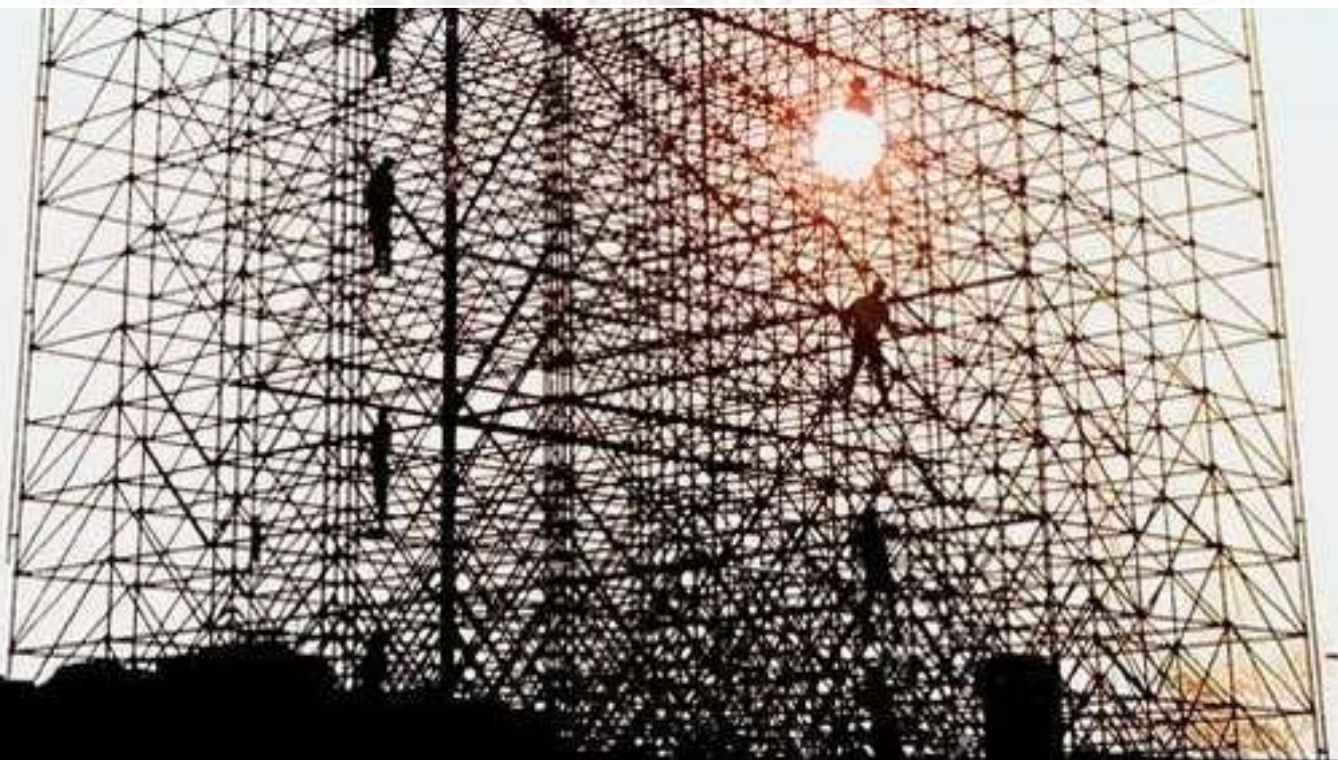




2019 PROGRESS REPORT

Asia-Pacific Financial Forum
Asia-Pacific Financial Inclusion Forum
Asia-Pacific Infrastructure Partnership



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2019 Progress Report

Asia-Pacific Financial Forum

Asia-Pacific Financial Inclusion Forum

Asia-Pacific Infrastructure Partnership

EXECUTIVE SUMMARY

The APEC Finance Ministers established the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP) to serve as platforms for collaboration among the public and private sectors and international organizations. Under the umbrella of the APEC Finance Ministers' Process (FMP) and the management of the APEC Business Advisory Council (ABAC), these initiatives have attracted the engagement of a wide variety of firms and industry associations, regulatory bodies, agencies, and multilateral and academic institutions in the implementation of FMP initiatives and in particular the Cebu Action Plan (CAP).

Since the previous APEC Finance Ministers' Meeting (AFMM) in October 2018 in Port Moresby, significant work has been undertaken to help various economies achieve progress in realizing deliverables under the FMP. These include:

- assisting Brunei in expanding usage of the new secured transactions law and collateral registry previously developed with the collaboration of APFF;
- mobilizing international experts to share best practices in personal insolvency regimes with Chinese official and judicial stakeholders, leading to the announcement by the Chinese Government in July 2019 of the intention to build a personal bankruptcy system;
- providing inputs to Chinese stakeholders on developing warehouse finance practices and developing e-warehouse receipts;
- assisting the Philippines in designing and advocating the passage of a new Warehouse Receipts law;
- supporting Thailand in developing a new secured transactions law (not finished before the end of the previous legislature's term, but now being taken up again under the new legislature);
- facilitating agreement of government stakeholders in Vietnam to develop e-platforms for receivables finance, warehouse finance and supply chain finance;
- assisting Brunei in developing its National Credit Score and Online Credit Reports, which were launched in November 2018;
- contributing global insights to efforts by China to develop a regulatory framework for its new data and analytics industry;
- holding a dialogue in the Philippines to address challenges in the development of its credit information system;
- convened a workshop with Thai government and private sector stakeholders to help design a new credit information law that is currently being developed; and
- providing capacity building sessions on improving financial inclusion frameworks to regulators from several member economies through the annual Asia-Pacific Financial Inclusion Forum; and
- working with the finance ministries of Indonesia, Philippines and Vietnam to implement the Microinsurance Roadmap endorsed by the APEC Finance Ministers through activities in conjunction with GIZ's Climate Risk Insurance project for low-income people.

Initial steps have been made to build the infrastructure for closer regional financial and economic integration. These include regulatory enabling of arrangements for cross-border sharing of consumer credit scores among credit bureaus of several economies and the preparations for future work on the digitalization of trade and

supply chain finance, in particular through the development of a pilot project to digitalize supply chain corridors among several economies and terms of reference for the APFF Digital Trade Lab. Activities to promote inter-operability of funds passport arrangements in Asia and Latin America are geared toward closer trans-Pacific financial integration.

APFF is assisting standard setters and relevant organizations by providing a platform to facilitate inputs from a wide range of Asia-Pacific region stakeholders and experts, with the intention of promoting closer alignment between future global standards and goals articulated by APEC Finance Ministers, such as the importance of promoting full-file and comprehensive credit information systems and encouraging insurers to make long-term investment in infrastructure. This is being undertaken through the active participation of APFF collaborators in discussions of the International Committee for Credit Reporting (ICCR) and dialogues and conferences inviting participation from global accounting and insurance standard setters. The latter yielded positive outcomes such as this year's amendments to the accounting standard for insurance contracts that IASB agreed to propose.

APFF has been mobilizing private sector participation to support several FMP initiatives. These include industry participation in the ARFP and efforts to encourage more member economies to join the initiative. APFF is also an active participant in the APEC Disaster Risk Financing Solutions Working Group under the FMP, and has contributed significantly to the work on enhancing the resilience of public infrastructure and plans to develop case studies from the frontline for the study on enabling technologies for enhancing DRFI.

New initiatives were started this year to develop ideas that will guide future work on other CAP and FMP deliverables. These include a baseline study of credit information systems in APEC's member economies, case studies of government initiatives to adopt advanced technologies in payment and settlement infrastructure, a white paper on open banking in Asian economies, discussions to explore the use of catastrophe bonds for the region's developing economies, an APFF conference convened with the Japanese Government to develop new ideas for innovative financing of health care, a conference convened by APIP and APFF with ABAC Hong Kong to develop concepts for the circular economy, and discussions on ways to enable ESG investment as a way of broadening the region's long-term investor base.

The APFF developed in 2018 three foundational documents that are important for the expansion of MSMEs' access to finance under Pillar One of the CAP. At the APEC Finance Ministers' Meeting in Port Moresby in October 2018, the Finance Ministers called for their advancement this year. These have been discussed with the APEC Finance and Central Bank Deputies and are submitted to the Finance Ministers for their consideration at the AFMM in Santiago this year. These three documents are as follows:

- APEC Roadmap for a New Financial Services Data Ecosystem
- Strategy for the Digitalization of Trade and Supply Chain Finance
- Essential Elements of Effective Personal Insolvency Regimes

The APFF, APFIF and APIP have provided platforms for collaboration among a wide range of private and public institutions, including leading firms from around the world, global and regional industry associations, multilateral organizations, government ministries and regulatory agencies and academic institutions, with the objective of supporting the work of the APEC Finance Ministers. Through the leadership of ABAC and close cooperation with finance ministries of APEC's 21 member economies, these collaborative initiatives hope to continue their contributions to the achievement of concrete results that can translate into reality APEC Finance Ministers' vision of stronger, more sustainable and more balanced growth in the region.



2019 Progress Report

Asia-Pacific Financial Forum

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INTRODUCTION

The APEC Finance Ministers established the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP) to serve as platforms for collaboration among the private sector, the public sector and international organizations. Under the umbrella of the APEC Finance Ministers' Process (FMP) and the management of the APEC Business Advisory Council (ABAC), these policy initiatives have attracted the engagement of a wide range and variety of firms and industry associations, regulatory bodies and agencies, and multilateral and academic institutions in the implementation of FMP initiatives and in particular the Cebu Action Plan (CAP).

Through the years, their work has covered a spectrum of areas under the FMP.

- The APFIF, established in 2010, has provided a capacity-building platform for developing economy regulators and officials in working with the private sector to promote access to financial services of low-income populations and micro- and small enterprises.
- The APIP, established in 2011, has been providing advice to officials on policy reforms and measures to develop bankable infrastructure projects that can attract private sector funding. It has contributed to key documents on infrastructure issues produced by the Finance Ministers.
- The APFF, established in 2013, has engaged with various public and private sector bodies in achieving FMP deliverables in areas ranging from data and credit information, secured transactions and insolvency regimes, trade and supply chain finance, capital markets, financial market infrastructure, disaster risk financing and insurance, development of the insurance and pensions industry and the long-term investor base, as well as health care financing.

These policy initiatives have (a) helped initiate legal, regulatory and institutional reforms in several economies;¹ (b) provided critical support to regional initiatives;² and (c) laid the groundwork for structural reforms through the development of roadmaps, strategies, work programs and dialogue platforms.³ The Cebu

¹ These include for example the passage of the new secured transactions law in the Philippines and the introduction of the new warehouse receipts bill in 2018; the enactment of the law on secured transactions in Brunei Darussalam in 2016; the development of legislative reform proposals on secured transactions in China, Thailand and Vietnam; the development of reform proposals on credit information systems in Brunei Darussalam, China, Philippines, Thailand and Vietnam; the introduction of the title-transfer repo in the Philippines in 2015, various specific improvements to regulations, laws, administrative structures and financing mechanisms affecting infrastructure in Indonesia, the Philippines and Thailand.

² These include the adjustment of rules in the Asia Region Funds Passport in 2016 that enabled Japan to join the scheme; the APFF study on tax implications of ARFP that helped accelerate the signing of the Memorandum of Cooperation; the pilot project for cross-border exchange of credit scores among credit bureaus in the Mekong region in 2016; the successful and smooth mandatory exchange of variation margin for non-cleared over the counter derivatives in 2017; and the improvements on IFRS 17 rules on OCI and CSM.

³ These include the initiation of work on the Islamic Infrastructure Investment Platform in 2015 and subsequent development of work streams and networks in 2016-18; the Roadmap for Financial Market Infrastructure and the Roadmap for Microinsurance in 2017; and the APEC Roadmap for a New Financial Services Data Ecosystem, Strategy for the Digitalization of Trade and Supply Chain Finance and Essential Elements of an Effective Personal Insolvency Regime that are currently under consideration.

Action Plan provided a clear framework that identified specific initiatives and deliverables where these public-private platforms could play active roles, and helped focus their work and attract subject matter specialists from the private sector to help achieve the objectives set by the Finance Ministers.

This Progress Report covers the work and achievements of these initiatives since the last APEC Finance Ministers' Meeting held in Port Moresby in October 2018 until the present and provides information on planned activities until the end of 2019. It focuses on three areas: (a) access to finance for low-income consumers and MSMEs; (b) financial market development, including funds passport regimes and financial market infrastructure; and (c) financial resilience and sustainability.

I. ACCESS TO FINANCE

Implementing FMP initiatives promoting access to finance is being progressed through the APFIF, which focuses on financial inclusion, and the Financial Infrastructure Development Network (FIDN) under the APFF, which focuses on improving MSMEs' access to finance.

Financial Inclusion

The APFIF, whose leadership ABAC has entrusted to the Foundation for Development Cooperation (FDC),⁴ is comprised of multiple programs, and provides a capacity building platform to progress CAP initiatives related to financial inclusion, especially initiatives 1A (enabling environment for MSMEs), 1B (financial inclusion and literacy) and 1C (remittance flows) under Pillar 1 (Promoting Financial Integration), aside from other related items under CAP.⁵ APFIF activities are also aligned with priority issues announced by Chile as 2019 APEC Host,⁶ the APEC Action Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region 2018, and 10 of the 17 UN Sustainable Development Goals (SDGs).⁷

APFIF undertakes capacity building for senior officials and policy makers, with participation of industry experts, by assisting them in formulating policies relevant to achieving inclusive growth. Its focus has been to deliver the objectives of the relevant SDGs and achieving the inclusion targets of the APEC economies, and by extension to all economies for whom these issues are vital priorities. To do this, the Forum helps policy makers and regulators identify concrete policy actions to address inclusion for the region's unbanked and financially and economically underserved.

The APFIF annual policy dialogue is structured as a facilitated discussion among delegates, with contributions from development and other industry experts. It provides a platform for all delegates to take an active role in identifying viable action plans to progress inclusive growth in the region. The 2018 dialogue was attended by 40 senior government officials representing central banks, finance ministries and other relevant agencies and 89 experts from industry and multilateral institutions.

The 11 areas where the Forum helped participants identify action plans were as follows:

- Progressing financial inclusion within a broader inclusive growth agenda
- Promoting a broader suite of products and services available to the underserved

⁴ <https://www.fdc.org.au/>

⁵ These include CAP initiatives 2B (data collection and dissemination) under Pillar 2 (Advancing Fiscal Reforms and Transparency), 3B (disaster risk financing and insurance) and 3C (capital market development) under Pillar 3 (Enhancing Financial Resiliency), and 4G (regional connectivity) under Pillar 4 (Accelerating Infrastructure Development and Financing).

⁶ These APEC 2019 priorities are: (a) Digital Society (Target: Identification of best-practice regulatory practices that enable inclusive digital economies, improve statistical conditions and raise consumer confidence in the use of digital tools), (b) Integration (Target: Boosting development of connectivity to respond to new market needs and promote the integration of global marketplaces for inclusive commerce), and (c) Women, SMEs and Inclusive Growth (Target: Increasing the participation of women in the economy and international commerce as a driver for economic growth and reduction in gender gaps).

⁷ These are (a) No poverty (SDG#1), (b) Zero Hunger (SDG#2), (c) Good Health and Well-Being (SDG#3), (d) Quality Education (SDG#4), (e) Gender Equality (SDG#5), (f) Affordable and Clean Energy (SDG#7), (g) Decent Work and Economic Growth (SDG#8), (h) Industry, Innovation and Infrastructure (SDG#9), (i) Reduced Inequalities (SDG#10), (j) Sustainable Cities and Communities (SDG#11), (k) Climate Action (SDG#13), and (l) Partnership for the Goals (SDG#17).

- Incorporation of gender issues across economies' development strategies
- Reforms that support promotion and enforcement of the rights and entitlements of women
- Alignment of economies' development strategies with their digital strategies
- Regulatory sandboxes for testing of innovations
- Prioritization of government investment to achieve maximum impact
- Developing policy frameworks that address the needs of the informal economy
- Progressing reforms that support cross-border trade and finance for Nano,- Micro- and Small Enterprises (NMSEs)
- Prioritization of reforms to support financing of the region's infrastructure needs
- Engagement in regional cooperation to enhance cross-border transactions

As in previous years, outcomes were distributed through official APEC channels to support the work of the APEC Finance Ministers' work on financial inclusion.⁸ This year, FDC published the full APFIF 2018 Report, *The Inclusion Imperative: A Call to Action*, which includes details on key actions identified by participants, is available online.⁹ The 2019 Forum will be jointly organized by FDC, ADB Institute, ABAC and Banking with the Poor (BWTP) Network on September 4-5 at the ADB Institute in Tokyo. Additional support for the Forum is provided by the Inclusive Growth and Development Caucus whose members represent several prominent industry stakeholders.¹⁰

Financial Infrastructure Development

The Financial Infrastructure Development Network (FIDN) was established under the CAP as a specialized subgroup within the APFF to progress Initiative 1A (Promote an enabling financing environment for MSMEs, including trade, supply chain and alternative financing mechanisms). It was tasked to draw the support of ABAC, the SME Finance Forum, the World Bank Group and other international organizations to support interested APEC economies in undertaking reforms to develop (a) secured transactions systems; (b) credit information systems; (c) insolvency frameworks; (d) trade and supply chain finance; and (e) innovative financial instruments, especially to expand access to finance for MSMEs.

Secured transactions reform

The Secured Transactions Work Stream has focused collaboration with interested member economies on four primary areas (Secured Transactions 1.0): (a) law reform; (b) registry reform; (c) ecosystem development; and (d) capacity building.¹¹ Significant progress has been made across interested member economies, with most work focused on Brunei, China, Philippines, Thailand and Vietnam.

- **Brunei:** Through previous work under FIDN since 2015, a modern secured transactions law has been in

⁸ The report was widely disseminated to stakeholders across the region including:

- Over 180 participants of the APEC Finance Ministers' Process from all APEC economies including Finance Ministers, Senior Officials and six external partners: The APEC Business Advisory Council (ABAC), Asian Development Bank (ADB), International Monetary Fund (IMF), Inter-American Development Bank (IADB), Organization for Economic Co-operation and Development (OECD), and the World Bank Group;
- Over 3,000 inclusive finance stakeholders through the networks of FDC and Banking with the Poor (BWTP); and
- Promotion through the Consultative Group to Assist the Poor (CGAP) FinDev Gateway website and additional circulation through FDC's partners including the United Nations Capital Development Fund (UNCDF), Appui au Développement Autonome (ADA) and the Asian Development Bank Institute (ADBI).

⁹ https://docs.wixstatic.com/ugd/63b191_7e5bd2f2847f4cd9abf60c6115ed322c.pdf

¹⁰ They include ADBI, Bank Mandiri, Bloomberg, EY, Lanka Impact Investing Network (LIIN), MicroSave, and PayPal

¹¹ Following are specific details of work under these areas:

- **Law Reform:** Work with member economies to improve secured transaction laws to allow MSMEs to leverage moveable assets in line with global best practices, following primarily UNCITRAL's Model Law on Secured Transactions;
- **Registry Reform:** In support of law implementation, support the establishment of online, centralized, low-cost, notice based movable asset collateral registries;
- **Ecosystem Development:** Foster enabling industries to support expansion of secured transactions, including valuation practices and collateral management industries;
- **Capacity Building:** Support the development of market expertise and awareness of secured lending products among key stakeholders (MSMEs, financial institutions, non-bank financial institutions and regulators.

effect and a modern collateral registry is operative. FIDN and the monetary authority (AMBD), launched the “Getting Credit 2018” conference in November 2018 focusing on capacity development among the banking community and MSMEs to expand usage of secured transactions and build awareness of the credit registry and their impact on access to finance. FIDN anticipates the “Getting Credit” conference to become an annual event showcasing progress and continuing to enhance utilization of best practices.

- *China*: The Property Chapter of the Civil Code is currently being prepared by the relevant authorities. FIDN experts contributed to several discussions among the legal and business communities on the secured transactions section. In the meantime, FIDN continues to promote a deeper movable asset finance market in China. At the end of September 2018, a major conference was organized in Tianjin by ABAC, the China Association of Warehousing and Delivery (CAWD), the China Banking Association (CBA) and the Tianjin government to take stock of warehouse finance development in China and to explore cooperation with the Free Trade Zones. A session on the valuation of inventory collateral was delivered with an objective of promoting best valuation practice to lenders and collateral managers. An initiative to develop a national electronic warehouse receipt system was also launched at this event. To build upon this progress, FIDN, IFC, CAWD and CBA expect to organize the Seventh Warehouse Finance and Collateral Management Conference in the 2nd half of 2019 to further facilitate the development of warehouse finance practices (e.g., stock monitoring agreements and collateral management agreements) and the introduction of e-warehouse receipts.
- *Philippines*: Following the signing in August 2018 by President Duterte of a new modern secured transactions law based on international best practices with the assistance of FIDN, a modern collateral registry is now being developed by the Land Registration Authority. This registry, targeted to come online in 2019 along with issuance of related regulations, will allow for the new law to become operational. The Warehouse Receipts bill, also developed with the assistance of FIDN, has cleared committee in the House and has been lodged in the Senate (Senate Bill 2171), where it is currently at the second reading (it will still need to proceed through three readings in the Legislature before being sent to the President for signature). FIDN continues to collaborate with the Department of Finance, Bangko Sentral ng Pilipinas, World Bank/IFC and other stakeholders to build the capacity of the financial community to leverage the expected passage of the law. The Philippines hosted the Sixth FIDN Conference held in Manila, Philippines in November 2018 focusing on practical models and approach on accessing finance through moveable assets collateral to facilitate operationalization and utilization of the new law by connecting financial institutions, MSMEs, farmers and the warehouse industry. FIDN looks forward to continued cooperation with the Philippines in co-sponsoring another FIDN conference in 2019 targeting the adoption of the warehouse receipts law and continued expansion of secured lending to benefit MSMEs.
- *Thailand*: Following the updating of its secured transactions law in 2016, Thailand is currently introducing amendments to better align it with international standards and improve access of MSMEs to finance and ease of doing business. FIDN will continue supporting Thailand by convening appropriate workshops and seminars in collaboration with the Ministry of Finance.
- *Vietnam*: Following the approval of the new Civil Code a few years ago, the focus of FIDN work in the past year has been to expand the movable asset finance market through the development of supply chain finance. Two events were successfully organized with IFC and the Ministry of Planning and Investment (MPI). One was on leveraging fintech to scale up supply chain finance, which produced agreement among stakeholders that e-platforms for receivables finance, warehouse finance or supply chain finance need to be developed in Vietnam in order to make movable asset finance more widely available to SMEs. The other was on using financial services to promote greater linkages between foreign invested firms and domestic suppliers. The meeting emphasized that financial services is a critical element for increasing the share of domestic inputs to the foreign-invested enterprises and that digitalization will be a main way forward. For these purposes, supply chain finance enabling environment issues in the country need to be further addressed, e.g. difficulty in setting up on-shore non-deposit-taking business lending institutions, restrictive regulatory perspective on common market practices like factoring and e-platform, obstacles for cross-border supply chain finance operations, and low availability of 3rd party collateral management services.

Recognizing the work on facilitating MSME access to finance completed to date, and to further enhance the ability of MSMEs to participate effectively in global value chains, expand their innovative capabilities and global presence, FIDN will seek to complement its initial focus, with expanded efforts on the modernization of secured lending through two key areas (Secured Transactions 2.0), which are:

- *Digitalization*: Strengthening the enabling environment for e-platforms to operate efficiently, through receivables' finance, warehouse receipt, and supply chain finance platforms; while supporting the digitalization of financing documents and instruments (e.g digital/e-invoices, e-warehouse receipts);
- *Globalization*: Improving the harmonization of secured transaction systems to expand MSME participation in global trade to create stronger frameworks supporting cross-border trade. These include ratification of the UNCITRAL Convention on Assignment of International Receivables and other mechanisms; driving collaboration among related APEC fora¹² to maximize outcomes.

Valuation is an important component of the secured transactions framework, as banks need to value and secure assets offered as security by MSMEs. An APFF working group on valuation led by the International Valuation Standards Council (IVSC) is currently undertaking work based on a completed stock-take across APEC's 21 economies establishing what valuation infrastructure and standards were in place¹³ and identifying areas of potential improvement and enhancement. This work involves engaging with valuation professional organizations (VPOs), regulators and stakeholders in the region to identify where collaboration is needed to address challenges.¹⁴

This year, the working group focused on the following:

- It collaborated with the Thai Bankers' Association and with banking industry associations around the region to provide guidance on dealing with the challenge as well as working with local VPOs to enhance their credibility in the local market.
- In Japan, where valuation of real estate is a government-regulated profession, a local Roundtable has been established that is concentrating on assets excluding real estate, with the more immediate focus being on business valuation.¹⁵
- Introduced the concept of valuation standards and industry best practices¹⁶ in Brunei during the Getting Credit conference as part of the broader secured transactions reform capacity building efforts.

Insolvency

Following last year's submission to the APEC Finance Ministers of the draft *Essential Elements of Effective Personal Insolvency Regimes* based on the APFF symposium held in June 2018 in Beijing, APFF convened a

¹² These include the Strengthening Economic Legal Infrastructure (SELI) Working Group of the APEC Economic Committee, the APFF Trade & Supply Chain Finance sub-group and the APEC SME Working Group.

¹³ https://www2.abaonline.org/assets/2016/3%20Shenzen/Resource_Material_-_APEC_Valuation_Landscape.pdf

¹⁴ Engagement usually takes the form initially of an explanatory Round Table meeting to secure the necessary input and support from the local valuation stakeholder community, followed by seminars and discussions groups when appropriate experts in different fields of valuation from within the region brief the stakeholders on the standards relevant to their particular area of expertise and how they are applied in practice. Intellectual property, business valuation and the valuation of intangible assets provided by way of collateral in relation to secured credit and lending to SMEs have proven to be the greatest areas of interest. Part of the initiative is also to secure the adoption of the International Valuation Standards (IVS) and it is pleasing to note that significant progress has been made both in the Philippines and in Mexico where IVS 2017 has now been adopted by the regulators as the over-arching standard with guidance notes provided to local valuers to assist them to address local legislation and conditions which are specific to that economy.

¹⁵ The core stakeholders who form the Round Table comprise RICS, JaSIA(ASA), JICPA, JAREC, the Big 4 accounting firms plus Duff and Phelps and JAREA. They all support the APEC initiative and agree the need to create a single valuation standard in Japan to be consistent with IVS. There have been discussions about creating a single VPO to provide quality assurance and education/training and perhaps the introduction of credentials but it is considered that the most important achievement will be to introduce a single valuation standard at this point. It is worth noting that the Japan Institution of Certified Public Accountants (JICPA) has joined and they are keenly interested in seeing an improvement in valuation practices.

¹⁶ https://www2.abaonline.org/assets/2016/3%20Shenzen/Resource_Material_-_Valuation_Best_Practices_Template.pdf

2nd International Symposium on Personal Insolvency Reform in Beijing in November 2018. It was co-sponsored by ABAC, Beijing Bankruptcy Society and the Renmin University of China, the Chinese Government and IFC. Building on previous discussions on the subject, this gathering focused specifically on the non-judicial options of resolving personal financial distress. Apart from China, experts from Canada, Hong Kong, Malaysia, Japan, US, Australia and Singapore shared relevant experiences in their respective economies.

Given the increasing number of consumer borrowers,¹⁷ the participants agreed that it will not be possible for all the distressed personal borrowers to go through judicial or a bankruptcy administration's resolution process, either formal or informal, not to mention that most developing APEC economies do not yet have a personal insolvency law. It will be important to encourage the development of various types of "voluntary agreement" practices whereby creditors and distressed borrowers can efficiently find common grounds for orderly exit.

Participating stakeholders agreed that such arrangements can be facilitated through appropriate regulations or guidelines from the financial regulators as well as professional services support from accredited non-governmental organizations or even a specialized government agency.¹⁸ It was agreed that financial regulators need to play a more active role in providing options for problem personal loan exits in view of the rapid expansion of the consumer finance market in the region.

In July 2019, China released its road map to build the personal bankruptcy system and the plan is expected to launch in some pilot areas in the second half of this year. The announcement and comments from the Supreme People's Court reflected several ideas contained in the Essential Elements, particularly the concept that a personal bankruptcy system should encourage entrepreneurial innovation and help people who took debt in good faith to start over again.

At the APEC Finance and Central Bank Deputies' Meeting in March 2019 in Santiago, ABAC presented and discussed the *Essential Elements* with participants. The document is now ready for consideration by Finance Ministers and can be downloaded from the ABAC website,¹⁹ subject to any final suggestions from finance ministries.

Credit Information and Data

The Credit Information Work Stream under FIDN under the leadership of the Policy and Economic Research Council (PERC)²⁰ has been focusing its work on: (a) promoting adoption of full-file credit reporting (collection and sharing of positive and negative data) and comprehensive credit reporting (collection and sharing of alternative data, e.g., utilities, rents, mobile phone payments); (b) establishment of credit registries and licensing of credit bureaus; (c) legal and regulatory framework around credit information and data; and (d) cross-border arrangements between credit registries/bureaus to share credit scores of entrepreneurs and migrants seeking financial services in host jurisdictions. The work stream also played a leading role in the development of an APEC data ecosystem roadmap for financial services, which was initiated in 2018.

Since October 2018, FIDN collaborated with Brunei Darussalam, China, the Philippines and Thailand to develop policy and regulatory frameworks governing credit information and data in their respective jurisdictions.

- *Brunei*: Following the establishment of a new credit information system in Brunei with the assistance of FIDN, the AMBD hosted jointly with FIDN the Brunei Darussalam Getting Credit Conference in November 2018. Brunei's *National Credit Score* and *Online Credit Reports* were officially launched during the event.

¹⁷ There are for example at least 500 million outstanding borrowers in China.

¹⁸ One example is the Credit Counseling and Debt Management Agency in Malaysia.

¹⁹ https://www2.abaconline.org/assets/2018/APFF/Essential_elements_2018-08-02.pdf.

²⁰ <http://www.perc.net/>

- *China*: FIDN has been collaborating with the People’s Bank of China by mobilizing its network of experts together with the IFC/World Bank to contribute global insights to discussions on a regulatory framework for the new data and analytics industry that is currently being developed. FIDN continued this collaboration this year through the discussions at the 3rd APFF Data Ecosystem Conference held in June 2019 in Beijing. This issue has ramifications well beyond China, as data privacy and security have rapidly emerged as priority policy concerns in advanced and emerging economies alike.
- *Philippines*: The Philippines has established a credit information industry, with the Credit Information Corporation (CIC) authorized to collect data from firms and organizations and regulate credit bureaus. Efforts supported by FIDN since 2015 continue to achieve progress toward full-file and comprehensive credit reporting and to improve the credit information ecosystem. In November 2018, FIDN convened with the CIC, PERC, the Asia-Pacific Credit Coalition and ABAC a conference on *Credit Information Sharing in the Philippines*, to discuss challenges to the progress of the credit information system and to propose ways forward to strengthen data security and privacy protection and promote fairness, competition and innovation. Follow on work is in progress, including an assessment of current CIS laws.
- *Thailand*: Thailand is now in the process of reviewing and discussing possible amendments to its law on credit information to make more data available to lenders as a way to increase lending to MSMEs. APFF/FIDN collaborated with the ASEAN Business Advisory Council and the National Credit Bureau of Thailand to hold a seminar on *Next Generation Credit Information* in June 2019 in Bangkok, followed by a workshop with public sector and industry stakeholders involved in the preparation of the legislation.
- *Cross-border Credit Information Sharing*: After a series of dissemination and advocacy activities were conducted jointly by FIDN under the leadership of IFC and the Credit Information Center (CIC) of Vietnam, the State Bank of Vietnam adopted recommendations on cross border credit information sharing. As a result, Circular 27, amending some articles of the Circular 03/2013/TT-NHNN on State Bank of Vietnam’s Credit Information Activities, was enacted. The Circular laid out the foundation for cross-border credit information sharing, allowing CIC to sign Memoranda of Understanding, and/or Agreements with overseas credit reporting service providers to exchange credit reporting knowledge, experience and products. Subsequently, CIC joined the Asian Credit Reporting Network and signed Memoranda of Understanding with credit information service providers of other economies, including Thailand, Malaysia, Chinese Taipei, Japan and Korea.

FIDN has been actively involved in mobilizing its network of experts for the ABAC/APFF initiative to develop the *APEC Roadmap for a New Financial Services Data Ecosystem*, which has been progressed through conferences in Singapore (May 2018) and Washington DC (September 2018). This year, conferences were held in Atlanta (March 2019) and Beijing (June 2019). The Roadmap was submitted last year to the APEC Finance Ministers and discussed with APEC Finance and Central Bank Deputies in March 2019 in Santiago. It is now being submitted for consideration by Finance Ministers and can be downloaded from the ABAC website,²¹ subject to any final suggestions from finance ministries.

As a supplement to the roadmap, the Asia-Pacific Credit Coalition (APCC) and PERC are fielding a baseline survey of private credit bureaus, public credit registries, data furnishers, and regulators to provide a current and comprehensive assessment of the state of credit information sharing across the 21 APEC member economies. The survey results will be analyzed and written up as a report to be published in late 2019.

APFF/FIDN has been invited by the World Bank Group to join the International Council on Credit Reporting (ICCR), which is being developed as a future global standard setting body for credit reporting together with central banks and industry trade associations, pending the achievement of 90% global population coverage, which is likely to be reached by 2020. The ICCR held its most recent meeting in April 2019, where APFF/FIDN was represented by the Sherpa for Credit Information. To date, agreements on alternative data and credit scoring have been passed by the ICCR with input from the APFF. In addition, a proposed standard on data security is being considered and will be vetted at the ICCR’s November meeting in Shanghai.

²¹ https://www2.abaonline.org/assets/2018/APFF/Data_Ecosystem_Roadmap_2019-07-19.pdf.

Trade and Supply Chain Finance

The Trade and Supply Chain Finance Work Stream has focused its work on the preparations for the anticipated future work on legal reforms and standardization that will facilitate digitalization, and assisting interested economies to develop regionally consistent and convergent digitalization strategies for trade and supply chain finance. For this purpose, APFF in collaboration with ABAC and ASEAN Business Advisory Council, held three workshops in 2019 – two in Bangkok and one in Singapore.

The workshops served to initiate discussions among public and private stakeholders in Thailand (which chairs ASEAN this year), Singapore and other economies on practical strategies to advance digital trade transformation, starting with consideration of real world examples of where digitalization has progressed, what role public-private sector support has played and what gaps need to be bridged.²² Participants agreed to promote the establishment of a pilot to digitalize specific supply chain corridors between interested economies.²³ The economies participating in the pilot supply chain corridor would be expected to undertake key legal, regulatory and free trade agreement reviews to optimize the trade corridors, and include standards and inter-operability in its work program in 2020.

The Work Stream also developed terms of reference for the APFF Digital Trade Lab, which will aim to accelerate the digitalization of trade and supply chain finance in the Asia-Pacific region. It will seek to fulfill this mission by (a) providing a voluntary platform to strengthen support for undertakings to promote legal, regulatory and institutional reforms and standardization, and to advance collaboration, coordination and synergy among stakeholders undertaking these initiatives; (b) engaging the APFF's broad network of finance, trade and foreign ministries, regulatory authorities, multilateral institutions, private sector firms and industry associations and academic and research institutions to support and contribute to these initiatives; and (c) undertaking activities, as needed, both at the regional level and at the domestic level, the latter in collaboration with domestic stakeholders intending to translate ideas into concrete laws, policies and actions.

At the APEC Finance and Central Bank Deputies' Meeting in March 2019 in Santiago, ABAC presented and discussed the *Strategy for the Digitalization of Trade and Supply Chain Finance* with participants. The document is now ready for consideration by Finance Ministers, subject to any final suggestions from finance officials, and can be downloaded from the ABAC website.²⁴ Further steps to establish the pilot supply chain corridor and the APFF Digital Trade Lab will be undertaken after consideration of the Strategy by Finance Ministers in October 2019 in Santiago.

²² The following cases of where digitalization is occurring were discussed: (a) IFC/World Bank presented on a case of the national warehouse receipts system being developed in China. (b) GeTS Asia presented the case of reuse of trade data for export and import declarations between customs agencies of Indonesia and Singapore, which reduced time for data entry from 4 hours to less than an hour and significantly reduced operational errors. (c) GeTS Asia also presented a case study on digitalization of data preparation and entry for filing declarations with invoice containing 800 items between China and Singapore, where the time required was reduced from 3 business days to half a business day and greatly reduced the risks of HS Code misclassification. (d) Kapsol (a start-up firm) presented the case of marine port digitalization in the port of Rotterdam, which resulted in savings of around USD150 million, and which could grow to USD245 million when the systems for each individual party in the port community are integrated and allow more efficient trade and supply chain finance compliance with AML and CTF rules. (e) R3 presented the case of the use of distributed ledger technology (DLT) in Australia, where it improved demand forecasting and inventory management. (f) R3 also presented the case of a Thai company deploying DLT in procurement automation in its supply chain, which improved transaction speed and resource efficiency by 50 percent through savings from the automation of procurement and reduction of paper and manual processes. (g) The Thai Bankers Association highlighted that a typical cross-border trade can involve up to 25 different parties generating from 30 to 40 trade documents, of which 60 to 70 percent is manually re-entered at least once. Among the several initiatives that are currently ongoing to digitalize parts of the ecosystem are Project Voltron, Project Marco Polo, the e-trade connect in Hong Kong, the NTT Data Trade Platform in Japan, the Networked Trade Platform in Singapore, the Blockchain Community Initiative in Thailand, the Ripple Cross-Border Fund Transfer and Digital ID. These projects need to become inter-connected and inter-operable to avoid the emergence of future digital fortresses that could raise new costs and barriers. (h) The Singapore InfoComm Media Development Authority presented the case of TradeTrust, an integrated platform combining harmonized legal frameworks in the recognition of electronic trade documents, governance and standards development together with a complementary technological infrastructure.

²³ The pilot would act as a focal point to foster closer collaboration across borders between stakeholders, to identify common areas to work on – for example, FTAs and legal recognition of digital signature in digitalized title transfer documents – as well as to identify key barriers to break through that can encourage more dynamic trade activities.

²⁴ https://www2.abaonline.org/assets/2018/APFF/Digitalization_Strategy_for_TSCF_2019-07-19.pdf.

Financial Innovation

An APFF Fintech Seminar²⁵ was convened in March 2019 in Santiago in conjunction with the APEC Finance and Central Bank Deputies' Meeting to discuss the progress of financial innovation in Latin America and share experiences from Asia. The Seminar identified steps that can be undertaken to accelerate financial innovation in the region, including (a) accelerated development of full-file and comprehensive credit information systems and legal and institutional secured transactions frameworks; (b) sharing of knowledge and best practices in the use of unstructured data in financial services, the development of enabling regulatory frameworks, and the use of regulatory sandboxes; and (c) closer collaboration among regulators, industry and multilateral institutions to develop and expand regional public-private sector platforms for financial innovation, leveraging on the experience of the ASEAN Financial Innovation Network (AFIN).

II. FINANCIAL MARKET DEVELOPMENT

APFF's work on financial market development focused this year on supporting the continued progress of the Asia Region Funds Passport (ARFP), which is Initiative 1F of the CAP, and the adoption of technology in financial market infrastructure. Two of the three deliverables of the CAP initiative on the ARFP (signing of the statement of understanding by finance ministers and signing of the memorandum of cooperation by securities regulators) have been achieved. The remaining deliverable is to increase the number of participating APEC economies in the scheme. The Roadmap for the Development of APEC Financial Market Infrastructure, which was endorsed by Finance Ministers in 2018, includes action plans for the adoption of technology in FMIs, which APFF is now starting to advance.

Asia Region Funds Passport

Since its establishment in 2013, APFF had endorsed ARFP and provided advice to finance ministries and regulators on legal issues that facilitated the launch of ARFP with 5 signatories (Australia, Japan, Korea, New Zealand and Thailand) in 2015. Since then, APFF had undertaken a study on tax implications that helped facilitate the signing of the MOC by securities regulators; held dialogues with regulators in Hong Kong, Singapore and Chinese Taipei (which are now participating in Joint Committee meetings as observers); participated and promoted broader private sector participation in dialogues between the Joint Committee regulators and industry; and engaged with individual regulatory authorities participating in ARFP.

Following initial discussions with Latin American stakeholders in 2018, APFF has focused its work on promoting the future inter-operability of ARFP with the newly launched Funds Passport for the Pacific Alliance. APFF made a presentation on the ARFP and options for inter-operability at a seminar hosted by the Pacific Alliance in March 2019 in Santiago. The APFF core group supporting ARFP has established a linkage with the heads of the funds industry associations in the four Pacific Alliance member economies and has convened conference calls to coordinate approaches. At the ARFP Joint Committee Meeting of 8-9 May 2019 in Seoul, the Joint Committee initiated discussions on possible ways to achieve inter-operability with other funds passport arrangements. It was also suggested to the Joint Committee to take this initiative up. It is suggested at this time it should be developed at the regulator-to-regulator level. The APFF will assist with any needs of both the Asia Pacific and Latin American regulators.

Moving forward as ARFP regulators begin processing the first registration applications from local prospective Passport funds and entry applications from foreign Passport funds,²⁶ APFF will be focusing on four objectives: (a) supporting activities and initiatives that lead toward future ARFP inter-operability with other funds passports, particularly with the Funds Passport for the Pacific Alliance; (b) promoting industry and regulatory support in other APEC member economies in Asia for joining ARFP; (c) providing feedback and recommendations to the Joint Committee on ways to further improve the scheme; and (d) promoting industry

²⁵ *Enabling Innovative Finance for MSMEs in the Digital Economy*, 8 March 2019, Santiago, Chile.

²⁶ Australia, Japan and Thailand commenced receiving applications on 1 February 2019. New Zealand is currently drafting implementing rules and expects to start receiving applications in the 3rd quarter of 2019. Korea is awaiting the passage of the Passport Bill in its legislature.

interest in manufacturing and distributing funds under ARFP. It is also APFF's recommendation that the Joint Committee have enhanced dialogue with the APFF and utilize it as a channel to help market and popularize the scheme and initiative.

Financial Market Infrastructure Technology

The APFF Financial Market Infrastructure (FMI) Fintech Work Stream has focused its work on providing technical advice and assistance to APEC economies as they develop policies to encourage the use and development of fintech. In this respect, the group is making progress against two key objectives for 2019:

Developing case studies to showcase best practice examples of government interventions that have encouraged the development and use of financial technology across the APEC region. These cover areas critical to the success of payments and settlement technology in particular and the digital economy in general.²⁷ The objective is for these documents to form the beginnings of a base of knowledge and a reference point for regulators and officials across APEC economies as they look to undertake initiatives to develop their own financial technology sectors. The case studies are under development and the Financial Market Infrastructure (FMI) Fintech Work Stream aims to have a completed set of final documents by the end of Q3. The Work Stream will also agree a plan for dissemination of the case studies. This will include exploring permanent online hosting of the materials, submitting the documents to relevant officials, seeking opportunities to showcase the findings at conferences and roundtable events, as well as meetings with ad hoc groupings such as the ASEAN Working Committee on Payment and Settlement Systems.

Collaboration with Emerging Payments Association Asia on an open banking report/white paper. The purpose of the report is to better understand the landscape in respect of this critical aspect of the emerging digital economy and to develop recommendations for policymakers as they consider measures to implement and develop open banking in APEC economies. To support this collaboration, the FMI Fintech Work Stream plans to set up an Advisory Panel for the study, which will include current FMI Fintech work stream sherpas and co-sherpas, as well as other experts, including representatives from the Emerging Payments Association Asia. The collaboration has been agreed in principle and the group aims to kick off the project in late 2019.

III. FINANCIAL RESILIENCE AND SUSTAINABILITY

APFF is undertaking work to support CAP Initiative 3B (Disaster Risk Financing and Insurance), which outlines three deliverables: (a) promote private disaster insurance schemes, through collaboration and exchange of information and experience among economies, international organizations and private sector; (b) deepen insurance penetration within their economies and develop regional risk sharing measures; and (c) develop a roadmap and network of experts for expanding the coverage of microinsurance and disaster risk financing in member economies.

Disaster Risk Financing and Insurance

Building on the work of APEC in previous years, the APFF has been supporting the work of the APEC FMP Disaster Risk Financing Solutions Working Group (DRFSWG). The APFF's DRFI Work Stream focuses on three key issues:

- *Enhancing resilience of public infrastructure.* The importance of enhancing disaster resilience of public infrastructure has become a major topic of discussion in international fora, with growing awareness of its role in post-disaster recovery. In October 2018, the World Bank published the report *Catastrophe Insurance Programs for Public Assets –Operational Framework*, which incorporated the APFF's inputs on how private insurers can evaluate and transfer risks of public assets, which enable governments to

²⁷ Examples include: interventions to develop tools for digital identification, such as Singapore's MyInfo service, which can provide digital security and convenience to facilitate online transactions as a step towards developing a National Digital Identity for Singapore residents; measures to facilitate open banking, looking at the divergent approaches to this issue taken by countries like Australia, the United States and regions outside APEC such as the European Union; and moves to encourage a more open, dynamic and inclusive market for fintech-bank collaboration and financial services innovation, such as the ASEAN Financial Innovation Network.

minimize the financial impact of natural disasters.²⁸ Enhancement of resilience has also been discussed under the APEC Energy Working Group's Energy Resilience Task Force (ERTF) as detailed in its report *Promoting Resilience in the Energy Sector* published in August 2018.²⁹ Given the commonality of the discussion taking place under the ERTF and the APFF, the APFF plans to look into the possibility of working together towards the 2020 APEC year.

- *Initiating discussions on catastrophe bonds for APEC.* The World Bank's issuance of the Pacific Alliance catastrophe bond (cat bond) to provide earthquake protection to Chile, Colombia, Mexico and Peru in February 2018 stimulated discussions on cat bonds tailored for APEC economies. The APFF plans to work with the DRFSWG to identify interested member economies and promote in-depth exchange of views to help APEC catalyze the development of the cat bond market in the region. To build momentum on the subject, APFF participated in panel discussions at the International Insurance Forum's *2019 Global Insurance Forum* on 21 June, 2019, and the *ILS Asia 2019* on 11 July 2019, both of which were held in Singapore.
- *Enabling technologies for enhancing DRFI.* Led by the OECD, a study on how technologies and innovation can facilitate the provision of DRFI will be conducted over the course of the 2019/2020 APEC years. APFF will contribute to the project by offering case studies from the frontline.

Microinsurance

The Microinsurance (MI) Roadmap was adopted and endorsed for implementation in developing member economies by the Finance Ministers at their meeting in October 2018 in Port Moresby. This completed the deliverable in the CAP. To assist member economies in implementing the Roadmap, the APFF's Microinsurance Work Stream is undertaking workshops and dialogues in cooperation with finance ministries and relevant authorities as part of the agenda of the DRFSWG.

The Work Stream, which is led by GIZ, is being supported by GIZ's Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia) III³⁰ project's measures to promote solutions to Climate Risk Insurance (CRI) for the low-income people, vulnerable population groups and MSMEs in Indonesia, the Philippines and Vietnam in implementing the MI Roadmap. Below are highlights of accomplishments from January to June 2019:

- *Philippines and Vietnam:* APFF completed the series of bilateral meetings with government ministries (particularly Ministry of Finance), disaster risk management authorities, climate change policy agencies and insurance/private stakeholders. This has led to the creation of a CRI National Task Force (NTF) and Technical Working Groups on CRI. The Philippine Department of Finance and Vietnamese Ministry of Finance are leading the NTFs which serve as steering bodies in promoting CRI for the low income sector, vulnerable population groups and MSMEs. Other than the microinsurance market, particular entry points of CRI are the Local Government Units (LGUs) in the Philippines and the agriculture sector in Vietnam.
- *Indonesia:* Meetings with the Ministry of Finance have been initiated which aims to align the RFPI interventions to the priorities in Indonesia's DRFI Strategy. A special focus in Indonesia is linking social protection programs to the CRI strategy.
- *Webinars:* A monthly webinar (called Tuesdays with MEFIN) is conducted since January. The one-hour webinar covers topics on CRI policy and regulation, CRI Business Model, Use of Technology in CRI, and Dialogue and Knowledge Management through the MEFIN platform. The webinar is open to the public.

²⁸ This was presented at the APEC FMP DRFS' Workshop on *Financial Management of Public Assets against Disaster Risks* held in Tokyo, June 21-22, 2018, organized by the World Bank Group.

²⁹ This particular project was prompted by the need for enhancing the resilience of energy infrastructure to reduce the impact from natural and man-made disasters, as stated in the report. The Energy Working Group's Energy Resilience Task Force (ERTF) is initiating discussions to draft "Energy Resilience Principles."

³⁰ <http://www.inclusiveinsuranceasia.com/>.

While the MI Roadmap had already been adopted by the FMP, there is need to promote greater awareness among ministry of finance officials across member economies who are not involved in APEC. A major challenge has been the lack of a particular focal point or resource in each ministry to champion the implementation of the Roadmap across agencies.

For the remainder of 2019, the RFPI project, with the finance ministries and insurance supervisors as its main partners, will bring along the elements of the MI roadmap in the implementation of CRI activities in the 3 economies. APFF hopes that the DRFSWG can provide support to the implementation of the MI Roadmap by engaging ministries of finance and relevant authorities to collaborate more closely with these efforts in developing member economies.

Circular Economy Infrastructure

APIP and APFF are engaged in supporting CAP Initiatives 4C (Maximizing PPP's role in infrastructure investment), 4E (Long-term Investment in infrastructure), and 4F (Urban Development). In recent years, these two initiatives have shifted their focus from the general enabling environment for PPPs to the development of sectoral PPP project pipelines, with initial focus on municipal solid waste management infrastructure, which is a major component of the circular economy.

As various initiatives across APEC fora³¹ converge toward achieving the circular economy, APIP and APFF are engaged in discussions with them to seek synergies to achieve for the waste management sector specific deliverables under the CAP. These deliverables are: (a) reviews of policy frameworks for infrastructure provision and analysis and sharing of best practices; (b) development of a robust pipeline of bankable PPP projects in the region; (c) facilitating long-term investment in infrastructure and encouraging increased pension and insurance industry investment in infrastructure; and (d) sharing knowledge on innovative financing for sustainable urban development.

The APIP and APFF are collaborating with ABAC to convene a conference on the circular economy infrastructure in September 2019 in Hong Kong. The conference aims to bring together key stakeholders and experts from government, business, academe and multilateral institutions, it will aim to initiate a process designed to eventually lead to the development of a pipeline of bankable waste management projects in developing APEC member economies, particularly in those economies that currently face the greatest challenges in managing municipal waste and addressing the problem of marine debris at its source.

This process is intended to develop in four stages: (a) a meeting of key stakeholders at the international level to agree to collaborate; (b) dialogues at the domestic level between authorities responsible for waste management projects and practitioners/experts from the private sector, multilateral institutions, export credit agencies and specialist institutions; (c) capacity building (training, seminars, advisory services) at the domestic/local level to assist authorities in launching projects; and (d) launch of projects and financial close.

³¹ These include the following:

- APEC Virtual Working Group on Marine Debris: Collaboration between APEC Chemical Dialogue and APEC Ocean and Fisheries Working Group. Formed in 2014, focused on innovative solutions to land-based waste management. APEC Policy and Practice for overcoming barriers to financing waste management systems endorsed by APEC Ministers in 2016. Several workshops conducted.
- Best Practices on Circular Economy: Redefining Growth: From Waste to Worth: Committee on Trade and Investment project from Mexico's Ministry of Economy and ABAC (Coca Cola FEMSA). Meeting held in October, 2018 focused on sharing best practices on circular economy.
- Clean City and Ocean Project: Ocean and Fisheries Working Group project from the United States and Chile to evaluate the "circularity" of municipalities in APEC. The first cities to participate will be San Jose and Santiago in Chile.
- Accelerate Transition to a Circular Economy: Policy Partnership on Science, Technology and Innovation (PPSTI) project from Chinese Taipei focusing on textiles, agricultural waste, and ICT waste management.
- Sustainable Materials Policy Program: Committee on Trade and Investment project from the United States focused on promoting waste management and recycling including environmental regulation, legal definitions for waste and recyclable materials, scrap material quality standards, and enabling investment policies.
- Promoting Investment and Innovation to Combat Marine Litter and Build a Circular Economy: Proposal from the United States and Chile to take place on the margins of the Small and Medium Sized Enterprises Ministerial and related meetings on September 5th 2019 in Concepcion, Chile.
- Peer Review for Sustainable Cities Focusing on Resource Circulation and Waste Management: Proposal from Japan's METI to evaluate the current status of resource recycling in Asia-Pacific cities and identify and introduce possible solutions. Workshop planned for 2020.

Health Financing

APFF is undertaking work on health financing in support of the Finance Ministers' call for further dialogue to promote innovative and sustainable health financing solutions and address the fiscal and economic impacts of ill health.³² It is also informed by collaborative studies by ABAC and the APEC Life Sciences Innovation Forum (LSIF) on the predicted GDP losses due to aging populations and the rise in non-communicable diseases, which are stretching the capacity of governments to provide adequate benefits. The objective of this work is the establishment of structures and adoption of best practices in APEC member economies to harness the private sector in creating innovative and sustainable health financing mechanisms and improving health and productivity.

The concept of health and productivity management, improving employees' health and vitality and corporates' productivity, can enhance corporate performance and value in capital markets and can extend healthy life expectancy in aging societies. Companies that invest in health and productivity management are typically more profitable and exhibit lower volatility as compared to their peers. APFF recognizes the importance of these concepts and promotes investment in companies active in health and productivity management.

Since the October 2018 AFMM, APFF has undertaken the following activities:

- *Dialogue with Thailand.* APFF convened a dialogue in Thailand hosted by the Thai Ministry of Finance and developed a study and set of action plans to help facilitate the development and deployment of innovative healthcare financing mechanisms. A follow-up APFF dialogue is being considered in late 3rd quarter or early 4th quarter of 2019 to follow-up on the action plans proposed by the study.
- *Collaboration with Japan.* This work looks to develop innovative models for promoting increased private sector engagement in the healthcare system and financial market support for health and productivity management in corporate and SME sectors. A conference APFF jointly organized with Japan's Ministry of Economy, Trade and Industry (METI) on the *Role of Financial Services in Enhancing Health and Productivity Management* was held on January 28, 2019 in Tokyo. It focused on challenges from non-communicable diseases and aging population, innovative approaches to insurance and health care solutions, financial market support for health and productivity management in corporate and SME sectors and innovative health care financing mechanisms. The conference report outlined an action plan.³³

Expanding the Region's Long-Term Investor Base

Since 2013, APFF has been working on promoting insurers' and pension funds' roles to support sustainable, resilient and inclusive growth and development in the Asia-Pacific region.³⁴ APFF undertook various initiatives to support the implementation of the 2018 Joint Finance Ministerial Statement, which called for diversifying the sources of long-term finance and greater private sector involvement.³⁵ Following are progress

³² "We welcome the exploratory dialogues between senior finance officials, Life Science and Innovative Forum (LSIF) and Health Working Group (HWG) to address the fiscal and economic impacts of the steep rise in chronic disease and of ageing societies in APEC economies. We encourage further dialogue with interested economies to share best practices and explore innovative, sustainable health financing solutions." *Joint Ministerial Statement of the 2017 APEC Finance Ministers' Meeting*.

³³ The action plan included the following proposed actions: (a) Continue to share information regarding company programs on health and productivity management so that best practices may be disseminated and adopted by others. (b) Explore options to increase data exchange and integration of medical and lifestyle information databases. (c) Consider utilizing the APEC Checklist of Enablers for Alternative Health Financing or aspects of it to evaluate the enabling environment for alternative health care financing mechanisms and consider the development of additional social impact bonds and other innovative financing mechanisms to meet the growing needs of an aging population, including through the convening of relevant stakeholders. (d) Explore links between the work within the APFF and that of the G20; (e) Consider programs and initiatives to help increase fertility. (f) Convene relevant stakeholders to explore the use of risk sharing agreements to increase access to innovative medicines.

³⁴ APFF aims to achieve the following triple wins through expansion of retirement solutions and long-term investments: (a) consumers receive high and stable returns for long-term savings; (b) the financial sector is able to access deeper capital markets for infrastructure investment; and (c) governments obtain relief from large contingent fiscal liabilities.

³⁵ The 2018 Joint Finance Ministerial Statement described commitments to use all monetary, fiscal and structural policy tools to achieve sustainable, balanced and inclusive growth. It highlighted a large and growing infrastructure need which can be addressed by diversifying the available sources of long-term finance and fostering private sector involvement, including the creation of enabling conditions for attractive investment, generating pipelines of 'bankable' infrastructure projects, and developing financial structures capable of attracting long-term institutional investor capital. It

in this area:

Sustainable and ESG Investment

APFF continued to provide a platform for industry dialogue with policymakers and authorities and contributed to roundtables, conferences and research activities³⁶ both regionally or globally throughout the year, focusing on sustainable and ESG Investment in the Asia-Pacific. This work intends to cover a wide range of areas³⁷ for long-term investors such as insurers and pension funds to potentially provide funding, examine possible improvement and share best practices.

Regulation and Accounting

APFF provided a platform for continuous outreach and dialogues among industry, policymakers, regulatory authorities, accounting standards setters, international and regional institutions, promoting the adoption of solvency and accounting regimes³⁸ that do not discourage insurers from engaging in long-term business and making long-term investment in infrastructure and capital markets.

Since the October 2018 AFMM, APFF has undertaken the following activities:

- *Dialogue on International Financial Reporting Standard (IFRS) 17 (Insurance Contracts).* APFF provided a platform for dialogue among industry, the International Accounting Standards Board (IASB) and other stakeholders to help find solutions on IFRS 17, which was published by the IASB on 18 May 2017, to address technical and practical issues identified by industry experts. On 26 June 2019, the IASB proposed amendments to IFRS17 for public consultation to respond to concerns and implementation challenges, which captured a number of concerns raised during the dialogues. APFF aims to follow up and continue to promoting public-private sector discussions and monitor progress on remaining issues.
- *Dialogue on the global Insurance Capital Standards (ICS).* APFF convened dialogue among industry, the International Association of Insurance Supervisors (IAIS) and other policy makers and stakeholders. A particular focus was to reflect more effectively the long-term nature of the insurance business, including incorporating “growth” aspects in global capital regimes (particularly with respect to discount rate and calibrations). APFF intends to continue holding such dialogues to help identify and address unintended consequences for long-term business and investment activities.
- *Dialogue in the Asia-Pacific region.* APFF conducted analysis on the different implementation arrangements of IFRS 17 and solvency reforms across various APEC economies. APFF promoted

stressed the importance of quality infrastructure investment and encouraged capacity-building programs to improve economies' project evaluation processes, regulatory and procurement environments, and project preparation and financing capabilities. APFF used as reference the following key points noted in the related annex attached to the 2017 Joint Finance Ministerial Statement:

- There is a large potential to expand investment by public and private institutional investors – particularly multilateral and national development banks, pension funds, insurance companies, Sovereign Wealth Funds (SWFs) and mutual funds;
- Governments may review financial regulations that may potentially pose unintentional barriers to infrastructure investment by institutional investors, taking into account prudential, investor protection, and overarching financial stability objectives;
- In order to attract institutional investors to the full spectrum of infrastructure assets, such assets need to be structured as attractive investment opportunities, providing revenue streams and risk-return profiles that match investors' return expectations and liability structures.

³⁶ APFF contributed to *Sustainable and actionable: a study of asset-owner priorities for ESG investing in Asia*, a study released in June 2019. The Economist Intelligence Unit carried out interviews with some of Asia's largest asset owner firms, development banks, sustainable investment organisations and influential industry advocates to determine how they saw the growth of ESG investing in Asia, as well as the asset owners role in it. In parallel, it reviews the latest research on ESG investing in the region to give an overview of sustainable investing in Asia. The report can be viewed at <https://eiuperspectives.economist.com/sustainability/sustainable-and-actionable-study-asset-owner-priorities-esg-investing-asia>.

³⁷ These areas also include quality infrastructure investment, financial inclusion, disaster risk financing and healthcare. The APFF is exploring effective communication tools (i.e. Music for SDGs) to deliver key messages to the public.

³⁸ Key issues on insurance regulation and accounting that industry discussed with public sector stakeholders included the following: (a) bank-centric regulations (standards should reflect the long-term nature of insurance and insurers should be allowed to invest in assets with long-term growth opportunities, such as infrastructure investments); (b) short-term oriented economic regimes (economic regimes should have a long-term vision and insurers should be encouraged to make decisions to be good in the long-run rather than looking good at a given moment); and (c) “one-size-fits-all” models (standards should be principles-based and aim to achieve comparable outcomes by taking into account the diversity in different economies)

industry dialogues with insurance supervisory authorities, accounting firms and industry experts in Hong Kong, Chinese Taipei, Singapore, Malaysia and Indonesia to discuss issues and implementation of IFRS 17, including its interaction with IFRS 9 ('Financial Instruments') as well as appropriate adjustments when IFRS 17 is used as basis for solvency assessment. APFF plans to continue engaging in outreach to other APEC economies.

- *APFF Hong Kong Roundtable.* APFF successfully organized the *APFF Roundtable on Insurance Regulations and Accounting* in November 2018 in Hong Kong, inviting IASB, insurance supervisory authorities, accounting firms and industry experts in the Asia-Pacific region. Topics included the impact of IFRS 17 and preparations for its implementation and key issues for solvency regimes in the region. Issues identified during the roundtable were documented to help inform future dialogues among industry, standard setters and stakeholders. The APFF plans to hold a follow-up Roundtable in late 2019 in Hong Kong.

APFF has been coordinating with industry and other stakeholders to promote participation in related conferences, roundtables, and regional initiatives, including the Insurance Forum Japan and the Global Asia Insurance Partnership.

- *Insurance Forum Japan 2019.* APFF promoted industry participation in this full one-day industry event³⁹ that was hosted by the Life Insurance Association of Japan (LIAJ) on 5 June 2019.⁴⁰ APFF intends to take into account key messages⁴¹ from the discussions that are relevant to ongoing and future APFF work.
- *Global-Asia Insurance Partnership (GAIP).* This is a government-industry-academia partnership among the Monetary Authority of Singapore (MAS), Nanyang Technological University (NTU), and the global insurance industry that is being established this year.⁴² APFF is coordinating with GAIP on relevant topics and exploring collaboration.⁴³

CONCLUSION

Work has been undertaken using the APFF and APFIF platforms to help various economies achieve progress in realizing deliverables under the FMP. These include domestic legal, regulatory and institutional reforms

³⁹ Further information is available at <https://www.seiho.or.jp/english/information/event/20190111.html>.

⁴⁰ This was held under the auspices of the Japanese G20 Presidency, with the support of the Global Federation of Insurance Associations (GFIA) and the General Insurance Association of Japan (GIAJ) to discuss roles of insurance in achieving the G20's goals, particularly in the context of global aging, resilient economy, digital innovation and global regulatory landscape.

⁴¹ Key messages from Insurance Forum Japan 2019 were summarized as follows:

- The aging society is a global phenomenon, and it is expected to accelerate in the coming decades. Insurance industries need to cope with aging by utilizing digital technologies to enhance financial inclusion and to help the elderly people who usually tend to be excluded or left out from the evolution of fintech and our financial expertise.
- Responding to the aging society, it is important to incentivize self-help actions through tax benefits or subsidy for insurance and pension, and to facilitate a regulatory and supervisory framework which does not dis-incentivize insurers from providing super-long-term risk coverage.
- It is recognized that we also have seen an increase in climate-related disasters in recent years and unfortunately, they affect the lives of many individuals. It is essential that the gap in insurance coverage and necessary funding are addressed and important that the insurance industry need to boost effort to tackle these challenges.
- To play an important role for these challenges, insurance regulation should create a balance between a variety of elements, such as financial stability, policyholder protection, and protection of society. Finding the balance is not easy, but it is important to keep close relationships between regulators and insurers to find it.

⁴² GAIP is planned to be housed as a research institute in NTU, which would invite business leaders and executives, policymakers and regulators, and academics and experts. It will consist of three pillars: (a) Living Lab – incubate insurance solutions for new and emerging risk confronting Asia; (b) Policy Think Tank – research and analytical support to Asian regulators to bridge industry regulator gap; and (c) Skill and Talent Development – build pipeline of insurance industry professionals with future-ready skills.

⁴³ Possible areas for collaboration include:

- leveraging deep pool of academics to conduct research and analytics to support Asian insurance regulators and policy makers in their work;
- supporting public-private partnership in expanding insurance coverage of key risks (e.g. natural catastrophes, agriculture, micro-insurance) and infrastructure investment in Asia; and
- advising on policy-making in Asia on the use of new technology (e.g. fintech, AI, Big Data, block chain and use of biometrics) in insurance.

that have been completed since the 2018 AFMM or are currently ongoing in several Asian developing economies. These reforms have focused on the development of credit information, secured transactions and insolvency ecosystems, as well as improvement of financial inclusion strategies and the expansion of coverage of microinsurance.

Initial steps have been made to build the infrastructure for closer regional financial and economic integration. These include regulatory enabling of arrangements for cross-border sharing of consumer credit scores among credit bureaus of several economies and the preparations for future work on the digitalization of trade and supply chain finance, in particular through the development of a concept for a pilot project to digitalize supply chain corridors among several economies and terms of reference for the APFF Digital Trade Lab. Activities to promote inter-operability of funds passport arrangements in Asia and Latin America are geared toward closer trans-Pacific financial integration.

APFF is assisting international standard setters and relevant global organizations by providing a platform to facilitate inputs from a wide range of Asia-Pacific region stakeholders and experts, with the intention of promoting closer alignment between future global standards and goals articulated by APEC Finance Ministers. This is being undertaken through the active participation of APFF collaborators in the discussions of the International Committee for Credit Reporting (ICCR) and dialogues and conferences inviting participation from global accounting and insurance standard setters that have begun to yield positive outcomes such as this year's amendments to the accounting standard for insurance contracts that can allow insurance companies to make long-term investment in infrastructure.

APFF has been mobilizing private sector participation to support several FMP initiatives. These include industry participation in the ARFP and efforts to encourage more member economies to join the initiative. APFF is also an active participant in the APEC Disaster Risk Financing Solutions Working Group under the FMP, and has contributed significantly to the work on enhancing the resilience of public infrastructure and plans to develop case studies from the frontline for the study on enabling technologies for enhancing DRFI.

New initiatives were started this year to develop ideas that will guide future work on other CAP and FMP deliverables. These include a baseline study of credit information systems in APEC's member economies, case studies of government initiatives to adopt advanced technologies in payment and settlement infrastructure, a white paper on open banking in Asian economies, discussions to explore the use of catastrophe bonds for the region's developing economies, an APFF conference convened with the Japanese Government⁴⁴ to develop new ideas for innovative financing of health care, a conference convened by APIP and APFF with ABAC Hong Kong to develop concepts for the circular economy, and discussions on ways to enable ESG investment as a way of broadening the region's long-term investor base.

The APFF developed in 2018 three foundational documents that are important for the expansion of MSMEs' access to finance under Pillar One of the CAP. At the APEC Finance Ministers' Meeting in Port Moresby in October 2018, the Finance Ministers called for their advancement this year. These have been discussed with the APEC Finance and Central Bank Deputies and are submitted to the Finance Ministers for their consideration at the AFMM in Santiago this year. These three documents are as follows:

- APEC Roadmap for a New Financial Services Data Ecosystem
- Strategy for the Digitalization of Trade and Supply Chain Finance
- Essential Elements of Effective Personal Insolvency Regimes

The work being undertaken by the APFIF, the APIP and the APFF are also in line with the Sustainable Development Goals (SDGs). The SDGs specifically identify the importance of financial services in several targets, such as "access to banking, insurance and financial services for all" and increasing "the access of small-scale industrial and other enterprises, in particular in developing [economies], to financial services." As the APFIF, the APIP and the APFF continuously undertake efforts to advance the implementation of the CAP, the outcome is expected to simultaneously contribute to the achievement of the SDGs.

The APFF, APFIF and APIP platforms have provided platforms for collaboration among a wide range of

⁴⁴ Through the Ministry of Economy, Trade and Industry.

private and public institutions, including leading firms from around the world, global and regional industry associations, multilateral organizations, government ministries and regulatory agencies and academic institutions, with the objective of supporting the work of the APEC Finance Ministers. Through the leadership of ABAC and close cooperation with finance ministries of APEC's 21 member economies, these collaborative initiatives hope to continue their contributions to the achievement of concrete results that can translate into reality APEC Finance Ministers' vision of stronger, more sustainable and more balanced growth in the region.

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