



The Advisory Group on APEC Financial System Capacity-Building

A Public-Private Sector Initiative

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The Grand Hyatt Seattle (Menzies Suite, 6th Floor)
Seattle, U.S.A.

AGENDA ITEM 2

PAPER 2-B

Proposed 2007 Work Program

Office of the Advisory Group Chair



The Advisory Group on APEC Financial System Capacity-Building

A Public-Private Sector Initiative

2007 WORK PROGRAM

*First Draft
As of 22 January 2007*

BACKGROUND

The Advisory Group on APEC Financial System Capacity-Building was established at the time of the APEC Finance Ministers' Meeting in Phuket, Thailand in 2003, at a meeting jointly organized by the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC). The Advisory Group was created with three major goals in mind: (a) to harness expertise in international public and private sector institutions to collaborate with the APEC Finance Ministers in developing capacity-building programs to strengthen and develop the region's financial systems; (b) to promote public-private sector collaboration in capacity-building efforts; and (c) to ensure greater synergy among ongoing capacity-building activities and facilitate identification of capacity-building gaps through exchange of information.

OBJECTIVES OF THE 2007 WORK PROGRAM

Following are the objectives of the 2007 Work Program of the Advisory Group:

- To undertake, as a collaborative project involving participating organizations, the coordination of the first APEC Public-Private Sector Forum on Bond Market Development
- To develop specific proposals on capacity-building that can be endorsed to the APEC Finance Ministers, particularly in areas where public-private partnership would be helpful
- To identify possibilities of collaboration among participating organizations and between public and private sectors
- To exchange information and updates on current initiatives by participating organizations and promote greater synergy among them

MEETINGS IN 2007

The Advisory Group will meet on the following dates and venues:

- **Regular meeting (First): 28 February 2007, Seattle, USA**

To finalize the work program, prepare the agenda for the Forum on Bond Market Development, undertake initial discussions of key issues under the work program and identify steps to develop work on these issues until the next regular meeting.

- **Special meeting: 8 May 2007, Melbourne, Australia**

To hold the Forum on Bond Market Development.

- **Regular meeting (Second): Late May 2007, Tokyo, Japan (exact date yet to be announced)**

To finalize the report on the conclusions of the Forum, finalize proposals on capacity-building to be forwarded to the APEC Finance Ministers and identify possible areas of collaboration among participating organizations.

ACTIVITIES IN 2007

A. PROJECT

1. **First APEC Public-Private Sector Forum on Bond Market Development**

At their meeting in Hanoi on 7 September 2006, APEC Finance Ministers welcomed a proposal submitted by ABAC that the Advisory Group facilitate in-depth discussions with individual economies on how the public and private sectors can collaborate to develop their respective bond markets (with special attention to corporate bond markets). These discussions will take the form of a series of one-day sessions, each focused on three or four developing member economies' bond markets. The Australian Treasury has agreed to host the first Forum on 8 May 2007 in Melbourne, back-to-back with the Second Senior Finance Officials Meeting (SFOM II).

The central objective will be a dialogue among interested economies, private sector market players and experts from international public and private sector organizations, aimed at identifying aspects in the policy and regulatory areas which could be addressed by authorities to enhance the environment for bond market development, and in particular, corporate bond issuance. The dialogues would also aim to identify capacity building initiatives, which might include public/private partnerships to build the environment conducive to bond market development.

The focus of the 2007 Forum would be the bond markets of Indonesia, the Philippines and Vietnam. These three economies would be requested to (a) arrange for senior policy makers and regulators responsible for key aspects of their respective bond markets' development to participate in the Forum; and (b) collaborate with the Advisory Group in developing the program and identifying participants of the Forum.

Participants will include the following: (a) participants from the above-mentioned 3 economies; (b) participants from other interested APEC economies, including, importantly, members of the Senior Finance Officials' Meeting; (c) participants from the Advisory Group; and (d) key experts and representatives from investment banks, institutional investors, fund managers, rating agencies and other relevant private sector organizations, to be selected and invited by the organizers.

Officials or regulators from each of the three economies would make a presentation on (a) the current situation of their respective markets, (b) the measures being planned or undertaken, (c) the challenges, and (d) possible areas of cooperation with the private sector, followed by inputs from the other participants, an open discussion and a summary by the respective session chair. The office of the Advisory Group Chair will be responsible for drafting the conference report, in collaboration with Advisory Group participants and relevant officials from the three economies.

B. DISCUSSIONS ON CAPACITY-BUILDING ISSUES

The objective of these discussions are (1) to develop specific proposals on capacity-building that can be endorsed to the APEC Finance Ministers; (2) to identify possibilities of collaboration among participating organizations and between public and private sectors; and (3) to exchange information and updates on current initiatives and promote greater synergy among them.

- 1. Development of local currency bond markets**
- 2. Implementing Basel II and strengthening risk management in banking systems**
- 3. Strengthening governance in financial systems**
- 4. Enhancing financial consumer protection**
- 5. Strengthening the frameworks for cross-border insolvency and informal workouts in the region**
- 6. Promoting financial stability (especially with respect to volatile capital flows)**

7. Enhancing SMEs' capacity to access formal finance

In addition, the Advisory Group will also determine whether there is added value that can be brought to the APEC Finance Ministers' Process' medium-term strategic agenda through possible work on any or all of the following three issues:

1. Development of Remittance Systems in the Region
2. Anti-Money Laundering Measures
3. Combating the Financing of Terrorism

The Advisory Group will be aided in the discussion of the above issues by reports of conferences, surveys and research previously undertaken by participating organizations. The discussions will focus on developing concrete proposals and ideas on capacity-building measures, building upon the conclusions of these reports.

DELIVERABLES AND TIMETABLES

The above activities are geared toward the following deliverables:

1. Successful completion of the First APEC Public-Private Sector Forum on Bond Market Development (*8 May 2007*)
2. A complete report on the conclusions of the Forum (*to be submitted to the APEC Finance Ministers before their 2-3 August 2007 meeting in Coolum, Australia – through ABAC as well as any other channel*)
3. A report to the APEC Finance Ministers containing a list of proposals on capacity-building measures for development of the region's financial systems, ideally covering the issues identified in the work program and including proposals that involve public-private sector collaboration (*to be submitted to the APEC Finance Ministers before their 2-3 August 2007 meeting in Coolum, Australia – through ABAC as well as any other channel*)