

## **APRC Roadmap**

### **Introduction**

1. Asia Pacific jurisdictions have made significant progress in financial reform and capital markets development since the Asian Financial Crisis. Financial markets in Asia Pacific, as a whole, proved to be comparatively resilient during the global financial crisis in 2007. Considerable progress has been made by the Financial Stability Board (FSB), international standard-setters and national regulators to address the impact of the Global Financial Crisis which originated in the West, but important challenges remain.
2. Asia Pacific jurisdictions were not affected by the Global Financial Crisis in the same manner as developed countries in the West, nor were there readily identifiable common weaknesses throughout different financial systems. Asia Pacific jurisdictions also face a different set of challenges to those in the West including volatile capital flows, currency dependency and different forms of financial intermediation, mainly due to the varying stages of national development within the region.
3. We, the Asia Pacific Regional Committee (APRC) of the International Organization of Securities Commissions (IOSCO), have developed a Roadmap that provides our 29 members with a strategic framework for making a meaningful contribution to the region's development. This will continue to be reviewed and developed by APRC Members over time, reflecting discussion and agreement at APRC meetings.
4. The Roadmap has outlined the following four areas of focus for the APRC:

### **Regulatory capacity building in the region**

5. We continue to fully support increased capacity building efforts within the Asia Pacific region, which include:
  - Extending assistance from developed jurisdictions to emerging and developing markets, to the extent that resources allow;
  - Strengthening our working relationships with other regional bodies (such as the FSB Regional Consultative Group for Asia, ASEAN and Asian Development Bank) to share expertise and maximize resources; and
  - Leveraging and building on existing regional initiatives such as the Capital Market Takeovers Forum and the Regional Regulators Group on Market Surveillance.



### **Strengthening regional cross-border regulatory cooperation**

6. Implementing consistent and effective regulation benchmarked against sufficiently granular international standards is essential to building an increasingly robust financial system that provides diverse and accessible sources of financing, and supports the growth of the real economy. We will strive to promote regional harmonization of standards, benchmarked against international standards where possible, including increasing information sharing amongst APRC members.
7. We will also promote greater collaboration in the supervision of cross-border financial institutions, and strengthen financial regulatory cooperation in Asia Pacific amongst regional regulators.
8. We welcome the work being done on developing mutual passporting and recognition arrangements in the region. We are supportive of enabling regulatory environments that encourage the efficient deployment of longer term investment capital in the region, which can strengthen linkages between capital markets. We will also look to map key areas of the regulatory framework currently applicable to member jurisdictions to identify areas for capacity building, possible mutual recognition and cross-border opportunities for the financial services sector in the region.
9. Further deepening intra-regional collaboration and commitment also underpins the success and stability of the financial services sector in Asia Pacific. We welcome and look forward to the opportunity to work constructively with non-Asia Pacific authorities towards fulfilling a shared goal of building safe, resilient and vibrant global financial markets.

### **Collectively addressing the impact on Asia Pacific arising from extraterritoriality from European and US financial reform initiatives**

10. Conflicting and inconsistent extraterritorial rulemaking by the EU and US pose difficulties in implementation as Asia Pacific and other regulators and market participants try to adopt and adapt to differing sets of requirements. This can cause market participants to reassess their participation in Asia Pacific financial markets due to the costs and complexity of complying with such rules.
11. The extraterritorial impact on Asia Pacific of European and US financial reform initiatives is real and significant due to the substantial presence of European and US financial institutions in Asia Pacific. To facilitate a balanced and informed debate on how Asia Pacific jurisdictions should deal with the impact of such reform initiatives, we will continue to communicate clearly and persuasively to non-Asia Pacific jurisdictions:

- about the diversity in the Asia Pacific regulatory and economic landscape as well as the reasons behind jurisdictions’ different approaches to market development and regulation; and
  - that Asia Pacific, as a whole, is committed to the core principles of the global reform agenda, provided they are proportionate to and appropriately adapted for regional or local application. APCR members do not subscribe to regulatory arbitrage, as it is ultimately self-defeating. We do not, however, consider decisions made by APCR members not to replicate in their respective jurisdictions domestic rules that have been introduced in the EU and the US to address the Global Financial Crisis, without proper reference to international standards or prior notification or consultation with affected jurisdictions, as arbitrage, if in making such decisions consideration has been given to specific conditions such as the level of risk and the proportionality of these rules.
12. We fully endorse the G20’s commitment to implementing financial reforms in a way that “promotes an integrated global financial system, reduces harmful fragmentation, and avoids unintended costs for business.” To increase resilience and financial stability in the region, and reduce exposure from volatility caused by capital inflows and outflows, we will continue to participate actively in global reforms and address as a collective body challenges arising from regulatory uncertainty, the evolving global regulatory landscape and its impact on regional financial markets. We support concerted engagement with central banks and other integrated regulators and are committed to addressing extraterritorial and cross border issues.
13. We will continue to reiterate that there is no “one-size-fits-all” approach, and support the adoption of consistent and effective regulation benchmarked against sufficiently granular international standards. We will also continue to advocate the need for Asia Pacific markets to become more involved in discussions concerning global regulatory reform.

### **Strengthening Asia Pacific’s capital markets**

14. Solutions to the global infrastructure deficit that many jurisdictions across the world face cannot be derived from government spending or bank lending alone. In particular, significant infrastructure needs in Asia Pacific mean that deeper and well-functioning capital markets have become even more vital. Capital markets support national and regional growth by helping to fund the region’s increasing demand for new capacity investments as well as maintenance or replacement of existing assets in energy, transport, telecommunications, water and sanitation infrastructure. Well-developed capital markets can help reduce bank dependence, increase financial deepening and develop bond markets.
15. A critical step is to determine how to mobilise savings more effectively to fund development to support regional economic growth. In this regard, our commitment to the long term stability and development of Asia Pacific



economies and capital markets remains unchanged. We are cognisant of the commitment made by the G-20 Sydney summit to create an environment that facilitates greater investment, particularly in infrastructure and small and medium enterprises, and to establish sound and predictable policy and regulatory frameworks. We also recognise the important work being done by the IOSCO Task Force on Long-Term Financing, which has submitted a report “Market-Based Long-Term Financing Solutions for SMEs and Infrastructure” to the G20 Finance Ministers and Central Bankers.

16. We see the APRC as ideally positioned to play a more prominent role in developing Asia Pacific’s capital markets. However, as regulators, our ability to initiate fundamental reform of financial markets is limited. We look to continue to communicate our needs and concerns more effectively to policy makers and governments, recognizing the need to engage higher-level support from national governments and finance ministers.