



ASIFMA 2026 Asia Pacific Capital Markets Survey

Asia Pacific on the rise



Disclaimer

The information and opinion commentary in this ASIFMA 2026 Asia-Pacific Capital Markets Survey Report was prepared by the Asia Securities Industry and Financial Markets Association (ASIFMA) to reflect the views of firms who participated in this Survey. The data, on which this Report and its conclusions were based, was gathered from participating firms between January and April 2026.

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About ASIFMA

ASIFMA (Asia Securities Industry & Financial Markets Association) is an independent, regional trade association comprising a diverse range of over 140 leading financial institutions from both the buy and sell side, including banks, asset managers, professional services 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 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 US and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

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01

Overview and objectives

This is the 5th edition of an annual survey conducted by ASIFMA, the pre-eminent regional financial services industry association within Asia-Pacific (APAC), aimed at gauging sentiment among its member firms towards APAC markets. With participation from both buy- and sell-side members, the survey serves as an important barometer of industry attitudes toward APAC capital markets and the factors driving those sentiments.

The 13 markets (countries and jurisdictions) covered by the survey include Australia, Chinese Mainland, Hong Kong SAR (China), India, Indonesia, Japan, South Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam.

Members provided their current perceptions in relation to market development, regulatory and operating environment of the various markets and their expansion sentiments, while also sharing their views looking back over the past three years and looking ahead three years. The survey also explores sentiments towards ESG and sustainable finance, digital assets and artificial intelligence (AI).

The survey data was gathered from January to April 2026, a period defined by the start of the conflict in the Middle East.

KPMG China assisted ASIFMA to design the survey, collate and analyse participants' views and draft this Report, but expresses no opinions in this Report.

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Executive Summary

Asia rising: Expansion sentiment soars

Participants in the ASIFMA 2026 Asia-Pacific Capital Markets Survey, conducted in collaboration with KPMG, remain firmly committed to the region. Two-thirds of respondents plan to expand their business in the Asia-Pacific region over the next three years. This positive expansion sentiment is the highest since the survey began six years ago, a clear sign of growing confidence and clarity in the region's long-term potential.

Building from within: The new expansion playbook

The dominant expansion strategy among survey participants is to deepen existing operations, reflecting a preference for depth over breadth amid an uncertain global outlook. 66% of those with expansion plans are scaling up their current business, while over 30% intend to broaden their product and service offerings or enter new markets, both suggesting a growing willingness to commit capital in the region.

As expansion intentions converge, competition for capital allocation across the region is intensifying. Consequently, participants are prioritising organic growth, further signalling a strategic focus on strengthening their established market presence.

This strategic and measured approach prioritises operational scalability, reflecting a strong belief in the long-term resilience and future of Asia-Pacific capital markets.

Expansion activity is becoming increasingly concentrated in a limited number of markets with strong hub capabilities or growth potential. Singapore ranks as the most attractive destination, followed by Hong Kong and South Korea, which are jointly second. This year's data shows a sharp rise in South Korea's appeal, as interest in Chinese Mainland and India pulls back from previous peaks. While emerging ASEAN markets remain attractive for the future, firms are currently prioritizing the top-tier jurisdictions for immediate growth rather than spreading capital across smaller emerging markets.

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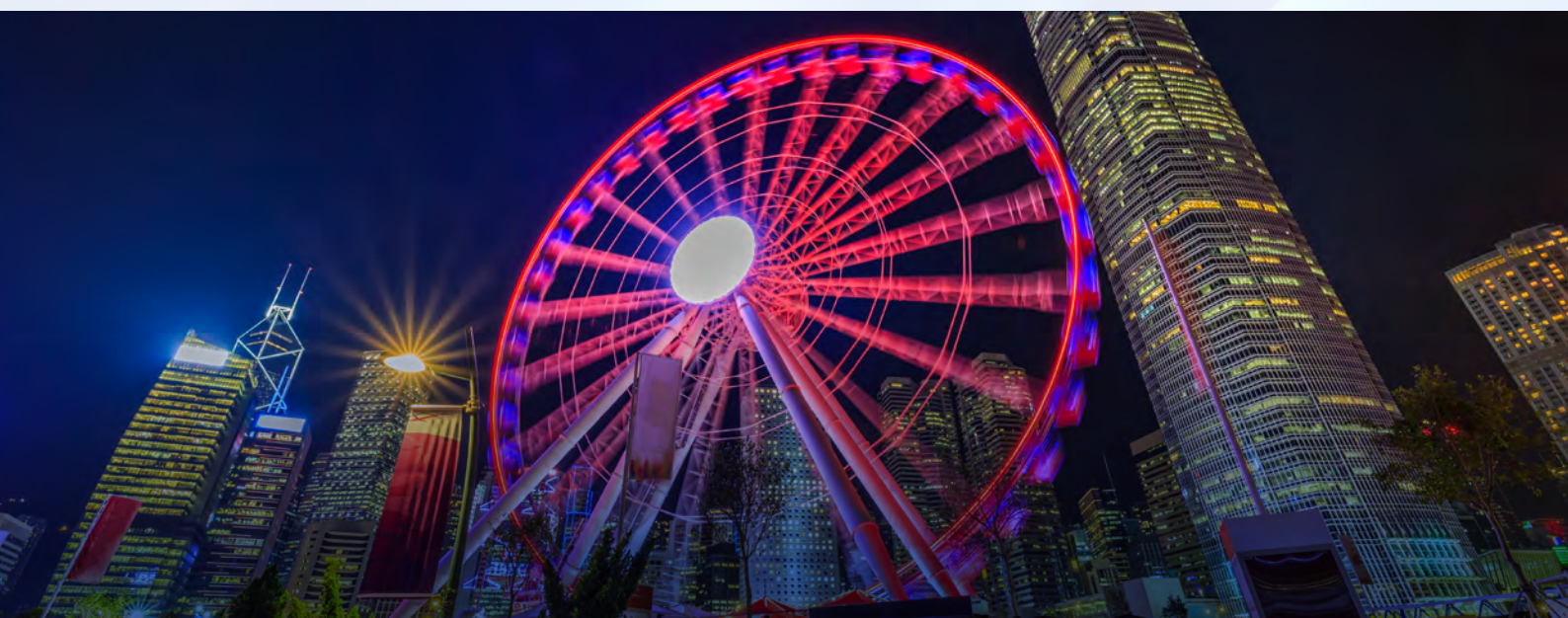
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Perceptions of APAC Markets

Overall, the survey findings support the view that jurisdictions with clear market development roadmaps, good market infrastructure, and genuine two-way dialogue between policy makers/regulators and the industry rank higher than those with fragmented regulation and a lack of international alignment. Singapore, Hong Kong SAR, and Australia continue to be the top three markets for ease of doing business, benefiting from their maturity and alignment with international standards. While India and the Chinese Mainland have gained in ease of doing business, as elaborated on further below, expansion sentiment toward these markets has pulled back from previous peaks.

Singapore retains its position as the region's top-ranked market for ease of doing business. Participants continue to cite its open regulatory framework, deep talent pool, and robust professional services ecosystem. Expansion sentiment remains strong, though it has moderated from its 2022 peak. Some participants anticipate a harder regulatory and operating environment, likely reflecting the cumulative weight of compliance obligations rather than any fundamental shift in the market's attractiveness.

“Singapore, Hong Kong SAR, and Australia continue to be the top three markets for ease of doing business, benefiting from their maturity and alignment with international standards.”



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Hong Kong SAR rose to second place this year from third place in 2025, reflecting renewed confidence in its connectivity and growing momentum of its capital markets. Perceptions of the operating environment have improved markedly, the proportion of participants viewing it as harder has fallen from 46% in 2021 to 16% in 2026, and market development concerns have also eased steadily over the same period.

India and Chinese Mainland are seen as significantly more attractive this year, rebounding from last year's declines as participants look past short-term headwinds toward long-term potential. However, this recovery remains below previous peak levels, suggesting a more measured but still positive outlook.

In India, participants point to ongoing capital market reforms as signals of genuine intent to improve access. India records the largest upward movement in this year's rankings, rising from 8th to 5th for ease of doing business. However, nearly half of respondents say regulatory conditions have become harder, with recent central policy shifts and directives attracting particular concern. Participants recognise a pro-business reform agenda and welcome improved market development conditions, with 47% reporting easier access. Despite this, a gap remains between India's market opportunity and its regulatory environment, highlighting a more cautious sentiment on the regulatory front. Overall, the outlook is cautiously positive, and participants expect continued reform momentum.

Chinese Mainland rises from 11th to 7th, reversing last year's decline, with 25% now finding both the operating environment and market development easier. However, views remain mixed: capital controls, data localisation, and geopolitical tensions continue to weigh on forward-looking sentiment, and over a quarter of the participants expect market development conditions to become harder over the next three years.

Vietnam registers a notable improvement this year, rising three places from its longstanding 13th position. Participants attribute this to its credible securities market reform programme.

Some Southeast Asian markets, including Thailand, Philippines, Malaysia, and Indonesia, have shown some decline in ease of doing business since the previous survey. Participants noted that these changes may be influenced by broader regional challenges, such as evolving regulatory frameworks that are still aligning with global investor expectations, uncertainties surrounding newly implemented tax policies, and lack of administrative support. While these markets continue to show potential, addressing these areas through clearer communication and policy consistency could support greater confidence and long-term growth.

Key cross jurisdictional cutting themes: Sustainable Finance; Digital Assets and Artificial Intelligence



ESG and sustainable finance

ESG continues to feature prominently in participants' expansion plans. This is notable against a global backdrop of generally cooling sentiment around sustainable finance, although participants this year report that ESG is slightly less of a priority than in past years.

Across the region, participants' assessments of ESG infrastructure, including disclosure frameworks, data availability, and stewardship standards, have converged, with little now separating the highest and lowest-ranked markets. Singapore, Chinese Mainland, and Hong Kong SAR are rated highest for ESG maturity. Thailand and Vietnam have climbed sharply, jumping to 5th and 4th respectively, overtaking Australia, Japan, and South Korea.

Participants identify clarity and coherence of ESG/sustainable finance policy roadmaps and net-zero targets as the most important factor across nine of the thirteen jurisdictions. On impediments, under-developed carbon markets and a lack of data solutions emerge as the dominant barriers, each cited across six markets.





Digital Assets

Participants generally describe the regulatory landscape for digital assets across Asia as fragmented, with significant divergence in approach, scope, and maturity across jurisdictions. Leading markets such as Singapore and Hong Kong SAR are rated highest, offering greater regulatory clarity, established licensing regimes, and familiar institutional structures that support the development of digital asset ecosystems. These markets are increasingly positioning themselves as regional hubs. In contrast, Vietnam, India, and Chinese Mainland are rated lowest, reflecting either regulatory uncertainty, restrictive stances, or evolving frameworks that limit market participation.

Participants are channelling their ambitions into regulated instruments, such as tokenised assets, rather than more nascent or unregulated activities and decentralised structures such as yield farming, DeFi lending protocols, and liquidity provision on decentralised exchanges. Appetite for counterparty-risk-intensive products is limited.



Artificial Intelligence

Views on artificial intelligence (AI) regulation remain generally positive, though a distinct divergence in regulatory maturity is emerging across APAC. Unlike other areas such as data privacy, which has seen greater global convergence through frameworks like the General Data Protection Regulation (GDPR), AI regulation remains fragmented, with limited cross-border harmonisation. While market participants may favour risk-tiered, principles-based approaches, individual jurisdictions are pursuing independent paths with limited cross-border harmonisation.

Singapore, alongside Hong Kong, Australia, Japan, and South Korea, stands out as a regional leader, with each market deploying relatively advanced frameworks that provide detailed rules, guidance, and toolkits. In contrast, other jurisdictions across Asia-Pacific remain at an earlier stage, having published only high-level guidelines or principles-based frameworks.

Deployment of AI to date is concentrated in back-office automation and operational controls. For client-facing or trading activities, a “human-in-the-loop” approach remains critical and use cases are still relatively nascent.

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Chapter 1 Views of the markets

Singapore, Hong Kong SAR, and Australia remain the region's top three markets for ease of doing business. Looking beyond this top-level ranking, the data shows shifts in how participants assess opportunity, risk, and operational friction across Asia-Pacific (APAC).

Hong Kong SAR reclaims second place from Australia, posting renewed confidence in the territory's capital markets connectivity and resilient institutions. Australia slips one place but holds a strong score of 7. The more significant movements come further down the table: participants rate both India and Chinese Mainland as much easier to do business in 2026, a notable development given both markets' decline last year.

Meanwhile, participants' views of several Southeast Asian markets, including Malaysia, Philippines, Thailand, and Indonesia have declined. Vietnam rises notably this year, with participants seeing promises of reform turn into real progress.

India¹ and Chinese Mainland continue to show a persistent gap between their regulatory environment scores and their ratings for operating environment and market development. Participants recognise the commercial opportunity in Asia's two largest markets but view their complex regulatory environments as a challenge.

“...participants rate both India and Chinese Mainland as much easier to do business in 2026, a notable development given both markets' decline last year.”

¹ This survey was conducted before the Reserve Bank of India (RBI)'s restrictions on non-deliverable forward (NDF) access. Although some measures have since been partially rolled back, these developments have affected perceptions of India's regulatory and operating environment.

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Japan and South Korea present a similar challenge at the other end of the market maturity curve. While both offer deep, liquid markets with abundant investment opportunities, longstanding operational and regulatory hurdles continue to pose barriers for foreign participants. Survey responses suggest that capital market participants are no longer making binary 'in or out' decisions but are adjusting their operational strategy to each market's specific challenges.

Mature hubs and high-growth markets like Hong Kong SAR, Chinese Mainland, and India are broadly seen as having become easier to operate in over the past three years.

Participants cite expanded Connect schemes, improved hedging, and streamlined reporting in Chinese Mainland. India draws praise for pro-business reforms and capital market developments, while Hong Kong SAR's deepening cross-boundary connectivity is also driving improvement. That said, recent regulatory actions, such as new INR reporting requirements and sudden changes in policy on Non-Deliverable Forward (NDF) trading, could slow reform momentum in India.

Table 1 below compares 2026 scores against 2021–2025 averages. India (+0.68) and Mainland China (+0.59), and Vietnam (+1.03) show the strongest forward momentum. Australia (-0.26) and Thailand (-0.21) are the only markets moving backwards. Emerging markets are closing the gap on established financial centres, while a small number of traditionally strong markets face headwinds.

Ranking	Markets	Average Score	Regulatory Environment Trajectory	Operating Environment Trajectory	Market Development Trajectory	Overall Score
1	Singapore	7.81	-0.06 ▼	0.12 ▲	0.16 ▲	0.12 ▲
2	Hong Kong SAR	7.43	0.18 ▲	0.18 ▲	0.14 ▲	0.13 ▲
3	Australia	7.02	-0.22 ▼	-0.34 ▼	-0.17 ▼	-0.26 ▼
4	Japan	6.96	0.49 ▲	0.16 ▲	0.15 ▲	0.13 ▲
5	India	6.59	0.61 ▲	0.87 ▲	0.50 ▲	0.68 ▲
6	Taiwan	6.55	0.40 ▲	0.24 ▲	0.26 ▲	0.23 ▲
7	Chinese Mainland	6.33	0.67 ▲	0.81 ▲	0.10 ▲	0.59 ▲
8	South Korea	6.30	0.27 ▲	0.28 ▲	0.18 ▲	0.23 ▲
9	Malaysia	6.29	0.63 ▲	0.50 ▲	0.42 ▲	0.41 ▲
10	Vietnam	6.14	0.73 ▲	1.11 ▲	0.99 ▲	1.03 ▲
11	Philippines	5.79	0.20 ▲	0.19 ▲	0.13 ▲	0.22 ▲
12	Thailand	5.69	-0.14 ▼	-0.54 ▼	-0.13 ▼	-0.21 ▼
13	Indonesia	5.66	0.02 ▲	0.08 ▲	0.07 ▲	0.14 ▲

Table 1: Market Divergence Scorecard: Regulatory, Operating and Market Development Trajectories (2021–2026)

Note: The Market Divergence Scorecard captures how trajectories have evolved across jurisdictions based on the average scores for 2021–2025 across regulatory, operating, and market development environments against 2026 scores to assess directional shifts. The overall trajectory score represents an aggregation of these three dimensions, providing a consolidated view of market divergence over time.

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1(i) Overall market ratings: Ease of doing business

Markets	Average Score	Ranking in 2026	Ranking in 2025	Ranking in 2023/24	Ranking in 2022	Ranking in 2021
Singapore	7.81	1 (●)	1 (●)	1 (●)	1 (●)	1
Hong Kong SAR	7.43	2 (▲1)	3 (▼1)	2 (▲2)	4 (▼2)	2
Australia	7.02	3 (▼1)	2 (▲1)	3 (▼1)	2 (▲1)	3
Japan	6.96	4 (●)	4 (▲1)	5 (▼2)	3 (▲1)	4
India	6.59	5 (▲3)	8 (▼2)	6 (▲1)	7 (▲3)	10
Taiwan	6.55	6 (▼1)	5 (▼1)	4 (▲2)	6 (●)	6
Chinese Mainland	6.33	7 (▲4)	11 (▼4)	7 (▲3)	10 (▼1)	9
South Korea	6.30	8 (▲1)	9 (▼1)	8 (▼3)	5 (▲2)	7
Malaysia	6.29	9 (▼3)	6 (▲3)	9 (▼1)	8 (●)	8
Vietnam	6.14	10 (▲3)	13 (●)	13 (●)	13 (●)	13
Philippines	5.79	11 (▼4)	7 (▲3)	10 (▲2)	12 (●)	12
Thailand	5.69	12 (▼2)	10 (▲2)	12 (▼3)	9 (▼4)	5
Indonesia	5.66	13 (▼1)	12 (●)	12 (▼3)	9 (▼4)	5

Table 2: Market ranking changes based on average score across three factors

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest.

Note: Each market is scored by participants who operate or intend to operate in it. The rating of each market reflects the average of those scores.



Participants see operational complexity rising across many ASEAN markets but are willing to accept it where growth opportunities present themselves.

Across the region, the markets that rank highest for ease of doing business continue to facilitate the free flow of capital, minimal currency controls, internationalised talent pools, and robust investor protections. The most persistent impediments remain adverse tax environments and the cost of operating in premium financial centres.

A clear structural divergence is emerging across the APAC region. The markets pulling ahead are actively reforming, both deliberately and with precision. Data localisation requirements affect markets across the ranking spectrum, but those falling behind face impediments such as fragmented regulation, market infrastructure, and adverse tax environments, that only sustained policy commitment can fix.

This year, participants rank Singapore, Hong Kong SAR, and Australia as APAC's top three markets for ease of doing business. Hong Kong SAR reclaims second place from Australia, likely reflecting renewed confidence in its capital markets connectivity and institutional framework. Participants point to expanded Connect schemes, improved hedging optionality, streamlined reporting infrastructure, and growing cross-boundary investment flows from Chinese Mainland.

 **A clear structural divergence is emerging across the APAC region. The markets pulling ahead are actively reforming, both deliberately and with precision "**

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India and Chinese Mainland record the biggest movements. India surged from 8th to 5th, while Chinese Mainland from 11th to 7th, reversing both markets' decline last year. However, participants consistently identify regulatory reform as the primary pain point in both jurisdictions.

In Chinese Mainland, participants highlight that capital controls, data localisation requirements, restrictions on cross-border information transfer, and an uneven regulatory playing field for foreign firms continue to constrain day-to-day operations.

Stakeholders note that Chinese Mainland's gain may be smaller than the survey data suggests. Research indicates that regulators are now open to newly established foreign financial institutions, with smoother communication, more case-by-case review, and shorter approval timelines. The long-term outlook for foreign firms remains positive, although market entry is still shaped by regulatory and sentiment-driven factors.

In India, stakeholders welcome the government's pro-business reform agenda and openness to engagement. However, they find the way new requirements are designed and implemented still difficult to navigate. Participants observe that there is intention to make processes easier but persistent difficulties in areas such as know-your-customer (KYC) requirements and NDF restrictions remain.

India's and Chinese Mainland's rise in the rankings signals growing confidence in their reform trajectory. But significant work is still needed to deliver the regulatory clarity and transparency that market participants expect.

Conversely, several Southeast Asian markets have slipped: Malaysia, Philippines, Thailand, and Indonesia all moved down. Thailand's decline from 5th in 2021 to 12th in 2026 signals possible persistent regulatory and structural challenges. Vietnam, meanwhile, is rising, suggesting participants are starting to see that the market's difficult regulatory environment is easing as authorities pursue capital market reforms.

South Korea has made modest progress, with the lifting of its short-selling ban in March 2025 prompting MSCI to upgrade its short-selling rating to "plus". However, structural challenges remain, including teething issues with its Naked Shortselling Detection System (NSDS), constraints on foreign exchange liberalisation and corporate disclosure practices, not to mention significant settlement prefunding issues that continue to pose difficulty for investors on large index rebalancing days. Korea's inclusion in the FTSE World Government Bond Index from April 2026 is expected to broaden KRW market activity. Participants report growing openness from Korea to a "mindset shift."

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1(ii) Market ratings: By component factor

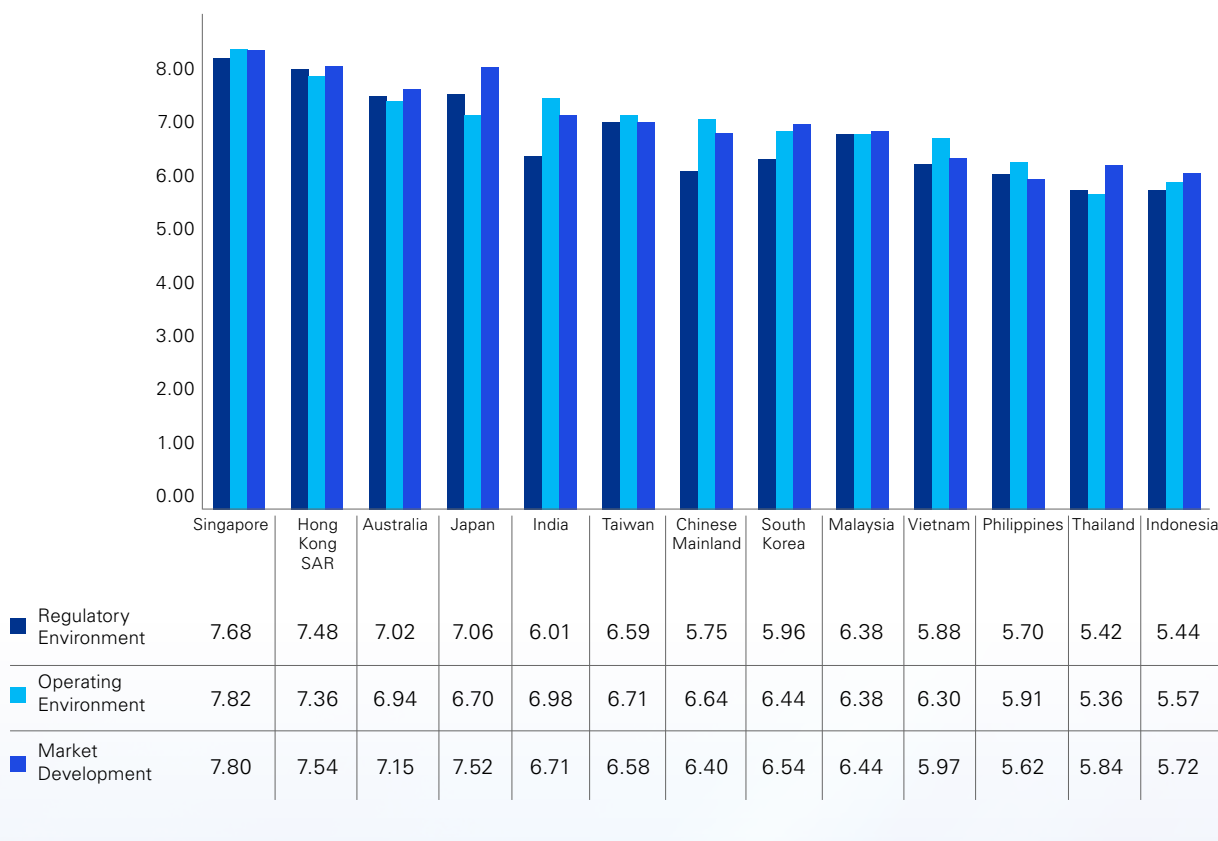


Figure 1: Market scores for 2026 by regulatory environment, operating environment, and market development

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest.

Note: Each market is scored by participants who operate or intend to operate in it. The rating of each market reflects the average of those scores.

Figure 1 breaks down participants' views of each market across three dimensions: regulatory environment, operating environment, and market development. Most markets score relatively consistently across all three pillars/dimensions, but several outliers stand out.

Singapore scores highest across all three dimensions, reflecting its open capital account, transparent regulation and deep talent pool. Participants view it as the region's most complete operating environment with few structural frictions. Stakeholders suggest Singapore's sustained leadership rests on its multipolar geopolitical positioning, it is not tied to China, the US, or any single ASEAN bloc country. Participants view it as a safe harbour politically, economically, legally, technologically, and ethically, underpinned by a comprehensive package of free trade agreements and digital economy frameworks supported by cross-agency collaboration.

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Hong Kong SAR also scores consistently across all three dimensions, with participants highlighting its capital markets connectivity, strong IPO pipeline, robust institutional framework and expanding cross-boundary links with Chinese Mainland as key strengths.

India and Chinese Mainland continue to show a notable gap between their regulatory environment scores and their operating environment and market development ratings, suggesting that while participants recognise the commercial opportunity, regulatory complexity remains a point of friction.

In India, participants cite NDF-related constraints and operational routing issues as specific pain points, which could result in some rethinking their India strategy, even as recognition of an improving regulatory climate grows. In Chinese Mainland, participants note FX/swap reporting and other restrictions affect NDF activity.

Japan again scores markedly higher on market development than on its operating environment. Its markets are deep and liquid, but foreign participants still face operational frictions, such as complex settlement practices and regulatory processes, that weigh on the operating environment score.

South Korea displays a similar pattern, with regulatory scores trailing its market fundamentals. Participants hold mixed views, citing meaningful progress within an occasionally difficult regulatory engagement process.

1(iii) Regulatory environments: Easier or harder over the past three years?

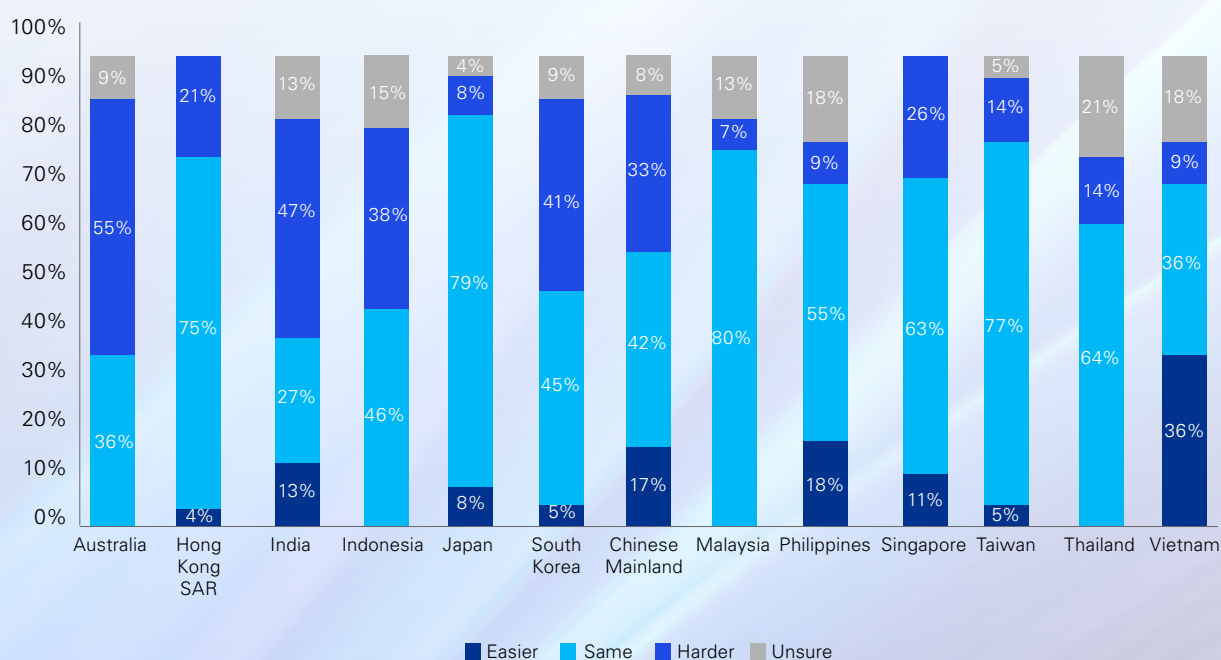


Figure 2: Has it become easier or harder to operate in APAC markets based on the regulatory environment?

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Figure 2 captures participants' views on how the regulatory environment has evolved over the past three years.

Vietnam stands out as a bright spot, with 36% of participants indicating the environment has become easier. This likely reflects recent capital market liberalisation efforts, including its Non-Prefunded model (NPF), Global Broker Model, and streamlined foreign ownership procedures. These reforms culminated in FTSE Russell upgrading Vietnam to Secondary Emerging Market status announced in April 2026. It is noted that the FTSE reclassification does not extend to MSCI, which continues to classify Vietnam as Frontier.

Across the rest of ASEAN, Malaysia, Philippines, and Thailand, the dominant response remains "the same," continuing a pattern of perceived regulatory stability noted in last year's survey.

Australia is the market where the greatest percentage of participants (55%) feel that regulatory burden has intensified, followed by India (47% harder) and South Korea (41% harder). Hong Kong SAR also sees 21% of participants flagging increased difficulty, a notable result given its overall high ranking across its regulatory, operating and market development environments.

1(iv) Regulatory environment: Where has it become harder? (2025 to 2026)

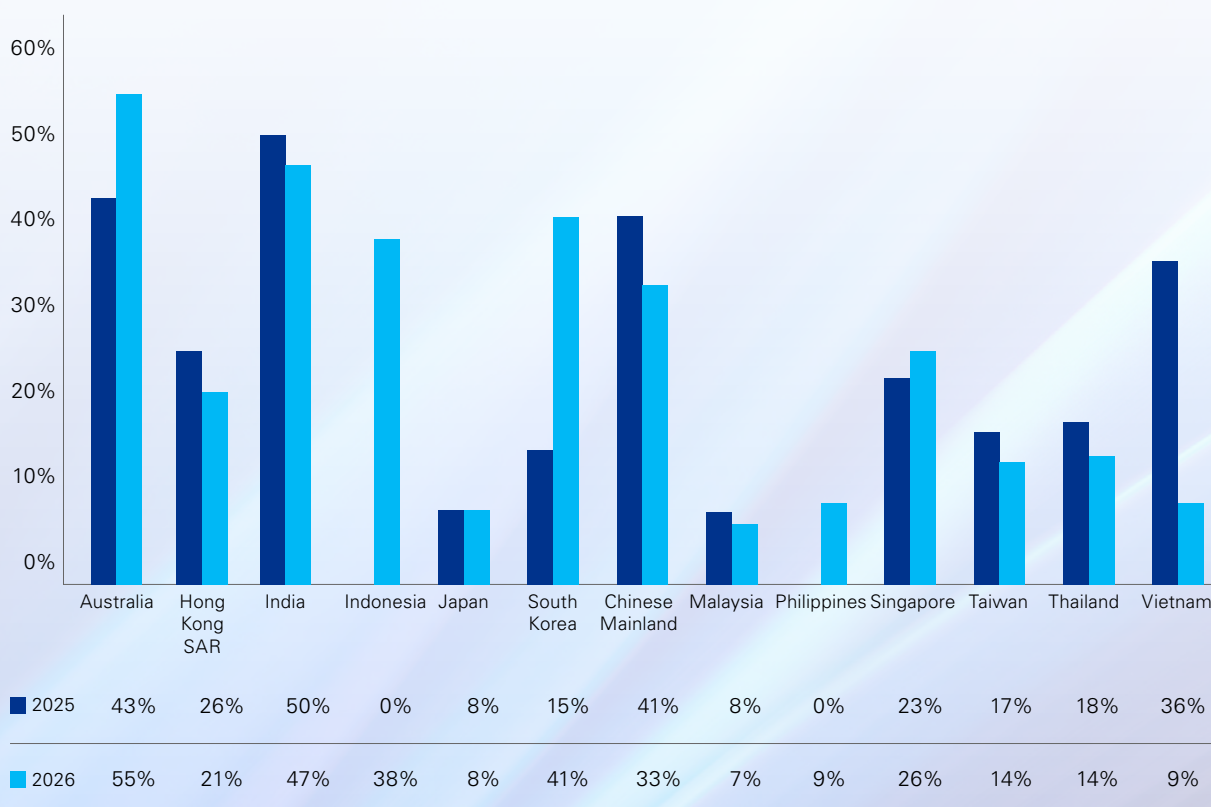


Figure 3: Percentage of participants who believe the regulatory environment has become harder over the past three years

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Year-on-year, significantly more participants find the regulatory environment harder in several markets. Australia rises from 43% to 55%. A participant cites an evolving regulatory landscape that is increasingly out of step with other developed economies on key issues, including climate reporting and pre-hedging.

Indonesia is attracting increased scrutiny, with 38% of participants finding its regulatory environment harder, up from zero in 2025. This could be a reflection of its financial market turbulence over the past year, prompting repeated reactive regulatory interventions.

South Korea jumps from 15% to 41%, reflecting tightening penalties for illegal short-selling and strengthening market surveillance and disclosure standards which enhance corporate transparency and prevent unfair trading. Vietnam, conversely, shows promise, falling from 36% to 9%.

Singapore also sees a modest increase in participants finding its regulatory environment more challenging. While the market continues to rank first overall, some participants note that while Singapore's regulatory framework is transparent, forward-looking, and business-friendly, with strong policy clarity, challenges remain in the form of some fragmentation between policy development and supervisory implementation, with occasional disconnects between innovation initiatives and practical execution at the product and supervisory level.

“ Year-on-year, significantly more participants find the regulatory environment harder in several markets. Australia rises from 43% to 55%. A participant cites an evolving regulatory landscape that is increasingly out of step with other developed economies on key issues, including climate reporting and pre-hedging. ”

1(v) Operating environment: Easier or harder over the past three years?

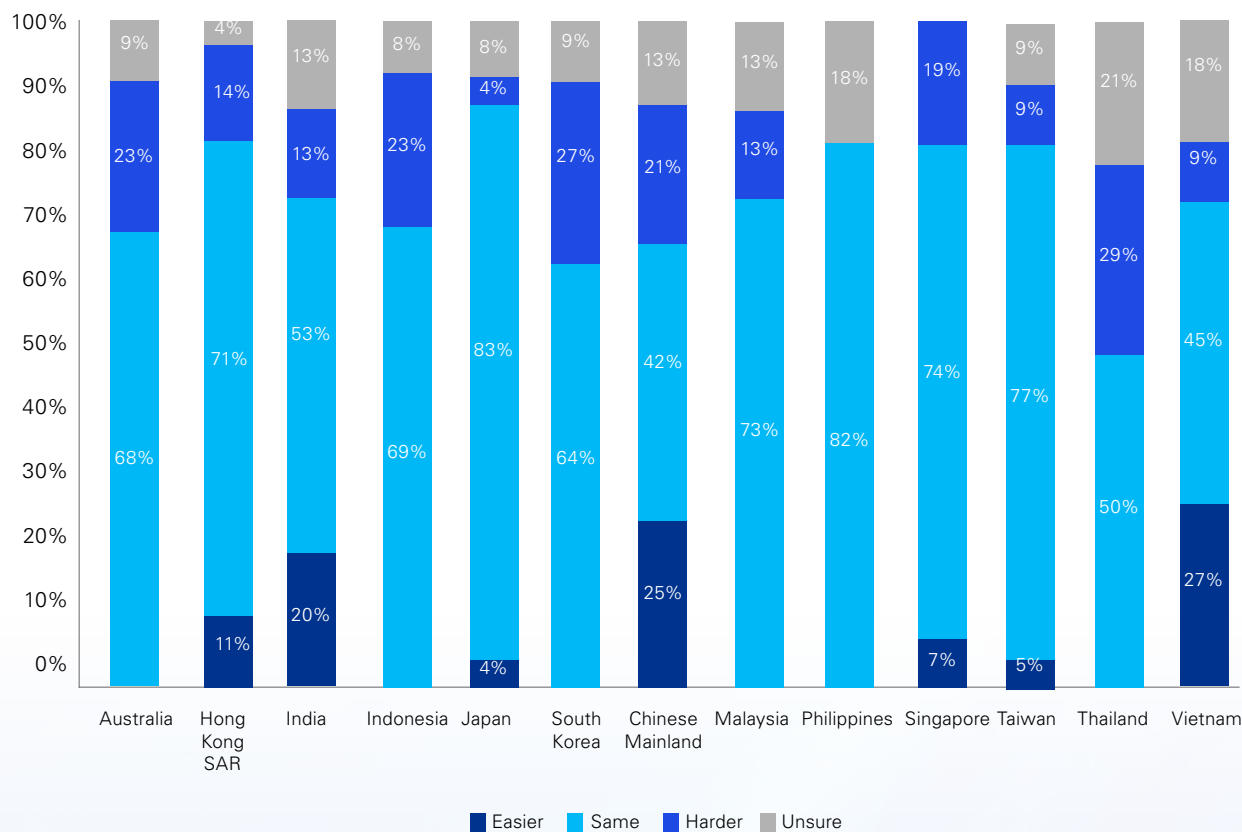


Figure 4: Has it become easier or harder to operate in APAC markets based on the operating environment?

Figure 4 shows participants' views on the operating environment over the past three years. Stability is the dominant theme, with "same" the leading response across most markets. The notable exceptions are Chinese Mainland and India, both perceived as significantly harder last year. Now, 25% and 20% of participants rate them "easier" – the highest readings in the region.

This likely reflects efforts to reduce barriers to entry and improve operational infrastructure in both markets. In Chinese Mainland, authorities have simplified licensing processes for foreign firms and expanded business incentives. In India, the government has invested in digital infrastructure, streamlined onboarding procedures and grown the availability of professional service support. Vietnam echoes this positive trajectory at 27%.

Conversely, several markets, including Thailand (29% harder) and South Korea (27%), are increasingly viewed as more challenging operating environments, while Australia (23%) and Hong Kong SAR (14%) also continue to register difficulty.

1(vi) Operating environment: Where has it become harder? (YoY- 2025 to 2026)

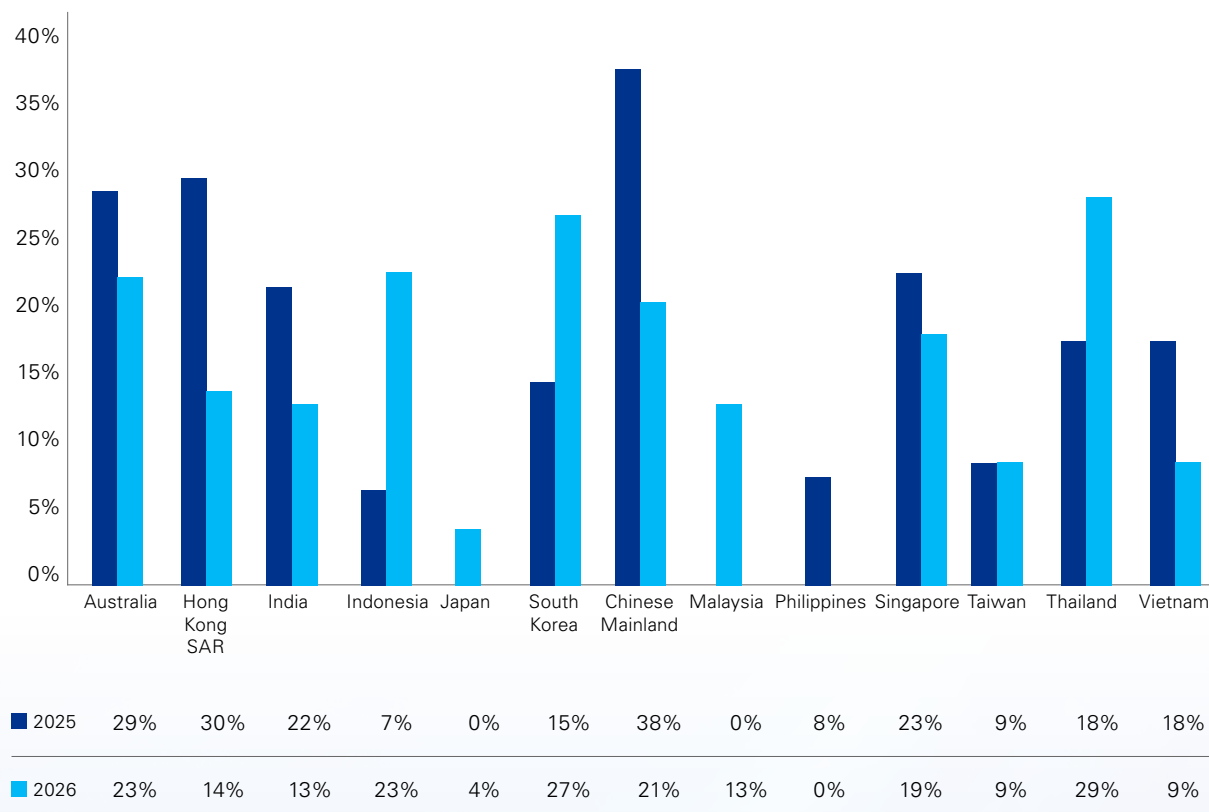


Figure 5: Percentage of participants who believe the operating environment has become harder over the past three years

Figure 5 shows that markedly fewer participants see operating conditions becoming harder in major hubs and high opportunity markets in 2026 than in 2025, such as Hong Kong SAR (from 30% to 14%), Chinese Mainland (from 38% to 21%), and India (from 22% to 13%). Meanwhile, ASEAN markets move in the opposite direction, with Indonesia (7% to 23%), Thailand (18% to 29%), and Malaysia (0% to 13%) all seeing notably higher friction.

However, backward-looking improvement does not always carry forward. Australia saw conditions ease over the recent past, yet its forward outlook (Figures 17 and 18) turns more cautious, with 24% of participants expecting a harder operating environment ahead, even as investment intentions surge.

Indonesia, by contrast, appears to participants to be a market facing increased operational challenges. Participants draw a clear line between markets that are getting easier to operate in and those where the opportunity is large enough to justify the added difficulty.

1(vii) Market development: Easier or harder over the past three years?

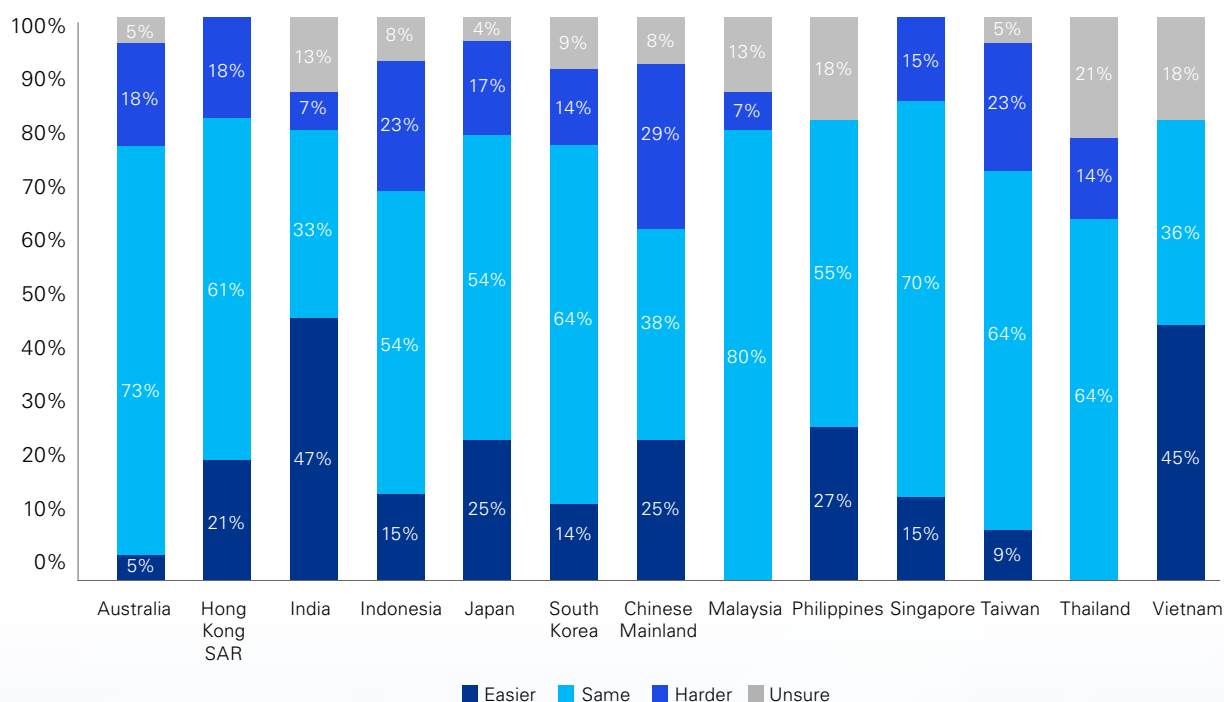


Figure 6: Has it become easier or harder to operate in APAC markets based on market development?

From a market development perspective, India leads the region, with 47% of participants finding it easier to operate, a significant increase that underscores the country's ambition to attract global capital market participants and deepen institutional access.

Vietnam follows a similar trajectory; 45% of participants report improved conditions there. Like India, Vietnam is taking steps to attract international players, and this response suggests some success. Chinese Mainland also improves notably, with 25% now viewing it as easier; a significant shift from last year's more negative sentiment. However, views on Chinese Mainland's market development remain split. While some participants recognise progress – such as broader product availability and improved market access channels, others point to persistent structural constraints that limit full participation. This suggests a market still in transition.

At the other end of the spectrum, mature markets present a different dynamic. Australia (18% harder) and Hong Kong SAR (18%) continue to face headwinds, potentially reflecting increased competition and shifting demand dynamics.

Across much of the region, however, stability remains the prevailing theme, with "same" as the dominant response in markets like Malaysia (80%), Singapore (70%), and South Korea (64%).

1(viii) Market development: Where has it become harder? (2025 and 2026)

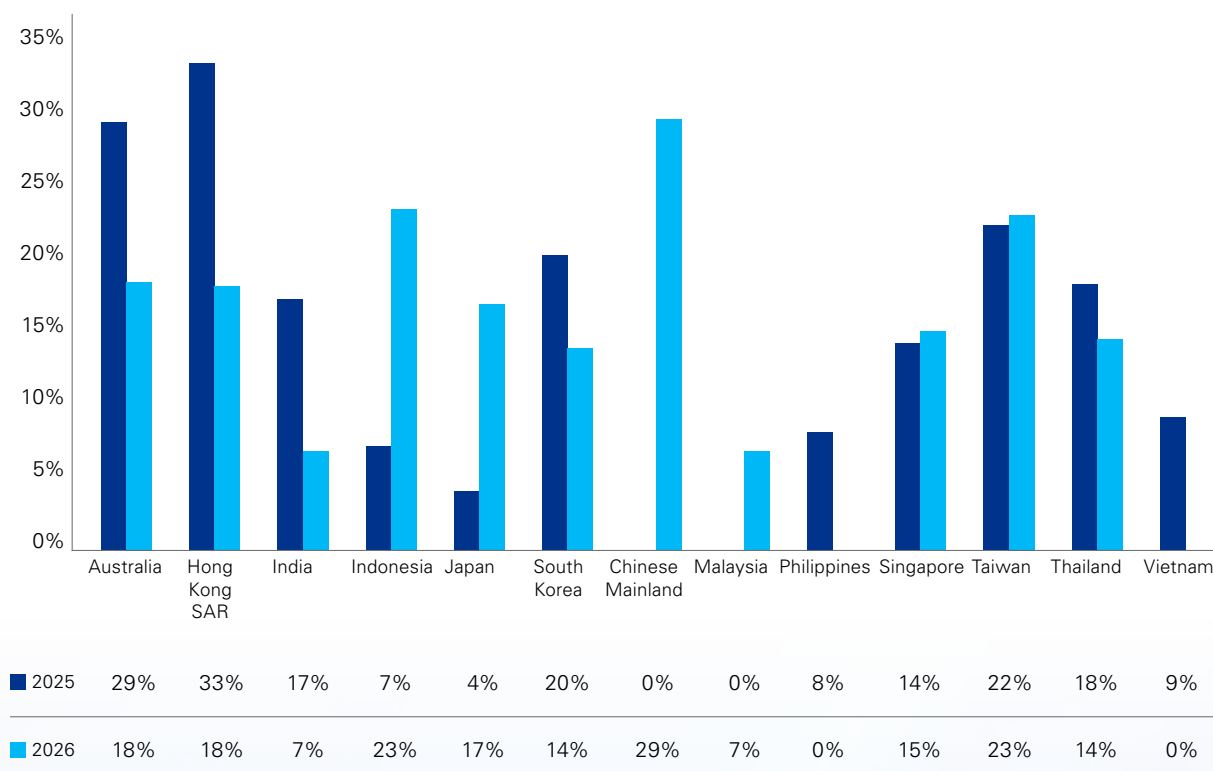


Figure 7: Percentage of participants who believe market development conditions have become harder over the past three years

Year on year, the most striking shifts in “harder” perceptions come from Chinese Mainland (0% to 29%), Indonesia (7% to 23%), and Japan (4% to 17%), with Indonesia’s capital markets experiencing notable turmoil. Research suggests that the worsening market development perception in Chinese Mainland is driven not solely by geopolitical tensions but also by market overcrowding and intense competition that have negatively impacted profitability, compounded by frequent changes to regulatory policies and frameworks that require costly ongoing adaptation.

Conversely, Hong Kong SAR (33% to 18%) and Australia (29% to 18%) see the sharpest improvements, suggesting that some of the headwinds participants flagged in prior years may be easing.



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1(ix) Top attractions: Regulatory environment



Table 3: Top regulatory environment attractions across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest.

Note: Each factor is scored by participants on a scale of 1-10, with the highest average score as the top attraction.

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Singapore and Hong Kong SAR again top the rankings. Both trade on their credentials as international financial centres where regulation protects investors, enhances transparency, and facilitates frictionless cross-border capital flows. The absence of currency controls is among the most cited attractions across the top-ranked markets. Singapore, Hong Kong SAR, Japan, and Australia all share this characteristic as their leading regulatory strength. Beyond currency controls, participants value the lack of international sanctions risk, strong investor protections, and competitive tax environments. Together, these factors are hallmarks of politically stable jurisdictions with open capital accounts and a strong rule-of-law tradition.

More broadly, the most attractive regulatory environments combine minimal currency controls and sanctions risk with robust investor protections and a competitive tax regime. These are hallmarks of politically stable jurisdictions with open capital accounts and a strong rule-of-law tradition.

For markets where full liberalisation of currency controls is not feasible in the short term, the data suggests several compensating strategies. These include strengthening investor protection frameworks, improving regulatory transparency and predictability, streamlining licensing and market access processes, and offering competitive tax or business incentives.

India and Chinese Mainland, for example, both attract participants primarily through investor protection credentials, demonstrating that markets can build appeal even where capital account openness is still a work in progress.

“ Beyond currency controls, participants value the lack of international sanctions risk, strong investor protections, and competitive tax environments. Together, these factors are hallmarks of politically stable jurisdictions with open capital accounts and a strong rule-of-law tradition. ”

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1(x) Top attractions: Operating environment



Table 4: Top operating environment attractions across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest.

Note: Each factor is scored by participants on a scale of 1-10, with the highest average score as the top attraction.

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The operating environment rankings reinforce a clear theme: human capital strength matters. The markets that score highest, Singapore and Hong Kong SAR, are those with the human capital infrastructure to facilitate seamless global connectivity. These range from language proficiency and deep workforce skills to strong professional services ecosystem.

India's third-place ranking is driven by its vast talent pool, which allows the country to serve as a scalable hub for global business operations. India's lower cost profile is a factor in its attractiveness, participants observe, even as competitive intensity in the market is high.

Across the region, the most attractive operating environments are those where governments and institutions see developing internationalised talent as a strategic asset, and are investing in workforce development, language proficiency and deepening professional services capabilities.

“India's third-place ranking is driven by its vast talent pool, which allows the country to serve as a scalable hub for global business operations.”



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1(xi) Top attractions: Market development



Table 5: Top market development attractions across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest

Note: Each factor is scored by participants on a scale of 1-10, with the highest average score as the top attraction.

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Currency convertibility dominates the top four markets – Singapore, Hong Kong SAR, Japan, and Australia, underscoring that frictionless capital mobility remains the single most valued attribute for global investors.

Further down the rankings, the appeal shifts toward economic opportunity. India, Taiwan, and South Korea attract participants through growth prospects, expanding customer bases, and improving market transparency.

Notably, most ASEAN markets including fast-rising Vietnam continue to lag on overall market development scores. While the growth narrative is compelling, infrastructure and openness gaps still temper their attractiveness.



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1(xii) Top impediments: Regulatory environment



Table 6: Top regulatory environment impediments across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest.

Note: Each factor is scored by participants on a scale of 1-10, with the lowest average score as the top impediment.

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The top-ranked markets face less structural impediments. Singapore's perennial impediment, outsourcing regulations, reflects a stringent framework for financial institutions' use of third-party and cloud providers, which in turn requires rigorous due diligence and ongoing monitoring.

For global firms seeking to standardise shared service centres or cloud deployments across the region, this can be a genuine point of friction in an otherwise exceptionally open regulatory environment. Participants note that policy direction is forward-thinking in Singapore but there remains a disconnect between policy formulation and on-the-ground supervision.

Hong Kong SAR's persistent concern is the absence of a standalone, internationally aligned sanctions framework. Western jurisdictions have increasingly applied China-related sanctions to Hong Kong SAR, creating compliance complexity for participants operating in the market. This is compounded by Chinese Mainland's own sanctions-related measures, contributing to a complex and evolving landscape for market participants.

Beyond these two hubs, the impediments shift to more structural barriers to global capital flows. Data localisation requirements weigh heavily on Chinese Mainland, South Korea and Indonesia. Tax environment concerns surface across Japan, India and Philippines, while cross-border regulatory friction features prominently in Australia, Taiwan and Malaysia.



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1(xiii) Top impediments: Operating environment



Table 7: Top operating environment impediments across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest

Note: Each factor is scored by participants on a scale of 1-10, with the lowest average score as the top impediment.

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Operating environment impediments split along predictable lines. For the top-ranked hubs, Singapore, Hong Kong SAR, and Australia, the cost of doing business is the primary concern, a trade-off that comes with operating in premium financial centres.

Across several mid-table markets, the picture is more structural: political uncertainty weighs on Chinese Mainland and Taiwan, while fairness in law enforcement remains a worry in Vietnam and Philippines. These challenges primarily center on the consistency and predictability of the enforcement environment.

Participants flag the operational impact of regulatory shifts in India, South Korea, and Indonesia; reforms often move in the right direction but the volume and speed of change still test their operational capacity.

Meanwhile, Japan's persistent language barrier continues to limit its accessibility despite an otherwise fair and open market.



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1(xiv) Top impediments: Market development



Table 8: Top market development impediments across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest

Note: Each factor is scored by participants on a scale of 1-10, with the lowest average score as the top impediment.

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Market development impediments reveal a clear two-tier pattern. The top-ranked jurisdictions, Singapore, Hong Kong SAR, Japan, and Australia, cite macroeconomic headwinds such as inflation and economic growth concerns. These are challenges that are universal rather than reflective of any structural deficiency in their capital markets.

Lower down the rankings, impediments become more market-specific and structural: restricted stock borrowing, lending and short-selling in South Korea, Chinese Mainland and Indonesia hamper price discovery and hedging. South Korea, for instance, prohibits 'naked' short selling, but revised its system to provide short-selling opportunities to both retail and institutional investors. Short selling resumed in March 2025, with both borrowing and lending now permitted, albeit with ongoing teething issues with NSDS, as noted earlier, and subdued SBL activities in the market relative to pre-ban levels. Meanwhile, limited market liquidity and depth in Malaysia constrain deal sizes and widen bid-ask spreads.



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Chapter 2

Future outlook sentiment

66% of participants plan to expand into new Asia-Pacific markets over the next three years, up from last year's 59% and 40% in 2023/2024. This reflects an all-time high in terms of positive expansion sentiment. The proportion of capital markets survey participants who are not expanding or are unsure is at an all-time low, at 22% and 13% respectively.

Firms are not taking a cautious approach to expansion; instead, the focus of their growth strategies is shifting. Expansion priorities are centred on scaling existing businesses and expanding product/service offerings, compared to a relative deprioritisation of investment expansion and establishing a presence in new markets. This contrasts with last year, when 89% of participants indicated intentions to broaden their offerings.

Participants' views on the region's regulatory and operating environments reinforce this strategic shift, though a clear divergence is emerging. Participants expect easier conditions ahead in several Southeast Asian markets: Vietnam, Philippines and Thailand. Vietnam stands apart: it records the highest "easier" readings across both regulatory and operating environment questions, and zero "harder" responses across multiple categories.

Australia has seen a notable increase in reported operational and regulatory challenges, which may be attributed to recent waves of compliance reforms. Participants cite heightened regulatory scrutiny from ASIC and APRA—including the Financial Accountability Regime, CPS 230 Operational Risk Management, sustainability reporting, and AML/CTF reforms—as increasing the difficulty and cost of compliance.

Meanwhile, Chinese Mainland and Taiwan continue to experience market development challenges, some of which are influenced by concerns about broader geopolitical factors, even as Hong Kong SAR's concerns have steadily eased.

2(i) Expansion plans: Where are firms growing?

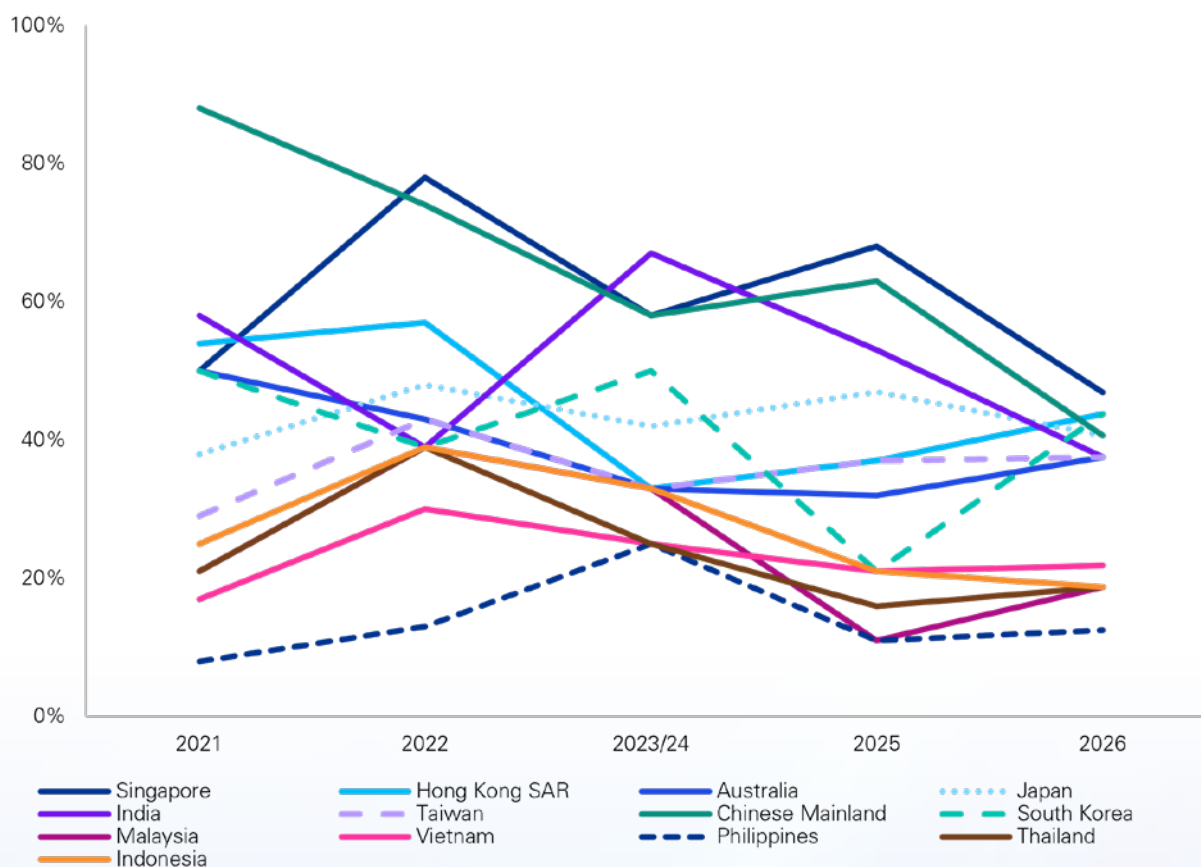


Figure 8: Participants intending to expand operations and investments in APAC markets, 2021–2026

A cluster of markets attracts expansion interest from around half of participants: Singapore (1st; 47%), Hong Kong SAR and South Korea (joint 2nd; 44%), Chinese Mainland and Japan (joint 3rd; 41%), and Australia, India, and Taiwan (joint 4th; 38%). By contrast, a second tier of ASEAN markets sees lower interest, at or below 25%: Vietnam (5th; 22%), Malaysia, Thailand, and Indonesia (joint 6th; 19%), and the Philippines (7th; 13%).

Singapore retains its leading position, while Hong Kong SAR and South Korea are the second most popular expansion destination. South Korea records the most dramatic surge, rising from 21% in 2025 to 44% in 2026. Chinese Mainland, by contrast, continues a long-term decline from its 2021 peak of 88%, settling at around 41%; it is still within the top cluster, but reflecting a significant cooling of enthusiasm over five years. India has also pulled back from its 2023/24 high of 67%.

This divide suggests that firms are concentrating expansion capital in hubs that serve multiple markets or markets where they see the most near-term growth potential, while viewing ASEAN markets as longer-term opportunities rather than immediate priorities.

2(ii) Expansion plans: How are firms growing?

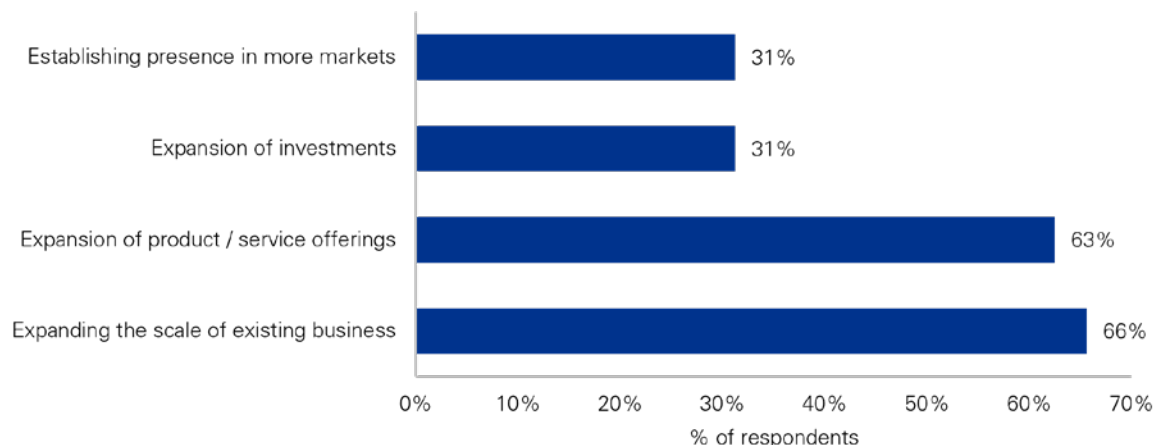


Figure 9: Nature of expansion plans, 2026

The responses indicate that participants are largely sticking to what they know. Two-thirds of participants plan to expand the scale of existing businesses, and nearly as many (63%) are looking to broaden product or service offerings – a drop from last year’s 89%.

Nearly a third (31%) plan to enter new markets. In an uncertain macroeconomic environment, participants are prioritising depth over breadth, doubling down on proven franchises rather than stretching into unfamiliar territory.

Participants note that oil prices, equity market volatility, and macroeconomic uncertainty make it difficult to predict how clients will behave; while business is currently strong, this may not last if the broader environment worsens.



2(iii) Expansion plans: By product and service line

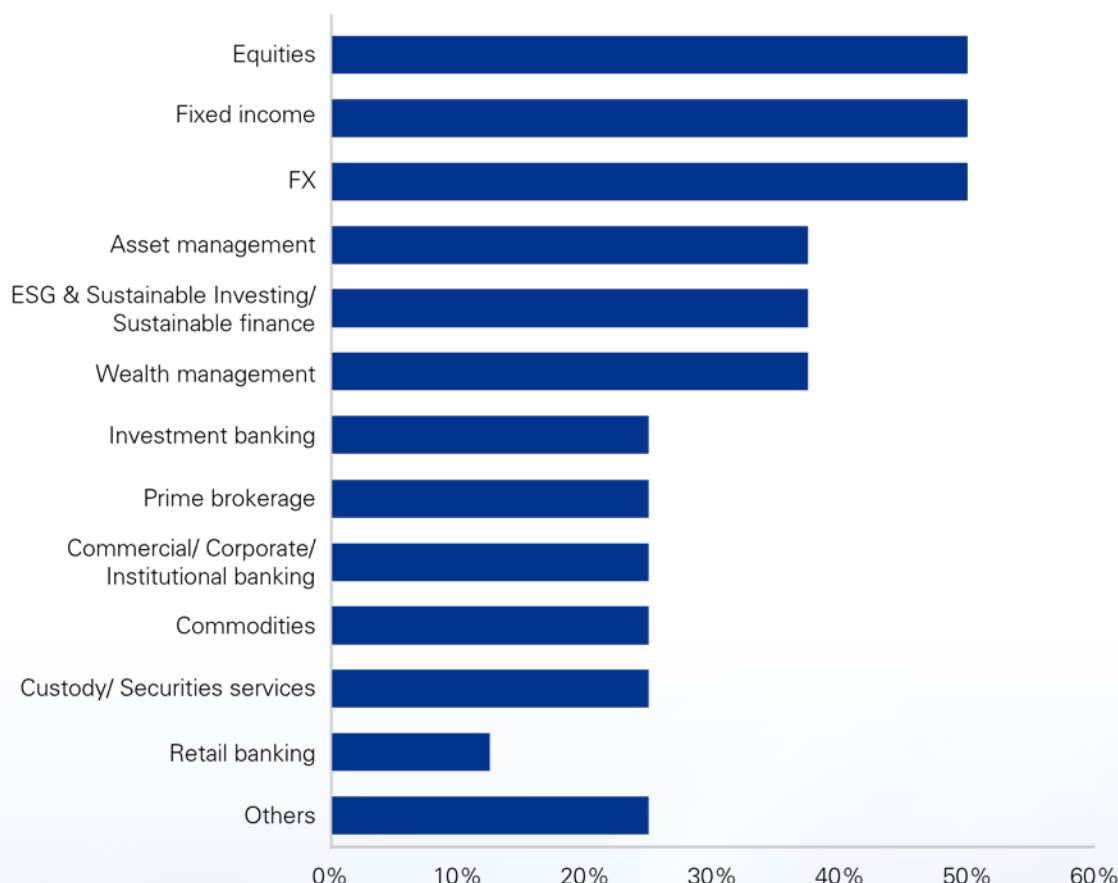


Figure 10: Products and services in which participants intend to expand, 2026

Equities, fixed income and FX are top the the list of service lines participants plan to build up this year, suggesting they see the most scalable opportunities in high-turnover flow businesses where volatility and cross-border activity drive revenue. Participants see FX as a global strength supported by macro-driven market-share dynamics; FX, fixed income, and equities will remain priority areas amid elevated volatility.

Wealth management, ESG, and asset management form a second tier (38% each). ESG activity may have slightly reduced recently due to uncertainty about end-investor demand.

Participants note that ESG's continued presence in the top five is somewhat unexpected given the global cooling in sentiment around sustainable finance. Research suggests that this mismatch reflects commercial realities: ESG may not yet function as a primary revenue driver for most firms and is increasingly viewed as a compliance or reputational requirement rather than a growth engine.

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Several also observe that sustainable investing is far less prominent than it was several years ago, with ESG facing headwinds across multiple countries, and not only the United States. In Europe, fund managers are downgrading products from Article 9 classifications under the EU's Sustainable Finance Disclosure Regulation (SFDR), signalling a retreat from the highest sustainability commitments.

Balance sheet-intensive and relationship-driven lines, commercial banking, custody, commodities, and investment banking, sit lower at 25%, likely reflecting thinner margins that make firms more selective about committing capital. An established global bank with multi-trillion-dollar assets under administration notes that it is not aggressive in expanding balance-sheet-heavy FICC, expecting instead selective expansion in pockets such as advisory and structured transactions. Retail banking, as ever, remains a niche pursuit among ASIFMA members.

2(iv) Expansion plans: By product and service line, historical trend

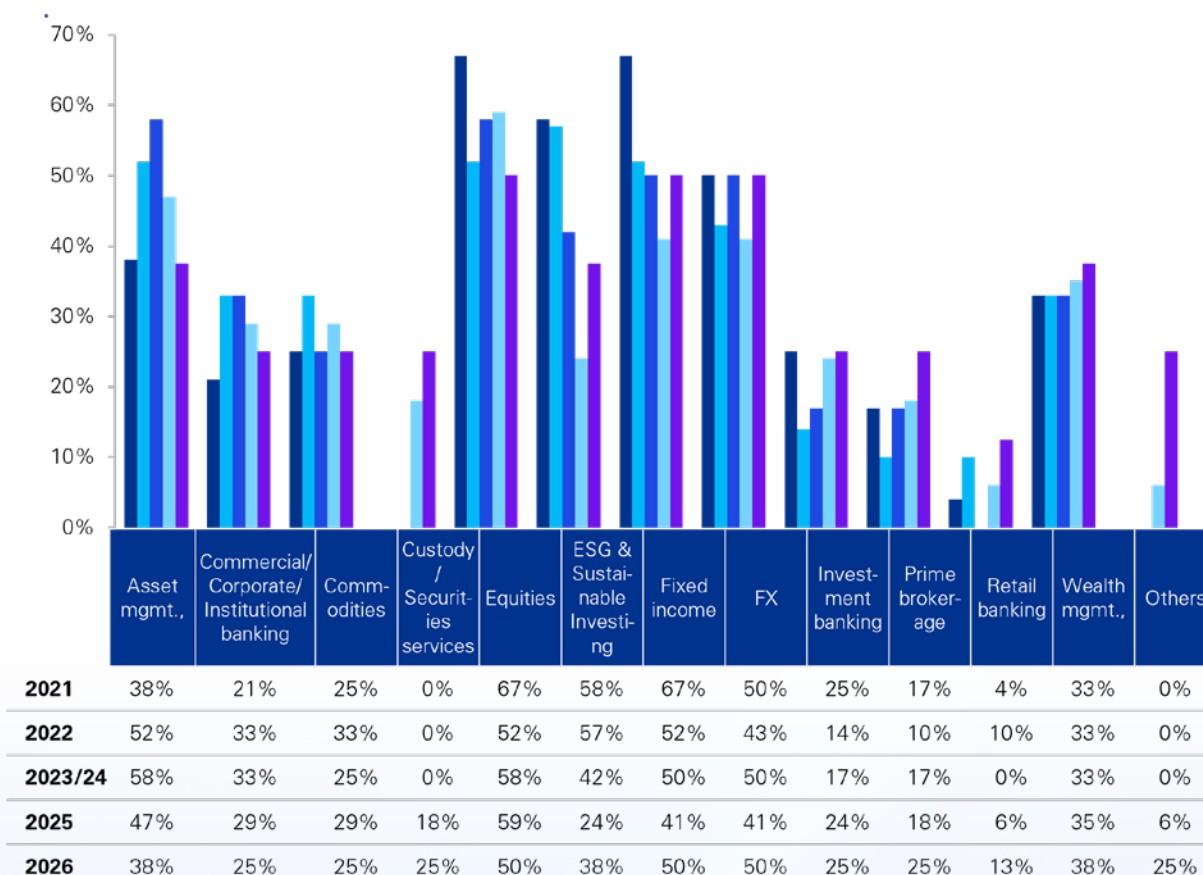


Figure 11: Products and services in which participants intend to expand, 2021–2026

The five-year trend in participant responses about future expansion plans shows that ambitions have moderated across the board. The relative pecking order between flow businesses and other product lines has remained remarkably consistent since 2021, even as headline percentages have come down.

What stands out in 2026 is the quiet uptick in custody (rising from 0% in 2023/2024 to 18% in 2025, with another surge to 25% this year), and prime brokerage. Participants may be incrementally adding these capabilities back into their growth plans alongside existing businesses, broadening their scope rather than changing course.

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2(v) Expansion plans: Onshore expansion by market

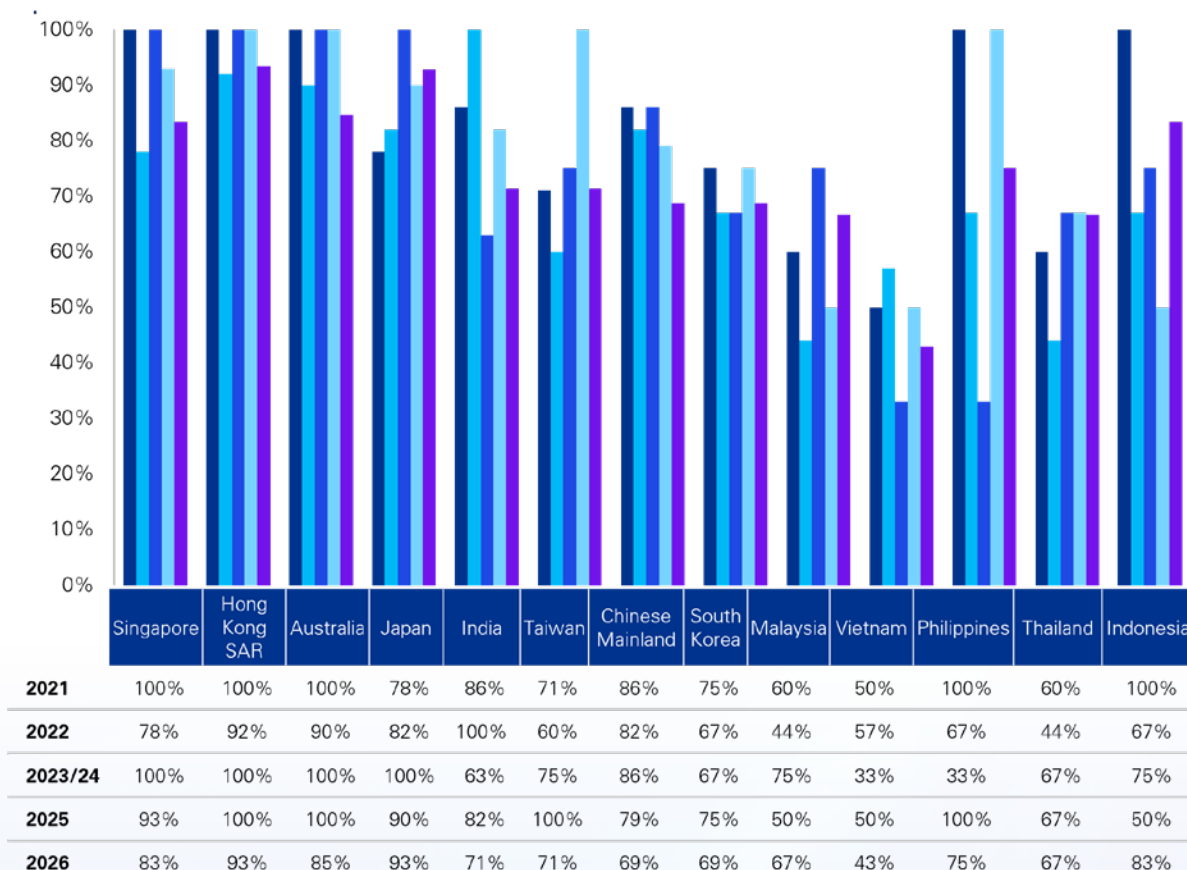


Figure 12: Participants choosing onshore expansion in APAC markets, 2021–2026

In 2026, onshore expansion appetite cooled slightly in top-tier markets over years past. Singapore (83%), Hong Kong SAR (93%), and Australia (85%) all have shown drops this year over 2025. Japan, at 93%, shows a slight increase—the exception among developed markets, possibly signalling deeper local commitment. Chinese Mainland (69%) continues to drift lower, consistent with the fact that some participants remain less sure of their China exposure despite its improved ranking elsewhere.

The biggest single-year jump belongs to Indonesia, surging from 50% in 2025 to 83% this year—a possible demonstration of the underlying faith in Indonesia’s market potential despite participants’ concerns about its increasingly difficult environment. Vietnam (43%) remains the outlier at the bottom, which may conflict with the improving view of Vietnam’s operating environment, but likely underscores a belief that it is a cross-border play rather than a place to build local operations.

2(vi) Expansion plans: Intention to expand in the next three years

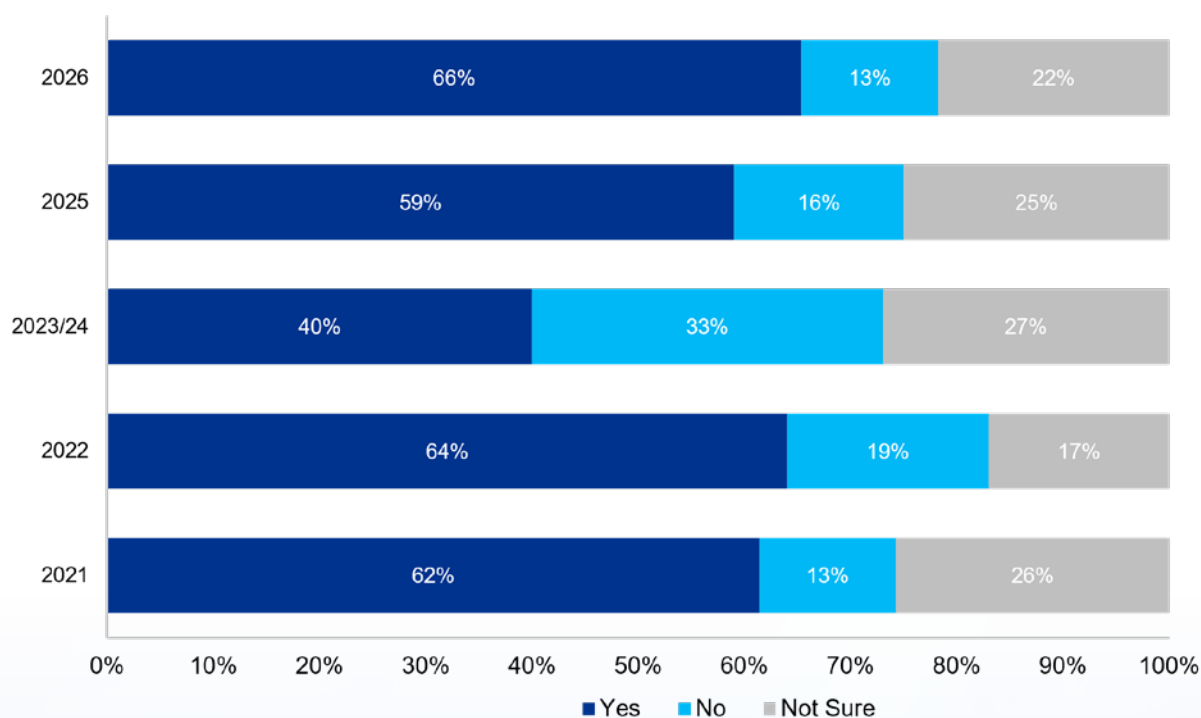


Figure 13: Intention to expand into APAC markets in the next three years

Despite an uncertain global outlook, participants are leaning into APAC expansion in 2026—some 66% indicate that they will expand in the region over the next three years, the highest level in the last half-decade.

Participants observe that competitors continue to expand and that buy-side firms still see meaningful opportunity across the region. Rather than waiting for conditions to stabilise, participants increasingly treat uncertainty as a recurring but manageable condition over the next one to two years, and are sizing their expansion plans accordingly.

2(vii) Exit plans: Intention to exit in the next three years

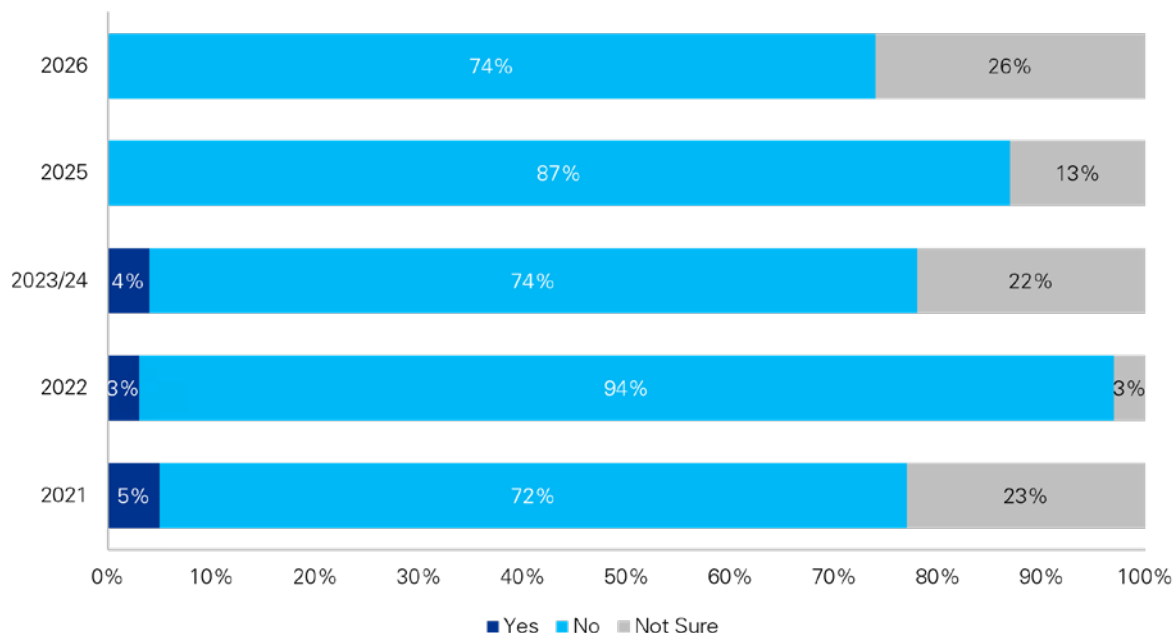


Figure 14: Intention to exit APAC markets in the next three years

No firm is planning to exit any surveyed APAC market, consistent with the survey's historical pattern. However, the "not sure" cohort has doubled to 26% from 13% last year, reinforcing the broader theme of rising uncertainty.

Firms are holding their positions but hedging their forward commitments, underscoring a wait-and-see posture rather than any strategic withdrawal.

The forward view: How do participants expect conditions to change?

The analysis to this point has focused on where and how firms are expanding today, based on their current experience. The focus now shifts to the outlook ahead, exploring how participants expect the regulatory environment, operating conditions, and market development to evolve over the next three years.

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2(viii) Future regulatory environment: Easier or harder?

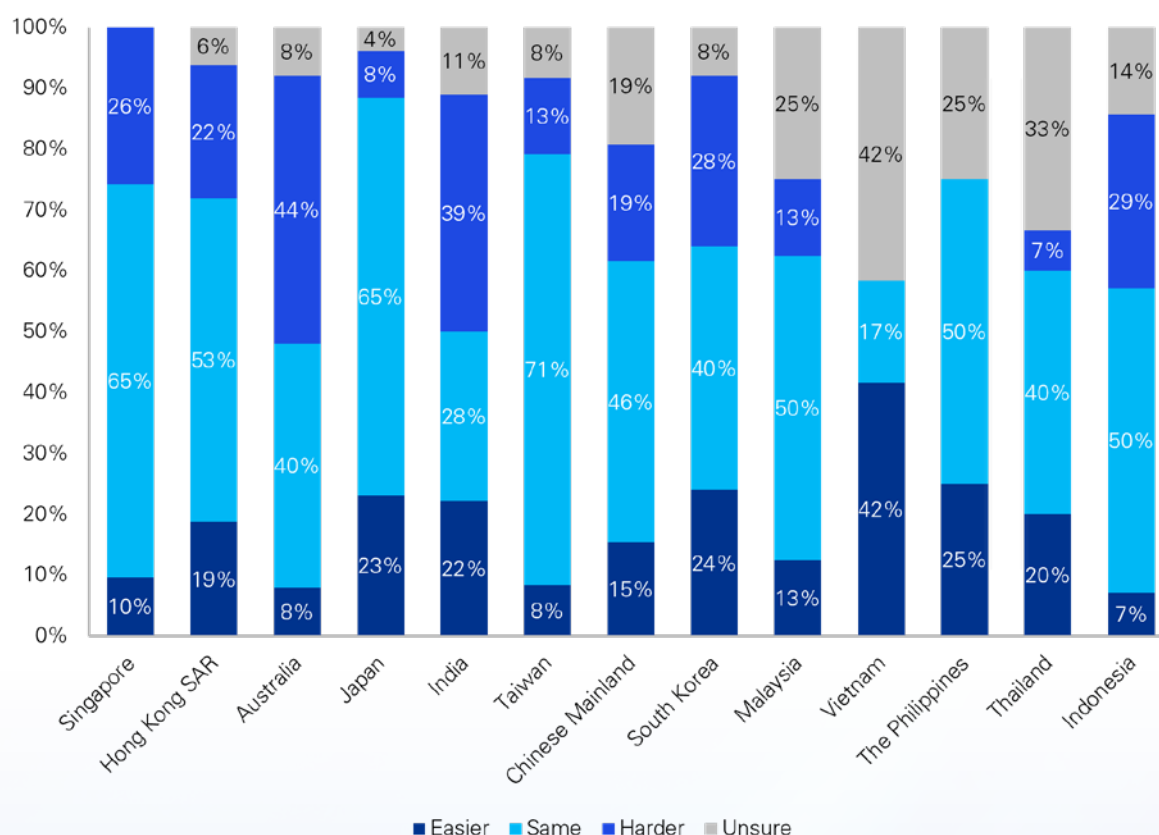


Figure 15: Will it become easier or harder to operate in APAC markets based on the regulatory environment over the next three years?

Several Southeast Asian markets, notably Vietnam (42% selected “easier”), Philippines (25%) and Thailand (20%), are viewed as becoming more accessible, suggesting participants see reform momentum in markets historically considered challenging. Japan remains the standout for regulatory stability, with 65% expecting no change.

By contrast, long-standing financial centres appear to be facing growing headwinds. Australia stands out with 44% of participants expecting a harder regulatory environment, while a cohort of participants also see rising friction in Singapore (26%) and Hong Kong SAR (22%).

“...long-standing financial centres appear to be facing growing headwinds. Australia stands out with 44% of participants expecting a harder regulatory environment...”

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2(ix) Future regulatory environment: Where will it be harder?

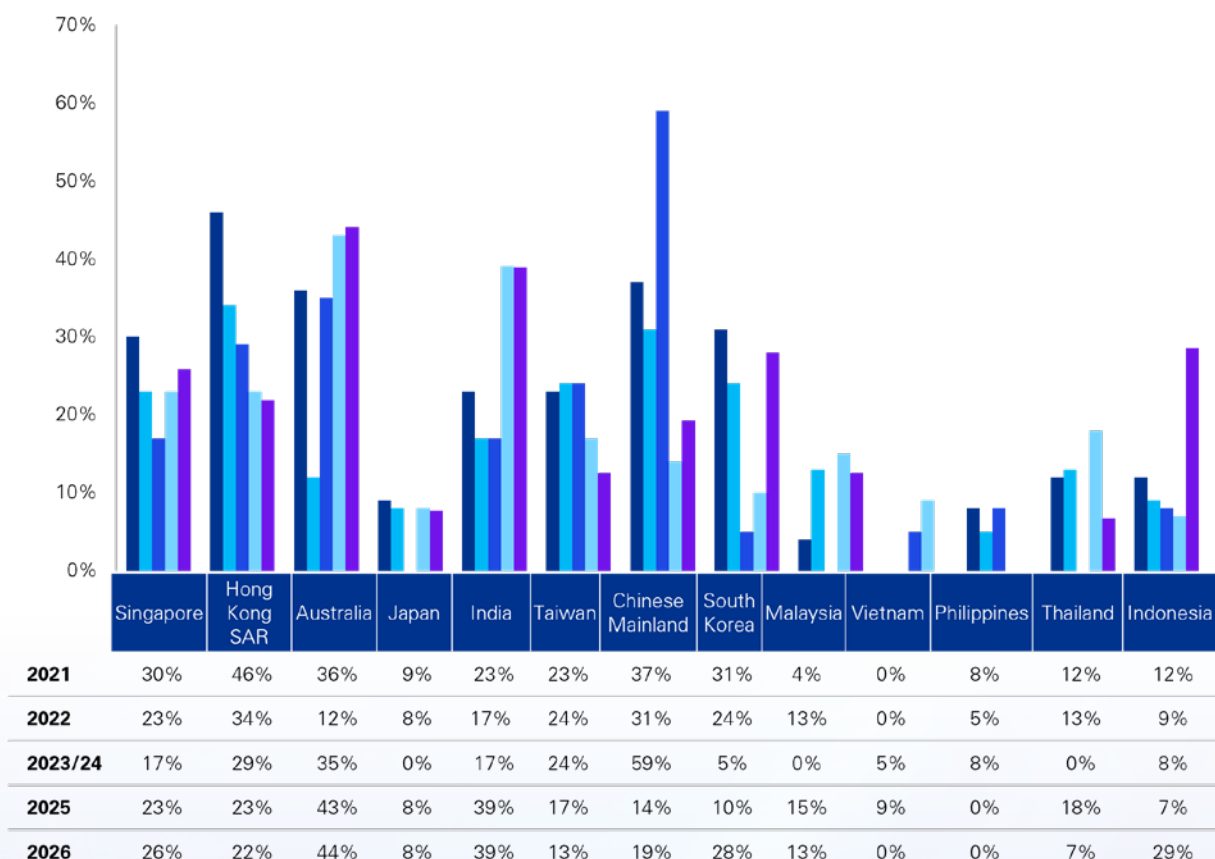


Figure 16: Percentage of participants anticipating the regulatory environment will become harder over the next three years

While most markets show lower “harder to operate” readings than their historical peaks, with Vietnam and Philippines registering no concerns at all, Australia (44%) stands out. Operators in that jurisdiction have faced simultaneous AML/CTF reforms, the Scams Prevention Framework, CPS 230 operational risk standards, mandatory climate disclosures, and new digital asset legislation all converging.

Indonesia’s significant increase (29%, up from 7%) could reflect concerns around financial transparency and policy clarity. The introduction of a large-scale sovereign wealth fund alongside large off-budget spending shifts and negative outlook revisions from ratings agencies in early 2026 may be testing confidence in policy predictability.



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2(x) Future operating environment: Easier or harder?

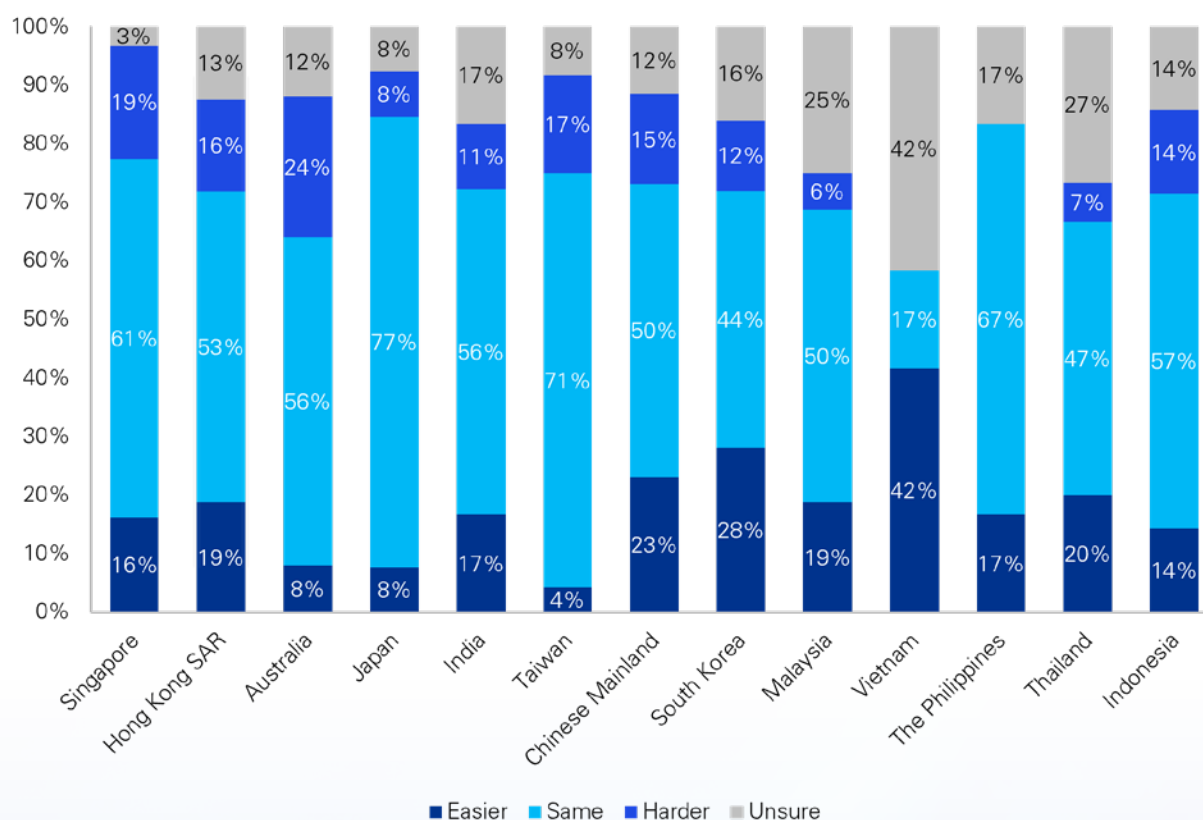


Figure 17: Will it become easier or harder to operate in APAC markets based on the operating environment over the next three years?

Despite a broadly positive backwards-looking view of operating conditions (Figure 5), the forward outlook reveals notable tension. Nearly a quarter of participants expect Australia's operating environment to become harder over the next three years – a potential turning point for a market that most previously felt was improving.

Singapore (19%) and Hong Kong SAR (16%) also register unexpectedly elevated "harder" readings, suggesting that even traditionally frictionless markets are not immune to rising operational complexity. Vietnam continues to stand apart, with 42% expecting easier conditions ahead, the highest across all surveyed markets, reinforcing its reputation as the region's most consistently improving operating environment.

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2(xi) Future operating environment: Where will it be harder?

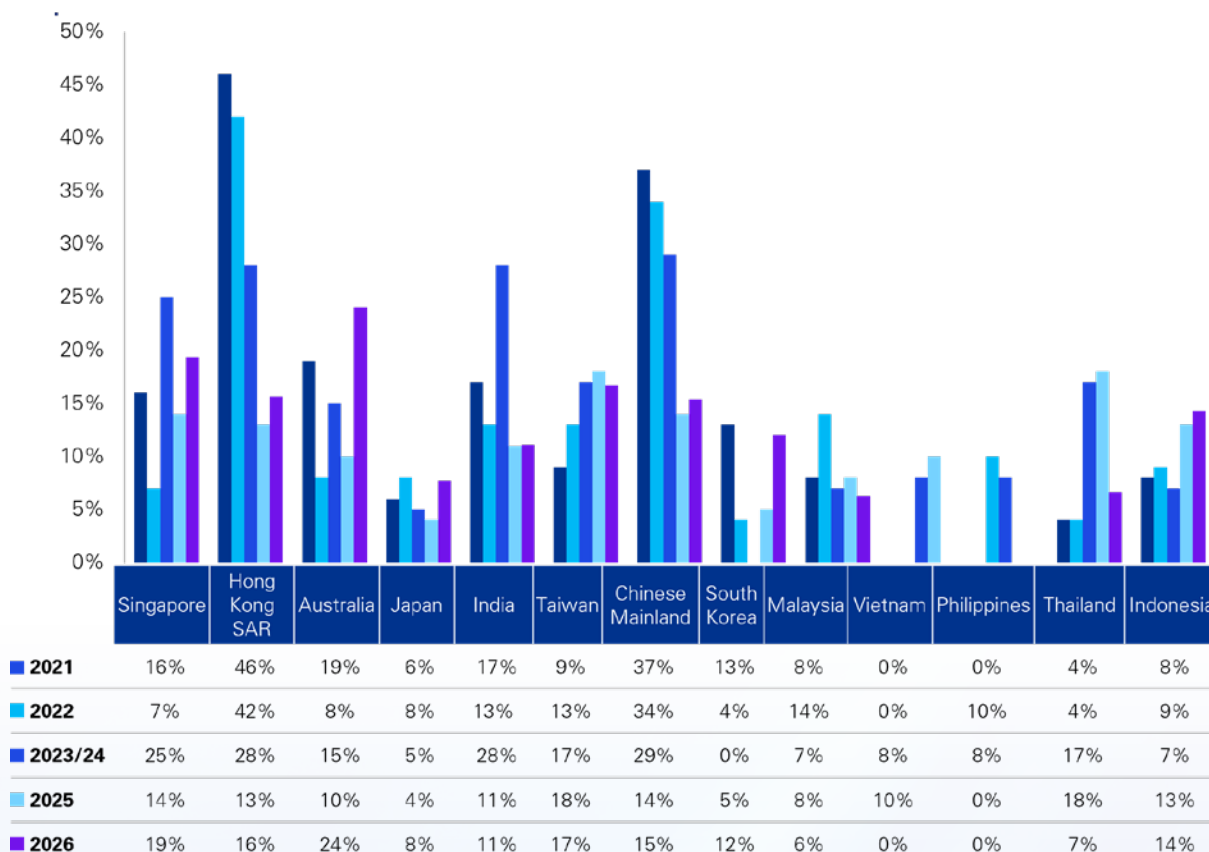


Figure 18: Percentage of participants anticipating the operating environment will become harder over the next three years

Hong Kong SAR and Chinese Mainland, once the region's primary sources of operating environment concern (46% and 37% in 2021, respectively), have steadily declined to 16% and 15% in 2026, reflecting improved policy clarity and regulatory stabilisation.

Australia, however, has moved in the opposite direction, jumping from 10% to 24% year on year – its highest reading since 2021. This suggests growing unease with its regulatory trajectory. Taiwan (17%) and Singapore (19%) remain elevated, while Vietnam notably returns to 0%, reinforcing its position as the market participants feel is most consistently improving its operating climate.



2(xii) Future market development: Easier or harder?

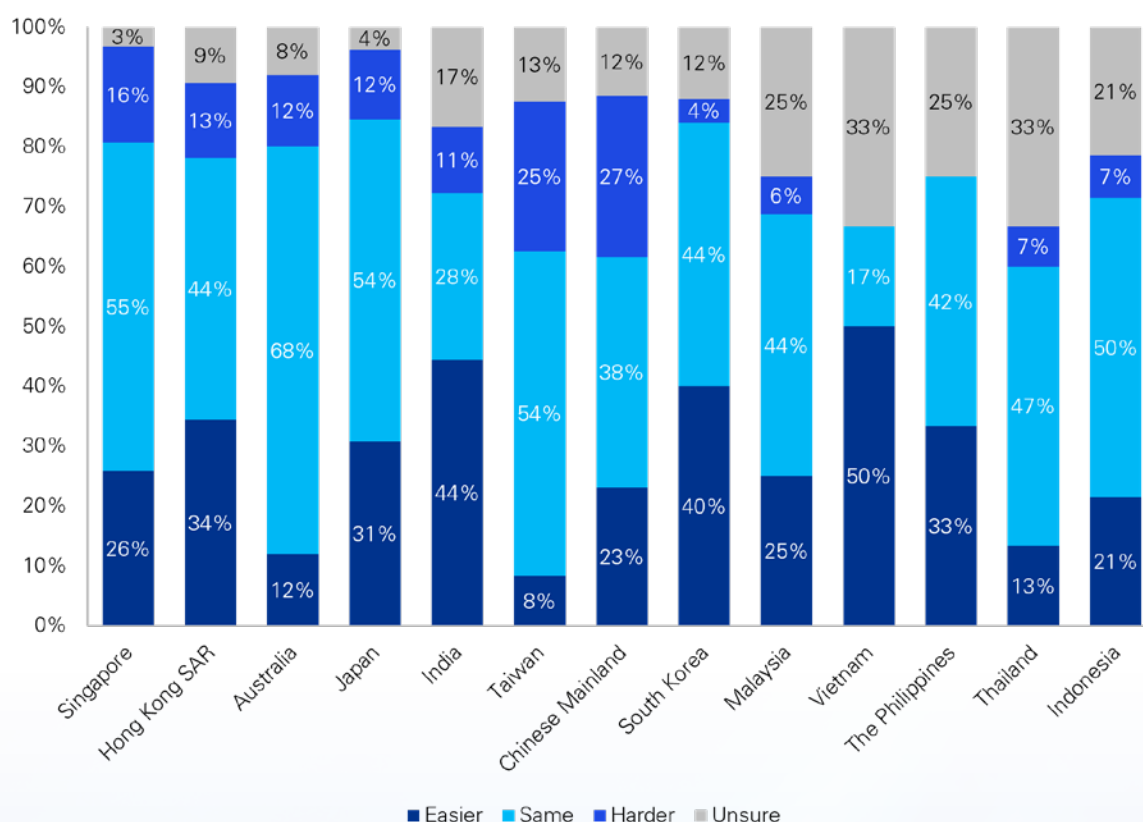


Figure 19: Will it become easier or harder to operate in APAC markets based on market development over the next three years?

Participants' outlook on market development factors is generally positive. Vietnam (50%) and India (44%) lead as the markets most expected to become easier, while mature markets like South Korea (40%) and Japan (31%) also show strong optimism in both markets. In South Korea, the tailwinds from the AI boom have driven a remarkable run on semiconductor and related tech stocks.

The notable exceptions are Chinese Mainland (27%) and Taiwan (25%), which record the highest "harder" readings suggesting that ongoing US-China trade issues may be giving a cohort of this year's participants pause, even as a sizable percentage feel that Chinese Mainland's market is actually getting easier, and despite the recent strong Taiwan market performance stemming from its exposure to AI and semiconductor industry success. Elsewhere, Australia's sentiment remains largely neutral, with 68% expecting conditions to stay the same.

2(xiii) Future market development: Where will it be harder?

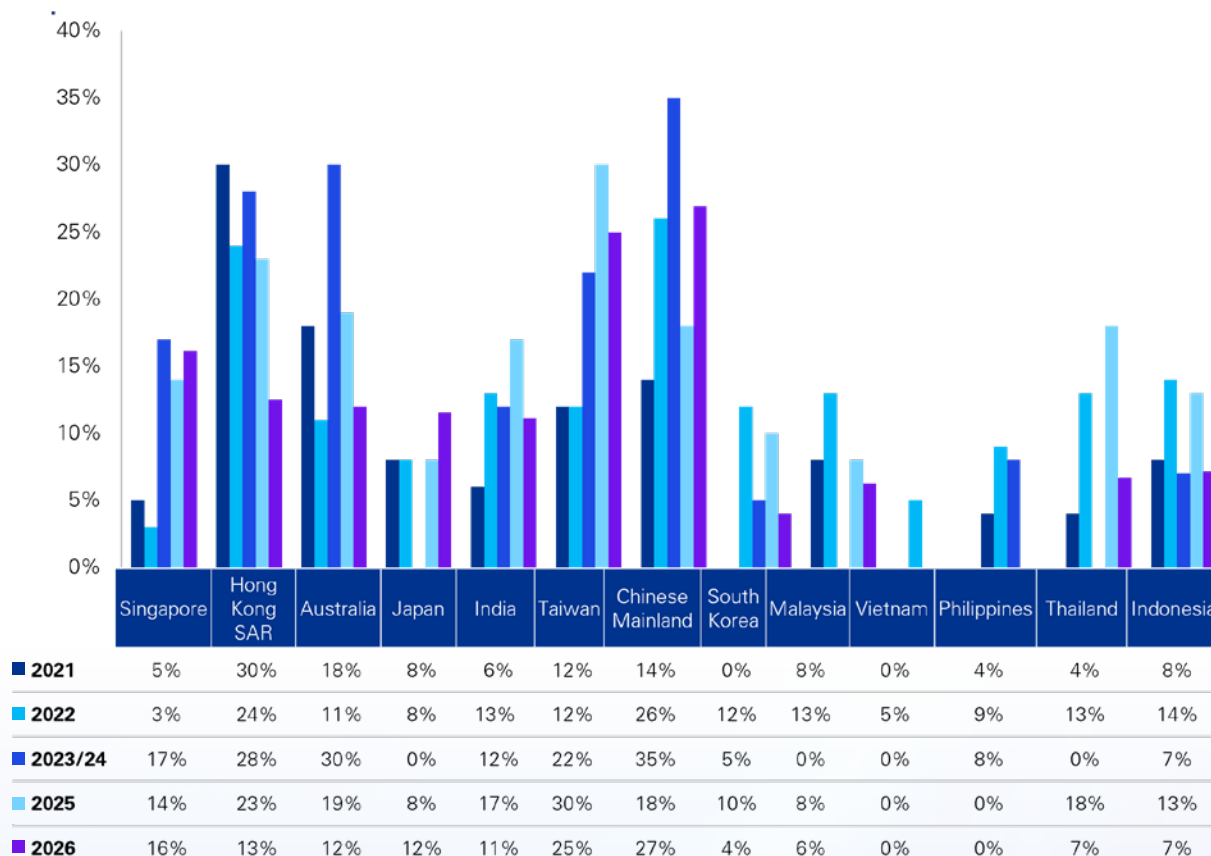


Figure 20: Percentage of participants anticipating market development conditions will become harder over the next three years?

Chinese Mainland and Taiwan remain the primary sources of concern on future market development (27% and 25%, respectively), consistent with the geopolitical tensions noted above. Hong Kong SAR, by contrast, has declined steadily from 30% in 2021 to 13% in 2026, suggesting market development concerns have eased. At the other end, Vietnam and Philippines register virtually no concerns, while South Korea drops sharply to just 4%.

05

Chapter 3

ESG and sustainable finance

APAC's ESG rankings have become closely aligned: Just one-third of a point now separates first-placed Singapore from last-placed India, suggesting that the region's markets are converging on a broadly similar level of ESG maturity making its classification clearer.

Vietnam and Thailand have surged up the rankings likely reflecting broader regulatory modernisation efforts in both markets. Meanwhile established leaders continue to score well on policy clarity and net-zero roadmaps.

Firms increasingly view the industry's own capability gap, rather than regulation or data alone, as the binding constraint on progress. This gap reflects uneven capability across organisations; for example, while specialist teams and initiatives (including industry and regulatory upskilling programmes) have developed advanced expertise, there remains a disconnect in scaling this knowledge across front-office, risk, and operational functions. Workforce training and enabling technology top the list of planned investments, ahead of external research and development (R&D) or third-party solutions. An example would be leveraging public-private capacity initiatives like the Green and Sustainable Finance Grant Scheme (GSFGS) in Hong Kong, which helps market participants offset the foundational data, technology, and training costs required to bridge internal operational divides.

Sustainability data gaps persist but are treated as manageable friction rather than structural obstacles, with most participants expecting the International Sustainability Standards Board (ISSB)-aligned disclosure regimes to narrow the gap over time.

The region's most stubborn impediments remain carbon market credibility, cross-market disclosure variability, and insufficient forward-looking data – all of which point to an ESG ecosystem still maturing from commitment to execution.

“Firms increasingly view the industry's own capability gap, rather than regulation or data alone, as the binding constraint on progress.”

3(i) ESG and sustainable finance: Market rankings

Markets	Average Score	Ranking in 2026	Ranking in 2025	Ranking in 2023/24	Ranking in 2022
Singapore	6.77	1 (▲1)	2 (▼1)	1 (●)	1
Chinese Mainland	6.75	2 (▲1)	3 (●)	3 (▲2)	5
Hong Kong	6.73	3 (▲1)	4 (▼2)	2 (●)	2
Vietnam	6.72	4 (▲5)	9 (▲3)	12 (▲1)	13
Thailand	6.64	5 (▲8)	13 (▼5)	7 (▼3)	10
Australia	6.62	6 (▼5)	1 (▲3)	4 (●)	4
Malaysia	6.61	7 (▼1)	6 (▲3)	9 (▼1)	8
Japan	6.59	8 (▼1)	7 (▼2)	5 (▼2)	3
Philippines	6.58	9 (▲2)	11 (▲2)	13 (▼1)	12
Taiwan	6.56	10 (▼5)	5 (▲3)	8 (▼1)	7
Indonesia	6.53	11 (▲1)	10 (▲1)	11 (●)	11
South Korea	6.48	12 (▼4)	8 (▲2)	10 (▼4)	6
India	6.45	13 (▼1)	12 (▼6)	6 (▲3)	9

Table 9: Ranking changes for ESG and sustainable finance across APAC markets

The standout story in this year's ESG rankings shows significant improvement of Vietnam and Thailand – rising five and eight places respectively to claim 4th and 5th positions. Both markets introduced strengthened ESG reporting requirements over the past year with participants clearly taking notice.

Singapore reclaims the top spot, with Chinese Mainland and Hong Kong SAR in second and third place respectively. But the compressed range in scores suggests that ESG maturity across APAC markets is viewed in broadly similar terms.



3(ii) ESG and sustainable finance: Attractions and impediments

Markets	Ranking in 2026	Top Market Attraction	Top Market Impediment
Singapore	1	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Credibility, Liquidity & Adequate Pricing of Carbon Markets
Chinese Mainland	2	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Development of ESG/Sustainable Finance RegTech & Data Solutions
Hong Kong	3	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Credibility, Liquidity & Adequate Pricing of Carbon Markets
Vietnam	4	End Investor Demand for ESG/Sustainable Finance Products	Credibility, Liquidity & Adequate Pricing of Carbon Markets
Thailand	5	End Investor Demand for ESG/Sustainable Finance Products	Credibility, Liquidity & Adequate Pricing of Carbon Markets
Australia	6	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Development of ESG/Sustainable Finance RegTech & Data Solutions
Malaysia	7	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Credibility, Liquidity & Adequate Pricing of Carbon Markets
Japan	8	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Credibility, Liquidity & Adequate Pricing of Carbon Markets
Philippines	9	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Availability & Quality of Publicly Available ESG/ Sustainable Finance Data
Taiwan	10	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Development of ESG/Sustainable Finance RegTech & Data Solutions
Indonesia	11	End Investor Demand for ESG/Sustainable Finance Products	Development of ESG/Sustainable Finance RegTech & Data Solutions
South Korea	12	Clarity & Coherence of ESG/Sustainable Finance Policy Roadmap & Net-Zero Targets	Development of ESG/Sustainable Finance RegTech & Data Solutions
India	13	Interoperability of ESG/Sustainable Finance Regulations Across Jurisdictions	Development of ESG/Sustainable Finance RegTech & Data Solutions

Table 10: Top attractions and impediments for ESG and sustainable finance across APAC markets

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest

Note: Each of the 17 factors is scored by participants on a scale of 1-10, with the highest average score as the top attraction and the lowest average score as the top impediment.

Most top-ranked markets, Singapore, Chinese Mainland, Hong Kong SAR, and Japan, among them, are recognised for the clarity and coherence of their ESG policy roadmaps and net-zero targets. Vietnam and Thailand, by contrast, are rising on the strength of end-investor demand for ESG products.

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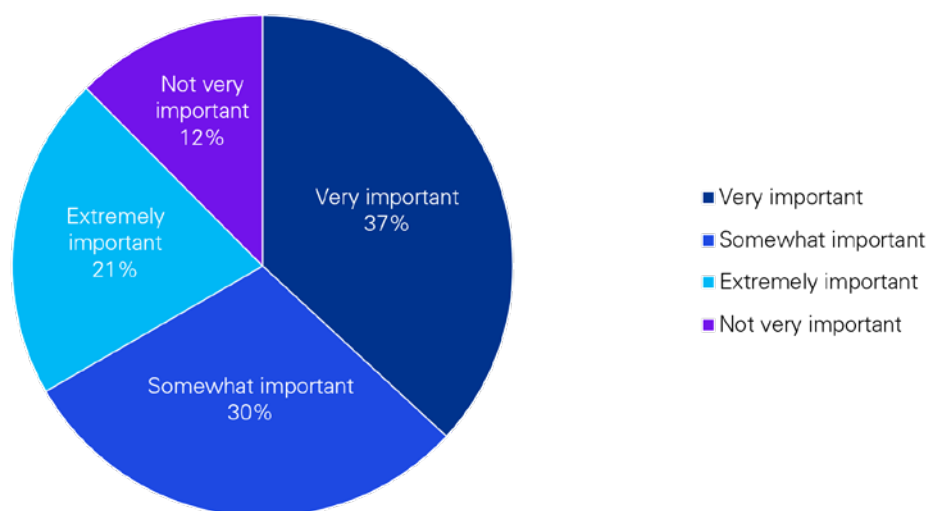


Figure 21: How important is sustainable investing / sustainable finance to your firm's overall business strategy?

On the impediment side, a common theme emerges: the credibility, liquidity and pricing of carbon markets remain the region's most persistent bottleneck, alongside underdeveloped ESG regulatory technology (RegTech) and data infrastructure.



For the first time this year, the survey explored the strategic significance of sustainable investing and sustainable finance within firms' overall business strategies. The findings reveal a strong and widespread commitment, with a combined 58% of participants considering it either 'extremely important' (21%) or 'very important' (37%). Another 30% viewed it as 'somewhat important', indicating that sustainable finance is a key strategic consideration for virtually all participating firms.

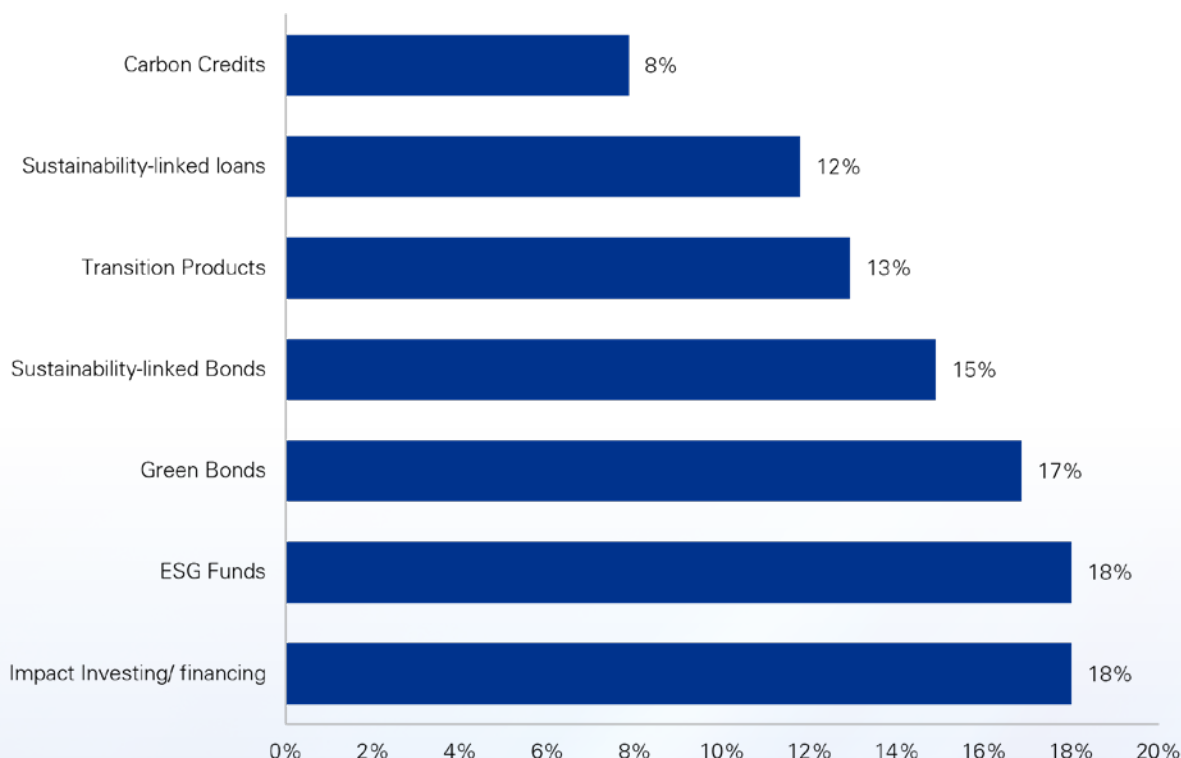


Figure 22: Which of these products do you currently offer or plan to offer in the next 12–14 months?

In terms of product offerings, participants are actively diversifying their sustainable finance portfolios. When asked which products they currently offer or plan to offer in the next 12 to 14 months, impact investing/financing and ESG funds jointly led at 18% each, followed by green bonds (17%) and sustainability-linked bonds (15%). Carbon credits ranked last at 8%, suggesting the region's carbon markets remain nascent.

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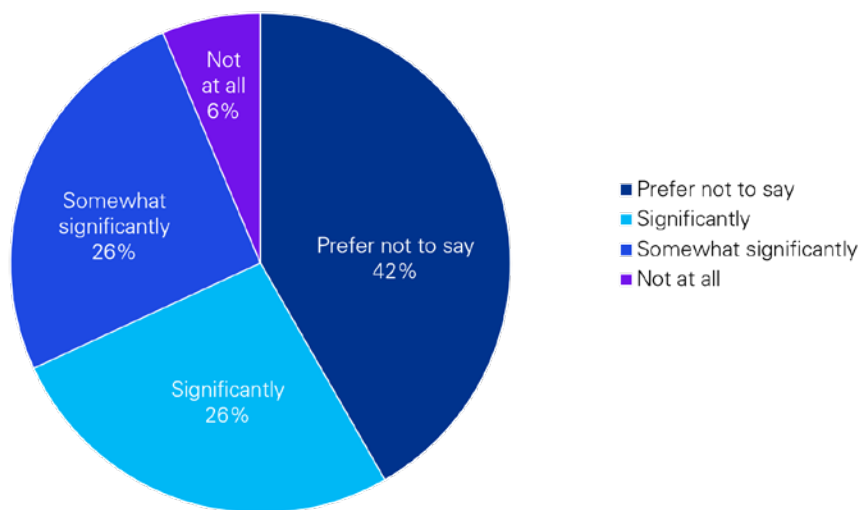


Figure 23: Extent to which ESG factors impact investment decision-making activities and risk assessments for investment portfolios in the next 1–2 years

Survey participants anticipate a substantial and sustained influence of ESG factors on their investment decision-making activities and risk assessments for portfolios over the next one to two years. A combined 52% of participants expect this impact to be either 'significantly' (26%) or 'somewhat significantly' (26%). This strong outlook is not surprising as the financial landscape has fundamentally shifted since the 2015 Paris Agreement, moving beyond a sole focus on profits to embed planetary considerations into business paradigms.



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Figure 24: Rating each factor from the perspective of conducting ESG and sustainable investing / financing

Participants rank macro-level framework certainty as the most critical driver for ESG and sustainable finance, with ESG and 'Clarity & Coherence of ESG Policy Roadmaps & Net-Zero Targets' scoring highest (7.26), followed closely by 'Cross-Jurisdictional Regulatory Interoperability' (6.97). Conversely, market enhancement tools were deemed the lowest priorities, with 'Carbon Market Credibility & Pricing' scoring 5.64, and the 'Development of ESG RegTech & Data Solutions' finishing last at 5.54. This indicates that market participants prioritise unified regulatory directions and cross-border alignment over technological and localised market tools.

Participants rank macro-level framework certainty as the most critical driver for ESG and sustainable finance, with ESG and 'Clarity & Coherence of ESG Policy Roadmaps & Net Zero Targets' scoring highest"

3(iii) Sustainability disclosure and reporting: Design challenges

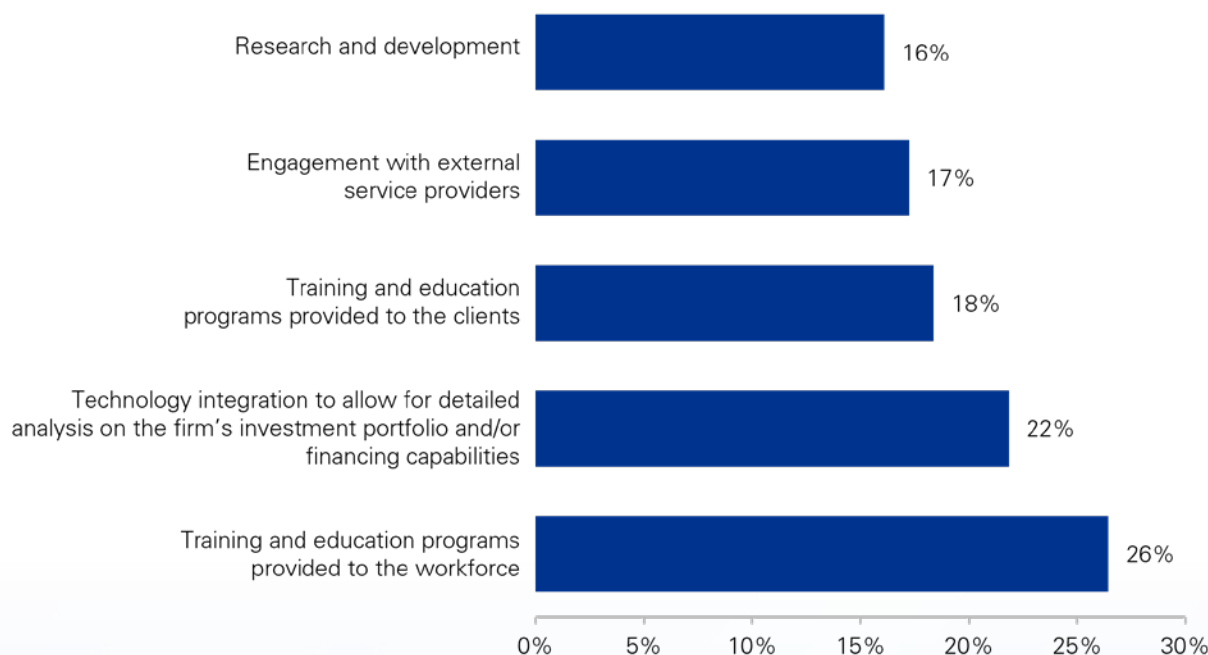


Figure 25: Greatest challenges with the design of sustainability disclosure and reporting in APAC

Participants are responding to these disclosure challenges by investing in their people first. Workforce training tops the list of planned activities at 26%, followed by technology integration for portfolio-level ESG analysis (22%) and client education programmes (18%).

Participants recognise that the industry's collective ESG capability gap is the binding constraint, and they are prioritising internal upskilling and enabling technology over external R&D or third-party solutions to close it.



3(iv) Sustainability data gaps: Significance and challenges

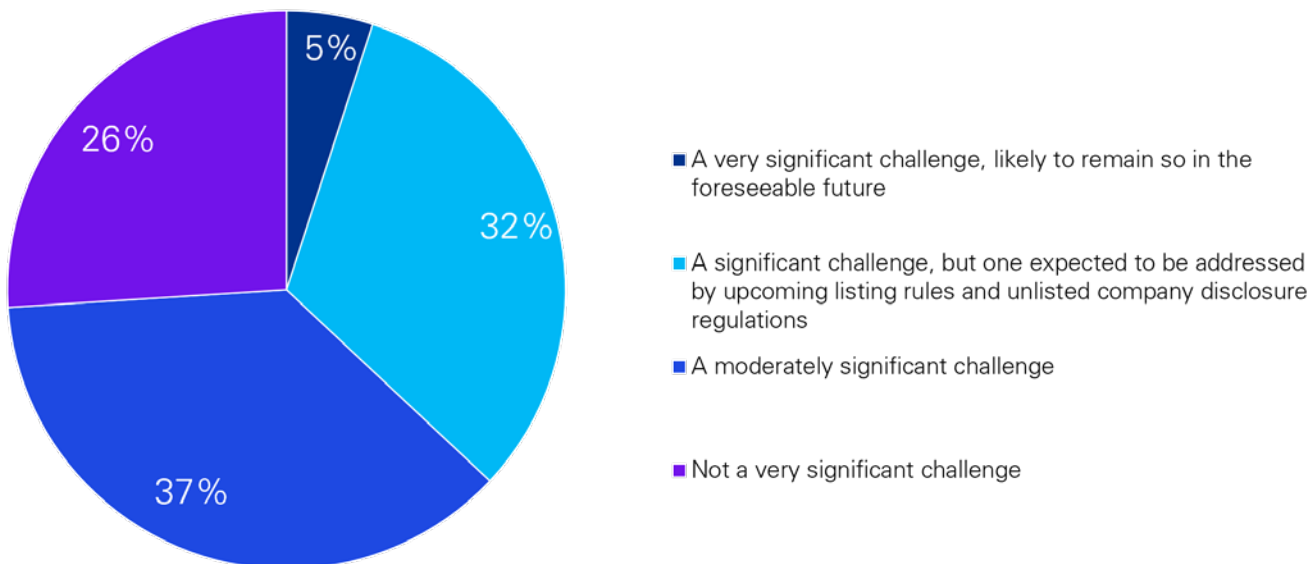


Figure 26: Perceived significance of sustainability data gaps

Sustainability data gaps remain a live issue, but not a dealbreaker. Over a third of participants (37%) treat them as a moderately significant, manageable friction – a cost of doing business they have learned to work around.

Another 32% acknowledge the challenge but expect ISSB-aligned disclosure regimes now rolling out across major Asian markets to narrow the gap. Only 5% view data deficiencies as a persistent, structural obstacle to their ESG activities.

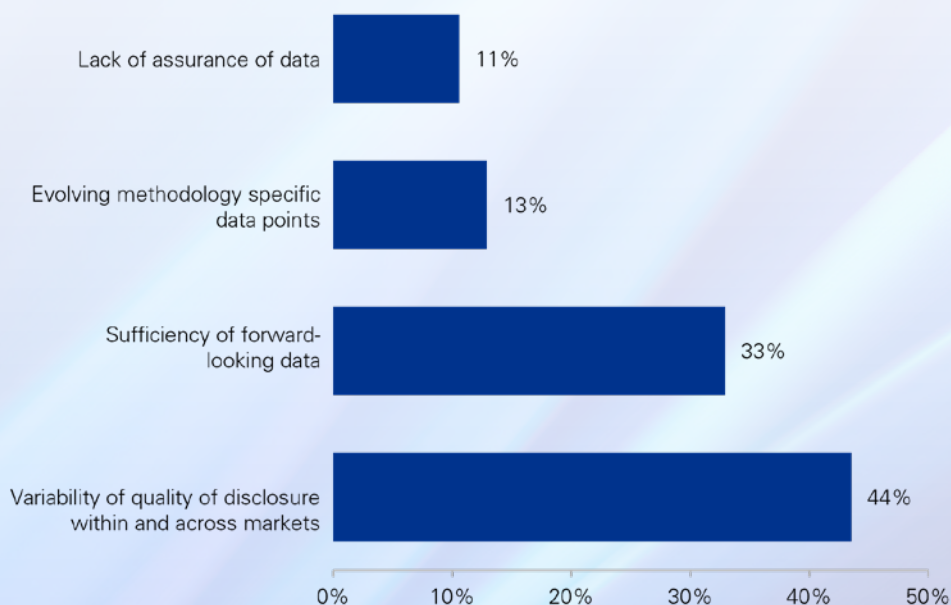


Figure 27: Greatest challenges with sustainability data

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Variability in disclosure quality within and across markets is the top pain point (44%) for participants. This reflects Asia's fragmented regulatory landscape – mandatory, granular regimes in markets like Japan and Hong Kong SAR, alongside largely voluntary frameworks in Southeast Asia – making it difficult to apply a consistent analytical lens across regional portfolios.

The second-ranked challenge, insufficient forward-looking data (33%), signals that corporate transition planning across the region remains in its early stages.

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Chapter 4 Digital assets and AI

Across APAC, capital markets firms gravitate towards regulatory clarity, familiar structures and controlled risk, while pulling back where they encounter ambiguity.

In digital assets, Singapore and Hong Kong SAR continue to set the regional standard, with Hong Kong SAR's first stablecoin licences and Singapore's deep institutional licensing register reinforcing their leads.

South Korea has posted the biggest jump in digital asset regulatory ratings. Participants cited clear stablecoin rules and signs of broader regulatory openness, highlighting Korean officials' willingness to strengthen regulator-industry alignment.

India and Chinese Mainland remain at the bottom, India has introduced taxation on digital assets, though the development of a broader market infrastructure is still in progress, while The Chinese Mainland enforces a comprehensive ban on digital assets, and prohibits any related trading and development activity within the jurisdiction.

Where digital assets are traded in the region, participants are channelling their digital asset ambitions into regulated, recognisable instruments: tokenised assets lead planned offerings, while appetite for lending and structured products remains limited

In AI, the picture is more uniformly positive, though a clear regulatory divergence is emerging across APAC. Rather than seeing a unified regulatory push for purely principles-based frameworks, capital markets participants are navigating varying jurisdictional approaches. Leading the region, Singapore has one of the most attractive and mature frameworks, moving beyond principles to releasing detailed rules, comprehensive guidance, and practical compliance toolkits. While support for AI regulation is broad, APAC jurisdictions are progressing at different speeds with limited regional alignment. In addition to Hong Kong, Australia, Japan, and Korea have advanced approaches. Conversely, other regional markets remain in the early stages, focusing on high-level principles rather than detailed rules. This fragmented landscape reflects a shift toward independent, risk-based oversight across the region

In terms of deployment, participants indicate back-office automation dominates current use cases at 39%, while robo-advisory trails at just 7%. This suggests that while participants trust AI to optimise back-end operations and strengthen controls under evolving rules, they are not yet ready to broadly deploy it for core investment advisory services.

4(i) Digital assets: Regulatory environment ratings

Markets	Average Score	Ranking in 2026	Ranking in 2025
Singapore	8.00	1 (●)	1
Hong Kong SAR	7.86	2 (●)	2
Japan	7.05	3 (●)	3
South Korea	6.44	4 (▲4)	8
Australia	6.39	5 (▼1)	4
Taiwan	5.93	6 (▲1)	7
Thailand	5.71	7 (▼1)	6
Malaysia	5.69	8 (▲1)	9
Indonesia	4.93	9 (▼2)	11
Philippines	4.92	10 (●)	10
India	4.53	11 (▼6)	5
Chinese Mainland	4.19	12 (●)	12
Vietnam	3.91	13 (●)	13

Table 11: APAC market ratings on regulatory environment for digital assets

Singapore (8.00) and Hong Kong SAR (7.86) hold the top two positions. In Hong Kong SAR, the first two stablecoin issuer licences were approved in April 2026, out of 36 applicants, underscoring that its transparent but high-bar regime is focused on compliance readiness and credible payment use cases.

Singapore scores on maturity and breadth; there is a large, live register of firms licensed for Digital Payment Token Services, which includes major global institutional names. South Korea posts the biggest jump, up four places to 4th, reflecting its new Virtual Asset User Protection Act taking effect.

Legislative discussions for South Korea’s Digital Asset Framework Act are expected in late 2026, aimed at establishing a regulatory structure for the digital asset market. This framework is expected to catalyze the industry and pioneer the growth of emerging sectors such as stablecoins.

At the bottom, India (11th, down six places) suffers from regulators prioritising taxation over capital market structure, Chinese Mainland (12th) remains effectively closed, and last-placed Vietnam has a highly protectionist framework that excludes stablecoins and foreign platforms. In December 2025, Chinese authorities reaffirmed that certain virtual-currency-related business activities fall outside the scope of permitted financial operations.

Hong Kong SAR’s digital asset positioning under “one country, two systems,” generally benefits from its distinctions from Chinese Mainland’s policy direction. Hong Kong SAR is often allowed to be a “sandbox” for digital asset innovation that cannot be conducted onshore. Participants report that the divergence between the two jurisdictions is sometimes confusing, but in the main this dynamic relationship is looked upon favourably by the participants.

4(ii) Digital assets: Current and planned offerings



Figure 28: Digital asset offerings, current and planned

APAC firms prioritise regulated, familiar instruments over pure crypto products. Tokenised securities lead at 13%, signalling that participants see the strongest near-term opportunity in bringing traditional capital-market instruments on-chain rather than building more esoteric crypto offerings.

The next tier, ETPs/ETFs and derivatives (both 8%), reinforces this preference for products that fit existing distribution, trading and risk frameworks. Digital asset investment funds, custody, cross-border payments and RWA (Real World Assets) tokenisation (all 5%) point to early but growing interest in fund structures, infrastructure and settlement use cases.

Meanwhile, lower appetite for lending and structured products (both 4%) suggests continued caution around counterparty-risk-intensive activities.

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Participants cited legal and contractual certainty, particularly around custody, lending and interaction models, as prerequisites for scaling digital asset offerings. Participants view tokenisation as part of their digital asset offering plans, but they also see it as an area to first build foundations, alongside digital currency infrastructure, before scaling.

Instant settlement is seen as the pivotal longer-term value proposition because it has the potential to fundamentally transform post-trade processes by reducing friction – for example, by compressing counterparty risk, reducing operational delays and enhancing overall market efficiency.

There is some stated preference for ecosystem participation, investing in technology companies and funds involved in digital assets, over direct cryptocurrency exposure. Participants observe that tokenisation activity is gaining momentum in the region, with notable examples already demonstrating scale.



In November 2025, the [Hong Kong SAR government](#) priced its third digital green bond issuance at around HK\$10 billion across four currency tranches, the largest digital bond issuance in the world to date, attracting over HK\$130 billion in total subscriptions and integrating tokenised central bank money (e-HKD and e-CNY) in the settlement process for the first time.

In Singapore, [MAS](#) completed a successful live trial of interbank overnight lending settlement using wholesale CBDC on the SGD Testnet, with DBS, OCBC and UOB as participating institutions, and plans to issue tokenised MAS Bills to Primary Dealers settled via CBDC in a future trial.

“Participants observe that tokenisation activity is gaining momentum in the region, with notable examples already demonstrating scale.”

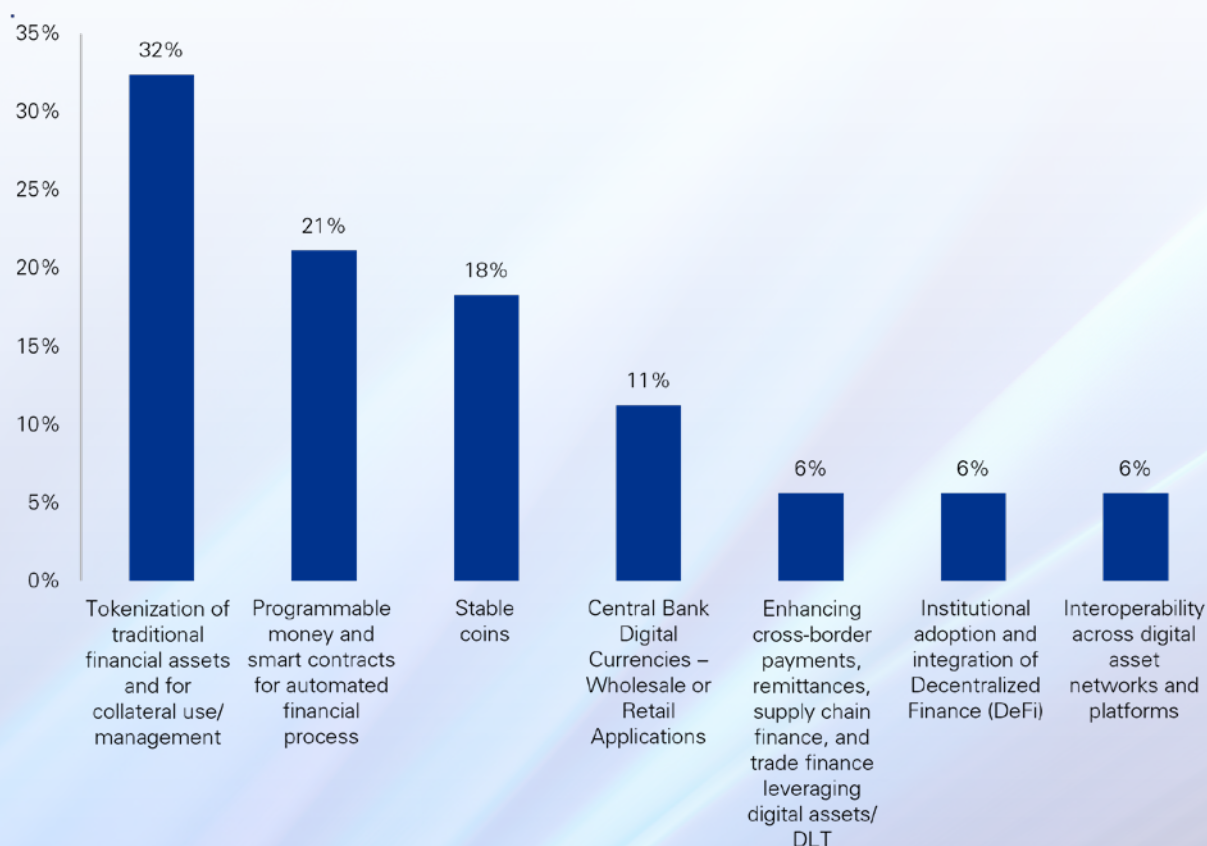


Figure 29: Specific digital asset applications / future developments for firms in the APAC region over the next 3–5 years

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There is a strong belief in the transformative potential of digital assets to reshape financial markets and generate new revenue streams. Tokenization of Traditional Financial Assets emerged as the top-ranked area, closely followed by programmable money and stablecoins. Participants believe these areas will significantly facilitate income, corporate action and lifecycle events associated with tokenized funds and securities.

The perceived high value of stablecoins, often viewed as a subset of programmable money, is further bolstered by the increasing volume of digital payments in APAC and such tangible benefits as near-instant settlements and enhanced support for trade finance.

Conversely, “interoperability across digital asset networks and platforms” ranked the lowest. This may reflect the fact that respondents do not generally see themselves as the parties who would design or build solutions to fix the interoperability problem, so it may not register as a priority for their own future development, rather than indicating that firms do not recognise its importance. The challenge of fragmented infrastructure and varying technical standards nonetheless remains a persistent barrier to seamless integration and broader adoption across the ecosystem.



Figure 30: Most compelling real-world problems that digital assets and blockchain technology are positioned to solve

Participants overwhelmingly identify internal operational efficiencies and new product creation as the most compelling use case for digital assets, led by “Reducing settlement, collateral transfer, and management times/ costs in financial transactions” (28%) and “Creating new investment opportunities and democratizing access to asset classes” (20%).

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Conversely, broader macro or trade-network applications scored lowest, with “improving access to financial services for underserved population or markets” at 4% and “Increasing efficiency and security in supply chain management and trade finance” finishing last at 2%. This data highlights that survey participants strongly prioritise institutional balance-sheet efficiencies and real-world asset tokenisation over retail or trade logistics solutions.



Figure 31: Key information, assurances, or conditions needed to support a significant investment and / or strategic expansion into digital assets

Participants indicated that the most important enablers of significant investment or strategic expansion into digital assets are clear, stable, and harmonised regulatory frameworks, alongside a demonstrable client demand and quantifiable business case, each selected by 26% of participants.

This was followed by the need for comprehensive risk management, governance, and compliance frameworks tailored for digital assets (19%), underscoring the sector’s emphasis on control and regulatory readiness. By contrast, factors such as technological infrastructure, external partnerships, market conditions, internal consensus, and interoperability were cited less frequently, suggesting that participants currently view regulatory certainty and commercial viability as the primary preconditions for scaling digital asset activity.

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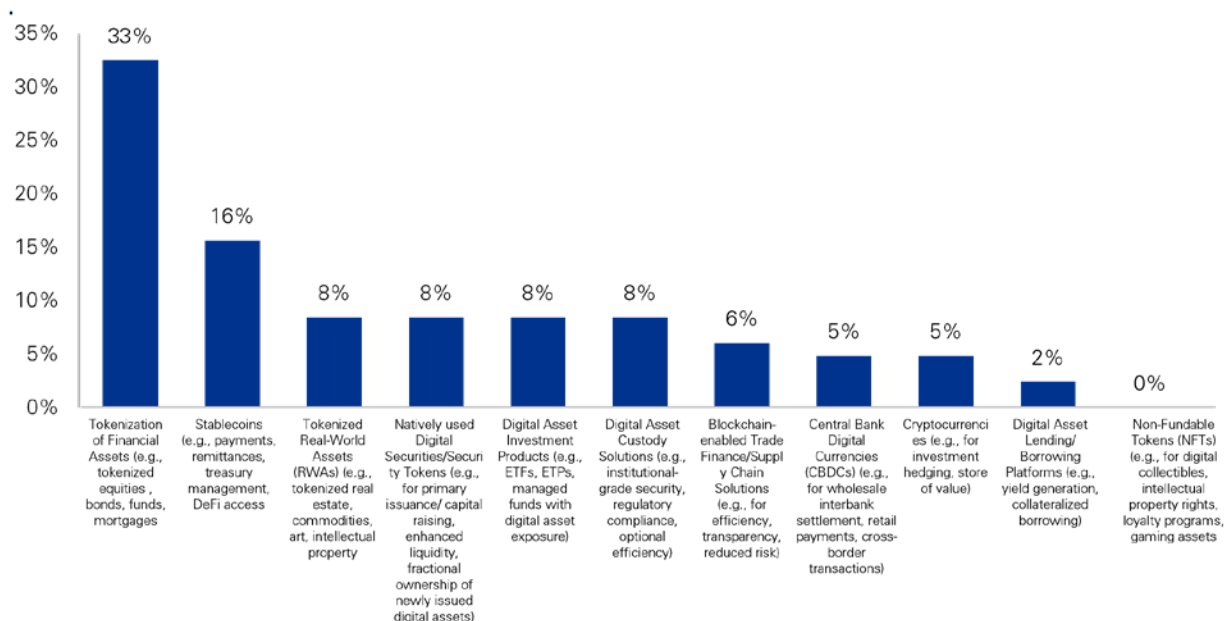


Figure 32: Which digital asset solutions currently offer the most significant commercial value or are most relevant to your clients in the APAC region?

Tokenised financial assets, stablecoins and tokenised RWA were ranked highest by participants. Participants highlighted that stablecoins digitise the cash settlement leg of the transaction, allowing the optimisation of cash. Additionally, blockchain-enabled trade finance will lower the cost of borrowing for SMEs. NFTs (Non-Fungible Tokens) unique blockchain tokens that verify specific assets did not draw any commercial attention.



4(iii) AI: Regulatory environment ratings

Markets	Average Score	Ranking in 2026	Ranking in 2025
Singapore	7.50	1 (🟡)	1
Hong Kong SAR	6.78	2 (▲1)	3
Japan	6.44	3 (🟡)	4
South Korea	6.13	4 (▼2)	2
Australia	5.88	5 (▲2)	7
Thailand	5.67	6 (▲2)	8
India	5.64	7 (▼2)	5
Chinese Mainland	5.63	8 (▲3)	11
Malaysia	5.50	9 (▲3)	12
Taiwan	5.43	10 (▼4)	6
Indonesia	5.00	11 (▼2)	9
Philippines	4.40	12 (▼1)	13
Vietnam	4.33	13 (▼3)	10

Table 12: APAC market ratings on regulatory environment for AI

Ranking of the markets (1-13): 1 being the highest and 13 being the lowest

Note: Each of the markets was scored by participants on a scale of 1-10. The rating of each market reflects an average of those scores.

Singapore (7.50) holds the top spot for the second consecutive year, reflecting a durably clear and trusted AI framework. Hong Kong SAR climbs two places to second (6.78), gaining credibility through more visible supervisory direction and market-facing guidance.

Participants have endorsed Hong Kong SAR's accountability-based approach, which promotes the notion that firms should develop their own internal governance and supervision frameworks, and not exclusively rely on wholesale regulatory redesign.

Australia (up two), Thailand (up two), Chinese Mainland (up three) and Malaysia (up three) all rise, pointing to a broad regional improvement in perceived AI regulatory clarity. India, Taiwan, Indonesia and Vietnam all slip, suggesting that market growth and increasing maturity do not automatically equate to regulatory clarity. India is seen by participants as "business-friendly" in this context, even if concerns about execution persist.

Participants reward consistency and demonstrable policy progress. They are less optimistic about markets where the practical application of AI rules remains uncertain.

4(iv) AI: Priorities for responsible adoption

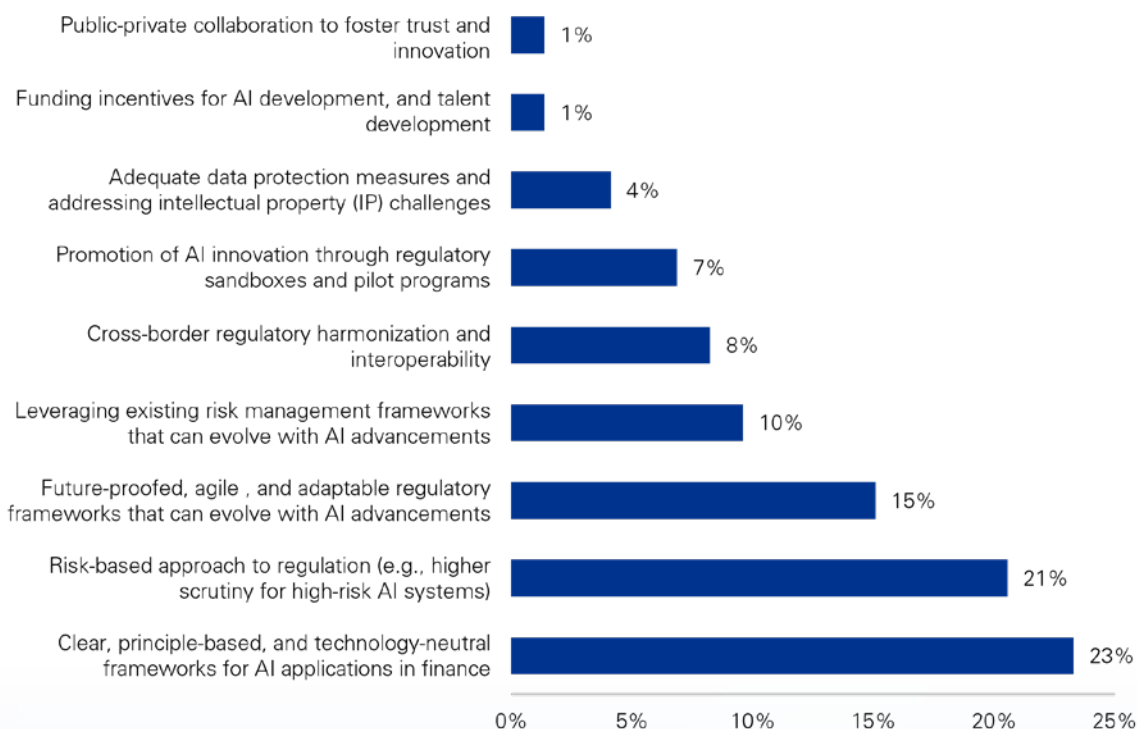


Figure 33: Important features of a regulatory environment for responsible AI adoption

Regulatory clarity trumps incentives. The top three priorities of clear, principles-based frameworks (23%), risk-based regulation (21%) and adaptable rules (15%) show that participants want predictable flexible guardrails instead of prescriptive mandates. The strong preference for risk-based approaches signals that participants accept tighter scrutiny for higher-risk AI applications but reject blanket rules applied uniformly across all models and functions.

Support for leveraging existing risk-management frameworks (10%) suggests participants want AI governance embedded in current financial-services controls rather than bolted on as a separate compliance architecture. Cross-border harmonisation (8%) ranks as a secondary but notable concern; participants view regulatory divergence across APAC as a more immediate obstacle to responsible deployment than any lack of government support.

Participants describe AI regulation across Asia as fragmented compared with GDPR-like models, with each jurisdiction, such as Chinese Mainland, Hong Kong SAR and Singapore, taking its own approach, while the US direction remains unclear.

The preference for risk-based frameworks is affirmed by participants, though practical questions remain about how risk should be defined in this context, particularly regarding intellectual property (IP), responsible use and the impact of AI on investment decisions.

4(v) AI: Deployment use cases

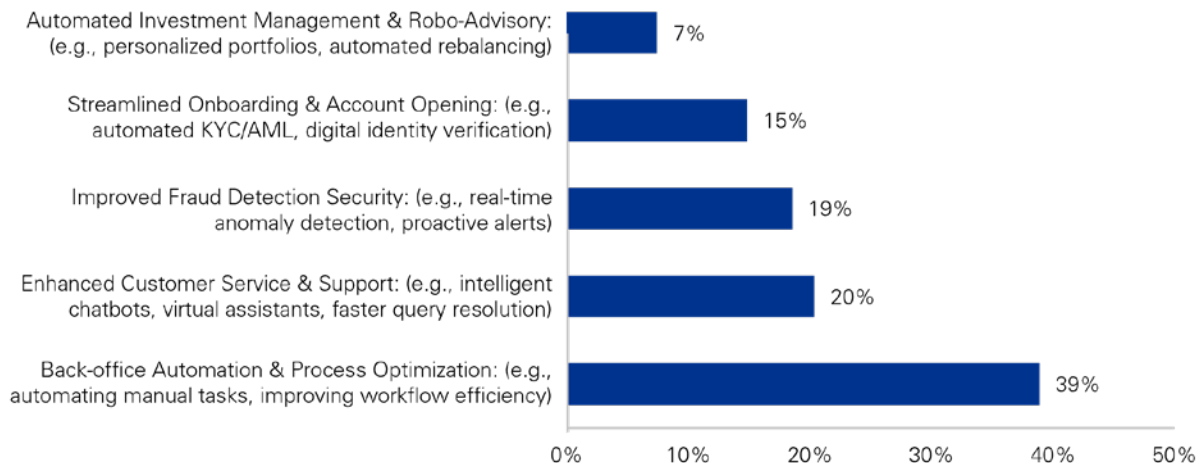


Figure 34: Primary AI Applications for Efficiency Enhancements and/or Cost Reduction

Participants are deploying AI where the return on investment (ROI) is fastest, workflows are repeatable and regulatory risk is most manageable. Back-office automation dominates at 39%, followed by customer service (20%) and fraud detection (19%).

Few participants plan to automate investment management and robo-advisory (7%), which suggests they broadly trust AI to streamline operations and strengthen controls, but not yet to make autonomous core investment decisions. However, as Figure 35 illustrates, participants do deploy AI to generate revenue through predictive analytics, optimised pricing, and trading insights; participants value AI as a tool that informs and augments (rather than supplants) the investment decisions of professionals.

Some participants express concerns around AI's ability to deliver concrete investor outcomes in stock selection and other activities, and whether building it in-house makes more economic sense than using third-party tools. The view is that no one can afford to ignore AI, but the case for heavy investment remains unproven.

“Some participants express concerns around AI's ability to deliver concrete investor outcomes in stock selection and other activities, and whether building it in-house makes more economic sense than using third-party tools.”

Participants see that AI-driven efficiencies can reduce the need for additional physical presence as the business grows. Because the US leads in AI talent and technology, many firms will build their capabilities there and deploy them in APAC and elsewhere. This sentiment suggests the industry might lean towards the “Western stack” of AI development, as opposed to China’s “Eastern stack.”

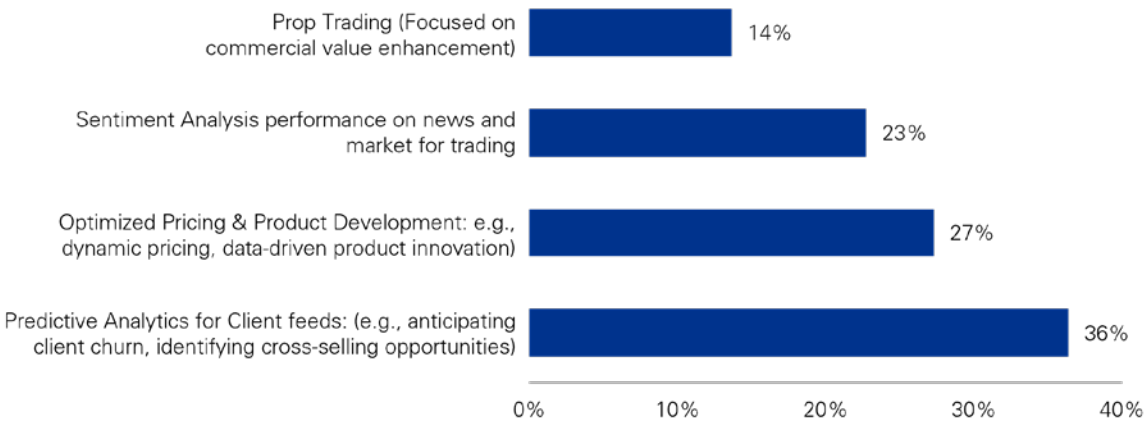


Figure 35: Primary AI applications for revenue generation and / or commercial value

Participants leverage AI for revenue generation primarily through predictive analytics for client needs, optimised pricing, product development, and trading insights. These applications show firms actively using AI to sharpen decision-making and unlock commercial value, complementing their caution around fully automated investment management.

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Chapter 5

Survey background, participant profile and market presence

34 ASIFMA members covering 13 APAC markets from both the buy and sell sides participated in this year's ASIFMA Asia-Pacific Capital Markets Survey 2026, conducted in collaboration with KPMG.

The most notable compositional shift is on the buy-side/sell-side split: sell-side firms account for 60% of participants, reversing three consecutive years of buy-side majority and returning the mix closer to its 2021 profile.

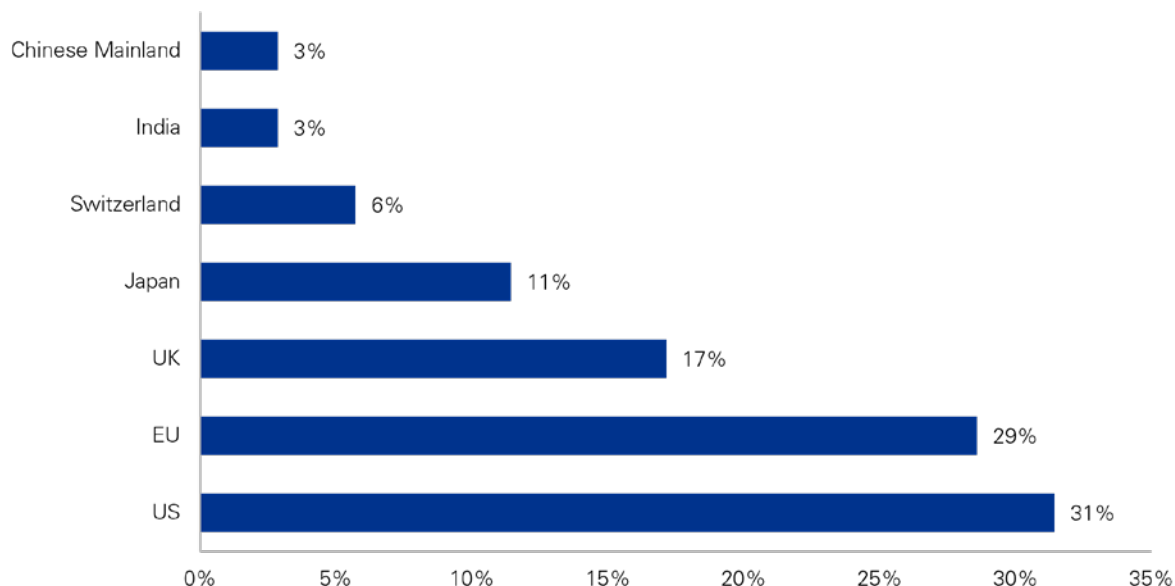
“Asset management remains the most widely represented activity at 66%, followed by FX and fixed income at 51% each and equities at 49%.”

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5(i) Headquarters locations

**Figure 36:** Group headquarters locations

34 ASIFMA members from both the buy and sell sides participated in the survey. The survey covers 13 APAC markets: Australia, Chinese Mainland, Hong Kong SAR, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam. Figure 36 shows the breakdown of participants by headquarters location.



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5(ii) Buy-side/sell-side composition

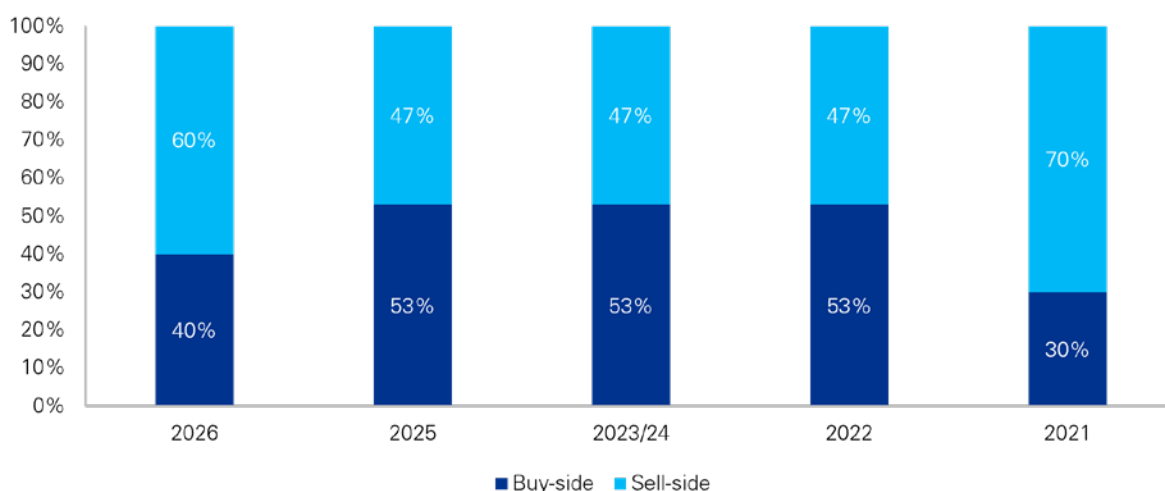


Figure 37: Buy-side/sell-side breakdown

This year's mix shifts to 60% sell-side and 40% buy-side, reversing three consecutive years of buy-side majority (53%). The composition now sits closer to the sell-side-heavy split seen in 2021.

5(iii) Business activities



Figure 38: Breakdown of participants' business activities

Asset management leads at 66%, followed by FX and fixed income (both 51%) and equities (49%). ESG/sustainable finance and investment banking form a mid-tier (43-46%). Commercial banking, prime brokerage, wealth management, commodities and custody cluster in the 29-34% range.

5(iv) Business activities: Historical trend

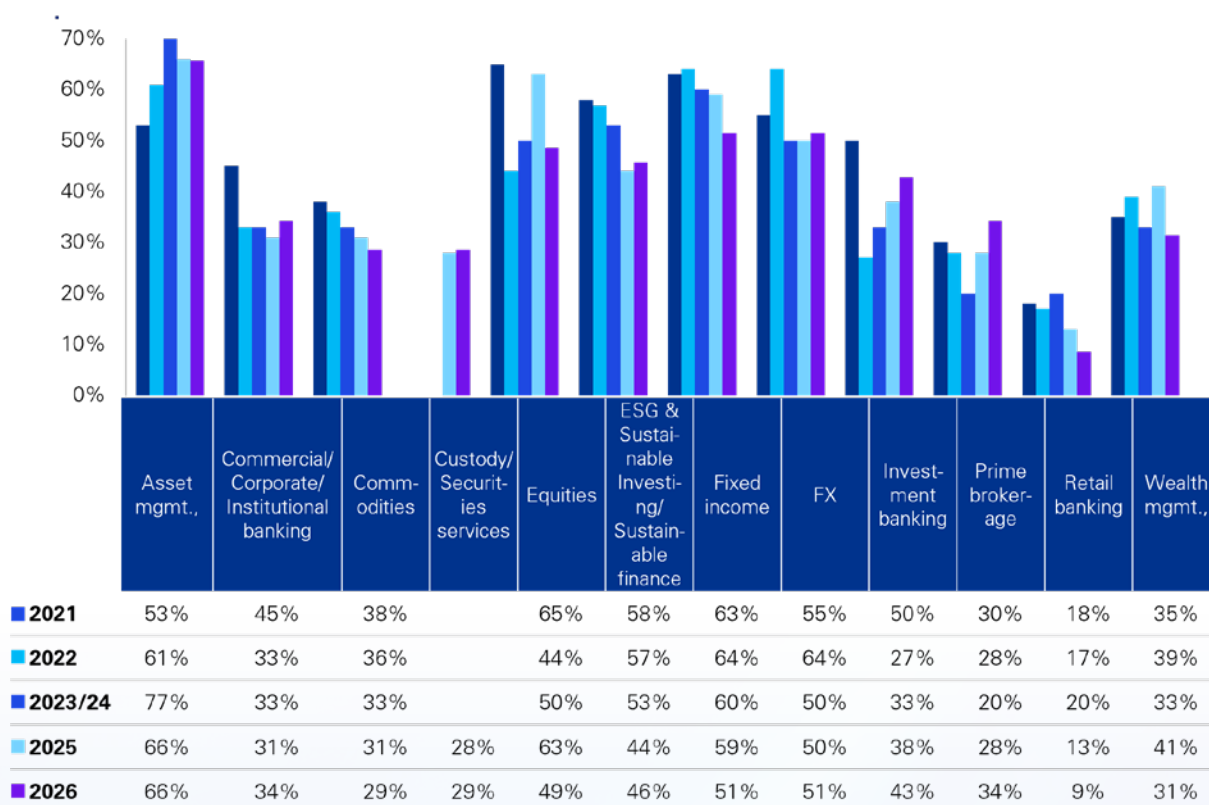


Figure 39: Participants engaged in capital markets business activities, 2021–2026

In 2026, asset management holds steady at 66%, remaining the most common activity. Equities posts the sharpest drop, falling 14 percentage points from 63% to 49%, while fixed income declines 8 points to 51% and wealth management drops 10 points to 31%. ESG continues its multi-year slide from 58% in 2021, though it ticks up slightly to 46% from 44% in 2025.

Conversely, several sell-side activities gain ground: investment banking rises 5 points to 43%, and prime brokerage climbs 6 points to 34%. Commercial/corporate/institutional banking also edges up to 34%. These gains suggest a more sell-side-heavy sample in 2026, which likely explains much of the decline in traditionally buy-side activities such as equities and wealth management. Custody/securities services and commodities hold relatively steady at 29%, while retail banking continues its downward trend to 9%.



5(v) Expansion plans: Historical trend

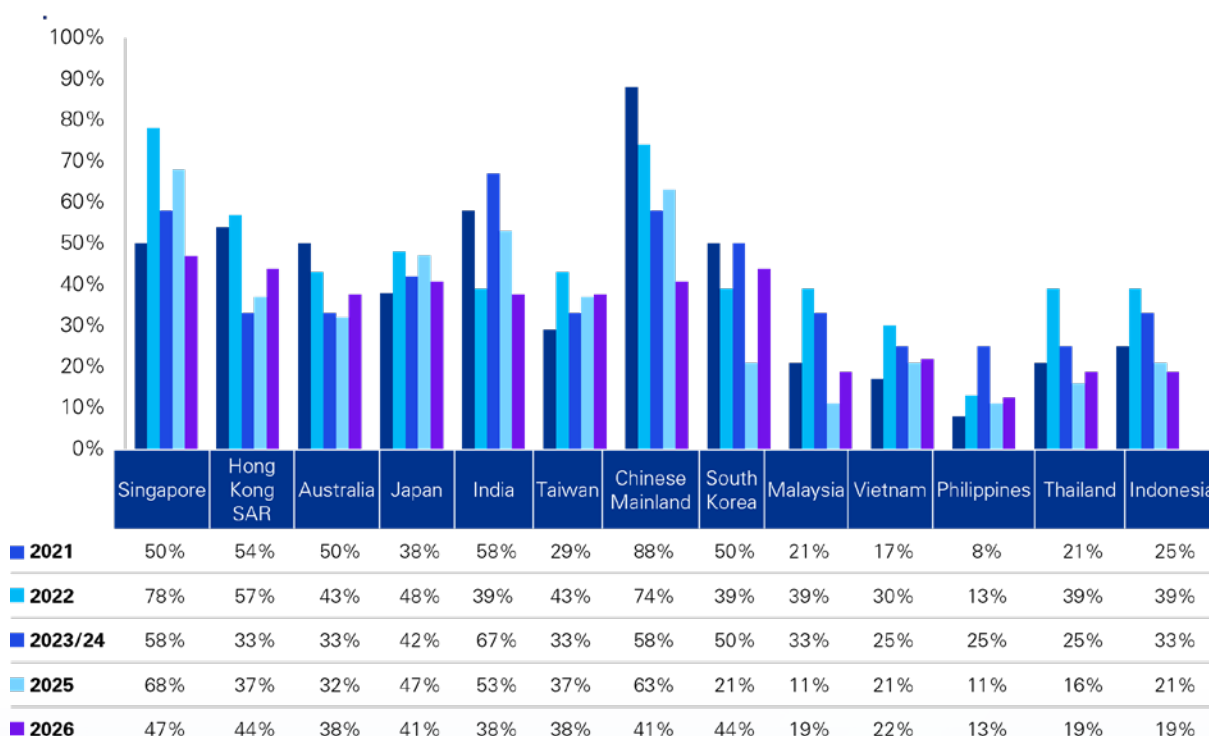


Figure 40: Percentage of survey participants planning expansion by jurisdiction

The graph above illustrates the percentage of survey participants with expansion plans within a given year from 2021 to 2026. Survey responses reveal varied sentiments across different regions.

In 2026, survey participants' expansion intentions appear to become more selective across the region. Singapore remains a leading destination, but intent moderates from 68% in 2025 to 47% in 2026, while Hong Kong SAR recovers to 44% after a slower 2025 reading of 37%. Chinese Mainland also eases from 63% to 41%, suggesting that although it continues to be a core market, firms are tempering their pace of expansion there.

Outside the main financial centres, the pattern is mixed but generally softer. Japan eases from 47% to 41%, Australia rises modestly from 32% to 38%, Taiwan edges up from 37% to 38%, and South Korea shows the most pronounced improvement, jumping from 21% in 2025 to 44% in 2026. India declines more notably to 38% from 53%, suggesting participants are exercising greater near-term caution despite viewing it as structurally attractive.

Across Southeast Asia, expansion appetite remains comparatively restrained. Malaysia rises slightly from 11% to 19%, while Vietnam (22%), Philippines (13%), Indonesia (19%), and Thailand (19%) remain in the low- to mid-20s or below, implying that these jurisdictions are still seen as more selective or opportunistic growth markets rather than immediate priority destinations.

The 2026 results suggest firms are prioritising markets with stronger hub characteristics, deeper capital markets, and greater execution certainty, while becoming more disciplined about deploying resources in smaller or more operationally complex jurisdictions.

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Glossary

Regulatory Environment

1	Currency controls	Currency controls, foreign exchange controls or currency exchange controls refer to restrictions applied by some governments to ban or limit the sale or purchase of foreign currencies by nationals and/or the sale or purchase of local currency by foreigners.
2	Foreign ownership regulations	Foreign ownership regulations refer to the regulatory framework over the ownership of a portion of a country's assets (businesses, natural resources, property, bonds, equity etc.) by individuals who are not citizens of that country or by companies whose headquarters are not in that country. This often includes restrictions on the percentage of ownership allowed in certain sectors or industries.
3	Other foreign investment regulations	Foreign investment regulations refer to restrictions limiting the investment or requirement to obtain a consent to invest in domestic companies, which may include sector-specific limitations, minimum capital requirements, or approval processes for mergers and acquisitions.
4	Data localization requirements	Data localization or data residency law requires data about a nation's citizens or residents to be collected, processed, and/or stored inside the country, often before being transferred internationally.
5	International sanctions which may impede investments	International sanctions are restrictions on trade and economic relations imposed on individuals, organizations, or countries, often for specific political or security reasons, which may impede investment.
6	Quality of anti-bribery and corruption framework	The framework prohibits the actual or attempted use of any form of bribery or corruption, either directly or indirectly. A "bribe" is anything of value given, offered, promised, accepted, requested or authorized (in each case, directly or indirectly) with the intent that a person who is trusted or expected to act in good faith or with impartiality, performs that function improperly or in order to obtain or retain an advantage in the course of business. "Corruption" is the misuse of public office or power for private gain; or misuse of private power in relation to business outside the realm of government.
7	Licensing requirements	Licensing requirements means any provisions of law, rule, regulation, or formal order of the department which apply to facilities with respect to initial or continued authority to operate.
8	Restrictions on product/service offerings	Requirement to obtain special permits and licenses before selling certain product/service offerings.
9	Tax environment	Tax environment means a set of legal regulations for determining the types, percentage and amounts of taxes specified in the applicable laws and their imposition and payment.
10	Investor protection	Various measures designed to protect investors from malpractices of companies, investment banks, deposit taking institutions and other intermediaries.

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11	Prudential regulations	Prudential regulation is a legal framework focused on the financial safety and stability of institutions and the broader financial system.
12	Reporting requirements	Reporting requirements means any applicable laws, rules, regulations, instruments, orders or directives and any requirements of a regulatory or supervisory organization that mandate reporting and/or retention of transaction and similar information.
13	Outsourcing regulations	Outsourcing regulations govern the provision of service in which a regulated firm contracts with or otherwise engages a service provider for the performance of any aspect of the outsourcing firm's regulated or unregulated functions that could otherwise be undertaken by the entity itself on an ongoing basis.
14	Labor laws	Labor law is legislation specifying responsibilities and rights in employment, particularly the responsibilities of the employer and the rights of the employee.
15	Cross-border regulation / Cross-boundary regulation	Cross-border regulations are the rules and permissions a company from one country needs to follow to offer its products or services to customers in another country. This includes getting necessary licenses to operate and ensuring their offerings meet local standards. The term "cross-boundary" is used specifically to refer to Hong Kong– Chinese Mainland connectivity, while "cross-border" is used more broadly to describe interactions involving other jurisdictions.
16	Predictability & Transparency (including for AI adoption)	"Predictability and transparency of regulatory policy" refers to the clarity, consistency, and accessibility of laws and regulations, allowing businesses to anticipate future regulatory changes and understand their obligations. When considering AI adoption, this factor assesses how clear and predictable the regulatory landscape is for firms looking to implement Artificial Intelligence technologies, including guidance on governance, risk management, and ethical considerations.



Operating Environment

1	Workforce skills	Refers to the knowledge, skills, and competencies that employees can provide to financial services intermediaries.
2	Language skills	Refers to the skills that enable a person to communicate orally or in writing in English or other languages widely used internationally or regionally.
3	Digital infrastructure	Refers to the digital technologies that provide the foundation for an organization's information technology and support the organization's day-to-day operations.
4	Physical infrastructure	Refers to the physical availability and quality of public facilities, including the number of facilities, facility amenities and resources, the distribution of facilities, and the appropriate mix of facility types to meet industry needs.
5	Cost of doing business	Refers to any expenses incurred by a business while in the process of conducting business. A cost of doing business could be a direct cost, like raw materials, or an indirect cost, like building security.
6	Political situation	Refers to the impact and result of an action and conduct of a government. It refers to the stability of the governance in a jurisdiction and whether it is conducive to the predictable conduct of business.
7	Immigration law	Refers to the national statutes, regulations, and legal precedents governing immigration into and deportation from a country.
8	Fairness in law enforcement	Refers to predictable and transparent application of laws in a fair and consistent manner following due process.
9	Barriers to entry	Refers to the situations where a high start-up cost is to be incurred and/or other obstacles that exist to prevent new competitors from easily entering an industry or area of business.
10	Business incentives	Refers to the offering of financial assistance from the government to private businesses making investments through the use of economic incentives. Incentives can include tax abatements, tax revenue sharing, grants, infrastructure assistance, no or low-interest financing, free land, tax credits and other financial resources.
11	Competitive landscape	Refers to the list of options a customer could choose rather than your products or services.
12	R&D innovation ability	Refers to the process of developing and commercializing new ideas, implementing new processes or changing the way your business makes money. It can also be viewed as the activities required to keep your business competitive and sustainable for the long term.

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| 13 | Availability of data centers | Refers to the availability of technically advanced, resilient and physically cyber secure facilities that host electronic data storage. |
| 14 | Cybersecurity | Refers to the state of being protected against the criminal or unauthorized use of electronic data, or the measures taken to achieve this. |
| 15 | Cultural and societal factors | Refers to the features of a jurisdiction's culture or society that are conducive to the efficient and open conduct of business. |
| 16 | Availability of professional service support | Refers to the availability of a sufficient spread of competent special advisors in a range of disciplines (e.g., accountancy, law, IT, cybersecurity, taxation, immigration, consultancies, etc.) needed to support financial services business. |
| 17 | Human resourcing supply | Refers to the source of workers to meet demand requirements. |



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Market Development

1	Availability of hedging	The availability to legally conduct hedging against investment risk i.e., strategically using financial instruments or market strategies to offset the risk of any adverse movements in variables such as interest rate, currency rate, price, etc.
2	Clearing and settlement infrastructure	Clearing and settlement infrastructure means systems that clear and settle transactions in securities such as bonds and equities, and in derivative instruments such as options and futures.
3	Payments infrastructure	Payment infrastructure is a network of systems and technologies that enable electronic payment processing. This network allows everyone in the ecosystem to exchange payments from financial institutions to individuals.
4	Trading and exchange infrastructure	Trading and exchange infrastructure consists of the delivery of direct market data and order entry, colocated server access, bespoke networks, time services, and client and counterpart connectivity.
5	FinTech development	Financial technology (better known as FinTech) is used to describe new technology that seeks to improve and automate the delivery and use of financial services. FinTech development refers to the sophistication of market and policy environment to support FinTech.
6	Availability of repo	The availability of market infrastructure and regulation that permit the use of repo. Repo or repurchase agreement is a short-term agreement to sell securities in order to buy them back at a slightly higher price.
7	Availability of stock borrowing & lending and short-selling	The availability of market infrastructure and regulation that permit the stock borrowing & lending and short-selling. Short-selling refers to the sale of a security which you do not own. A stock-borrow is secured to cover the delivery of the sale. A short sale is profitable if the price of the security declines, allowing the short-seller to repurchase the securities at the lower price and return the borrow.
8	Growing customer base and wealth	The future prospects of a market for a financial intermediary's products and services will depend on the growth rate of the population of relevant customers and their ability to pay for those products and services (i.e., their wealth).
9	Currency convertibility	Currency convertibility can be defined as the ability to exchange one currency for another at a given conversion rate and in terms of the usability of a currency for foreign transactions. Regulatory restrictions on the conversion of currency exist in many markets.
10	Market liquidity and depth	Market liquidity and depth for a product is based on the number of standing orders to buy (bids) and sell (offers) at various price levels. In addition to price levels, market depth considers the order size, or volume, at each price level.

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11	Transparency of market information	Market transparency describes the extent to which the details of market activity are made public. Important information about a market that is typically published includes the following: Last-sale reports: These reports include the price, quantity, and possibly time of all trades as they occur. In an equity market transparency refers to the timeliness and the accuracy of disclosures by listed issuers of material price sensitive information.
12	Range of product/ service offerings	A diversity and sophistication of financial product and service offerings in a jurisdiction.
13	Financial inclusion	Financial inclusion is when everyone can access financial services that can help them build wealth, including savings, credit, loans, equity, and insurance.
14	Regional integration	Regional integration refers to the degree to which a jurisdiction's laws, economy and infrastructure are interoperable with those of other jurisdictions in the region.
15	Inflation rate	Inflation is the rate of increase in prices over a given period of time. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.
16	Interest rate	An interest rate is a cost of borrowing money, expressed as a percentage of the amount borrowed.
17	Economic growth rate	An economic growth rate refers to the change in the value of all goods and services produced within a country for a specific period in comparison to an earlier period. It is depicted in terms of percentage. The economic growth rate is a measure for knowing the relative health of an economy over time.
18	AI-driven market infrastructure	The integration of Artificial Intelligence technologies into the core systems and processes that facilitate financial market operations. This includes AI applications in trading and exchange platforms, clearing and settlement systems, and payment infrastructures, aiming to enhance efficiency, speed, security, and analytical capabilities. Examples include AI-powered algorithmic trading, predictive analytics for liquidity management, and AI-enhanced fraud detection in payment systems.

Investment Decisions

1	Economic volatility	Refers to unpredictable and significant fluctuations in economic indicators such as inflation rates, interest rates, currency exchange rates, and overall economic growth, which can impact business profitability and investment returns.
2	Regulatory changes	Encompasses shifts in laws, regulations, and government policies that affect business operations, including changes in trade agreements, tariffs, licensing requirements, and compliance obligations.
3	Supply chain disruptions	Refers to any event that interrupts the flow of goods, services, or information within a supply chain, potentially caused by natural disasters, geopolitical events, trade disputes, or infrastructure failures.
4	Technological shifts	Involves rapid advancements and changes in technology, including the adoption of Artificial Intelligence (AI), the emergence of new digital platforms and assets, and evolving cybersecurity threats and data privacy concerns.
5	Social and political instability	Refers to conditions of unrest, uncertainty, or significant changes in the social or political landscape of a region, including civil unrest, government transitions, policy shifts, and regional tensions that can impact business continuity and investment security.
6	Market competition	Relates to the intensity of rivalry among businesses operating in the same market, including factors such as the entry of new competitors, aggressive pricing strategies, and evolving customer preferences.
7	Talent availability and retention	Refers to the challenges businesses face in attracting, developing, and retaining skilled employees, including issues such as labour shortages, competition for specialized talent, and restrictions on labour mobility.
8	Environmental and climate-related risks	Encompasses the potential negative impacts on businesses arising from environmental factors, including extreme weather events, climate change policies, and the transition to a low-carbon economy.
9	Access to capital and funding	Refers to the ease or difficulty businesses experience in obtaining necessary financial resources for operations and growth, influenced by factors such as investor sentiment, credit market conditions, and regulatory changes.
10	Reputational risks	Involves the potential for negative public perception or damage to a company's brand and image, often stemming from ethical concerns, ESG (Environmental, Social, and Governance) controversies, or adverse media coverage.

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| 11 | Market growth potential | The expected future expansion and profitability of a market, driven by factors like customer base growth, economic development, and market dynamism. |
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| 12 | Technological infrastructure and innovation ecosystem | The quality and availability of a jurisdiction's digital infrastructure (e.g., internet, data centres) combined with its capacity for technological advancement and adoption (e.g., FinTech hubs, R&D support). |
| <hr/> | | |
| 13 | Regional stability and international relations | The overall political, economic, and social steadiness within a jurisdiction and its relationships with other nations, including policy predictability and geopolitical dynamics. |
| <hr/> | | |
| 14 | Access to reliable supply chains and resources | Refers to the ability of businesses to secure consistent and dependable access to necessary raw materials, components, and distribution networks, which can be affected by global events and regional policies. |



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