



**Asia-Pacific
Economic Cooperation**

2015/SOM1/EC/034

Agenda Item: 5

Financing Resilient and Inclusive Growth: 2015 ABAC Finance and Economics Work Program

Purpose: Information
Submitted by: ABAC



**First Economic Committee Meeting
Clark, Philippines
4-5 February 2015**

Executive Summary

This is a presentation on ABAC's 2015 agenda for finance and economics, which is as follows:

1. Macroeconomic review
2. Impact of developments in the international financial system on Asia-Pacific financial markets/services.
3. Financial market development and integration
 - ✧ Building liquid capital markets: Developing classic repo markets and the legal infrastructure for OTC derivatives clearing
 - ✧ Facilitating financial integration/cross-border finance: Addressing financial market infrastructure and cross-border practices, cross-border funding and improving information availability for capital market investors
 - ✧ Developing longevity solutions
 - ✧ Asia Region Funds Passport
 - ✧ Promoting business cooperation and exchanges in finance
 - ✧ Enabling policy environment for modern payment systems
4. Improving valuation standards and practices in APEC
5. Expanding access to finance
 - ✧ Lending infrastructure for SMMEs: Legal and institutional frameworks for credit information systems and secured transactions
 - ✧ Innovative financing mechanisms for SMMEs
 - ✧ Supply chain finance
 - ✧ Digital microfinance
 - ✧ Trade finance
6. Financial solutions for more resilient communities
 - ✧ Micro-insurance and disaster risk finance
7. Promoting infrastructure investment
 - ✧ Asia-Pacific Infrastructure Partnership
 - ✧ Promoting long-term investment in infrastructure
 - ✧ Asia-Pacific Urban Infrastructure Network
 - ✧ Regional Investment Analytical Group / Improving the investment environment

Required Action/Decision Points

It is recommended that Senior Officials:

1. Note the 2015 ABAC Finance and Economics Work Program.

Required Action/Decision Points

(e.g. note, approve, recommend to Senior Finance Officials)

It is recommended that Senior Finance Officials:

- 2.
- 3.

**For conciseness, please try to limit the information to one page. Thank you.*



Finance and Economics Working Group (FEWG)

**FINANCING RESILIENT AND
INCLUSIVE GROWTH**
***2015 ABAC Finance and Economics
Work Program***

**ABAC Finance and Economics Work
Program**

Macroeconomic review

Impact of developments in international financial system on
APEC financial markets and services

Financial market development and integration

Valuation standards and practices

Access to finance

Financial solutions for more resilient communities

Infrastructure investment

Access to Finance

- **SMME Lending Infrastructure**
 - Credit information systems
 - Secured transactions/movables collateral
- **Supply Chain Finance**
- **Innovative Financing Mechanisms**
- **Digital Microfinance**

Credit Information Systems

- Full-file and comprehensive credit reporting increases lending to the private sector;
- Private credit bureaus with comprehensive data → greater lending to the private sector; and
- Full-file and comprehensive reporting → better loan performance.

Secured Transactions / Movable Collateral

Market-based and soundly underwritten financing channel is critical to SME growth, and hence growth and innovation in APEC.

- ABL products, including factoring, can be an important part of the SME financing channel, as they are in many other developed economies.

Improving predictability and transparency of legal architecture around secured lending will improve access, reduce costs.

Current discussions in APEC economies are moving in the right direction.

- Enlisting support of global expertise: IFC, ADBI, IFG, CFA (US), etc.

Focus on reforms that will facilitate credit supply and reduce risk:

- to more broadly allow the assignment of accounts receivable,
- to make centralized registration systems the exclusive means of perfection,
- to encourage factoring through appropriate licensing authority.

APEC can become catalyst for global initiatives promoting SME finance

- Revitalize UNCITRAL code and other global standards

Trade and Supply Chain Finance

1. SECURED TRANSACTIONS

Supply chain financing can be secured on “movable asset collaterals such as account receivables.

Transparency is needed on security interests to ensure proper collateral rights

2. BANK CAPITAL REGULATIONS

New capital and liquidity provisions in Basel III are strengthening the global banking industry. It can also **shape trade financing** in Basel III and non-Basel III jurisdictions

3. BANK KYC/AML, COUNTERPARTY DUE DILIGENCE

Banks have increased efforts to prevent financial crimes and the financing of terrorism. How can banks best comply consistently across the different markets and with global standards. Can banks become **more conservative** in who they will transact with?

4. ELECTRONIC SUPPLY CHAIN MANAGEMENT PLATFORMS

E-supply chain platforms connect Sellers with Buyers, and are now facilitating financing, the move away from traditional Letters of Credit (L/C) to Open Account settlement and driving the **digitalisation (“Fintech”)** of trade documents like digital Bill of Lading and “electronic L/C” – **BPO**. **ASEAN Single Window** for electronic customs can evolve the way trade finance is approached with **data protectionism** as an added consideration.

5. RENMINBI

China is involved in 50% of intra-regional trade. RMB is the 2nd most used currency in documentary trade messages and **ranked 7th globally** (as at Nov 2014, SWIFT) for inter-bank payments as reported by SWIFT.

Innovative Financing Mechanisms

- Traditional corporate and consumer models don't work for MSMEs
- Innovation opens doors to a new breed of competitors in credit and payments value chains

Online supply chain finance



Invoice financing



M-POS acceptance/value add



Analytic firms aiming to revolutionize credit models, drive growth

Mobile micro-lenders will graduate to SMEs



Innovative financing mechanisms

- Objectives of work program for 2015/activities
 - “pathfinder initiatives” to promote alternative finance
 - China movable assets finance e-platform as model for country/regional replication
 - Alternative data collection and alternative financial institution access to credit information systems
 - Philippines credit information system model development

Innovative Financing Mechanisms

- 2015 Objectives/activities (ctd)
 - Best practice principles for debt and equity crowdfunding regulation/enabling environment
 - Lessons from APEC and other experience (UK, UAE, etc)
 - Capital markets and long-term finance
 - Direct financing through alternative exchanges
 - Alternative capital sourcing for financial institutions serving MSME market

9

Infrastructure Investment

- **Bankable PPP Projects**
 - Asia-Pacific Infrastructure Partnership
 - APEC PPP Experts Advisory Panel
- **Promoting long-term investment in infrastructure**
- **Asia-Pacific Urban Infrastructure Network**

Asia-Pacific Infrastructure Partnership (APIP)

- Established 2011 as Policy Initiative under APEC FMP
- Dialogues with governments
 - Mexico
 - Peru
 - Philippines (1st/2nd)
 - Indonesia (1st/2nd/3rd)
 - Thailand
 - Vietnam
 - Malaysia
- Promoting private sector participation in regional and APEC FMP workshops
- Providing private sector inputs into APEC FMP's work
 - e.g., 2014 Implementation Roadmap (annex to Finance Ministers' JMS)
- Platform for private sector involvement in APEC PPP Experts Advisory Panel

APEC PPP Experts Advisory Panel

- Policy initiative under APEC FMP
 - Goal: To promote MYPIDI Work Stream 3 objective: Promote capacity to develop bankable projects
 - Focus: Assist the development of PPP Centers and regional PPP Center Network as knowledge centers
- Members (institutional):
- Several interested finance ministries and relevant affiliated agencies
 - Multilateral institutions (ADB, IFC, IDB, OECD, WB)
 - **ABAC and APIP** (representing private sector)
- Co-Chairs:
- APEC FMP Chair (2015: Philippines)
 - Canada

2015 Activities

- APIP Dialogues with interested governments
 - E.g., Philippines, Indonesia
- Participation in APEC PPP Experts Advisory Council meetings
- Participation in APEC FMP infrastructure workshops / inputs to AFMM on PPP issues

Financial Market Development and Integration

- **Liquid capital markets**
 - Classic repo markets
 - Legal infrastructure for derivatives
- **Facilitating cross-border financial flows**
 - Financial market infrastructure / cross-border practices
 - Information for capital market investors
 - Asia Region Funds Passport
- **Longevity solutions (long-term investor base)**

ABAC Finance and Economics Work Program

Macroeconomic review

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Finance and Economics Working Group (FEWG)

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