



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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[Second Draft]

Office of the Advisory Group Chair

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

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Third Meeting 2008

5 August 2008

Ballroom 3, Hyatt Regency Hotel
Hangzhou, People's Republic of China

MEETING REPORT

Second Draft

As of 20 January 2009

Welcome and Introduction

The meeting started at 3:00 pm. Participants included members and staffers of the ABAC Finance and Economics Working Group (FEWG) and representatives from the Asian Development Bank Institute (ADBI), the International Monetary Fund (IMF), the German Technical Cooperation (GTZ) and the Asia-Pacific Credit Coalition (APCC). The Advisory Group Chair, Dr. Jeffrey L.S. Koo, presided over the meeting.

In his opening remarks, the Acting Chair welcomed the participants and gave an overview of the agenda items for discussion. He acknowledged the presence of Mr. Akira Ariyoshi, Director of the IMF Asia-Pacific Regional Office; Dr. Mario Lamberte, Director of Research of the ADBI, Dr. Alfred Hannig and Ms. Sung Ah Lee of the GTZ; and Ms. Hongxing Dong of Experian, who is attending the meeting on behalf of the APCC. He thanked the meeting host, ABAC China, for the hospitality and preparation of the meeting.

Madame Lili Wang, ABAC Finance and Economics Working Group (FEWG) Co-Chair, greeted the participants on behalf of ABAC China. In her remarks, Madame Wang emphasized the importance of capacity-building efforts to strengthen and develop financial systems especially in the face of the financial turmoil arising from the subprime crisis in the US and the credit crunch. She also touched on the important role that microfinance can play in economic development and underscored the economic contributions of small and medium enterprises, which account for four-fifths of total employment in China and almost 70 percent of ICBC's profits.

Review of the Second 2008 Advisory Group Meeting in Moscow

The Advisory Group Coordinator, Dr. J.C. Parreñas, presented the draft Report of the Advisory Group Meeting of 14 May 2008 in Moscow, Russian Federation.

The Advisory Group approved the Meeting Report.

Report on the 2nd APEC Public-Private Sector Forum on Bond Market Development, Cusco, Peru, 9 July 2008

Opening discussions on this agenda item, the Advisory Group Chair began by thanking the Co-Chair, Mr. Yoshihiro Watanabe, for making himself available to preside over the Cusco forum on behalf of the Advisory Group; the ABAC Chair Mr. Juan Raffo and ABAC Peru, for helping the Advisory Group coordinate with the Ministry of Economy and Finance of Peru in hosting the forum; ABAC Chile and ABAC Mexico – particularly to Mr. Francisco Garces, Mr. Manfred Wilhelmy and Mr. Mauricio Millan – for helping to organize the Chilean and Mexican sessions of the forum; the

institutions that have collaborated in the forum, particularly the ADB, IDB and IMF; and to all those who participated in the event.

The Advisory Group Coordinator presented a summary of the results of the 2nd APEC Public-Private Sector Forum on Bond Market Development that was held in Cusco, Peru on July 9, 2008. The presentations highlighted the following conclusions of the forum:

- There has been very significant development of bond markets in Asia and Latin America as a result of policy and regulatory reforms over the past few years, but key challenges remain. These include issues such as improving market infrastructure, improving access and standards of use, enhancing transparency, strengthening risk assessment and risk management among financial institutions and regulatory authorities, and increasing market liquidity.
- While Asian financial integration has been actively promoted by governments, the beginnings of financial integration in Latin America are being driven by cross-border investment and issuance related to cross-border foreign investment. Regional financial integration in Latin America should be facilitated through closer collaboration among regulators and policy makers with more active support from international institutions such as the Inter-American Development Bank.
- While the past few years have seen governments actively undertaking reforms, the development of bond markets is a continuing issue that needs to be sustained in the face of innovations in financial services and the emergence of financial stresses that generate political pressure for policy and regulatory responses. Consequently, there is a need for institutional arrangements to ensure continued reforms and improvements on a long-term basis and spanning political cycles.
- Taxes have a significant impact on the development of bond markets, including cross-border investment and issuance. Given the importance of bond markets, governments should keep this in mind when undertaking tax policy changes. APEC could play a role in addressing the impact of taxes on bond markets.
- Within APEC, developed member economies can play an important role in promoting policies that lead to market development in developing member economies. The US Treasury's capacity-building program for emerging capital markets provides important insights on how this can be undertaken and the key success factors. Consideration could be given to how the synergy of such programs with other regional efforts within APEC may be enhanced.
- International institutions play a very useful role in bringing onto the table the experiences not just of APEC economies, but also of non-member economies. APEC should consider how their programs can be more effectively deployed in conjunction with each other and with other capacity-building efforts in the region.
- Importance needs to be given to capacity-building in certain priority areas, such as securitization, legal frameworks, local pension funds, market infrastructure, participation of foreign investors and issuers, the impact of taxes on bond market development, and regional initiatives particularly with respect to harmonization of regulation and market practices.
- Experiences in Latin America underscore once again the positive contributions of closer collaboration between the public and private sectors to the success of efforts to develop domestic financial markets. APEC economies could benefit from exchanges of information on best practices and implementing mechanisms for cooperation with the private sector.
- Within APEC, there is a need to deepen connectivity between various capacity-building initiatives and the actual implementation of reforms in member economies. The APEC Finance Ministers could consider APEC policy review on connectivity, focused on how regional and international capacity-building activities can more effectively support reform efforts of interested economies. This review should involve the public and private sectors and relevant international institutions.

In his comments, Mr. Ariyoshi conveyed the impression of his IMF colleagues who participated in the forum that it was a very productive and interesting meeting. He emphasized three important points. First, despite the rapid growth of domestic bond markets in the region, there is still much potential for

further growth, and a great need for capacity-building efforts. Second, the limited size and liquidity of secondary markets remains the major issue and underscores the need for greater regional financial integration and cross-border bond market activities. Third, in relation to IMF's work on technical assistance to the public sector, he stressed the importance of inputs from the private sector in prioritizing and promoting reforms, highlighted the IMF's involvement in the development of derivatives and repo markets and the role of sovereign wealth funds, and reiterated the IMF's readiness to continue its collaboration with ABAC and the Advisory Group.

During the ensuing discussions, participants touched on a couple of issues. One is the importance of bond market development for financial integration in Latin America, the continued regular holding of the bond market forum, and the crucial role that the Inter-American Development Bank (IDB) can play alongside the IMF and Latin American APEC member economies in promoting bond market development and integration in the region. Another issue that was raised is the interest of Singapore as the incoming APEC Chair in promoting public-private partnership in developing bond market, with focus on specific key areas.

The Advisory Group approved the Report, subject to remaining minor modifications based on further comments from forum session chairs and speakers.

2008 Advisory Group Report on Capacity-Building Measures to Strengthen and Develop Financial Systems

The Advisory Group Coordinator gave a presentation on the Report and provided background information on its preparation, which drew inputs from the discussions of the Jakarta and Moscow meetings earlier during the year, workshops and forums co-organized by the Advisory Group, and various papers submitted by participants. He presented and provided brief explanations on the recommendations in the report, which are as follows:

- *Financial inclusion and microfinance.* In many developing economies, a majority of the adult population remain without access to financial services. Microfinance has emerged as a potent tool to address this issue, and its ability to do so has grown in recent years with the expanded use of technology and financial innovation, increasing sophistication of microfinance institutions, and policy reforms. The Advisory Group recommends that APEC Finance Ministers launch a policy initiative to promote financial inclusion, focused on providing an enabling legal, policy and regulatory environment for microfinance, in collaboration with the private sector. In developing this initiative, APEC Finance Ministers should consider the conclusions of the ABAC/Advisory Group Report "Commercially Sustainable Microfinance: A Strategy for Promoting Financial Inclusion in APEC."
- *Bond Market Development.* The Advisory Group has reviewed the conclusions of the 2nd APEC Public-Private Sector Forum on Bond Market Development that was held in Cusco, Peru on July 9, 2008. There is much value in the sharing of bond market development experiences among economies, and the dialogue between public and private sectors. The Advisory Group recommends that APEC Finance Ministers endorse the conclusions and recommendations of the forum and its continuation, with the Third Forum to be held in Singapore in 2009.
- *Infrastructure Public-Private Partnerships.* Successfully promoting infrastructure PPPs requires a transparent process that can reduce uncertainty on the part of the private sector and improve understanding of the process on the part of the public sector and communities. It also requires steps to address the challenge of limited skills, particularly in the financial analysis of projects and negotiation of appropriate frameworks. The Advisory Group recommends that APEC Finance Ministers support the establishment of a Regional Infrastructure Dialogue among key representatives from government, private sector, relevant international institutions and local communities, with the objectives of strengthening planning capabilities for infrastructure requirements and promoting best practice governance arrangements within government and the private sector in the region, and support capacity building training initiatives for the region's policy makers and regulators in infrastructure management and financing arrangements.

- *Strengthening Regional Financial Stability.* The failure of regulators and markets to anticipate the degree of turbulence arising from the sub-prime crisis underscores the need to better understand ongoing innovations and developments in financial markets. The Advisory Group recommends that APEC Finance Ministers support collaboration between public and private sectors in improving understanding of current financial markets and the collection and dissemination of data on private sector financial flows and encourage official involvement and support for the Advisory Group's work with the ADBI, the IMF and other institutions on these matters.
- *Improving Credit Reporting Systems.* Studies considered by the Advisory Group, in particular those presented by the Asia-Pacific Credit Coalition, provide strong evidence that greater participation by data furnishers in a private consumer credit reporting system and the use of full-file (as opposed to negative-only) and comprehensive (as opposed to segmented) credit reporting promote increased and more socially equitable access to credit and improved lending performance. The Advisory Group recommends that APEC Finance Ministers consider measures to promote full-file comprehensive reporting to private credit bureaus that also effectively address concerns about privacy, identity and confidentiality and ensure public support for such systems, through legal and policy reforms and the use of technology.
- *Strengthening Risk Management and Governance in Banking Systems.* This year marks the fourth annual dialogue between bank regulators and the region's financial industry hosted by the SEACEN Centre and co-organized by ABAC, the ABA and PECC. Sustained participation by commercial banks and the region's bank regulatory authorities is key to ensuring robust risk management systems and governance in banking systems. The Advisory Group recommends that APEC Finance Ministers support continued participation of banking supervisory agencies in the annual regional public-private dialogue on Basel II implementation and strengthening banking systems hosted by SEACEN.

Participants provided various comments on specific items in the report. Participants expressed support for the recommendations in general, and particularly in the areas of microfinance, bond markets and infrastructure. There was agreement among participants to specifically mention the need to effectively address the distribution of confidential data in relation to improving credit reporting systems, and to have more in-depth discussions on this issue in the future to identify best practices and develop more specific recommendations.

The Advisory Group approved the Report and entrusted it to ABAC to endorse to the APEC Finance Ministers.

Future Agenda: Infrastructure Public-Private Partnership

The Advisory Group Coordinator referred to a paper submitted by ABAC Australia that puts forward three proposals in relation to the Advisory Group's 2008 Report for the establishment of a Regional Infrastructure Dialogue and for capacity building training initiatives for the region's policy makers and regulators.

- The first proposal, based on the observation that multilateral development institutions have the credit standing to raise long-term debt and the ability to help promote long-term swap markets, is that the Advisory Group initiate discussions with the ADB and other interested institutions to consider how to promote the role of these institutions in regional infrastructure financing.
- The second is for ABAC members attending the APEC Finance Ministers Meeting to include the Advisory Group's proposal of a regional infrastructure dialogue in their discussions with the Ministers.
- The third, which is related to a proposal of the Melbourne APEC Finance Centre for Australian aid agency funding for a program to train relevant APEC member economies' officials in matters related to infrastructure PPP, is for Advisory Group participants to consider in the interim how this training initiative could be promoted.

In his comments, the ABAC Co-Chair, Mr. Mark Johnson, informed participants of the interest expressed by ministers during the recently held APEC Ministerial Meeting on Structural Reform to work with the Advisory Group on the issue of infrastructure PPP.

Dr. Lamberte briefed participants on ADBI's work on infrastructure PPP, supplementing the information contained in a paper submitted by the ADBI. The paper explained ADBI's PPP seminar series, which aims to improve the understanding of officials of the benefits and challenges of private sector investment and participation in infrastructure projects; policies and legislation required to promote a PPP enabling environment; and critical design features of a 'bankable project' to support the development of a pipeline of PPP infrastructure projects across the region.

The seminar series was initiated following a successful pilot seminar for over 50 senior officials in November 2007 that included extensive dialogue with private sector participants. The first of the seminar series was offered in Tokyo in March 2008 to over 30 senior officials from Central Asia. Other seminars are scheduled to be held in Hanoi, Brisbane and Washington DC. In addition to summary proceedings on ADBI's website, other knowledge products will be produced in conjunction with the seminar series, including a Discussion/Policy Note Series, and a number of PPP Training Modules. The seminar series is organized by ADBI in collaboration with ADB Headquarters and other international institutions, universities and research centers. Serious efforts are being undertaken to substantially involve the private sector, and Dr. Lamberte expressed ADBI's appreciation for continued involvement of ABAC.

Participants noted that the ADBI capacity-building activities cover a very crucial gap in addressing information asymmetry between public and private sectors, which has hindered infrastructure projects even in economies where key financial structures are already in place. Participants also noted the need to further disseminate best practices across the region, such as those developed by the Pacific Economic Cooperation Council (PECC) and presented in its publication *Meeting the Region's Infrastructure Needs: Guidelines for Effective Public-Private Partnerships*.

At the conclusion of discussions on this agenda item, the Chair asked the interested participants to work closely with ADBI in the coming months and the Coordinator to report progress at the next meeting.

Future Agenda: Financial Inclusion and Microfinance

The Coordinator presented a review of activities that followed the Jakarta workshop on microfinance and the current situation, starting with the drafting of the Jakarta workshop report, its endorsement by ABAC in Moscow and preparations for submission to the APEC Finance Ministers. He also briefed participants on the progress of discussions with finance ministries and officials on the proposal for APEC Finance Ministers to launch an initiative on financial inclusion as part of their work program.

The proposal was discussed at the APEC Senior Finance Officials' Meeting (SFOM) in Cusco, Peru last July 10-11. There was a generally positive reception, although it was too early for officials to make any commitment to launch the initiative. The Philippine central bank has volunteered to encourage the Department of Finance to champion this issue at the FMM. New Zealand Treasury expressed interest in participating actively, with focus on financial literacy. The Indonesian central bank also expressed interest in general to help push this initiative forward. A possible work program for an initiative is being prepared for proposal to the APEC Finance Ministers.

Currently, ABAC members and other Advisory Group participants are being encouraged to follow up personally on finance officials regarding the launch of the initiative. A number of institutions have expressed interest in providing resources for activities that may form part of the work program. Among these are the ADB Institute, the GTZ, the Foundation for Development Cooperation of Australia and the IFC. Preparation for a first activity is underway, which is a follow-up workshop to be hosted by the ADB Institute in Tokyo, tentatively scheduled for March 3-6, 2009, focusing on the six key policy areas identified as important to the further development of microfinance at the Jakarta workshop.

After expressing his appreciation for the invitation to participate in the Advisory Group's very timely work on financial inclusion, Dr. Hannig briefed the participants on the financial inclusion project that GTZ will be undertaking with the support of the Bill and Melinda Gates Foundation. The objective of the project is to form a learning community, tentatively called the Alliance for Financial Inclusion (AFI) that can undertake exchanges and dissemination of successful policies to promote financial inclusion. This strategy will take advantage of existing solutions that are already being practiced in various parts of the world that can be shared and disseminated.

GTZ's strategy focuses on three modes of delivery. The first is through a global web portal where policy makers can log in and which can also be made accessible to experts, the private sector and other relevant participants. The second is through real exchanges such as regional and topical workshops, direct exchanges among economies and peer review and monitoring. The third is through a grant-making facility to provide governments and policy makers with innovative ideas for policy reforms. The strategy also involves the development of a global data base that will be useful in monitoring progress in policy reforms. At the current stage, the project has already been approved informally and is expected to be formalized shortly. GTZ is also currently preparing a business plan and undertaking a search for the location of a project office.

Dr. Hannig outlined various opportunities for collaboration between the Advisory Group (and ABAC in particular) and GTZ. One avenue would be GTZ's support for a financial inclusion policy initiative led by ABAC through the Advisory Group focusing on activities producing measurable results, in particular through financial support, technical contributions to the work program, co-sponsorship of activities with other participating institutions in the Advisory Group and coordination in promoting political commitment among governments and following up on regional and domestic support to policy makers. Another avenue would be the participation of ABAC and the Advisory Group in the AFI. Dr. Hannig concluded by saying that the GTZ is looking forward to exploring further collaboration opportunities with the Advisory Group.

Dr. Lamberte briefed participants on a collaborative workshop that can be undertaken by the ADBI in collaboration with interested participating institutions within the Advisory Group. ADBI proposes to host a four-day workshop on 3-6 March 2009 in Tokyo, which will aim to assist policy makers develop strategies for providing an enabling policy environment for promoting financial inclusion through microfinance in the six key areas that have been identified in the ABAC/Advisory Group report *Commercially Sustainable Microfinance: A Strategy for Promoting Financial Inclusion in APEC*.

The target audience will be senior government officials and regulators involved in microfinance in Asian developing economies (e.g., central bank officials, financial supervisory authorities, finance ministry officials), senior APEC finance officials, government officials from relevant agencies, senior executives of relevant public sector firms (e.g., development banks), key policy makers and legislators, and microfinance institutions. Participating officials are expected to share country experiences and practices through country papers.

Tan Sri Azman Hashim, ABAC FEWG Co-Chair from ABAC Malaysia, expressed his support for the Advisory Group's work on financial inclusion and stressed the importance of expanding access to funds for microfinance. There is also a reference to a paper he submitted on Islamic microfinance. He noted that conventional microfinance is not yet able to fully reach many of those who are financially excluded, particularly in Muslim communities, where conventional interest based microfinance is not seen as complying with Islamic principles, particularly on the issue of paying of interest. This is an important issue for conventional MFIs, which need to compensate for higher administrative costs arising from the provision of services such as monitoring, advice and health insurance with higher interest rates. The paper noted that an estimated 420 million poor people in the Muslim world comprise a large potential market for Islamic microfinance. However, there is still a very limited number of Islamic MFIs and Islamic banks involved in microfinance, given that Islamic banks tend to favor larger firms.

The paper outlined the various modes of Islamic financing (mudarabah or trustee financing; musharakah or equity participation; the murabaha model; ijarah or leasing; ar-rahnu or Islamic pawn

broking; and qard al-hasanah or beneficence loans). The paper also discussed the sources of funds for Islamic microfinance and described some experiences of implementing microfinance in a number of economies, including Yemen (Hodeidah Microfinance Program), Mali (the Mali-North Program); Afghanistan (FINCA Afghanistan and the World Council Credit Union Islamic Financial Cooperative); Sudan (Sudanese Islamic Bank, Faisal Islamic Bank of Sudan, the Islamic Cooperative Development Bank and Farmers Bank), Malaysia (the Amanah Ikhtiar Malaysia and Islamic Pawn-Broking), and Indonesia (Bank Rakyat Indonesia, Baitul Maal Wat Tamwil and pawnshops).

The paper made the following conclusions:

- Islamic microfinance has witnessed some successes but its reach is currently still very limited, and its application has not been without problems. These include difficulties in obtaining funds from domestic and external sources. While some have been able to harness funds from traditional Islamic institutions, most programs have generally been financed by donor and government funds.
- Greater involvement of Islamic international financial institutions and Islamic commercial banks can also help widen the reach and scope of Islamic microfinance. Extensive research is needed in the application of Islamic financing formula to small enterprises, if Islamic microfinance is to become more widely accepted and successful.
- Islamic finance and conventional style interest-based finance should not be viewed as competitors. Instead, the application of Islamic finance should be seen as a supplement to interest rate credit financing to help small enterprises. Both can learn from each other for the mutual benefit of their clients, including small enterprises.

Participants expressed their agreement with two proposals submitted by the Coordinator: (a) that in the interim until early next year, the Group continue its collaboration with GTZ, ADBI and other interested participants to develop a proposed work program for an APEC financial inclusion initiative, as well as the Tokyo workshop to be hosted by the ADBI; and (b) that the Advisory Group participants, including ABAC members, follow up their respective finance ministries regarding the proposed launch of the financial inclusion initiative.

At the conclusion of the discussions, participants agreed with further suggestions from the Chair that ABAC members attending the dialogue with the APEC Finance Ministers reiterate the Advisory Group's proposal that the Finance Ministers launch a policy initiative on financial inclusion, and that the Coordinator continue developing the work program with GTZ, ADBI and other interested institutions, including the Tokyo workshop, and report back at the next meeting.

Future Agenda: Regional Financial Stability

The Chair opened the discussion by referring to the work that the Advisory Group has been doing on this subject for the past several years, including the study on how governments and investors can deal with challenges associated with volatile short-term capital flows. He noted that the world economy is currently faced with a combination of problems, namely the consequences of the sub-prime mortgage crisis and high energy and commodity prices, and their impact on financial markets and stability of financial systems.

The Coordinator provided a background to the discussions, by referring to a previous study commissioned by ABAC, which concluded that there is a need to improve the quality of data available to regulators and market participants. He noted that early this year, the Advisory Group contemplated the possibility of commissioning a follow-up study broadening the issue to include the impact of complex financial instruments and referred to suggestions on terms of reference drafted by Mr. Kenneth Waller after initial discussions with Mr. Ariyoshi and Professor Kim Dietrich that have been included in the meeting papers.

The Coordinator also referred to the ADBI's plan to do a study on a similar topic focused on Asian emerging markets and the decision of the Advisory Group during its previous meeting in Moscow to explore how to combine these efforts in a way that would satisfy and add value to both the Advisory Group's and ABAC's as well as ADBI's institutional objectives.

Dr. Lamberte briefed the participants on the brainstorming session that ADBI is hosting on 27 August in Tokyo, for the purpose of defining the parameters of the study, which will involve discussions with ABAC, other Advisory Group participants, as well as a number of experts from research institutions, government and international institutions. The study aims to examine the full impact of the fallout from the subprime crisis and the rising prices of commodities on Asian economies and what policy responses would be appropriate.

Mr. Ariyoshi expressed his view that there is a shared feeling about the need to better understand financial flows, and that efforts should focus on enhancing market intelligence capabilities of regulators and market participants based on a deep understanding of current realities in financial markets. He referred to the ongoing efforts being undertaken by the IMF and the Financial Stability Forum (FSF), noted that the study being prepared by ADBI can make a significant contribution, and reiterated the IMF's readiness to participate in this effort.

In the ensuing discussions, participants expressed support for these efforts, while underscoring the difficulties of dealing with crises, the importance of addressing issues related to the international flow of capital, and the need to gather and better understand data on financial flows. Participants endorsed the participation of ABAC and Advisory Group participants in the August 27 brainstorming session that will be hosted by ADBI, and the continued collaboration of the Advisory Group with ADBI and the IMF to develop a clear understanding of how this research can support the Group's efforts on promoting financial stability. The Chair also instructed the Coordinator to provide a progress report at the next meeting of the Advisory Group.

Future Agenda: Improving the Region's Credit Reporting Systems

The Chair opened the discussion by referring to the Advisory Group's decision to endorse the promotion of full-file comprehensive credit reporting to private credit bureaus in its 2008 Report, based on discussions in Moscow on the findings of studies submitted by the APCC.

Making a presentation on behalf of the APCC, Ms. Dong addressed concerns previously expressed by other Advisory Group participants at the Moscow meeting. She stressed that complementary to the APCC's support for full-file comprehensive credit reporting to private credit bureaus, the APCC also calls for the development of a standard that meets OECD data protection guidelines, providing to data subjects rights of notice, choice, access (with subjects having control over access, and access being restricted to parties with permissible purpose), dispute and correction of data. The standard should also ensure that only responsible and experienced actors may collect and maintain the data.

Ms. Dong presented a number of possible next steps where APCC could collaborate to promote the implementation of the Advisory Group's recommendations, which include proactive advocacy to garner support (for example, in ongoing efforts to adopt a new reporting system in Australia in collaboration with coalition members in Australia) and developing a survey of the state of reporting to see where assistance is needed to promote reform (such as in New Zealand, Korea, Japan and Hong Kong with respect to mortgage reporting).

Ms. Dong also noted the importance of raising awareness in the region and within the financial industry, and expressed the APCC's readiness to collaborate with participating institutions in the Advisory Group, particularly in relation to the Asian Bankers Association/ABAC/Pacific Economic Cooperation Council (PECC)/SEACEN Public-Private Dialogue that will be held in Kuala Lumpur, Malaysia on August 18-19 and the ABA Annual Meeting and Conference that will be held in Bangkok, Thailand on October 31.

In the ensuing discussions, participants expressed their support for the work of the Advisory Group and APCC on this issue. A number of issues were also discussed. One is the use of key reference information for identifying individuals, which is the identification card where they are in use and a combination of various data in other jurisdictions. Another issue is the need to achieve balance between the interests of lenders and borrowers, particularly in economies where there have been abuses on both sides. A third issue is the appropriate length of time for storing credit information, given that in certain jurisdictions this is limited to one year, which is deemed too short to be useful.

There was also a discussion of the situation in certain economies, where identification cards are used but banks need to set up additional data bases in order to have credit records for small and medium enterprises. In one case, even when the central bank collects information on SMEs, the information is segmented and not collected in a way that is useful for banks in making lending decisions. The discussions highlighted the need for sharing information throughout the banking system.

At the conclusion of the discussions on this agenda item, the Chair instructed the Coordinator to work with the APCC and other interested participants on this matter during the next few months and to report progress at the next meeting.

Update on preparations for the Public-Private Dialogue on Basel II Implementation and Strengthening Banking Systems.

The Coordinator referred participants to the program for the Dialogue, which will be held on August 18-19 in Kuala Lumpur. He noted that the dialogue is being co-organized with the South East Asian Central Banks (SEACEN) Centre by ABAC, PECC and the ABA, and that among the ABAC members participating in the Dialogue are Tan Sri Azman Hashim and Dr. Twatchai Yongkittikul. The GTZ and APCC will also be represented in this event.

The Chair encouraged Advisory Group participants to attend the Dialogue.

Vote of Thanks to Mr. Kenneth Waller

The Advisory Group approved a vote of thanks to Mr. Kenneth Waller, who had previously communicated that his involvement with the Advisory Group as part of ABAC Australia has come to an end. Participants commended Mr. Waller for his excellent service as past Coordinator of the Advisory Group and his immense contributions to its work throughout the past several years.

Chair's Closing Remarks

The Chair delivered his closing remarks, commenting that this has been another successful year for the Advisory Group, citing the successful holding of the 2nd APEC Public-Private Sector Forum on Bond Market Development, progress in the Group's work on financial inclusion, infrastructure PPP and financial stability, and a good start for its work on credit reporting systems. He noted that the results of these efforts are reflected both in a substantial 2008 Report and in concrete progress toward the implementation of proposals.

The Chair expressed his appreciation for the participants' extraordinary enthusiasm, their hard work and the generous support of participating institutions. He thanked the Advisory Group Co-Chair, Mr. Yoshihiro Watanabe, for presiding over the Advisory Group activities in his absence; those present for attending the meeting; and the meeting hosts, ABAC China, and Madame Lili Wang in particular, as well as the staff for the excellent preparations.

The Chair announced that the next regular meeting of the Advisory Group will take place in conjunction with ABAC's first meeting in 2008, which is scheduled to take place in New Zealand in early 2009.

Adjournment

There being no other matters to discuss, the Chair wished the participants an enjoyable stay in Hangzhou and a safe trip back to their respective home cities, and declared the meeting adjourned at 5:00 pm.