

2009 REPORT

On Capacity-Building Measures to Strengthen and Develop Financial Systems

The Advisory Group on APEC Financial System Capacity-Building

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Preparation of 2009 Report

- Annual report of Advisory Group
- Endorsed by ABAC to APEC Finance Ministers
- Based on inputs from Advisory Group participants
 - Meeting discussions (2009: Wellington+Brunei)
 - Advisory Group workshops/forums
 - Papers from Advisory Group participants

Report Outline

- Summary of recommendations
- Main body of report
 - Introduction
 - Financial inclusion
 - Local currency bond markets and broadening the institutional investor base
 - Infrastructure PPP
 - Credit reporting systems
 - Strengthening financial systems in response to the crisis

I: Financial Inclusion

- Microfinance: profitability, expanding links to formal financial sector, scope of services
- Potential to address financial exclusion
- Need to disseminate best practices
- ***Recommend: Launch of financial inclusion initiative by APEC Finance Ministers with focus on key areas***

II: Local currency bond markets

- Summary of conclusions of the Advisory Group's 3rd Public-Private Sector Bond Market Forum (Singapore, July 2009)
- ***Recommend: APEC should (a) address key legal, regulatory, investor education and market development issues; (b) address tax issues; and (c) take bond market development in the region to next level – focus on corporate bond markets***

III. Infrastructure PPP

- Need to promote (a) dialogue between governments and industry; (b) deeper capital markets; and (c) more active role for IFIs
- Multilateral approaches useful (e.g., proposed Asia Infrastructure Partnership)
- ***Recommend: APEC to launch regional infrastructure partnership – officials, private sector, relevant international institutions***

IV. Credit reporting systems

- Benefits of full-file, comprehensive credit reporting to private credit bureaus; existing best practices in promoting reforms (e.g., Australia)
- Ideas on initial steps toward a regional framework
- ***Recommend: APEC to launch initiative to share best practices and move toward a region-wide credit reporting regime***

V. Regulatory response to crisis

- Crisis: exposed challenges in ensuring financial stability, availability and quality of data, effective corporate governance, robust accounting standards and practices
- Emerging markets: fundamentals need to be addressed
- ***Recommend: APEC to (a) support regional capacity-building for regulators; (b) promote cooperation among region's regulators and regional inputs into global regulatory reforms; and (c) promote dialogue between regulators and financial industry***

