



The Advisory Group on APEC Financial System Capacity-Building

A Public-Private Sector Initiative

Document: AGFSCB 27-023 Draft: FIRST Source: AGFSCB Chair Date: 25 May 2007 Meeting: Tokyo, Japan
--

Second Meeting 2007
30 May 2007, 4:00 – 6:00 pm
Sakura (B2 Floor), The Prince Park Tower
Tokyo, Japan

AGENDA ITEM 4

PAPER 4-B

PRESENTATION

Draft 2007 Report on Capacity-Building Measures to Strengthen and Develop Financial Systems

Office of the Advisory Group Chair



**ADVISORY GROUP on APEC
Financial System Capacity-Building**

2007 REPORT

Capacity-Building Measures to Strengthen
and Develop Financial Systems

Content

- Local currency bond markets
- Banking systems
- Regional financial stability
- SME finance

Local currency bond markets

- Public-private sector discussions:
 - 2004 Taipei (ABAC/PECC + ABA/ACRAA)
 - 2005 Tokyo (ABAC/PECC + ADBI)
 - 2006 Washington (PECC)
- Compendium of recommendations
- Moving forward
 - Mechanism for public-private sector dialogue with individual economies
 - Promote greater synergy and public-private sector collaboration

Local currency bond markets

- APEC Public-Private Sector Forum on Bond Market Development
 - May 2007, Melbourne – dialogue with Indonesia, Philippines, Vietnam
 - 2008 onwards – other APEC emerging markets
- General Principles for Effective Bond Market Development Cooperation in the Asia-Pacific Region

Local currency bond markets

Recommendations

- Endorse holding of subsequent APEC Public-Private Sector Forums
- Endorse General Principles for Effective Bond Market Development Cooperation

Banking systems

- Basel II: Need for greater cooperation
 - among supervisory authorities
 - between authorities & financial industry
- Regional public-private sector dialogues on banking issues
 - 2004 Santiago
 - 2005 Kuala Lumpur
 - 2006 Kuala Lumpur
 - *2007 Singapore (July 11-12)*

Banking systems

- Regional dialogues affirmed the importance of public-private partnership to deal with issues:
 - Bank governance
 - Implementation of Basel II, including cross-border implementation
 - Protecting consumers of financial services
 - Protection of creditor rights

Banking systems

Recommendations

- Endorse continuation of regional public-private dialogue on banking
- Capacity-building based on PPP:
 - Basel II implementation (domestic)
 - Best practices for supervisory colleges
 - Improving cross-border coordination
 - Developing financial consumer protection framework
 - Improving banking system governance

Banking systems

Recommendations *(cont'd)*

- Wider adoption of regional guidelines for informal workouts and model agreement by financial institutions + reforms/capacity-building to facilitate the operation of guidelines/model agreement region-wide

Regional financial stability

- Since Asian financial crisis:
 - Macroeconomic, financial sector reforms
 - Regional cooperation (e.g., CMI)
- Remaining concerns about short-term capital flows, HLIs, use of derivatives
 - Information available to regulators and officials in emerging markets
- 2006 study commissioned by ABAC to improve quality of information

Regional financial stability

Recommendations

- Develop code of conduct for statistical agencies
- Endorse SDDS, IMF balance sheet approach, discuss PINs post-IMF surveillance
- Capacity-building to develop:
 - Investor relations services
 - Industry surveillance units

SME finance

- Joint study on SMEs' access to formal finance (2006)
- Major conclusions:
 - Banks experienced in dealing with SMEs; not biased against
 - Key obstacles: SMEs' lack of collateral and experience, accounting practices, high administrative/information costs, lack of projects' attractiveness to banks
 - Government measures viewed as biased toward large enterprises

SME finance

Recommendations

- Capacity-building:
 - Non-discriminatory policies
 - Accounting practices and standards
 - Disseminating information on financing sources
 - Training to access venture capital, equity and OTC markets
 - Support (e.g., guarantee, special funds)
 - After exploring commercial possibilities

SME finance

Recommendations *(cont'd)*

- Endorse reform of laws governing collateral (movable properties)