



## **China Australia Governance Program**

### **STRATEGIES TO ENHANCE RISK MANAGEMENT AND GOVERNANCE IN CHINA'S BANKING SYSTEM**

### **PROGRAM**

#### Background:

The China Australia Governance Program is sponsored by the Australian Treasury and the Chinese Ministry of Finance. The Melbourne APEC Finance Centre, part of the Australian APEC Study Centre, is coordinating this program on behalf of the Australian Treasury. From the Chinese end, the Asia-Pacific Finance and Development Centre, Shanghai, is coordinating the program on behalf of the Chinese Ministry of Finance.

#### Statement of key objectives:

The aim of this dialogue is to identify strategic targets and potential resources for programs to enhance China's capacity to improve governance and risk management in the banking sector. This dialogue will identify strategic targets for future activities over a five year cycle and build durable relations between Australian and Chinese institutions and groups in this area.

This dialogue will help deepen the understanding of Chinese and Australian delegates of the issues involved in improving governance and risk management, specifically China's ability to implement Basel II requirements, and support China's banking and investment reform agenda. It will take into account existing commercial and official training relationships. It will include a review of Australian and Chinese supervisory and regulatory perspectives on governance and risk management as understood by regulatory agencies and major banks in Australia and China. It will also take into account, amongst other things, banks' operational and credit risk management and risks associated with funds management activities of banks, as well as banking finance for small and medium enterprises (SMEs).

By involving existing regional bodies and international financial agencies in discussing improvement of governance and risk management in financial institutions, we hope to identify capacity gaps and central challenges in governance and risk management as seen by Australian and Chinese officials and bankers, and to discuss strategic options that China might pursue in building capacities. Further, the dialogue will strengthen the relations between the Australian and Chinese institutions and interest groups in this field and build the existing relationship between the Australian APEC Study Centre and the Asia-Pacific Finance and Development Centre.

# Dialogue Program

## Day 1 – Monday 16 July 2007, Melbourne

Session	Time	Activity
	08.15-09.00	Registration (including Orientation for Chinese delegation)
Welcome Session	09.00-09.30	<p>Introduction by Mr John Unkles, Executive General Manager, Financial Services Institute of Australasia (FINSIA)</p> <p>Welcoming Address by Mr Tony Lupton MP, Parliamentary Secretary for Industry and Innovation, Government of Victoria</p> <p>Program Overview by Mr Ken Waller, Director, Melbourne APEC Finance Centre (MAFC)</p>
Session 1	09.30-10.45	<p><b><i>Experiences in regulatory change and economic and financial sector reform. Challenges and lessons learned.</i></b></p> <p>Session Moderator – Mr Chris Legg, General Manager, Financial System Division, Australian Treasury</p> <ul style="list-style-type: none"> <li>• An Australian perspective: <ul style="list-style-type: none"> <li>- Mr Ric Battellino, Deputy Governor, Reserve Bank of Australia</li> </ul> </li> <li>• Chinese perspectives: <ul style="list-style-type: none"> <li>- Mr Jia Ning, Section Chief, Balance of Payment Department, State Administration of Foreign Exchange</li> <li>- Mr Kuang Lan, Division Chief, Risk Management, China Development Bank</li> </ul> </li> </ul> <p>Panel Discussion</p>
	10.45-11.00	Coffee Break

Session 2	11.00-12.30	<p><b><i>Key challenges for banking systems in improving governance and risk management, and issues faced by developing economies – an international and regional agency perspective.</i></b></p> <p>Session Moderator – Mr Ian Thompson, Chief Credit Rating Officer and Head of Research, Standard and Poor’s, Asia Pacific Region</p> <ul style="list-style-type: none"> <li>• An Australian perspective: <ul style="list-style-type: none"> <li>- Dr Leonie Lethbridge, Head, Risk Management Asia, ANZ Banking Group</li> </ul> </li> <li>• Chinese Perspectives: <ul style="list-style-type: none"> <li>- Mr Ouyang Changmin, Section Chief, Financial Stability Unit, People’s Bank of China</li> <li>- Mr Qian Yi, Head, Board of Directors Office, Industrial and Commercial Bank of China</li> </ul> </li> <li>• An East Asian perspective: <ul style="list-style-type: none"> <li>- Prof Stephen Y L Cheung, Professor of Finance, City University of Hong Kong</li> </ul> </li> </ul> <p>Panel Discussion</p>
	12.30-14.00	Lunch
Session 3	14.00-15.30	<p><b><i>Managing cultural and institutional change in the finance sector- differences / similarities with corporations in other sectors.</i></b></p> <p>Session Moderator – Prof On Kit Tam, Professor of International Business and Director, China Research Centre, Monash University</p> <ul style="list-style-type: none"> <li>• An Australian perspective: <ul style="list-style-type: none"> <li>- Mr Paul McCarthy, former Head, Group Strategy, Commonwealth Bank of Australia</li> </ul> </li> <li>• A Chinese banking perspective: <ul style="list-style-type: none"> <li>- Mr Lan Qi, Company Secretary, Office of the Board of Directors, China Merchant Bank</li> </ul> </li> <li>• An international perspective: <ul style="list-style-type: none"> <li>- Dr Adrian Blundell-Wignall, Deputy Director, Financial and Enterprise Affairs, OECD, Paris</li> </ul> </li> </ul>

	15.30-15.45	Coffee Break
Session 4	15.45-16.30	<p><b><i>Panel Discussion following on from previous session</i></b></p> <p>Panel Moderator – Prof On Kit Tam</p> <p>Panellists:</p> <ul style="list-style-type: none"> <li>- Mr Paul McCarthy, Australia</li> <li>- Mr Lan Qi, China</li> <li>- Dr Adrian Blundell-Wignall, OECD</li> </ul> <p>And also:</p> <ul style="list-style-type: none"> <li>- Mr Bob Glading, former Deputy Commissioner, Life Insurance, Australian Insurance and Superannuation Commission</li> <li>- Mr Richard Fisher AM, General Counsel &amp; Adjunct Professor, Graduate School of Government, University of Sydney</li> </ul>

***Day 2 – Tuesday 17 July 2007, Melbourne***

Session	Time	Activity
Session 5	09.00-10.30	<p><b><i>Australian and Chinese supervisory / regulatory perspectives on governance and risk management as required by APRA and CBRC, as banking systems move to implement Basel II.</i></b></p> <p>Session Moderator – Dr Li Kouqing, Deputy Director-General, Asia-Pacific Finance and Development Centre, Shanghai</p> <ul style="list-style-type: none"> <li>• Chinese regulatory perspectives: <ul style="list-style-type: none"> <li>- Mrs Zhang Lixing, Director, International Department, China Banking Regulatory Commission</li> <li>- Mr Ma Tongyi, Division Chief, National Development &amp; Reform Commission</li> <li>- Mr Niu Guodong, Deputy Director, Finance Department, Ministry of Finance</li> </ul> </li> <li>• An Australian regulatory perspective: <ul style="list-style-type: none"> <li>- Mr Guy Eastwood, Basel II Project, Australian Prudential Regulatory Authority (APRA)</li> </ul> </li> </ul> <p>Panel Discussion: – together with Prof Stephen YL Cheung, City University of Hong Kong</p>

	10.30-10.45	Coffee Break
Session 6	10.45-12.30	<p><b><i>Chinese and Australian commercial banks' perspectives on key challenges in improving risk management and governance in commercial banks in moves to implement Basel II.</i></b></p> <p>Session Moderator – Prof Kevin Davis, Director, Melbourne Centre for Financial Studies</p> <ul style="list-style-type: none"> <li>• An Australian banking perspective: <ul style="list-style-type: none"> <li>- Mr Glenn Mescher, Group General Manager, Group Regulatory Affairs and Compliance, National Australia Bank (NAB)</li> </ul> </li> <li>• Chinese banking perspectives <ul style="list-style-type: none"> <li>- Mr Shang Hongbo, Executive Director &amp; Vice President, Shanghai Pudong Development Bank</li> <li>- Mrs Yin Li, General Manager, Risk Management Department, Bank of China, Shanghai Branch</li> <li>- Mrs Liu Ruixia, Deputy General Manager, Risk Management Department, Industrial and Commercial Bank of China</li> </ul> </li> </ul> <p>Panel Discussion – together with Dr Jules Gribble, Director, Askit Consulting</p>
	12.45-14.00	<p>Lunch</p> <p>For the Chinese delegation only, lunch will be at ANZ Banking Group's Melbourne office. For everyone else, lunch will be served at Marriott Hotel.</p> <p>The Chinese delegation will meet with senior executives and Board members of ANZ including Peter Hodgson, Head of International Business and Dr Leonie Lethbridge, Head of Risk Management Asia.</p> <p>Key focus of discussion at ANZ: The corporate experience in enhancing governance and risk management in a multinational banking group with multifunctional financial activities</p>
Session 7	14.15- 15.45	<p><b><i>Strategic options in building risk management and governance capacity in China's banking system.</i></b></p> <p>Session Moderator – Dr Peng Runzhong, Lead Finance Specialist, Asia-Pacific Finance and Development Centre, Shanghai</p>

		<ul style="list-style-type: none"> <li>• Australian perspective: <ul style="list-style-type: none"> <li>- Prof Michael Skully, Chair of Banking, Department of Accounting and Finance, Monash University</li> </ul> </li> <li>• Chinese perspectives: <ul style="list-style-type: none"> <li>- Mrs Chen Qing, Director, Office of the Board of Supervision, Bank of Communications</li> <li>- Mr He Hai Tao, General Manager, Risk Management Department, Bank of Shanghai</li> <li>- Mr Qiao Zhongxing, Assistant President, Shanghai Rural Commercial Bank</li> </ul> </li> </ul>			
	15.45-16.00	Coffee Break			
Session 8	16.00-17.15	<p><b><i>Concurrent meetings in three Working Groups.</i></b></p> <p>All delegates will be invited to participate in a Working Group of particular interest to them. Each group will be chaired by moderators from China and Australia. Delegates should feel free to move between groups as they wish. All delegates are invited to raise issues and to actively engage in the dialogue in each group, and to offer advice.</p> <p>The key objectives of these sessions are to:</p> <ul style="list-style-type: none"> <li>➤ deepen relations between Australia and China based on banking / supervision of banking</li> <li>➤ establish durable relationships</li> <li>➤ identify capacity building initiatives which would, if implemented contribute to deeper and durable relations</li> </ul>			
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Dinner	18.30-21.00	Venue: Mask of China Restaurant, 115-117 Lt Bourke Street, Melbourne
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### Day 3 – Wednesday 18 July 2007, Melbourne

Session	Time	Activity			
Session 9	09.00- 10.15	<p><b><i>Concurrent meetings in three working groups.</i></b></p> <p>The aim of the session is for the groups to:</p> <ol style="list-style-type: none"> <li>1) consider major conclusions arising from the dialogue and from the discussions in Session 8 on the previous day;</li> <li>2) identify capacity gaps and useful training needs, based on the outcomes of Session 8 on the previous day; and</li> <li>3) agree on the joint moderators' report.</li> </ol>			
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	10.15- 10.30	Coffee Break			
Session 10	10.30-11.30	<p><b><i>Review of Reports from the Joint Chairs of the Working Groups.</i></b></p> <p>Session Chair – Mr Ken Waller, Director, Melbourne APEC Finance Centre</p> <p>Presentation of Reports of the Working Groups:</p> <ul style="list-style-type: none"> <li>- Joint Moderators of Group 1 – Risk Management</li> <li>- Joint Moderators of Group 2 – Governance</li> <li>- Joint Moderators of Group 3 – Capacity Building</li> </ul>			

		Panel Discussion
Conclusion	11.30- 12.15	<p><b><i>Summary of outcomes and concluding comments.</i></b></p> <ul style="list-style-type: none"> <li>• Dr Li Kouqing, Deputy Director-General, Asia-Pacific Finance and Development Centre, Shanghai</li> <li>• Mr Qian Yi, Board of Directors Office, Industrial and Commercial Bank of China</li> <li>• Mr Ken Waller, Director, Melbourne APEC Finance Centre</li> </ul>
	12.15-13:30	Lunch

**End of Dialogue Program**

## Site Visit Program for Chinese Delegation

### *Day 3 – Wednesday 18 July 2007, Melbourne*

Visits to	Time	Activity	Location
National Australia Bank	14:30-15:30	Meeting with Mr Gordon Lefevre, Deputy Group Chief Financial Officer	Melbourne
Standard and Poor's	16.00-17:00	Meeting with senior executives including Mr Ian Thompson, Chief Credit Rating Officer and Head of Research.	Melbourne

### *Day 4 – Thursday 19 July, Canberra and Sydney*

Visits to	Time	Activity	Location
Australian Treasury	08.45-09.45	Meeting with senior Treasury executive team including Mr Jim Murphy, Executive Director of Markets Group, and senior officers from the Financial System Division and the Corporations and Financial Services Division.	Canberra
Department of Foreign Affairs and Trade (DFAT)	10.00-10.40	Meeting with senior DFAT executive team including Mr Peter Baxter, First Assistant Secretary, North Asia Division and Mr Ric Wells, Head of the DFAT China Free Trade Task Force.	Canberra
Commonwealth Bank of Australia	13.30-15.00	Meeting and late working lunch with senior executives including Mr Geoff Coates, Executive General Manager of International Financial Services and Mr John Hatton, Company Secretary	Sydney
Reserve Bank of Australia	15.30-16.30	Meeting with senior executive team including Mr Chris Ryan, Head of Financial System Stability	Sydney

## ***Day 5 – Friday 20 July 2007, Sydney***

<b>Visits to</b>	<b>Time</b>	<b>Activity</b>	<b>Location</b>
Westpac Banking Corporation	09.00-10.00	Meeting with senior executive team including Mr David Morgan, Chief Executive Officer; Mr Phil Coffey, Chief Financial Officer; Mr Andrew Carline, Chief Risk Officer; and Mr David Malcolm, Head of Group Risk	Sydney
Australian Prudential Regulation Authority (APRA)	10.15-12.00	Meeting with senior executive team including Mr Charles Littrell, Executive General Manager, Policy Research and Statistics; Mr Bernie Egan, Director, Basel II Project and Mr Chris Gaskell, Head, International Relations	Sydney
Lunch	12.00-13.15	Working lunch hosted by APRA – Mr John Laker, Chairman of APRA to join for lunch	Sydney
Macquarie Bank	13.45- 14.45	Meeting with senior executive team responsible for risk management and activities in China, including Mr Clinton Lollback, Head of Operational Risk	Sydney
Hong Kong Shanghai Banking Corporation (HSBC)	15.00- 16.00	Meeting with senior executive team, including Mr Stuart Davis, CEO Aust & NZ of HSBC; Mr Alan Richards, Deputy CEO; Mr John Edwards, Chief Economist; Mr Sachin Maharj, Head of Finance and Ms Elisa Recchi, Manager Planning	Sydney
Dinner	18.30- 21.00	Venue: Zilver Restaurant, 477 Pitt St, Haymarket	Sydney

## ***Saturday 21 July 2007***

Chinese delegation departs for China from Sydney.