

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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UPDATES ON ONGOING WORK IN CAPITAL MARKET DEVELOPMENT

Office of the Advisory Group Chair

PURPOSE	For information.
ISSUE	Ongoing work in capital market development in APEC and ADB
BACKGROUND	In 2010, the Advisory Group and ABAC recommended that APEC Finance Ministers and Senior Finance Officials undertake discussions focused on (a) development of wholesale securities markets exclusively for professional investors; (b) regional public-private sector collaboration mechanisms to reduce barriers to cross-border settlement; (c) use of foreign securities as eligible collateral throughout the region; (d) ways to accelerate the region-wide convergence of accounting standards, disclosure regimes and corporate governance practices; and (e) establishment of a pathfinder initiative to introduce a regional funds passport scheme.
PROPOSAL	N.A.
DECISION POINT	Note the report.

UPDATES ON ONGOING WORK IN CAPITAL MARKET DEVELOPMENT

In 2010, the Advisory Group and ABAC recommended that APEC Finance Ministers and Senior Finance Officials undertake discussions with a view to compiling a package of measures to bring the development of the region's capital markets to the next level. It was recommended that these discussions focus on (a) development of wholesale securities markets exclusively for professional investors; (b) regional public-private sector collaboration mechanisms to reduce barriers to cross-border settlement; (c) use of foreign securities as eligible collateral throughout the region; (d) ways to accelerate the region-wide convergence of accounting standards, disclosure regimes and corporate governance practices; and (e) establishment of a pathfinder initiative to introduce a regional funds passport scheme.

A number of domestic, bilateral and regional initiatives are under way toward the implementation of these recommendations in the region. Among these are the following:

- Cross-border securities collateral management: Discussions are underway involving several central banks in East and Southeast Asia regarding the use of government bonds as cross-border collateral.
- Regional funds passport scheme: At their 2010 meeting in Kyoto, APEC Finance Ministers launched the Asia Region Funds Management Passport initiative. Core participating economies (Australia, Hong Kong and Singapore) will be meeting in Hong Kong on 15-16 March to further progress this work in a policy/technical workshop. Korea and Japan are also expected to join the meeting. The Australian Treasury, which is coordinating this initiative, is currently developing the agenda and working papers on the design of the ARFMP, as well as on development and operational issues. The Treasury will be inviting a number of players from the funds management industry to attend the workshop and dialogue with finance regulators and officials with the aim of seeking their views and input into the proposed design and development of a pilot ARFMP, expected to be announced by APEC Finance Ministers in November. (In relation to this, the Institute for International Monetary Affairs, in collaboration with State Street, is holding a briefing in Tokyo for Japanese financial and regulatory authorities on this topic on 4 March.) Another related project being undertaken jointly by the Australian Treasury and the Malaysian Securities Commission's training arm (SIDC) is a follow-up capacity building program on cross-border recognition of equivalent regulatory regimes for issuing and trading financial products and services. Participants in this training program are primarily from Thailand, Vietnam, the Philippines and Indonesia.
- ADB is holding the 3rd ASEAN+3 Bond Market Forum on 16-17 February in Kuala Lumpur. ABMF members and experts are being asked to identify regulatory information and market infrastructure through a questionnaire. At this meeting, discussions will focus on project proposals for the future, including Advisory Group/ABAC recommendations. ADB will update the Advisory Group on the results of this meeting.