

Document: AGFSCB 30-041  
Draft: **FIRST**  
Source: AGFSCB Chair  
Date: 19 August 2010  
Meeting: Bangkok, Thailand

 Asia-Pacific Economic Cooperation

**The Advisory Group on APEC Financial System Capacity-Building**

A Public-Private Sector Initiative

**Third Meeting 2010**  
26 August 2010  
Ballroom 1, InterContinental Hotel Bangkok  
Bangkok, Thailand

**Meeting Paper 5-B**  
**The 6<sup>th</sup> SEACEN-ABAC-ABA-PECC Public-Private Dialogue for the Asia-Pacific Region**

*Office of the Advisory Group Chair*

6<sup>th</sup> SEACEN-ABAC-ABA-PECC Public-Private Dialogue for the Asia-Pacific Region

- 15-16 June 2010
- Manila, Philippines

 ADBInstitute

 INTERNATIONAL MONETARY FUND

 ABAC

 The SEACEN Centre

 BANK FOR INTERNATIONAL SETTLEMENTS

 ASIAN DEVELOPMENT BANK

 Pacific Economic Cooperation Council

 ASIAN BANKERS ASSOCIATION

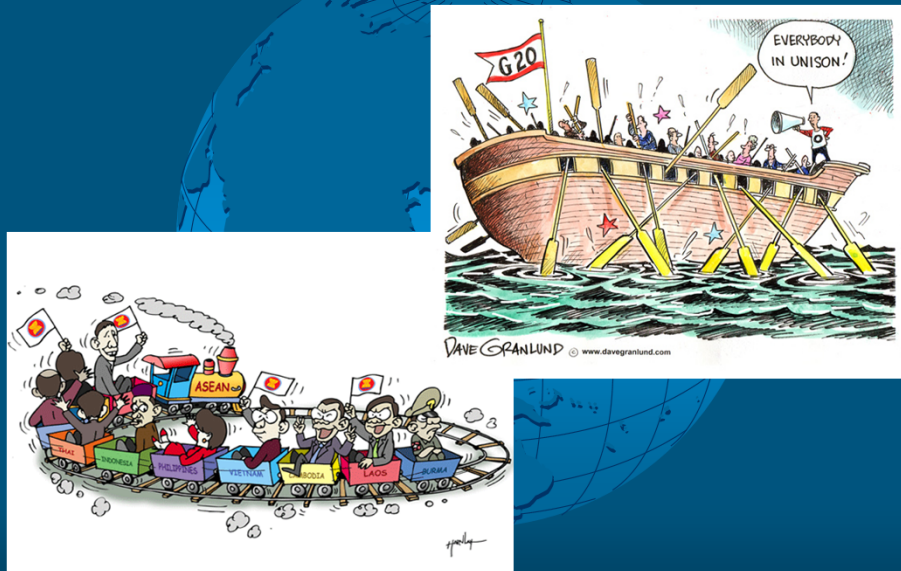
 PERC RESULTS AND SOLUTIONS

 BANGKO SENTRAL NG PILIPINAS 1993

 ASIFMA ASIA SECURITIES, BOND & FINANCIAL MARKETS ASSOCIATION

 Asia-Pacific Credit Coalition

## Focus: Regional vs. Global



### 1. Global Economy and Financial Markets: Impact on Asia

- **Global economy: fragile**
- **Asian businesses: cautious**
- **Risks to financial markets: rising**
  - Fiscal imbalances growing
  - Banking sector weaknesses remain
  - Asia vulnerable
    - Impact on corporate spreads affect funding
    - Global equity market weakness/volatility
    - Bubbles in certain sectors

## 2. Global Regulatory Reform: Need for Further Improvement

- **Improvement needed:**
  - Avoiding fragmentation, protectionism
  - Consultation with industry
  - Impact analysis
- **Need to take more fully into account conditions in the Asian region**
  - Business models
  - Tax / accounting systems
  - Level of capital market development

## 3. Preventing Divergence between G20 and East Asia

- **Strong domestic political pressures outside the region**
- **Potential for divergence**
  - E.g., G20 new restrictions, increased costs of financial services vs. East Asian efforts to develop liquid, efficient markets
- **Need for regional financial forum**
  - Achieve synergy between global and regional efforts
  - Coordinate regulatory reforms region-wide

#### 4. Focus on Improving Supervisory Capacity

- **Rules meaningless without good supervision**
- **Diversity requires more flexible, less one-size-fits-all approaches: Pillar 2 (supervisory review) and packages should play greater roles**
- **Serious need for supervisory capacity-building in emerging markets**

#### 5. Need for Continued Efforts in Key Areas

- **Good corporate governance**
  - Philippines' successful experience in using scorecards as a tool
- **Financial sector safety nets: Liquidity support, crisis management policies, deposit insurance**
  - Expertise in IFIs and MDBs (e.g., IMF)
  - Malaysia's experience in governance of deposit insurance agency
- **Financial inclusion**

## Key Implications

- **Need for capacity-building focused on financial regulatory and supervisory agencies**
- **Need for a regional financial forum**

