

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Regional Symposium: Enhancing Financial Policy and Regulatory Cooperation – Responses to the Global Financial Crisis

Australian APEC Study Center at RMIT University

- PURPOSE** For information
- ISSUE** Regional symposium on enhancing financial policy and regulatory cooperation in response to the global financial crisis
- BACKGROUND** The symposium is the centerpiece of a three part activity funded by AusAID under its Public Sector Linkages Program and by the Victorian Government through its support for the Melbourne APEC Finance Centre, a facility of the Australian APEC Study Centre. It will bring together specialist speakers and moderators drawn from international standard financial regulatory standard setting bodies, regional financial system policy makers and regulators, major private sector financial institutions and financial system academics to consider and exchange views on major reforms as they are emanating from international standard setting bodies in response to the global financial crisis. The symposium will consider the impact of the reforms on regional economies. A report of the Forum will be made available to APEC Finance Ministers for their consideration later in 2011.
- PROPOSAL** N.A.
- DECISION POINT** Endorse participation of interested Advisory Group participants in the symposium.



Regional Symposium: Enhancing Financial Policy and Regulatory Cooperation – Responses to the Global Financial Crisis

The Australian APEC Study Centre / Melbourne APEC Finance Centre

Melbourne, 8 / 9th March 2011

RMIT University: Emily McPherson Building

Introduction

The symposium will bring together specialist speakers and moderators drawn from international standard financial regulatory standard setting bodies, regional financial system policy makers and regulators, major private sector financial institutions and financial system academics to consider and exchange views on major reforms as they are emanating from international standard setting bodies in response to the global financial crisis. The symposium will consider the impact of the reforms on regional economies. A report of the Forum will be made available to APEC Finance Ministers for their consideration later in 2011.

The symposium is the centerpiece of a three part activity funded by AusAID under its Public Sector Linkages Program and by the Victorian Government through its support for the Melbourne APEC Finance Centre, a facility of the Australian APEC Study Centre.

The first part will be a research report commissioned by the Centre and which will be available to symposium participants. It will discuss key recommendations by international standard setting bodies in response to the global financial crisis. The research report and the symposium will inform the structure of the third component of the program which will be an intensive training program for regional policy makers and regulators to be convened in Melbourne later in 2011.

The Australian APEC Study Centre at RMIT University has successfully completed programs to enhance institutional capacity building in the Asia Pacific region. The programs involve presenters from international organisations and international standard setting bodies, regulators and policy makers from Australia, including importantly from the Treasury, APRA and the RBA, and the region, and representatives of commercial financial institutions and financial academic specialists.

Cooperation between the Centre and policy and regulatory agencies in the region and private sector financial institutions first commenced in 1999 in response to the Asian financial crisis. Ausaid, the ADB and some Australian private sector institutions cooperated with the Centre (then located at Monash University) in organizing seminars and training programs over a four year period to enhance capacities in the region's financial systems on life insurance and pensions.

ADB specialists and representatives from the IMF, the Asian Development Bank Institute, BIS, IAIS, the OECD and from other organisations have since been involved in other activities organised by the Centre. Most recently the Centre organized in cooperation with the Asia Pacific Development Centre in Shanghai a training program for policy makers and banking regulatory specialists from developing APEC and non-APEC economies concerned with implementing financial system regulatory reforms following the global financial crisis.

Overview of the contemporary regulatory and policy environment arising from the global financial crisis

The global nature of the financial crisis and the fact that so many financial and non-bank financial institutions operate across national borders make international cooperation a vital part of reforming regulation. Following consideration by the G20, the Financial Stability Forum was reconfigured as the Financial Stability Board (FSB) with a broadened mandate to establish financial stability and to implement a range of G20 recommendations to ameliorate the impact of the crisis and to secure longer-term reforms to financial regulatory and supervisory systems.

Responding to the crisis proposals for banking reforms by international standard setting bodies, the G20, the Finance Stability Board, the Basel Group of Banking Supervisors and the Bank for International Settlement involve major reforms in managing risk, in enhanced capital charges for liquidity and off-balance sheet activities, forward contingencies for banks and banking groups, the handling of macro-economic pressures, monitoring and surveillance and stress testing of banks' capacities to handle crisis situations. There are also proposals for improved governance standards and for enhanced cross-border regulatory cooperation.

As well as banking reform proposals, IOSCO established a number of Technical Committees in response to the crisis to review securities regulation. In some areas under review by both IOSCO and FSB there are overlapping interests which prompted a joint review and submission of recommendations. The IAIS has also reviewed regulatory approaches to the insurance sector. As a consequence of the work of these bodies a number of reports have now been produced that outline recommendations on regulatory reforms to key parts of the financial sector and to key financial functions.

The impact of hedge funds, derivatives and securitisation and the role of credit rating agencies as elements of the crisis have led to intense scrutiny and reappraisal of their role and functions in international finance. Accounting and reporting standards are also being refined.

Major components of regulatory and supervisory reforms will be considered in the symposium. It will involve presentations and dialogue between policy makers, financial system regulators, international standard setting bodies and representatives of major commercial financial sectors and financial academics.

The Australian APEC Study Centre's contribution to enhance regional financial system capacities

As noted above, over the last decade, the Centre has convened programs for banking regulators and banking system policy makers from APEC economies and non-APEC economies and for regulators

and policy makers in insurance (general and life), pensions, and wealth and funds management. The Centre's life insurance programs were strongly supported by finance provided by the ADB to strengthen regulatory systems following the Asian financial crisis

The Centre has convened a number of training programs on the transition involved for some parts of the regional banking systems as international banking regulatory approaches evolved from Basel I to the three pillars of the Basel II framework. A program organised in Melbourne in December 2009 responded to further refinements to banking supervision and practices as they are evolving from recommendations proposed by international standard setting bodies.

The Centre has been recognised by APEC Finance Ministers for its work in promoting and delivering APEC financial system capacity building initiatives. The Centre's activities have responded to the interests of regional policy makers and regulators to better understand emerging regulatory and supervisory reforms.

Most recently, in association with the Asia Pacific Finance and Development Centre in Shanghai, the Australian APEC Study Centre coordinated a major training program for banking regulators and policy makers from the APEC region and for some non-APEC regional economies, to assess the impact of new reforms to banking proposed by the Basel Group of Supervisors and taking into account the views of regional bankers and the Institute for International Finance. This was funded by the APEC Support Fund and faculty support provided by the ADB, the IMF, BIS, APRA, CBRC, FSA Japan, PBOC, the Banking and Insurance Regulator, Peru, Institute of International Finance, ICBC, Standard and Chartered and ASB-CBA Group, .

Financial system reforms pursuant to the global financial crisis will challenge financial regulatory and supervisory approaches in the Asia Pacific region and it is timely to consider the impact of those reforms on regional financial systems. The symposium will be an opportunity to consider reforms within a regional as well as a global context.

It will create an opportunity to promote enhanced regulatory co-operation by bringing relevant financial regulators together in a forum and to assist in understanding regulatory reforms being undertaken within various sectors of the financial system and across financial markets. The symposium will also help identify capacity building needs in the Asia Pacific region.

An outline of the symposium program is below.

Regional Symposium on Enhancing International and Regulatory Cooperation – Post Global Financial Crisis

MELBOURNE, 8/9TH MARCH 2011
DRAFT SYMPOSIUM OUTLINE
(TBC – To be confirmed)

Session	Content	(Proposed) Session Moderators & Speakers
DAY 1 Symposium Chair : Ken Waller, Director, Melbourne APEC Finance Centre		
<p>Opening Address</p> <p>Session 1</p> <p><i>“Managing the crisis and Promoting Best Practice Principles”</i></p>	<p><i>“Lessons from after the crisis; challenges and risks from greater regulatory empowerment “</i></p> <ul style="list-style-type: none"> • Where are we in terms of heightened regulation, and why are we here? • Cooperation on fiscal and monetary policy • Responses by impacted internationally operating banks and other financial intermediaries • Critique of progress so far 	<p>Welcome: Margaret Gardner AO, Vice Chancellor, RMIT University.</p> <p>Opening Address: Mr Charles Littrell, Executive General Manager, Policy Research and Statistics Division, APRA</p> <p>Session Moderator: (TBC) Luis Cortavarria-Checkley, Advisor, IMF</p> <p>Speakers: Masahiro Kawai, Dean, Asian Development Bank Institute</p> <p>Mike Callaghan, Executive Director, Macroeconomic Group (International) and Special Envoy to the G20, Australian Treasury</p> <p>Graham Hodges, Deputy CEO, Australia & New Zealand Banking Group Ltd.</p>
<p>Session 2</p> <p>Regulatory Impacts - Overview</p> <ul style="list-style-type: none"> - Financial Stability Board - BIS, BGBS, IOSCO, IAIS 	<ul style="list-style-type: none"> • Overview of regulatory impacts and proposed solutions • Progress in Implementing reforms to supervisory standards - status • FSB mandate – recommended regulatory changes – banking and securities • Basel II and other reforms • Regulatory responses; where to from here • Responses to systemic issues • Systemic issues and common problems 	<p>Session Moderator: Prof. Kevin Davis, Research Director, Australian Centre for Financial Studies.</p> <p>Speakers: Peter Morgan, Senior Consultant for Research, Asian Development Bank Institute</p> <p>(TBC) Principal Administrator, IAIS</p>

<p>Session 3 <i>Liquidity ; effective, reliable securities markets – measures to balance stability and financial system innovation</i></p>	<ul style="list-style-type: none"> • Defining unregulated markets in post GFC environment • Future of hedge funds • Securitisation and credit derivatives • Short selling • Credit Derivatives • Transparency issues • Central counter-party clearing systems/organised exchanges and OTC agencies 	<p>Session Moderator: Chris van Homrigh, Senior Executive Leader, Investment Banks, ASIC</p> <p>Speakers: Ranjit Singh, Managing Director, Securities Commission Malaysia</p> <p>Alex Heath, Deputy Head, Domestic Markets Dept, RBA</p>
<p>Session 4 <i>Credit rating agencies</i></p>	<ul style="list-style-type: none"> • Role and Regulation of Credit Rating Agencies (CRAs) Post-Crisis <ul style="list-style-type: none"> ○ Global regulatory approaches to CRAs ○ Role of ratings in market regulations ○ Role of domestic & global CRAs ○ Mutual recognition of CRAs by regional regulators 	<p>Session Moderator: Chris Dalton, Managing Director, Australian Ratings.</p> <p>Speaker: (TBC) Vicki Wilkinson, Manager, Corporations & Financial Services Division, Markets Group, Australian Treasury.</p>

DAY 2 Symposium Chair : Ken Waller, Director, Melbourne APEC Finance Centre

<p>Session 5 <i>Macro prudential Supervision; regulatory structures, resourcing and coordination; crisis management; cross-border coordination; colleges of supervisors</i></p>	<ul style="list-style-type: none"> • Macro prudential orientation of prudential policies • Tools to adopt a macro prudential approach to regulation and supervision • Surveillance and monitoring – regional developments • Managing in a crisis • Skills and resourcing needs • Effective cross-border coordination 	<p>Session Moderator: (TBC)</p> <p>Speakers: Cyn-Young Park, Principal Economist, Office of Regional Economic Integration, Asian Development Bank</p>
<p>Session 6 <i>Basel II/III (reforms); Accounting & Valuation/IASB recommendations and contrast with Basel II</i></p>	<ul style="list-style-type: none"> • Provisioning & Disclosure <ul style="list-style-type: none"> ○ IASB & BASEL key recommendations and standards, incl Pillar 3 ○ Banking provisioning ○ Regulators' expectations of auditors • Market Value Accounting & Fair Value <ul style="list-style-type: none"> ○ Classification and measurement ○ Leveraging & Valuation ○ Market vs Credit Risk issues • Basel & Accounting reforms – practical implications for bankers – a CFOs perspective. <ul style="list-style-type: none"> ○ Implementing the Basel/Accounting Standards, and addressing the dichotomies ○ Additional capital & term funding 	<p>Session Moderator: Paul Lichtenstein, Financial Risk Partner, KPMG.</p> <p>Speakers: John McKenna, CFO, HSBC Australia</p> <p>Prof. Warren McGregor, Accounting and Finance Dept., Monash University.</p>

<p>Session 7 Safety Nets; Deposit Insurance; consumer finance and protection</p>	<ul style="list-style-type: none"> • Role and interaction of financial sector safety net players • System liquidity management, lender of last resort; role of central bank • Crisis management • Core Principles for Effective Deposit Insurance Systems • Assessment methodology • Issues in retail financing • Changes to enhance consumer protection 	<p>Session Moderator: Dr Christine Brown, Monash University.</p> <p>Speakers: Jim Murphy, Exec Director, Markets Group, Australian Treasury</p> <p>Jean Pierre Sabourin, CEO, Malaysia Deposit Insurance Corporation</p>
<p>Session 8 Governance and Risk management /Incentives and Compensation</p>	<ul style="list-style-type: none"> • Implementing recommendations to improve governance and risk management in regulatory agencies and financial institutions • Incentives and compensation • Stress testing 	<p>Session Moderator: Jane Diplock, Chairman, Securities Commission NZ</p> <p>Speakers: Jules Gribble, Director, Enterprise Metrics</p> <p>Tim Coyne, Partner Financial Services, Ernst & Young</p>
<p>Session 9 Closing session</p>	<ul style="list-style-type: none"> • Identification of capacity building needs • Summary and conclusions 	<p>Session Moderator: Ken Waller, Director, Melbourne APEC Finance Centre.</p> <p>Speakers: Prof. Kevin Davis, Research Director, Australian Centre for Financial Studies</p> <p>David Jones, Academic Coordinator</p>