



ASIA-PACIFIC FINANCIAL FORUM

2017 Progress Report to the APEC Finance Ministers

EXECUTIVE SUMMARY

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The ongoing debate on globalization underscores the need for structural reforms to go hand in hand with trade and investment liberalization for the latter's fruits to be more broadly and equitably shared. The widening social and geographical income gaps in many economies and the persistence of huge current account imbalances that have fueled trade frictions have contributed to the notable erosion of public support for globalization over the past few years. These challenges cannot be met by retreating to protectionism. They can be met by advancing efforts to adapt our legal, policy and regulatory frameworks to the economic realities of the 21st century, to enable entire societies, not just a few, to seize the opportunities of globalization.

In the wake of the Global Financial Crisis (GFC), the APEC Business Advisory Council (ABAC) called attention in its 2009 Report to the APEC Finance Ministers to the “great need to promote domestic demand [in Asian developing economies] and correct the huge global imbalances that have built up over the previous decades.” To this end, in the same report, ABAC recommended “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”, “the enhancement of social safety nets, including social insurance and pension systems... and the strengthening of credit reporting systems to facilitate the growth of consumer finance.”

In the years that followed, APEC Finance Ministers echoed these recommendations in their Kyoto Report on Growth Strategy and Finance and the launch of the Asia-Pacific Forum on Financial Inclusion in 2010, the establishment of the Asia-Pacific Infrastructure Partnership (APIP) in 2011, the creation of the Asia-Pacific Financial Forum (APFF) in 2013 and the various activities under the Finance Ministers Process to advance greater access to finance, infrastructure investment and financial market development and integration. In 2015, the Ministers incorporated key recommendations from the private sector in their Cebu Action Plan (CAP) and encouraged APFF to actively engage in advancing several initiatives in the CAP's financial integration, financial resilience and infrastructure pillars.

This Progress Report provides an update on this work. Among the initiatives in the CAP are promoting an enabling financing environment for MSMEs, including trade, supply chain and alternative financing mechanisms; expanding financial inclusion and literacy; facilitating the cross-border offering of funds through the Asia Region Funds Passport; developing disaster risk financing and insurance across the region;

developing local currency bond markets in APEC economies and a roadmap to promote financial infrastructure; and various initiatives to promote bankable infrastructure projects and long-term investment in them.

The APFF is currently undertaking work to progress these initiatives. These include work that has been started in previous years in the following areas:

- Collaboration in capacity building to assist interested economies in developing their financial infrastructure, in particular credit information, secured transactions and insolvency systems to facilitate and expand MSMEs' access to credit;
- Regional workshops to help relevant agencies, financial institutions and global supply chain participants identify barriers to trade and supply chain finance, innovative solutions to address these challenges and opportunities for collaboration;
- Regional public-private sector dialogues on advanced technology in finance (fintech), particularly in the areas of lending, payments and regulatory technology (regtech) to promote collaboration among regulators, industry participants and experts in developing balanced regulatory approaches;
- Workshops to assist relevant stakeholders in interested economies, including regulators and industry participants, in identifying and addressing legal, policy, regulatory and market issues to enable the effective use of repurchase agreements (repos) and over the counter (OTC) derivatives for the purpose of improving the depth and liquidity of bond markets;
- Collaboration with regulators and industry to assist in progressing and increasing membership in the Asia Region Funds Passport;
- Advice to regulators of interested economies in implementing the APFF self-assessment templates to improve availability and quality of information for capital market investors in three key areas: issuer disclosure, bond market data and investor rights in insolvency;
- Development of recommendations for expanding the role of the pension fund and insurance industries as long-term investors in infrastructure projects and capital markets;
- Discussions and conferences to address policy and practical barriers to the expansion of cross-border investment in infrastructure by Islamic financial institutions; and
- International conferences to discuss broader global and regional issues and their implications for financial market development and integration in the Asia-Pacific region.

This year, APFF commenced work on two initiatives mandated by the CAP:

- The drafting of a proposed roadmap for the development of the region's financial market infrastructure; and
- The drafting of a proposed roadmap for expanding the coverage of microinsurance in developing Asia-Pacific economies.

Finally, the APFF is currently planning ways to advance the CAP's mandate to establish and promote private disaster insurance schemes, develop regional risk sharing measures and develop a roadmap for expanding the private sector's role in disaster risk financing and insurance.

This report also highlights the growing interest of APEC member economies to engage with the private sector in a wide variety of areas and confirms the importance of the CAP to the region's economic development. This year, the APFF made progress in starting new collaborative activities with various economies, such as in capital market development (with China and Thailand) and credit information and secured transactions (with Vietnam). The commencement of work on the roadmaps for developing financial market infrastructure in the Asia-Pacific region and for expanding the coverage of microinsurance has further broadened the areas for public-private sector collaboration in advancing the goals of the CAP.

Progress also continues to be made in the ongoing work on credit information and secured transactions work in the Philippines and Thailand, advancing a pilot project on cross-border sharing of credit information in the Mekong region, the development of a platform for public-private sector dialogue on fintech, support for the Asia Region Funds Passport, creating a platform for enabling Islamic financial institutions to expand cross-border investment in infrastructure, expanding the role of pension funds and insurance firms in infrastructure, and promoting a more active private sector participation in disaster risk financing and insurance.

To help advance the implementation of the CAP in coming years, this report recommends the following to the APEC Finance Ministers:

- 1. Encourage relevant officials and regulators to collaborate with APFF's capacity building activities in:**
 - promoting deep and liquid bond, repo and derivatives markets;
 - modernizing credit information, valuation, secured transactions and insolvency systems;
 - developing pilot programs for cross-border supply chain financing; and
 - expanding long-term investors' roles in infrastructure development.
- 2. Support APFF's efforts to develop a regional platform for public-private dialogue on harnessing fintech to create inclusive, sound and efficient financial systems.**
- 3. Encourage senior finance officials to work with APFF in 2018 to finalize the roadmaps envisioned in the CAP for:**

- developing the region's financial market infrastructure;
 - expanding the coverage of microinsurance; and
 - promoting greater private sector participation in disaster risk financing and insurance.
4. Encourage more economies to host discussions on the Asia Region Funds Passport (ARFP) where APFF can convene experts from regulatory, industry, multilateral and academic institutions.
 5. Encourage relevant authorities to collaborate with APFF in finalizing in 2018 a work program for the Islamic Infrastructure Investment Platform (I3P) to help expand cross-border investment by Islamic financial institutions in infrastructure.