of 29.9 per cent of the UK-based broker, Scrimgeour Kemp-Gee.

These acquisitions catapulted Citicorp into the international broker arena, well postured to distribute, trade and position global securities for its customers.

How does this global situation affect Hongkong?

It certainly complicates the challenge of remaining the leading regional finan-

cial centre. It has been argued that formalisation of the Sino-British joint declaration on the territory's future means that Hongkong is on the decline as a financial centre. We do not believe this.

In fact, we hold the view that Hongkong will continue to act as a conduit for capital and technology for Asia and China in particular. The envisaged role is similar to the one New York City played up to World War II, where capital and technology from Europe were funnelled into the vast, yet undeveloped economy of North America.

Positive service from positive people.

# YES!

For more than 60 years we've offered the customers our expertise in all financial matters.

And we make sure that all our staff are trained to uphold this philosophy that has helped us build a bank to be proud of.



THE BANK OF EAST ASIA, LTD.

The Bank of Hong Kong people.