EPISODE 8: GROWTH – Asia-Pacific's Investing Momentum

0:01

MANDY, CITI

Welcome back to the Industry Perspectives Podcast Series, I'm Amanda Hale, and I'm joined by my co-host Andrew Newson.

In our first episode, ICI helped us to set the scene – exploring the global forces driving the growth agenda in capital markets, examining how the US is navigating the challenge of broadening retail access to private markets, and asking what lessons might flow between jurisdictions.

Today we are turning eastward.

The Asia-Pacific region is a collection of different regulatory regimes, savings cultures, and levels of market development. Let's take each key market in turn. So starting with Hong Kong and Singapore, both are positioning themselves as leading international asset management hubs.

Matt, what are the key regulatory and structural reforms underway in each to deepen retail participation in funds and investment products? And where is the lobbying effort most focused?

01:01

MATT, ICI

Thanks, Mandy. It's a great question. So Hong Kong and Singapore are both working hard to build on their roles as asset management centres. And while their specific policy pathways and approaches sometimes differ, there are also some common themes.

In both cases, we see focused work to enhance their ecosystems for asset and wealth management through concrete policy actions, really welcoming environment, and efforts to attract and retain talent. For example, both jurisdictions recently announced tax incentives and related measures specifically intended to support the further development of their asset management sectors.

And they, also both continue to actively review and refine the regulatory frameworks for retail investment funds in their markets. And that's an area where we have been engaging with them closely on this regulatory work.

I would say there's also a clear effort in both jurisdictions to take advantage of new technologies and innovations in areas such as tokenization, responsible usage of AI in financial services, and similar types of technological areas.

And like many markets in Asia, we see an increasing focus on product development and in developing in particular the market for ETFs as another channel to bring in retail investors, complementing the more traditional fund structures.

Now digging in a little on each jurisdiction, for Hong Kong, one area in particular we see is they're building on their relationship with the mainland Chinese market, deepening the investment channels, the Connect Schemes as they call them. They run in both directions between the mainland Hong Kong and global investors. And I think that's a really important role and channel for Hong Kong. Hong Kong is also positioning itself as a centre for digital assets, building out a clear regulatory framework for these types of digital assets, financial services.

02:48

Turning to Singapore, of course it's not only working to consolidate its position as a wealth management centre, but it is also focused on developing its domestic equity market.

So for example we've seen over the past year it has rolled out initiatives to provide public seed money for Singapore focused investment funds as a catalyst to bring in additional private investments.

And then finally turning to your question of industry advocacy. In both jurisdictions our efforts are focused around the issues of ease of doing business for asset managers and funds. This covers areas such as smooth cross-border connectivity and investment flows, harmonization of regulations with other key markets, and transparent and efficient product approval processes, along with an embrace of innovation and new technologies. And I would highlight that in both jurisdictions the regulators and policymakers have been quite open and receptive to industry feedback and we have a very collaborative relationship with the authorities.

03:50

ANDY, CITI

Thanks Matt, the parallels between Hong Kong and Singapore are interesting, but so are the distinctions.

Moving to mainland China, the sheer scale of the domestic savings pool is extraordinary, yet retail participation in capital markets remains relatively undeveloped compared to the size of the economy.

What role do international asset managers and fund structures play or aspire to play in serving Chinese retail investors and are there any changes that could make this easier?

04:14

MATT, ICI

Well as you said the scale of China's household savings pool is massive and this represents a significant opportunity to connect more of those savings with professionally managed long-term investment products through funds.

There are a number of global asset managers that are active in the mainland Chinese market, particularly following some changes in recent years that allow for wholly foreign-owned fund management companies in China. So in the past it had only been through JVs and these types of partnerships. Now global asset managers are able to operate on their own in the Chinese market.

And of course global managers have a lot to offer in this regard since they can bring in investment expertise, international risk management practices, global product experience, and the ability to connect Chinese investors and institutions with international markets.

But asset managers also have faced some practical challenges that can make it difficult for them to fully leverage their expertise and build scale in China. So in many cases for example there may be cross-border regulatory or operational constraints that mean the subsidiary in China is not able to fully take advantage of the firm's global capabilities. There's some frictions and barriers in some of the connectivity.

And of course it's also a highly competitive market on its own with a number of large domestic players who are well established and relatively concentrated distribution channels. So it can be pretty tough going for global asset managers from a commercial standpoint.

05:41

But for those that are active in the market you know I think it's really about a long-term view. With some regulatory and policy changes to support greater cross-border connectivity I think the combination of China's savings base, the scale of the potential retail investor market, and the real need for investment and retirement solutions can still make the market very attractive for global players over the long term.

And we have seen some positive announcements from the authorities in this direction over the past year. For example, expanding the approved product offerings that foreign managers are allowed to have in the mainland. And hopefully we'll see some more moves over time to enable global asset managers to fully utilize their expertise and resources to support retail investor opportunities going in both directions.

06:25

MANDY, CITI

Matt, the China opportunity is one that the global asset management industry has been looking at for a long time. As you say, the household savings pool is vast, the retail investor base is growing rapidly in sophistication, and there is a clear and pressing need for a broader range of retirement savings solutions as China's demographic profile ages.

You mentioned earlier, Japan, where we've seen the Nippon Japan individual savings account or NISA reform as it's known which has been described as a generational shift in how the government wants households to move from savings to investment. What's the current state of play and what's the industry's agenda with local regulators?

07:04

MATT, ICI

Thanks Mandy. Japan has been one of our key areas of focus in Asia. The Japanese government has been very open and willing to engage with us as they have been working to help households in Japan really make that shift from saving to investing. And to strengthen the asset management industry in Japan through a series of different initiatives.

And these types of changes are particularly important in a place like Japan, that has experienced decades of deflation. In a sustained deflationary environment keeping savings in cash may actually not be so bad, and that is what many households in Japan have become accustomed to doing. But as macroeconomic conditions in Japan have normalized and as inflation has returned households need to not only be saving but also to be investing or they will see the value of their wealth erode.

And it's in this context that you're absolutely correct to view NISA is representing a significant shift. It's been the linchpin to the Japanese government's efforts to build a culture of investing and it's something that we at ICI have strongly supported.

And the program has been going really well. They made some changes, improvements that the government implemented in 2024 to expand the program. And following that at this point roughly one in four eligible adults in Japan have a NISA account. They're especially popular among younger generations.

And it's not just the number of accounts but also people are actively using them. So, we've seen just in the last two years the amount of funds invested through NISA has more than doubled as the program has expanded.

And the government also is continuing to make further reforms to expand the program.

The latest set of reforms that will go into effect in 2027 will open up a broader set of product offerings such as fixed income and bond funds. And very significantly it will allow NISA accounts to be established for minors.

And so by allowing these types of accounts for children it can help build an early culture of investing and it can also provide an excellent channel for contributions from older generations where a lot of the wealth still sits. So you can think of grandparents making contributions to their grandchildren's accounts where the transfer it isn't just from one generation to another. It's also transferred primarily from cash savings into productive investments.

09:20

And so I think this is going to be an important change to watch as it goes into effect next year.

And then you know the last area I'll mention where we see a lot of potential in Japan and where we've been doing significant policy work here at ICI is on enhancing their system for defined contribution pensions.

Right now in Japan the workplace defined contribution plans are relatively small in scale and they're limited by factors such as low contribution limits and a tendency to place people into cash deposits or principal preservation products as the default.

But with a few policy changes that we have been advocating for we could see significant growth in this area helping to spur additional household engagement with capital markets and long-term investing. And we've already seen some positive movements in this area over the past year with the government implementing several of our recommendations. But this is an issue where we still see a lot of potential and where we continue to engage with the Japanese authorities to encourage continued and more aggressive reforms going forward.

10:18

ANDY, CITI

Matt, the Japan story demonstrates a policy pivot in retail financial markets. The return of inflation has changed that, and NISA has been the policy instrument that has allowed households to act in a structured, tax-advantaged, and sustainable way.

10:30

MANDY, CITI

But NISA, whilst powerful, operates at the individual level. Here the default fund design question that you mentioned, is key – as the choice of a default investment

option in a DC pension scheme often determines the long-term outcome for many participants.

India has also seen a rapidly growing domestic market and has implemented programs such as its systematic investment plan or SIP to encourage more investment through mutual funds amongst its vast population. What's the current outlook for the retail investor and mutual fund market in India and how are you engaging with Indian regulators?

11:05

MATT, ICI

The growth of India's domestic mutual fund market I think is actually one of the most compelling retail participation stories globally and it probably does not get enough attention.

So, looking just at the mutual fund side of things we've seen the total assets under management the mutual funds domestically in India are up about six times over the past decade and equity funds for example have experienced over five years of sustained monthly net inflows every month.

But I think what is perhaps even more impressive is the scale of the level of retail investors that have been brought into the market.

And a lot of this growth is thanks to a tax advantage program that you mentioned called the systematic investment plan or SIP which has been remarkably effective in introducing everyday Indians to disciplined long-term investing through mutual funds.

And some of the characteristics that have allowed for the success is first it has incredibly low barriers to entry. So, clients are able to make monthly investments as low as about five dollars per month, but this is coupled with a commitment to regular and sustained contributions.

And the scale has grown remarkably. So as of July India had over 100 million registered SIP accounts and SIP inflows you know every month were averaging about three billion dollars per month which is on the back as I said of millions of small contributions from millions of retail investors. And so in a place like India with its vast population of potential investors I think the room for further growth remains very strong.

12:38

And coming back to your question of how ICI engages with Indian policy makers we're in regular contact with SEBI the Securities Regulator, the Ministry of Finance and the Central Bank RBI.

And we approach our discussions with the authorities from two related perspectives.

One is on improving India's framework for international investors and the other is on supporting the continued development of the domestic market and domestic asset management system.

So, on the international side our work is focused on encouraging reforms to improve the ease of doing business for foreign fund managers investing in India trying to address some of the frictions that they may face as they engage with the Indian market.

And for domestic market development we work to serve as a resource for the Indian regulators and policymakers to share international practices. So some examples of this area could include topics such as ETF market development or product development such as the introduction of life cycle or target date funds.

And looking ahead as I mentioned that you know I think the potential scale for growth in India's retail investor segment and its domestic mutual fund market is really quite compelling and something to watch.

13:50

MANDY, CITI

The India SIP example sounds very encouraging. Over 100 million SIP accounts. Three billion dollars of inflows every month from millions of individual contributors. That demonstrates capital markets democratisation happening in real time.

14:04

OUTRO

ANDY, CITI

And on that note, I think we've covered a considerable amount of ground in this second episode with ICI. Taking in five of the most dynamic and consequential markets in global finance, each at a different stage of the retail participation journey.

14:16

MANDY, CITI

What also comes across strongly, is something that Matt articulated when we discussed ICI's approach: the value of cross-border dialogue and the willingness to both share and receive policy learning.

Examples such as Japan watching India's SIP for lessons on early-stage retail engagement and Singapore and Hong Kong both looking at how the US ETF plumbing could be adapted for their markets.

14:39

ANDY, CITI

Also, India engaging with ICI on lifecycle fund structures that have a long track record in the US and UK.

14:46

MANDY, CITI

In our next Industry Perspectives Podcast growth episode, we'll be turning our attention to Europe and the United Kingdom. So join us again for our next conversation with ICI.

This podcast was recorded on 25 August 2026.