



**POLICY ADVOCACY COMMITTEE
BREAKFAST MEETING
JULY 28, 2009
DUSIT THANI HOTEL
BANGKOK, THAILAND**

ANNOTATED AGENDA

Initial Draft as of June 9, 2009

- 7:00 AM **START OF BREAKFAST**
- 7:30 **AGENDA ITEM 1**
Chairman's welcome and opening remarks
Dr. Shing-Shiang Ou, Committee Chairman, to extend his welcome to the participants, explain the objectives of the meeting, give an overview of the agenda and invite participants to introduce themselves.
- 7:40 **AGENDA ITEM 2**
Approval of the minutes of the April 22 Committee meeting
The Committee Chairman to present the minutes of the previous Committee meeting for approval.
Attachment 2.1: Minutes of the April 22 Committee meeting
Recommended action: *The Committee to approve the minutes.*
- 7:45 **AGENDA ITEM 3**
Draft ABA position paper *Promoting Innovative Policies to Encourage Expanded Microfinance Operations of Commercial Banks in the Asia-Pacific Region*
Brief presentation of the position paper by the Team Leader for Microfinance (Mr. Chandula Abeywickrema), followed by discussions.
Attachment 3.1: Draft ABA position paper "Promoting Innovative Policies to Encourage Expanded Microfinance Operations of Commercial Banks in the Asia-Pacific Region"
Recommended action: *The Committee to review, make modifications (if any) and endorse the draft position paper to the ABA Board.*
- 8:10 **AGENDA ITEM 4**
Initial discussions on the global financial crisis
The Committee Chairman to solicit views from Committee members on the global financial crisis, how it is affecting Asian banks and the region's economy and what steps governments can take in response to the crisis. This is also in preparation for the drafting of the next ABA position paper focusing on this topic.
Recommended action: *The Committee members to contribute their views and to take note of key issues for inclusion in the next position paper.*
- 8:35 **AGENDA ITEM 5**
Next meeting of the Committee
The next meeting of the Special Committee has been scheduled for Thursday, 29 October 2009 in Manila, in conjunction with the ABA Annual Meeting and

Conference. Exact time and venue to be announced later.

Recommended action: *The Committee to confirm the time, date and venue of the next meeting.*

8:38

AGENDA ITEM 6

Other matters

8:40

AGENDA ITEM 7

Chairman's summary and concluding remarks

Summary of conclusions and closing by the Committee Chairman.

8:45

END

**MINUTES OF THE MEETING OF THE
ABA POLICY ADVOCACY COMMITTEE
ON APRIL 22, 2009 IN MANILA**

Introduction

1. The first meeting for 2009 of the ABA Policy Advocacy Committee was held on April 22, 2009 in Manila, in conjunction with the ABA Planning Committee Meeting.

2. The main objective of the meeting was to consider the Committee's Work Program for 2009. The meeting was presided over by Dr. Shing-Shiang Ou, Chairman of the Policy Advocacy Committee and Senior Vice President and General Manager of Credit Analysis Office at Bank of Taiwan

3. Present at the meeting were the following ABA officers and members:

Ms. Susan S. Chang
Chairperson, ABA
Chairperson, Bank of Taiwan

Secretary Alfonso T. Yuchengco
Member, ABA Advisory Council
Chairman, Rizal Commercial Banking Corp. (RCBC)

Mr. Rajendra Theagarajah
Vice Chairman, ABA
Managing Director/CEO, Hatton National Bank

Mr. Lorenzo V. Tan
Member of the Board, ABA
President, RCBC

Mr. R. G. Subramanian
Member of the Board, ABA
Chief Executive Officer, State Bank of India, Hong Kong Branch

Mr. Saintsogt Chimid
Member of the Board, ABA
President & CEO, Chinggis Khaan Bank

Dr. J. C. Parreñas
Coordinator, ABA Policy Advocacy Committee
Senior Advisor to the Chairman, Chinatrust Financial Holding Company

Mr. Edwin Song
Chairman, ABA Technology Committee
Senior Vice President and General Manager
Information Management Office, Bank of Taiwan

Attachment 2.1

Mr. Nguyen Ngoc Ban
Director, Financial Institutions Dept.
Bank for Foreign Trade of Vietnam (Vietcombank)

Mr. Jack Guey-Zen Huang
Vice President and General Manager, Mega ICBC
Manila Branch

Mr. Elbert M. Zosa
Executive Vice President
Head of Corporate Planning Group, RCBC

Mr. Joee Guilas
Vice President
Head of Corporate Communications, RCBC

Ms. Gretchen Macabasco
Senior Vice President - Corporate Finance & Top Tier Head
Institutional Banking Group
Chinatrust Commercial Bank (Philippines), Inc.

Ms. Mei-Ju Lai
Deputy Banking Officer, Credit Analysis Office
Bank of Taiwan

ABA Secretariat

Dr. Webster W. Kiang
Senior Executive Vice President, Chinatrust Commercial Bank
Secretary Treasurer, ABA

Mr. Amador Honrado, Jr.
Deputy Secretary, ABA

Ms. Wendy Yang
Senior Officer, ABA

A. Committee Chairman's Opening Remarks and Introduction

4. Dr. Ou thanked the delegates for attending the first meeting of the Policy Advocacy Committee for the year. He noted that it was also the first meeting of the Committee since he was appointed by Mrs. Chang as its new Chairman, taking over from Mr. Henry Hwang of Mega Bank. He expressed his deep appreciation to the members for the support that they have provided, and continue to provide, the Committee. He also joined Mrs. Chang in thanking RCBC for organizing the meeting.

5. He then called on Dr. J. C. Parreñas to introduce the next item in the agenda, namely, the proposed work program of the Policy Advocacy Committee for 2009.

B. Proposed 2009 Work Program

6. Dr. Parreñas first gave a brief history and background on the past work of the Policy Advocacy Committee. He noted that since it was established in 1999, the Committee has done work in seven key policy areas, namely: (a) local currency bond markets; domestic credit rating agencies; (c) Basel II implementation; (d) IFRS convergence; (e) insolvency law and informal workouts; (f) corporate governance; and (g) microfinance.

Work Program Objectives

7. Dr. Parreñas proceeded to outline the objectives of the 2009 policy advocacy work of the ABA, namely

- a. To promote innovative policies for the growth of *financial inclusion through microfinance*, particularly with respect to mobile phone and agent banking, lowering regulatory barriers for financial institutions geared to low-income clients, reform of public banks, building inclusive financial identities and consumer protection;
- b. To promote appropriate and timely macroeconomic, monetary and regulatory *responses to the current global financial crisis*, including the robust implementation of the Basel II Framework and other related issues;
- c. To help accelerate regional cooperation efforts to develop *local currency bond markets* in Asia, including cross-border investment and issuance in these markets; and
- d. To further develop *collaborative relations* with other regional organizations.

Proposed Activities for 2009

8. To achieve the above objectives, Dr. Parreñas said the Committee will undertake the following activities during the year:

- a. *Issue Position Papers* – The Committee will prepare two position papers during the year and on the following issues:
 - *Promoting Innovative Policies to Encourage Expanded Microfinance Operations of Commercial Banks in the Asia-Pacific Region* - This position paper will be finalized on 28 July 2009 and will be submitted to APEC Finance Ministers, Central Bank Governors and Heads of Financial Supervisory Agencies, ABAC, ADB, ADBI, IFC, OECD, PECC and the World Bank
 - *Responding to the Global Financial Crisis* - This position paper will be finalized in late 2009 at the time of the ABA annual meeting, and will be submitted to APEC Finance Ministers, Central Bank Governors and Heads of Financial Supervisory Agencies;

Attachment 2.1

SEACEN Centre, ABAC, ADB, BIS, IMF, OECD, PECC and the World Bank.

- b. *Participate in the 3rd APEC Public-Private Forum on Bond Market Development (July 2009, Singapore)* - The Forum is being organized by ABAC and the Advisory Group on APEC Financial System Capacity-Building in collaboration with the Singapore Ministry of Finance and the Monetary Authority of Singapore. It is currently planned to be held back-to-back with the 6th APEC Senior Finance Officials' Meeting. ABA will develop its participation in this Forum as a means to promoting its recommendations and views, and coordinate with the organizers to determine how it can effectively participate in this activity.
- c. *Participate in the 5th Public-Private Dialogue for the Asia-Pacific Region on Responding to the Challenge of the Global Financial Crisis (27-28 July 2009, Bangkok)* - ABA will be a co-organizer of the dialogue together with ABAC, PECC and SEACEN. ABA's participation will consist of the following: provide suggestions on the program; provide Opening or closing session speaker; and provide speakers for selected sessions.
- d. *Media Outreach* - The Committee will coordinate with the ABA Secretariat and the host bank to develop the contents of the media release and press conference, which will be held during or after the general meeting and seminar. The policy advocacy portion of the media release will focus on ABA's position papers and other policy advocacy activities.

C. Next Meetings of the Committee

9. Dr. Parreñas added that the Policy Advocacy Committee is mandated by the ABA Board to meet at least three times in a year. He added that following the Manila meeting (which is its first meeting in 2009), the Committee will hold the following meetings on the following dates:

- a. The second meeting will be held around the time of the 5th Public-Private Dialogue for the Asia-Pacific Region on Responding to the Challenge of the Global Financial Crisis, which is scheduled to be held on 27-28 July 2009 in Bangkok.
- b. The third meeting will be held in Manila on October 29, 2009 immediately before the 26th ABA General Meeting and Conference.

D. Appointment of Team Leaders

10. In line with the objectives of this year's work program, Dr. Parreñas said that the Policy Advocacy Committee would appoint team leaders responsible for implementing activities in the work program for the following specific areas, namely:

Attachment 2.1

- a. Team Leader for Microfinance
- b. Team Leader for Financial Crisis Response
- c. Team Leader for Bond Market Development

11. Dr. Parreñas informed the Committee that for the position of Team Leader for Microfinance, **Mr. Chandula Abeywickrama**, Deputy General Manager at Hatton National Bank, has already agreed to continue taking on the responsibility. For the other two positions - Team Leader for Financial Crisis Response and Team Leader for Bond Market Development – the ABA needs to identify possible candidates from among member banks.

12. To help the ABA invite the appropriate party for the two positions, Dr. Kiang requested Dr. Parreñas to briefly describe the expected responsibilities of the Team Leader. Dr. Parreñas explained that:

- a. The Team Leader for Financial Crisis Response will be requested to:
 - i. *Participate in the 5th Public-Private Dialogue for the Asia-Pacific Region on Responding to the Challenge of the Global Financial Crisis (27-28 July 2009, Bangkok)* - The Team Leader will submit suggestions on the program of the Dialogue, as well as recruit speakers and commentators from among ABA member banks to participate in selected sessions of the Dialogue.
 - ii. *Develop the position paper on “Responding to the Global Financial Crisis”* - This position paper may draw from, among others, the Fifth Public-Private Dialogue for the Asia-Pacific Region to be held in Bangkok on 27-28 July 2009. It will be finalized in late October 2009 (at the time of the 26th ABA annual meeting), and subsequently submitted to APEC Finance Ministers, Central Bank Governors and Heads of Financial Supervisory Agencies; SEACEN Centre, ABAC, ADB, BIS, IMF, OECD, PECC and the World Bank.
- b. The Team Leader for Bond Market Development will be requested to participate in the 3rd APEC Public-Private Forum on Bond Market Development to be held in October 2009 in Singapore. Under the leadership of the Team Leader for Bond Market Development, ABA will develop its participation in this Forum as a means to promoting its recommendations and views, and coordinate with the organizers to determine how it can effectively participate in this activity.

13. The Committee requested the Secretariat to identify possible candidates for the positions of Team Leader for Financial Crisis Response and Team Leader for Bond Market Development, taking into account the expected Team Leader responsibilities as outlined by Dr. Parreñas.

14. In the meantime, Mr. Lorenzo Tan nominated Ms. Lourdes Pineda, who is in-charge of the microfinance business of RCBC, to be RCBC’s representative in the Committee on Microfinance.



ASIAN BANKERS' ASSOCIATION

POSITION PAPER

Promoting Innovative Policies to Encourage Expanded Microfinance Operations of Commercial Banks in the Asia-Pacific Region

First draft as of June 12, 2009

1. Recognizing the growing importance of financial inclusion given the current economic environment and its impact on developing economies, the Asian Bankers' Association reiterates its recommendations in its previous position paper *Improving the legal, policy and regulatory environment for financial inclusion through microfinance in emerging markets* dated August 19, 2008. We believe that increasing access to financial services at the bottom of the economic pyramid is important to alleviating the deleterious effects of the present global economic downturn on vulnerable sectors of society, as well as to creating a broader and more sustainable base for future economic growth.
2. The ABA sees the need for governments in the region to adopt innovative strategies to further promote financial inclusion. We note that such strategies have produced very positive results in some developing economies, and that there is much potential for sharing of experiences to disseminate such best practices more widely. We commend efforts by international and regional organizations and multilateral agencies to promote such cooperation among developing economies, such as the recently-held workshop "Promoting Financial Inclusion through Innovative Policies."¹
3. We endorse further efforts to accelerate progress in the six key policy areas that were the focus of discussions at the above-mentioned workshop: agent banking, mobile phone banking, increasing the diversity of microfinance service providers, reform of state-owned banks, financial identity and consumer protection. In particular, we note the following conclusions of the workshop regarding these policy areas:
 - a. The further development of agent banking requires a balanced and realistic legal and regulatory framework that helps build strong principal-agent relationships, allows innovation and the use of new technologies, permits data to be transmitted in a safe and cost-effective manner and provides appropriate transparency, accountability and customer protection. Frameworks to promote sound reputational risk management strategies are also needed given the impact of the current situation on trust and confidence levels in the banking industry.
 - b. Mobile phone banking requires a seamless regulatory framework that allows convergence of financial services, IT and telecommunications, while

¹ This workshop was jointly organized by the APEC Business Advisory Council, the Advisory Group on APEC Financial System Capacity-Building, the Asian Development Bank Institute and the Alliance for Financial Inclusion, in collaboration with the Foundation for Development Cooperation, the Inter-American Development Bank and the International Finance Corporation in Tokyo from March 31 to April 3, 2009.

maintaining financial system integrity and consumer protection. Experiences highlight the need for regulation to follow the market and avoid overregulation of low-value payments that are not likely to be used for money laundering.

- c. The emergence of new models and new service providers has expanded the usefulness and scope of microfinance to such activities as short-term loans, money transfers and micro-insurance. Various experiences underscore the need for a coherent legal and policy framework for regulating microfinance as a line of business. An effective framework focuses on products rather than institutions, is based on stakeholder consultation and collaboration, takes into account the costs of prudential regulation, has enough flexibility to allow innovation, and is complemented by improved technical capacity of supervisors and strong governance and internal controls in microfinance institutions.
 - d. Enabling public banks to play a positive role in financial inclusion requires strong political commitment by the government and independent management, supported by improvements in financial literacy, international support and adequate funding.
 - e. Lack of financial identity is a major obstacle for many people to effectively access financial services. Creating financial identities involves dealing effectively with know-your-customer procedures, such as through the use of simplified requirements at the lowest levels that increase as a client passes over a series of thresholds, the use of innovations such as biometrics, data protection, including design of optimal privacy protocols and improved consumer education on privacy issues, and creating incentives for people to obtain financial identities.
 - f. Promoting consumer protection at the bottom of the economic pyramid involves promoting financial literacy, transparent provision of financial services, fairness of contracts, fair and transparent compensation of customers when there are failures of agents, outsourced services or IT systems, fair recovery practices, and a system for redress of client concerns.
4. The ABA believes that the commercial banking sector can contribute much to increasing financial inclusion in the Asia-Pacific region, if supported by enabling policies. We especially recommend the following to encourage more commercial banks to provide services that increase financial inclusion levels:
- a. Authorities should develop policy frameworks to promote access to microfinance services of migrant workers throughout the region. This market presents opportunities for banks, with migrant worker remittances estimated to grow to US\$500 billion by 2010. Currently, however, most banks in the regions are still hesitant to develop the market for migrant worker remittances given the value of small transactions. To encourage banks to initiate more convenient technology-based products and services (including through agent and mobile phone banking) to offer savings, credit, money transfer and insurance services to migrant workers in host countries, regulators should make appropriate adjustments of the application of anti-money laundering and Basel II-related requirements to such transactions.
 - b. Governments should review taxation frameworks to encourage commercial banks to expand microfinance services in rural areas and marginalized communities.

5. The ABA encourages focused regional policy dialogue and capacity-building efforts to accelerate the development and dissemination of best practices in promoting financial inclusion among developing economies in the region, as well as to promote sustainable implementation of financial inclusion strategies through regional monitoring of efforts, impact assessments, peer review and similar activities. In this context, we urge the Asia-Pacific Economic Cooperation (APEC) Finance Ministers to collaborate with the private sector and the region's financial industry to launch an APEC Financial Inclusion Initiative. As the leading voice of the Asian financial industry, the ABA stands ready to support and participate in these efforts, in cooperation with other international organizations and agencies.

Bangkok, 28 July 2009