

ABAC Letter to APEC Finance Ministers

His Excellency

Dr. M Chatib Basri

Chair, APEC Finance Ministers' Meeting

Minister of Finance

Republic of Indonesia

Dear Minister Basri,

On behalf of the APEC Business Advisory Council, we would like to share our key recommendations related to finance and economic issues facing the Asia Pacific region.

Global financial and market conditions have improved since our last report, providing additional support to the economy and prompting a sharp rally in risk assets. These favorable conditions reflect a combination of deeper policy commitments, renewed monetary stimulus, and continued liquidity; as a result, tail risks have been reduced, confidence has been enhanced, and economic outlook has looked brighter. However, global economic conditions remain subdued, and the improvement can only be sustained through further policy actions to address structural reforms and promote continued recovery. We are concerned about the volatile capital flows and unstable financial markets in the Asia Pacific region, while the economies require the funding for growth as well as infrastructure investments. It is imperative that all economies continue to implement policies for ensuring stability and growth. This year, ABAC has prioritized the following finance-related objectives: a) launching the Asia Pacific Financial Forum (APFF) to assist in developing regional financial market integration, harmonizing and optimizing regulations; b) developing strategies to achieve balanced and innovative economic growth; c) promoting PPP and infrastructure finance, and; d) promoting practical solutions to encourage financial inclusion to benefit low-income households and SMMEs.

Creating a Platform of Public-Private Collaboration to Develop the Region's Financial Markets

In 2012, APEC Finance Ministers welcomed ABAC's proposal to explore the creation of an Asia-Pacific Financial Forum, a regional platform for public-private collaboration to help accelerate the development of integrated financial markets. A symposium hosted in Sydney in April 2013 by the Australian Government for this purpose underscored the importance of such collaboration in promoting financial market development that supports the needs of the real economy and regional aspirations for sustained, balanced, inclusive and innovative growth. APFF can add value to ongoing initiatives under various fora by bringing the private sector to work with public officials to identify crucial gaps not yet being addressed and unintended consequences of new regulations, as well as to help financial authorities take a more active role in shaping global financial regulatory standards. **ABAC recommends that APEC Finance Ministers endorse the launch of the APFF based on the work program proposed in the report of the Sydney Symposium** (Annex A of the attached Report of the Advisory Group on APEC Financial System Capacity Building). **ABAC commends the development of the Asia Regional Fund Passport (ARFP) and recommends that officials increase their engagement with market participants as the initiative is progressed.**

Expanding Regional Public-Private Partnership for Infrastructure Finance. Significant amounts of savings and private sector know-how can be harnessed to help the region meet its needs for higher quality infrastructure at lower cost to taxpayers and users. However, governments need to work closely together with the private sector and multilateral institutions to provide a conducive environment.

Dialogues with several economies undertaken by the Asia-Pacific Infrastructure Partnership (APIP) have highlighted key elements: coordination and collaboration among agencies; deeper understanding of risks and which parties are best positioned to assume each of them; strong, credible and creditworthy public institutions; capacity for policy reforms, planning, transactions and viability gap finance; clearly communicating priority sectors and projects; and long-term local currency finance. **ABAC recommends that APEC Finance Ministers establish a regional framework to coordinate capacity building and sharing of best practices, with the collaboration of the APIP.**

Mobilizing Regional Savings for Long-Term Investments. ABAC initiated a three-year program to encourage institutional savings held in sovereign wealth funds (SWFs), superannuation, insurance and others to be invested in domestic and cross border long-term infrastructure projects. Research work on this subject is being undertaken for the initial stage to examine the potential role of SWFs. ABAC will convene a dialogue in Beijing in September 2013, involving business, government officials, academia and representatives of SWFs and state-owned enterprises (SOEs). The outcomes and recommendations will be reported to the Finance Ministers as a means of enhancing investment flows in the region. **ABAC recommends that APEC Finance Ministers endorse this three-year initiative to create a framework for sharing best practices in mobilizing institutional savings to be invested in domestic and cross-border long-term infrastructure investments, in a transparent and market-based manner.**

Harnessing Innovation to Advance Financial Inclusion. Innovation promotes financial inclusion by significantly reducing the costs and increasing the efficiency of financial services offered to low-income households and small enterprises. The 2013 Asia-Pacific Financial Inclusion Forum hosted by the Indonesian Government and convened by ABAC and its partner institutions identified various measures that can help governments harness innovation to promote financial inclusion (for details, see financial inclusion section of the attached Report of the Advisory Group on APEC Financial System Capacity Building). **ABAC proposes that APEC economies commit to policy reforms to facilitate the delivery of mobile and branchless banking and remittances and to improve the market infrastructure, particularly payment and credit reporting systems and secured lending frameworks; and to undertake capacity building to promote innovative approaches and effective financial education and consumer protection regimes. ABAC calls for a collaborative development of an APEC fund-of-funds for seeding and growing a private sector led venture capital ecosystem in the region.**

Unintended Consequences of New Financial Regulations. ABAC issued two letters to APEC Finance Ministers in April 2012 and May 2013 to express increasing concerns about extraterritoriality of new financial regulations, where the impact of certain regulations may hinder the prospects of the region's further development as a crucial engine of global economic growth. Of particular concern is the extraterritorial application of the US Dodd-Frank Act and the EU Financial Transaction Tax. **ABAC recommends that APEC financial regulators closely collaborate with each other on the monitoring and implementation of new financial regulations, in order to address the concerns over unintended extra-territorial effects for the region.**

In conclusion, we recognize that our region continues to face challenges with the current economic environment and progress will require long-term policy initiatives and structural reform, in addition to coordinated action by governments in addressing financial issues in our region. We look forward to our dialogue in Bali in the coming September, where we hope to discuss the above recommendations in more details with an objective of promoting balanced, inclusive, sustainable, innovative and secure growth across the Asia-Pacific region.

Sincerely,
Wishnu Wardana
ABAC Chair 2013

ABAC Report to APEC Finance Ministers

The APEC Business Advisory Council (ABAC) is pleased to present its report and recommendations for the year 2013 to APEC Finance Ministers.

Global financial and market conditions in the region have improved notably on the back of deeper policy commitments, renewed monetary stimulus, and continued liquidity support through the first half of 2013. Despite reduced tail risks and enhanced confidence, global economic conditions remain subdued. IMF warns a three-speed global recovery, highlighting that the prolonged debt crisis in the euro area has spilled over and affected not only the peripheral but also several core economies. The World Bank revised down its global growth outlook, warning that the large developing economies will not experience the same boom as before and will have to focus on structural reforms to keep expanding. The recent volatility of capital flows and financial markets in the Asia Pacific region is concerning. Across the region, further policy actions are required to sustain continued economic recovery.

Our recommendations and report on our activities respond to the priorities set forth by ABAC Indonesia for 2013, including the following areas:

- i) Promote Asia Pacific Financial Forum (APFF) in developing regional markets integration and address regulatory, structural, and legal reforms to promote financial market development
- ii) Develop strategies to achieve balanced growth and stronger financial integration
- iii) Promote PPP and infrastructure finance
- iv) Promote practical solutions to financial inclusion.

This report also draws from recommendations and activities of the Advisory Group on APEC Financial Systems Capacity Building. The Advisory Group is an informal organization led by ABAC that serves as a vehicle for collaboration among public and private sectors and key international institutions in promoting capacity building efforts to strengthen and develop the region's financial systems. We believe that this collaboration between the public and private sectors is a key element that can ensure the success of the following initiatives.

i) Launching of the Asia Pacific Financial Forum (APFF)

The current global economic situation underscores the compelling rationale for the development of sound and integrated financial markets in the region. Given the present economic challenges facing North America and Europe, global economic recovery and the resumption of previous levels of growth will hinge on the continued rapid development of emerging markets in coming years, particularly in Asia, where savings are abundant. However, the underdevelopment of the region's financial markets, unless addressed, will pose a serious constraint to the future growth of Asia and, consequently, to regional and global economic growth.

Regional financial integration is important for the development of the region's emerging financial markets, to allow them to fully support the financing of the region's economic and social needs. As long as these markets are fragmented, it will remain difficult to attract market players to participate in a more meaningful way. Building regionally integrated financial markets would involve three important undertakings. First, the development of most of the region's financial markets needs to be accelerated. Second, operating simultaneously in multiple markets should be made easier and less costly for market players through convergence and/or greater mutual recognition of standards, regulations and practices. Third, regulations and market infrastructure to facilitate cross-border transactions need to be developed.

In 2012, the APEC Finance Ministers welcomed ABAC's proposal to explore the creation of an Asia-Pacific Financial Forum, a regional platform for public-private collaboration to help accelerate the development of integrated financial markets. A symposium was co-organized by ABAC and hosted by the Australian Government in Sydney for this purpose in April, 2013. The Symposium was attended by 98 representatives from public and private sectors across APEC and concluded with wide support for the concept and objectives of APFF. This highlighted the importance of such collaboration in promoting financial market development to support the needs of the real economy and regional aspirations for sustained, balanced, inclusive and innovative growth. APFF can add value to ongoing initiatives under various fora by bringing the private sector to work with public officials to identify crucial gaps not yet being addressed and unintended consequences of new regulations. This would also help financial authorities take a more active role in shaping global financial regulatory standards.

The collaborative framework of APFF is envisioned to be a platform for public-private sector collaboration in:

- The development of robust financial markets across the region; the convergence of financial standards, regulations and practices; and connectivity for facilitating cross-border financial flows, to create dynamic and integrated financial markets that will support the region's sustained rapid growth; and
- Shaping global financial regulatory reforms in support of the region's financial development goals, through coordination of views on agreed areas of common regional concern and ensuring that these concerns are adequately reflected in global financial standards and regulations.

Recommendation:

- Endorse the launch of the APFF based on the work program priorities proposed in the report of the Sydney Symposium (Annex A, Report of the Advisory Group on APEC Financial System Capacity Building).

ii) Strengthening the Asia Regional Fund Passport (ARFP)

ABAC notes the progress of the Asia Region Funds Passport (ARFP) initiative, which it recommended to APEC Finance Ministers in 2010. Preparations are under way to submit a framework document setting out the principles, implementation and governance of the ARFP for Finance Ministers' approval in this year's annual meeting. It is also expected to have a statement of intent signed by economies deciding to participate.

Recommendation:

- ABAC commends the development of the Asia Regional Fund Passport (ARFP) and recommends that officials increase their engagement with market participants as the initiative is progressed.

iii) **Strategies to achieve balanced and innovative growth and stronger financial integration**

a) *Mobilizing Regional Savings for Long-Term Investments.*

Sovereign wealth funds (SWFs) are growing in size world-wide, although relatively small in terms of total global financial assets, they exist in a number of APEC economies, including Australia, Russia, Brunei, USA, Canada, Malaysia, Singapore, China, Hong Kong China, Korea, Chinese Taipei and Chile.

Transparency about the operations of SWFs is often obscure and there is uncertainty about accountability. Some funds are invested on strategic grounds, as distinct from commercial investments; this is the cause of uncertainty in decision-making on potential investment by some recipient economies. Open market investment principles require a competitive environment for all investors, including SWFs and State Owned Enterprises (SOEs). APEC's Investment Action Plan calls for greater transparency in decision making around investment and improved dialogue between governments and businesses, including SWFs and SOEs.

To enhance investment flows across the region, ABAC is supporting an initiative involving a three-year program to encourage greater predictability and transparency in investment decision-making. An aspect of the program is to encourage institutional savings held in SWFs, superannuation, insurance and other vehicles to be invested in domestic and cross-border long-term infrastructure projects, subject to prudent investment principles. Research is presently being undertaken on the project and a dialogue involving officials, business, academia and representatives of SWFs and SOEs will be convened in Beijing in September, 2013.

The outcomes and recommendations from the Beijing dialogue will be reported back to the Finance Ministers.

Recommendation:

- Endorse this three-year initiative to enhance decision making, transparency and predictability to promote investment flows in the region and to promote a framework aimed at mobilizing institutional savings to be invested in domestic and cross-border long-term infrastructure investments that are economically viable and sustainable, in a transparent and market-based manner.

b) *Asia - Latin America Financial Cooperation and Integration*

Intra-regional collaboration is crucial for promoting trade among APEC economies. However, ABAC needs to consider the differences in levels of development between each of the sub-regions, even as we encourage progress toward the FTAAP through various

pathways, including the TPP, the Regional Comprehensive Economic Partnership and the recently established Pacific Alliance.

Focusing on Asia-Latin America sub-regional collaboration from the view of the Pacific Alliance, Trans-Pacific economic ties between Asia and Latin America have deepened. Trade between both sides has steadily increased, mainly in terms of commodity-for-manufactured goods. Compared with the economic ties between other sub regions, the collaboration and linkage of these two markets still needs to be developed further with respect to trade in goods and services, investment and capital and financial market transactions.

ABAC notes the necessity of enhancing regional financial integration by expanding collaboration between Latin America and Asia. Unless addressed, the underdevelopment of this collaboration will pose a constraint to future growth.

Recommendation:

- Encourage closer economic ties between Latin America and Asia and enhanced policy coordination.
- Develop trade finance programs between Asia and Latin America, through collaboration with institutions such as the Asian Development Bank and the Inter-American Development Bank.

c) *Unintended Consequences of New Financial Regulations*

ABAC understands the importance of sound financial regulation in maintaining sustainable growth and stable financial systems. We note, however, that given the high-level of connectivity among today's markets, the extraterritorial impact of financial regulations can spread quickly, deeply and extensively across multiple financial markets.

Although ABAC has issued letters to relevant authorities highlighting the unintended consequences of new financial regulations last year, we have become increasingly concerned about the serious extraterritorial impact of new financial regulations being introduced in certain jurisdictions on market activities in the rest of the world.

We believe this to be particularly the case in the Asia-Pacific region, where the impact of such regulations on investment may hinder the prospects of its further development as a much-needed engine of growth for the global economy at this critical point in time. We are still urging the relevant authorities to address these concerns, and sent the letters highlighting the following issues to APEC Finance Ministers, G20 and the Basel Committee on Banking Supervision in May 2013:

- In relation to the potential negative impact on other markets from US Dodd-Frank Act and the EU Financial Transaction Tax, ABAC urged relevant authorities to collaborate with each other in addressing their cross-border and extraterritorial effects.
- Given the current unstable and uncertain economic circumstances, ABAC recommended careful consideration of new financial regulations to address their negative effects on trade finance.

Recommendation:

- Undertake regular global dialogues on financial regulatory and supervisory policy and support a global minimum regulatory standard, which would allow domestic authorities in the region flexibility in dealing with particular domestic circumstances.
- Consider the potential negative impact of Basel III on availability and cost of trade finance and bank lending to SMMEs. *Review the risk of Loss Given Default (LGD) and the specific impact of the regulation on SMMEs*
- Take appropriate measures to ensure that financial regulations facilitate SMMEs' access to trade finance.

d) *Internationalization of Emerging Economies' Currencies*

With emerging markets' growing economic importance, their currencies will play more important roles in global and regional markets, particularly for trade settlement and investment. Promoting the internationalization of their currencies could help accelerate financial and economic development in the region, reduce foreign exchange risks, and contribute to economic growth and recovery.

From the perspective that harmonization and transparency are necessary attributes for emerging economies' currencies to become truly international, two main areas where concrete measures can be adopted for promoting continued growth are improving liquidity and operations.

Recommendation:

- Promote the expanded role of emerging economies' currencies in trade and investment flows.
- Consider the following measures to improve liquidity and operations:

Liquidity: Ensure a consistent definition of eligible trades, with greater transparency and flexibility on the eligibility to conduct FX transactions at on-shore or off-shore rates; encourage more and greater cross-currency swap lines; harmonize reporting, record keeping and settlement procedures; and improve the fungibility of its liquidity pools.

Operations: Enhance straight-through-processing; enhanced platform for longer operating hours to cover various time zones and lower the amount and cost of liquidity required to support the transactions; ensure that needed market infrastructure are in place, in conjunction with global standardisation, efficiency and a faster clearing and settlement system.

e) *International Financial Reporting Standards (IFRS)*

The global proliferation of International Financial Reporting Standards (IFRS) has been one of the biggest single developments in accounting over the past decade. In ABAC's 2010, 2011, and 2012 Report to APEC Economic Leaders, we expressed our strong support for adoption of IFRS throughout the APEC region as part of APEC's goal of encouraging

regulatory coherence and of promoting regional economic integration. The introduction of robust and common accounting brings with it the potential to enhance development of capital markets in the APEC region, improve financial transparency and market certainty as well as to promote sustainable economic growth and increase cross-border trade. IFRS is an important means of converging financial standards, regulations and practices as well as shaping global financial regulatory reforms in support of the region's financial development goals. These objectives constitute a core component of ABAC's proposed Asia-Pacific Financial Forum (APFF), which will enhance regional public-private collaboration with the aim of helping the region develop sound, efficient and integrated financial markets.

However, ABAC has consistently voiced concerns that some of the newly-proposed accounting standards may result in potential negative business and economic impact. ABAC has noted that the improper implementation of IFRS in lease accounting will reduce the ability of businesses, particularly SMMEs, to access funding. ABAC is also concerned that IFRS for insurance contracts will subject insurance companies in the region to possible negative impacts including non-economic volatility in earnings and shareholder equity along with a lack of transparency in the reported results of insurance companies in the region. Finally, harmonized international standards for reporting revenue are in need of improvement, and as a result regulatory bodies are attempting to clarify principles for recognizing revenue from contracts with customers. ABAC is concerned that replacing all of the existing industry specific guidance with a single general principle will fail to address many unique, industry-specific matters and this is a significant step away from these rules. ABAC has an obligation to underscore at a policy level that financial regulatory standards be implemented in a way that does not impair APEC's overarching themes of Inclusive Growth.

Recommendation:

- Establish a task force to study smooth introduction of IFRS to ensure appropriate communication among IASB, FASB, APEC and ABAC and undertake an impact study on certain provisions, such as those related to lease financing and insurance contracts, and make suitable adjustments, to avoid negative business and economic impact.
- Support a dialogue between business groups and IASB/FASB as part of the proposed Asia-Pacific Financial Forum (APFF) on ways that would align IFRS principles with the interests of SMMEs and other business groups, such as insurance companies, that will be affected.

f) Enhancing the Potential of Credit Rating Agencies to Facilitate Cross-border Investment in Local Currency Bond Markets

Robust and reliable credit ratings that are comparable across markets can promote cross-border bond investments and greater market depth and liquidity. Much remains to be done to create favorable conditions for domestic credit rating agencies (CRAs), the dominant industry players in the region's emerging bond markets.

Key challenges are divergent rating practices; the technical difficulty of using domestic ratings to compare issues across borders; varying levels of development, accounting standards, disclosure practices and legal and regulatory regimes; and insufficient trust of investors in relatively young domestic CRAs.

Recommendation:

- Endorse a project to develop a regional guidebook on common basic rating methodologies and basic rating criteria for key industries and sectors with the collaboration of the Association of Credit Rating Agencies in Asia, as well as the convergence of accreditation criteria for CRAs across markets and convergence of financial standards and regulations to facilitate comparable credit ratings across markets.

iv) Promote PPP and infrastructure finance

Public-Private Partnerships have significant potential to help finance the region's enormous infrastructure needs, as well as to improve quality and lower costs of services. This requires the right environment, however, and despite continuing improvements in infrastructure-related policies, key constraints remain in many economies. These include lack of capital market depth, lack of good quality projects, inadequate regulatory frameworks and need for better understanding of allocating various types of risk between public and private sectors.

Structures enabling parties to frankly and objectively discuss the complex matters involved can help create conducive environments for successful PPPs. In 2010, ABAC initiated the Asia-Pacific Infrastructure Partnership (APIP), bringing together high-level officials, experts from multilateral bodies and private sector panelists actively involved in infrastructure projects from a wide range of relevant fields. Since its establishment, APIP has held dialogues with six economies (Mexico, Peru, Philippines, Vietnam, Indonesia and Thailand) and actively participated in five regional forums.

Dialogues with several economies undertaken by the Asia-Pacific Infrastructure Partnership (APIP) have highlighted key elements: coordination and collaboration among agencies; deeper understanding of risks and which parties are best positioned to assume each of them; strong, credible and creditworthy public institutions; capacity for policy reforms, planning, transactions and viability gap finance; clearly communicating priority sectors and projects; and long-term local currency finance.

Recommendation:

- Establish a regional framework under a multi-year initiative to coordinate capacity building and sharing of best practices in infrastructure finance, with the collaboration of the APIP.

v) Promote practical solutions to financial inclusion

a. Harnessing Innovation to advance financial inclusion

The past two decades have seen an expansion of financial inclusion driven by the adoption of innovations and new technologies that have significantly reduced the costs and increased the efficiency of offering financial services to low-income households, traditionally unbanked or under-banked individuals, and SMMEs.

Within the past few years, the development of mobile and branchless banking, improvements in credit information systems and risk analytics, and improvement in electronic data security have made considerable progress in developing economies. This

has enabled a growing number of such households and enterprises to gain access to finance, and has expanded the prospects of improving people's standard of living and increasing the opportunities for economic growth.

In order to continuously promote financial inclusion, ABAC co-organized the 2013 Asia-Pacific Financial Inclusion Forum in Batam, Indonesia. This ongoing forum is designed to promote best practices sharing for policy, regulatory and supervisory agencies, and will enhance institutional capacities in the public and private sectors to continuously promote financial inclusion in the region's banking and securities systems. For details, see financial inclusion section of the attached Report of the Advisory Group on APEC Financial System Capacity Building (Annex A).

Recommendation:

- Commit to policy reforms to facilitate the delivery of mobile and branchless banking and remittances
- Improve the market infrastructure, particularly payment and credit reporting systems and secured lending frameworks; and
- Undertake capacity building to promote innovative approaches and effective financial education and consumer protection regimes.

b. Enhancing safe and reliable access to remittances

According to the World Bank, remittance flows to developing economies reached an estimated 401 billion USD in 2012, growing by 5.3 percent compared with 2011. Remittance flows are expected to grow at an average of 8.8 percent annual rate during 2013-2015 to about 515 billion USD in 2015. With growing constraints on public resources in the wake of the Global Financial Crisis, mobilizing private resources to serve financial needs of low-income households and small enterprises has become ever more important. Stronger, more balanced and more inclusive growth also requires efforts to further expand financial access through new channels, while addressing the key obstacles small enterprises face in accessing traditional sources of finance.

Remittances have great potential for promoting financial inclusion, and are expected to grow in importance in coming years. The World Bank estimates that cutting remittance transaction costs by 5% could save up to US \$16 billion per year. The region itself hosts around 7 million migrants, and this number is expected to increase considerably with the region's growing economic integration, against a backdrop of large income differentials among economies and aging populations in the more developed economies. Remittances have nearly quadrupled since the turn of the millennium.

Recommendation

- Foster innovation by identifying best practices in developing payment systems, adopting globally accepted standards as well as introducing enhancement of services like cross border remittances, e-payments and facilitating online commerce to meet development goals.
- Enhance financial education to help migrants and their families understand the broad array of services and instruments such as savings, credit, and insurance linked to remittances.

- Collaborate with International Financial Institutions (IFIs) to link remittances to other financial products such as savings accounts, micro-loans and mortgage and business loans. Linking remittances more closely to banks and financial institutions such as microfinance institutions or savings cooperatives can promote the mobilization of savings and productive investments.

c. Undertaking Legal Architecture Reforms to Expand Finance

Well-defined legal systems with effective enforcement mechanisms expand funding and lower borrowing costs, especially for SMMEs, as well as for projects that require foreign financing, by providing a highly predictable environment that reduces non-commercial risks faced by lenders and investors. Measures in the areas of secured lending (particularly in relation to security interest creation, perfection and enforcement, floating charges and accounts receivable financing) and insolvency, where lenders and investors in the region face major issues, will significantly benefit member economies.

Recommendation:

- Endorse the documents *Elements of an APEC Model Code of Security Interest Creation, Perfection and Enforcement* to guide reforms in member economies and the *Asia Pacific Regional Informal Workout Guidelines* and *Model Agreement to Promote Company Restructuring by Informal Workout* (Annex B of the attached Report of the Advisory Group on APEC Financial System Capacity Building).

d. Promoting full-file credit bureau systems

In a global economy, businesses need every advantage to stay competitive. One clear advantage is having access to the most complete information to make informed business decisions. Many economies in the region are active in promoting credit bureau systems, recognizing the need for these systems in promoting sound underwriting and credit policies. However, in many APEC economies, credit information systems have not reached levels of development where they can play their full potential role in improve credit decisions. In other economies, credit bureaus lack full-file information on borrowers – credit information on all manner of trade lines such as bank, non-bank, credit card and installment sales debt – simply because the information systems are segmented or “siloed” along industry lines.

Credit bureaus are critical to the expansion of credit for both individuals and small businesses, since access to credit information is needed when applying modern financial technologies to credit decisions for these market segments. Credit bureaus also promote a competitive marketplace for financial service products, often resulting in more competitively priced credit for both commercial and consumer borrowers with good credit behavior. Fully transparent credit information systems will incentivize lenders to significantly expand more affordable credit to SMEs in the region. When this activity takes place across international boundaries, it is important that economies work together to ensure regulatory regimes don't hinder cross-border credit information flows.

Recommendation:

- Encourage credit bureaus to allow access to, and include information from, all qualified lenders, not only to maintain fair and competitive access, but also to improve the quality of data available for all.

e. Catalyzing Investment in Innovative Enterprises

Government and private sector collaboration is needed to establish a thriving and sustainable innovation ecosystem, with the role of government focused on mobilizing angel and venture capital through effective support programs, providing enabling environments for financing business activities across various stages of innovation, and ensuring the fundamental conditions for entrepreneurship and innovation. APEC can play a role in promoting the development of regional innovation by exploring the creation of APEC-oriented funds-of-funds that are public-private partnerships investing in private sector-led venture funds operating in the region and specializing in the various sectors where there are significant potential for innovation.

Recommendation:

- Develop government-encouraged funds of funds within APEC for seeding and growing a private sector-led angel and venture capital ecosystem in the region and that interested economies and multilateral institutions collaborate with ABAC and private sector firms to initiate this process.