



ASIA-PACIFIC FINANCIAL FORUM OVERVIEW

EXECUTIVE SUMMARY

The Asia-Pacific Financial Forum (APFF) Symposium was held on April 10-11, 2013 in Sydney, Australia. The Symposium was jointly sponsored by the APEC Business Advisory Council (ABAC) and the Australian Treasury.

APFF VISION

The APFF is envisioned as a platform to bring together institutions, organizations and initiatives geared towards the development and strengthening of the region's financial markets. Its objective will be to help promote greater synergy, identify and address gaps, build institutional capacity, as well as accelerate the evolution of regional cooperation toward greater consistency and coherence in the development of regional financial markets.

SYMPOSIUM DISCUSSIONS

The APFF Symposium discussions assessed the state of regional financial market development and identified a roadmap for increased integration. Topics included:

- Existing financial markets in a global and regional context.
- Financial market development for the Asia Pacific region.
- Regulatory barriers impacting Asia-Pacific financial market development and convergence.

WORK PROGRAMS

Symposium participants agreed to focus on a limited agenda with initiatives that can have concrete deliverables in a one to two year time frame. The overarching issues that the APFF addresses will be sufficiently flexible so that the APFF remains relevant as economies grow. Symposium participants identified three work streams for the APFF:

Insurance, Capital Markets, and Lending.

STRUCTURE AND PROCESS

APFF activities will be organized under the leadership of the APEC Business Advisory Council (ABAC) in conjunction with the APEC Finance Ministers Process (FMP). Interested economies and/or international institutions will be invited to host activities under the work program. Sponsorships will be solicited as appropriate.



APFF NEXT STEPS

The ABAC will now refine the Asia-Pacific Financial Forum proposal, based on the discussions at the Symposium, and present it to APEC Finance Ministers in September 2013.

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SUMMARY OF APFF SYMPOSIUM DISCUSSIONS

OVERVIEW OF ASIA-PACIFIC FINANCIAL MARKETS: CURRENT STATE AND EVOLUTION IN A GLOBAL AND REGIONAL CONTEXT

This session focused on key characteristics of, and differences between, financial markets in the Asia-Pacific and reviewed their development in the context of their role in promoting balanced, inclusive, sustained and innovative growth. The session also identified the level of financial market connectivity in the Asia-Pacific and how this differs from more homogenous, integrated financial markets in Europe and the US.

Key Discussion Points:

For Asia to grow the APFF needs to focus on long term objectives with near term deliverables. The solution to these issues requires efforts across government ministries. Savings must be channeled into the region to facilitate long term infrastructure investment. Undeveloped regional capital markets dissuade regional investment, and result in regional savings leaving for developed capital markets in the US and EU. To develop regional markets, Asia must:

- Move away from bank concentration and the overreliance on bank lending.
- Increase efficiencies and bring down costs to become more competitive with the EU and US.
- Develop flexible markets that can integrate strengths from EU and US models but fit the specific needs of the region.
- Increase transparency and simplicity across Asia and strengthen regional financial cooperation.
- Create robust, resilient, and inclusive markets to attract global investors.
- Strengthen pension systems to promote financial stability as more people retire in the upcoming decades. Pension funds and mutual funds can provide a demand for regional investment.



FINANCIAL MARKET DEVELOPMENT AND CONNECTIVITY: DEFINING A DEVELOPMENT AGENDA FOR THE ASIA PACIFIC REGION

This session focused on how policy-makers and regulators aspire to shape future market and regulatory structures to promote financial market development and connectivity.

Key Discussion Points:

Consistency and transparency are important to developing stable and predictable financial markets. Investors need to be able to access the local market and understand the differences between economies to improve capital inflows. Some specific recommendations include:

- Producing a consistent definition of infrastructure across the region
- Ensuring the consistent treatment of foreign vs. domestic investors, including how claims are recognized.
- Harmonizing foreign ownership cap levels across industries.
- Simplifying tax systems across the region

Financial inclusion should be a top priority in the region. Cross border data flows are an integral part of financial inclusion through the improvement of credit and worker mobility. The APFF must communicate the messages of market connectivity and create a level of trust between the policy makers and the general public.

Capacity building, convergence, efficiency and regional integration are also critical. Asian economies are at varying levels of financial market development, and the APFF must advocate for the broad application of financial industry best practices in order to attract regional investment.

REGULATORY ISSUES IN PROMOTING ASIA-PACIFIC FINANCIAL MARKET DEVELOPMENT AND CONVERGENCE

This session reviewed the actual and potential impact of current and planned global financial regulatory standards on the achievement of the region's financial market development goals and aspirations including what positive impacts can be strengthened, what unintended consequences need to be addressed, and what gaps need to be filled.

Key Discussion Points:

The APFF can be a voice for the Asia-pacific and work with regional bodies on the implementation of regulatory policies. The APFF must ensure that this messaging is compatible with existing EU and US regulations to avoid conflicts with EU and US regulators.

- Asian economies are represented in the standards bodies but the broad development variances across the region means that Asia needs to continue to be involved to ensure that global standards reflect the unique development and economic goals of the region.
- Regulations should be flexible across economies. Economies emerging from global financial crisis may have different financial market needs.



The foundation for sustained economic growth is a banking system in which there are effectively regulated capital requirements, liquidity, and transparency. Applying the same regulations to banks, insurance, and securities does not work. There needs to be variations that take into consideration the purpose of each industry. Non-bank lenders lend to higher risk and should therefore not have same liquidity standards.

WORK PROGRAMS

Recommendations for a work program and activities for the period May 2013 – April 2015 were developed by participants at the Symposium and will be finalized by consensus of participants before the 2013 APEC Finance Ministerial Meeting. A report on proposed work program and activities will be submitted by ABAC to the APEC Finance Ministers and discussed during their dialogue.

Symposium participants agreed to focus on a limited agenda with initiatives that can have concrete deliverables in a one to two year time frame. The overarching issues that the APFF addresses should be sufficiently flexible so that the APFF remains relevant as economies grow. Discussions at the APFF Symposium were distilled into three categories:

INSURANCE

- Develop recommendations on regional harmonization and interpretation of regulatory requirements at macro level.
- Promote consistent regional financial messaging for international accounting, regulatory and other discussions.
- Support the role of insurance industry in long term financial stability, infrastructure development, trade development and social stability and inclusion.
- Assist government in discussions and solutions around retirement income schemes, recognizing the rapidly ageing population and longevity.

CAPITAL MARKETS

- Build awareness amongst governments/policy makers about benefits of cooperation and harmonization.
- Promote investor engagement and build industry capability.
- Enhance market quality by building a roadmap to harmonize access requirements for local market, standardize platforms, and create a cross-border capital mechanism for the movement of capital.
- Develop platform for providing market information on a standardized basis to fund managers.
- Promote market integrity by encouraging consistent default resolution regimes and developing standards for market entry.

LENDING

- Promote financial inclusion through predictable/transparent legal and regulatory environment, and full file credit bureaus.
- Provide a convening function to bring in the right stakeholders (private sector, public sector and regulators, standard setters) to influence decision makers on enhancing secured financing.



- Promote trade finance to integrate more companies (including SMEs) into global supply chains.
- Advocate for consistent treatment of foreign vs. domestic funding.
 - Limit impediments to cross border capital flows, encourage securitization.
 - Increase integration to improve flows of capital, data, and labor.

PROCESS AND STRUCTURE

INSTITUTIONAL/REPORTING ARRANGEMENTS:

The APFF is a policy initiative managed by the ABAC in partnership with interested economies and financial institutions under the APEC Finance Ministers' Process (FMP). ABAC will report regularly to the FMP on progress and outcomes and make presentations as needed. APEC Finance Ministers and relevant international bodies can adopt and incorporate recommendations emerging from APFF into their respective statements, work and activities.

The APFF's role is not to formulate standards nor create market infrastructure and regulations but rather to evaluate them and identify ways to promote coherent development, convergence and connectivity of markets.

The APFF will support the ABAC in developing a roadmap for increased financial market connectivity. ABAC has an institutionally mandated role in APEC and the APFF will contribute to that role. The APFF can strengthen the regional financial market messaging and help implement standards and promote policy coordination across the region.

COORDINATION:

Activities will be organized in the form of informal workshops, conferences, discussions and capacity building activities for policy makers and regulators.

ABAC will volunteer to coordinate activities, in partnership with any other interested institutions or ministries. It will utilize the ABAC Advisory Group on APEC Financial System Capacity Building, which is chaired by ABAC. The Advisory Group regularly meets four times a year and can convene workshops, conferences or any additional meetings as needed.

PARTICIPANTS:

The APFF will engage with all relevant public and private entities whose activities have significant impact on the development and integration of the region's financial markets.

Participation in APFF activities would be open to the following:

- Government officials: Interested finance ministries, central banks and financial regulatory authorities and agencies from APEC economies. Non-APEC ASEAN+3 and Pacific Alliance member economies may also be invited as deemed appropriate.
- International Financial Institutions
- APFF Private Sector Representatives: ABAC will invite representatives from the private sector and international organizations to join a regional panel to participate in dialogues, workshops and relevant activities under the APFF.



LOGISTICS AND FUNDING:

APFF activities will be organized under the leadership of the ABAC in conjunction with APEC Finance Ministers. Interested economies and/or international institutions will be invited to host activities under the work program. Sponsorships will be solicited as appropriate.

REVIEW AND FURTHER DEVELOPMENT:

A review of the initial APFF structure and process will be undertaken by ABAC and interested participating institutions within two years. Based on this review, directions for further development will be discussed with APEC Senior Finance Officials and APEC Finance Ministers.

APFF NEXT STEPS

ABAC will refine the Asia-Pacific Financial Forum proposal, based on the discussions at the Symposium, and present it to APEC Finance Ministers in September 2013.