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Asia-Pacific Financial Forum (APFF)

Summary of the Outcomes of the Asia-
Pacific Financial Market Development
Symposium
10-11 April 2013
Sydney, Australia

APFF - Background

- Proposed by ABAC to AFMM in 2012
- AFMM 2012 Joint Ministerial Statement:
 - *We welcome intensive public-private collaboration in developing our region's financial systems. We support ABAC's proposal to explore the creation of an Asia-Pacific Financial Forum through a symposium in early 2013 and welcome the Australian Government's commitment to hold the event.*



ASIA-PACIFIC FINANCIAL MARKET DEVELOPMENT

SYMPOSIUM 10-11 APRIL 2013

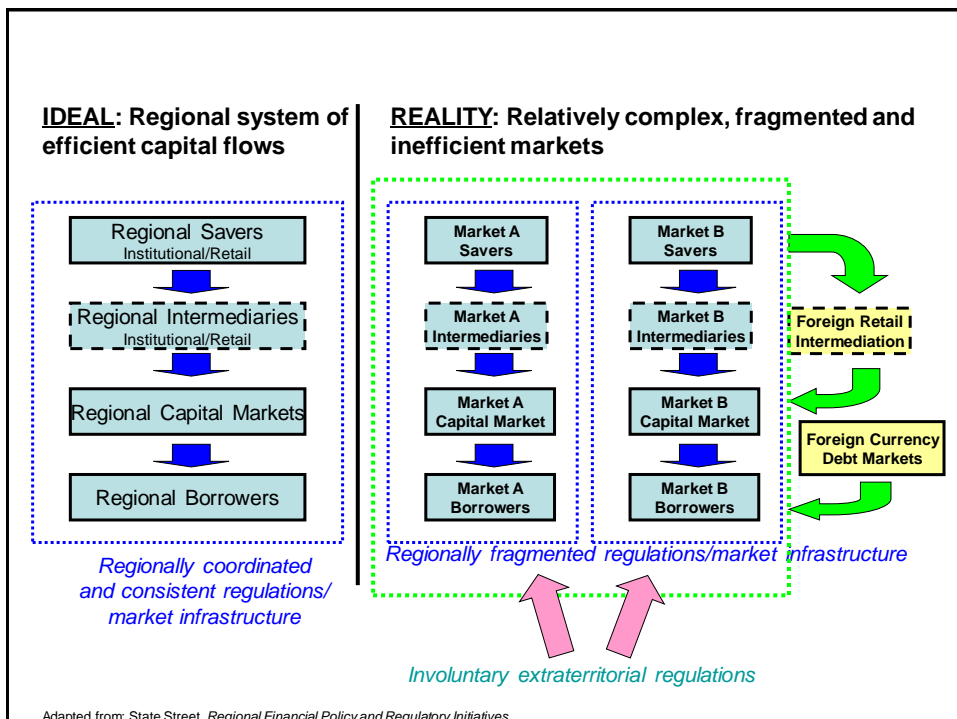
- Co-organized by ABAC and hosted by the Australian Treasury in Sydney, Australia
- Attendance: 98 (public and private sector from APEC, international bodies)
- Symposium Agenda
 - Day 1: Overviews of key issues
 - Day 2: Priority issues, structure and way forward for APFF

Key Messages (1)

- Wide support for APFF concept and objectives
- Financial markets:
 - Must serve real sector and regional (and global) economic objectives
 - Must help address broader development issues (e.g., financial inclusion, infrastructure, SMEs, social safety nets, balanced growth, resilience vs. domestic/external instability, increased trade and investment)

Key Messages (2)

- Current state of Asia-Pacific markets:
 - Varying stages of development
 - Mostly underdeveloped capital markets (especially long-term)
 - Globally integrated, regionally fragmented
 - Drivers of policies/regulations
 - Global regulatory reforms/response to GFC
 - How to reconcile need to address excessive risk taking in US/Europe with need to develop market to sustain growth in Asia
 - Domestic and regional economic structures (demographics, urbanization, rising middle class), technology



Key Messages (3)

- Multiplicity of initiatives:
 - APEC: e.g., ARFP
 - ASEAN: e.g., ACMF
 - ASEAN+3: e.g., ABMI, ABMF, AMBIF
 - EMEAP: e.g., ABF1, ABF2
 - Pacific Alliance
 - SEACEN
 - IFIs/MDBs: ADB, IDB, IFC, WB
 - Global bodies: IOSCO, BCBS, CPSS, IAIS, FSB, UNESCAP, etc.

Key Messages (4)

- Where can APFF add value?
 - Expand and harness private sector engagement
 - Help identify and address crucial gaps and unintended consequences of regulatory changes
 - Help region's authorities take a more active role in shaping global standards
 - Promote collaboration/synergy among public, private and relevant multilateral bodies

APFF Work Program

- Work Program for 2013-2015
- Concrete deliverables and activities
- Doable set of priorities to be selected from among key priorities identified in Sydney

Identified Possible Priorities (1)

- Key measures to develop region's insurers as long-term investors
 - Common approaches to address issues in global regulatory, accounting, other relevant standards that discourage insurers from being long-term players
 - Harmonized interpretation of macro-prudential insurance regulatory requirements, taking into account differences in characteristics, needs and levels of development among jurisdictions and recognizing the specific nature of insurance

Identified Possible Priorities (2)

- **Development of retirement income policies**
 - To respond to needs arising from demographic trends (aging) and to promote accumulation of long-term funds and their investment in government and corporate sectors and long-life infrastructure assets.
 - Covering the range of institutions and structures, both public (e.g., SWFs, official off-budget and on-budget structures) and private (e.g., pension funds, insurance companies, self-funded retirement and investment in bonds and enterprise annuities).
 - Provide advice on development and funding of retirement systems and suitable and practical design, structure and regulation to foster sustainable, stable and trusted institutions, as well as on supporting economic incentives and financial literacy initiatives.

Identified Possible Priorities (3)

- **Addressing key gaps in lending market infrastructure to expand financial inclusion**
 - Facilitating full-file, comprehensive and accessible credit reporting systems
 - Promotes financial access and sound, risk-based credit decisions and encourages responsible credit behavior.
 - Converging approaches to data privacy protection and cross-border data flows that promote regional integration
 - Improving legal frameworks for secured financing
 - Improve ease, predictability and transparency of security interest creation, perfection and netting enforcement
 - Identifying model elements, developing a model code, dialogues with relevant authorities (particularly those with direct responsibility over these issues), capacity building

Identified Possible Priorities (4)

- Facilitating trade finance
 - Regulatory issues (Basel Committee rules)
 - Public-private-IFI/MDB collaboration
- Improvement of market infrastructure to facilitate cross-border investment flows
 - Undertaking focused on helping to develop standards and platforms that can harmonize local market practices, improve domestic and cross-border financial markets interoperability, liquidity and connectivity, and reduce systemic risks

Identified Possible Priorities (5)

- Capital market integrity – key issues:
 - Development of standards for fair, transparent and predictable resolution regimes
 - Benchmarking issuer governance standards for market entry
 - Improving transparency of information for investors through a concrete undertaking to help promote consistency of accounting rules and credit culture

Identified Possible Priorities (6)

- Capital market quality – key issues:
 - Development of classic repo markets and hedging structures for both government and corporate bonds
 - Development of roadmap toward a regional funds passport through harmonization of access requirements to local markets and standardization of platforms.
 - Development of a platform for providing standardized market information to fund managers (e.g., indexes)

Identified Possible Priorities (7)

- Identifying and addressing extraterritorial impact of new regulations in major markets on Asia-Pacific capital market development
 - E.g.: How to address impact on market participants currently relying on major currency hedging transactions due to lack of liquidity and convertibility of many Asian currencies

APFF Structure

- **Initial structure open to review after 2 years:**
 - FMP policy initiative under responsibility of ABAC in collaboration with interested finance ministries and IFIs
 - Open to participation from:
 - Finance ministries and other relevant authorities
 - IFIs, MDBs, SSBs, relevant international bodies
 - Private sector component convened by ABAC
- **Informal, advisory and inclusive**
 - Draw elements from APIP model
- **To be finalized by ABAC in July Kyoto meeting and included in report to AFMM**