



15 September 2009

**The Honorable
Tharman Shanmugaratnam**

Chair, APEC Finance Ministers' Meeting and
Minister for Finance
Singapore

Dear Minister Tharman:

On behalf of the APEC Business Advisory Council (ABAC), we are honored to submit the enclosed 2009 ABAC Report to APEC Finance Ministers. We attach great value to the excellent relationship that ABAC has developed with the APEC Finance Ministers over the past few years, and note with satisfaction our growing cooperation with the Senior Finance Officials. We are thus grateful for the opportunity to once again have a dialogue with the Finance Ministers this coming 12 November in Singapore, and look forward to sharing with them our perspectives and views from the region's financial industry on the important issues we are facing today.

This year, ABAC focused its efforts on formulating a sound response to the global financial and economic crisis and promoting inclusive growth through the deepening, strengthening and integration of capital markets and the enhancement of industrial and social infrastructure in our region. These objectives underpin the recommendations that are contained in our report, which is structured to reflect three key areas that need attention.

First, we welcome efforts to ***promote post-crisis recovery*** through effective and high quality fiscal and monetary measures, supported by the improvement of global coordination and cooperation in promoting sound regulatory practices and continued international collaboration, especially within the G20 and Financial Stability Board (FSB) frameworks. We call for continued movement toward activity-based regulation and the development of consistent standards for clearinghouses. We also urge governments to ensure that the development of long-term interest rates and coordinated implementation of exit strategies are supportive of recovery.

Second, we recommend renewed international and domestic efforts to ***strengthen and deepen the region's capital markets***. We believe this could be done through further improvements to the Chiang Mai Initiative and the development of a basket of currencies for settlement of international transactions that can eventually help strengthen the international monetary system. We call for enhanced regulatory harmonization and cooperation to more effectively monitor cross-border capital flows. We also recommend the close monitoring of the implementation of corporate governance principles, enhanced disclosure requirements, promotion of macro-prudential regulation and public-private dialogue on new regulations. We are proposing improvements in the legal architecture for secured lending, the acceleration of the development of corporate bond markets and financial integration, and promotion of equity market development through improved access to information and greater diversity of products, hedging tools and the international investor base.

Third, we call for greater *capacity building for the expansion of the social and industrial infrastructure within our region*. We especially see a great need to promote domestic demand and correct the huge global imbalances that have built up over the previous decades. To this end, we recommend the launch of an APEC Financial Inclusion Initiative and the promotion of infrastructure development through a regional partnership among governments, business and international financial institutions. We call for the enhancement of social safety nets, including social insurance and pension systems, relevant to the circumstances of individual economies; and the strengthening of credit reporting systems to facilitate the growth of consumer finance.

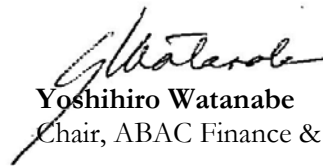
In addition to these recommendations contained in our report, we also call for *greater dialogue between public and private sectors on financial reforms and regulatory changes*, particularly those related to regulatory capital requirements, which we have touched on in a separate letter we have submitted this year to Finance Ministers.

We firmly believe that the Asia-Pacific region should be the growth center of the global economy. Given that full and sustainable recovery remains uncertain at this time despite recent positive developments, we would like to reiterate the importance of the dialogue between the public and private sectors and of APEC Finance Ministers' continued coordinated efforts to promote a sound economic environment in our region. We reconfirm our support for these efforts and look forward to further strengthening our cooperation with the APEC Finance Ministers in the months and years ahead.

Sincerely yours,



Teng Theng Dar
ABAC Chair 2009



Yoshihiro Watanabe
Chair, ABAC Finance & Economics Working Group