

**Advisory Group
Meeting III
PAPER 2-A**

Document: AGFSCB 38-014
Draft: **FIRST**
Date: 20 July 2018
Source: AGFSCB Chair
Meeting: Kuala Lumpur, Malaysia



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Third Meeting 2018

23 July 2018

13:00-16:00

Kedah Room, Basement 2 (B2), Shangri-La Hotel
Kuala Lumpur, Malaysia

Meeting Paper 2-A

**Report of the Meeting of the Advisory Group of 16
April 2018, Tokyo, Japan**

Office of the Advisory Group Chair

PURPOSE	For consideration.
ISSUE	N.A.
BACKGROUND	N.A.
PROPOSAL	N.A.
DECISION POINT	Endorse the meeting report

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Second Meeting 2018

16 April 2018

09:00 – 12:00

Tsuru, 3F, Imperial Hotel

Tokyo, Japan

MEETING REPORT

Draft as of 15 July 2018

Welcome and Introduction

The meeting started at 9:05 PM. Participants included ABAC members and staffers and representatives from various institutions collaborating with the Advisory Group on various initiatives.

The Advisory Group Chair, Mr. Kobsak Duangdee, presided over the meeting. In his opening remarks, he thanked participants for joining the meeting and welcomed the guests. The Chair thanked ABAC Japan for hosting the meeting facilities and outlined the agenda of the meeting. He noted that this meeting is important because the next three months will be critical. APFF, APFIF and APIP will be finalizing the Progress Report to Finance Ministers in late July at ABAC 3. This means most of the activities will be concentrated during the next three months, and their outcomes and recommendations will define the content of the progress report. This meeting will discuss how to ensure the quality of our work and progress report.

The Advisory Group Co-Chair, Mr. Nobuhide Hayashi, shared his views on the work of the Advisory Group in 2018. He noted that the region finds itself in a rapidly changing world. Digital technology and cross-border supply chains are two major forces shaping this world and are substantially transforming the business landscape. He mentioned this as an important reason for inviting two entrepreneur guests to provide a first-hand experience of the real-world challenges and opportunities in this new business landscape. Mr. Hayashi underscored that digitalization is not only a technology issue, but also a policy and institutional ecosystems issue. Therefore, the Advisory Group's capacity building initiatives play an important role in developing the legal, policy, regulatory and institutional ecosystems that enable financial services to modernize and enable businesses to seize new opportunities. Finally, he noted that this involves a lot of cross-cutting issues and encouraged the work streams to collaborate more closely and cross-functionally to create a new ecosystem and also to propose policy recommendations that are relevant to today's business issues in the Asia Pacific region.

Review of the First 2018 Advisory Group Meeting in Auckland

The Advisory Group Coordinator, Dr. J.C. Parreñas, presented the draft Report of the Advisory Group Meeting of 2 February 2018 held in Auckland, New Zealand.

The Advisory Group approved the Meeting Report.

Bringing Financial Services to the Digital Age

The Co-Chair introduced Mr. Hasegawa and Mr. Shimada, who were to speak on the ecosystem for financial innovation from entrepreneurs' perspectives.

Mr. Jun Hasegawa, Founder and CEO of Omise, presented the case study of Omise 's proposal for blockchain-based KYC/AML Solution. He described the challenges that impact consumers and financial institutions with respect to KYC/AML and the global trends that are shifting the requirements for financial services platforms to succeed, particularly highlighting trends in online/mobile access, faster payments, cross-border transactions and data privacy and security concerns. Ms. Hasegawa outlined the benefits of using blockchain technology in addressing KYC/AML challenges, citing as examples smart contract architectures to ensure compliance with standards, decentralized applications for identity data collection and sharing to replace duplicative KYC/AML with one-time verification or other solutions, real-time update and multi-party access that allow data to be continuously accurate, distributed ledgers linked to identity data to enable monitoring of assets and activity, and Ethereum-rooted consensus to avoid the risk of single point of failure.

Mr. Hasegawa described how customer identity data can be authenticated, continuously updated and accessed by all approved financial institutions, and how this blockchain-based identity solution can be integrated with other regional platforms. He talked about the role that regulators can play in developing a streamlined identity solution by supporting blockchain innovation through standardization of KYC/AML requirements and processes, advocating for open data and open banking policies to facilitate data sharing between financial services providers, and promoting regulation that supports blockchain development. Moving forward, he suggested an APEC roadmap to build a blockchain-based identity solution for KYC/AML.

Mr. Reona Shimada, Group CEO of Crowdo, focused on innovation in lending. He referenced the lack of efficient access to capital by SMEs and described the business model of Crowdo powered by underlying technologies such as artificial intelligence, mobile and web applications, cloud-based infrastructure, e-KYC, fully digital loan management system and virtual account. He discussed the company 's future vision of building a regional fintech bridge for alternative financing between markets with insufficient local credit and capital to sufficiently finance local businesses and low-yield markets with individuals and entities seeking investment diversification, and the key enablers to realize it, which include enhanced investor protection, balanced integration with existing financial industry and regional regulatory coordination.

In pursuing enhanced investor protection, the goal is to create an environment which reduces information asymmetry as well as boosts confidence in the alternative financing market to accelerate mass adoption and increase credit access to SMEs through credit data access (level playing field for access to borrower credit information), insurance/guarantees, and secured transactions and collateral management and liquidation. In achieving balanced integration with the existing financial industry, he pointed out the areas that would benefit from integration with conventional finance (e.g., pooling of user ID and access for e-KYC purposes, distribution of alternative financing products, knowledge sharing on alternative and conventional credit analysis, among others) and those areas that may adversely impact fintech performance through forced integration (e.g., traditional remittance services, securities handling via trustee and mandatory bank account set out for users). He pointed out the major regional scalability challenges in regional regulatory coordination with respect to regulatory engagement, regulatory and licensing compliance, and cross-border regulatory support. He suggested that a regional center of excellence with a team to coordinate access to multiple markets, regional initiatives organized around cross-border and regional themes, and centralized repository for regulatory and legal know-how and information could help advance regional regulatory coordination.

Following the presentations by Mr. Hasegawa and Mr. Shimada the Co-Chair echoed the view that the key challenge of new businesses is lack of legal, policy, regulatory and institutional ecosystem. As one of possible solutions for this key challenge, he mentioned that there will be a discussion of a regional platform at the Finance and Economic Working Group Meeting with a presentation by the Monetary Authority of Singapore (MAS) to discuss a regional platform of regulatory sandbox, namely ASEAN Financial Innovation Network (AFIN) that connects financial institutions and fintech companies in the ASEAN region.

The Advisory Group Coordinator updated the Advisory Group on the work on the data ecosystem roadmap, preparation for the Singapore conference and the collaboration with the ASEAN Bankers

Association, the IFC and the Monetary Authority of Singapore to promote the ASEAN Financial Innovation Network, as well as with the ASEAN Plus 3 Bond Market Forum.

Ms. Michelle Curry, CEO of FDC, briefed the Advisory Group on the agenda and preparations for the 2018 Financial Inclusion Forum, as well as on the Mekong Inclusive Growth Forum that will be held in Thailand. She described the study on the role of women in inclusive growth, which involves the collection of data from 10 sample economies across the Asia and Pacific region to provide insights into the role of digital financial services in improving women 's financial inclusion, how women embrace financial opportunity, the role that women play in creating portfolios of securitizing services and assets, and the role they play in graduating their families or communities into full economic inclusion. She also updated the Advisory Group on the development of the Inclusive Growth and Development Caucus and specific contributions of caucus members.

Mr. Andry Asmoro, ABAC Indonesia Staffer, discussed Bank Mandiri 's role in supporting financial inclusion in Indonesia, where financial inclusion is one of the main challenges. He described the bank's role as an Agent of Development through numerous programs and the formation of a work unit that focuses on government program implementation. He discussed the government 's social assistance programs including the farmers' card, the prosperous family program, the Smart Indonesia Card, the Healthy Indonesia Card, and branchless banking initiatives. These initiatives achieved tangible results, including the distribution of the Family Hope Program and non-cash food aid program funds to many families all over Indonesia. He also discussed the challenges during disbursement, including differences in beneficiaries ' data, insufficient infrastructure in remote areas and high costs of disbursing aid in remote areas, among others.

Ms. Catherine Simmons of Citi, who leads APFF 's FMI Fintech Work Stream, discussed the work on developing recommendations on data governance, e-payment systems and digital authentication. On data governance, the goal is to establish domestic and cross-border data regimes to govern the acceptable use and protection of data, and the focus is on cybersecurity (dialogue with industry, cross-border cooperation, international best practices and third party management); privacy (maintaining privacy of the individual and equal protection by incumbents and fintech companies); cross-border flows (mechanisms to give governments the comfort to allow data to flow across the region); and data utilization (acceptable use of data by firms).

On e-payment systems, the objective is to establish open, inter-operable and efficient electronic payments systems that utilize technological developments. Key issues include introduction of instant payments, agreement on QR Code standards, development of national payment gateways utilizing best practice, emerging technologies, linkages between economies; use of fintech sandboxes and adoption of Open Banking/APIs. On digital authentication, the objective is to streamline authentication requirements to achieve greater access to financial services at a faster pace. Key issues include use of digital identity, acceptance of digital signatures and documents, reduction of face-to-face requirements, use of AML/KYC utilities and adoption of common authentication requirements. Ms. Simmons also referenced the work and conferences going on in the development of a data ecosystem roadmap.

In the ensuing discussions, Mr. Francisco Garces of ABAC Chile indicated that Chile wishes to collaborate in the work and conferences on the data ecosystem roadmap, and to promote in 2019 under Chile's chairmanship the development of regional public-private platforms for creating an enabling ecosystem for fintech. Ms. Michelle Curry noted the importance of enabling access to innovations, digital identify and digital infrastructure for those who are financially excluded. Others highlighted the positive impact of fintech in bringing down costs in insurance and banking services.

The Advisory Group noted the presentations.

Improving the Ecosystem for MSMEs ' Access to Finance

Mr. Patrick Walker reported on the APFF 's work on credit information, which are as follows:

- Development of a baseline study on the coverage of credit information to facilitate comparisons across markets. This involves interviews with lenders, credit bureaus and surveys of companies (already completed). A pilot study is being undertaken that will be expanded to cover the rest of APEC.
- The monetary authority of Brunei expressed interest in collaborating with APFF to develop credit information sharing.
- A data ecosystem conference is being prepared to be held in Washington D.C.
- APFF is also collaborating with Australian regulators and legislators on expanding the sharing of credit information in the domestic market.
- Work with the Philippines is continuing on the further development of its credit information system.

Mr. Walker shared his evaluation of the current situation in the region, where there is great potential for progress, but the focus must be on the sharing of comprehensive data. He noted that there is a risk that overly heavy-handed government intervention could lead to poorly written regulations.

Dr. James Ding, Convenor of the Strengthening Economic and Legal Infrastructure (SELI) group under the APEC Economic Committee, presented the SELI 's work on secured transactions.

Highlights are as follows:

- In 2015, APEC Economic Committee (EC) decided to create a Friends of the Chair group on Strengthening Economic and Legal Infrastructure (SELI). EC works towards removing trade and investment obstacles by promoting structural reform within APEC. SELI supports the work of EC and organises various workshops, seminars and policy discussion every year to raise awareness of the role and importance of legal infrastructure for economic developments and provide capacity building for APEC member economies. In 2017, EC endorsed the SELI Work Plan for developing a Cooperative ODR Framework for MSMEs in B2B transactions and Use of Modern Technology for Dispute Resolution and Electronic Agreement Management but SELI continues to undertake work in other areas including those on secured transaction law.
- The objectives of SELI are as follows: (1) To raise awareness of the role and importance of legal infrastructure for economic developments; (2) To promote understanding of relevant international standards and international instruments useful for strengthening the economic and legal infrastructure; and (3) To identify areas for technical cooperation and capacity building among APEC member economies.
- Scope of operation includes exchanging information on legal infrastructure relevant to economic developments, developing and enhancing understanding of international economic law including UNCITRAL instruments, sharing experience and expertise on implementation of these instruments, and identifying areas for capacity building and technical cooperation.
- Examples of work in relation to secured transaction law reform undertaken by SELI includes exchange of information on secured transaction law among member economies, experience sharing on secured transaction law reform and capacity building for member economies as well as enhancing understanding of the relevant UNCITRAL instruments. Others are (1) Participation in the launch of Financial Infrastructure Development Network (FIDN) in Manila in 2015 and the Fourth FIDN Conference on Financial Infrastructure Reforms in Danang in 2017; (2) Project on "Assessing Getting Credit Frameworks according to International Best Practices" focusing on secured transactions (2016-18); and (3) Workshop on Secured Transactions: Best Practices for Dynamic Business Growth, in Mexico City, 21-22 Mar 2018.
- SELI provides further opportunities for cooperation in strengthening the economic and legal infrastructure of APEC member economies through exchange of information on their legal framework and experience sharing on their secured transaction law reform. SELI also provides capacity building opportunities for member economies to build awareness of private international law instruments and encourage wider use of them in relation to secured transaction law reform

such as the relevant UNCITRAL instruments. SELI will continue to collaborate with other APEC fora and international organizations, including ABAC, UNCITRAL and the World Bank, in the area of work relating to secured transaction law reform in member economies such as capacity building and experience sharing.

Dr. Shinjiro Takagi discussed the Proposed Project for Personal Bankruptcy Law Reform including Discharge System Giving Second Chance to Restart up New Business for Failed Entrepreneurs.

Highlight are as follows:

- A draft proposal for a directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending Directive 2012/30/EU was released on 22 November 2016. The proposed draft directive indicates as follows : (a) Half of all new business survive less than 5 years. (b) It takes more than 3 years for honest and bankrupt entrepreneurs to discharge their debts and make a fresh start. (c) Inefficient second chance frameworks result in entrepreneurs being locked into debt-traps or driven to the underground economy. (d) Disqualification order accompanied by bankruptcy for longer period to honest entrepreneurs may be no good to restart their new business. Dr. Takagi noted that these trends are also true for the APEC region.
- Chinese “Enterprise” Bankruptcy Law was enacted in 2006 and practice regarding corporate bankruptcy has been well developed in China. Enactment of personal bankruptcy law is one of the hot topics in China today. Dr. Takagi noted that his proposal to include discharge system and adequate disqualification scheme to encourage honest bankrupt entrepreneurs has been welcomed in China’s legal community. The Conference on Personal Bankruptcy and Discharge is planned to be held on 15th June organized by China Banking Law Society, China Council for Promotion of International Trade, Tiantong & Partners, the World Bank (WB) and ABAC. Japan, WB and ABAC will mobilize international experts as speakers.
- In Korea and Japan, there are well developed personal bankruptcy laws including discharge schemes and practice. Common law economies including Singapore and Hong Kong may have developed personal bankruptcy law including discharge systems. The Department of Insolvency in Malaysian government handles personal bankruptcy only.
- Dr. Takagi mentioned that personal bankruptcy laws and discharge systems in other economies in APEC region except the USA, Canada, Australia, New Zealand should be researched. After the research, economies which have no or insufficient discharge systems should be encouraged to reform their personal bankruptcy laws.

Mr. Nicholas Brooke reported on the progress of work to improve valuation practices in APEC. The key points in the report are the following:

- There is continued and increased interest in the Valuation Initiative and the Working Group continued to receive requests for input and for on-site briefings from both those regulators responsible for the licencing of valuation practitioners and the policing of standards as well as VPOs (Valuation Professional Organisations) who seek to assume more responsibility for the development of best practice and the adoption of international standards at an economy level.
- Much of the impetus centered around the up-dating and issuance of IVS 2017 which reflected a major overhaul and review of the International Valuation Standards (IVS) so as to enable them to be adopted at a local level, yet at the same time provide the flexibility through the incorporation of Guidance Notes to allow for practitioners to reflect regulatory and/or legal obligations relevant and specific to that jurisdiction. This is evidenced in the adoption by both Mexico and the Philippines of IVS 2017 in its entirety without any attempt to localize the content or to tailor to suit; and the Working Party has assisted in this process throughout.
- The other major catalyst has been the enactment of Secured Transaction/Lending legislation and the creation of Central Collateral Registries in many APEC jurisdictions. This has highlighted the challenge of valuing intangible assets, which are often offered as security/collateral by SMEs

when seeking financial assistance through the Secured Transaction route. As a result there is a growing awareness of the difficulties surrounding the valuation of intangible assets and the Working Group has held round tables and workshops in Vietnam, Thailand and the Philippines to demonstrate through case studies and experience sharing how the challenge might be addressed by either the Lender, the Bank or by the Valuer who is required to provide an opinion of value either to the Lender or to the Borrower to enable the request to move forward.

- The focus on intangible assets has also highlighted the need and the opportunity for professional training in the area of business valuation and perhaps ultimately the issuance of an appropriate internationally recognised BV qualification. Both Canada and Singapore are now assuming an active role in the creation of training and CPD content which will have an application across the majority of APEC economies. The Working Group will also be holding discussions with the major valuation stakeholders here in Japan to see if there is some common ground in the area of BV as the two local VPOs would like to be able to demonstrate a robust capability in this area and avoid the potential need for any intervention on the part of the regulator.
- Finally as PNG is this year's APEC Chair, the Working Group is involved in a special initiative to help this economy to establish the valuation infrastructure that it needs as a platform to move forward. At the moment we are advised that there are only 67 licensed valuers in PNG and the majority are employed by Government and their valuation skills are largely restricted to valuing land and buildings. In June this year, the PNG Institute of Valuers will hold its AGM and Annual Conference and several members of the Working Group will be participating and lending support. In addition we are also looking to enhance the level of valuation training at Lae University of Technology which is the only tertiary institution in PNG which includes a background to valuation in its degree courses.

The Advisory Group noted the reports.

Expanding the Sources of Long-Term Finance: Capital Markets, Funds Products Passporting, Long-Term Investor Base, Islamic Finance and Infrastructure Funding

The Advisory Group Coordinator briefed participants on the Asia-Pacific Infrastructure Partnership and the discussions with APEC Deputy Finance Ministers on the Islamic Infrastructure Investment Platform (I3P). He reported on the preparations for the July 31 PPP Seminar and APIP Dialogue with Chinese Taipei that will be hosted by the Ministry of Finance, as well as the plans for dialogues on waste management PPPs with Indonesia, the Philippines and Vietnam. He also disclosed that an I3P conference is being prepared in conjunction with the Global Islamic Finance Forum (GIFF) in Kuala Lumpur in the first week of October.

The Coordinator reported on the highlights of the presentation to Deputy Finance Ministers in Port Moresby:

- Key challenges for cross-border investment by Islamic financial institutions are: (a) lack of standards for Islamic finance contracts (e.g., varying definitions of sharia-compliance of projects and financial instruments across jurisdictions); tax treatment; risk mitigation instruments; legal and regulatory barriers to financial innovation; and capacity for project preparation.
- To address these challenges, the I3P is proposing to establish work streams focusing on (a) harmonizing investment requirements and rules; (b) addressing tax policy issues; (c) risk mitigation instruments; (d) enabling financial innovation; (e) developing project preparation capacity and pilot projects; and (f) establishing the I3P secretariat.

Mr. Ken Katayama of NRI reported on the presentation to and discussions with APEC Deputy Finance Ministers on the Roadmap for Developing APEC 's Financial Market Infrastructure. The Roadmap is structured into three parts: (a) roles of FMIs in the region; (b) Core elements of financial market infrastructures (post-trade ecosystem; non-resident accounts, tax, investor identification and transparency; increasing market efficiency by addressing issues related to repo and lending and derivatives; and fund services; and (c) data management and technology (FMI fintech and disruptive technologies and new FMI-like entities).

Mr. Patrick Pang of ASIFMA reported on the progress of work on repo and derivatives, which seeks to achieve netting legislation, wider use of OTC derivatives, and efficiently functioning classic repo markets. He mentioned the two workshops held in 2017 in Bangkok and Beijing and current discussions with Indonesian banks who have signified their interest in the adoption of the best practices guide developed jointly by ICMA and ASIFMA. The work stream is promoting stakeholder consensus in Indonesia and Vietnam, with prospects for holding seminars in these economies.

Mr. Steven X. Chan of State Street updated participants on the work of APFF to support the development of the Asia Region Funds Passport (ARFP). He noted that 5 economies have already joined the scheme and the launching of a pilot program that APFF has encouraged to be undertaken is now being prepared. APFF also collaborated with the ARFP Joint Committee to promote participation in the industry outreach held in Sydney on April 27. He outlined plans of APFF to continue efforts to promote enlargement of ARFP membership, inter-operability with MRF, CIS and Pacific Alliance and implementation efforts.

Mr. Francisco Garces of ABAC Chile briefed participants on the work started in 2017 to develop a Pacific Alliance funds passport scheme. This was based on the model of the ARFP and developed through the help of the APFF. The purpose is to enable an offering of open investment funds of the Alliance in member economies, thereby increasing the saving alternatives for individuals and companies from the member countries of the Alliance, and, in turn, generating greater competition in the fund industry. The main goals are authorization for Collective Investment Funds cleared by a member economy of the Alliance to be distributed in each PA economy (Fund Passport) and to enable and/or facilitate the investment of local Pension Funds in the AP financial markets.

Mr. Garces outlined the steps taken, which were as follows: (a) An MOU for Fund Passporting among Supervisors and Finance Ministers was concluded. (b) Chile has already implemented the necessary regulatory changes for the offering of this type of Funds. (c) Some rules were passed to allow the distribution of Open and Unlisted Collective Investment Funds (Mexico). (d) Colombia passed Decree 1756 (Oct 2017). Perú modified Ley Mercado Valores (Dec 2017). PA Financial regulators committed to create a working group among technical officers responsible for identifying practical and operational aspects that affect the marketing and distribution of such collective investment vehicles. This diagnosis will be considered in elaboration of an improvement agenda (México, March 14th 2018).

He also briefed the Advisory Group on the conference that will take place next July 17 and 18th in Lima, Perú, organized by the World Bank with the collaboration of Chile Pacific Foundation, in the context of the Joint IFC and World Bank Capital Markets Initiative. The conference will focus on increasing the use of capital markets for crowding-in private investment into financing of the key development challenges faced in emerging markets, and to create and deepen product offerings in terms of longer maturities, structures, and ratings. It will seek to increase local fixed income and equity opportunities for local institutional investors, and the share of foreign capital flows into EM assets; improve local market infrastructure, better functioning exchanges, settlement, custody, transparency, and ratings in focus countries; and increase capital markets financing for strategic sectors, such as infrastructure, climate and housing.

Mr. Garces also noted that the conference will bring global knowledge and expertise in development of capital markets and regional experience from the Pacific Alliance countries (Mexico, Colombia, Peru and Chile) and Asian countries; as well as local expertise on specific development challenges and issues in the Pacific Alliance countries. It will provide an opportunity for sharing information and socialization of initiatives like the development of a PA financial integration Road Map, led by Chile, as well as promoting linkage between the PA and Asia. The Coordinator will participate to share best experiences in the development of the same agenda in Asia and meet with the PA work teams to develop further coordination and cooperation in this field.

Mr. Makoto Okubo of Nippon Life reported on the work of APFF in the areas of pension/protection, infrastructure investment, regulation/accounting, and innovative health financing mechanisms. The highlights were as follows:

- Pension/protection: End goal is to expand the pension fund investor base by promoting adoption by relevant policy makers of best practices in: (a) designing mandatory provisions for retirement savings, (b) design and implementation of tax incentives for long-term savings products; and (c) product and distribution innovation and financial awareness. 2018 deliverables are case studies/follow-ups on Chile, Hong Kong, Thailand; toolbox to expand retirement savings and longevity solutions (i.e. mandatory provisions, tax incentives, government subsidies, longevity transfers, digital economy). Major 2018 actions include the APIC/APFF Regional Pension Funds and Social Security Systems Summit [Host: APIC] in Beijing in December 2018; outreach and dialogue on channeling pension schemes and insurance company funds to infrastructure projects with multilateral development banks; and other roundtables/workshop meetings throughout the year in collaboration with OECD, APIC and others.
- Infrastructure investment: End goal is to promote expanded investment by insurance firms and pension funds in infrastructure through the development of innovative financing vehicles and regulatory changes to treat infrastructure as an asset class. 2018 deliverables are (a) work with Singapore and Hong Kong Regulators on reform of solvency regulations. New regulations to include special treatment of debt and equity investment related to infrastructure; and (b) a toolbox to facilitate infrastructure investment (i.e. financial vehicles, government incentives, PPP initiatives). Major 2018 actions include the December 2018, Beijing APIC/APFF Regional Pension Funds and Social Security Systems Summit; outreach and dialogue on infrastructure and investment to achieve agreement on definition of infrastructure drawing on existing EU, NAIC and World Bank definitions, and to identify specific areas where regulations can be amended to remove unnecessary barriers to investment (drawing on work of APIP); and other roundtables/workshop meetings throughout the year in collaboration with APIP, SDIP, ASEAN and others.
- Regulation/Accounting: End goal is adoption of solvency and accounting regimes that do not discourage insurers from making long-term investment in infrastructure and capital markets. 2018 deliverables are work with Chile, Indonesia, Thai and Hong Kong Regulators on IFRS17 (and IFRS9) to mitigate unintended consequences on long-term business; stakeholder consensus on incorporating growth in global regulatory discussions (i.e. discount rate) and checklist on implementation of IFRS17 including potential impact on financial reporting and solvency assessment and recommended adjustments. Major 2018 actions include an APFF Dialogue/roundtable on insurance regulations and accounting; continuous outreach and dialogue with policymakers, regulators, standard setters and international and regional institutions; and other roundtables/workshop meetings throughout the year in collaboration with OECD, NAIC, ASSAL, ADB, ASEAN, among others.
- Innovative health financing mechanisms. End goal is the establishment of structures and adoption of best practices in APEC members to harness the private sector in creating innovative and sustainable health financing mechanisms. The 2018 deliverable is to initiate a pilot project in Thailand to establish and support a structure within the Thai Government that can lead efforts to develop innovative and sustainable health financing mechanisms. The major 2018 action focuses on holding an APFF Workshop on Innovative and Sustainable Health Financing Mechanisms in Bangkok in cooperation with the Thai Ministry of Finance.

The Advisory Group noted the reports.

Strengthening Financial Resilience

The Coordinator reported that the Roadmap for Expanding Microinsurance Coverage in APEC was presented to the APEC Finance and Central Bank Deputies and is now to be included among the items for consideration by APEC Finance Ministers to endorse.

Mr. Masaaki Nagamura of Tokio Marine & Nichido Fire Insurance briefed the Advisory Group on APFF 's collaboration with the APEC FMP Disaster Risk Solutions Working Group. He noted that 2017 marked an all-time high in insured catastrophe losses world wide since 1980, and that insured losses, which amounted to USD135 billion, are still considered too small relative to total economic

losses of USD330 billion. He also noted the global financial responses to natural disasters, including the launch of the Insurance Development Forum, the G7 InsuResilience initiative on climate risk insurance, the London Centre for Global Disaster Protection and the Geneva Association report on climate change and the insurance industry.

Mr. Nagamura reported on the APFF session at the World Bosai Forum 2017 on “Building a disaster-resilient community in the Asia-Pacific – The power of science and insurance.” He outlined the key messages, which highlighted the importance of raising public awareness on disaster risks, making the most of scientific and practical knowledge and experience inherited in the industry; letting “PPAP (Public-Private-Academia Partnership)” thrive to develop effective disaster risk management systems and create disaster-resilient communities; encouraging the flow of scientific and practical knowledge and experiences into designing creative and sustainable DRFI mechanisms; and invigorating the discussion on DRFI at the APEC-FMP, with the support of the APFF.

He also reported on the APFF actions being considered for 2018. These include the establishment of a model case in collaboration with the scientific community through stock-taking and showcasing at disaster reduction fora; creating an occasion where insurance supervisors and practitioners can find opportunities to design creative DRFI mechanisms through the OECD/ADB workshop on DRFI on 8-9 May in Bangkok; assisting the APEC FMP in identifying priorities in promoting DRFI, such as enhancing the availability of risk exposure data and seeking collaboration with global or neighboring regional initiatives such as IDF, InsuResilience and ANDREWS. This will entail contributing to discussions at the APEC DRFI WG meetings, the meeting of the ASEAN Insurance Council and the discussions of the Geneva Association.

Dr. Ryan MacFarlane provided details on the Healthcare Financing Initiative. He noted that the APFF is collaborating with the APEC Life Sciences Innovation Forum (LSIF) to help APEC economies assess their policy and regulatory environment to facilitate the use of innovative and sustainable health financing mechanisms and create additional opportunities for private sector engagement in the health care financing sectors. He reported that APFF is currently working on a pilot project with Thailand in formulating long-term cost projections, enhancing coordination across different health care schemes, and developing alternative payment schemes and revenue sources to improve health and economic outcomes.

He reported that a dialogue is being developed to focus on policies to promote private sector engagement in developing health care solutions, including by removing market access barriers for new insurance products; case studies of successful public-private partnerships and new alternative financing mechanisms for health, including health savings accounts, micro-insurance and blended financing funds; and new technologies to maximize efficiencies in health care delivery.

In the ensuing discussions, Ms. Joanne de Asis observed that the discussions reflected ongoing work that is excellent in depth and quality and focused on issues that are most relevant for today and the future. It was also suggested that the work of DRFI should also look at the Caribbean Initiative.

The Advisory Group noted the reports and updates.

Chair’s and Co-Chair ‘s Closing Remarks

The Co-Chair reiterated the view that the new business landscape requires us to have a new paradigm for financial system capacity building. The interconnection among technology, finance and the real economy has intensified, and its implications on legal, policy and regulatory approaches would affect innovation and economic growth. He noted that the discussion has been extremely useful to identify region-specific features in the context of today’s paradigm change in financial system capacity building and business landscape. He expressed his expectation that participants will deepen today’s discussion further and collaborate cross-functionally toward their unified regional goal. He thanked everyone for contributing to a stimulating discussion and also to thank the many staff members who prepared this conference.

The Chair delivered his closing remarks and expressed his thanks to all participants from collaborating institutions as well as ABAC members and staffers. He noted that the meeting has been

challenging because of the large amount of work needed to be covered in a limited time, but it has been fruitful. He emphasized that much will depend on the quality of work during the next three months, and expressed thanks to ABAC Japan and Mr. Hayashi for providing excellent facilities and services for this meeting.

He mentioned that the next meeting of the Advisory Group will be in Kuala Lumpur in late July.

Adjournment

There being no other matters to discuss, the Chair declared the meeting adjourned at 11:45.