



An initiative of the APEC Finance Ministers' Process

Asia Region Funds Passport

Public Information

(Current as of August 2013)

- The Australian Financial Centre Forum was established in September 2008 to report on the policy settings needed to develop Australia as a leading regional financial centre. The Forum's report (known as the Johnson Report) recommended that Australia explore the concept of developing an Asia Region Funds Passport (ARFP). The ARFP would provide a multilaterally agreed framework allowing the cross border issuing of funds across participating economies in the Asia region.
 - In the longer term a commonly agreed funds management regulatory framework could also facilitate funds from the Asian region being marketed in Europe by way of an Asian/European mutual recognition agreement.

Exploration of Concept

- In order to determine whether there was sufficient interest in the concept of an ARFP within the Asia region, Australia introduced its development as an exploratory policy initiative within the APEC Finance Ministers' Process (FMP). This provided a region-wide working platform to collaborate with finance policy makers, regulators, industry players and technical experts with the aim of examining how an ARFP could be made to work and deliver the intended benefits to the region.
 - The Australian Treasury in collaboration with the Australian Securities and Investment Commission (ASIC) is the lead agency responsible for facilitating the development of the ARFP, assisted by the Australian Department of Foreign Affairs and Trade.
- An APEC policy dialogue was held on 27 October 2010 in Kuala Lumpur to engage with relevant stakeholders and targeted APEC economies about the idea of an ARFP. During this dialogue, participants considered current perspectives on developing an ARFP in the region; examined the features of a funds passport scheme; identified the various policy and technical challenges; and looked at the options to further progress the concept.
- A capacity building workshop aimed at supporting several APEC developing economies improve their technical skills in cross-border trading of financial products was also held in conjunction with the dialogue. The capacity building work represents an important element of this initiative and is designed to assist the developing economies enhance their potential to join an ARFP in the future.
 - The APEC developing economies that participated in both the policy dialogue and capacity building program included Thailand, the Philippines and Vietnam. Due to conflicting priorities, Indonesia was unable to participate but indicated strong interest in the activity.
 - Malaysia, through the Securities Industry Development Corporation (SIDC), the training arm of the Securities Commission took a lead role in designing and delivering the capacity building workshop in partnership with Australia.
- At the conclusion of the Kuala Lumpur dialogue, it was agreed that the concept of an ARFP would be introduced at the APEC Finance Ministers Meeting (FMM) in Kyoto, Japan on 6 November 2010.

- Australian APEC Business Advisory Council (ABAC) representative, Mark Johnson, spoke of this concept during the ABAC working lunch with finance ministers, highlighting an ARFP as an important avenue to strengthen financial market integration in the region.
- In recognising the ARFP exploratory activities, APEC Finance Ministers welcomed the efforts by a number of economies to further develop this area of work.
 - Support for this activity was expressed in generic terms (to facilitate greater cross-border flow of funds) in both the Joint Ministerial Statement and the Report on Growth Strategy and Finance that were released at the conclusion of the FMM.
- Building on the outcomes of the first APEC policy dialogue on ARFP that was held in Kuala Lumpur in October 2010, the Australian Treasury held a follow-up policy and technical workshop in this area, which took place in Hong Kong on 15-16 March 2011. The workshop:
 - considered the key structural, policy and administrative areas underpinning the design, development and operation of an ARFP; and
 - served as a forum to consult with members of the Asia funds management industry and seek their views on the proposed ARFP.
- The discussions at the Hong Kong workshop were constructive and helped develop deeper and wider understanding of the technical issues and policy challenges surrounding the proposed establishment of the ARFP.
- In conjunction with the policy and technical workshop, Australia (Treasury) through its partnership with Malaysia (SIDC) also delivered a second capacity building program for the developing economies of APEC.
- The conclusions and key outcomes of the Hong Kong policy and technical discussions were considered by workshop participants through wider consultations with stakeholders in the respective economies and jurisdictions. Work on several action items, including the further development of specific technical options that resulted from the workshop discussions were progressed between April and July 2011.
 - Progress on the development of the ARFP was reported at APEC Senior Finance Officials' Meeting in Washington DC on 21 June 2011.
- The third ARFP policy and technical workshop was held in Singapore on 2-3 August 2011 and was attended by thirteen APEC member economies (Australia, Singapore, Hong Kong, Japan, Korea, Thailand, Malaysia, Indonesia, Vietnam, the Philippines, the United States, Chinese Taipei and New Zealand).
 - The primary objective of the workshop was to consider the full range of technical issues and options that would need to be addressed prior to establishing an ARFP. The workshop discussions were guided by a number of options papers prepared by Australia, which covered four key areas, namely: the scope and jurisdictional staging of the passport; issues concerning mutual recognition and regulatory equivalence; the design and operation of a passporting fund; and issues covering the protection of investors.
 - Additionally, Australia prepared and presented a draft survey instrument that will seek to map the state of regulatory equivalence among the various jurisdictions in the region. The exercise will aim to identify a number of regulatory gaps which will need to be addressed by economies interested in being party to a funds passporting arrangement.

- The workshop also presented an opportunity to have a dialogue with several ASEAN member economies and to explore how their *Mutual Recognition and Harmonisation Framework* (which is geared to promote cross-border trading of financial products) and the APEC ARFP initiative could potentially complement one another.
- Further capacity building training was delivered in conjunction with the workshop in Singapore. This work focused on addressing some of the technical and policy developmental gaps that were identified from the previous training activities.
 - Finance regulators from Thailand, Indonesia, the Philippines and Vietnam participated in this training which was facilitated by SIDC Malaysia in partnership with the Australian Treasury.

Development of model for the ARFP

- Over the September – November period finance regulators and officials worked closely to agree on the recommendation that they would put to APEC Finance Ministers during the ministerial meeting in Honolulu on 10 November 2011 in order to secure the mandate to further progress the development of the ARFP. In the joint statement issued from this meeting, ministers recognised the work that had been undertaken to date to develop the concept of an ARFP and called on economies to further explore the establishment of a pilot ARFP.
 - Two of the overarching themes during the US APEC host year were "strengthening regional economic integration and expanding trade" and "advancing regulatory convergence and cooperation". The gradual development of the ARFP is in step with this direction. It will support greater financial market integration in the region; enhance cross-border trading of financial products; and facilitate this development in a way that ensures that the financial regulatory framework underpinning the ARFP is sound and is being established in close cooperation with the participating financial regulatory authorities.
- Finance regulators and officials from twelve APEC economies (Australia, Chinese Taipei, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand, the Philippines and Vietnam) met again in December 2011 in Kuala Lumpur to further advance ARFP's policy and technical work. This meeting also involved discussing a mutually agreed agenda for exploring the development of the ARFP over the next 18 months.
 - Ongoing capacity building was also delivered to targeted economies in a workshop held in conjunction with this meeting.
- Over the January - May 2012 period, steady progress was made on the exercise to map the state of the regulatory equivalence among the various jurisdictions in the region. Ongoing work in this area is expected to identify the remaining gaps in the exercise and indicate how the data from this work will be used to inform the development of a model for the ARFP.
- In June 2012 Thailand hosted the fifth ARFP policy and technical workshop. The key focus of this workshop was to consider the proposed governing arrangements and possible model for the ARFP.
 - Finance regulators and officials from eleven APEC economies (Australia, Chinese Taipei, Hong Kong, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand, the Philippines and Vietnam) examined options for the technical features of the governing arrangements as well as the components of the model with the view of recommending the next steps for ARFP's development to APEC Finance Ministers.
 - The workshop discussions were constructive and produced, in theory, a possible working model and governance framework for the ARFP. Further technical work was however required to refine this model and framework. Participants agreed on the need to produce an economic

and business case to provide a strong foundation for wider political support for establishing an ARFP. It was also agreed that China should be invited to participate in the ARFP discussions.

- A further program on capacity building for targeted developing economies was also conducted in conjunction with this workshop.
- In the annual joint statement issued by APEC Finance Ministers' in Moscow in August 2012, ministers noted the technical work that is underway to gradually progress the development of ARFP and expressed their support for the further development of the proposed model, governing arrangements and policies for a pilot ARFP.
- The ARFP also continues to receive strong private sector support and in their annual report (2012) to APEC Economic Leaders, ABAC welcomed the ongoing efforts of officials and finance regulators to develop the ARFP. They called on finance officials to identify a possible time frame for implementing a pilot ARFP.
- The sixth ARFP policy and technical workshop took place in Hanoi on 4-5 December 2012. In addition to further addressing the outstanding technical and governance issues for the ARFP, the workshop engaged with funds management industry representatives in order to gain their perspectives on the proposed ARFP model and governing arrangements.
 - Financial sector regulators and officials from thirteen APEC economies (Australia, China, Chinese Taipei, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand, the Philippines and Vietnam) participated in the workshop. This was the first time that China had participated in AFRP discussions and was represented by officials from the Shanghai Financial Services Office.
 - The workshop discussions agreed on a high level technical model for the ARFP, but recognised that additional work needed to be done on the details that would underpin the framework. Consideration was also given to a possible governance model for the AFRP, building on the outcome of discussions at the previous workshop. A Terms of Reference was also agreed for a Study into the Economic benefits of an ARFP to regional economies. This work will be progressed in 2013.
- The workshop included two days of capacity building training provided to financial regulators from a number of regional economies to better enable their economies to participate in the Passport.

Recent Developments

- Following the workshop, economies were invited to form a working group that would develop the detailed technical arrangements. Australia, Korea, New Zealand and Singapore accepted this invitation.
 - The working group held its first meeting in Perth on 9-10 May 2013 and its second in Taipei on 25-26 June 2013, making significant progress on technical issues relating to the implementation of the AFRP.
- The seventh ARFP policy and technical workshop took place in Taipei on 27-28 June 2013 attended by representatives from Australia, Hong Kong, Korea, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Chinese Taipei, Thailand, and Vietnam. The workshop considered the proposed arrangements developed by the working group. These arrangements are detailed in a Framework Document, which sets out the high-level principles underpinning the Passport, and a series of Passport Special Rules.

- The workshop considered proposals for a Statement of Intent that Finance Ministers of eligible APEC economies will be invited to sign at their meeting in September 2013. The Statement of Intent would commit signatories to take certain actions in relation to implementation of the Passport.
- A representative from the APEC Policy Support Unit presented interim findings from the Study on the potential economic benefits and costs of an ARFP. A representative of the Asian Development Bank presented on regional efforts to develop a standardised bond issuance framework under ASEAN+3 and compared the approach taken with that of development of the ARFP.
- Following the workshop, the Working Group is currently refining the Framework Document, Passport Special Rules and Statement of Intent. It is hoped Finance Ministers from all APEC economies will welcome the progress that has been made to develop an ARFP model in September 2013.

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