10 August 2026

His Excellency Lan Fo'an
Chair, APEC Finance Ministerial Meeting
Minister of Finance
People's Republic of China

Dear Minister Lan,

It is my great honor on behalf of the APEC Business Advisory Council to present to you our recommendations to the APEC Finance Ministers this year.

The Asia-Pacific region today finds itself facing challenges on multiple fronts.

- Energy market volatility and heightened economic uncertainties are weighing on Asia-Pacific markets. These economies are heavily dependent on imported energy sources. This comes at a time when the need to mobilize capital for large-scale investment in energy and other infrastructure is increasing to support productivity gains and technology-driven economic growth.
- While digital technology brings new opportunities, it also introduces new risks. Laws, policies and market infrastructure need to be modernized for financial services to fit the requirements of the digital age, while avoiding fragmentation and ensuring interoperability.
- Risks and costs of natural disasters, pandemics and non-communicable diseases are increasing. Our economies face greater vulnerability to human and economic losses from extreme weather conditions, earthquakes, other perils and pandemics, which would require mobilizing more financing to protect businesses and communities.
- Economies have played in the past a critical role in financing infrastructure, social services and disaster recovery, and in supporting businesses during the pandemic. However, increasingly limited fiscal space will make it difficult to continue allocating sufficient public funding for these purposes. Innovative solutions will be needed to crowd in private sector capital to ensure the region's strong and resilient economic growth.

To meet these challenges, ABAC proposes concrete measures to harness regional cooperation in ***modernizing the policy and regulatory ecosystem for Asia-Pacific finance***. These are as follows:

Building the ecosystem for digital finance

Digital technology is transforming traditional financial institutions and giving rise to new types of financial assets. Three ongoing processes are critical: digitalization of banking services, digitalization of cross-border payments, and the emergence of digital asset rails and tokenized financial infrastructure that are reshaping the architecture of cross-border finance across the region. We recommend that economies:

- Adopt a ***digital banking development strategy*** to facilitate access to finance. It should focus on enabling competition through proportionate and risk-based regulation, promoting interoperability and data access to foster innovation and contestable markets, and strengthening digital infrastructure, institutional capacity, and trust frameworks.
- Support a ***regional undertaking to enable interoperable cross-border payment systems*** that addresses gaps in interoperability, fragmented regulatory approaches, and uneven access to payment systems, including a ***policy agenda to promote an enabling environment for interoperable QR code payments.***
- Support ***capacity building to assist in creating enabling ecosystems for interoperable digital currencies***, including on-chain platforms, that promote monetary and financial stability, financial integrity, efficiency, greater access to finance and regional capital market and financial integration.

While the rapid development of digital finance has created new business opportunities, it has also driven a sharp increase in cyber-enabled fraud and scams, threatening to erode trust in digital commerce. Looking further ahead, cybersecurity risks posed by quantum computing require action, with advanced quantum technologies presenting a credible threat to break widely deployed encryption protocols across financial networks. To address these risks, we recommend that economies support a public-private ***capacity building initiative to combat fraud and scams*** under APEC and a ***regional quantum preparedness knowledge-sharing platform*.**

Data, infrastructure and payments are key pillars underpinning cross-border business in the region. Action is needed to address obstacles to trade financing and to efficient, secure and interoperable payment systems. These structural barriers include fragmented domestic systems, divergent payment infrastructure, inconsistent data standards, regulatory and compliance complexity, uneven digital readiness and limited cross-border interoperability. To address them, we recommend ***building digital bridges across economies' data platforms and trade single windows that leverage cargo and trade data and are supported by digital trade document standards***.

We also recommend the ***development of a standardized Joint Transfer Pricing-Customs Instrument*** across APEC jurisdictions to enable greater efficiency and reduce very costly compliance burdens for enterprises that sustain regional growth.

Mobilizing private capital for strong, sustained and resilient growth

Given that the infrastructure financing gap cannot be bridged by public sector resources alone, mobilizing capital for investment in regionally integrated sustainable infrastructure at scale needs to be treated as a strategic priority. We recommend the ***development of a shared regional framework for sustainable infrastructure finance*.** It should include intergovernmental agreements to anchor commitment and joint decision-making bodies to facilitate cross-border projects and offer greater certainty to investors, a common risk allocation framework for the region, revenue certainty mechanisms, strategic usage of concessional finance, replicable blended finance structures and structured exit pathways for capital recycling.

Energy security is central to the region's economic growth. Economies that do not have access to a sufficiently diverse source of energy need to scale up investment in alternative energy sources (including renewables and nuclear), transmission infrastructure, energy storage and critical energy supply chains to achieve greater energy security and efficiency. Economies that have voluntarily chosen to use transition bonds and loans and carbon markets to diversify their energy supply and improve energy efficiency across industries should ensure their effectiveness. To achieve this, we recommend:

- That ***economies seeking to scale up these markets adopt a transition finance toolkit*** to address high-level structural frictions that inhibit the flow of global capital for transition financing - the *bankability* gap, *credibility* risk, *opacity* and *capacity* constraints – with focus on five strategic levers – necessary taxation and accounting frameworks, transparency, risk sharing, mutual recognition and trade resilience.

- That economies developing their carbon markets to finance energy transition stimulate the active utilization of these markets as a financing instrument for transition through ***regional coordination, launching an APEC Carbon Market Literacy Program and facilitating formation and implementation of offtake agreements***. Further discussions should also be undertaken on how to scale up these markets by transforming carbon credits into regulated, high-integrity and standardized financial instruments that can attract large-scale institutional investors.

These initiatives need to go hand in hand with measures to facilitate regulatory interoperability and streamlining of energy transition frameworks across participating economies. Public-private partnerships and financing mechanisms will be needed to de-risk large energy projects, promote regional energy connectivity and infrastructure, and accelerate private capital deployment into emerging energy technologies. They must be supported by investment incentives, financing mechanisms and regulatory frameworks.

There is a critical need to mobilize more private sector resources to protect communities and businesses against large-scale natural disasters and pandemics. We recommend that economies collaborate with multilateral development banks and the insurance industry to launch ***a regional program to promote catastrophe bond issuance*** and a ***pilot for a hybrid insurance product combining pandemic business***

interruption and contingent credit in a one-stop offering, with a view toward scaling up to a level of macroeconomic significance.

To strengthen workforce participation, productivity and economic resilience, we also recommend that economies ***advance health as an investment in human capital*** by promoting access to sustainable health financing, insurance, and supplemental insurance solutions that support prevention, continuity of care, financial resilience, and workforce participation, while expanding access to scalable and affordable models for businesses of all sizes, including MSMEs.

We call on APEC Finance Ministers to support these recommendations and urge relevant stakeholders, including policymakers and regulators, private sector market participants and officials from multilateral institutions, to work together in implementing them within APEC's voluntary and non-binding framework. We in ABAC and our network of collaborators in the Asia-Pacific Financial Forum (APFF), Asia-Pacific Financial Inclusion Forum (APFIF) and Asia-Pacific Infrastructure Partnership (APIP) remain committed to supporting the Finance Ministers in implementing their initiatives and in their continuing efforts to promote our region's growth and resilience.

We are also pleased to submit the 2026 Progress Report of APFF, APFIF and APIP. Its Executive Summary is appended to this Letter and the accompanying Report, and the full text can be downloaded through this link: https://www2.abaconline.org/content/download/22643061.

Details of our recommendations are contained in the attached Report. We look forward to discussing them with Finance Ministers at their annual meeting and our upcoming working lunch dialogue this coming October in Hong Kong, China.

Yours sincerely,

Li Fanrong
ABAC Chair 2026

ATTACHMENTS:

- APEC Business Advisory Council 2026 Report to APEC Finance Ministers
- 2026 Progress Report: Asia-Pacific Financial Forum ■ Asia-Pacific Financial Inclusion Forum ■ Asia Pacific Infrastructure Partnership – Executive Summary

APEC Business Advisory Council

2026 Report to APEC Finance Ministers

MODERNIZING THE POLICY AND REGULATORY ECOSYSTEM FOR ASIA-PACIFIC FINANCE

INTRODUCTION

Against the backdrop of a rapidly changing international environment, the Asia-Pacific region today finds itself facing challenges on multiple fronts.

- Energy market volatility and heightened economic uncertainties are weighing on Asia-Pacific markets that are heavily dependent on imported energy sources. This comes at a time when the need to mobilize capital for large-scale investment in energy and other infrastructure is increasing to support productivity gains and technology-driven economic growth.
- While digital technology brings with it new opportunities, it also introduces new risks. In financial services, policymakers and regulators have always recognized the need to protect consumers, especially the most vulnerable, and prevent criminal misuse of the financial system, while allowing room for innovation. However, reforms are needed to modernize laws, policies, regulations and market infrastructure to fit the requirements of the digital age, while avoiding fragmentation and ensuring interoperability.
- Risks and costs of natural disasters, pandemics and non-communicable diseases are increasing. With progressive urban concentration of populations and businesses and expanding cross-border supply chains comes greater vulnerability to human and economic losses from extreme weather conditions, earthquakes, tsunamis and other perils. The threat from epidemics evolving into pandemics continues to rise with increased human mobility and urban growth and expansion into wildlife habitats.
- Economies have played a critical role in the past in financing infrastructure, social services and recovery from disasters, as well as supporting businesses during the COVID-19 pandemic. However, increasingly limited fiscal space will make it difficult to continue allocating sufficient public funding for these purposes. Innovative solutions will be needed to crowd in private sector capital to ensure the region’s strong and resilient economic growth.

In this report, ABAC proposes concrete measures to harness ***regional cooperation in modernizing the policy and regulatory ecosystem for Asia-Pacific finance*** to meet the challenges that APEC member economies are facing.

- ***Building the ecosystem for digital finance***, through measures to advance the digital transformation of banking services, promote trust in digital finance, build the digital financial market ecosystem for expanded cross-border business, develop digital payments as a key trade infrastructure, and reduce tax- and customs-related frictions and costs in global trade; and

- ***Mobilizing private capital for strong, sustained and resilient growth***, through the scaling up of financing for infrastructure connectivity and energy security and efficiency, and financial protection against natural disasters, pandemics and non-communicable diseases.

ABAC also calls for continued support for public-private collaboration in implementing ongoing initiatives to translate previous deliverables of the APEC Finance Ministers' Process (FMP) into concrete measures and policies. These collaborative efforts being undertaken through three FMP policy initiatives - the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP) – are described in the Executive Summary of their 2026 Progress Report that is annexed to this ABAC Report. The full Progress Report can be downloaded from the ABAC website.[1]

BUILDING THE ECOSYSTEM FOR DIGITAL FINANCE

Advancing the Digital Transformation of Financial Services

The digital transformation of financial services is occurring through changes within traditional institutions and through the emergence of new types of financial assets. Three ongoing processes will be critical:

- The digitalization of banking services, which continue to play a major role as source of financing in most member economies;
- The evolution of digital cross-border payments, which are foundational enabler of trade; and
- The emergence of digital asset rails and tokenized financial infrastructure reshaping the architecture of cross-border finance across the region, including the wider use of central bank digital currencies (CBDCs), tokenized deposits and stablecoins in several economies.

Digitalization of Banking Services

Digital banking services can facilitate access to finance by introducing innovations and new competition that reduce onboarding barriers and costs and improves customer experience, service quality and overall efficiency. However, incentivizing competition and innovation needs to be balanced with appropriate regulatory responsibilities, risk management frameworks, and effective monitoring to avoid concentration risks.

An ABAC research study[2] confirmed that digital banking activity (measured by supply of digital banking services and availability of digital payments and funding for fintechs) is mostly consistent with a set of enablers - higher level of foundational capabilities, maturity of the innovation and startup ecosystem, and development of the financial system and policy and regulatory frameworks for digital banking services. The study also showed a consistent gap between APEC economies with higher levels of digital banking activity and those with lower levels across all enablers and recommended ways to close this gap.

Recommendation #1

We recommend that member economies support regional collaboration to adopt a ***digital banking development strategy*** with clear goals and expected outcomes and supported by cross-border coordination and information sharing, prioritizing three areas:

a. Enabling competition through proportionate, technology-neutral and risk-based regulation that facilitates market entry;

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1 https://www2.abaconline.org/content/download/22643061.

2 https://www2.abaconline.org/content/download/22643058.

b. Promoting interoperability and data access to foster innovation and contestable markets; and
c. Strengthening digital infrastructure, institutional (including regulatory and supervisory) capacity, and trust frameworks to support sustainable scale.

Evolution of Digital Cross-Border Payments

Digital payments are foundational to modern trade, enabling businesses, particularly micro-, small and medium enterprises (MSMEs), to access markets, participate effectively in cross-border commerce, and drive regional economic integration. Interoperable, efficient, secure, resilient and cost-effective digital payment systems, as well as the availability of cross-border data sharing infrastructure, are essential to supporting transactions as trade becomes more digital. Work is currently ongoing to support implementation of the G20 Roadmap for Cross-Border Payments,[3] led by the Financial Stability Board (FSB) and its partner organizations. However, gaps in interoperability, fragmented regulatory approaches, and uneven access to payment systems continue to create barriers to their full use.

Recommendation #2

We recommend that member economies support a ***regional undertaking to enable interoperable cross-border payment systems***, including QR code payments. This should include:

a. Enhancing interoperability of regulatory frameworks governing digital payments across member economies, with a view to advancing mutual recognition, including through adoption of international best practices in digital regulation, consistent terminology, streamlined licensing procedures and technology-neutral approaches;
b. Advancing clear and interoperable rules that enable trusted cross-border data flows while safeguarding legitimate policy objectives;
c. Development of an APEC MSME digital trade toolkit to enable seamless navigation of digital payment choices, market access and rules; and
d. Development and piloting of frameworks that leverage relevant transaction insights, within appropriate legal and privacy safeguards, to support risk-based pre-clearance and streamline low-risk e-commerce shipments.

Given their high degree of standardization, QR code payments have emerged as a solution for achieving cross-border payment connectivity in the retail sector and simplifying cross-border remittances, benefiting travelers, MSMEs and consumers. The Asia-Pacific region promises to be a leading market, with rapid growth driven by high smartphone penetration, consumer demand for contactless payments, proliferation of interoperable fast-payment systems and the rapid evolution of the platform economy. Within the region, cross-border QR code interconnectivity has already taken shape, with the launch and piloting of pair-to-pair cross-border interconnection and multi-party hub solutions based on unified standards.[4] While many payment systems in APEC and beyond remain siloed, regional cooperation can build on these existing solutions and experiences to improve interoperability and enable QR code technology to deliver on its promise of speed, affordability and a seamless user experience.

[3] https://www.fsb.org/2025/10/g20-roadmap-for-cross-border-payments-consolidated-progress-report-for-2025/

[4] Examples are China's Cross-Border Interconnection Payment Gateway (CPG), which enables Chinese and international participating institutions to conduct cross-border QR code payment transactions through a unified standard and a single gateway, the China-Viet Nam cross-border QR interconnection program, and the ASEAN Integrated QR Code Payment System under the Regional Payment Connectivity (RPC) initiative.

Recommendation #3

We recommend that member economies ***support a policy agenda to promote an enabling environment for interoperable QR code payments*** in the region, leveraging current practices and sharing successful solutions and experiences to lower entry barriers, reduce fragmentation and create a stable basis for future integration and expansion. Through policy dialogues, member economies could explore:

a. Pathways for interested APEC economies to develop their own QR code payment systems, including unified QR code gateways as a foundational step toward regional connectivity;
b. Possibilities for harmonization or mutual and multilateral recognition of QR code payment standards and interoperability of QR code payment systems, including routing, messaging, clearing, settlement and downstream processing; and
c. Feasibility of a voluntary, principles-based APEC QR interoperability framework to support the incremental integration of QR code payment systems, including through a unified QR code ecosystem for participating economies as a single-point access with regional connectivity.

The Emergence of Digital Currencies

Digital asset rails and tokenized financial infrastructure have emerged to play an increasingly visible role in payment and settlement systems, with the convergence of regulated institutions and digital asset-native firms reshaping the architecture of cross-border payments across the region. In conjunction with the growing role of blockchain in financial services, tokenized counterparts of traditional forms of money (CBDCs, tokenized deposits and stablecoins) have moved from experimentation to scaled deployment across the world. This is particularly the case with stablecoins, which processed over USD 33 trillion in on-chain transactions globally in 2025.[5]

While creating substantial opportunities for cross-border efficiency, access to finance and modernization of payments infrastructure, they remain constrained by regulatory fragmentation and outdated licensing frameworks. However, even as regulators in the region have shown increasing interest, the growing domestic use of foreign currency stablecoins (most of which are overwhelmingly USD denominated) in certain economies has sparked regulatory concerns related to monetary and financial stability and financial integrity.[6]

Fiat-backed stablecoins in some Asian currencies are emerging, but still remain limited in scale due to thin liquidity and narrow use cases. Their further development will require effectively competing against existing multi-layered local currency payment systems that are already efficient and widely adopted, as well as robust foundational infrastructure and mature regulatory frameworks based on core regulatory features, appropriate legal, market and governance infrastructure, and domestic and cross-border interoperability.

Recommendation #4

We recommend that member economies support ***capacity building to promote readiness for interoperable digital currencies***. The goal is to assist in creating enabling ecosystems for interoperable digital currencies that promote the goals of monetary and financial

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[5] https://thedigitalbanker.com/the-stablecoin-revolution-is-reshaping-business-payments/

[6] With regard to monetary stability, central banks view the wider use of foreign currency stablecoins as leading to currency substitution, resulting in foreign interest rate changes having strong impact on domestic economies, working against domestic monetary policy. With regard to financial stability, regulators are concerned that stablecoins can bypass existing capital flow management measures in economies with capital controls and amplify volatility of capital flows. As for financial integrity, there is potential for stablecoins to be used for money laundering and other illicit activities if issuers are not required to track or disclose token usage.

stability, financial integrity, efficiency, greater access to finance and regional capital market and financial integration. It should include the following elements:

a. Policy dialogues to better understand the risks and opportunities presented by the wider use of digital currencies and potential roles they may play within economies' monetary systems;
b. Workshops to help in designing legal and regulatory frameworks, market infrastructure and interoperability enablers for the development of digital currencies as part of existing domestic monetary and payment systems, where applicable; and
c. Regional conferences to discuss possible ways for regional public-private cooperation on digital currencies, including on-chain platforms, to promote capital and financial market integration and cross-border interoperability.

Promoting Trust in Digital Finance

While the rapid development of digital finance has created significant opportunities for businesses across the region, it has also driven a sharp increase in cyber-enabled fraud and scams.[7] Losses from fraud and scams have risen significantly across the region,[8] as criminals increasingly use AI, voice cloning and sophisticated social engineering techniques, while operating across multiple jurisdictions. These activities erode consumer trust, disrupt business operations and weaken the foundations of digital commerce and finance. Consistent with the objectives of the APEC Internet and Digital Economy Roadmap, building a trusted digital economy and digital finance ecosystem requires coordinated, cross-border and cross-sector public-private partnerships that involves real-time information sharing and the effective use of technology for fraud detection and prevention.

Looking further ahead, cybersecurity risks posed by quantum computing require prioritized and coordinated action across the financial sector and relevant industries. Sufficiently advanced quantum technologies present a credible threat to current encryption standards, with the potential to break widely deployed encryption protocols across financial networks and render sensitive transactional and customer data vulnerable to retrospective decryption – a risk compounded by actors who are already intercepting and storing encrypted data today for future decryption. Effectively addressing these risks will require the integration of post-quantum cryptography (PQC) within economies' cybersecurity frameworks for financial institutions and attainment of cryptographic agility in designing systems capable of seamless algorithmic transitions as PQC standards evolve.

Recommendation #5

We recommend that member economies support a public-private ***capacity building initiative to combat fraud and scams under APEC***. This should focus on:

a. Strengthening regional policy frameworks to prevent, detect and disrupt evolving fraud and scams across their lifecycles;
b. Establishing dedicated points of contact for reporting fraud;
c. Adopting a whole-of-ecosystem approach through coordinated economy-wide strategies and cross-sector public-private partnerships;
d. Enabling secure real-time data and intelligence sharing, including safe-harbor provisions;

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[7] Fraud includes account takeover by phishing or vishing, cyber-attacks, theft and unauthorized use of credit and debit card numbers, and check fraud, among others. Scams, which are a subset of fraud, involve authorized push payments using impostor scams, investment scams, romance scams, online shopping and auction scams, among others.

[8] In 2025, fraud losses are estimated to have reached USD15.9 billion in the USA (US FTC data), USD2.2 billion in Japan (Japan National Police Agency data), and USD1.4 billion in Australia (Australia NASC), while scams resulted in an estimated USD23.6 billion in losses across Southeast Asia according to the Global Anti-Scam Alliance.

e. Promoting balanced, proportionate and interoperable anti-scam tools, including the use of AI for fraud detection and prevention;
f. Supporting international collaboration, information sharing, coordinated action and law enforcement, including engagement with cross-sector international platforms; and
g. Promoting financial education for consumers and MSMEs.

Recommendation #6

We recommend that member economies support a ***regional quantum preparedness knowledge-sharing platform.*** This should assist in developing sector-wide quantum preparedness assessment mechanisms, learning from existing models, to measure financial institutions' strategic awareness and operational readiness, identify gaps, and produce transition roadmaps with concrete PQC and quantum computing pilot initiatives. It should also assist smaller institutions that face greater resource constraints in responding to these risks, to ensure that baseline cryptographic resilience rises uniformly across all APEC financial systems.

Building the Digital Financial Market Ecosystem for Expanded Cross-Border Business

Data, infrastructure and payments are key pillars underpinning cross-border business in the region. Various initiatives have been undertaken by ABAC, APEC and individual member economies, including the APEC Centre of Excellence for Paperless Trade (ACCEPT), to address obstacles to trade financing and efficient, secure and interoperable payment systems enabled by digital technology.[9] However, more efforts are needed to overcome challenges posed by fragmented domestic systems, divergent payment infrastructure, inconsistent data standards, regulatory and compliance complexity, uneven digital readiness and limited cross-border interoperability, which constrain transaction efficiency and raise costs for businesses and individuals.

Further progress in addressing these structural barriers can be achieved by considering existing models and how they may be regionally scaled up or serve as a basis for region-wide systems. These include building digital bridges across economies' data platforms and trade single windows supported by digital trade document standards. This model is based on three elements: (a) economy backed data infrastructure (establishing consent-based data-sharing platforms that allow MSMEs to selectively share cargo and trade data with banks without surrendering control of that data, such as the Commercial Data Interchange or CDI consent framework in Hong Kong, China); (b) paperless trade document standards (adoption of a comprehensive set of paperless trade documents across the full trade process between jurisdictions that are aligned with the International Chamber of Commerce (ICC) Digital Standards Initiative (DSI) and relevant international legal frameworks such as the UNCITRAL Model Law on Electronic Transferable Records (MLETR)); and (c) cross-border connectivity (linking economies' trade single windows and data platforms across Asia-Pacific corridors to enable banks to verify cross-border MSME transactions and extend financing beyond home markets).[10]

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[9] See ABAC's previous recommendations on end-to-end digitalization of trade finance and interoperable wholesale central bank digital currencies (CBDCs) in its 2023 Letter and Report to APEC Finance Ministers (https://www2.abaconline.org/content/download/22632761) and the background papers *Facilitating End-to-End Cross-Border Digital Trade Finance* (https://www2.abaconline.org/content/download/22632371) and *Common Principles for the Development of Interoperable Wholesale Central Bank Digital Currencies in the Asia-Pacific Region* (https://www2.abaconline.org/content/download/22632181).

[10] This model is used by Hong Kong, China's Project CargoX linking Hong Kong, China with Chinese Mainland and ASEAN trade data corridors.

Recommendation #7

We recommend that member economies continue to support ongoing ***trade digitalization*** efforts previously proposed by ABAC through standardization of digital documents and alignment with international frameworks such as the UNCITRAL MLETR, and build on them by:

a. Enabling the leveraging of cargo and trade data insights by lenders to expand MSMEs' access to trade financing;
b. Expanding the linkages between trade single windows and other digital platforms across member economies; and
c. Exploring the use of interoperable tokenized payment mechanisms and settlement in trade finance to make it more accessible and affordable for smaller businesses.

Reducing Tax and Customs-Related Frictions and Costs in Global Trade

An ABAC research study[11] across four APEC economies reveals a critical and largely unaddressed structural friction: multinational enterprises are compelled to navigate two entirely separate, legally independent valuation regimes — one for transfer pricing and another for customs — applied by different authorities to the very same intercompany transaction, generating substantial duplicative costs in both time and resources. In an era of heightened economic uncertainties and supply chain disruption, eliminating this regulatory disconnect would send a powerful signal that APEC economies are committed to making cross-border trade simpler, more predictable, and more resilient for the businesses that sustain regional growth.

Recommendation #8

We recommend that member economies support the development of a standardized Joint Transfer Pricing-Customs Instrument across APEC jurisdictions to enable greater efficiency and reduce very costly compliance burdens for enterprises that sustain regional growth.

MOBILIZING PRIVATE CAPITAL FOR STRONG, SUSTAINED AND RESILIENT GROWTH

Scaling Up Financing for Infrastructure Connectivity

While the benefits of connected infrastructures are visible, massive funding gaps are limiting infrastructure and capability growth. Developing Asia needs to invest an estimated US$26 trillion between 2016 and 2030 for infrastructure but its funding shortfall is about 48 percent. Cross-border projects face compounded challenges: multiple regulatory regimes, inconsistent standards, and risk profiles that institutional investors find difficult to assess and price. Without deliberate action to address these structural barriers, the region will continue to under-invest in the very assets that would most strengthen its collective prosperity.

To address the apparent funding gaps for connected infrastructures across economies, three levers have been identified to ease the constraints faced and improve bankability of cross-border infrastructure projects. These levers are:

- Economy-level commitment and alignment: Strong government leadership and coordination to provide policy certainty, harmonize regulations and standards, and streamline approvals across jurisdictions.

[11] https://www2.abaconline.org/content/download/22643059.

- Risk allocation: Identification of project risk categories, allocated owners, underlined by clear and well-defined risk allocation principles to mitigate misalignment on risk ownership and uncertainty.
- Market and fiscal enablement: Development of mechanisms to align risk and return across different capital sources to enable projects, as commercial capital alone will not be able to sustain risk profiles for cross-border infrastructure, particularly at early or complex stages.

Recommendation #9

We recommend that member economies support the ***development of a shared regional framework for sustainable infrastructure finance***, with the following objectives:

a. Establish ***intergovernmental agreements*** to anchor commitment and ***joint decision-making bodies*** to streamline permitting, resolve cross-border legal and regulatory conflicts and fast-track regional grid interconnectors for cross-border projects to offer investors the assurance that their investments continue to deliver according to expectations ***regardless of changes in political regimes***.

b. *Advance **regulatory harmonization and interoperability through the development and pilot implementation of the Sustainable Infrastructure Evaluation Framework (SIEF)** as a shared, voluntary reference framework for projects to be evaluated using a consistent methodology to identify finance-ready projects, corresponding risks, preparation needs and scalable regional models.*

c. ***Develop and adopt a common risk allocation framework*** for the region, with clear risk definition, assignment to the party best positioned to manage, mitigate, or absorb it and proliferate successful project structures more efficiently.

d. Develop an enabling environment for capital providers through ***revenue certainty*** mechanisms, ***strategic usage of concessional finance, replicable blended finance structures*** and ***structured exit pathways for capital recycling***, to mobilize capital at scale.

Financing Transition to More Diverse, Secure and Efficient Energy Systems

Energy is central to the economic security and growth and industrial competitiveness of Asia-Pacific economies.[12] Many economies in the region, especially developing economies, remain very vulnerable to shocks in energy markets.[13] At the same time, demand for energy is expected to grow even more rapidly than at present, especially as investments in digital infrastructure including AI and data centers, expand.[14] While this growing demand presents a challenge, it also brings opportunities to scale up investment in diversifying energy sources (including renewable generation and hydrogen), transmission infrastructure, energy storage and critical energy supply chains to achieve greater energy security and efficiency.

Unfortunately, developing economies in the region are lagging behind most of the world in attracting private capital to the energy sector. In 2025, Southeast Asia and Latin America/Caribbean attracted only 3 and 4 percent, respectively, of total global investment in

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[12] APEC member economies account for approximately 56 percent of global energy demand, 58 percent of global energy supply, 68 percent of global electricity generation, and 60 percent of global carbon emissions, https://www.apec.org/press/news-releases/2022/apec-is-on-track-to-meet-aspirational-energy-goals.

[13] According to the International Energy Agency, oil products and natural gas, together with coal, account for about 60 percent of total final energy consumption in the Asia-Pacific and Central and South America. In addition, they account for significant shares of electricity generation – 66 percent in the Asia-Pacific and 24 percent in Central and South America, https://www.iea.org/.

[14] According to the Asia Pacific Energy Research Centre (APERC), cumulative investment requirements are estimated to reach between USD 57 trillion and USD 91 trillion just across the power and hydrogen sectors between 2025 and 2060, https://www.apec.org/press/news-releases/2025/report--apec-electricity-demand-seen-nearly-double-by-2060-as-energy-transition-accelerates.

clean energy.[15] There is an opportunity to address this issue through instruments such as transition bonds and loans and carbon markets. Economies that have voluntarily chosen to create frameworks based on targeted emissions levels intend to use these instruments to diversify their energy supply and increase the role of non-fossil fuel energy sources, including renewables, biofuels, hydro-, geothermal and nuclear power, at the same time improving energy efficiency across industries.

While the markets for transition bonds and loans and carbon credits are expanding in several of these economies, scaling up these markets will require addressing four high-level structural frictions that inhibit the flow of capital for transition financing. These are:

- the *bankability* gap (the most critical factor - the disconnect between the massive capital requirements of transition projects and the insufficient risk-adjusted returns they offer);
- *credibility* risk (lack of regulatory clarity and concerns over asset integrity);
- *opacity* (inability to verify assets due to fragmented data systems); and
- *capacity* constraints (limited sectoral coverage for the reference pathways that investors use to judge progress).

Addressing these structural frictions is necessary for carbon credit markets to transform into well-functioning transmission channels for mobilizing capital into energy transition projects. Price signals provided by deep and liquid markets are a prerequisite for carbon to effectively enable scaling up of transition finance. For this to emerge, carbon credits will need to be treated and traded like other financial market assets, especially with respect to necessary tax and accounting frameworks, transparency and mutual recognition.

Recommendation #10

We recommend that those economies voluntarily pursuing more diverse, secure and efficient energy systems through transition financing and carbon markets consider the adoption of a ***transition finance toolkit*** designed to mitigate high-level structural frictions (bankability gap, credibility risk, opacity, and capacity constraints) to unlock the flow of capital to energy transition projects.[16] This toolkit is composed of five strategic levers:

a. *Necessary taxation and accounting frameworks*. Establish standardized frameworks for taxation, whenever necessary, and accounting to treat carbon credits as high-value financial assets that create a reliable price signal, transforming these assets into bankable financial instruments that lower the cost of capital from simple offsets.
b. *Transparency*. Implement digital connectivity via the Climate Action Data (CAD) Trust to ensure real-time visibility and eliminate double counting.
c. *Risk sharing*. Embed carbon credits into financial instruments such as sustainability-linked bonds (SLBs) to lower the cost of capital for clean energy projects, allowing governments to utilize performance-linked interest rate step-downs for projects that meet carbon reduction milestones.
d. *Mutual recognition*. Adopt pragmatic frameworks that respect domestic rules while ensuring cross-border interoperability.
e. *Trade resilience*. Ensure carbon pricing is compatible with global guidelines such as the transition bond guidelines of the International Capital Market Association (ICMA) and relevant mechanisms governing trade in carbon-intensive goods to ensure APEC's trade competitiveness.

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[15] International Energy Agency, *2026 World Energy Investment* https://iea.blob.core.windows.net/assets/4fda38df-523c-46f5-ae75-49481abdc8fc/WorldEnergyInvestment2026.pdf.

[16] https://www2.abaconline.org/content/download/22643057.

Adoption of this toolkit needs to go hand in hand with measures to facilitate regulatory interoperability and streamlining of energy transition frameworks across participating economies. Public-private partnerships and financing mechanisms will be needed to de-risk large energy projects, promote regional energy connectivity and infrastructure, and accelerate private capital deployment into emerging energy technologies. They must be supported by investment incentives, financing mechanisms and regulatory frameworks.

Recommendation #11

We recommend that those economies developing their carbon markets to finance energy transition stimulate the active utilization of these markets as a financing instrument for transition through ***regional coordination, launching an APEC Carbon Market Literacy Program and facilitating formation and implementation of offtake agreements***. Further discussions should also be undertaken on how to scale up these markets by transforming carbon credits into regulated, high-integrity and standardized financial instruments that can attract large-scale institutional investors.

Scaling Up Financial Protection Against Natural Disasters and Pandemics

Natural catastrophes such as hurricanes, earthquakes and floods leave behind enormous financial burdens. However, many people and businesses remain uninsured leaving them vulnerable. Global economic losses from disaster events during the past 10 years amounted to over USD 2.5 trillion, of which 58 per cent were uninsured. This represents a global protection gap of USD 1.5 trillion. The trend has also been steadily increasing over the past 30 years. The regions with the highest insurance protection gaps are Asia, with 83 percent, and Latin America, with 81 per cent.[17]

With regard to pandemics, the frequency of annual reported outbreaks has been rising. Since COVID-19, several new cases have been recorded, including Avian influenza in the USA, MERS coronavirus in France and a novel recombinant Mpox virus in England in 2025, a Nipah virus outbreak in India and an Ebola virus outbreak in the Congo and Uganda in 2026. Traditional insurance techniques have proven inadequate to protect against pandemic risk due to the massive amounts required for indemnification, and unaffordable due to the expected frequency of events. Various risk models are predicting a high probability of a comparable pandemic event to COVID-19 within the next decade.[18]

There is a critical need to mobilize more private sector resources to insure against future natural disasters and pandemics. This is due to the increasing frequency and severity of natural catastrophes and growing vulnerability to pandemics due to rapid urbanization and growing global mobility, while fiscal constraints are severely limiting economies' future ability to assist affected businesses and communities. There is growing recognition across the region of this need, with the World Bank's issuance of the first Pacific Alliance catastrophe bond in 2018 for Chile, Colombia, Mexico and Peru and another one to insure the Philippines against natural disaster-related losses in 2019, several recent catastrophe bond issuances in Singapore and Hong Kong, China, and the ASEAN+3 Finance Ministers' and Central Bank Governors' call at

[17] https://www.swissre.com/institute/research/sigma-research/sigma-2025-01-natural-catastrophes-trend.html.

[18] Metabiota (rebranded as Ginkgo Bioworks) predicted the probability of another pandemic of the same or greater magnitude as COVID-19 to be 22 to 28 percent within the next decade, see https://www.devex.com/news/how-might-probability-inform-policy-on-pandemics-metabiota-has-ideas-100427. London-based disease forecasting firm Airfinity suggests in its latest risk modelling that there is a 27.5 a chance that a pandemic as deadly as COVID-19 could occur within the next 10 years, see https://www.airfinity.com/articles/the-west-should-be-on-a-war-footing-for-the-next-pandemic. The UK National Risk Register 2025 highlights a 5 to 25 percent likelihood of a pandemic over a 5-year period see https://www.gov.uk/government/publications/national-risk-register-2025.

their 2026 meeting in Samarkand for leveraging a broad range of instruments including catastrophe bonds and contingent financing.[19]

Recommendation #12

Building on ABAC's previous recommendations to scale up the catastrophe bond market[20] and establish an Epidemic Risk Markets Platform,[21] we recommend that member economies collaborate with multilateral development banks and the insurance industry to expand financial protection for developing economies from large-scale natural disasters and pandemics by launching:

a. ***a regional program to promote catastrophe bond issuance;*** and
b. ***a pilot for a hybrid insurance product combining pandemic business interruption and contingent credit*** in a one-stop offering, with a view toward scaling up to a level of macroeconomic significance.

Promoting Healthy Workforces for Stronger Economies

Demographic change, longer working lives, labor shortages, and the growing burden of non-communicable diseases are increasingly influencing workforce participation, productivity, and economic resilience across the region. As economies seek to strengthen competitiveness and sustain growth, investing in healthier and more resilient populations should be recognized as an investment in human capital. Business-led approaches, supported by enabling policy environments, can help strengthen workforce participation, productivity, and economic resilience.

Recommendation #13

We recommend that economies promote ***access to sustainable health financing, insurance, and supplemental insurance solutions*** that support prevention, continuity of care, financial resilience, and workforce participation, while expanding access to scalable and affordable models for businesses of all sizes, including MSMEs. These measures should be supported by policies and workplace practices that support healthy aging and economic participation and enabling environments for innovation and evidence-based workforce health solutions, including digital tools and technologies that improve prevention, disease management, harm reduction models, and access to care while respecting privacy and building trust, and based on a view of health as an investment in human capital and economic resilience.

CONCLUSION

Regional cooperation to modernize the policy and regulatory ecosystem for Asia-Pacific finance is important in addressing the challenges that APEC economies are facing. It can play a key role in mobilizing capital across the region to allocate it more efficiently for stronger growth. It is necessary for ensuring that policy, regulatory and market infrastructure reforms promote interoperability and reinforce regional economic integration, instead of creating new cross-border barriers to business. It is critical in the sharing of innovative policies and practices and market infrastructure design to ensure that MSMEs have access to finance and find more opportunities to actively participate in regional business.

ABAC believes in the significance of collective efforts under the Finance Ministers' Process guided by the Incheon Plan to mitigate the growing risk of economic and financial

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[19] https://asean.org/wp-content/uploads/2026/05/20260502-Joint-Statement_29th-AFMGM3_final.pdf.

[20] https://www2.abaconline.org/assets/2019/2019_Letters/Finance_Ministers/ABAC_Letter_to_APEC_Finance_Ministers_2019.pdf.

[21] https://www2.abaconline.org/assets/2022/Ministerial_Letters/ABAC_Letter_to_APEC_Finance_Ministers_2022.pdf.

fragmentation and ensure that the Asia-Pacific region remains on track to sustained growth. Financial systems, which play a central role in connecting enterprises and individuals within and across markets, will need to be an important focus of efforts. This report identifies practical and actionable measures that APEC and its member economies can adopt and implement to harness regional coordination and cooperation and public-private collaboration to build interoperable, dynamic and resilient finance ecosystems and to mobilize private capital for growth that benefits all.

We call on APEC Finance Ministers to endorse these recommendations and urge relevant stakeholders, including policymakers and regulators, the private sector market participants and officials of multilateral institutions, to work together in implementing them within APEC's voluntary and non-binding framework. We in ABAC and our network of collaborators in the APFF, APFIF and APIP remain committed to supporting the Finance Ministers in implementing their initiatives and in their continuing efforts to promote our region's continued growth and resilience.

Asia-Pacific Economic Cooperation

APEC Business Advisory Council

ANNEX TO THE 2026 ABAC REPORT TO APEC FINANCE MINISTERS

Strengthening the Asia-Pacific Region's Capacity for Strong and Resilient Growth

2026 Progress Report

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

EXECUTIVE SUMMARY

The Asia-Pacific region is facing multiple challenges in the context of a changing international environment. Major shifts in trade policy and supply chain realignments are causing uncertainties affecting investment plans and business operations. Volatility and shocks in energy markets have significantly increased costs. While advances in digital technology, including the wider use of artificial intelligence (AI), are bringing valuable benefits, uncertainties around policies and regulations, new risks arising from criminal misuse and the potential impact of fragmented adoption across markets on cross-border interoperability remain important concerns for businesses.

Economies across the region are also facing growing vulnerabilities to natural disasters and pandemics. Some of these stem from geographical factors that expose economies around the Pacific Ocean to destructive earthquakes, tsunamis, volcanic activities, and extreme weather conditions that have become increasingly frequent. The risks of economic losses have grown with increasing urbanization and geographical concentration of businesses and communities, and in the case of pandemics, increased mobility. Elevated public sector debt levels, higher interest rates and the resulting budgetary constraints now seriously limit governments' ability to provide financing for disaster response, recovery and reconstruction, for supporting businesses and consumers in times of pandemics, and for building much-needed infrastructure.

While these challenges call for policy and regulatory responses, there are many measures and policy directions that the APEC Finance Ministers have already agreed on and endorsed in various statements through the years, including the 2010 Kyoto Report on Growth Strategy and Finance, the 2015 Cebu Action Plan and the 2025 Incheon Plan, among others. There is much that can be accomplished by focusing on their implementation, and where there is already ongoing work, by accelerating progress and expanding participation and adoption by more economies. Many of these initiatives require public-private collaboration to succeed.

This is where the collaborative platforms established by the Finance Ministers - the Asia-Pacific Financial Inclusion Forum (APFIF) since 2010, the Asia-Pacific Infrastructure Partnership (APIP) since 2011 and the Asia-Pacific Financial Forum (APFF) since 2013 – have been supporting member economies and APEC to implement. These policy initiatives are under the umbrella of the APEC Finance Ministers' Process (FMP) and the oversight of the APEC Business Advisory Council (ABAC).[1]

This Progress Report covers the work and achievements of these initiatives since the last APEC Finance Ministers' Meeting hosted by Korea in Incheon in October 2025 until the present and

[1] 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.

provides information on planned activities until the end of 2026. It focuses on three areas: (a) expanding access to finance; (b) mobilizing capital for sustained growth; and (c) financing resilience. In addition, the Report also describes efforts to intensify engagement with domestic 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 implementation of their new medium-term Roadmap. Following are some of the key achievements and activities undertaken in pursuit of progress in these three areas:

Expanding Access to Finance

- The APFIF convened a *Seminar on Financial Access and Opportunity for All* on 10 June 2026 in Chengdu, People's Republic of China, alongside the APEC Senior Finance Officials Meeting. The event brought together senior policymakers, regulators, development experts, and industry leaders to explore policy approaches that enable financial service providers to innovate and expand outreach in a responsible manner. As a result of these discussions, a set of proposed actions was developed to guide APEC policymakers and regulators in advancing implementation of priority measures to expand access to finance.
- The APFF Financial Infrastructure Development Network (FIDN), the Da Nang municipal government and the International Finance Corporation (IFC) of World Bank Group organized a two-day *Symposium on Positioning and Developing the Viet Nam International Financial Center in Da Nang City: Opportunities to Attract Transactions and Investment*.
- In March 2026, FIDN supported a two-day *Workshop on Data Management in Financial Institutions* in HCMC, Viet Nam. The event provided details about how to internalize data & analytics in financial services, management of cooperation with third party data & analytics firms, as well as data governance and financial consumer protection considerations. FIDN also collaborated in a Ha Noi Roundtable on *Understanding the New Data Laws in Viet Nam* organized by the Viet Nam Business Lawyers Club.
- FIDN organized three events on factoring in Viet Nam during the second half of 2025 to early 2026 together with the Viet Nam Banks Association (VNBA), IFC, Factors Chain International (FCI) and other relevant partners. The purpose was to deepen factoring finance development in the economy and provide opportunities for market players to dialogue with the regulators. Participants brainstormed about how to scale up the factoring volume in Viet Nam, regulatory improvements required, latest international industry trends particularly in two-factor operations, and new opportunities from the development of international financial centers.
- FIDN partnered with VNBA, IFC and several private sector players in organizing two Roundtables in HCMC during May-June 2026 on the topic of increasing value chain competitiveness and business growth through supply chain finance and trade credit insurance. The objective was to bring together financial institutions, anchor companies, and SME suppliers & distributors as well as third party support service providers, such as trade credit insurance companies, under one roof to catalyze collaborations among the parties.
- In November 2025, the Philippine central bank (BSP), IFC and FIDN jointly hosted a *Roundtable on Maximizing the Benefits of Collateral Registry in the Philippines* with over 60 senior managers and professionals from the banking and finance industry and several government agencies. The event aimed to make more lending institutions understand the role of the collateral registry and to seek out their feedback on the current registry system.
- In November 2025 and May 2026, respectively, FIDN supported IFC, the Philippines' Securities and Exchange Commission (SEC) and BSP to successfully deliver two workshops on receivables and inventory finance in Manila. These activities were meant to impart essential practice knowledge on the low control forms of receivables and inventory finance to banks and non-bank lenders in the economy.
- The FIDN, which assisted the Philippines in operationalizing the 2018 Personal Property Security Act, has continued to monitor the Revised Warehouse Receipts framework intended to mobilize agricultural commodities as financeable collateral — a priority for inclusive rural finance.
- FIDN actively participates in ongoing coordination among international standard-setters that continued during the period, channeled largely through the Joint Network for Coordinating and Supporting Secured Transactions Reforms, which coordinates technical assistance and capacity

building among UNCITRAL, UNIDROIT, the World Bank Group/IFC and other partners, and promotes adoption of international instruments.

- A new project concept for the APEC Economic Committee is being developed under FIDN for APEC. This project will assist APEC Member economies in enabling the expansion of types of assets that lenders will accept as collateral to finance the growth of enterprises, especially MSMEs. Building on previous EC secured transactions initiatives, this Project will focus on the collateralization of intangible assets, including intellectual property and digital and tokenized assets.
- The APFF Digital Trade Finance Lab convened a group that included the Global Legal Entity Identifier Foundation (GLEIF) and a broad cross-section of industry participants to produce a white paper entitled *Implementing the Legal Entity Identifier to Enhance Digital Trade Finance*.
- The APFF Digital Commerce Financial Market Infrastructure (FMI) Working Group, in partnership with the Emerging Payments Association Asia (EPAA), undertook a number of activities to deepen understanding, promote cross-sector collaboration, and develop actionable proposed measures. In May 2026, the APFF Digital Commerce FMI Working Group and EPAA co-convened the workshop *Where Trade Breaks: Fixing Payments for Cross-Border MSMEs* to examine why cross-border commerce remains structurally difficult for smaller firms despite growth in digital trade.
- The APFF Digital Commerce FMI Working Group is exploring the development and delivery of an APEC MSME digital trade toolkit — practical, market-specific, and built around the actual experience of firms trying to trade across borders for the first time. Such a toolkit would address a gap that neither government guidance nor commercial tools currently fill.
- The APFF Financial Market Infrastructure Network (FMIN) is currently developing a landscape paper focusing on digital assets outside the CBDC perimeter: crypto assets, stablecoins, tokenized deposits, digitally issued securities, tokenized representations of traditional securities and other related instruments. The purpose of this paper is to provide a common language for finance ministries, regulators, market infrastructures and market participants to distinguish between instruments that can appear similar on a ledger but differ materially in legal form, ownership rights, settlement finality, operational risk and policy implication.
- The APFF Valuation Working Group continued to focus its efforts on promoting the work of the International Valuation Standards Council (IVSC). These include a presentation to the Department of Intellectual Property of Thailand (January 2026), two events in Viet Nam organized under the auspices of the Ministry of Finance, including participating in a training seminar organized at the Intellectual Property Office of Viet Nam (March 2026), and participation at the SCOPE-IPR Seminar on Valuation and IP-Backed Finance organized in April 2026 by the EU Intellectual Property Office (EUIPO) and ASEAN, under the auspices of the Ministry of Finance of Indonesia.

Mobilizing capital for sustained growth

- The ABAC Voluntary Carbon Markets (VCM) Pathfinder Initiative held 9 workshops to promote alignment of standards and registry connections, which are prerequisites to scaling up and cross-border trading of carbon credits. The workshops were co-organized with the Integrity Council for the Voluntary Carbon Market, the VCM Integrity Initiative, the World Bank, Climate Action Data Trust, the Science-Based Targets Initiative (SBTi), ADB, UNIDROIT and ISDA. The Initiative also completed two pilot projects - one on linking carbon exchanges and the other completing a tokenized voluntary carbon credit transaction on blockchain.
- The APFF Sustainable Finance Development Network (SFDN) centered its efforts on assisting ABAC in developing comprehensive recommendations for APEC Finance Ministers regarding Carbon Asset-Backed Securities (CABS). In April 2026, SFDN convened an international workshop featuring multilateral development banks and capital mobilization experts, market infrastructure leaders and standard-setting bodies. This work is being complemented by discussions with the Coalition to Grow Carbon Markets and with development banks to support pilots in developing economies, with an initial focus on agriculture sector SMEs.
- On the sustainable fixed income front, SFDN is working on institutional partnerships to convene a coalition to support scaling up these markets, especially among developing economies, and to contribute to the work of the APEC FMP Sustainable Finance Initiative. A series of discussions

are being conducted with public and private sector and academic organizations in key global financial markets to support articulation of specific market infrastructure initiatives and to discuss potential synergies and inter-fora coordination with the G20.

- The Asia-Pacific Infrastructure Partnership (APIP) continued to brief officials from governments, financial regulatory agencies, and MDBs, focused on three objectives: (a) bringing about an initial issue of a Wealth Preservation Unit® (WPU®)-indexed long term fixed interest rate bond for infrastructure finance; (b) making sure that potential investors are familiar with WPU®-indexed bonds and the benefits for their portfolios; and (c) creating an underlying infrastructure for WPU®-indexed securities that would support their issuance, valuation, and secondary trading as well as other activities that would broaden the usage of WPU®-indexed securities. Activities included: (a) a presentation in April on *Facilitating Access to Large-Scale Global Capital for Sustainable Investment by Addressing Currency Risk* at the ASEAN Business Advisory Council-ABAC APFF 2026 Southeast Asia Conference session on Accessing Global Finance for Energy and Green Transition in Manila; (b) meetings with ADB officials in Manila covering the technical and operational requirements necessary for ADB to issue a WPU®-indexed bond; and (c) meetings with the IMF, World Bank and ADB at the IMF/World Bank Spring Meetings in Washington DC, again focused on the technical and operational requirements of a multilateral development bank WPU®-indexed bond issue.

- The APFF Circular Economy Financing Working Group advanced work on the investment conditions needed to scale circular economy infrastructure across APEC. In partnership with APEC USA, a new project concept for the APEC Ocean and Fisheries Working Group (OFWG) was developed and submitted for APEC funding consideration. The project seeks to promote investment in recycling technologies through an in-person workshop and a Checklist of Enablers covering the regulatory clarity, financing tools, infrastructure readiness, and public-private partnership models needed to improve bankability and reduce plastic leakage into the marine environment.

Financing Resilience

- 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.

- The DRFI Network held the roundtable *Mobilizing Private Capital for Innovative, Resilient & Sustainable Growth* in 2025, which discussed the potential and challenges of catastrophe bonds and ways to strengthen regional cooperation and policy support. It also convened a virtual workshop in November 2025 focusing on the availability and affordability of home insurance, based on the Geneva Association's report *Safeguarding Home Insurance*. Discussions centered on policy and institutional strategies to ensure the long-term sustainability of home insurance, and case studies from Japan, Australia, and the Philippines highlighting efforts to reduce the financial impact of disaster risks and to strengthen the management of disaster risks through implementing a multi-layered strategy.

- The APFF Pandemic Insurance Working Group continued to follow up on ongoing discussions to advance the Epidemic Risk Markets Platform with relevant industry and public sector stakeholders in Thailand, where a pilot project remains operational, as well as with the Philippines and Indonesia. These discussions seek to highlight to stakeholders in developing economies the concrete progress achieved outside the region in operationalizing the foundational concepts of the Platform, including pandemic business interruption insurance transactions completed in West Africa and the Dominican Republic, as well as in advanced APEC member economies such as Australia and the USA.

- The APFF Pandemic Insurance Working Group also contributed a chapter on Pandemic Risk Management and Insurance to the recently released *Handbook of Insurance* (Vol. I) in collaboration with the Ludwig Maximilian University München. The chapter explores practical strategies for expanding risk transfer solutions and establishing effective public-private partnerships within the context of pandemic preparedness.

- The APFF Insurance, Health, and Retirement Income Network continues to support the effective adoption and implementation of IFRS 17 Insurance Contracts across APEC economies, working closely with stakeholders to provide technical assistance, share good practices, and promote regional knowledge exchange tailored to the needs of these jurisdictions and engaging with the

IASB to ensure that issues relevant to the Asia-Pacific are considered, including on the treatment of unrealized gains and losses on equity instruments under IFRS 9.

- The Network continues to assist regional authorities and insurers in preparing for practical Insurance Capital Standard (ICS) implementation through capacity building and technical dialogue. In line with previous recommendations, the APFF will also continue monitoring the treatment of long-term equity investments, which remains a key issue under the ICS.
- The Network convened its *Roundtable on Sustainability Reporting and Capital* on 20 April 2026 in Hong Kong, China, bringing together policymakers, academics, and industry practitioners to review progress in implementing IFRS-based sustainability and accounting standards and advancing solvency reforms across the Asia-Pacific region.
- An APFF workstream on digital innovation in insurance has been launched by the APFF Insurance, Health, and Retirement Income Network and its first working meeting convened in Singapore in a hybrid format on 28 May 2026 to discuss its priorities and work plans. It aims to promote responsible digital innovation and use of AI in insurance and healthcare and to develop regulatory and governance frameworks that ensure consumer protection without hindering innovation. For its future work, the workstream identified as focus areas AI governance and security, regulatory design and implementation, operational transformation and organizational change, expanding access to insurance and health care, and digital assets, support for energy transition and ecosystem collaboration. It plans to convene a *Roundtable on Responsible Digital Innovation and Artificial Intelligence* in Q4 2026 or Q1 2027 and establish a *Digital Innovation Dialogue Series* as a multi-stakeholder platform focusing on key policy developments and practical challenges in AI regulation, RegTech, InsurTech, and HealthTech across the Asia-Pacific region.
- The APFF continues to collaborate with APEC's Health Working Group to help finance and health officials translate prevention, resilience, and health system strengthening into practical fiscal and economic strategies. In 2026, this agenda is being advanced through the *Health as an Investment* initiative, developed in partnership with ADB. A central feature of the initiative is the Health ROI Index, which captures the economic, health, productivity, and fiscal returns of health investment and provides finance ministries with a shared, evidence-based tool to prioritize health and human capital investments within economies' budgets. The project will convene a virtual consensus workshop to align APEC economies around the methodology and application of the framework, followed by a stakeholder event on the margins of the APEC Finance Ministers' Meeting to build support among senior decision-makers.
- APFF is also advancing work on sustainable immunization financing with the Health Working Group's Vaccines Task Force (VTF). This includes a hands-on immunization financing workshop in Thailand, planned for Q4 2026, bringing together health and finance stakeholders to conduct a structured bottleneck analysis of the economy's current financing landscape and build consensus around viable mechanisms for expanding life-course vaccination coverage. In parallel, the VTF is developing an AI-powered immunization financing diagnostic tool to help APEC economies identify and close financing gaps.

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 2026 APFF Southeast Asia Conference in Manila, The Philippines to reach out to policy makers in the region and is currently preparing the 2026 APFF Conference in Hong Kong, China in collaboration with ABAC and the APFF China Conference Host Committee.

Conclusion

As this Progress Report shows, these initiatives continue to provide support to economies in undertaking important reforms. 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, promoting access to finance, capital mobilization, 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 access to finance, capital mobilization for growth and resilience.

APPENDIX

ASIA-PACIFIC FINANCIAL INCLUSION FORUM

Policies and Innovation to Expand Financial Access - Proposed Actions for Policymakers and Regulators

Asia-Pacific Financial Inclusion Forum

Policies and Innovation to Expand Financial Access

Chengdu, People's Republic of China
10 June 2026

Proposed Actions for Policymakers and Regulators

INTRODUCTION

Expanding meaningful financial access and opportunity for all remains a critical priority for APEC economies as they seek to promote more inclusive, resilient, and people-centered economic development. Rapid advances in digital finance, financial technology, artificial intelligence (AI), and data-driven services are creating new opportunities to improve access, reduce costs, and support economic participation. At the same time, these developments are introducing new challenges relating to consumer protection, trust, privacy, cybersecurity, governance, and financial stability.

As part of the APEC Finance Ministers' Process (FMP), the Asia-Pacific Financial Inclusion Forum (APFIF) provides a platform for policymakers, regulators, financial institutions, technology providers, and development partners to exchange practical experiences, examine emerging trends, and identify policy approaches that can help ensure financial innovation contributes to broader access and opportunity. In doing so, APFIF supports the 2026 priorities identified by the People's Republic of China as host economy by advancing people-centered and inclusive development through expanded financial access, digital innovation, and the exchange of policy experiences and good practices across APEC economies.

The 2026 APFIF Seminar, co-organized by the Ministry of Finance of the People's Republic of China, the Asian Development Bank (ADB), and the Asian Development Bank Institute (ADBI), was held in Chengdu alongside the APEC Senior Finance Officials' Meeting. The seminar examined the policy, institutional, and market drivers that enable financial institutions and financial service providers to expand access to finance while also exploring how innovation can be encouraged in a manner that safeguards financial stability, consumer protection, and trust.[2]

Discussions highlighted that while significant progress has been made in expanding access to financial services across APEC economies, important challenges remain in ensuring that individuals and businesses can meaningfully access, use, and benefit from financial services in ways that support economic participation and opportunity. Many individuals and businesses now have access to financial accounts and digital payment services, yet barriers relating to affordability, product suitability, financial literacy, financing availability, and trust continue to limit meaningful participation in financial systems. At the same time, the growing use of digital finance, AI, and data-driven services is creating new opportunities to expand access while also introducing challenges relating to consumer protection, cybersecurity, digital fraud, governance, privacy, and the potential for exclusion arising from the use of data and algorithms[3]. These challenges are particularly evident for MSMEs, which remain critical drivers of employment, innovation, and economic growth across the region[4].

The proposed actions presented in this document are based primarily on the discussions, experiences, and insights shared by participants during the 2026 APFIF Seminar. Preliminary findings from the APEC FMP Compendium on Financial Access and Opportunity for All are referenced where relevant to illustrate how emerging themes identified through the APFIF seminar are reflected across APEC economies[5]. The proposed actions are intended to support APEC policymakers and regulators in developing financial systems that are innovative, inclusive, trusted, and resilient, while helping to ensure that the benefits of financial innovation are broadly shared across society.

PROPOSED ACTIONS FOR POLICYMAKERS AND REGULATORS

The following proposed actions outlined below reflect the key messages and policy priorities emerging from the APFIF 2026 Seminar discussions. References to preliminary findings from the APEC FMP Compendium on Financial Access and Opportunity for All are included where relevant to demonstrate how these issues are also being observed across a broader range of APEC economies. While implementation

[2] Participants included the Ministry of Finance of the People's Republic of China, the Asian Development Bank (ADB), the Asian Development Bank Institute (ADBI), the Organisation for Economic Co-operation and Development (OECD), the APEC-APFF Financial Infrastructure Development Network (FIDN), the Industrial and Commercial Bank of China Limited (ICBC), Philippines Securities and Exchange Commission (SEC), the United Nations Development Programme (UNDP), and Sumitomo Mitsui Banking Corporation.

[3] See *Cybersecurity for Sustainable and Digital Economic Transformations*, https://www.adb.org/sites/default/files/institutional-document/1052731/adpr2025bp-cybersecurity-digital-economic-transformations.pdf

[4] See *Asia Small and Medium-Sized Enterprise Monitor 2025*, https://www.adb.org/publications/asia-sme-monitor-2025

[5] The proposed actions in this document were developed through discussions held during APFIF 2026. References to the APEC FMP Compendium on Financial Access and Opportunity for All, which remains under development as of June 2026, are intended to provide supplementary evidence and illustrative examples and should not be interpreted as formal findings of the Compendium, which remains under development.

approaches will vary across economies, reflecting differences in financial sector development, institutional capacity, market structures, and policy priorities, these actions highlight practical areas where policymakers and regulators may wish to focus efforts to expand meaningful financial access and opportunity. Not all recommendations will be equally relevant in every context; rather, they are intended to provide a range of policy considerations and options that economies may adopt to their own circumstances and development needs.

Proposed Action 1: Strengthen financial infrastructure ecosystem

Strong financial infrastructure is a critical enabler of financial access and opportunity. Payment systems, digital identity frameworks, credit information systems, secured transaction frameworks, and secure data infrastructure can reduce transaction costs, improve risk assessment, facilitate customer onboarding, and support the delivery of innovative financial services. Seminar participants emphasized that investments in financial infrastructure have been among the most important drivers of expanded financial access across APEC economies.

Policymakers and regulators should consider:

- Continuing investments in core financial infrastructure, including interoperable payment systems, digital identity frameworks, and credit information systems that support low-cost and efficient financial services for individuals and businesses.
- Strengthening digital identity and electronic verification systems to simplify customer onboarding while maintaining appropriate safeguards.
- Expanding the coverage, quality, and accessibility of credit information systems and movable asset finance to improve risk assessment and loan structuring, particularly for MSMEs and first-time borrowers.
- Supporting secure and trusted data-sharing frameworks that enable responsible use of data while protecting privacy and consumer rights, drawing on examples such as the People's Republic of China's use of public data-sharing platforms, including tax, invoice, financial statement, and settlement data, to support MSME credit assessment and improve lending efficiency.
- Promoting interoperability, common technical standards, new data infrastructure, and coordination across financial infrastructure providers and regulatory authorities to reduce fragmentation, improve efficiency, and support innovation.
- Encouraging collaboration among regulators, infrastructure providers, financial institutions, and technology firms to maximize the benefits of infrastructure investments.

These findings are reinforced by the preliminary results of the FMP Compendium on Financial Access and Opportunity for All, which similarly identified MSME access to finance as one of the most commonly cited challenges across APEC economies. The Compendium also highlights how economies are increasingly adopting a broader range of financing approaches to complement traditional bank lending, including credit guarantee and risk-sharing mechanisms, targeted lending programs, collateral support and risk-sharing mechanisms, promoting alternative and capital-market-based financing, expanding local access points, and blended social finance. At the same time, participants noted that infrastructure investments alone are insufficient and must be supported by effective governance arrangements, institutional capacity, and coordination among public and private stakeholders.

Proposed Action 2: Promote more diversified financing ecosystems for small businesses

MSMEs remain critical drivers of economic growth, employment, and innovation across the Asia-Pacific region. However, many continue to face significant financing constraints due to limited immovables collateral, insufficient credit histories, high transaction costs, and perceived lending risks. Participants highlighted that traditional bank lending models alone are unlikely to meet the diverse financing needs of all businesses, particularly smaller firms operating in underserved markets.

Policymakers and regulators should consider:

- Strengthening legal and regulatory frameworks that support movable asset and alternative finance providers, including non-deposit-taking lenders (NDTLs) such as specialized finance companies, leasing companies, factoring companies, and online lending platforms, which can complement traditional bank lending and expand financing options for MSMEs.

- Supporting the development of supply chain finance, trade finance, receivables finance, leasing, factoring, and other movable asset financing products to expand financing options for MSMEs that may lack traditional forms of collateral or access to conventional bank lending, including by learning from experiences in the People's Republic of China and Viet Nam where movable asset finance and ecosystem-based lending models have helped scale MSME finance.
- Encouraging the development of 3rd party support services for the financial sector such as collateral management, digital platforms for receivables and inventory finance, trade credit insurance, data and analytics providers, and environmental, social and governance (ESG) rating services.
- Promoting innovation and a diverse range of financing providers by addressing structural barriers that limit the ability of financial service providers to expand financing options available to MSMEs, including constraints relating to data access, collateral frameworks, excessive restrictions on NDTL licensing, and financial infrastructure.
- Identifying and addressing regulatory barriers that unnecessarily constrain the development of alternative financing models such as restrictions on non-bank lenders, limitations on the use of movable assets as collateral, or regulatory uncertainty surrounding digital finance platforms.
- Supporting initiatives that improve MSME financial capability and readiness to engage with a broader range of financial products and providers, including through financial literacy programs, digital skills development, improved financial record-keeping, and greater awareness of available financing options and eligibility requirements.

These observations are consistent with the findings of the FMP Compendium, which similarly identify MSME access to finance as one of the most commonly cited challenges across APEC economies. The Compendium also stresses that economies are increasingly adopting a broader range of financing approaches, including credit guarantees, targeted lending programs, and other innovative financing mechanisms designed to complement traditional banking services.

Proposed Action 3: Adopt proportionate and adaptive regulatory approaches

Financial innovation is transforming the way financial services are delivered, creating new opportunities to expand access while introducing new forms of risk. Digital finance, fintech partnerships, embedded finance, platform-based business models, AI, and data-driven services are becoming increasingly important components of modern financial ecosystems. Participants emphasized that regulatory and supervisory frameworks must evolve alongside these developments to support innovation while preserving financial stability, consumer protection, and market integrity.

Policymakers and regulators should consider:

- Applying proportionate and activity-based regulatory approaches that align requirements with the risks posed by specific activities and business models. This means ensuring that regulatory obligations are commensurate with the scale, complexity, and risk profile of an activity, rather than applying the same requirements across all providers. Similar activities should be subject to similar regulatory treatment regardless of provider type, while avoiding unnecessary compliance burdens that may discourage responsible innovation. Policymakers can draw upon experiences such as the Philippines' regulation of financing companies, lending companies, and online lending platforms, where enabling legislation and regulatory oversight have supported non-bank financing while maintaining consumer protection safeguards.
- Reviewing existing regulations to identify areas where unnecessary barriers may impede responsible innovation, including the responsible deployment of AI-enabled products and services, while ensuring appropriate safeguards for consumers and financial stability.
- Strengthening supervisory capacity and expertise relating to digital finance, fintech business models, and emerging technologies.
- Encouraging innovation through pilot programs, innovation offices, regulatory sandboxes, or similar mechanisms.
- Improving coordination among financial regulators and relevant agencies responsible for competition, consumer protection, data governance, and cybersecurity, including through coordinated approaches across financial regulators, tax authorities, public data providers, and other government agencies that can help financial institutions better target and serve MSMEs.

- Exploring the use of supervisory technologies and data analytics to strengthen oversight and improve regulatory effectiveness.

Several findings from the FMP Compendium also illustrate how economies are using regulatory innovation to support financial access, including open banking regulation, simplified account frameworks, virtual banking licenses, and consumer data rights frameworks. These experiences suggest that regulatory frameworks can support innovation while maintaining appropriate safeguards when designed using proportionate and risk-based principles.

Proposed Action 4: Advance inclusive AI and data governance frameworks

AI and data-driven technologies are increasingly being integrated into financial services, including customer onboarding, fraud detection, risk assessment, credit underwriting, and product design. These technologies have significant potential to improve efficiency and expand access to financial services. However, participants emphasized that AI should be treated as an increasingly important consideration within financial sector policy, and highlighted growing concerns regarding algorithmic bias, data quality, transparency, explainability, and the risk that certain groups may be excluded due to limited digital footprints or poor data representation.

Policymakers and regulators should consider:

- Developing AI governance frameworks that promote responsible, transparent, and accountable use of AI within financial services, including measures to improve transparency in automated decision-making, strengthen accountability, protect consumer rights, and ensure that AI systems do not inadvertently exclude underserved individuals or small businesses. The People's Republic of China's experience with technology-enabled MSME lending, including ICBC's use of automated and sector-specific credit models supported by tax, invoice, financial statement, settlement, and other data, illustrates both the potential of AI-enabled finance and the importance of strong governance, data quality, and human oversight. Given the rapidly evolving nature of AI technologies, policymakers should also encourage ongoing collaboration among regulators, industry, academia, and technology providers to support the development of practical and effective governance approaches.
- Encouraging financial institutions to assess and mitigate risks of algorithmic bias and unintended exclusion, particularly as regulators are beginning to observe risks associated with AI-enabled fraud and potential bias in credit assessment models.
- Strengthening data quality, interoperability, and representativeness to improve the reliability and fairness of AI-enabled services, including by ensuring that datasets adequately reflect the characteristics and circumstances of underserved populations, such as women, rural communities, informal workers, and MSMEs, whose financial activities may be less visible within traditional data systems.
- Supporting consumer rights relating to data access, portability, consent, and redress.
- Providing clear regulatory guidance on the relationships between regulated financial institutions and third-party data and analytics providers, particularly where alternative data sources are used to support credit assessment, risk management, and automated decision-making.

The preliminary findings of the FMP Compendium highlight that secure and trusted use of data, together with effective consumer consent mechanisms, are among the most frequently identified priorities across APEC economies. The Compendium also notes the growing interest in data-sharing frameworks, data portability arrangements, and governance approaches that enable data to be used responsibly while maintaining trust, privacy, and consumer confidence. These foundations are likely to become increasingly important as financial institutions expand the use of AI and advanced analytics across financial services.

Proposed Action 5: Strengthen trust and resilience in digital financial ecosystems

Trust is a fundamental prerequisite for meaningful participation in digital financial systems. While digital finance offers significant opportunities to improve access and convenience, participants emphasized that rising levels of fraud, scams, cybersecurity incidents, misinformation, and misuse of personal data risk undermining consumer confidence. These challenges are particularly relevant for first-time users, vulnerable populations, and smaller businesses with limited digital capabilities.

Policymakers and regulators should consider:

- Strengthening consumer protection frameworks to ensure financial products and services are transparent, fair, and user-centric, including through, for example, clear disclosure requirements, transparent pricing, responsible product design, effective complaint and redress mechanisms, and safeguards against fraud, scams, and other forms of consumer harm. The Philippines' experience with interest rate ceilings, fair debt collection rules, online lending platform disclosure requirements, and enforcement actions against abusive lenders provides a useful example of how consumer protection measures can support trust in digital finance.
- Enhancing cybersecurity preparedness and resilience across financial systems, particularly in response to risks such as fake lending applications, impersonation scams, identity theft, unauthorized digital loans, misuse of personal information, and cyber-enabled fraud identified through the Philippines' digital lending experience.
- Supporting financial literacy and digital capability programs that help consumers and businesses safely navigate digital financial services.
- Establishing effective complaint handling, dispute resolution, and redress frameworks, including requirements for financial service providers to maintain accessible and timely complaint resolution processes, alongside independent mechanisms that allow consumers and small businesses to escalate unresolved disputes where necessary.
- Promoting responsible product design that takes into account user needs, capabilities, and vulnerabilities, such as through simplified product features, clear and understandable terms and conditions, accessible user interfaces, appropriate communication channels, and safeguards that help consumers make informed financial decisions.
- Expanding and engaging in regional cooperation and peer learning opportunities on emerging digital financial risks, fraud prevention, consumer protection, and supervisory approaches.
- Encouraging public-private collaboration on consumer protection, fraud prevention, cybersecurity, financial literacy, and trust-building initiatives, recognizing that trust in digital financial ecosystems depends on the collective actions of regulators, financial institutions, technology providers, and consumers.

The FMP Compendium similarly identifies consumer protection, fraud prevention, and financial literacy as some of the key challenges affecting financial access across APEC economies, and further highlights some initiatives focused on promoting financial education, onboarding support, and stronger consent mechanisms designed to build trust and encourage sustained usage of financial services.