

**FIFTH MEETING OF THE ADVISORY GROUP  
MONTREAL, CANADA, 9<sup>TH</sup> MAY 2006**

**AGENDA ITEM 3**

**BACKGROUND TO THE ADVISORY GROUP AND REVIEW OF RECENT DEVELOPMENTS**

**1. Background**

The formation of the Group was endorsed by APEC Finance Ministers at their meeting in Phuket, Thailand, in September 2003. The key objectives of the Group are:

- to encourage joint endeavours by public and private sector institutions, including regional and international agencies, in the organising, funding and administration of capacity building initiatives in the APEC region and specifically where private sector involvement brings clearly defined and valued advantages to those endeavours
- to promote the strengthening of regulatory agencies in implementing international regulatory and supervisory standards
- support regional private financial institutions in implementing and complying with international regulatory standards and practices
- promote good corporate governance in public and private financial institutions
- promote the deepening of regional capital markets.

The following international and regional agencies are among those who have agreed to participate in various initiatives organised by the Advisory Group. The IMF, World Bank, ADB, OECD, IADB, BIS, SEACEN, APG and the AFDC. A number of private sector associations, and many private financial institutions support activities as do academics and senior regional regulators.

Two meetings are held each year in conjunction with ABAC meetings and at each meeting, important domestic agencies in the home economy are invited to participate in the work of the Group.

Specific capacity building initiatives sponsored by the Group include:

- the implementation of Basel II
- cross-border issues in relation to the implementation of Basel II
- promoting good corporate governance in APEC's public and private

- financial institutions
- promoting the development of the region's bond markets

Other issues considered by the Advisory Group include:

- measures to ameliorate the impact of adverse capital flows
- support for the APEC policy dialogue on remittances
- training of regulators in supervising regulation and administration of laws and policies to counter money laundering and terrorist funding

## II. Recent Developments in the Advisory Group

### A. *The last meeting of the Group was held in Kuala Lumpur, 3 August 2005.*

The most important questions before that meeting were:

- a. is work being undertaken by ABAC/PECC on volatile capital flows a sufficient response to concerns on this matter
- b. what capacity building measures might most usefully be followed to encourage/support economies to liberalise their financial systems
- c. how should the Advisory Board best respond to a proposal by AFDC (APEC Finance and Development Centre) that capacity building Programs be focused on solving problems – as distinct from a focus on training on regulatory philosophy and the intent of specific regulations

**Question a)** remains on the agenda for this meeting and will be discussed under Agenda Item 8.

**Question b)** has in a sense been subsumed in the APEC processes following consideration of the mid-term stock-take of APEC which led, in November 2005, to the adoption of the Busan Road map. APEC Leaders specifically called for intensified efforts at capacity building to support liberalisation processes.

As a partial response to that directive, ABAC Finance Working Group will be working with the APEC Finance Ministers' processes to determine appropriate specific capacity building measures in financial sectors.

- ***However, any views and suggestions on this matter would be most welcome.***

**Question c).** In reality and in the practice of conducting training, the distinction between problem solving and the philosophy or regulation and supervision is not

so sharp; they are often interwoven into specific programs

- ***However, any views and suggestions on this matter would be most welcome***

**B. *Two key capacity building initiatives have been convened since the last meeting of the Advisory Group, as follows:***

- a public private sector dialogue for the Asia-Pacific region on cross-border implementation of Basel II and emerging regulatory issues  
(Kuala Lumpur, 4<sup>th</sup> August 2005 – organised by ABAC/SEACEN/ABA/PECC)

the outcomes of that dialogue and the details of a second dialogue to be held on 8/9<sup>th</sup> August 2006 are the subject of Item 7 of this agenda.

- a symposium on promoting good corporate governance and transparency in APEC financial institutions  
(Melbourne, 19<sup>th</sup> October 2005 – organised by ABAC/ABA/PECC)

the outcome of that symposium and a possible future initiative are the subject of Item 10 of this agenda.

**Recommendations**

- Consider and note this paper
- Provide advice and views on the issues noted in Part II, Questions b) and c)

**Coordinator**

**24<sup>th</sup> April 2006**