

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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## Third Meeting 2014

8 July 2014

2:00 PM – 3:45 PM

Leonesa Room, Grand Hyatt Seattle  
Seattle, Washington, USA

# Meeting Paper 2-A Report of the Meeting of the Advisory Group of 4 May 2014, Santiago, Chile

Office of the Advisory Group Chair

<i>PURPOSE</i>	For consideration.
<i>ISSUE</i>	N.A.
<i>BACKGROUND</i>	N.A.
<i>PROPOSAL</i>	N.A.
<i>DECISION POINT</i>	Endorse the meeting report

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

## Second Meeting 2014

4 May 2014

1:30 PM – 3:30 PM

Aysén Room, Grand Hyatt Santiago Hotel  
Santiago, Chile

## MEETING REPORT

*Draft as of 16 June 2014*

### Welcome and Introduction

The meeting started at 1:30 pm. Participants included ABAC members and staffers and representatives from the APEC Secretariat, Inter-American Development Bank (IDB), the World Bank (WB), Foundation for Development Cooperation (FDC), Moodys, Nippon Life, Barnert Global and PrimAmerica.

The Advisory Group Chair, Mr. Hiroyuki Suzuki, opened the meeting. Mr. Francisco Garces of ABAC Chile delivered welcome remarks on behalf of the hosts. He highlighted the importance of promoting the Asia-Pacific Financial Forum (APFF) in Latin America to encourage more active participation of Latin American economies in the Asia-Pacific integration process, especially Chilean financial institutions that are now operating in Asian markets.

In his opening remarks, the Advisory Group Chair gave an overview of the agenda items for discussion. He acknowledged the presence of Dr. Alan Bollard of the APEC Secretariat, Ms. Olga Sulla and Mr. Solomon Stavis of WB, Ms. Carolina Carrasco of IDB, Mr. Stephen Taylor of FDC, Mr. Makoto Okubo of Nippon Life, Ms. Farisa Zarin of Moodys, Ms. Beth Smits of SWIFT, Mr. Douglas Barnert of Barnert Global and Mr. Augusto Iglesias of PrimAmerica.

### Confirmation of New Advisory Group Co-Chairs

The Chair informed the Advisory Group that the previous Chair, Mr. Mark Johnson, had discussed with the ABAC Chair the nomination of several members to act as Co-Chairs of the Advisory Group. With the approval of the ABAC Chair, the following have been invited and have accepted to take on this responsibility: Dr. Twatchai Yongkittikul from Thailand, Madame Lili Wang from China, Tan Sri Azman Hashim from Malaysia and Mr. Wayne Boyd from New Zealand.

*The Advisory Group gave their vote of approval for the new line-up of Co-Chairs.*

### Review of the First 2014 Advisory Group Meeting in Auckland

The Advisory Group Coordinator, Dr. J.C. Parreñas, presented the draft Report of the Advisory Group Meeting of 11 February held in Auckland, New Zealand.

*The Advisory Group approved the Meeting Report.*

## Asia Pacific Financial Forum

The Chair reported that since the APFF was launched by the Finance Ministers in Bali, many more institutions have joined, and several activities have been organized. These include a workshop hosted by PBOC in Shanghai, active participation of APFF in a seminar hosted by the Ministry of Finance of China in Shenzhen, and several meetings organized by work streams. He also reported on the meeting held the previous morning to discuss the progress of preparations for the Report to Finance Ministers.

The Coordinator updated participants on the APFF work program and activities. He referred to the paper on APFF, which will be further revised as different work streams define their focus with greater clarity in coming weeks. He also reported the following:

- The work streams have been doing a lot of work during the past three months, and the issues to be included in the draft interim report of the APFF are already quite clear and enjoy wide consensus among private and public sector participants. Their work from now on until the Seattle meeting will be focused on developing specific action plans that will form the major portion of the report.
- The timeline involves a June 6 deadline for work streams to submit their inputs to the report, which will be integrated into a first draft. The work stream sherpas will meet in Hong Kong on June 23 to refine the draft, and the second draft will be circulated in advance and discussed in Seattle, where the APFF participants will finalize the report for approval by ABAC and annexed to the ABAC report to finance ministers.
- Three APFF activities have been lined up. The first is the APFF luncheon symposium that will be hosted on 5 May by ABAC Chile. The purpose of this symposium is to introduce the APFF to a wider Latin American audience starting with financial authorities and financial sector leaders in Chile. This will focus on providing a brief overview of APFF, the process of financial development and integration in Asia, and work related to regulations and standards and the benefits of collaboration between Latin America and Asia.
- The second activity is the APFF symposium in Seattle, which will be a whole day event on July 7. This will take place before the ABAC meeting, and its main purpose is to expose the draft interim report to wider discussion, including APFF participants, to help finalize the report.
- The third activity is a symposium to be held immediately after the Finance Ministers meeting in Beijing, involving interested ministers as well as relevant regulators and officials who can be partners in advancing the action plans. This is currently envisioned to be a two-day event, with the first day dealing with how to move forward on the action plans, and the second day focusing on issues specific to China's financial system.
- A number of meetings of deputy finance ministers and senior finance officials have been scheduled through the months preceding the ministerial. As APFF, together with APIP and the Financial Inclusion Forum, has already been given the status of official policy initiative under the FMP, its progress is to be reported in these meetings.
- The seminar on improving financial services for the real economy held in April in Shenzhen provided an opportunity for the trade and supply chain finance, lending infrastructure, and insurance work streams to deliver key messages to finance officials. The insurance work stream will participate in the seminar on disaster risk financing in Jogjakarta, and the seminar on long-term financing of infrastructure in Dalian that will take place on 26-27 June.

Mr. Okubo of Nippon Life reported on the work of the Insurance and Retirement Income Work Stream, which aims to promote policies and regulations supporting insurers' and pension funds'

long-term business roles and provide advice on the development and funding of retirement systems. Its work will focus on the following areas:

- Regulation and accounting. The work stream will seek to identify regulatory and accounting issues that constrain insurers and pension funds from effectively providing long-term funding, supporting financial stability and economic and infrastructure development and serving the needs of aging societies. To address these issues, it will develop high-level principles on global standards and regulatory, accounting and solvency regimes to promote long-term business.
- Long-term investments and capital markets. The work stream will identify ways to address capital market and operational issues that affect the ability of insurers to make long-term investments in the region, in coordination with related work being undertaken in other APFF work streams.
- Longevity solutions. The work stream will seek to develop high-level principles to address demand- and supply-side issues in the development of lifetime retirement income solutions. The main challenge on the demand side is ensuring sufficient retirement funding or cross-generational support for retiring individuals given the persistent bias of most consumers in the region against investment products like annuities that provide benefits later in return for payments. On the supply side, the main issue is insurance companies' manufacturing flexibility (the ability to manufacture lifetime income solutions, which depends on being able to invest in assets that can match the long term liability of longevity products).

Ms. Zarin of Moody's updated participants on the work of the sub-stream focusing on improving the availability of information for investors so that they can invest with confidence in the region's capital markets. This sub-stream aims to develop a set of tools that will help policy makers assess their economy's disclosure regime and gather views from the private sector in order to update their information disclosure regimes in a more targeted manner. In this respect, the group intends to examine and identify the strengths and areas for improvement of information for investors in Asian debt markets. Next, it will develop recommendations from market participants, investors and credit rating agencies to help improve the functioning of primary and secondary markets. Work will be developed along three sub-themes: accounting and disclosure, data on size and breadth of bond market activity, including post-trade transparency and information on investor rights in the circumstances of recovery. This will be coordinated with existing initiatives.

Ms. Zarin added that the specifics of the work will entail undertaking a gap analysis to: i) identify key information required by market participants, investors and analysts but that may not currently be available; ii) differentiate information that is currently required to be published but is of less relevance to market participants; and, finally iii) develop self-assessment scorecards for each of the three subtopics so that economies may assess themselves on availability of information. Ultimately, the group hopes to foster a constructive and cooperative dialogue between the private and public sector to develop and propose action plans that instill greater investor confidence.

Ms. Smits of SWIFT reported on the progress of the Financial Market Infrastructure, Capital Markets and Trade and Supply Chain Finance work streams.

- Financial Market Infrastructure and Cross-Border Practices Work Stream: This work stream aims to promote the development of corridors between those who need capital and those who provide and deploy capital across borders in the region. It seeks to help address key

obstacles to cross-border investment flows arising from underdeveloped financial market infrastructure; improve efficiency, price discovery and risk management; reduce trading costs; and promote scale and access in bond and equity markets. The focus will be on promoting cross-border investment flows with collateral, standards and platforms that can selectively harmonize market access and repatriation practices, improve the inter-operability, liquidity and connectivity of domestic and cross-border financial markets, and reduce systemic risks. The work stream organizes its work around two major issues:

- Cross-border portfolio flow practices. This sub-stream will aim to provide an industry view of cross-border market access, investment and repatriation practices that can inhibit greater intra-regional portfolio flows. While these practices have evolved within individual economies through time, the trend and APEC's efforts towards greater regional interconnectivity require the development of a regional view on how to optimize the ease and efficiency of intra-regional portfolio flows, which will improve liquidity and depth of capital markets in the region and foster greater investor participation in these markets.
  - Technical substructure. This sub-stream will aim to provide a benchmark or reference model for technical substructure requirements for market participants and central securities depositories in the region. Elements to be considered include among others communications networks, messaging, technical standards and database languages and applications.
  - These two sub-streams will, in addition, aim to identify potential systemic risks arising from greater regional financial market integration, such as those associated with interdependence, and develop recommendations on risk mitigation mechanisms and related crisis management and coordination tools.
- Capital markets. This work stream seeks to complement ongoing initiatives aimed at promoting capital market development in the region. In addition to the work on investor information discussed previously by Ms. Zarin, the work stream is also undertaking work on the following issues:
    - Development of classic repo markets. Well functioning classic bond repurchase (repo) markets are critical to the development of the region's capital markets. The pledge repo systems commonly used in many Asian markets do not allow critical activities that classic repo systems enable. The proposed work plan envisages the undertaking of a gap analysis of the current market environment vis-à-vis international best practices for repo market functionality, development of a proposed action plan, and collaboration with interested economies to pilot the classic repo roadmap through workshops for stakeholders and relevant experts.
    - Effectiveness and connectivity of OTC derivatives clearing houses. This sub-stream aims to help policy makers and regulators identify and address key issues that affect the effectiveness and connectivity of OTC derivatives clearing houses in the region. Examples are issues related to the legal infrastructure and the emergence of multiple central counterparties for clearing OTC derivatives contracts with varying regimes for protecting against insolvency of clearing members, documentation requirements and time frames for mandatory clearing. The work plan being considered focuses on (a) identifying needed improvements to bankruptcy laws or introduction of netting statutes to facilitate close-out netting; (b) promoting legal reforms and supporting measures to develop enforceable legal protection of collateral rights takers; and (c) promoting mutual recognition of clearing systems using accreditation by a third-party college of regulators based on CPSS-IOSCO standards.
    - Promoting regulatory mutual recognition. While significant progress has been achieved in some areas of regional financial integration in recent years, the lack of appetite for

mutual recognition has remained a key obstacle to cross-border financial market integration, especially among the region's emerging markets. This sub-stream aims to provide a forum for key stakeholders (regulators, policy makers and financial industry firms) to discuss practical ways to accelerate mutual recognition in the region and thus improve cross-border investment flows, drawing from principles contained in the Global Financial Markets Association's Regulatory Recognition Approach. It will identify specific projects such as the Asia Regional Funds Passport initiative, where the APFF can provide a supplementary platform consolidating views of market participants into a collective voice to help accelerate progress toward regulatory mutual recognition.

- Trade and supply chain finance. This work stream aims to address key issues impacting availability and costs of international and domestic trade finance across the whole value chain of enterprises in the region, particularly SMEs. It will take into account the continuing evolution of trade and supply chain finance in the context of a region forging new trade agreements with extensive use of diverse currencies and foreign exchange and treasury management amidst the unfolding global macroeconomic environment, as well as technological factors that are now driving the development of trade finance products and the entry of new players into the market. Its work is divided into two major themes:
  - Availability of finance to support cross-border trade and supply chains (financial supply chains). This revolves around the impact of new financial regulations on cross-border transactions that can temper risk and credit appetite; the challenges faced by the collateral management industry, warehouse financing, structured trade finance and emergent modes of trade finance arising from the great diversity of industry and legal practices across economies and the lack of common standards and definitions; the opportunities presented by the emergence of new trade finance instruments in response to technological evolution such as bank payment obligations (BPOs) and the increasing use of the Chinese renminbi, which has recently overtaken the euro as the world's second most used trade finance settlement currency; and the development of the secondary market for trade finance assets.
  - Development of a modern collateral management industry and electronic supply chain finance platforms for MSMEs. Collateral management is a key element of the infrastructure facilitating the use of movable assets such as accounts receivable and inventory flowing within domestic value chains and promoting their linkages to global value chains, and is thus particularly important for warehouse and trade finance, SMEs and sectors such as agribusiness. A related issue is how to expand use of electronic platforms for trade and supply chain finance which will facilitate SMEs' access to finance, reduction of transaction costs and wider business opportunities for lending institutions. This work stream seeks to address the challenges facing the development of the collateral management industry and the growth of e-platforms. This undertaking will be coordinated with related work on secured transactions under the Lending Infrastructure Work Stream.

Mr. Waller of AASC updated participants on the work of APFF on linkages and structural issues. He reported that this group will conduct regular strategic-level discussions to deepen understanding among public sector institutions, business, standard setting bodies, multilateral organizations, academia and other relevant stakeholders of significant policy and regulatory issues and their impact on financial markets. Among issues being discussed are the following:

- likely impact of global and regional macroeconomic developments and macroeconomic policies on financial market connectivity, structures and linkages in the region;

- financial market reforms that are needed to encourage greater intra-regional cross-border direct and portfolio investment flows;
- spillover and contagion risks associated with greater intra-regional financial market connectivity and how they can be mitigated and managed;
- appropriate level of regulatory harmonization and financial market connectivity that can be achieved, given regional institutional frameworks and political economy considerations;
- how unintended consequences of international regulatory standards can be limited and these standards calibrated to meet the needs of regional economic development and growth; and
- whether important and complex linkages between formal and informal financial sectors exist, how they can be better understood, and their implications on policy and regulatory issues relating to financial market development and systemic and spill-over risks.

Mr. Waller also referred to work on the internationalization of the RMB and a recent report by the Centre for International Finance and Regulation in Sydney which noted that if the RMB becomes a second reserve currency, it is likely to have a stabilizing rather than a destabilizing impact on the international monetary system. He referred to recent discussions he had held with the Australian Treasury on the Asia Region Funds Passport proposal at which the Treasury urged buy –in to promote the concept by economies in the region. He also asked, on behalf of the Treasury that economies give consideration to providing advice in response to a consultative document that is being circulated, on the following matters: what did industry regarded as deal breakers (key impediments to the ARFP scheme); what are key gaps – say in comparison to UCITs, and could industry provide any further details on the potential benefits of ARFP.

Mr. Iglesias of PrimAmerica reported on the significant impact of pension reform on the development of bond markets and financing of infrastructure in Chile and commented that these reform efforts are being undertaken in several Latin American economies, including Mexico, Peru and Colombia, in addition to Chile.

Ms. Carrasco of IDB reported on the work that is being undertaken by IDB to develop financial markets in Latin America. Ms. Sulla of WB updated participants on the work of the World Bank, particularly on East Asian financial integration.

The Chair encouraged participants from ABAC and other Advisory Group collaborating institutions to be more actively involved in seminars and other activities of APFF as well as those of the APEC FMP.

*The Advisory Group noted the progress of APFF's development and endorsed the way forward as proposed by the Coordinator and the APFF sherpas.*

### **Asia-Pacific Infrastructure Partnership**

In his introductory remarks, the Chair noted that the APIP has convened several dialogues with member economies and participated actively in the work of the APEC Finance Ministers, and that the Ministers launched in 2013 a regional mechanism to help governments develop more bankable projects. This year, the Ministers are initiating discussions on financing mechanisms to increase investments in infrastructure, especially from long-term investors. The Chinese Ministry of Finance is organizing two seminars to provide guidance to Ministers on the way forward, and has asked APIP and ABAC to be actively involved in this process.

The Coordinator reported on the updated terms of reference of the APEC PPP Experts Advisory Panel set by APEC Senior Finance Officials. The key features are as follows:

- The main short-term objective of the Panel is to provide guidance and support to the APEC Pilot PPP Centre in the Indonesian Ministry of Finance, including through mentoring key staff and providing strategic advice.
- Major long-term objectives of the Panel are to coordinate the establishment of, and provide assistance and strategic advice to, other PPP Centres in APEC economies – while understanding that economies will tailor their own Centres to reflect different institutional arrangements; and to support the emergence of an APEC-wide market for infrastructure investment by linking together the participating PPP Centres and investors into a regional network to share good practices and investment opportunities, build capacity, and help align standards as appropriate.
- The broad role of the Panel is to assist the participating PPP Centres, on a voluntary basis, drawing on the rich and established resources of experienced APEC economies and participating multilateral development banks. The Panel will support good practices suitable for the participating PPP Centres. It will also provide advice on technical assistance necessary for the participating PPP Centres.
- The Panel will initially focus on its establishment; support to the Pilot PPP Centre in the Indonesian Ministry of Finance; and dissemination activities on good PPP practices including private finance initiatives. It will consider its support to additional participating PPP Centres as appropriate.

The Coordinator also reminded participants of the two upcoming seminars organized by the APEC FMP – the Seminar on the Public Sector’s Role in PPP Modality to be held in Fuzhou on 21-22 May and the Seminar on Long-Term and Stable Financing for Infrastructure Development to be held in Dalian on 26-27 June. Ms. Carrasco of IDB briefed the Advisory Group on the work of the IDB in promoting infrastructure PPP in Latin American economies.

The Chair encouraged participants who are available to join the infrastructure seminars.

*The Advisory Group endorsed the continued engagement of APIP in APEC activities related to infrastructure.*

## **Financial Inclusion**

The Coordinator introduced the subject by mentioning that the Financial Inclusion Forum was the first Advisory Group initiative that was incorporated as an official project under the Finance Ministers in 2010, and was followed by the holding of three forums - 2011 in Tokyo, 2012 in Shanghai and 2013 in Batam Island.

The 2014 Forum was hosted by the Asia-Pacific Finance and Development Center (AFDC) and co-organized with the ADB Institute FDC and China Ministry of Finance, with sponsorship support from the Citi Foundation. The Forum brought together participants from the public and private sectors, including financial regulators and policy makers, multilateral institutions, financial institutions and related market players, microfinance institutions, financial inclusion experts, industry organizations and private foundations.

Mr. Taylor of FDC reported on the outcomes of the Forum, which provided an opportunity for stakeholders to review the current trends, recent achievements, ongoing challenges and opportunities within the region relative to financial inclusion and discuss how these developments are impacting different markets. Through this review process the Forum organizers identified a number of key priorities for future initiatives of the Advisory Group on APEC Financial System Capacity Building to further support financial inclusion.



The program comprised seven sessions, based on specific experiences of six economies, and the seventh addressed regional developments and key initiatives. The report follows the Forum program, providing a summary of key points for each economy and regional developments identified by participants. Following are the conclusions:

- The region has made a great deal of progress towards financial inclusion and this is most likely due to the significant attention the issue has received from major global initiatives including APEC and G20. Financial inclusion now receives considerable political support and also benefits from private sector involvement, not just in terms of corporate social responsibility (CSR) initiatives, but also in terms of actual commercial activity. A number of international platforms for collaboration have been established to bring together the various stakeholders that are active in this field, including institutions such as CGAP and IFC that have been involved from the very beginning.
- In general, awareness amongst key stakeholders of the importance of financial inclusion appears quite high. This level of awareness is particularly evident in the most important elements of the enabling environment such as proportionate regulation, financial identity and data, financial literacy, consumer protection, the role of state financial institutions and the use of new technology and modes of delivering financial services. Many of these elements can be found in current financial inclusion strategies that have been adopted by various economies.
- The approaches being taken by regulators and governments have improved significantly in recent years and important regulatory reforms have been established in many economies. While these developments represent positive progress, more needs to be done to address difficult and complex issues such as developing market infrastructure, including infrastructure related to credit information, collateral management and payments. In many cases in order to sufficiently address these issues new legislation is required. There are also challenges related to achieving greater progress in terms of clients. Not only is greater innovation needed to expand outreach to rural areas and the poorest segments, but the range and quality of services being made available to them is equally as important. Specifically, more needs to be done to support the provision of products such as savings, insurance and pensions to the underserved. There also remains much to do in financial education, and in some markets, promoting the adoption of new technologies to reduce costs and ensure sustainability.
- These challenges underscore the importance of capacity building and collaboration, especially in view of the limited resources available to policy makers and regulators in developing economies. Regional public-private sector collaboration and greater coordination of efforts offer opportunities to increase the effectiveness and efficiency of capacity building. Within APEC, for example, the Finance Ministers have launched the Asia Pacific Financial Forum where private sector firms and industry associations, international agencies, standard setters and ministries and agencies collaborate to help interested governments introduce, implement and enforce reforms in the legal and institutional architecture. That is one example and a greater number of similar targeted activities are needed to achieve tangible deliverables within a realistic time frame in the future. The Asia Pacific Forum on Financial Inclusion has identified a number of areas where this kind of attention will need to be focused and which have been outlined in this report.
- The Asia Pacific Forum on Financial Inclusion is an important part of the regional efforts for financial inclusion, particularly for its role in bringing key stakeholders in financial inclusion together and facilitating an annual dialogue to support increased awareness, the identification of needed measures and the means to expand and deepen the financial inclusion network in the region.

Mr. Taylor outlined a proposed work plan for the Advisory Group's Financial Inclusion Agenda for the 2015 and 2016 calendar years. The series of activities proposed aim to continue and reinforce the success of previous Advisory Group activities, as well as introduce new initiatives to further engage ABAC stakeholders in increasing financial inclusion. The work plan will also form a basis for FDC together with AASC to seek continuation of and new funding for the program from interested sponsors.

Following are the elements of the work plan:

- *Catalogue of Policy Recommendations for Regulators (Year 1)*. It is proposed that all past Forums' reports be reviewed and a concise catalogue of policy recommendations be compiled. Such a catalogue would be a useful tool for policy makers and regulators and act as a stand-alone resource for them on financial inclusion related issues. After the distribution of this catalogue of policy recommendations, policy makers and regulators would be asked to participate in a survey to determine which of the recommendations they have implemented. This assessment will help the Advisory Group understand progress and impact and highlight where gaps remain and what issues should be prioritized for future initiatives.
- *Facilitation and Implementation of the 2015 and 2016 Asia-Pacific Forum on Financial Inclusion (Year 1 and 2)*. The location of the annual Forum has traditionally been with the economy hosting APEC for that year. Following this tradition it is expected that the 2015 Forum will be held in the Philippines and the 2016 Forum will be held in Peru. The date and specific locations of each Forum are yet to be determined.
- *Publication of the 2015 and 2016 Asia-Pacific Forum on Financial Inclusion Report (Year 1 and 2)*. Full summary reports of the 2015 and 2016 Forums will be produced with hard copies sent to approximately 1,000 APEC stakeholders including government officials, regulators, policy makers, academics and practitioners. This report will also be available more widely in a digital format and be circulated to FDC's networks comprising of over 8,000 stakeholders. Each report will also be presented at the annual APEC Finance Ministers meeting.
- *2015 and 2016 Asia-Pacific Forum on Financial Inclusion and Post-Forum Report Evaluations (Year 1 and 2)*. This evaluation will be implemented in two stages: (a) onsite evaluation at conclusion of the Forum, which will consist of surveys to be filled in by each participant; and (b) post-event impact assessment, which will take place within 4-5 months of the Forum, involving a sample of participants who will be asked to provide further feedback with specific emphasis on providing examples of outcomes from their experience at the event.
- *A Framework to Assess the Financial Inclusion Policy and Regulatory Environment (Year 1)*. Enhancing policy and regulatory frameworks, and their effectiveness, requires a methodology for assessing change and developing responses in a rapidly evolving environment. The detailing and pilot testing of an Assessment Framework methodology is proposed. A high-level model developed by AASC, will provide a structure that will allow an objective assessment of regulation, supervision, the range and quality of services provided and whether they meet consumer needs. In addition, the Assessment Framework will provide insight into how appropriate regulation may be framed or enhanced over time.
- *Supervisory Capacity Building Training for Financial Inclusion in Banking (Year 1 and 2)*. Associated with the Assessment Framework, a training program is also proposed to enhance and reinforce the capacities of policy and regulatory agencies in promoting prudentially sound approaches to broaden and deepen financial inclusion. The structure of this training program will be adaptable for entry level regulators, senior policy makers and regulators and industry participants. Participants will examine current practices and issues as they affect the regulation and supervision of financially inclusive products and services with a focus on microfinance products. This will be done with an awareness of international best practices.

A pilot workshop will be conducted in year 1, with intention of finalizing the training structure and materials for a broader roll-out in year 2.

As is currently the practice, the Advisory Group is proposed to approve and oversee the Work Plan. FDC, as the Financial Inclusion Program Secretariat, will coordinate it. Individual activities will be delivered by specialist organizations, such as The APEC Study Centre in the case of the Framework to Assess the Financial Inclusion Policy and Regulatory Environment, and Supervisory Capacity Building Training for Financial Inclusion in Banking.

Ms. Carrasco from IDB also updated participants on the financial inclusion issues in Latin American economies and the initiatives being undertaken by IDB. In the discussions that followed, participants agreed with the view that micro-insurance is an important component of financial inclusion and that the capacity of regulators to adopt sound rules that will enable its development is a key issue that APEC could help address.

*The Advisory Group noted the summary of key outcomes of the 2014 Asia-Pacific Financial Inclusion Forum and endorsed the proposed work plan for 2015-2016.*

### **Internationally Recognized and Accepted Valuation Standards**

The Coordinator referred to the decision of the Advisory Group in Auckland to include in its work program the development of a strategy to secure acceptance and recognition of international valuation standards as developed by IVSC by regional and domestic regulatory authorities in APEC. It was agreed in Auckland that a task force be established and undertake a gap analysis and where there is a need to reinforce valuation infrastructure, as a first step.

On behalf of Mr. Nicholas Brooke of IVSC, Mr. David Dodwell of ABAC Hong Kong presented a paper from IVSC updating participants on the progress of this work. Highlights are as follows:

- The Task Force would bring together interested parties from member economies as well as experts from IVSC, key regulatory authorities and relevant domestic valuation institutions and organizations within APEC.
- Initial work of the Task Force would explore the valuation landscape within APEC and undertake a gap analysis to identify where the strengths and weaknesses lie and where there is a need to reinforce the valuation infrastructure. Themes would be developed around public interest, unifying the profession and the need for policy reform and the suggested outcomes, namely a series of protocols, to be considered by a future workshop. Recommendations would be submitted to the Advisory Group and ABAC for endorsement.
- Steps have been taken by IVSC to invite relevant parties within various economies associated with valuation services, particularly domestic valuation associations and institutions that set and monitor valuations standards within their jurisdictions to a workshop in Hong Kong on 8 May. This workshop will explore the valuation landscape, undertake the gap analysis and provide the platform for dialogue with regulatory bodies, government departments, lenders, investors and other users of valuation.
- The outcome of the workshop will be reported to the Advisory Group at the next meeting, including actions needed to be taken to secure acceptance and recognition of international valuation standards within APEC and on the future program of the Task Force to identify the policy reforms and protocols that would form the basis of a future ABAC recommendation on adoption of these standards.

The discussions focused on ensuring that the recommendations proceeding from this work stream are coordinated with related discussions in APFF, such as for example the discussions on the use of fair value.

*The Advisory Group agreed on the way forward as suggested in the IVSC paper.*

### **Other matters**

The Chair informed the Advisory Group that the Coordinator will be available to attend the Senior Finance Officials' Meeting in Fuzhou on May 20-21 and requested participants to endorse the Coordinator's attendance to update finance officials on APFF, APIP and other matters.

*The Advisory Group endorsed the Coordinator's participation in the meeting.*

### **Chair's Closing Remarks**

In closing, the Chair remarked that the meeting has been very fruitful and expressed his thanks to everyone for their participation, especially those from Asia who traveled far to join the meeting. He noted the significant progress in the work of the Advisory Group and encouraged all participants to do their best to produce an excellent report to Finance Ministers. He observed that the APFF report is shaping up and encouraged the sherpas to finish their drafts by early June and to attend the meeting in Hong Kong on June 23 to finalize the report in preparation for the APFF Symposium in Seattle on July 7. The Chair also noted that APIP is very much involved in the two seminars in Fuzhou and Dalian, and encouraged strong private sector participation in these events, to provide good inputs to the Finance Ministers. He observed that the 2014 Financial Inclusion Forum was a big success, and expressed his expectations for an excellent report that will be published and disseminated to ministers, regulators and officials.

The Chair also requested the strong support of the Co-Chairs, the Coordinator, the sherpas, FDC and other collaborators from the APEC Secretariat, World Bank, IFC, Inter-American Development Bank and ADB, to make this year another successful year for the Advisory Group.

Finally, the Chair expressed his thanks to ABAC Chile for the wonderful hospitality, and to all the participants for joining the meeting.

### **Adjournment**

There being no other matters to discuss, the Chair declared the meeting adjourned at 3:15 pm.