

APEC REGIONAL SYMPOSIUM

Enhancing Financial Policy and Regulatory Cooperation — Responses to the Global Financial Crisis

Melbourne 8–9 March 2011 • RMIT University: Emily McPherson Building

INTRODUCTION

The symposium will bring together specialist speakers and moderators drawn from international standard financial regulatory standard setting bodies, regional financial system policy makers and regulators, major private sector financial institutions and financial system academics to consider and exchange views on major reforms as they are emanating from international standard setting bodies in response to the global financial crisis. The symposium will consider the impact of the reforms on regional economies. A report of the Forum will be made available to APEC Finance Ministers for their consideration later in 2011.

The symposium is the centerpiece of a three part activity funded by AusAID under its Public Sector Linkages Program and by the Victorian Government through its support for the Melbourne APEC Finance Centre, a facility of the Australian APEC Study Centre.

The first part will be a research report commissioned by the Centre and which will be available to symposium participants. It will discuss key recommendations by international standard setting bodies in response to the global financial crisis. The research report and the symposium will inform the structure of the third component of the program which will be an intensive training program for regional policy makers and regulators to be convened in Melbourne later in 2011.

The Australian APEC Study Centre at RMIT University has successfully completed programs to enhance institutional capacity building in the Asia Pacific region. The programs involve presenters from international organisations and international standard setting bodies, regulators and policy makers from Australia, including importantly from the Treasury, APRA and the RBA, and the region, and representatives of commercial financial institutions and financial academic specialists.

Cooperation between the Centre and policy and regulatory agencies in the region and private sector financial institutions first commenced in 1999 in response to the Asian financial crisis. Ausaid, the ADB and some Australian private sector institutions cooperated with the Centre (then located at Monash University) in organizing seminars and training programs over a four year period to enhance capacities in the region's financial systems on life insurance and pensions.

ADB specialists and representatives from the IMF, the Asian Development Bank Institute, BIS, IAIS, the OECD and from other organisations have since been involved in other activities organised by the Centre. Most recently the Centre organized in cooperation with the Asia Pacific Development Centre in Shanghai a training program for policy makers and banking regulatory specialists from developing APEC and non-APEC economies concerned with implementing financial system regulatory reforms following the global financial crisis.

Overview of the contemporary regulatory and policy environment arising from the global financial crisis

The global nature of the financial crisis and the fact that so many financial and non-bank financial institutions operate across national borders make international cooperation a vital part of reforming regulation. Following consideration by the G20, the Financial Stability Forum was reconfigured as the Financial Stability Board (FSB) with a broadened mandate to establish financial stability and to implement a range of G20 recommendations to ameliorate the impact of the crisis and to secure longer-term reforms to financial regulatory and supervisory systems.

Responding to the crisis proposals for banking reforms by international standard setting bodies, the G20, the Finance Stability Board, the Basel Group of Banking Supervisors and the Bank for International Settlement involve major reforms in managing risk, in enhanced capital charges for liquidity and

off-balance sheet activities, forward contingencies for banks and banking groups, the handling of macro-economic pressures, monitoring and surveillance and stress testing of banks' capacities to handle crisis situations. There are also proposals for improved governance standards and for enhanced cross-border regulatory cooperation.

As well as banking reform proposals, IOSCO established a number of Technical Committees in response to the crisis to review securities regulation. In some areas under review by both IOSCO and FSB there are overlapping interests which prompted a joint review and submission of recommendations. The IAIS has also reviewed regulatory approaches to the insurance sector. As a consequence of the work of these bodies a number of reports have now been produced that outline recommendations on regulatory reforms to key parts of the financial sector and to key financial functions.

The impact of hedge funds, derivatives and securitisation and the role of credit rating agencies as elements of the crisis have led to intense scrutiny and reappraisal of their role and functions in international finance. Accounting and reporting standards are also being refined.

Major components of regulatory and supervisory reforms will be considered in the symposium. It will involve presentations and dialogue between policy makers, financial system regulators, international standard setting bodies and representatives of major commercial financial sectors and financial academics.

The Australian APEC Study Centre's contribution to enhance regional financial system capacities

As noted above, over the last decade, the Centre has convened programs for banking regulators and banking system policy makers from APEC economies and non-APEC economies and for regulators and policy makers in insurance (general and life), pensions, and wealth and funds management. The Centre's life insurance programs were strongly supported by finance provided by the ADB to strengthen regulatory systems following the Asian financial crisis

The Centre has convened a number of training programs on the transition involved for some parts of the regional bank-

ing systems as international banking regulatory approaches evolved from Basel I to the three pillars of the Basel II framework. A program organised in Melbourne in December 2009 responded to further refinements to banking supervision and practices as they are evolving from recommendations proposed by international standard setting bodies.

The Centre has been recognised by APEC Finance Ministers for its work in promoting and delivering APEC financial system capacity building initiatives. The Centre's activities have responded to the interests of regional policy makers and regulators to better understand emerging regulatory and supervisory reforms.

Most recently, in association with the Asia Pacific Finance and Development Centre in Shanghai, the Australian APEC Study Centre coordinated a major training program for banking regulators and policy makers from the APEC region and for some non-APEC regional economies, to assess the impact of new reforms to banking proposed by the Basel Group of Supervisors and taking into account the views of regional bankers and the Institute for International Finance. This was funded by the APEC Support Fund and faculty support provided by the ADB, the IMF, BIS, APRA, CBRC, FSA Japan, PBOC, the Banking and Insurance Regulator, Peru, Institute of International Finance, ICBC, Standard and Chartered and ASB-CBA Group, .

Financial system reforms pursuant to the global financial crisis will challenge financial regulatory and supervisory approaches in the Asia Pacific region and it is timely to consider the impact of those reforms on regional financial systems. The symposium will be an opportunity to consider reforms within a regional as well as a global context.

It will create an opportunity to promote enhanced regulatory co-operation by bringing relevant financial regulators together in a forum and to assist in understanding regulatory reforms being undertaken within various sectors of the financial system and across financial markets. The symposium will also help identify capacity building needs in the Asia Pacific region.

DAY ONE – TUESDAY 8 MARCH 2011

SYMPOSIUM CHAIR: Ken Waller, Director, Melbourne APEC Finance Centre

Lecture Hall, Emily Macpherson Building (13)

REGISTRATION

8:30am – 8.45am

Multipurpose Room (Tea and coffee will be available on arrival)

OPENING ADDRESSES

8:45am – 9.10am

LESSONS FROM AFTER THE CRISIS; CHALLENGES AND RISKS FROM GREATER REGULATORY EMPOWERMENT

WELCOME:

Margaret Gardner AO, Vice Chancellor, RMIT University

OPENING ADDRESS:

Charles Littrell, EGM Policy Research and Statistics, APRA

SESSION ONE

9.10am – 10.30am

MANAGING THE CRISIS AND PROMOTING BEST PRACTICE PRINCIPLES

- Where are we in terms of heightened regulation, and why are we here?
- Cooperation on fiscal and monetary policy
- Regional issues and challenges
- Responses by impacted internationally operating banks and other financial intermediaries
- Critique of progress so far

SESSION MODERATOR:

Ken Waller, Director, Melbourne APEC Finance Centre

SPEAKERS:

Mike Callaghan, Executive Director, Macroeconomic Group (International), Australian Treasury

Masahiro Kawai, Dean, Asian Development Bank Institute

Graham Hodges, Deputy CEO, Australia & New Zealand Banking Group Ltd

10.30am – 10.45am

MORNING TEA – Multipurpose Room

SESSION TWO

10.45am – 12.15pm

REGULATORY IMPACTS – OVERVIEW

- Overview of regulatory impacts and proposed solutions
- Progress in Implementing reforms to supervisory standards – status
- **FINANCIAL STABILITY BOARD**
 - FSB mandate – recommended regulatory changes – banking and securities
 - Basel II and other reforms
- **BIS, BGBS, IOSCO, IAIS**
 - Regulatory responses; where to from here
 - Responses to systemic issues
 - Systemic issues and common problems

SESSION MODERATOR:

Professor Kevin Davis, Research Director, Australian Centre for Financial Studies

SPEAKERS:

Peter Morgan, Senior Consultant for Research, Asian Development Bank Institute

David Love, Director, Policy and International Affairs, Australian Financial Markets Association (AFMA)

DAY ONE – CONTINUED

12.15pm – 1.30pm

LUNCHEON & NETWORKING – Multipurpose Room

SESSION THREE

1.30pm – 3.00pm

LIQUIDITY; EFFECTIVE, RELIABLE SECURITIES MARKETS – MEASURES TO BALANCE STABILITY AND FINANCIAL SYSTEM INNOVATION

- Defining unregulated markets in post GFC environment
- Future of hedge funds
- Securitisation and credit derivatives
- Systemic Risks
- Credit Derivatives
- Transparency issues
- Central counter-party clearing systems/organised exchanges and OTC agencies

SESSION MODERATOR:

Chris van Homrigh, Senior Executive Leader, Investment Banks, ASIC

SPEAKERS:

Ranjit Singh, Managing Director, Securities Commission Malaysia
Alex Heath, Deputy Head, Domestic Markets Department, RBA

3.00pm – 3.30pm

AFTERNOON TEA – Multipurpose Room

SESSION FOUR

3.30pm – 5.00pm

CREDIT RATING AGENCIES

- Role and Regulation of Credit Rating Agencies (CRAs) Post-Crisis
 - Global regulatory approaches to CRAs
 - Role of ratings in market regulations
 - Role of domestic & global CRAs
 - Mutual recognition of CRAs by regional regulators

SESSION MODERATOR:

Chris Dalton, Managing Director, Australian Ratings

SPEAKERS:

Vicki Wilkinson, Principal Advisor, Corporations & Financial Services Division, Markets Group, Australian Treasury
Andrew Templer, Senior Manager Investment Banks, ASIC

6.30pm – 8.30pm

EVENING FUNCTION

The Italian Restaurant, 101 Collins Street (enter via Flinders Lane)

DAY TWO – WEDNESDAY 9 MARCH 2011

SYMPOSIUM CHAIR: Ken Waller, Director, Melbourne APEC Finance Centre

Lecture Hall, Emily Macpherson Building (13)

REGISTRATION

8:30am – 8.45am

Multipurpose Room (Tea and coffee will be available on arrival)

SESSION FIVE

8:45am – 10.15am

**MACRO PRUDENTIAL SUPERVISION; FRAMEWORK FOR COORDINATION;
CRISIS MANAGEMENT; CROSS-BORDER COORDINATION;
GLOBAL & REGIONAL SAFETY NETS**

- Macro prudential orientation of prudential policies
- Tools to adopt a macro prudential approach to regulation and supervision
- Surveillance and monitoring – regional developments
- Managing in a crisis
- Skills and resourcing needs
- Effective cross-border coordination

SESSION MODERATOR:

Yap Lai Kuen, Director of Insurance and Takaful Supervision, Bank Negara Malaysia

SPEAKERS:

Cyn-Young Park, Principal Economist, Office of Regional Economic Integration, Asian Development Bank
Bruce Le Bransky, Principal Advisor, Financial Risk Management Advisory, KPMG

10.15am – 10.30am

MORNING TEA – Multipurpose Room

SESSION SIX

10.30am – 12.00pm

**BASEL II/LLL (REFORMS); ACCOUNTING & VALUATION/IASB
RECOMMENDATIONS AND CONTRAST WITH BASEL II**

- Provisioning & Disclosure
 - IASB & BASEL key recommendations and standards, including Pillar 3
 - Banking provisioning
 - Regulators' expectations of auditors
- Hedge Accounting & Fair Value
 - History & context of changes
 - Classification and measurement
 - Leveraging & Valuation
 - Market vs Credit Risk issues
- Basel & Accounting reforms – practical implications for bankers – a CFOs perspective
 - Implementing the Basel/Accounting Standards, and addressing the dichotomies
 - Additional capital & term funding

SESSION MODERATOR:

Paul Lichtenstein, Financial Risk Partner, KPMG

SPEAKERS:

Prof. Warren McGregor, Accounting and Finance Department,
Monash University & Member of International Accounting Standards Board
John McKenna, CFO, HSBC Australia

12:00 – 12:20pm

PRE-LUNCH SPEAKER – Jane Diplock, Chairman Securities Commission, Chairman of the Executive Committee of IOSCO New Zealand

12.20pm – 1.30pm

LUNCHEON – Multipurpose Room

DAY TWO – CONTINUED

SESSION SEVEN

1.30pm – 3.00pm

SAFETY NETS; DEPOSIT INSURANCE; CONSUMER FINANCE AND PROTECTION

- Role & effectiveness of Deposit Insurance
- System liquidity management, lender of last resort; role of central bank
- Crisis management
- Core Principles for Effective Deposit Insurance Systems
- Assessment methodology
- Issues in retail financing
- Changes to enhance consumer protection

SESSION MODERATOR:

Professor Christine Brown, Monash University

SPEAKERS:

Jean Pierre Sabourin, CEO, Malaysia Deposit Insurance Corporation

Jim Murphy, Executive Director, Markets Group, Australian Treasury

3.00pm – 3.15pm

AFTERNOON TEA – Multipurpose Room

SESSION EIGHT

3.15pm – 4.45pm

GOVERNANCE AND RISK MANAGEMENT/INCENTIVES AND COMPENSATION

- Implementing recommendations to improve governance and risk management
 - in regulatory agencies
 - and financial institutions
- Incentives and compensation
- Responses taken to date (eg stress testing)

SESSION MODERATOR:

Jane Diplock, Chairman, Securities Commission NZ

SPEAKERS:

Tim Coyne, Partner Financial Services, Ernst & Young

Dr Jules Gribble, Director, Enterprise Metrics

SESSION NINE

4.45pm – 5.30pm

CLOSING SESSION

- Identification of capacity building needs
- Summary and conclusions

CLOSURE OF SYMPOSIUM – KEN WALLER

SESSION MODERATOR:

Ken Waller, Director, Melbourne APEC Finance Centre

SPEAKERS:

Professor Kevin Davis, Research Director, Australian Centre for Financial Studies

Peter Morgan, Senior Consultant for Research, Asian Development Bank Institute

Cyn-Young Park, Principal Economist, Office of Regional Economic Integration, Asian Development Bank

David Jones, Academic Coordinator

6.30pm – 8.30pm

CLOSING DRINKS – Investment Centre Victoria, Level 46, 55 Collins Street

GUEST SPEAKER:

Hon. Gordon Rich-Phillips MLC, Assistant Treasurer, Victorian Government