

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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## Second Meeting 2012

22 May 2012

2:00 PM – 4:00 PM

Sabah Room, Basement II, Shangri-La Hotel Kuala Lumpur  
Kuala Lumpur, Malaysia

## Meeting Paper 5-B

# Report on the Capacity Building Program “Implementing Best Practice Regulatory Principles and Proportionate Regulation to Support MSME Access to Finance 5-9 March 2012, Melbourne, Australia

Australian APEC Study Center at RMIT University

- PURPOSE** For consideration.
- ISSUE** Summary and report of a capacity building training program convened in Melbourne, 5/9th March 2012
- BACKGROUND** The training program was the second component of a program endorsed by ABAC and the Advisory Group as contributing to the work of the APEC
- PROPOSAL** Note the summary and the Report and that further work is planned on this subject by AASC and the next phase will be the convening of a regional symposium in Melbourne in August 2012 to which members are invited to participate.
- The full report is available at the website of the Australian APEC Study Centre at RMIT University through the following link:  
<http://www.apec.org.au/docs/12-tp-finincl/SMAFTP%20Report.pdf>
- DECISION POINT** Endorse the inclusion of the report’s conclusions in the Advisory Group’s report to APEC Finance Ministers and for its discussion in the 2012 Asia-Pacific Financial Inclusion Forum in Shanghai.

# **REPORT ON THE CAPACITY BUILDING TRAINING PROGRAM: “IMPLEMENTING BEST REGULATORY PRACTICES TO SUPPORT MSME ACCESS TO FINANCE”**

*Ken Waller, Director, Australian APEC Study Centre at RMIT University (AASC)*

## **SUMMARY OF THE REPORT**

The full report is available at the website of the Australian APEC Study Centre at RMIT University through the following link:

<http://www.apec.org.au/docs/12-tp-finincl/SMAFTP%20Report.pdf>

### **Introduction**

- The program was convened by AASC in Melbourne, 5/9<sup>th</sup> March 2012; it was supported by the Asian Development Bank Institute (ADBI), the Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) and sponsored by AusAID
- Policy makers and regulators from Indonesia, Mexico, Peru, China, Philippines, Thailand, Vietnam and Papua New Guinea participated and non-APEC participants from India, Bangladesh, Myanmar, Fiji and Vanuatu
- It was the second of a two component program; the first part was a regional symposium held in Manila in June 2011. A fundamental aspect of the program was to consider how the concept (by G20 and standard setting bodies) of proportionate regulation to encourage financial inclusion is being interpreted by policy makers and regulators
- Arising from the Manila symposium a suggested set of Best Practice Objectives and Principles were designed (available on the [APEC Study Centre website](#)) and subsequently presented to the Advisory Group and to the APEC Financial Inclusion Forum held in Tokyo in September 2011

### **Purpose**

- The training program evaluated regulatory and policy impediments that impact on the flows of finance to micro and small medium enterprises; how proportionate regulation is enhancing access to finance and to promote a regulatory environment to enhance banking, equity and debt capital markets
- A detailed report of the training program is attached. Drawing on the presentations, policy discussions and exchanges and case studies, the report contains views and some elaboration on the issues that could usefully be considered in broadening thinking on best regulatory practices and principles in providing a holistic approach to proportionate regulation to promote financial inclusion
- Part 4 of the attached report “Next Steps” discusses issues that economies should give consideration to in order to enhance the objective of broadening the reach of financial services to the underserved communities of the region
- In essence they embellish the components of a framework that would provide economies with the capacity to deliver on the objectives of financial inclusion. To meet this objective, further capacity building initiatives are recommended to economies to effectively deliver on financial inclusion:
  - Sharing experiences between supervisors and regulators in the region on measures they are undertaking (there are many examples in the report) to promote financial inclusion
  - Understanding the complex policy and administrative issues related to establishing credit reporting bureaus and collateral registries

- The value of national councils of financial inclusion involving public/private stakeholders, their construction, legal base and the strategic directions they should promote
- Commercial entities, banks and securities groups, in particular, should be encouraged to exchange experiences in viable business models and administrative approaches to “commercialising” financial inclusion as distinct from seeing financial inclusion through the prism of “corporate social responsibility”
- Serious attention should be applied by regulators and policy makers to adjustments in regulatory approaches with the aim of encouraging the use of technology in the delivery of financial services to the underserved
- Similarly, regulatory approaches which provide for the use of a widening range of authorised agents that can provide financial services on a “scale” basis to encourage financial inclusion

For the information of members of the Advisory Group, the report of the training program will be presented to the forthcoming meeting of the APEC Financial Inclusion Forum to be held in Shanghai in June.

The AASC has recently received funding from AusAID to undertake further work to promote financial inclusion and is planning to convene a regional symposium in August in Melbourne in which some of the issues noted above will be considered. ABAC members are invited to participate. Representatives of international financial institutions, the World Bank, IFC and the ADBI and CGAP and AFI and officials and financial system regulators from the region will also be invited to participate.