



# **Harnessing Public-Private Collaboration to Finance Connectivity, Innovation and Prosperity in APEC**

## **2025 Progress Report**

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

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# Harnessing Public-Private Collaboration to Finance Connectivity, Innovation and Prosperity in APEC

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### EXECUTIVE SUMMARY

Since the first Economic Leaders' Meeting in 1993, APEC has pursued a vision of building a new economic foundation for the region that harnesses the energy of its diverse economies, strengthens cooperation and promotes prosperity. The Finance Ministers Process (FMP), initiated in 1994, has been supporting the achievement of this vision. At their 2010 meeting in Kyoto, Japan, the Finance Ministers issued their *Kyoto Report on Growth Strategy and Finance*, which identified priorities for securing future growth. At their 2015 meeting in Cebu, Philippines, they agreed on a voluntary and non-binding ten-year roadmap, the Cebu Action Plan (CAP) that spelled out concrete initiatives and deliverables to translate these priorities in action.

More recent developments are posing new challenges, the most important of which are the challenges of fiscal sustainability, the growing financing gap for the transition toward cleaner and more efficient and secure energy systems, growing threats from natural disasters and pandemics and economic fragmentation. As the CAP draws to a close this year, the Finance Ministers are launching their next medium-term Roadmap at their meeting in Incheon, Korea – a Roadmap to be built on four pillars: innovation-driven growth, resilient and transformative finance, sustainable and efficient fiscal policy, and an inclusive future-ready economy.

An important undertaking where attention needs to be focused is the translation of Finance Ministers' Roadmaps into concrete laws, policies, regulations and capacity building and regional cooperation measures. It is on this process where this report is focused. The Asia-Pacific Financial Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP) were established by the APEC Finance Ministers to serve as platforms for collaboration among the private sector, the public sector and international organizations to implement deliverables that the Ministers have endorsed. These policy initiatives are under the umbrella of the APEC Finance Ministers' Process (FMP) and the oversight of the APEC Business Advisory Council (ABAC).<sup>1</sup>

This Progress Report covers the work and achievements of these initiatives since the last APEC Finance Ministers' Meeting hosted by Peru in Lima in October 2024 until the present and provides information on planned activities until the end of 2025. It focuses on four areas: (a) sustainable finance; (b) inclusive finance; (c) financial resilience; and (d) financing sustainable infrastructure. In addition, the Report also describes efforts to intensify engagement with local stakeholders in member economies in order to increase support for activities being undertaken to help them implement deliverables that the Finance Ministers have identified, and the work of these policy initiatives to

<sup>1</sup> Their work has covered various areas that are being progressed 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 activities of the APFIF are currently managed by the Asian Development Bank (ADB) in partnership with ABAC.
- 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.

support the formulation of their new medium-term Roadmap. Following are some of the key achievements and activities undertaken in pursuit of progress in these four areas:

### ***Sustainable Finance***

- The APFF Sustainable Finance Development Network (SFDN) collaborated in the FMP's Sustainable Finance Initiative (SFI) workshops, supported ABAC's Voluntary Carbon Markets (VCM) Pathfinder Initiative, developed a comprehensive concept to support transition finance, and contributed to the ISSB Capacity Building Partnership Framework, the Mexican TCFD Consortium and the regional advisory committee of the Latin American Climate Assets Disclosure Framework.
- The ABAC VCM Pathfinder Initiative convened workshops with the Integrity Council for Voluntary Carbon Markets (ICVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI) for public and private sector stakeholders to encourage convergence toward international standards and practices that ensure the quality, integrity and interoperability of voluntary carbon credits. Further workshops with the World Bank and VCMI are being scheduled to promote technical assistance projects for the public sector and connection and aggregation of registry information to eliminate the risk of double counting. In addition, pilot projects were initiated to explore collaboration between carbon exchanges in facilitating cross-border carbon trading and the wider use of tokenized voluntary carbon credits.

### ***Inclusive Finance***

- The Asia-Pacific Financial Inclusion Forum (APFIF) convened the *2025 Policy Dialogue Financial Digitalization for MSMEs and Its Economic Effects* on 5 May in Jeju, Korea, and produced a summary of its results, which is a series of proposed actions for consideration by policy makers and regulators related to (a) strengthening core digital infrastructure; (b) promoting responsible use of AI in credit decisions; (c) enhancing consumer protection; (d) enabling flexible policy environments; and (e) advancing interoperable and standardized digital ID and KYC systems for onboarding and formalization. The Appendix provides further detail on the APFIF 2025 Policy Dialogue and the full set of proposed actions.
- The APFF Financial Infrastructure Development Network (FIDN) Credit Information Working Group provided technical advice to the Philippines on standards and best practices for credit reporting and regularly contributed to the work of the International Committee on Credit Reporting (ICCR) in developing standards and promoting the global exchange of knowledge and expertise on credit reporting and credit scoring.
- The APFF FIDN Data Ecosystems Working Group undertook discussions on cross-border data sharing, the interoperability of data privacy frameworks and privacy-enhancing technologies to prepare proposals for the new FMP Roadmap.
- The APFF FIDN Secured Transactions Working Group assisted the Philippines in operationalizing its 2018 Personal Property Security Act, resulting in the formal launch of the Security Registry in February 2025, and continued to monitor the progress of the Revised Warehouse Receipts Bill. The Working Group provided advice to Thailand in expanding the use of intellectual property assets as collateral; supported UNIDROIT in organizing a workshop in Hong Kong, China on adoption of the Cape Town Convention's Mining, Agriculture and Construction Machinery (MAC) Protocol; convened a symposium in Viet Nam on financial inclusion through the reform of movable asset finance rules; and contributed perspectives on the legal infrastructure supporting movables asset financing to the 2nd ABAC-ASEAN BAC-APFF Southeast Asia Conference.
- The APFF FIDN Intellectual Property Financing Working Group is collaborating with the APEC Economic Committee (EC) and the APEC Intellectual Property Rights Expert Group (IPEG) to gain support for the adoption by the EC of a work plan developed by the Working Group and proposed by ABAC in 2023 and 2024 to address the challenges to the widespread adoption of IP-backed financing.
- The APFF Digital Trade Finance Lab launched a working group to explore the practical utility of the Legal Entity Identifier (LEI) and supported ABAC in the continued development and

expansion of the Digital Trade Connect Network (DTCN), which aims to advance the end-to-end digitalization of trade finance through standardization of trade documents and alignment of legal frameworks with the UNCITRAL Model Law on Electronic Transferable Records (MLETR).

- The Digital Trade Connect Network (DTC-N) convened a virtual meeting in June to showcase progress and align regional digital trade efforts, and a roundtable discussion in July on the role and strategic benefits of banks in digital trade connectivity. Another virtual meeting is planned in September/October to discuss collaborative opportunities and technical alignment for connectivity among participating economies' central digital trade platforms.
- The APFF Financial Market Infrastructure Network (FMIN) Open Data Working Group conducted roundtables in Singapore and Tokyo, Japan to advance actionable solutions to the fragmentation of current data systems that stand in the way of interoperable open data frameworks, hosted a virtual workshop on cross-border trade enablement, and identified solutions to enable active participation of MSMEs in open data systems.
- The APFF Valuation Working Group, through the leadership of the International Valuation Standards Council (IVSC) undertook several events to promote awareness and adoption of the updated International Valuation Standards in Hong Kong, China, Indonesia and Singapore, and led discussions on the valuation aspects of IP-based financing in the virtual workshop hosted by APEC IPEG and the APFF IP Finance Working Group in April 2025. Capacity building workshops on valuation of IP assets are planned to be held in late 2025 with ADB in Manila, Philippines and under the auspices of the Vietnamese Ministry of Finance in Hanoi, Viet Nam.

### ***Financial Resilience***

- The APFF Disaster Risk Financing and Insurance Network (DRFIN) compiled the outcomes of two virtual workshops held in 2024 on catastrophe bonds and convened a virtual workshop in May 2025 on the use of risk data, risk models and how these are used for innovative climate risk insurance solutions such as parametric insurance, and participated in the work of the APEC FMP Working Group on Regional Disaster Risk Financing and Insurance (DRFI) Solutions for APEC Economies.
- The APFF Pandemic Insurance Working Group continues to follow up on the ongoing pilot project in Thailand, which is currently privately-led, to address affordability through public co-financing, as well as to explore the launch of possible pilots in the Philippines and Indonesia; and contributed a chapter on public-private partnerships in pandemic preparedness to the recently released first volume of the Handbook of Insurance to promote broader dialogue and policy engagement.
- The APFF Insurance, Health and Retirement Income Network (IHRIN) continued its outreach and dialogue with authorities, standard setters, international organizations and stakeholders to advocate for insurance regulatory and accounting regimes that can facilitate long-term investment in infrastructure, capital markets and funding innovations, and initiated work to address the growing impact of digital technologies in the insurance industry.
- The APFF Health Care Financing Working Group is collaborating with the APEC Health Working Group on four initiatives: (a) Sustainable Financing Framework for Women's Health; (b) Sustainable Financing to End the HIV Epidemic; (c) Innovative Financing for Rare Diseases; and (d) Sustainable Financing for Healthy Aging and Prevention.

### ***Financing Sustainable Infrastructure***

- The APIP is working with international organizations and investors to encourage the issuance of and investment in currency basket-indexed bonds that can significantly reduce currency risk to mobilize large-scale capital and the establishment of a bond fund that can act as swap counterparty to enable USD-chartered multilateral development banks to access this new source of global dollar funding.
- The APIP and the APFF Circular Economy Infrastructure Working Group are collaborating with the APEC Chemical Dialogue to explore financing solutions focusing on plastic recycling technologies and regulatory frameworks.

### ***Outreach to Member Economy Stakeholders***

- The APFF, in collaboration with APIP and APFIF co-organized with ABAC and the ASEAN Business Advisory Council (ASEAN BAC) the 2025 APFF Southeast Asia Conference to reach out to policy makers in the region and is currently preparing the 2025 APFF China Conference.

### ***Support for the Formulation of the Finance Ministers' New Medium-Term Roadmap***

- The APFF, APIP and APFIF supported ABAC in convening hybrid roundtables in Washington DC, Kuala Lumpur and Tokyo to generate inputs from the business sector, relevant policy makers and regulators, multilateral institutions, international standard setting bodies, research and academia to assist in the formulation of the new FMP Roadmap.

### ***Conclusion***

As this Progress Report shows, these initiatives continue to provide support to economies in undertaking important reforms, especially in expanding access to finance. Individual economies as well as APEC fora are coming forward to make full use of these platforms for public-private collaboration to advance various initiatives related to digitalization, financial inclusion, sustainability, and resilience. In this context, we look forward to working with APEC Finance Ministers and other relevant authorities in seizing opportunities for undertaking concrete reforms and capacity building measures that will help our region build a better future by enabling financial services to promote sustainability, digitalization, financial inclusion and resilience.

## INTRODUCTION

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In 1993, the APEC Economic Leaders at their meeting in Blake Island put forward a vision of “building a new economic foundation for the Asia-Pacific that harnesses the energy of our diverse economies, strengthens cooperation and promotes prosperity.” In the same year, the Leaders called on the APEC Finance Ministers to meet “to consult on broad economic issues including macroeconomic developments and capital flows” that can help them “address some of the challenges facing the region, including ensuring non-inflationary regional growth, financing investment and infrastructure development, and promoting capital market development.”

Meeting annually since 1994, the Finance Ministers sought to harness regional cooperation to meet the challenges facing the international financial system, especially as the region went through the Asian Financial Crisis and the Global Financial Crisis. At their 2010 meeting in Kyoto, Japan, the Finance Ministers issued their *Kyoto Report on Growth Strategy and Finance*, which “identified priorities for securing future growth, namely, rebalancing and strengthening global demand, pursuing sound fiscal management, and enhancing finance to key sectors such as infrastructure, small and medium enterprises, households and green investment.”

In 2015, the Finance Ministers agreed on a voluntary and non-binding ten-year roadmap, the Cebu Action Plan (CAP) that spelled out concrete initiatives and deliverables to translate these priorities in action. Many tangible results have been achieved under CAP since then, and various efforts are ongoing. However, member economies continue to face challenges both old and new. Among the old challenges are persistent barriers to cross-border finance, remaining trade and investment policies that limit cross-border delivery of financial services, and the lack of the needed physical and market infrastructure and policy environment to ensure that the benefits of advances in technology and the freer flow of finance are shared widely and equitably across economies and within societies.

More recent developments pose new challenges, the most important of which are the challenges of fiscal sustainability, the growing financing gap for the transition toward cleaner and more efficient and secure energy systems, growing threats from natural disasters and pandemics and economic fragmentation. As the CAP draws to a close this year, the Finance Ministers are launching their next medium-term Roadmap at their meeting in Incheon, Korea – a Roadmap to be built on four pillars: innovation-driven growth, resilient and transformative finance, sustainable and efficient fiscal policy, and an inclusive future-ready economy.

An important undertaking where attention needs to be focused is the translation of Finance Ministers’ Roadmaps into concrete laws, policies, regulations and capacity building and regional cooperation measures. It is on this process where this report is focused. The Asia-Pacific Financial Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP) were established by the APEC Finance Ministers to serve as platforms for collaboration among the private sector, the public sector and international organizations to implement deliverables that the Ministers have endorsed. These policy initiatives are under the umbrella of the APEC Finance Ministers’ Process (FMP) and the oversight of the APEC Business Advisory Council (ABAC).<sup>2</sup>

By engaging a wide range and variety of firms and industry associations, regulatory agencies, and multilateral and academic institutions, these policy initiatives have (a) helped initiate legal, regulatory

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<sup>2</sup> Their work has covered various areas that are being progressed 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 activities of the APFIF are currently managed by the Asian Development Bank (ADB) in partnership with ABAC.
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and institutional reforms in several economies;<sup>3</sup> (b) provided critical support to regional initiatives;<sup>4</sup> and (c) laid the groundwork for structural reforms through the development of roadmaps, strategies, work programs and dialogue platforms.<sup>5</sup> The Cebu Action Plan provided a clear multi-year 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 hosted by Peru in Lima in October 2024 until the present and provides information on planned activities until the end of 2025. It focuses on four areas: (a) sustainable finance; (b) inclusive finance; (c) financial resilience; and (d) financing sustainable infrastructure. In addition, the Report also describes new efforts to intensify engagement with local stakeholders in member economies in order to increase support for activities being undertaken to help them implement deliverables that the Finance Ministers have identified, and the work of these policy initiatives to support the formulation of their new medium-term Roadmap.

## I. SUSTAINABLE FINANCE

At their annual dialogue with ABAC in 2020, the Finance Ministers welcomed ABAC's recommendation to establish the Sustainable Finance Development Network (SFDN) within the APFF. The SFDN's focus is to address the major challenges facing the Asia-Pacific region today,

<sup>3</sup> These include for example the following:

- *Brunei Darussalam*: Enactment of the new law on secured transactions (2017); initiation of capacity building to build the credit information system (2017); launch of the collateral registry (2018); initiation of a training program on secured transactions law for judges, regulators and lenders (2019)
- *China*: Establishment of the PPP Center (2014); Capacity building to help design new Civil Code chapters on secured transactions and insolvency and electronic warehouse receipts (2016); upgrading of the collateral registry (2018); introduction of a new framework for the data/analytics industry (2018); licensing of a second domestic credit bureau (2018); implementation of factoring and secured transactions in the new civil code (2020); consolidation of the movable property registry under one agency (2021); introduction of banking regulation on lender and 3rd party data collaboration including basic requirements on financial institutions for 3rd party data processing (2022)
- *Indonesia*: Enactment of a new land acquisition law to speed up the infrastructure PPP process (2012); introduction of new regulation on viability gap funding (2013); establishment of the PPP Center (2014); establishment of a cabinet-level committee to coordinate infrastructure PPP policies (2013); an 800% increase in funding for infrastructure project preparation (2015); and introduction of a new regulation on availability payment (2015).
- *Mexico*: Launch of Mexican Task Force on Climate Related Financial Disclosures (TCFD) Consortium (2021)
- *The Philippines*: Introduction of new rules allowing unsolicited proposals for infrastructure PPP (2012); establishment of a cabinet-level infrastructure PPP governing board (2013); strengthening of the PPP Center's authority (2013); amended regulations on single borrower limit for loans to PPP projects (2013); agreement to enable title-transfer repo transactions in the capital market (2018); enactment of the new secured transactions law (2018); passage in the House of Representatives of the new warehouse receipts bill (2023); establishment of the new data format and IT system for full-file comprehensive credit reporting (2018); issuance of catastrophe bond for the Philippines under the World Bank's Capital at Risk Notes Program (2019); and launch of the new secured transactions collateral registry (2020).
- *Thailand*: PPP Act streamlining approval process (2013) and establishment of a PPP committee to coordinate project approval and procedures (2013).
- *Viet Nam*: Initiation of steps to build the credit information system (2015); new legislation to broaden the scope of assets used as collateral (2017); introduction of consumer protection rules for credit reporting (2018); decree bringing the secured transactions reform in line with the 2015 Civil Code; and including explicit recognition of claims critical for factoring market development (2021).

<sup>4</sup> 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; agreement by Chinese Taipei to join the ARFP initiative as observer in 2018; and the improvements on IFRS 17 rules on OCI and CSM in 2017; improvements by IASB and FASB on long-duration insurance contracts in 2018; initiation of a pilot project for cross-border exchange of credit reports in the Mekong region in 2018; and final amendments to IFRS 17 and temporary exemption to IFRS 9 for qualifying insurers in 2019.

<sup>5</sup> These include the *Roadmap for the Development of APEC's Financial Market Infrastructure* and the *Roadmap for Expanding the Coverage of Microinsurance* in APEC in 2017; the *APEC Roadmap for a New Financial Services Data Ecosystem* (2019), *Strategy for the Digitalization of Trade and Supply Chain Finance* (2019); *Essential Elements of an Effective Personal Insolvency Regime* (2019). *APFF Digital Trade Finance Lab Combating Trade-Based Money Laundering White Paper* (2021); first and second iterations of the APFF Sustainable Finance Development Roadmap (2021-22); *APFF White Paper on Wholesale Central Bank Digital Currencies* (CBDCs) (2022); *Guiding Principles for the Development of Interoperable Open Data Systems in the Asia-Pacific Region* (2023); and *Common Principles for the Development of Interoperable Wholesale CBDCs* (2023).



which are the fragmented sustainable finance landscape and the lack of applicable and practical common standards that can guide lenders and investors in incentivizing companies and organizations, especially in emerging markets, to progressively align their practices with sustainable development goals.

In October 2024, the Ministers launched the Sustainable Finance Initiative (SFI) at their meeting in Lima, Peru. The SFI is designed as a flexible, voluntary, and non-binding platform to facilitate collaboration between the public and private sectors, as well as international organizations within APEC.<sup>6</sup> In 2025, SFDN collaborated and participated in the SFI's workshops.

Additionally, SFDN supported ABAC's Voluntary Carbon Markets Pathfinder Initiative, both during its final planning and development phases, and now throughout its implementation activities. SFDN continues to participate in and contribute to the ISSB Capacity Building Partnership Framework, the Mexican TCFD Consortium, and the regional advisory committee of LACADI (Latin American Climate Assets Disclosure Initiative).

Finally, SFDN has developed a comprehensive concept to support transition finance, intended for presentation to leading economies engaged in global climate diplomacy. Building on their aspirations, this proposal offers a practical implementation framework designed to align these economies' capabilities with international needs, particularly across emerging markets and developing economies. The approach integrates public-private cooperation, platform interoperability, data integrity, and behaviorally informed policy design.

The concept calls for engagement with SFDN to support:

- ABAC's contributions to APEC's FMP;
- the activities of APEC's Sustainable Finance Initiative;
- capital mobilization tools and stakeholder convening;
- the development of foundational infrastructure and innovative instruments;
- innovative responses to fragmentation;
- an effective global convening effort; and
- the integration of behavioral science across all levels of engagement and initiatives.

This work aims to support both ABAC-led initiatives that are now in the implementation phase – such as the Voluntary Carbon Markets (VCM) Pathfinder Initiative – as well as key foundational activities required to advance sustainable and transition finance across the region.

The ABAC VCM Pathfinder Initiative was launched with 9 participating members<sup>7</sup> to accelerate the development of interoperable VCMs in the region. The Initiative's work plan consists of three medium-term pillars: (a) alignment and convergence toward international standards and practices seen by market participants as ensuring the quality, integrity and cross-border tradability of voluntary carbon credits (VCCs); (b) technical assistance projects for the public sector in developing enabling ecosystems; and (c) connection and aggregation of registry information to eliminate the risk of double counting. The work plan also included two pilot projects to explore collaboration between carbon exchanges in facilitating cross-border carbon trading and the wider use of tokenized VCCs.

The Initiative convened workshops in July with the Integrity Council for Voluntary Carbon Markets (ICVCM) on the Core Carbon Principles and Assessment Framework and with the Voluntary Carbon Markets Integrity Initiative (VCMI) on the Claims Code of Practice. A further workshop with VCMI has been scheduled to discuss the VCM Access Strategy Toolkit for policy makers and regulators and with the World Bank on its technical assistance projects for the public sector and the work of the Climate Data Action Trust (CADTrust) in connecting and aggregating registry information to eliminate the risk of double counting. The pilot projects on linking carbon exchanges and tokenized VCCs are currently ongoing.

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<sup>6</sup> This initiative had been presented by SFDN in 2023 to Peru's Ministry of Economy and Finance as a potential deliverable for their 2024 Presidency. SFDN collaborated throughout the year with Peru's MEF—both during the FMP meetings and intersessional processes—to successfully secure approval of this proposal by APEC economies.

<sup>7</sup> These are current and former ABAC members from Australia; Brunei Darussalam; Canada; Hong Kong, China; Indonesia; Japan; New Zealand; Singapore; and Thailand.

## II. INCLUSIVE FINANCE

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Implementing FMP initiatives promoting access to finance is being progressed through the Asia-Pacific Financial Inclusion Forum (APFIF), which focuses on financial inclusion, the APFF Financial Infrastructure Development Network (FIDN), which focuses on improving MSMEs' access to finance, the APFF Digital Trade Finance Lab, the APFF Financial Market Infrastructure Network and the APFF Valuation Standards and Practices Working Group.

### A. Financial Inclusion

The Asia-Pacific Financial Inclusion Forum (APFIF) is a policy initiative under the FMP and serves as a leading platform for advancing regional dialogue on inclusive finance. Since its establishment in 2010, APFIF has helped shape concrete policy actions to expand access to financial services for the unbanked and underserved, contributing directly to the APEC Putrajaya Vision 2040's goals of innovation, digitalization, and inclusive growth.

#### *2025 APFIF Policy Dialogue – Financial Digitalization for MSMEs and Its Economic Effects*

In 2025, APFIF convened its dialogue under the theme “Financial Digitalization for MSMEs and Its Economic Effects”. This was held on 7 May 2025 in Jeju, Korea, alongside the APEC Senior Finance Officials Meeting. The event brought together senior policymakers, regulators, financial institutions, fintech innovators, development partners, and researchers to explore how digital technologies, such as AI-enabled credit scoring, embedded finance, e-commerce platforms, and peer-to-peer lending, are reshaping MSME access to finance, and what policy and regulatory responses are needed to ensure the benefits are widely and equitably distributed.

Recognizing the dual nature of digitalization, such as its ability to lower costs and improve reach, alongside risks such as data misuse, exacerbating exclusion, or creating unequal market dynamics, this year's Forum emphasized the importance of building secure and inclusive digital ecosystems. Participants explored data governance, cybersecurity, and the digital divide, recognizing that addressing these issues is essential for enabling financial access for MSMEs.

As a result of these discussions, a set of Proposed Actions was developed to guide APEC policymakers and regulators. These include:

- Strengthening core digital public infrastructure, such as interoperable payment systems, cash-in/cash-out (CICO) agent networks, and standardized application programming interfaces (APIs) for MSME data;
- Promoting the responsible use of AI in credit decisions, with safeguards for transparency, accountability, and fairness;
- Enhancing consumer protection with behavioral design and real-time risk monitoring;
- Enabling flexible policy environments to accommodate diverse MSME needs and innovative business models; and
- Advancing interoperable and standardized digital ID and know-your-customer (KYC) systems to streamline onboarding and formalization.

The Appendix provides further detail on the APFIF 2025 Policy Dialogue and the full set of proposed actions.

The 2025 APFIF policy dialogue was organized by the Asian Development Bank, Asian Development Bank Institute, and the APEC Business Advisory Council, and was hosted by the Ministry of Economy and Finance of the Republic of Korea. Its outcomes supported Korea's 2025 APEC FMP priorities of fostering digital transformation, financial innovation, and inclusive growth. They also reaffirm the Forum's role in facilitating actionable, regionally coordinated responses to the evolving financial inclusion landscape in the Asia-Pacific region.

### B. Financial Infrastructure Development

The Financial Infrastructure Development Network (FIDN) was established as a work stream within the APFF to progress various priorities under the Cebu Action Plan (CAP). It was tasked to draw the support of ABAC, the SME Finance Forum, the World Bank Group's International Finance Corporation and other international organizations to support interested APEC economies in

undertaking reforms to develop (a) secured transactions systems;<sup>8</sup> (b) data ecosystem; and (c) credit information systems.

### ***Credit Reporting and Data & Analytics Market Development***

**Technical Advisory Services:** As with each year since 2019, ABAC Philippines has again collaborated with APFF on undertaking research and outreach on the following: global standards and best practices for credit reporting; regional standards and best practices for credit reporting; use cases from the region demonstrating superior/inferior systems/practices; and potential modifications to the credit information sharing system within the Philippines that may result in increased access to affordable sources of mainstream credit by larger segments of society as well as MSMEs. ABAC Philippines and APFF will again undertake outreach in support of reforms to the national credit information sharing system first introduced in a joint ABAC Philippines/PERC/APCC report in 2020, and now facilitated by legislation supported by the Bangko Sentral Pilipinas (BSP).

**International Committee on Credit Reporting (ICCR):** APFF serves as a delegate in support of sharing information regarding APEC best practices and standards regarding, among other things, transborder data flows (limited to credit information sharing), credit reporting and scoring, and the development of an optimal financial information ecosystem. The ICCR is a jointly organized (by IFC and IMF) standards setting body that undertakes original research and convenes bi-annual plenary meetings to facilitate the exchange of knowledge and expertise relating to credit reporting and credit scoring across a global membership. The APFF made presentations on APEC's cross-border data sharing framework, as well as a range of other topics, and contributed to the World Bank Group's work generating original research on credit reporting in the aftermath of pandemics and natural disasters, the optimal role for public credit registries and private credit bureaus, and the need for and use of sex disaggregated data in consumer credit reporting and credit scoring.

**Moving Forward:** While the APEC region has made tremendous strides in credit information sharing over the past two decades, there is abundant work remaining to bring all member economies up to standards advocated by the World Bank Group and the IFC/IMF/ICCR. APFF remains a resource available to all APEC member economies as in the past.

### ***Conferences and Workshops:***

- In November 2024, a conference was successfully held in Hanoi to understand and discuss the current trends of (non-credit-reporting) third party data and analytics services for the financial industry as well as the potential impact of the existing and future legislations in Viet Nam. This was organized jointly by the Viet Nam Banking Association (VNBA), IFC, FiinGroup, BIIA (Business Information Industry Association) and APFF-FIDN. The participants made a strong case for the indispensable need for third party data and analytics by financial institutions outside traditional credit bureaus. Without such services, digital finance will not be properly developed with unwanted consequences for economies' competitiveness, financial inclusion and cross-border transactions. Given that this is a relatively new space, legal and regulatory provisions need to be more open.

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<sup>8</sup> Since its launch in November 2015 under the Cebu Action Plan, the Secured Transactions Reform Working Group has focused its efforts to assist economies on four primary areas: (a) law reform (working 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); (b) registry reform (supporting law implementation and the establishment of online, centralized, low-cost moveable asset collateral registries); (c) ecosystem development (fostering enabling industries to support expansion of secured transactions, including valuation practices and collateral management industries); and (d) capacity-building (supporting the development of market expertise and awareness of secured lending products among key stakeholders, including MSMEs, financial institutions, non-bank financial institutions and regulators). Significant progress has been made across the region, with most work focused on Brunei, China, Philippines, Thailand, and Viet Nam as detailed below. Recognizing the work completed to date and to better align with key ABAC initiatives to enhance the ability of MSMEs to participate successfully across borders and in global value chain and expand their innovative capabilities and global presence through internet and digital economy and e-commerce platforms, in addition to facilitating MSME access to finance, FIDN is working to complement its initial focus, with expanded efforts on the modernization of secured transactions through two key areas: (a) 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). and (b) globalization (improving the harmonization of secured transaction systems to expand MSME participation in global trade; driving collaboration among related APEC fora to maximize outcomes).

- On March 5, 2025, a regional Workshop on Digital Finance was organized by the Korean Ministry of Finance together with APFF-FIDN, with the support of ACRN (Asia Credit Reporting Network), in Gyeongju, Korea. This was conducted alongside the first APEC Finance and Central Bank Deputies' Meeting under APEC 2005 Korea. The event focused on the impact of banking digitalization on financial innovation and inclusion. Participants took stock of the progress and challenge of digital finance and financial innovations across Asia Pacific. Among others, it was highlighted that a new data ecosystem will be required for secure and inclusive digital finance. The new ecosystem can have at least four elements: (a) the availability of new data infrastructure such as MyData in Korea; (b) the existence of professional and complying data and analytics providers; (c) confidence by financial institutions to leverage those third party services; and (d) good personal data governance within financial institutions as well as the education of digital financial consumers.
- In May 2025, FIDN contributed substantively to a conference on Digital Data Services for Inclusive Finance in Beijing, sponsored by NIFA (National Internet Finance Association). The participants debated about how to further enhance credit information sharing for micro and small enterprise (MSE) finance, emphasized the important role of public data, and reviewed a proposed standard for third party credit scoring on MSEs using big data. Interestingly, several regional data and analytics players in China are now including value chain payment flows data in their services. This is a good support to supply chain finance development.

For the next period, FIDN will continue to assist those economies that want to develop their new data ecosystem for the financial market, and facilitate cross-economy knowledge exchanges in new data infrastructure development and formalization of third party data and analytics industry.

### ***Data Ecosystems***

The key areas of the Data Ecosystem Working Group remain cross-border data sharing and the interoperability of data privacy frameworks, especially through the perspectives of data privacy and data security. The continuing work on data privacy extended to privacy enhancing technologies (PETs) as these techniques can be effective and useful in domestic and cross-border settings. These techniques include encryption, anonymization and data masking, differential privacy, synthetic data generation, federated learning, secure multi-party computation, and trusted execution environments (TEEs). The Working Group undertook discussions to prepare proposals on these issues as part of the new FMP roadmap.

Future work contemplates exploring use cases for the above techniques as well as:

- Integration with AI/ML: PETs are being embedded into AI and machine learning workflows to enable privacy-preserving data analysis and model training;
- Advanced Cryptographic Methods: Techniques like zero-knowledge proofs are gaining traction, allowing verification of information without revealing underlying data; and
- Limited Disclosure Technologies: Allow users to share only the minimum necessary information for transactions, reducing the risk of data correlation and tracking.

After the new FMP Roadmap has been endorsed in October 2025, a call with relevant stakeholder organizations including the Organisation for Economic Co-operation and Development (OECD), International Institute of Finance (IIF), Alliance for Innovative Regulation (AIR), and Future of Privacy Forum (FPF) will be held to discuss and plan specifics on how to take this work forward.

### ***Secured Transactions Reform & Movable Asset (Movables) Finance Development***

FIDN-Secured Transaction Reform was chartered by the Finance Ministers under the 2015 Cebu Action Plan. Notwithstanding the prior ten years' work and accomplishments executed across many member economies, the workstream remains relevant and important to APEC. This workstream focuses on foundational infrastructure development across the member economies that are a prerequisite to successful implementation of the proposed Roadmap pillars concerning innovation-driven growth, resilient and transformative finance. A robust secured transactions legal environment and developed market provides the infrastructure to support areas such as green financing, agriculture finance, lending on digital assets and intellectual property.

The following activities were undertaken:

- September 2024, Bangkok, Thailand. At the Ministry's request, FIDN engaged with the Thailand Department of Business Development from the Ministry of Commerce to discuss opportunities to support Thailand expanding the use of Intellectual Property (IP) assets as collateral under the secured transaction law. The APFF Reform Strategy document, prepared in 2024, for Promoting Intellectual Property Financing for Sustainable Development was shared and discussed with various elements to be incorporated in the Thailand strategy. Discussions are ongoing with regard to FIDN support of further efforts in Thailand.
- November 2024, Hong Kong, China. FIDN supported UNIDROIT in organizing and moderating a symposium discussing the potential benefits in the adoption by Hong Kong, China of the Cape Town Convention, including the Mining, Agriculture and Construction Machinery (MAC) Protocol.
- November 2024, Manila, Philippines. Bangko Sentral Ng Pilipinas (BSP), IFC and FIDN collaborated to deliver a two-day training event on warehouse finance in the Philippines. This is one of the activities aiming to develop a market for lending against movable assets, following the approval of the Personal Property Security Act (PPSA) several years ago. Warehouse finance refers to lending against goods stored in warehouses monitored or controlled by a third party collateral management company. This is a form of financing that is supported by the new PPSA, which is particularly important for agribusinesses, traders and export processors.
- March 2025, Hanoi, Viet Nam. FIDN worked with a Vietnamese government institution, Agency for Private Enterprise and Cooperative Development (APED) under the Ministry of Finance, to organize a symposium on improving the ecosystem for SME financial inclusion in Hanoi. The meeting discussed several new directions for financial support to the private sector, in particular, SMEs, i.e., data and analytics-driven business finance, deepening movables finance and supply chain finance development, putting in place a non-deposit-taking lending (NDTL) industry, and enabling lenders to leverage real sector ecosystems for SME lending (supply chains, clusters, marketplace platforms, franchise systems, among others). Most of the proposed elements were later integrated into a new ground-breaking and comprehensive central policy on private sector development, which has been generally acclaimed by news media.
- March 2025, Ho Chi Minh City, Viet Nam. FIDN, in collaboration with IFC and a Vietnamese market player co-organized a conference on leveraging trade credit insurance to empower supply chain finance (SCF). The conference underscored the need for expanding trade credit insurance in the market to support international trade and cross-border supply chain finance. The current availability of such service is not sufficient given the size of the Vietnamese export and import volumes. Participants agreed that SCF providers, suppliers and buyers should all have a better understanding of the value of various trade credit insurance services and be willing to take on appropriate products to derisk SCF transactions.
- June 2025, Kuala Lumpur, Malaysia. FIDN participated in the 2nd ABAC-ASEAN BAC-APFF Southeast Asia Conference on "Financing Southeast Asia's Development Priorities – Identifying Medium-Term Deliverables for Public-Private Collaboration" to further collaboration with ABAC and ASEAN BAC in the joint support of initiatives for secured transaction reform to enhance access to finance for MSMEs and support regional trade, specifically focusing on creating an enabling ecosystem for digital finance and MSME empowerment and advancing the legal infrastructure to support moveable asset financing.

The Philippines formally launched on 13 February 2025 its Personal Property Security Registry, which operationalizes the reforms of the 2018 passage of the Personal Property Security Act that modernized the legal framework for securing obligations with personal property, increasing access to low-cost credit, particularly for MSMEs. This is the culmination of a 10-year process that started at an APFF FIDN conference in Iloilo, Philippines in September 2015. While FIDN continues to monitor the progress in the Philippines of the Revised Warehouse Receipts Law (House Bill No 198 / SBN-2173), it remains in the Committee on Trade, Commerce, Entrepreneurship and Finance.

FIDN will continue to support the movables finance market development efforts across APEC for interested member economies.

- FIDN will continue its longstanding collaboration with other related APEC fora, notably the Economic Committee's Strengthening Economic Legal Infrastructure and the APEC Intellectual Property Rights Experts Group (IPEG), with the joint sponsorship of the APEC-ABAC Workshop on IP Finance in August in Incheon, Korea.
- In the Philippines, with key legal reforms now completed, FIDN will focus on expanding awareness and knowledge of moveable asset financing, leveraging the PPSA to continue to develop this market.
- In Viet Nam, FIDN will continue to focus on the development of non-deposit-taking lenders as a new category of movables finance providers, further deepening of the warehouse finance market, and the promotion of green and climate movables finance in support of the new Vietnamese strategy for SME finance. This work will be in support of the Politburo Resolution No. 68-NQ/TW issued in May 2025 which includes the support for MSME access to finance and proclaims private enterprise as the economy's most important force. This builds upon strong momentum, supported by APFF-FIDN that has resulted in six legal and regulatory reforms issued over the past five years, which has supported an increase in the supply chain finance market by 2.81 times during that time period.
- At the regional level, FIDN will continue to facilitate knowledge sharing among the Economies in secured transactions reform and movables finance development.

To develop and highlight global best practice resources available to member economies, FIDN highlights that the UNCITRAL Guide on Access to Credit for Micro-, Small and Medium Sized Enterprises has now been published.<sup>9</sup> Additionally, the Model Law on Warehouse Receipts, along with its Guide to Enactment has also been published by UNCITRAL.<sup>10</sup> Finally, FIDN notes that UNIDROIT has published the UNIDROIT Model Law on Factoring,<sup>11</sup> with the Guide to Enactment expected to be published in the near term. These materials represent global best practice resources available to the Economies seeking to enhance access to finance for MSMEs.

### ***Intellectual Property Financing***

The overarching objective of the IP Finance Working Group is to provide policy guidance for establishing an enabling ecosystem that facilitates the use of Intellectual Property (IP) to access credit and promote innovative solutions in the APEC region.<sup>12</sup> Leveraging the intrinsic economic value of IP assets, the IP Working Group devised a work plan to identify specific actions that policymakers in APEC economies can implement to address existing hurdles, thus bridging the financing gap that innovative SMEs face. Since 2023, the Working Group has collaborated with ABAC to develop a methodology that interested APEC economies can follow to promote the collateralization of intellectual property rights (IPRs).

In 2024, following a series of activities and stakeholder engagement, the Working Group prepared a report<sup>13</sup> that was presented at the APEC Economic Committee in August 2024. Based on the comments received during the APEC Economic Committee, the Working Group conducted a series of coordination activities to present the Report and integrate its policy recommendations within the broader context of secured transactions law reforms in the APEC region. The Working Group is currently completing additional activities to present the Report to the APEC Economic Committee for adoption as part of the Strengthening Economic and Legal Infrastructure (SELI).

<sup>9</sup> <https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/accesstocreditguide.pdf>

<sup>10</sup> <https://uncitral.un.org/en/mlwr>

<sup>11</sup> <https://www.unidroit.org/work-in-progress/model-law-on-factoring-guide-to-enactment/>

<sup>12</sup> While the concept offers significant potential benefits, its practical implementation is complicated by the multifaceted nature of IP and IPR, as well as notable obstacles, including insufficient legal and regulatory clarity, limited expertise among financial institutions in handling IP-backed financing, challenges in monetizing intangible assets, and the inherent uncertainties in accurately valuing IP. These problems are particularly salient for Small and Medium-sized Enterprises (SMEs), which not only represent the majority of businesses but are also the primary innovators in APEC economies.

<sup>13</sup> Giuliano G. Castellano, Johnson Kong, Michael Lin, Promoting Intellectual Property Financing for Sustainable Development: A Reform Strategy for APEC Economies (APFF, 2024), available at: [https://www2.abaconline.org/assets/2024/Reference%2005%20IP\\_Backled\\_Financing\\_Report.pdf](https://www2.abaconline.org/assets/2024/Reference%2005%20IP_Backled_Financing_Report.pdf)

### Work Plan: Overview and Proposed Approach

The Report proposes a work plan consisting of a “product-focused reform strategy” to address the challenges hindering the widespread adoption of IP-backed financing. This strategy focuses on identifying and resolving hurdles that limit the use of IP assets as collateral. To this end, specific secured lending products, ranging from loans secured by IPR to securitized instruments and blockchain-based solutions with secured data integrity, have been identified as suitable financing mechanisms for APEC economies.<sup>14</sup> The proposed approach involves a three-phase roadmap that implementing economies can follow: diagnostic, sandbox/pilot, and reform, with each phase involving key stakeholders, including policymakers, regulators, legal experts, and market participants.<sup>15</sup>

### Activities

From October 2024 until June 2025, the following activities have been undertaken to ensure:

- Stakeholders’ engagement: Throughout the past year, the Working Group held a series of meetings to present the Report and gather further feedback from various stakeholders. In particular, several meetings were held in November 2024 and April 2025 with the representatives of the *International Institute for the Unification of Private Law (UNIDROIT)*. As the Report promotes legal harmonization in the areas of secured transactions, the instruments developed by UNIDROIT, and specifically the UNIDROIT Model Law on Factoring, are particularly relevant to support the development of products that entail IP receivables. Furthermore, the Working Group discussed the possible implementation of the Report taking into account the current business and economic environment of Hong Kong, China.
- APFF Dissemination: To continue the dialogue within APFF groups and reach a broader audience of decision-makers, the Working Group contacted and discussed the Report with different APFF Working Groups. Since November 2024, different meetings were held highlighting that the strategy covers a missing link between secured lending and IP finance and effectively supports the establishment of a robust valuation framework within a comprehensive legal, regulatory, and economic infrastructure.
- ABAC-ASEAN Connection and future agenda: In June 2025, the Working Group presented the proposed strategy at the *ABAC-ASEAN BAC-APFF 2025 Southeast Asia Conference (11 June, Kuala Lumpur)*. With two separate presentations, the Working Group highlighted how the Report aligns with the current and forthcoming APEC agenda and can be utilized to promote the use of IP and other intangibles as collateral, thereby broadening access to affordable credit also for micro and nano enterprises, not only for innovation-intensive SMEs.

By August 2025, the IP Finance Working Group will complete the additional activities:

- Organization of a dedicated workshop on IP Finance: Barriers and Breakthroughs (Incheon, August 7<sup>th</sup>, 2025): This event brings together key IPEG experts in the region, as well as UNCITRAL, UNIDROIT, and law reformers focusing on secured transactions law. In this context, the IP Finance Working Group will serve as a bridge between current and ongoing initiatives to promote IP finance in general, as well as secured lending initiatives, thereby facilitating affordable access to credit.

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<sup>14</sup> The Report is premised on a specific strategy that is product-focused, adaptable, and scalable. It is product-focused because it identifies key legal, regulatory, and market impediments that limit the adoption of specific credit products. It is adaptable because it can be tailored to the legal and economic environment of implementing economies, without resorting to a one-size-fits-all approach. It is scalable because it coordinates current initiatives, such as pilot programs and sandboxes, to test selected IP-backed products and support progressive legal and regulatory harmonization in alignment with domestic policies, priorities, and needs. This approach accommodates the diverse legal frameworks and economic needs of APEC economies while ensuring alignment with international standards and promoting economic integration in the region.

<sup>15</sup> The strategy is readily implementable and ensures tangible results in a limited timeframe. To this end, implementing economies can initiate a product-focused reform strategy by identifying and coordinating with key stakeholders, including government representatives, regulators, international organizations (such as multilateral development banks and standard-setting bodies), as well as potential lenders and borrowers. Following a diagnostic, the most suitable products are identified and piloted. The pilot and the diagnostic will indicate the scope of the reform needed to promote a wider adoption of the selected IPR-backed products. As specific IP-based products are deployed and used to extend credit to SMEs, targeted reforms are implemented, ensuring that legal and economic infrastructures develop organically.



- Participation in the *UNCITRAL-APEC Workshop on Use of International Instruments to Legally Enable End-to-End Digitalization of Trade* (Incheon, 9<sup>th</sup> August 2025): Co-organized by Hong Kong, China, and UNCITRAL, this one-day event, held within SOM3 2025, aims to promote capacity-building on legal infrastructure that enables the end-to-end digitalization of trade across the region. In this context, the relevance of the APFF work on IP finance and, more generally, on the use of intangibles as collateral will be discussed.

## C. Digital Trade Finance

### Building a Trusted, Interoperable Digital Trade Ecosystem

The APFF Digital Trade Finance Lab has launched a working group to explore the practical utility of the Legal Entity Identifier (LEI) for digital trade finance.

Amidst the plethora of emerging technologies potentially useful for trade finance, the Lab has identified the LEI and its related innovations as worthy for consideration as enablers for the digitalization of trade and supply chain finance. LEI adoption use has been promoted by the prominent international organizations such as the ICC, ADB and BIS.

The Lab is working with the Global Legal Entity Identifier Foundation (GLEIF) in this initiative, and has engaged a broad cross-section of industry participants. These include FCI (representing the factoring industry), The Bankers Association for Finance and Trade (BAFT), the Singapore Trade Data Exchange (SGTraDex), representatives of the International Chamber of Commerce (ICC), SWIFT and representatives of a number of trade finance banks and financial technology providers.

The Lab's objective is to develop a set of actionable insights and recommendations for the Finance Ministers, once a compelling business case has been established on the usefulness of the LEI for the stated purpose. Through this initiative, the Lab looks to contributing to the broader effort to build a trusted, interoperable digital trade ecosystem that delivers real benefits for businesses, financial institutions and economies.

The paper under drafting shall address the issue of the current level of LEI adoption and potential actions that economies can take to increase the issuance of LEIs to business entities, noting that the LEI can link to local identification systems across geographies, and how developing innovations such as the verifiable LEI can be useful for more secure digital trade finance. It is anticipated that there is mutual dependence between the rate of adoption and the use (and usefulness) of the LEI in the digitalization of trade finance particularly for international trade.

The Lab also supported the work of ABAC and APFF by contributing at the following events:

- 5 March 2025, Gyeongju, Korea: Workshop on Digital Finance at the APEC Finance and Central Bank Deputies' Meeting
- 11 June 2025, Kuala Lumpur, Malaysia: ABAC-ASEAN BAC-APFF 2025 Southeast Asia Conference themed "Financing Southeast Asia's Development Priorities".

### Digital Trade Connect Network (DTC-N) and the Digital Trade Connect Facilitation (DTC-F) Group

The Digital Trade Connect Network (DTC-N) is an initiative aimed at transforming traditional international B2B trade practices into fully digital, paperless, and streamlined processes. The core objectives include: (a) transforming end-to-end B2B international trade transactions from manual and paper-based processes to digital; (b) establishing a central digital trade platform in each participating economy; (c) enabling cross-border digital connectivity among these platforms and linking with other government platforms such as Southeast Asia's "National Single Windows" and the ASEAN Single Window.

Established by ABAC in 2022 through the collaboration of digital trade platforms in Japan (TradeWaltz), Singapore (Networked Trade Platform) and Thailand ("National Digital Trade Platform"), DTC-N expanded its membership to 16 economies from both sides of the Pacific by 2025.<sup>16</sup>

<sup>16</sup> These include Australia; Brunei Darussalam; Chile; China; Hong Kong, China; Indonesia; Japan; Malaysia; New Zealand; Papua New



In 2025, the following events were convened:

- June 26: A virtual meeting on June 26 to share progress updates, showcase progress and align regional digital trade efforts.<sup>17</sup>
- July 22: Roundtable Discussion on the Role and Strategic Benefits of Banks in Digital Trade Connectivity co-organized by APFF, the ASEAN Bankers Association and its member bankers associations and ASEAN-BAC Thailand.<sup>18</sup>

Another virtual meeting is planned in September or October to continue the momentum and dive deeper into collaborative opportunities and technical alignment for connectivity among participating economies' central digital trade platforms. Through strong regional engagement and collaboration with leading platforms and organizations, the initiative seeks to make tangible progress in laying the groundwork for seamless, interoperable digital trade ecosystems across the region.

To complement the work of DTC-N, which serves as a knowledge-sharing platform to drive digital trade transformation, ABAC together with ASEAN BAC are developing the Digital Trade Connect Facilitation (DTC-F) Group to serve as a collaborative platform in accelerating live digital trade transactions and expanding membership and trade documents to drive successful digital trade transformation.<sup>19</sup>

#### D. Financial Market Infrastructure

The Asia-Pacific Financial Forum (APFF) Financial Market Infrastructures (FMI) Network continues to champion the development of interoperable open data frameworks. These frameworks are essential for improving the integration of Micro, Small, and Medium Enterprises (MSMEs) into the global digital economy. In 2024–2025, the Emerging Payments Association Asia (EPAA), in collaboration with the APFF, conducted a series of roundtables and workshops across Asia to deepen understanding, promote cross-sector collaboration, and advance actionable solutions to the fragmentation of current data systems. This report consolidates the key insights and recommendations from three pivotal events: a roundtable in Singapore (November 2024), a roundtable in Japan (April 2025), and a virtual workshop (May 2025).

- **November 2024 Roundtable – Singapore:** Held in Singapore, the roundtable entitled “The New World of Data: Challenges and Opportunities for the Payments Ecosystem and Fintechs with an MSME Lens” brought together global experts from the private sector, NGOs, and regulatory bodies. Discussions focused on regulatory fragmentation, data localization, privacy, and cybersecurity—all of which create significant friction for MSMEs seeking to engage in cross-

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Guinea; the Philippines; Singapore; Thailand; USA and Viet Nam. All the 10 members of ASEAN are also part of the Network.

<sup>17</sup> Agenda feature updates from Tradewaltz (Japan) on current status, insights, and development progress; SGTraDex (Singapore) on recent developments and strategic direction; Digital Container Shipping Association (DCSA) on digital innovations in shipping; ASEAN Business Advisory Council Malaysia on current status, efforts and strategies for digital trade transformation for cross-border transactions; and discussions with ABAC, ASEAN BAC, and key international organizations including the International Chamber of Commerce and UNCITRAL, among others.

<sup>18</sup> Against the background of the upcoming completion of a key milestone, the ASEAN Digital Economy Framework Agreement (DEFA) with digital trade as a core pillar, this roundtable discussed (a) the current challenges; (b) the role of the banking industry and (c) updates on domestic and regional digital trade initiatives; sector engagement (highlighting banks' leadership role in enabling digital trade) and strategic cooperation (exploring cross-border collaboration and support among ASEAN banks to scale DTC adoption), to set the stage for collaborative action toward a more connected, paperless, and resilient regional digital trade ecosystem.

<sup>19</sup> ASEAN BAC acted as the driving force for this initiative with the establishment of the ASEAN-BAC Digital Trade Connectivity Facilitation Group (DTC-F) to accelerate the adoption and scaling of cross-border digital trade within ASEAN and beyond. Its key objectives include: (a) enabling live transactions; (b) driving early real-time, cross-border digital trade transactions; (c) expanding regional corridors to increase the number of actively participating economies; and (d) reaching critical mass by boosting the number of importers, exporters, and transaction volumes in digital trade to ensure the long-term viability of the Digital Trade Connect initiative. Efforts toward regional and global alignment are being undertaken to include DTC-F in the official workplans of ASEAN-BAC and ABAC, with each economy nominating a project lead to drive domestic and cross-border collaboration; legal and technical interoperability; and collaboration with APEC, ASEAN, government agencies, and international bodies to align legal frameworks, including adoption of UNCITRAL's Model Law on Electronic Transferable Records (MLETR), and develop shared standards and interoperability guidelines across the region. The ASEAN-BAC Digital Trade Connectivity Facilitation Group was formally established with the Council members from Malaysia, Myanmar, the Philippines, Singapore and Thailand as initial members. Malaysia and Thailand are lead coordinators for an initial proof of concept and currently working on structuring the scope of work and coordinating engagement.

border trade.<sup>20</sup>

- **April 2025 Roundtable – Japan:** Under the GFTN 25 banner, the Japan roundtable convened public and private sector leaders to focus on practical implementation of open data principles. A clear emphasis was placed on positioning MSMEs not merely as users, but as co-creators of the open data ecosystem.<sup>21</sup>
- **May 2025 Virtual Workshop – Cross-Border Trade Enablement:** The virtual workshop featured three focused panels on MSME inclusion in open data policy, regulatory mismatches, and privacy-preserving technologies. A key takeaway was the need to move beyond narrow definitions found in existing frameworks like the EU Payment Services Directives 2 and 3 (PSD2 and PSD3), and instead promote secure, consent-based data exchanges that foster trust and usability.<sup>22</sup>

## Conclusions

Across all events, a unified vision emerged: MSMEs must be at the center of open data frameworks. Their active participation, not just passive compliance, is essential to developing resilient, inclusive digital trade systems. To this end, the following have been identified as key to achieving this vision:

- Treat MSMEs as co-creators, not just end-users, of open data ecosystems. Their lived experience, operational constraints, and data needs must be embedded at the design stage of policy and technical infrastructure.
- Introduce 'live SME personas' in regulatory pilots to simulate how open data regulations and systems function under real-world business conditions. This approach strengthens feedback loops and reduces policy blind spots.
- Institutionalize MSME participation through dedicated advisory structures, innovation hubs, and multistakeholder governance platforms. Co-authorship of policy guidance and participation in trade data frameworks can help counteract structural exclusion.
- Ensure regulatory proportionality that reflects MSME diversity in size, sector, and digital maturity. Examples such as Korea's graduated sandbox model were cited as a blueprint for tiered compliance obligations and innovation testing.
- Adopt meaningful outcome metrics such as faster MSME onboarding, reduced cost of compliance, and demonstrable improvement in access to credit and financial services.
- Translate policy into practical tools by appointing Open Data Officers or dedicated governance touchpoints to support MSME engagement with emerging systems and ensure usability is not

<sup>20</sup> Participants agreed that MSMEs continue to face systemic disadvantages due to compliance burdens and fragmented regulations that fail to consider their scale and resources. The roundtable stressed the need for open data systems to reduce friction and facilitate seamless data exchange. Regulatory interoperability was seen as a critical enabler, with parallels drawn from GSM standards in telecommunications to illustrate how globally aligned frameworks can support inclusive growth. Recommendations included conducting regulatory gap analyses, co-creating solutions with MSME associations, and embedding MSME voices into regional policymaking bodies. Emerging Privacy Enhancing Technologies (PETs) and organizational identifiers were also highlighted as potential tools to improve secure access and interoperability.

<sup>21</sup> To achieve meaningful MSME participation, proposals included incorporating "live SME personas" into regulatory pilots, establishing innovation sandboxes and participatory feedback loops, and ensuring compliance frameworks are proportional to MSME capacity—such as through Korea's tiered sandbox model. Practical tools, like open data officers or SME liaisons, were recommended to help translate complex regulation into actionable insights. Participants also promoted privacy-preserving technologies like federated learning and zero-knowledge proofs, advocating for their integration into MSME-facing platforms in user-friendly ways. Usability and trust were considered essential for adoption and impact, with metrics such as reduced onboarding time and improved access to finance proposed as benchmarks of success.

<sup>22</sup> **Panel 1** emphasized the structural exclusion of MSMEs in policymaking and advocated for participatory governance platforms. Examples from Brazil and Estonia demonstrated how inclusive design leads to stronger data ecosystems. The global MSME finance gap—estimated at USD 5.7 trillion—was linked to a lack of data interoperability and limited MSME awareness of digital opportunities. **Panel 2** highlighted that while technical interoperability is important, regulatory clarity and public trust are equally critical. Human-centered data governance and improved communication around data-sharing initiatives were proposed. **Panel 3** explored the utility of PETs such as multiparty computation and zero-knowledge proofs. These technologies were identified as vital for enabling secure, scalable open data exchanges. The session concluded with a strong call for public-private collaboration to co-create federated APIs and horizontally governed infrastructure platforms.

compromised by technical complexity.

- Support cross-border interoperability through mutual recognition frameworks and trusted data anchors that enable compliance without requiring full-scale data replication or transfer.
- Invest in privacy-enhancing technologies (PETs)—including zero-knowledge proofs, multiparty computation, and federated learning—as foundational tools for secure and trusted data sharing.
- Embed PETs into MSME platforms in intuitive ways, ensuring their value is demonstrated through functionality and outcomes, rather than technical specifications. Accessibility and trust must be built into the user experience.

Moving forward, the realization of these recommendations will depend on sustained public-private partnership, regional coordination, and the shared commitment to inclusive and interoperable open data systems that center MSME needs.

## **E. Valuation Standards and Practices**

The APFF Valuation Working Group continued to focus its efforts on promoting the work of the International Valuation Standards Council (IVSC). This effort was amplified by good reception, in the Asia-Pacific region and beyond, of the updated International Valuation Standards (IVS), that became mandatory on 31 January 2025. The IVS form a set of high-level principles-based standards for the practice of valuation, cover the valuation of all assets and liabilities and provide an internationally agreed 'best practice' framework that is widely recognized as the global standard for valuation today.

These new Standards include several changes that are consistent with the goals of ABAC and APFF. Two changes stand out:

- *Improvement in the structure of the Standards to reflect the changing requirements of stakeholders.*
- *Expansion of Environmental, Social and Governance (ESG) considerations in valuations.*

The impetus afforded by the publication of the new Standards served as the basis for several events in the region. These include:

- IVSC AGM and conference in Hong Kong that drew over two hundred attendees to discuss several themes including those relevant to the work of ABAC-APFF (November 2024).
- Presentation at the Business of IP Forum organised by the Hong Kong Department of Trade and Commerce (December 2024).
- The co-organisation on the “Indonesia International Valuation Conference” under the auspices of the Ministry of Finance. This event was geared towards the impact of innovation in Valuation and the land valuation for the purposes of expropriations. These two themes are with the goals of ABAC and APFF. (April 2025)
- Participation in several events organised by the Intellectual Property Office of Singapore (IPOS) and the World Intellectual Property Office (WIPO) geared towards facilitating the use of IP as collateral for financing and capacity building in that area.
- Ongoing collaboration and ad-hoc events with multiple stakeholders whose goals are aligned or relevant to the goals of ABAC-APFF, including regulators, government agencies, corporations and professional organizations, including organizations involved with ABAC-APFF.
- Participation in the IP Finance and Valuation webinar organized by the Korean Intellectual Property Office (KIPO), on 14 and 15 May 2025.

Looking ahead, amidst the multiple workstreams the IVSC engages in, two main workstreams of the IVSC will be relevant to the policy goals of ABAC-APFF:

- Capacity building within the valuation profession and amongst stakeholders interested in valuation remains crucial. IVSC continues to engage with public and private actors in the region to increase awareness of the IVS and promote the dissemination of best practices. In addition to numerous regional projects with WIPO and national IP offices, the IVSC is planning capacity building workshops with the Asian Development Bank (ADB) in Manila (the Philippines), and under the auspices of the Vietnamese Ministry of Finance in Hanoi (Viet Nam), both in Q4 2025. These capacity building efforts are relevant both to facilitate the monetization of Intellectual

Property (IP) and to improve the allocation of capital throughout all sectors of national economies in the region.

- The implementation of sustainability Standards and the current review by accounting standard setters of the recognition and measurement of intangible assets will have a consequence on the practice of valuation of intangible assets and intellectual property. Investors have also expressed interest in changes to the current regime of recognition and measurement of intangible assets. The IVSC is monitoring developments in those areas. Changes in financial reporting standards might result in modifications in the International Valuation Standards as they are revised.
- Awareness of the IVS continues to grow in the world of regulation and in the adjudication of disputes. Ultimately, accurate, complete, timely and transparent valuations based on the IVS can help improve access to finance of projects consistent with policy goals.

### **III. FINANCIAL RESILIENCE**

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APFF seeks to promote financial resilience through its work on (a) disaster risk financing and insurance; (b) pandemic insurance; (c) insurance regulation and accounting; and (d) health care financing.

#### **A. Disaster Risk Financing and Insurance**

Since 2015, the APFF Disaster Risk Financing and Insurance (DRFI) Network has been assisting the APEC Working Group on Regional Disaster Risk Financing Solutions to jointly promote DRFI in the region as envisaged in the Cebu Action Plan. Key actions of the DRFI Network over the past couple of years have been centered on catalyzing the region's catastrophe bond market. The intensifying natural disasters globally is raising a concern on insurance protection gap<sup>23</sup>, often cited as "NatCat protection gaps," which also applies to the APEC region. In order to scale up DRFI, the importance of coordinated action among the public and private sectors cannot be overstressed.

Below activities by the APFF DRFI Network constitutes an important part of the APEC DRFI Working Group under the APEC Finance Ministers Process. It has been included in the 2025 Work Plan and been reviewed each year end.

##### ***Catastrophe Bonds***

The Working Group compiled the outcomes of virtual workshops held in May and September 2024 that built on a series of workshops on catastrophe bonds held since September 2020.<sup>24</sup>

##### ***Innovative Climate Risk Insurance Solutions***

Following the webinar series entitled "Back to Basics and a Step Forward", a virtual workshop was held on 22 May 2025 giving focus on the use of risk data, risk models and how these are used for innovative climate risk insurance solutions, such as parametric insurance.

Speakers from the Insurance Development Forum (IDF) shared the basics of a risk model and how it could be used, followed by a speaker from the Pacific Catastrophe Risk Insurance Company (PCRIC) sharing a case study of the earthquake parametric insurance for Papua New Guinea telecommunications infrastructure. Speakers from Generali and UNDP shared the joint report issued on the topic of parametric insurance, fortified by a relevant case study from Vietnam, which insured a wind farm against low production due to lack of wind.

##### ***Active Participation in the APEC FMP Working Group on Regional Disaster Risk Financing and Insurance (DRFI) Solutions for APEC Economies***

The Working Group participated and contributed to the meetings of the FMP Working Group on

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<sup>23</sup> IAIS (2023): *A call to action: the role of insurance supervisors in addressing natural catastrophe protection gaps*.

<sup>24</sup> Following the workshop held in May, the second virtual workshop for the year entitled "Back to Basics and a Step Forward," co-organized by ABAC and APFF was held on 13 September 2024. Speakers from the World Bank Treasury delivered a learning session on the very basics of catastrophe bonds, followed by a speaker from the Ministry of Finance & Public Credit of Mexico to share the learnings from the experience of issuing a series of catastrophe bonds, which covers Mexico from earthquake events. The virtual workshop was designed to encourage finance ministry officials to learn the concept of catastrophe bonds as a form of insurance, with a focus on their role in disaster preparedness and risk management.

## Regional Disaster Risk Financing and Insurance (DRFI) Solutions for APEC Economies.

### B. Pandemic Insurance

The COVID-19 pandemic highlighted the urgent need for more effective mechanisms to enhance economic resilience and readiness for future health emergencies. Current modelling indicates a significant likelihood of recurrence, with estimates suggesting approximately a 25% probability of another severe pandemic occurring within the next decade. These projections are further reinforced by ongoing public health concerns such as avian influenza. In its 2022 report to APEC Finance Ministers, ABAC identified the Epidemic Risk Markets Platform as a promising framework for addressing pandemic risk through innovative financial tools. While this has initiated meaningful dialogue across APEC member economies on public-private partnership models, tangible implementation efforts within the region remain pending.<sup>25</sup>

Most pandemic-related business interruption insurance policies continue to be underwritten in the United States and Europe. The Thai pilot project remains operational, though it continues to be privately led and does not yet address affordability through public co-financing. There has been growing interest from private sector actors in Thailand and the Philippines, with initial outreach under way. In parallel, discussions with public sector stakeholders in Indonesia to explore potential areas of collaboration.

To support broader dialogue and advance policy engagement, a chapter on Pandemic Risk Management and Insurance was contributed to the recently released *Handbook of Insurance* (Vol. I) in collaboration with LMU München. The chapter explores practical strategies for expanding risk transfer solutions and establishing effective public-private partnerships within the context of pandemic preparedness.

As in previous years, the second half of the calendar year typically allows for allocation of additional resources and renewed stakeholder engagement to advance pilot development. Notably, there is increasing interest from private sector actors in bundling pandemic solutions with coverage for other perils, reflecting the reality that business interruption losses are often linked to physical damage events.

In the broader context, the Working Group continues to prioritize identifying practical pilot opportunities that can demonstrate feasibility and build market momentum. Even small-scale or technically straightforward initiatives (whether focused on outbreak response or the resilience of critical investments) can serve as meaningful proof points and help shape a broader regional response architecture.

### C. Insurance Regulation and Accounting

Since 2013, the APFF has been working on promoting the roles of insurers and pension funds in supporting the sustainable, resilient, and inclusive growth and development of the Asia-Pacific region. The APFF has promoted the adoption of solvency and accounting regimes in line with the Cebu Action Plan's Deliverable 4.E "Exchange experiences through existing public and private sector forums for facilitating long-term investment in infrastructure and encouraging increased pension and insurance industry investment in infrastructure" through the APFF Insurance, Health, and Retirement Income Network (IHRIN).

The APFF continued its outreach and dialogue with policymakers, authorities, standard setters, international and regional organizations, and stakeholders, to advocate for regulatory and accounting regimes that do not discourage long-term investment in infrastructure, capital markets, and funding innovations<sup>26</sup>. While these activities have long been central to the APFF's work, beginning this year,

<sup>25</sup> In contrast, other markets have seen concrete progress. The West African Development Bank (BOAD) has successfully executed a transaction to strengthen financial resilience across its jurisdictions, demonstrating how risk transfer instruments can become operational tools for preparedness. In Latin America, the pandemic business interruption insurance arrangement for a major airport in the Dominican Republic has been renewed, with larger-capacity transactions subsequently added to the portfolio. These developments reflect growing institutional engagement, although the majority of active contracts globally remain concentrated in the private sector. In Australia, the first pandemic insurance deal within the private market has been completed, marking a key advancement in market development.

<sup>26</sup> See APFF Progress Report 2016 to the APEC Finance Ministers for the high-level recommendations: [https://www2.abaconline.org/assets/2016/3%20Shenzhen/1\\_2016\\_APFF\\_Report\\_Final.pdf](https://www2.abaconline.org/assets/2016/3%20Shenzhen/1_2016_APFF_Report_Final.pdf)

the APFF has also initiated efforts focused on Digital Innovation in Insurance to address the growing impact of digital technologies on the sector.

### *Accounting*

The APFF continues to support the effective adoption and implementation of IFRS 17 Insurance Contracts across APEC economies. While the standard became effective globally in January 2023, several economies, including Indonesia, Thailand (2025), Chinese Taipei (2026), the Philippines, Viet Nam (2027), and non-listed companies in China (2026), are adopting IFRS 17 at a later stage. The APFF is working closely with stakeholders to provide technical assistance, share good practices, and promote regional knowledge exchange tailored to the needs of these jurisdictions.

In view of the upcoming Post-Implementation Review (PIR) of IFRS 17, the APFF will continue to engage in dialogue with the IASB and other stakeholders to ensure that issues relevant to Asia-Pacific are considered. One important topic is the treatment of unrealized gains and losses on equity instruments under IFRS 9, specifically the prohibition of recycling these amounts through profit or loss<sup>27</sup>. It may influence insurers' incentives to make long-term equity investments. Given the close interrelationship between insurance liabilities under IFRS 17 and financial assets measured under IFRS 9, the APFF believes it is essential to revisit this topic during the upcoming reviews.

### *Solvency regime*

With respect to solvency regime, the APFF has been engaging in continuous outreach and dialogue with policymakers, regulatory authorities, international and regional institutions in coordination with industry bodies, to reflect the long-term nature of the insurance business in global regulatory discussions and to avoid dis-incentivizing insurers from supporting long-term growth, in particular quality infrastructure investments.

The Insurance Capital Standard (ICS) was finalized and published by the International Association of Insurance Supervisors (IAIS) at its 2024 Annual Conference, concluding a five-year monitoring period. The APFF welcomes this milestone and appreciates the constructive dialogue the IAIS held with the APFF members representing Asian insurers during the ICS development process, which helped improve the draft standard.

Going forward, The APFF will support regional authorities and insurers in preparing for the practical adoption of the ICS, including through capacity building and technical dialogue. In line with past recommendations, The APFF will also continue to monitor the treatment of long-term equity investments, which remain a topic of interest under ICS. Unlike the European Solvency II regime<sup>28</sup>, the ICS does not yet incorporate adjustments reflecting the lower risk profile of long-term equity holdings and impose high capital charge for equity holdings by insurers in ICS jurisdictions to impose high capital charge<sup>29</sup>, which may influence insurers' investment behavior. The APFF will maintain engagement with stakeholders to explore solutions that better align prudential standards with long-term investment objectives.

Additionally, the IAIS conducted consultations on the structure of life insurers and reinsurers.<sup>30</sup> The APFF intends to engage constructively in these discussions to help ensure that the regulatory framework remains balanced and supports the long-term roles of the insurance sector.

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<sup>27</sup> ABAC submitted the following comment on recycling to IASB in 2015: Items of income and expenses presented in OCI should be permitted to be recycled, since it often reflects how an entity conducts its business and leads to a faithful representation of the performance for the period. It would also build a clearer linkage between financial performance and financial condition. We are not persuaded why the recycling criteria are different for debt and equity instruments. The absence of recycling of equity investments may dis-incentivize the institutional investors to engage in such investment as a possible unintended consequence arising from this inconsistency.

<sup>28</sup> Under European Solvency II, long-term shareholdings are allowed to have their risk factor reduced to 22% if they meet eligibility requirements such as a holding period of more than five years or a stress test.

<sup>29</sup> In case of infrastructure-related equity, 37% in emerging market economies and 27% in developed economies. In case of other equity, 48% in emerging market economies and 35% in developed economies.

<sup>30</sup> On 17 February 2025, the public consultation on the draft Application Paper on the Supervision of Artificial Intelligence concluded. The IAIS is currently in the process of reviewing the comments submitted. This Application Paper focuses on four key areas: governance



### ***Other regulatory matters***

Additionally, the IAIS conducted a consultation on structural shift in the life insurance sector, primarily focused on increasing allocation to alternative assets and the rising adoption of cross border asset intensive reinsurance<sup>31</sup>. As these activities contribute to the development of the real economy, the APFF intends to engage constructively in these discussions to help ensure that the regulatory framework remains balanced and supports the long-term roles of the insurance sector.

### ***Sustainable Finance and Investment***

The APFF aims to advocate ABAC high-level recommendations, and coordinates with APIP and SFDN to promote sustainable investment by insurers, pension funds, and other long-term institutional investors with particular focus on two areas: transition finance and ecosystems for financing innovations that promote SDGs.

Following the publication of standards IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* by the ISSB in 2023, the APFF has supported capacity building on sustainability-related disclosures and engaged in dialogue with insurers on aligning disclosure practices with risk management and product innovations. The APFF also continues collaboration with organizations such as the Principles for Responsible Investment (PRI) and international platforms including the Task Force on Climate-related Financial Disclosures (TCFD), the Taskforce on Nature-related Financial Disclosures (TNFD) and the Task Force on Inequality and Social-related Financial Disclosures (TISFD) to represent the voice of long-term institutional investors in shaping global frameworks for sustainable investment.

### ***Digital Innovation in Insurance***

Beginning this year, the APFF has initiated a dedicated work stream focused on Digital Innovation in Insurance, in recognition of the transformative impact of digital technologies on the insurance sector. This initiative promotes the beneficial and responsible use of digital technologies in areas such as AI-driven underwriting, risk assessment, preventive healthcare, marketing, customer engagement, and claims management, while addressing potential risks and challenges.

As part of this initiative, the APFF will conduct exchanges of views on AI governance frameworks and gather inputs from regional supervisory authorities, industry stakeholders, and corporate representatives involved in the development of AI technologies. These discussions aim to ensure alignment with internationally recognized guidelines<sup>32</sup> for responsible and human-centric AI to promote innovation that protects consumers and strengthens trust. APFF will continue to facilitate policy dialogues on the implications of AI regulation<sup>33</sup> for insurance supervision and market structure.

In addition, the APFF will actively promote regional capacity building through workshops and technical exchanges aimed at supporting the safe and effective application of AI to address social challenges and foster the development of a society that coexists harmoniously with AI technologies.

### ***Planned and Prospective Activities for 2025 and 2026***

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and accountability; robustness, safety and security; transparency and explainability; and fairness, ethics and redress.

<sup>31</sup> On 17 February 2025, the public consultation on the draft Application Paper on the Supervision of Artificial Intelligence concluded. The IAIS is currently in the process of reviewing the comments submitted. This Application Paper focuses on four key areas: governance and accountability; robustness, safety and security; transparency and explainability; and fairness, ethics and redress.

<sup>32</sup> For example, Privacy enhancing technologies (PETs) enable the collection, analysis and sharing of information while protecting data confidentiality and privacy. See OECD (2023): *Emerging Privacy Enhancing Technologies* [https://www.oecd.org/en/publications/emerging-privacy-enhancing-technologies\\_bf121be4-en.html](https://www.oecd.org/en/publications/emerging-privacy-enhancing-technologies_bf121be4-en.html) and OECD (2025): *Sharing Trustworthy AI Models with Privacy-Enhancing Technologies* [https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/sharing-trustworthy-ai-models-with-privacy-enhancing-technologies\\_5df6fd05/a266160b-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/sharing-trustworthy-ai-models-with-privacy-enhancing-technologies_5df6fd05/a266160b-en.pdf).

<sup>33</sup> On 2 June 2025, the public consultation on the draft Issues Paper on Structural Shifts in the Life Insurance Sector concluded. The IAIS is currently in the process of reviewing the comments submitted. This Issues Paper focuses on four key areas: alternative assets;

- The APFF Roundtable on Insurance Regulations and Sustainability Reporting, to be held in late 2025 or early 2026 in Hong Kong with participation from ISSB, insurance supervisors, industry representatives, professionals, and academics.
- Launch of the Digital Innovation Dialogue Series: A progressive rollout of multi-stakeholder dialogue platforms is planned, focusing on the latest policy developments and practical challenges in AI regulation, RegTech, InsurTech, and HealthTech across the Asia-Pacific region, as well as the appropriate and effective use of AI in alignment with regulatory frameworks.
- Support for the Implementation of IFRS 17 and the Insurance Capital Standard (ICS). In parallel, APFF will continue to conduct capacity-building workshops and technical exchanges, in collaboration with relevant institutions and experts, to support the establishment of AI governance frameworks and the enhanced utilization and integration of social-issue-related disclosures among practitioners and industry stakeholders.
- The APFF works with the Geneva Association and the Global Federation of Insurance Associations (GFIA) and other stakeholders to reflect the APFF points of view in their recommendations in various relevant consultations. The working group continues to provide specific input from the long-term institutional investors' perspectives, such as insurers and pensions funds.

#### D. Health Care Financing

In support of the FMP's and APEC's priorities on addressing demographic challenges and promoting productivity, innovation, and inclusion the APFF Health Financing Working Group is working in collaboration with the APEC Health Working Group on the following projects and initiatives:

- **Sustainable Financing Framework for Women's Health:** An APEC-funded project led by Peru's Vice Minister for Health, with support from Chile, Malaysia, Thailand, and Viet Nam, to develop a financing framework that helps economies close funding gaps and expand access to women's healthcare. The initiative includes a policy dialogue on the margins of the Finance Ministers' Meeting in October 2025 for interested economies.
- **Sustainable Financing to End the HIV Epidemic:** An APEC project led by Chile's Ministry of Health, with support from Japan, Peru, Singapore, Chinese Taipei, and Thailand, to advance progress toward HIV targets through strengthened service delivery and financing. Key areas of focus include pooled purchasing, risk-sharing mechanisms, greater engagement by private insurers, and innovative financing instruments that complement public budgets. Insights will inform an APEC Issues Paper (July 2025), Policy Dialogue (August 2025), and Action Plan (Q4 2025).
- **Innovative Financing for Rare Diseases:** This initiative explores financing solutions to meet the needs of people with rare diseases, including risk-pooling, expanded insurance coverage, and public-private partnerships for diagnosis, treatment, and care. Building on the APEC Action Plan on Rare Diseases it promotes investment in orphan drugs, reduces out-of-pocket costs, and strengthens coordination among finance ministries, health authorities, insurers, and patient groups. A policy dialogue will be held during the SOM3 meetings in Korea, in collaboration with the APEC Regulatory Harmonization Steering Committee.
- **Sustainable Financing for Healthy Aging and Prevention:** An initiative supported by the APEC Vaccines Task Force to help economies address demographic change through sustainable financing for preventative health services that reduce hospitalizations and long-term care costs, with a focus on adult immunization, such as influenza, pneumococcal disease, and shingles. Policy dialogues were held at SOM1 and again at SOM3 to advance this work.



## IV. FINANCING SUSTAINABLE INFRASTRUCTURE

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### A. Mobilizing Large-Scale Capital

As part of an initiative to reduce foreign currency risk and encourage greater long-term finance for sustainable infrastructure, ABAC recommended in 2023 that APEC Finance Ministers “explore the issuance of fixed rate long-term bonds in which servicing and repayment obligations are indexed to a basket of major international currencies, to reduce borrower and lender risk from swings in the exchange rate of the currency of issue.”

At the Finance Ministers meeting in Lima in October 2024, ABAC reinforced and expanded this recommendation with a proposal to “issue 10-year AAA-rated bond with interest and principal payments indexed to a basket of currencies meeting the requirements of a global institutional benchmark index and establish the Global Partnership for Sustainable Investment (GPSI) bond fund that can transact in these primary and secondary indexed securities.”

The World Parity Unit (WPU®) basket of major international currencies, developed by the Mountain Pacific Group working with FTSE Russell, meets the requirements of a global institutional benchmark index.<sup>34</sup> Indexing the interest servicing and the principal repayment amounts to the value of the WPU® basket against the currency of issue e.g., US dollar, significantly reduces foreign currency risk of a ten-year bond issue. For both the investors and borrowers, there is a 25%-30% reduction in risk compared with US Dollar bonds.

Activities in support of this initiative since the APEC Finance Ministers Meeting in 2024 fall into three streams:

- Introducing and outlining the benefits of WPU®-indexed long-term bonds, including meetings with governments, central banks and financial regulators. Following briefings for the US Treasury, discussions with the Japanese Ministry of Finance, Bank of Japan, the Japan Financial Services Agency and FinCity Tokyo, meetings were held with the World Bank and APEC member executive directors at the IMF/World Bank 2024 Annual and 2025 Spring Meetings. Notably, discussions by ABAC representatives at the 2024 APEC Finance Ministers Meeting, revealed an interest among APEC members in conversion of *existing* single currency borrowing obligations into WPU®-indexed obligations.
- Encouraging the issuance of, and investment in, WPU®-indexed bonds. An intensive series of meetings were conducted with potential MDB issuers, including the Development Bank of Latin America and the Caribbean (CAF), the World Bank Treasurer’s Office, International Finance Corporation, and the Asian Development Bank.<sup>35</sup> Those meetings underlined the importance of establishing a fund that will a) Provide swaps which can convert WPU® indexed bonds issued by an MDB into a fixed interest rate denominated in US dollars, and b) Provide swaps on existing (or new) US dollar-denominated loans provided by an MDB into a fixed rate borrowing, with the size of the Dollar repayments indexed to WPU®. In addition, there were a series of discussions from January through June with a significant number of potential Japanese investors – major banks and life insurance companies – where the benefits of WPU®-indexation over hedging US Dollar assets into Yen are particularly large. Updates were also provided to two of the largest institutional investors in each of the US and Australia. Through these discussions, it became clear that major financial institutions are concerned about liquidity of this new type of Dollar bond during the transition period until the secondary market matures. Regarding the GPSI WPU® Bond Fund, due to their internal policies, banks can invest their own capital for up to 5-years. Hence, a 5-year closed-ended fund would make investment significantly easier for banks. This has reaffirmed the need for strong support from underwriting financial institutions, not only in

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<sup>34</sup> The WPU® basket was specifically designed to reduce foreign currency risk both for global investors and for global borrowers. The basket consists of 7 developed and 4 emerging currencies. WPU® is designed to minimize foreign currency risk making investment in these bonds on an unhedged form attractive, and to preserve investors’ wealth in global terms. The currency weights in WPU® are updated annually, based on published methodology. The goal is to minimize the volatility of the basket, while taking into account the liquidity of the currencies.

<sup>35</sup> The latter consultations included a 1½ hour hybrid meeting in June 2025 in Tokyo with the ADB’s Treasurer’s Office, Office of Risk Management and Office of the ADB General Counsel.

terms of fund structuring, but also in providing stand-by credit by external service providers and fostering the early development of the secondary market for bonds.

- **Establishing the Global Partnership for Sustainable Investment (GPSI) WPU® Bond Fund.** This will enable the US Dollar chartered MDBs to access this new source of global Dollar funding. The GPSI Fund will allow US Dollar-chartered MDB's to issue WPU® -indexed bonds, which the Fund can then swap into US Dollars. The GPSI fund will also allow APEC borrowers to swap their existing single-currency (mostly USD) debt into far less risky WPU® indexed debt. Additionally, the Fund can provide a number of other services, including providing liquidity for WPU®-indexed asset holders. There have also been technical discussions on the daily calculation and provision of the WPU® yield curve. A portal is being built to enable borrowers to evaluate the currency risk reduction and the cost savings of WPU® indexed borrowings. The target date for the launch of the GPSI Fund is the fourth quarter of 2025.<sup>36</sup>

## **B. Circular Economy Infrastructure**

The APIP and the APFF Circular Economy Infrastructure Working Group are collaborating with Korea through the APEC Chemical Dialogue on an initiative to explore financing solutions that support the circular economy, with a focus on plastic recycling technologies and regulatory frameworks. The project examines physical, chemical, and thermal recycling methods; PET recycling in Korea; recycled plastic regulations in the U.S. and EU; and experiences from Indonesia, the Philippines, and Viet Nam. A workshop will be held on 4 August in Incheon, Korea, to identify investment gaps and policy approaches to scale sustainable recycling systems across APEC economies.

## **V. OUTREACH TO MEMBER ECONOMY STAKEHOLDERS**

One of the key learnings from APFF's experiences in collaborating with member economies is the need for high-level government support and a whole-of-government approach in undertaking reforms and the need to overcome coordination challenges arising from the siloed structure of government in many economies. Support for specific reforms from the business sector, especially in those industries that will be most affected as beneficiaries, is also an important success factor that can facilitate policy action. In this context, the APFF introduced a new mechanism, namely domestic or sub-regional networks, to build wider and stronger stakeholder support for specific reform initiatives in member economies to implement APEC FMP deliverables as part of its work plan.

These networks aim to bring relevant high-level government and business sector stakeholders together to discuss (a) current initiatives being undertaken or planned by APFF in individual member economies and (b) priorities of individual member economies and how APFF's work to promote APEC FMP deliverables align with and support their goals. In addition, activities are open to participation by APEC, ABAC and APFF networks to understand developments more deeply in individual economies/sub-regions and to learn experiences and insights that can be useful for other member economies.

In 2021 in Beijing, ABAC and APFF collaborators in China arranged to co-organize with APFF the first of such activities, which was the APFF China Conference. In 2023, the Second APFF China Conference was held in Beijing. In 2024, the first ABAC-ASEAN BAC-APFF Southeast Asia Conference was held in Bangkok.

### **The 2025 ABAC-ASEAN BAC-APFF Southeast Asia Conference**

APFF, together with ABAC and the ASEAN Business Advisory Council (ASEAN BAC) collaborated

<sup>36</sup> The Mountain Pacific Group (MPG) is moving forward on the establishment of the GPSI WPU® Bond Fund as a utility to support the growth in the market for WPU® indexed financing. To enhance this role, the following measures are being discussed with MDBs:

- First, the MDBs may choose to commit capital to the Fund. The Fund can then provide the MDBs a minimum swap capacity equivalent to four times their capital invested. Investment by MDBs in the Fund could serve as a catalyst for other institutional investors to invest in the Fund, providing access to far higher swap capacity for the MDBs.
- Second, MPG has drafted a term sheet for the Fund that we are circulating to potential investors, issuers, and counterparties. Third, MPG is commencing discussions with major rating agencies to provide a rating for the Fund. We are also identifying partners and service providers, including custodians, administrative service providers, and legal service providers, as well as continuing discussions with regulators.

to hold on 11 June 2025 ABAC-ASEAN BAC-APFF Southeast Asia Conference, hosted in Kuala Lumpur by ASEAN BAC in collaboration with the AICB Centre of Excellence, APIP and APFIF. The conference, bearing the theme *Financing Southeast Asia's Development Priorities: Identifying Medium-Term Deliverables for Public-Private Collaboration*, provided a platform for public-private, cross-industry, cross-agency and cross-border dialogue by bringing key stakeholders together to identify common key priorities for public-private collaboration under ASEAN and APEC in the years ahead.

### **The 2025 APFF China Conference**

Discussions are currently ongoing on plans to hold the 2025 APFF China Conference in the fourth quarter of the year.

## **VI. SUPPORT FOR THE FORMULATION OF THE FINANCE MINISTERS' NEW MEDIUM-TERM ROADMAP**

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With the current Finance Ministers' Roadmap – the Cebu Action Plan – coming to an end in 2025, the Finance Ministers are preparing a new Roadmap covering a 5-year time frame. While the existing pillars and deliverables of the CAP remain relevant to this day, it is important to take into consideration various factors such as advances in technology, the emergence of new economic and geopolitical issues affecting business and finance and the evolving priorities of member economies and the business sector. This would require meaningful consultations across the region with the business sector, especially the financial industry, as well as with relevant policy makers and regulators and experts from multilateral institutions, international standard setting bodies and research and academia.

APFF, APIP, APFIF, in collaboration with other relevant institutions, are supporting ABAC in convening hybrid roundtables on the theme “Asia-Pacific Public-Private Financial Cooperation: Setting Medium-Term Priorities.” These roundtables were as follows:

- April 28, Washington, DC, USA – Hosted by the International Law Institute (ILI)
- June 11, Kuala Lumpur, Malaysia – Hosted by the ASEAN Business Advisory Council (ASEAN BAC) Malaysia
- June 23, Tokyo, Japan – Hosted by Sumitomo Mitsui Banking Corporation (SMBC)

## **CONCLUSION**

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The Asia-Pacific region is facing a number of challenges as a consequence of recent geopolitical, social, and economic developments. These include record levels of public and private debt, constrained fiscal space, hugely expanded central bank balance sheets, and a return of inflation. With governments and central banks finding themselves constrained in using traditional tools to fight economic headwinds and to sustain recovery, it has become more important than ever to enable the business sector to further expand its contributions to economic growth and development. In this process, the financial industry can play a catalytic role to promote inclusive digital infrastructure, sustainability, and resilience.

The road ahead for APEC is not totally uncharted, as the ways to make finance more inclusive, innovative, sustainable, and resilient have already been the subject of much research and discussion for many years. Solutions are already enshrined in the Finance Ministers' Cebu Action Plan from 2015 and the FMP agenda and identified in past ministerial statements. It only remains for them to be translated into concrete policies, regulations, and capacity building measures. The multiple challenges we are facing today have injected a sense of urgency representing an opportunity that is there to be seized.

The APEC Finance Ministers' Process can take the lead in translating this sense of urgency into individual and collective actions to advance the implementation of these deliverables in the Finance Ministers' multi-year agenda. Much can be achieved by coordinating this with the work of the multilateral organizations participating in the FMP – the ADB, IMF, OECD and the World Bank – and with the initiatives of the business sector, as well other relevant APEC fora.

As this Progress Report shows, these initiatives continue to provide support to economies in undertaking important reforms, especially in expanding access to finance. Individual economies as well as APEC fora are coming forward to make full use of these platforms for public-private collaboration to advance various initiatives related to digitalization, financial inclusion sustainability, and resilience. In this context, we look forward to working with APEC Finance Ministers and other relevant authorities in seizing opportunities for undertaking concrete reforms and capacity building measures that will help our region build a better future by enabling financial services to promote sustainability, digitalization, financial inclusion and resilience.

# APPENDIX



*Financial Digitalization for MSMEs and Its Economic Effects*

Jeju, Republic of Korea  
7 May 2025

## **Proposed Actions for Policymakers and Regulators**



## INTRODUCTION

For the past 15 years, the Asia-Pacific Financial Inclusion Forum (APFIF) has served as a premier platform for advancing regional dialogue on inclusive finance across APEC member economies. It has brought together policymakers, regulators, industry leaders, and development partners to build consensus around strategies that foster inclusive economic growth. As part of the broader APEC Finance Ministers' Process, the Forum has delivered a series of actionable proposed actions on a range of themes such as digital financial services, credit infrastructure, financial literacy, consumer protection, remittances, and green financing for micro, small and medium-sized enterprises (MSMEs). These efforts directly support the APEC Putrajaya Vision 2040, particularly its emphasis on innovation, digitalization, and inclusive growth.

The 2025 Forum, held in Jeju, Republic of Korea, continued this tradition with the theme “Financial Digitalization for MSMEs and Its Economic Effects.” The theme reflects both the opportunities and challenges arising from the rapid digital transformation of financial services in the Asia-Pacific region. Digital technologies are reshaping how MSMEs access finance, through innovations such as AI-enabled credit scoring, embedded finance, e-commerce platforms, and peer-to-peer lending. These advances have the potential to significantly reduce transaction costs, increase outreach, and better tailor financial products to the needs of small businesses.

However, while the digitalization of finance brings new opportunities, it also introduces new risks. Concerns around data privacy, cybersecurity, consumer protection, and the digital divide must be addressed to ensure that the benefits of innovation are equitably distributed. Building secure, inclusive digital ecosystems, and aligning regulatory frameworks across economies, requires coordinated action. APFIF provides a dedicated platform for APEC economies to collectively explore how to foster such ecosystems, ensuring digital finance works for all, especially the underserved MSMEs.

Supporting MSME access to finance is of critical importance. MSMEs account for more than 97% of businesses in the Asia-Pacific region and employ as much as half of the private sector workforce.<sup>37</sup> They are essential engines of economic resilience, job creation, innovation, and economic inclusion. Yet MSMEs face persistent barriers to accessing finance. Currently, nearly half of MSMEs in the region are unserved or underserved by the financial sector, and the estimated credit gap stands at a staggering USD 2.5 trillion. Addressing this gap is vital for inclusive development and long-term economic stability.

Encouragingly, APEC economies have made tangible progress in advancing MSME finance. Reforms in secured transactions frameworks, improvements in credit information systems, and the formulation of national financial inclusion strategies are just a few examples of how economies are working to close the gap. These achievements are often the result of sustained regional knowledge-sharing and collaboration fostered through APFIF and related APEC initiatives.

In 2025, APFIF brought together a diverse group of stakeholders representing financial institutions, government agencies, multilateral development organizations, fintech companies, research institutions, and the private sector. This diversity of expertise enabled a rich, multi-dimensional dialogue on the ways forward. Participants shared insights on how digital tools are reshaping the MSME finance landscape, and what policies and innovations are needed to ensure these changes promote equity, resilience, and growth.<sup>38</sup>

This year's proposed actions are grounded in those discussions and reflect the shared commitment of APEC economies to leverage digitalization as a key driver for inclusive economic development.

This year's Forum was made possible through the collaboration of key partners. The Asian Development Bank, the Asian Development Bank Institute, and the APEC Business Advisory Council provided essential support in shaping the agenda and facilitating knowledge exchange. The Forum was graciously hosted by the Ministry of Economy and Finance of the Republic of Korea, whose leadership and hospitality were instrumental to the event's success.

<sup>37</sup> See APEC article on Small and Medium Enterprises: <https://www.apec.org/groups/som-steering-committee-on-economic-and-technical-cooperation/working-groups/small-and-medium-enterprises>

<sup>38</sup> Participants included Korea's Ministry of Economy and Finance, the Asian Development Bank, the Asian Development Bank Institute, Cantilan Bank, CashNote, Accion Advisory, Ant International, the Consultative Group to Assist the Poor (CGAP), the Global Legal Entity Identifier Foundation (GLEIF), the Industrial Bank of Korea, the APEC Policy Support Unit, and Sumitomo Mitsui Banking Corporation.

## PROPOSED ACTIONS FOR POLICYMAKERS AND REGULATORS

To realize the full potential of digital finance for MSMEs, policymakers and regulators must take proactive steps to shape an enabling environment. This includes strengthening core infrastructure, addressing emerging risks, and ensuring the benefits of digital innovation reach all types of MSMEs, including those operating informally or in rural areas. The following proposed actions draw on the insights and experiences shared during APFIF 2025 and outline specific policy tools and approaches that can support inclusive, responsible, and innovation-friendly financial ecosystems across the region.

### *Proposed Action 1: Embrace digital infrastructure as a public good*

Expanding inclusive digital financial services for MSMEs, especially in rural and underserved areas, requires treating foundational digital infrastructure as a public good. This includes reliable and fast internet connectivity, real-time payment systems, robust Cash-In/Cash-Out (CICO) networks, and data utilities that support inclusive onboarding, identity verification, and credit assessment. When deployed together, these components create a digital public infrastructure “stack” that enables access, reduces costs, and fosters innovation. In this context, policymakers and regulators should consider:

- Bundling investments in inclusive CICO networks, real-time payment switches, and interoperable data rails, such as offline e-KYC or account lookup, as part of a coordinated national digital public infrastructure strategy. While rural CICO access remains a critical barrier to reaching last-mile users, urban CICO networks are equally vital to ensuring widespread adoption and use of digital financial services. Strengthening CICO infrastructure across both rural and urban settings supports a seamless transition toward full digitalization, particularly for low-income users who continue to rely on cash even in urban environments.<sup>39</sup>
- Linking rural CICO expansion to smart, time-bound, and performance-based rural agent subsidies. Consider allowing shared “agent of last resort” models to reduce costs and increase viability in sparsely populated areas.
- Mandating open, risk-tiered access to core national payment switches to allow nonbanks, including rural microfinance institutions (MFIs) and credit unions, to connect directly. This avoids high intermediary costs and promotes innovation on top of the rails.
- Encouraging the development of standardized, open application programming interfaces (APIs) and shared data protocols for MSME digital footprints, such as point-of-sale (POS) activity, tax filings, e-commerce sales, or remote sensing data (i.e. satellite imagery used in agricultural credit scoring) so that such data can support cash flow-based lending without requiring traditional collateral. Governments can support this by making geospatial and other public datasets more accessible as part of their national digital infrastructure strategies.
- Taking steps to harmonize data standards across platforms, tax authorities, and banks to ensure data is accessible and interpretable across the financial ecosystem.
- Embedding user trust in infrastructure design through strong data governance, ownership and consent frameworks, and mechanisms to inform and redress data breaches or phishing incidents that disproportionately affect smaller or less digitally literate users.
- Fostering a trusted and competitive new data ecosystem for financial services by supporting new data infrastructure operators, promoting regulatory or industry-led governance frameworks, and ensuring financial institutions and consumers have the confidence, guidance, and safeguards to engage with third-party data and analytics providers beyond traditional credit reporting systems.

### *Proposed Action 2: Support responsible use of AI for MSME credit*

As financial service providers increasingly adopt artificial intelligence (AI) to enable faster, and more cost affordable MSME credit decisions, regulators must ensure these models are used responsibly. While AI can expand reach, it also carries risks, including lack of transparency in AI models, embedded bias, and challenges in auditing, that can unintentionally exclude vulnerable segments or reinforce existing disparities. To ensure AI serves the goals of inclusion, transparency, and fairness, policymakers and regulators should consider:

<sup>39</sup> More information about inclusive CICO networks can be found in the CGAP article “The Role of Cash In/Cash Out in Digital Financial Inclusion” available at: <https://www.cgap.org/blog/role-of-cash-incash-out-in-digital-financial-inclusion>



- Anchoring rules for AI use in existing data protection laws rather than standalone AI legislation. While this principle applies broadly across all digital finance users, it is particularly beneficial for MSMEs, who often lack the resources to understand or dispute potentially unfair decisions made by algorithms. Open-finance regimes grounded in data protection laws can help ensure all users, especially MSMEs, have the right to contest algorithmic decisions and port their data to competing lenders.
- Requiring simplified “model nutrition labels” to enhance supervisory oversight. These disclosures should include the variables used, recency of training data, and observed error rates disaggregated by gender or firm size. This can help ensure that AI systems do not inadvertently reward one group over another.
- Establishing clear audit and accountability mechanisms to assess model fairness. While AI systems are becoming more sophisticated, and can even adjust behavior during audits, regulators can consider adaptive audit protocols and industry-wide fairness benchmarks.
- Guarding against reverse engineering of datasets or privacy breaches that may occur in the absence of strong regulatory protections. Embedding transparency, proportionality, and explainability into AI credit decision systems is essential.
- Referring to global best practices such as Singapore’s Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT Principles)<sup>40</sup> or the UK’s Financial Conduct Authority (FCA) guidance<sup>41</sup> to design local regulatory frameworks tailored to emerging markets.

### *Proposed Action 3: Strengthen consumer protection frameworks*

As MSMEs increasingly transact on digital platforms and rely on digital financial services, new types of risks are emerging, especially for micro and informal enterprises. Fraud, unclear fee structures, and inadequate consent mechanisms can erode trust and participation. While disclosure remains important, it is not sufficient. Emerging behavioral research shows that users often do not comprehend standard disclosures, especially when faced with “consent fatigue.” To enhance trust in digital finance and ensure sustained usage among MSMEs, regulators and policymakers should consider:

- Testing simplified, behaviorally-informed consent prompts (i.e. single-screen formats) in sandbox environments to reduce consent fatigue, improve understanding and reduce the burden of decision-making.
- Developing real-time risk monitoring dashboards using low-cost tools such as survey microsimulations or mystery shopping, as successfully piloted in the West African Economic and Monetary Union (WAEMU). These tools help detect early signs of fraud or abusive practices before trust is eroded.
- Requiring digital finance providers to publish sex-disaggregated complaint and fraud statistics. Evidence shows that women, especially in rural areas, face disproportionate digital risks<sup>42</sup>, and transparency can prompt corrective actions.
- Introducing structured frameworks for fraud prevention, protection, and recovery. These could include:
  - Mechanisms for users to report and receive resolution for fraudulent activity;
  - Strong authentication and identity verification protocols (e.g., e-KYC, 2FA);
  - “Positive friction” features such as fraud alerts before transfers or verification steps for high-value transactions;
  - Clear accountability guidelines for providers, particularly for service disruptions or losses due to system delays or input errors, which disproportionately impact micro-merchants.
- Supporting user education campaigns focused on common digital threats (e.g., phishing), and design user interfaces with both ease-of-use and security in mind.

<sup>40</sup> Singapore’s FEAT Principles are available here: <https://www.mas.gov.sg/~media/MAS/News%20and%20Publications/Monographs%20and%20Information%20Papers/FEAT%20Principles%20Final.pdf>

<sup>41</sup> The UK’s FCA Handbook is available here: <https://www.handbook.fca.org.uk/>

<sup>42</sup> Refer to research undertaken by CGAP available here: [https://www.cgap.org/research/reading-deck/evolution-of-nature-and-scale-of-dfs-consumer-risks-review-of-evidence?utm\\_source=chatgpt.com](https://www.cgap.org/research/reading-deck/evolution-of-nature-and-scale-of-dfs-consumer-risks-review-of-evidence?utm_source=chatgpt.com)

#### ***Proposed Action 4: Ensure flexible and adaptive financial inclusion policies***

MSMEs are highly diverse in size, sector, formality, and financial needs. “One-size-fits-all” approaches can lead to exclusion, especially for informal or women-led businesses. As digital financial ecosystems evolve, MSMEs increasingly find value in bundled offerings, such as embedded finance that combines credit, payments, and business services on digital platforms. In light of these developments, policymakers and regulators should consider:

- Segmenting MSMEs based on firm size, sector, and formality level to better understand their needs and design flexible, tiered policy responses.
- Creating space for experimentation in embedded finance models that combine financial and non-financial services. These models often involve partnerships between financial service providers (FSPs), e-commerce platforms, retailers, or farmer producer organizations.
- Ensuring that innovation environments (e.g., sandboxes or pilot zones) allow providers to test and refine contextual solutions without over-regulation.
- Incentivizing FSPs and their partners to dedicate resources to the MSME segment. This could include:
  - Mandated lending quotas or targets (e.g., India’s Priority Sector Lending framework or Indonesia’s bank corporate social responsibility (CSR) requirements);
  - Credit guarantee schemes or co-lending models to de-risk MSME lending;
  - Tax incentives or regulatory flexibility for providers testing inclusive credit models.
- Promoting fair competition among platforms. While rapid customer acquisition through deep discounts is common, such practices can harm MSMEs in the long term and distort market incentives. Policymakers should enforce competition law principles to prevent abuse of dominance and ensure MSMEs retain pricing choice and provider flexibility. Examples such as India’s increased regulatory scrutiny of large e-commerce platforms or the European Union’s Digital Markets Act illustrate government efforts to reduce platform dominance which can disadvantage smaller enterprises.
- Encouraging pricing transparency across platforms and assess the long-term sustainability of platform-driven financing models to avoid “lock-in” effects for MSMEs.

#### ***Proposed Action 5: Promote interoperable, standardized digital ID and KYC systems***

While digital ID systems are essential to formalizing MSMEs and enabling access to financial services, identity alone is not enough. Onboarding MSMEs also requires verification of address, business activity, or tax records. A more comprehensive approach, linking ID systems with verified registries and embedding privacy safeguards, is needed to ensure that ID systems are both inclusive and trusted. To build robust and inclusive ID-enabled ecosystems, policymakers and regulators should consider:

- Adopting an “ID-plus” approach that links national ID APIs with relevant databases (e.g., tax, business registration) to facilitate seamless and secure onboarding of MSMEs.
- Mandating open, low-cost ID and e-KYC verification APIs. India’s Aadhaar-enabled e-KYC system demonstrates how pricing verification at cost-recovery levels can reduce onboarding costs by over 90%.
- Embedding privacy-by-design principles in ID systems. For example, allow only necessary data to be shared through tokenized queries (e.g., age yes/no instead of full date of birth) to limit data misuse.
- Adopting Financial Action Task Force (FATF)-aligned, tiered KYC frameworks. These frameworks allow informal and nano enterprises to access entry-level financial services while creating pathways to higher tiers of formal financial participation as they grow.
- Encouraging interoperability between ID and financial systems so that MSMEs can use a single set of credentials across multiple providers. This reduces friction, supports competition, and enhances user control.
- Engaging with the private sector and civil society to monitor adoption, address risks of exclusion, and continually refine the system to reflect user needs and trust concerns.