

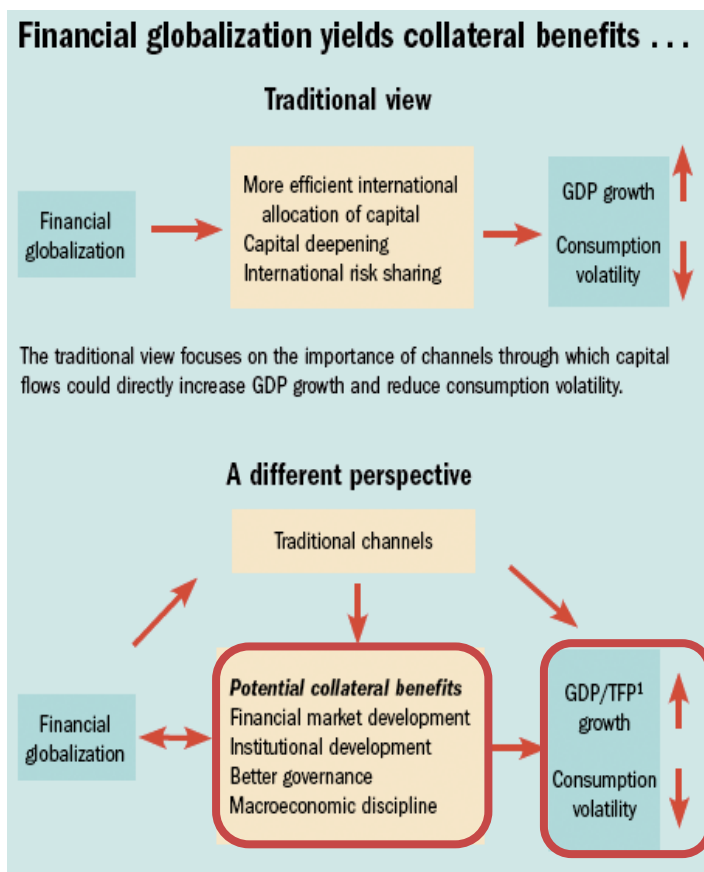


# Overview of Trends and Issues in Asia-Pacific Financial Development and Integration

Odd Per Brekk  
Director  
IMF Regional Office for Asia and the Pacific  
APFF, August 10, 2015

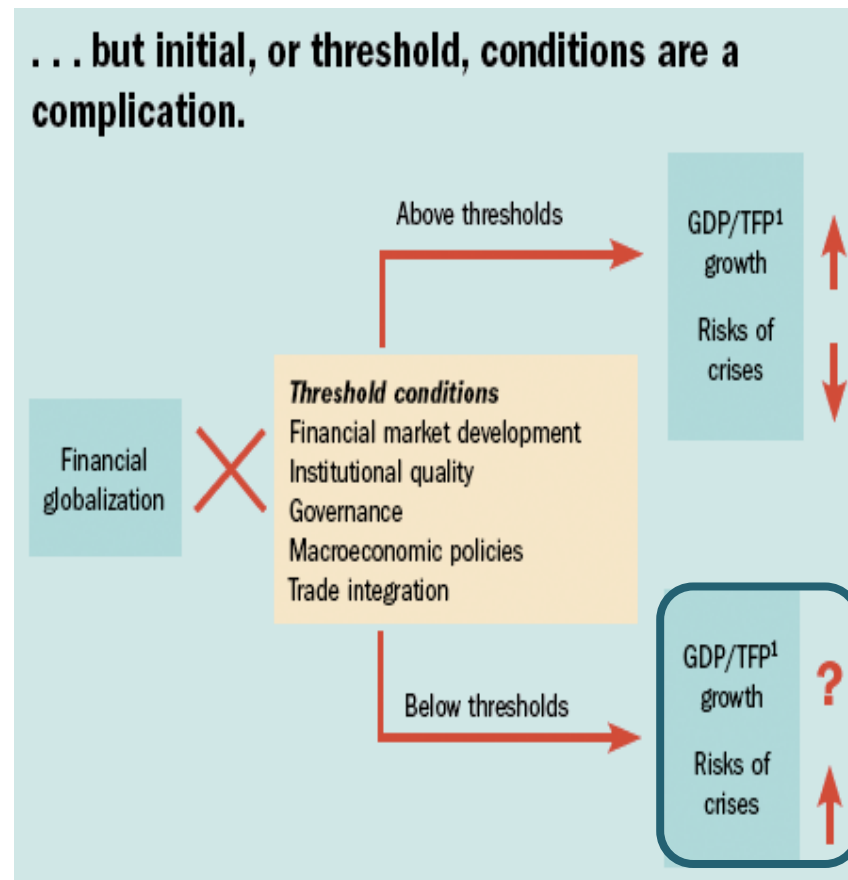
# Benefits and Risks of Financial Integration

## Benefits



## Risks

... but initial, or threshold, conditions are a complication.

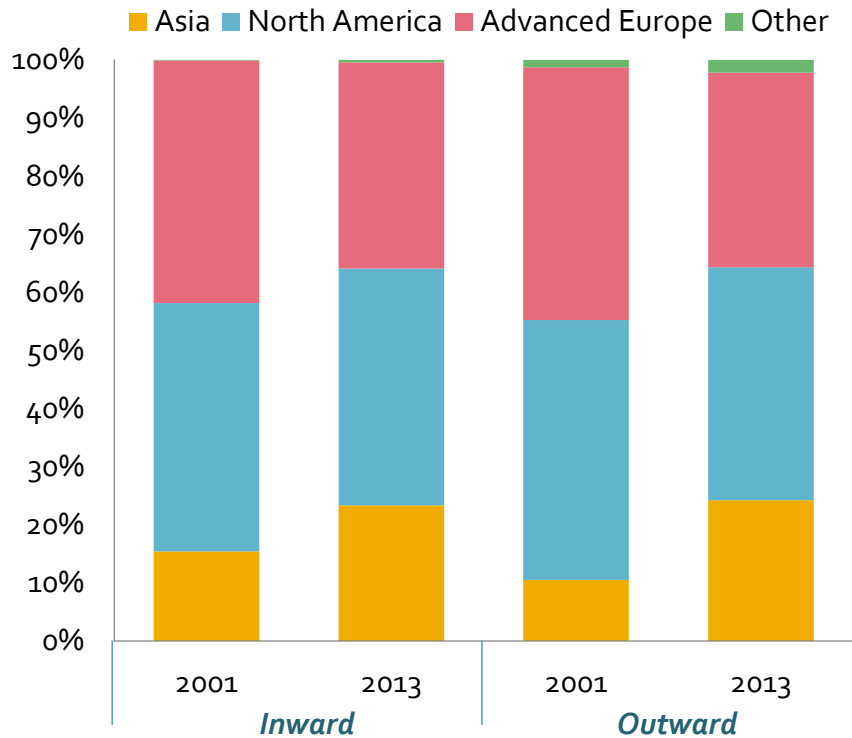


Note: TFP denotes total factor productivity

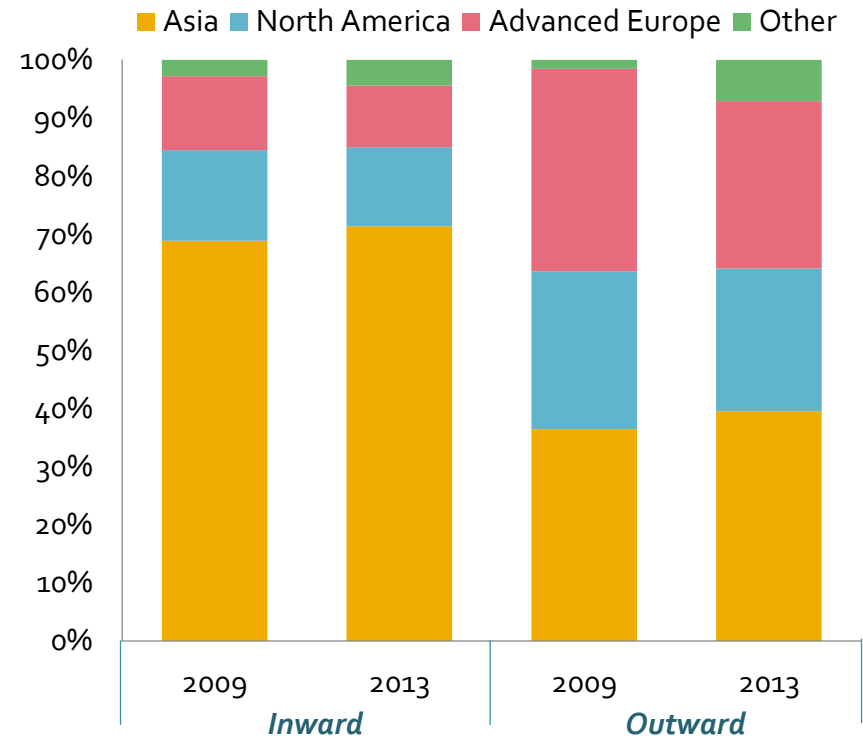
Source: Kose, A. et al., 2007, *Financial Globalization: Beyond the Blame Game*, IMF, Finance and Development, March 2007, Volume 44, Number 1

# Indicators of Financial Integration

## ASIA: FOREIGN PORTFOLIO INVESTMENT



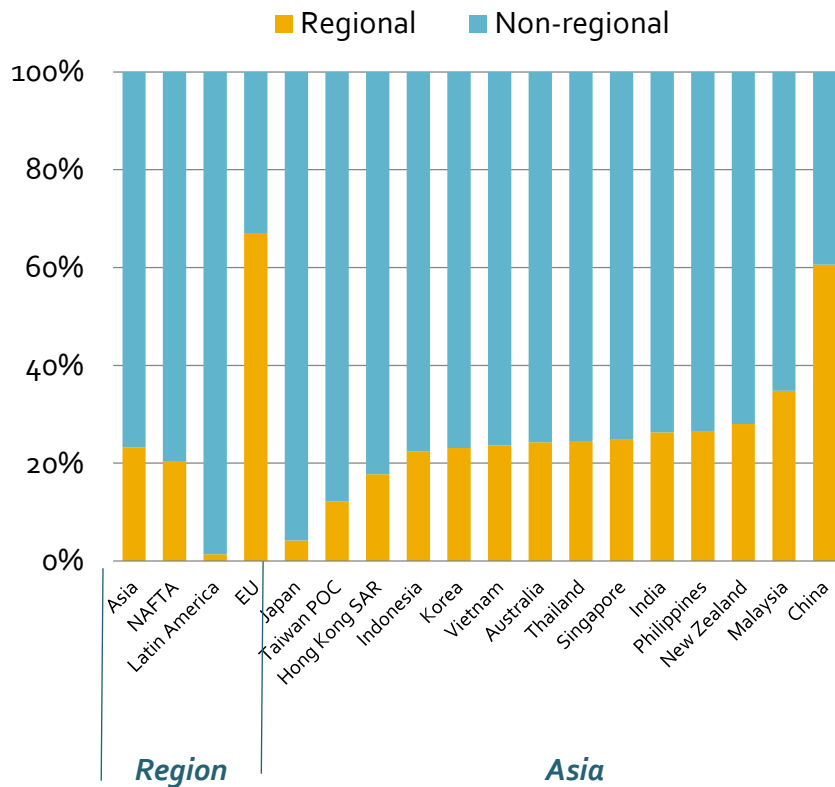
## ASIA: FOREIGN DIRECT INVESTMENT



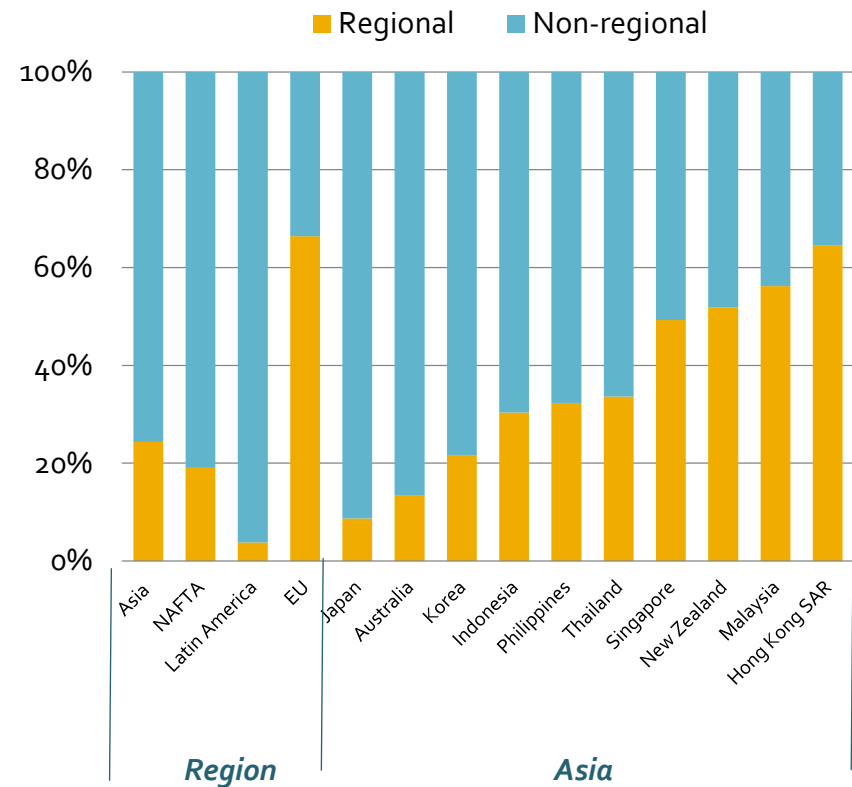
Source: IMF, Coordinated Direct Investment Survey and Coordinated Portfolio Investment Survey database; and staff calculations.

# Integration Through Portfolio Investment

## SOURCES OF PORTFOLIO INWARD INVESTMENT (END-2013)



## DESTINATIONS OF PORTFOLIO OUTWARD INVESTMENT (END-2013)



# Regional Integration Initiatives

## FINANCIAL COOPERATION AREAS OF KEY REGIONAL FORA

	Liquidity support	Surveillance/ monitoring	Financial market development	Monetary integration	Capacity building
APEC			✓		✓
ASEAN	✓	✓	✓	✓	✓
ASEAN+3	✓	✓	✓	✓	✓
ASEM			✓		✓
EMEAP		✓	✓		✓
SEACEN					✓

## RECENT INITIATIVES ON FINANCIAL INTEGRATION

- APEC: Cebu Action Plan (September 2015)
  - Roadmap towards a more **financially integrated, transparent and resilient** APEC region
  - Promoting financial integration by enhancing:
    - Supply chain financing
    - Financial inclusion and literacy
    - Financial services liberalization
    - Capital account liberalization
  
- ASEAN: Establishment of the ASEAN Economic Community (end-2015)

# Financial Integration: Policy Areas

## REGIONAL COOPERATION

- Promoting an integrated market for banking by specifying:
  - Minimum requirements for entry
  - Permissible banking activities
  - Regional arrangements for effective cross-border bank supervision and resolution
  - Regional institutions to set standards and rules and oversee national compliance
- Prepare for orderly capital account liberalization
- Mitigate risks, including in collaboration with the IMF

## INDIVIDUAL ECONOMIES

- Design and implement policies that support an integrated banking system
- Harmonize regulatory and supervisory frameworks
- Strengthen supervisory capacity
- Collaborate, including with IMF support, on economic surveillance, liquidity support arrangements, and capacity development

# All Told ...

- Closer financial integration has the potential to increase real incomes and accelerate real convergence within APEC
- Financial integration requires long-term investments in financial infrastructure
- Reliance on flexible and sound policy frameworks and a strengthened regional financial safety net should be part of the agenda
- Risk mitigation could be realized within regional bodies and helped by collaboration, including with the support of the IMF



**Thank you !**

APEC APFF  
August 10, 2015