



The Advisory Group on APEC Financial System Capacity-Building

A Public-Private Sector Initiative

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AGENDA ITEM 2

PAPER 2-A

Work Program of the Advisory Group: Review of 2006 Work Program and Results

ABAC Australia Secretariat

**ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY
BUILDING – FIRST MEETING 2007, SEATTLE – 28TH FEBRUARY 2007**

**WORK PROGRAM OF THE ADVISORY GROUP: REVIEW OF 2006 WORK
PROGRAM AND RESULTS**

A. Introduction

The Group met twice in 2006; in Montreal in May and in Cebu in August.

In **Montreal** the Group:

- reviewed its key objectives and ongoing initiatives, namely; to encourage joint public and private sector endeavours to support capacity building – where the private sector would add value; strengthen regional regulatory agencies; support private financial institutions in regulatory compliance matters; promote good corporate governance and the deepening of capital markets
 - major ongoing initiatives under this broad mandate were reviewed, ie:
 - measures to promote bond markets
 - support for the implementation of Basel II
 - measures to mitigate against the impact of volatile capital flows
- reviewed other matters, including remittances and measures to counter money laundering and terrorist funding

In **Cebu**, the Group

- reviewed developments on major ongoing initiatives - and discussed ways to improve the dissemination of data as a way of improving early warning signals
- agreed that low priority be attached to consumer finance issues, noting that underlying issues were primarily competitive matters that financial institutions would promote in their own interests

In an out-of-session discussion, the ADB advised that it did not wish to undertake the Secretariat functions for the Group but did wish to be more actively involved as a member of the Group.

Special guests attended both the Montreal and Cebu meetings and enriched the discussions.

B. Assessment of the 2006 Work Program

- the development of major initiatives were successfully pursued as evidenced by:
 - a request by Finance Ministers that further work be undertaken to promote regional bond markets with emphasis on corporate bond issuance
 - a highly successful second dialogue on the implementation of Basel II in

the region's banking systems – convened in August in Kuala Lumpur – in association with SEACEN, PECC and ABA

- an in-depth discussion on governance as a segment in the KL dialogue
- a high-level debate at the Montreal meeting on volatile capital flows with a senior IMF representative which helped in framing subsequent advice to APEC Finance Ministers
- initiatives do require ongoing inputs by the Advisory Group and continuing commitment over the medium term – on the basis that institutional capacity building does involve the patient development of ideas and of human resources – an approach reflected in APEC Finance Ministers approach to building the Hanoi medium-term action plan; with this point in mind, the Advisory Group and ABAC have committed to
 - a forum on bond market developments – with emphasis on commercial bond issuance – to be held in the margins of SFOM 2 in Melbourne in May 2007; this may be regarded as a constructive progression of earlier symposiums in Taipei in 2004 and in Tokyo in 2005; if the forum is successful additional forums involving other willing economy participants would be justified as contributing to the deepening of regional capital markets
 - similarly, the two Basel II dialogues held with SEACEN, PECC and ABA in 2005 and 2006 have resulted in important recommendations to both regional regulators, bankers and to relevant international regulatory agencies and IFIs and contribute in important ways to strengthening the region's financial systems; the proposed third dialogue in Singapore in July 2007 should be strongly endorsed
the Advisory Group and by ABAC
- notwithstanding the valuable work and inputs made to ABAC and to the Finance Ministers processes, and efforts made to improve ABAC's dialogue with Finance Ministers, the Advisory Group should continue to give thought on how to improve its influence within APEC's official and private sectors.

ABAC Australia Secretariat

5th February 2007