2009 REPORT

On Capacity-Building Measures to Strengthen and Develop Financial Systems

The Advisory Group on APEC Financial System Capacity-Building

Preparation of 2009 Report

• Annual report of Advisory Group
• Endorsed by ABAC to APEC Finance Ministers
• Based on inputs from Advisory Group participants
  - Meeting discussions (2009: Wellington+Brunei)
  - Advisory Group workshops/forums
  - Papers from Advisory Group participants
Report Outline

• Summary of recommendations
• Main body of report
  - Introduction
  - Financial inclusion
  - Local currency bond markets and broadening the institutional investor base
  - Infrastructure PPP
  - Credit reporting systems
  - Strengthening financial systems in response to the crisis

I: Financial Inclusion

• Microfinance: profitability, expanding links to formal financial sector, scope of services
• Potential to address financial exclusion
• Need to disseminate best practices
  • *Recommend: Launch of financial inclusion initiative by APEC Finance Ministers with focus on key areas*
II: Local currency bond markets

- Summary of conclusions of the Advisory Group’s 3rd Public-Private Sector Bond Market Forum (Singapore, July 2009)
- **Recommend:** APEC should (a) address key legal, regulatory, investor education and market development issues; (b) address tax issues; and (c) take bond market development in the region to next level - focus on corporate bond markets

III. Infrastructure PPP

- Need to promote (a) dialogue between governments and industry; (b) deeper capital markets; and (c) more active role for IFIs
- Multilateral approaches useful (e.g., proposed Asia Infrastructure Partnership)
- **Recommend:** APEC to launch regional infrastructure partnership - officials, private sector, relevant international institutions
IV. Credit reporting systems

• Benefits of full-file, comprehensive credit reporting to private credit bureaus; existing best practices in promoting reforms (e.g., Australia)
• Ideas on initial steps toward a regional framework
  • *Recommend: APEC to launch initiative to share best practices and move toward a region-wide credit reporting regime*

V. Regulatory response to crisis

• Crisis: exposed challenges in ensuring financial stability, availability and quality of data, effective corporate governance, robust accounting standards and practices
• Emerging markets: fundamentals need to be addressed
  • *Recommend: APEC to (a) support regional capacity-building for regulators; (b) promote cooperation among region’s regulators and regional inputs into global regulatory reforms; and (c) promote dialogue between regulators and financial industry*