



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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The Implementation of Financial System Regulatory Reforms in the Region following the Global Financial Crisis:

**A proposal by the Australian APEC Study Centre at
RMIT University**

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Introduction

The Centre is submitting this joint proposal with the Asia-Pacific Finance and Development Center (AFDC) in China for a training course to be funded in part by the APEC Support Fund. The purpose of the program is to inform senior and mid-level officials from the region's banking regulatory and policy agencies on major proposals and reforms to financial system regulatory and supervisory approaches now under consideration and their impact and application to regional banks. It will focus on improving risk management and governance arrangements in banking. By influencing financial system supervision, the reforms aim to promote financial system stability, improve the security of investments for savers and to reduce vulnerability of institutions and communities to financial instability.

Background

The draft proposal is proposed by the Ministry of Finance in China and is co-sponsored by the Ministry of Economy and Finance in Peru, Bank Indonesia, Ministry of Finance of Vietnam and Papua New Guinea Treasury.

The course would be developed in consultation with regional and international standard setting bodies as well as being tailored to the needs of APEC developing economies. It would involve a five day intensive training program in Beijing or Shanghai, delivered by specialists from regulatory and policy agencies, industry experts, professional specialists and academics. Participants from non-travel eligible economies will be welcome on a self-paying basis. The course will have a direct bearing on strengthening financial systems and thereby better securing furthering development goals and reducing community risk in savings and investment products.

Proposal

It is proposed that the Advisory Group endorse the proposal as relevant to the objective of promoting capacity building initiatives to strengthen the region's financial systems and that this endorsement may be made available to the APEC Secretariat PMU in support of the Centre's proposal.

Please find attached the draft program.

Ken Waller
Australian APEC Study Centre at RMIT University

February 2010

The Implementation of Financial System Regulatory Reforms in the Region Following the Global Financial Crisis

DRAFT OUTLINE OF THE TRAINING PROGRAM.

DAY 1.

Session 1. Welcome and outline of the program and its objectives

Session 2. A review of major recent developments in the global finance; failures and causes, and dealing with systemic risk, liquidity risk and strains on capital adequacy in banking systems

Session 3. Broad responses to the stresses and challenges of the crisis by international standard setting bodies; including key recommendations from the Financial Stability Board the Basel Group of Banking Supervisors – drawing out proposed reforms to Basel I and Basel II

Session 4. Regional bank regulators response to emerging reforms proposed by the standard setting bodies – by the China Banking Regulatory Commission and the Australian Prudential Regulatory Authority, FSA Japan and US Fed Reserve

Session 4. Moderated panel discussion – evaluation of proposed reforms on regional banking Systems

DAY 2

Session 1. Assessment of proposed banking system reforms by a representative of the Institute for International Finance

Session 2. Regional bankers' perspectives on the impact of the implementation of proposed reforms to banking supervision

Session 3. Moderated panel discussion between regulators and private sector banking representatives on the benefits and disadvantages of proposed reforms

Session 4. Review of the impact of reforms on credit risk management – an academic and supervisory perspective

Session 5. An assessment of the implications of proposed reforms on bank capital adequacy and the economic impact of higher capital charges on the region's economies

DAY 3

Session 1. The objectives, constraints and benefits of macro-prudential management

Session 2. An evaluation of key component parts of the concept of macro-prudential management

Session 3. Moderated panel discussion on lessons learned from the preceding two sessions dealing with macro-prudential management

Session 4. Stress testing as a major tool in regulatory supervision; objectives, relevance, skills and data requirements; managing results and expectations

Session 5. Moderated panel discussion on benefits and constraints of stress testing from regulatory and banking industry perspectives

DAY 4

Sessions 1/ 2 Facilitated work-shop on factors determining a bank's risk appetite; the impact on capital adequacy and capital charges of emerging regulatory reforms –academic, supervisory and banking industry perspectives

Session 3. Moderated panel discussion on outcomes of preceding sessions 1 and 2.

Session 4. Key aspects that a supervisor should consider in assessing a bank's capital model and in evaluating the utility of capital models – supervisor and banking industry perspectives

Session 5. Impact of the crisis on Pillar 3 of Basel II; emerging responses and reforms as they impact on bank disclosure; understanding the role of credit ratings in the post crisis era

DAY 5

Session 1. The impact of the global financial crisis on governance in banking systems and in supervisory agencies; what changes are expected in governance to enhance risk management practices and procedures in banks and in supervisory agencies? academic, supervisory and banking industry perspectives

Session 2. APEC regional responses to calls to intensify co-ordination between home and host supervisors; supervisory and banking industry perspectives

Session 3. Moderated panel discussion on preceding two sessions.

Session 4. Forum: identification of emerging issues for regional supervisors and for regional banks and measures to handle them; is the regional financial system architecture adequate the changing financial system environment

Session 5. Facilitated panel discussion: identification of key lessons learned from the program and most critical capacity building needs to strengthen the region's banking systems.
