

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM  
CAPACITY-BUILDING  
A Public-Private Sector Initiative

Fourth Meeting 2013  
3 October 2013  
10:45 AM – 12:15 PM  
Salon 2 & 3 (Lobby Level), Ayana Resort and Spa  
Bali, Indonesia

Document: AGFSCB 33-061  
Draft: **FIRST**  
Source: AGFSCB Chair  
Date: 2 October 2013  
Meeting: Bali, Indonesia

Meeting Paper 5-B

APFF Work Streams and Work Plans

Office of the Advisory Group Chair

**Purpose:** For consideration.

**Issue:** Presentation on APFF work streams and work plans.

**Background:** A symposium hosted by the Australian Government in Sydney on 10-11 April 2013 endorsed the establishment of the APFF. ABAC developed a proposed work program in collaboration with financial market participants and multilateral, public sector and academic institutions.

**Proposal /Recommendations:** The proposed work program comprises of activities to be undertaken under the following work streams:

- Insurance and retirement income
- Trade finance
- Lending infrastructure
- Financial market infrastructure
- Capital markets
- + Linkages and structural issues

**Decision Points:** Endorse the work program and planned activities.

## APFF: Public-private collaboration in developing financial systems

- Importance of regional public-private collaboration:
  - Legal and regulatory frameworks
  - Financial market infrastructure
  - Financial market integration
- APFF: informal, inclusive and advisory public-private platform for collaboration in the development of common strategies for developing sound, efficient and integrated Asia-Pacific financial markets
  - Governments and regulatory bodies
  - Private sector
  - International organizations (IFIs, SSBs, others)

## Proposed APFF Work Program Initial Phase (2013-2015/16)

### APFF WORK STREAMS:

- Insurance and retirement income
- Trade finance
- Lending infrastructure
- Financial market infrastructure
- Capital Markets
- + *Linkages and structural issues*

## Insurance and Retirement Income

- To help develop policies/regulations to support **long-term business roles** of insurance and pensions and development of **retirement systems**
- Initial Work Plan:
  - Gap analysis: survey on insurance, investment, pensions, accounting, regulations
  - Defining proposed list of deliverables, timeframes, benchmarks, action plans
  - Collaborate with interested authorities
- **Contributors (initial list):** Nippon Life (sherpa), ADB, AIA Group, Australian APEC Study Centre, ASEAN Secretariat, AustralianSuper, Australian Treasury (tbc) Barnert Global, Cathay Life, IAG, International Insurance Society, Jardine Matheson, Manulife, OECD, PIMCO, Prudential Asia, Samsung Life (tbc), OJK Indonesia (tbc), ASIFMA (observer)

# Trade Finance

- Help address issues impacting **availability and cost of international and domestic trade finance** across value chain of enterprises, especially SMEs.
- Focus:
  - International: Deepen understanding of impact of regulatory requirements on TF and treasury management in the region, identify regionally consistent approaches for treatment of TF and development of secondary market in TF assets
  - Domestic: Facilitating use of accounts receivable and inventory through development of collateral management industry and e-platforms to link market participants
- **Contributors (initial list):** Deutsche Bank Singapore (sherpa), ADB, ADFIAP, Bank Negara Indonesia, BTMU, Barclays, GE, HSBC, IFC, Standard Chartered

# Lending Infrastructure

- Sub-stream 1: **Credit Bureau Development:** Help address key obstacles to full file **credit information systems**, and their use in promoting risk based credit decisions and greater financial inclusion for consumers.
- Sub-stream 2: **Secured Lending/SME Financing.** Promote more clear and transparent legal regime for secured lending, including wider definition of **movables and receivables as collateral, and exclusive registration systems to file and perfect security interests.**
- Proposed Deliverables:
  - Stream 1: Catalyze development of credit information sharing systems and data sharing practices;
  - Stream 2: Leverage APEC Model Code to drive improvements of secured lending laws and improve predictability and ease of use of systems; improve access to ABL financing for SMEs.
- Initial Work Plan:
  - Gap analysis, clustering of economies
  - Develop proposals for deliverables, timeframes, benchmarks and action plans
  - Capacity building workshops, development of online resources and resource materials
- **Contributors (initial list):** IFC, Policy and Economic Research Council (USA) (sherpas), Asia-Pacific Credit Coalition, GE Capital

## Financial Market Infrastructure

- Help address obstacles to **cross-border investment flows**, improve **efficiency and price discovery**, reduce **trading costs** in capital markets.
- Issues:
  - Investment market practices, access and repatriation
  - Technical substructure
  - Managing systemic risks arising from greater integration
- Initial Work Plan:
  - Review of existing undertakings
  - Workshop to develop detailed work program with interested economies
  - Develop recommendations for policies, capacity building and implementation
- **Contributors (initial list):** ASIFMA , Deutsche Bank, SWIFT (sherpas), ADB, Association of Global Custodians Asia, BIS, Bloomberg, Chinese Asset Managers Association, Euroclear, ISDA, Thomson Reuters, Visa, HKMA (tbc), IMF, ASEAN Bankers Association (tbc), CLS (tbc), DBS (tbc), CIMB (tbc)

## Capital Markets

- Work on **critical issues complementing ongoing initiatives** aimed at promoting capital market development in the region
- Proposed areas of focus:
  - Development of classic repo markets
  - OTC derivatives markets (bankruptcy laws, netting statutes, promote mutual recognition of regulations, addressing multiple CCPs for clearing OTC derivatives)
  - Transparency
  - Under discussion: promoting mutual recognition
- **Contributors (initial list):** ASIFMA, ISDA, Moodys (sherpas), ADB, Citi, Deutsche Bank, Global Public Policy Committee accounting network, Nippon Life, Nomura, Standard Chartered, State Street, SWIFT,

## Linkages/Structural Issues

- Regular strategic-level discussions to deepen understanding among public and private sector stakeholders of regional financial market development and integration
- Proposed issues for discussion:
  - Macroeconomic developments/policies: impact on financial market connectivity
  - Financial market reforms to promote cross-border investment flows
  - Managing spillover and contagion risks arising from greater connectivity
  - Appropriate level of regulatory harmonization and financial connectivity
  - Dealing with unintended consequences of global standards
  - Linkages between formal and informal sectors
- **Contributors (initial list):** Australian APEC Study Centre (sherpa), ADB Institute, APEC PSU, Auckland U of T, Brookings Institution, Fung Global Institute, Marshall School of USC, Melbourne U, KPMG, UBC, World Bank (tbc), all work stream sherpas

## Structure and Process

- FMP policy initiative
  - Informal, inclusive and advisory
  - ABAC to manage and report regularly to SFOM, FDM and FMM
  - Logistical/funding arrangements similar to existing policy initiatives
- Initial work program
  - Welcome inputs from finance ministries, IOs/IFIs
  - Welcome more interested participants
  - Welcome resources (hosting, sponsorships etc.)