

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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10:00am – 11:45am

Meeting Room S426-427, Hong Kong Convention and Exhibition Centre
Hong Kong Special Administrative Region, People's Republic of China

Meeting Paper 2-A Report of the Meeting of the Advisory Group on 5 November 2014, Beijing, China

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

Fourth Meeting 2014

5 November 2014

1:30 PM – 3:30 PM

Waldorf Ballroom, 2nd Floor, Waldorf Astoria Beijing
Beijing, People's Republic of China

MEETING REPORT

Draft as of 18 December 2014

Welcome and Introduction

The meeting started at 1:30 pm. Participants included ABAC members and staffers and representatives from the APEC Secretariat, APEC Policy Support Unit (PSU), International Finance Corporation (IFC), Pacific Economic Cooperation Council (PECC), International Valuation Standards Council (IVSC), Barnert Global, Nippon Life Insurance, MetLife, GE Capital, Moodys, Goldman Sachs and Foundation for Development Cooperation (FDC).

The Advisory Group Chair, Mr. Hiroyuki Suzuki, presided over the meeting. In his opening remarks, the Advisory Group Chair gave an overview of the agenda items for discussion. He acknowledged the presence of Mr. Denis Hew of the APEC Policy Support Unit, Mr. Alvaro Castro Espinosa of the APEC Secretariat, Mr. Eduardo Pedrosa of PECC, Mr. Jinchang Lai of IFC, Ms. April Mackenzie and Mr. Nicholas Brooke of IVSC, Mr. Douglas Barnert of Barnert Global, Mr. Makoto Okubo of Nippon Life, Ambassador Charles Lawrence Greenwood of MetLife, Mr. Thomas Clark of GE Capital, Mr. Min Ye, Ms. Eleni Himaras and Mr. Donough Foley of Moodys, Ms. Christina Ellerker of Goldman Sachs and Mr. Shawn Hunter of FDC.

Review of the Third 2014 Advisory Group Meeting in Seattle

The Advisory Group Coordinator, Dr. J.C. Parreñas, presented the draft Report of the Advisory Group Meeting of 8 July 2014 held in Seattle, USA.

The Advisory Group approved the Meeting Report.

Review of 2014 Advisory Group Activities and Initiatives

Reference was made to the paper circulated by the Office of the Advisory Group Chair, which summarized the activities and achievements of the Advisory Group in 2014. Among the achievements, the Coordinator highlighted the following:

- The APFF Workshop on Improving the Architecture for Credit Market Development in the APEC region (hosted by People's Bank of China and in collaboration with IFC) was held in Shanghai on 21-22 March 2014.
- The APFF Seattle Symposium (hosted by NCAPEC) was held on 7 July 2014.

- The Asia-Pacific Financial Cooperation Seminar (hosted by Korea Ministry of Finance and Korea Capital Market Institute) was held in Seoul, Korea on 29 August 2014.
- The APFF Beijing Symposium (supported by the Chinese Ministry of Finance, CCPIT and APEC China Business Council) was held on 23 October 2014.
- The APFF Interim Report was completed and submitted to APEC Finance Ministers
- APEC Finance Ministers endorsed the APFF report and encouraged relevant authorities to collaborate with APFF (22 October, Beijing)
- APFF work streams participated in APEC Finance Ministers Process seminars in Shenzhen (April), Fuzhou (May) and Dalian (July).
- APIP panel members and collaborating institutions participated actively in the APEC Finance Ministers Process seminars in Fuzhou (May) and Dalian (July) and the meetings of the APEC PPP Experts' Advisory Panel in Boao (February), Fuzhou (May) and Dalian (July).
- APIP completed a consolidated report of its previous dialogues.
- Many items in the APIP's consolidated report were incorporated into the Finance Ministers' Implementation Roadmap to Develop Successful PPP Projects in the APEC Region (Annex A of the JMS).
- The Asia-Pacific Financial Inclusion Forum was held on 19-20 March in Shanghai, China, jointly with ADBI, FDC and the Asia-Pacific Finance and Development Center (AFDC) under the Chinese Ministry of Finance and sponsored by Citi Foundation.
- The forum report was completed, published, disseminated and reported to the APEC Deputy Finance Ministers on 21 October.
- APEC Finance Ministers welcomed the Financial Inclusion Forum Report in their JMS.
- ABAC and IFC completed and published the APEC Framework for Innovative Financing Mechanisms
- APEC Finance Ministers welcomed ABAC's proposal on innovative financing mechanisms
- The Advisory Group developed and submitted its recommendation to Finance Ministers
- APEC Finance Ministers welcomed ABAC's proposal on sound valuation practices.

The Coordinator noted in summary that 2014 has been the most successful year so far for the Advisory Group.

The Advisory Group noted the report on the successful outcomes of its work in 2014.

Outlook for Ongoing Initiatives: Asia-Pacific Financial Forum (APFF)

The Coordinator updated participants on the APFF. He described the results of the APFF Caucus meeting, which agreed to advance action plans in the following areas: (1) a pathfinder initiative to develop credit information sharing systems; (2) a pathfinder initiative to improve the legal and institutional architecture for security interest creation, perfection and enforcement and related workshops; (3) dialogues on regulatory issues in trade and supply chain finance; (4) workshops on emerging facilitators of trade and supply chain finance; (5) a pathfinder initiative to develop classic repo markets; (6) workshops to develop strategies to improve legal and documentation infrastructure for the development of OTC derivatives markets; (7) self-assessment templates on information for capital market investors: development and workshop series; (8) ARFP Support Initiative; (9) workshop series to develop an enabling Asia-Pacific securities investment ecosystem; (10) dialogue series on regulation and accounting issues impacting the long-term business of the insurance industry in Asia-Pacific economies and longevity solutions; (11) collaboration with APEC Finance Ministers' Process in promoting long-term investment, including infrastructure; and (12) conference and workshop series on linkages and structural issues.

The Coordinator also briefed participants on the preparations for the APFF Roundtable on Financial Regulations, which will discuss the changing global regulatory landscape and its impact on financial markets and services. This roundtable, which involves market participants, policy makers, regulators and experts from key global and regional institutions engaged in the shaping of financial regulatory standards and practices and capacity building of institutions that implement them, is designed to provide this opportunity. It seeks to generate an overview of the most important global regulatory initiatives and regulations being adopted in major financial centers, including the timelines for their implementation and their combined impact across Asia-Pacific financial markets and services.

Finally, the Coordinator briefed participants on the proposed communications strategy for the APFF. Participants agreed to develop the strategy over the following months.

Mr. Makoto Okubo updated participants on various outreach activities of the APFF Insurance and Retirement Income Work Stream.

The Advisory Group endorsed the way forward and the concept and agenda for the Hong Kong APFF Roundtable on Financial Regulations.

Outlook for Ongoing Initiatives: Asia-Pacific Infrastructure Partnership (APIP)

The Coordinator updated participants on the progress of APIP. He reported that in 2014, the APIP actively collaborated with APEC in developing the Implementation Roadmap to Develop Successful Infrastructure PPP Projects in the APEC Region. Many of these ideas, which are contained in the 2014 Advisory Group report section on infrastructure, were adopted and reflected in the Implementation Roadmap that was annexed to the Joint Ministerial Statement of the APEC Finance Ministers in Beijing.

He also noted that the APIP has actively collaborated and participated in a number of events organized by APEC economies to discuss infrastructure issues, including the following:

- 17 February 2014, Boao, People's Republic of China: Meeting of the APEC PPP Experts Advisory Panel
- 21-22 May 2014, Fuzhou, People's Republic of China: APEC Seminar on the Public Sector Role in PPP Modality
- 26-27 June 2014, Dalian, People's Republic of China: APEC Seminar on Long-Term Stable Financing for Infrastructure Development and Meeting of the APEC PPP Experts Advisory Panel

He also reported that a third dialogue with the Government of Indonesia has been scheduled to take place on 24 November 2014 in Jakarta.

Outlook for Ongoing Initiatives: Improving Valuation Practices in APEC

Mr. Brooke of IVSC referred to the previous discussions on this matter at the meeting of the Advisory Group in Seattle and summarized the key points discussed at that meeting. He highlighted that it was agreed to recommend that APEC Finance Ministers encourage the public sector to collaborate with ABAC, the International Valuation Standards Council, valuation professional organizations (VPOs), experts from the industry and other relevant bodies to promote high quality valuation practices and professionals across member economies through

region-wide convergence toward robust global valuation standards and the development of sustainable VPOs as caretakers of professional standards, education and knowledge depositories. He noted that the APEC Finance Ministers welcomed ABAC's proposal on building sound valuation practices in their Beijing statement.

Mr. Brooke reported that the IVSC has established an initial working group to move forward on three fronts: preparing an audit of the current valuation landscape in 21 APEC economies covering all asset classes; preparing a template of best practice; and planning workshops to assist APEC economies in identifying and adopting best practices as outlined in the template. He said that the working group has made good progress on the first and second item. With regard to identifying and planning workshops he revealed that the IVSC first intends to hold a Symposium in mid-2015, entitled: Valuation and its contribution to Economic Growth. The Symposium will be for APEC valuation experts and other key stakeholders in the APEC financial architecture and the proposed objectives of the symposium are to share experiences of how valuation practices can contribute to economic growth and share the results of the Audit and best practice template.

Mr. Douglas Barnert mentioned that he will collaborate with the working group and coordinate views on any relevant issues with the APFF Insurance and Retirement Income Work Stream.

The Advisory Group agreed to endorse the way forward for this initiative.

Outlook for Ongoing Initiatives: Financial Inclusion

The Advisory Group Coordinator reported to the Advisory Group that the 2015 Forum will seek to bring to the next level work that has been done on a number of issues in previous years' Forums and discussions under the APEC Finance Ministers' Process (FMP).

Mr. Shawn Hunter of FDC described the proposed agenda of the Forum:

- The first day will begin with a review of what has been learned and proposed from past discussions in the Forum and the FMP. Participants will also complete the review by discussing the situation in three emerging APEC economies (Mexico, Vietnam and PNG) that were not assessed in last year's Forum. It will conclude with a discussion of digital finance, the opportunities it presents and its implications for the provision of financial services and regulations.
- The second day and the morning of the third day will focus on advancing discussions in four important priority issues that have been identified by the Finance Ministers and where the foundations for action have been laid through various discussions in past Forums and FMP workshops and seminars. In these breakout sessions, participants will seek to identify concrete initiatives and measures that will be submitted to APEC Finance Ministers for their endorsement at their 2015 meeting in Cebu. These are: (a) the development of credit information systems to facilitate the use of consumers' transaction data (including both positive and negative data and both financial and non-financial data, e.g., utilities payments) for risk-based lending through a pathfinder initiative among interested economies; (b) the development of the legal and institutional frameworks for secured transactions (including the introduction of reforms to enable the wider use of movable assets as security, improvement of legislations and enforcement systems to clarify seniority of claims to collateral and development of user-friendly collateral registries); and (c) the development of an enabling environment for greater private sector involvement in microinsurance and disaster risk finance and expanding their coverage, especially among the most relevant sectors and communities.

- The afternoon of the third day will be devoted to a topic related to SME finance that will be developed by Bangko Sentral ng Pilipinas. The Forum will conclude with reports on the outcomes of the various sessions and agreement among participants to progress initiatives and proposals to the APEC Finance Ministers.
- A report of the Forum will be drafted, reviewed by participants, published and made available both online and in hard copy to a wide variety of relevant audiences, including APEC Leaders, finance and other ministers, senior finance and other officials, regulators, experts in international and academic organizations, and industry and opinion leaders.
- Participants in this Forum will include experts from international organizations, capacity-building agencies, leading representatives from the insurance and micro-insurance industry, banking, consumer finance, microfinance, credit bureaus and credit reference centers, and legal experts. Valuable contributions are expected from experts in the APFF Lending Infrastructure, Insurance and Retirement Income, and Trade and Supply Chain Finance Work Streams. Most importantly, resources will be mobilized to enable the participation of relevant officials from interested APEC economies who are directly responsible for introducing and adopting legal, policy and regulatory reforms and potential participants in proposed pathfinder initiatives. It is hoped that this Forum will attract broad participation from APEC Deputy Finance Ministers and Deputy Central Bank Governors as well as senior finance and central bank officials, who will be holding their own meeting after the conclusion of the Forum.

Mr. Jinchang Lai of IFC encouraged ABAC members to participate in the Forum. Mr. Clark of GE Capital observed that the work on credit information and secured transactions is now moving toward the implementation phase. Mr. Okubo of Nippon Life noted that in the IAIS meeting where he spoke, a number of insurance regulatory agencies and industry participants have expressed interest in microinsurance. Mr. Barnert noted that consideration is now being given to undertake initiatives on impact insurance.

The Advisory Group noted the report and comment and looked forward to further updates on preparations for the 2015 Forum.

Outlook for Ongoing Initiatives: Innovative Financing Mechanisms for SMMEs

Mr. Paul Lee of ABAC Canada reported on the work done in 2014 to identify regulations impacting the development of innovative financing and policy solutions, mechanisms to raise funds from institutional investors, and prospects for raising funds without government incentives, and where incentives are appropriate, what interventions are most practical.

He highlighted the recommendations of the APEC Framework for Innovative SMME Financing Mechanisms, which are as follows:

- Review national SMME financing ecosystem against list provided in report to determine what mechanisms are generally available and to encourage broader range of financing mechanisms to flourish.
- Encourage more government action with regard to equity-based financing mechanisms for SMMEs, such as support for business angels, seed capital, and venture capital. No small ticket equity/venture capital market has developed without government playing a key role in seeding its initial development.
- Provide tax credits or matching funds to angel investors to spur investment, and encourage pension funds, sovereign wealth funds, insurance companies, and endowment funds to enter the market, or seed fund of funds as a catalyst in the development of a sustainable venture capital ecosystem.
- Promote government initiatives that encourage investments in small businesses include investment tax credits, matching funds and optional buy-out programs.

- Regulatory review to remove barriers to SMME access to new, internet-based trade and supply chain financing platforms (including cross-border platforms);
- Regulatory review to facilitate new SMME access to crowd funding facilities;
- Regulatory review to encourage small-cap stock exchanges and listing requirements more suited to SMMEs;
- Regulatory review to ensure that major financial participants that have a longer term outlook and higher risk profile, including high net worth individuals, family trusts, insurance companies, pension funds, and other endowments, are not discouraged or limited from participating in longer term pooled investment vehicles based on well-documented SMME loan and other pooled SMME finance assets.

Mr. Jinchang Lai observed that in the case of crowd funding, the market is presently evolving, and that the challenge lies in the uncertainty about the regulatory approaches that will be taken in the future.

The Advisory Group noted the presentation and agreed to continue pursuing this issue as part of its 2015 work program.

Other matters

The Chair announced to the participants that one of the Advisory Group Co-Chairs, Dr. Twatchai Yongkittikul from ABAC Thailand, will be retiring from his position in ABAC as well as the Advisory Group.

In his remarks, Dr. Twatchai looked back at the long history of the ABAC Finance Working Group and the Advisory Group and the notable expansion of the Advisory Group's role in APEC and the region. He mentioned that this will be the last meeting of the Advisory Group he will attend and bid farewell to all the participants.

The Advisory Group participants gave a resounding vote of thanks to Dr. Twatchai for his important contributions to the achievements of the Advisory Group.

Chair's Closing Remarks

The Chair delivered his closing remarks and expressed his thanks to all participants from collaborating institutions as well as ABAC members and staffers, particularly for their support that has enabled the successful outcome of efforts to launch the APFF and further advance the Advisory Group's work in other areas. He gave special thanks to Dr. Twatchai for his support and collaboration. He thanked ABAC China for their leadership in ABAC and for hosting the Advisory Group meeting.

Adjournment

There being no other matters to discuss, the Chair declared the meeting adjourned at 3:30 pm.