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**Update on APEC Finance Ministers' Process Policy
Initiatives: Progress Report on APEC Financial
Regulators Training Initiative**

Purpose: Information
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Tokyo, Japan
21 September 2010



Update on APEC Finance Ministers' Process Policy Initiatives

Progress Report on APEC Financial Regulators Training Initiative

**Prepared for APEC Senior Finance Officials' Meeting (SFOM8)
21 September 2010
Tokyo, Japan**

Prepared by:

Office of Regional Economic Integration

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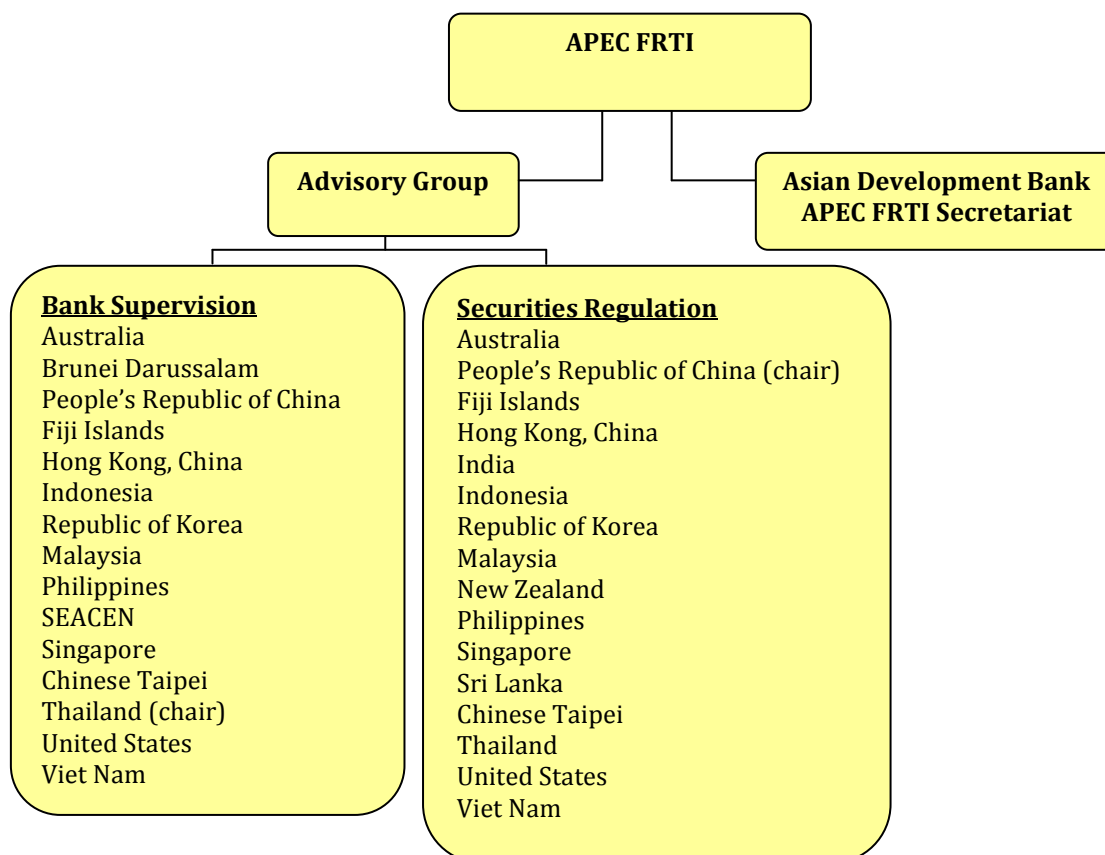
I. INTRODUCTION

1. Building expertise among national and regional financial regulators is critical to enhance, maintain, and strengthen their ability to promote stable financial institutions and systems.
2. The 2007-2009 global financial and economic crisis did not only demonstrate how strongly linked regulated and unregulated financial institutions are through markets and counter-party relationships and how contagion is transmitted, but it also exposed the collective failure to identify, mitigate, and resolve systemic risk. Transparent policies and governance, along with more effective financial regulators, are the keys to the implementation of international standards in financial sector regulation and supervision in many economies.
3. Recent events highlighted the need for new and redesigned training programs that cater to the specific needs of staff at the financial supervisory and regulatory agencies. In response, training processes have been substantially improved with new programs and were introduced to enhance supervisory and regulatory quality, implementation, and enforcement.
4. Endorsed in 1998, the Asia-Pacific Economic Cooperation Financial Regulators Training Initiative (APEC FRTI) provides a systematic, integrated, and sustained approach to improve the quality and efficiency of financial supervision and regulation. APEC FRTI is the longest running initiative of the APEC Finance Ministers. It aims to strengthen training programs for staff at the supervisory and regulatory agencies across APEC and improve coordination of regional and international training programs. The Initiative provides a sustainable, efficient and cost effective training structure for junior and mid-level staff. The trained staff will in turn provide training at national banks and securities, and supervisory and regulatory agencies.

II. IMPLEMENTATION OF THE TRAINING INITIATIVE

5. To implement the APEC FRTI, an APEC FRTI secretariat was established at the Asian Development Bank (ADB) headquarters in Manila, Philippines, and two Advisory Groups (AGs) were formed comprising of bank supervisors and securities regulators from Asian economies.
6. The secretariat oversees the day-to-day operations of the APEC FRTI and is responsible for: (i) coordinating the design of the training programs; (ii) sourcing resource speakers; (iii) maintaining the APEC FRTI website; (iv) keeping the APEC Finance Ministers' Process up to date on the developments in APEC FRTI; (v) arranging the annual advisory group meetings; and (vi) the administrative detail regarding the training programs. ADB financially supports APEC FRTI through the Regional Capacity Development Technical Assistance. Funding is provided every two years. New funding will be sought in 2011.
7. AGs of bank and securities supervisors and regulators provide guidance and technical support to the APEC FRTI and steer its implementation. During their 15th annual meeting on July 2010 at the ADB Headquarters, Manila, Philippines, AG members of the bank supervision training programs elected Bank of Thailand as their chair for a two-year term. On the other hand, the term of China Securities Regulatory Commission, elected as chair of the AG for securities regulation training programs at the

13th annual meeting on September 2008, will be extended until a new chair is elected. In 2009, both the State Bank of Viet Nam and the State Securities Commission of Viet Nam were endorsed as members of the Advisory Group for securities regulation training programs. In early 2010, the Securities and Exchange Commission of Sri Lanka, the Securities and Exchange Board of India and the Reserve Bank of Fiji became new AG members.



III. TRAINING PROGRAMS

8. AGs determine the content of training programs based on priorities identified by members and seminar participants gathered from surveys and evaluations. The surveys and evaluations assess the quality and effectiveness of seminars as well as the approaches and methods used. The results of the assessments provide a basis for the design of training programs and enable members of the AGs to suggest specific ways to further strengthen and improve the programs taking into consideration the: (i) relevance to the needs of financial regulatory institutions; (ii) common interest and high value; and (iii) topics related to core financial supervisory and regulatory functions.

9. While APEC FRTI maintains separate programs for banking supervisors and securities regulators, new training programs have been developed that cater to the specific training demands of both bank supervisors and securities regulators. Training programs range from three to five days.

10. APEC FRTI primarily targets the junior to mid-level staff and potential instructors and heads of banks, securities, and supervisory and regulatory agencies. The training

courses are offered for free. However, the cost for air fare, hotel accommodation and other expenses (if the seminar is held outside the jurisdiction of the participants' institution) is paid by the participants' institution. APEC FRTI does not provide grants and allowances to participants.

11. Resource persons for the banking seminars come from regulatory agencies including the United States (US) Federal Reserve System, the Canadian Office of the Superintendent of Financial Institutions, Toronto Leadership Training Center, the Korea Asset Management Corporation, and other training centers as well as public and private institutions.

12. Resource persons for securities seminars come primarily from regulatory agencies, including the Securities and Futures Commission of Hong Kong, Securities Commission of Malaysia, Monetary Authority of Singapore, Australian Securities and Investments Commission, Ontario Securities Commission, United Kingdom Financial Services Authority, US Securities and Exchange Commission and the US Commodity Futures Trading Commission.

13. Key training products developed under APEC FRTI include training products covering core areas of bank supervision such as bank analysis, credit risk analysis, and market risk analysis, bank fraud, and core programs for securities regulators such as investigation and enforcement, market supervision, regulation of new products and financial analysis, forensic accounting, and auditing.

IV. OVERVIEW OF RECENT DEVELOPMENTS UNDER APEC FRTI

14. APEC FRTI is continuously strengthening the content and management of the training programs, developing new programs, and disseminating information on the APEC FRTI:

- a. The content and management of training programs have been strengthened. Regional programs have been developed and training programs based on the core curricula developed under APEC FRTI are continuously upgraded and new programs are developed to keep pace with the changing environment and demands.
- b. A website (www.adb.org/Projects/APEC) has been created to facilitate information dissemination and exchange of ideas.
- c. Marketing has been expanded through distribution of an APEC FRTI brochure. A quarterly newsletter is also being designed and circulated on a regular basis starting 2010.
- d. APEC FRTI training seminar preparation guideline has been produced and disseminated to host institutions in an effort to control its quality by ensuring that the conduct of the training seminar is in accordance with the unified procedure.

15. From 2001 to August 2010, a total of 3,060 regulators and supervisors have been trained (Table 1). On average, 39 trainees participated in each program. To expand international comparisons, enrich group work and discussions, and widen

networks, APEC FRTI courses are no longer limited to APEC economies and ADB member countries. Staff from supervisory and regulatory agencies in Tanzania, Maldives, Jamaica, Mongolia, Russia Federation, Mauritius and Azerbaijan participated in the training initiative from 2008-2010.

16. Since 2001, APEC FRTI organized a total of 44 banking supervision and regulation seminars, 33 securities supervision and regulation seminars and one short training program catering to the demands of both banking and securities supervisors and regulators. Given the strong demand to create training opportunities in the region, the Initiative has gradually increased the number of regional banking and securities regulators seminars from seven in 2007 to 10 seminars in 2010 (Table 2). The APEC FRTI has also been strengthened by the addition of short courses (e.g. 3-day seminars) tailored to the specific needs of member economies.

17. The APEC FRTI also organizes conferences and workshops, allowing regional and global financial regulators to share their experiences on regulatory and supervisory issues. On 18–19 September 2008, an international conference entitled, “Restructuring beyond the Subprime” was held at ADB Headquarters, Manila. A high level conference entitled, "Global Crisis Response: Financial Policy Responses and Lessons from the Crisis" was held in Seoul, Korea on 30 September–1 October 2009. The European Commission and APEC FRTI joint conference entitled, "Beyond the Global Crisis: A New Asian Growth Model", was also organized in Kuala Lumpur, Malaysia in October 2009.

Table 1. Participation in FRTI Seminars, 2001-2010*

	Five Day Seminars		Three Day Seminars	Total
	Banking Supervision	Securities Regulation		
I. Number of Trainings	44	33	1	78
Regional Trainings	35	29	1	65
II. Participation				
Australia	37	1	-	38
Brunei Darussalam	10	8	-	18
China, People's Republic of	462	205	-	667
Hong Kong, China	148	6	-	154
Indonesia	237	114	3	354
Korea, Rep. of	15	17	-	32
Malaysia	118	246	4	368
New Zealand	2	5	-	7
Papua New Guinea	15	4	-	19
Philippines	332	242	26	600
Singapore	15	56	-	71
Chinese Taipei	48	92	1	141
Thailand	73	87	8	168
Viet Nam	5	13	-	18
APEC Member Economies	1,517	1,096	42	2,655
Non-APEC Member Economies	166	231	8	405
TOTAL	1,683	1,327	50	3,060

*as of August 2010

Table 2: Training Schedule for 2010

<p>Bank Analysis & Examination (Banking) 22-26 February 2010 hosted by BSP/PDIC/ADB Manila, Philippines</p>
<p>Regulation of New Products (Securities) 8-12 March 2010, CSRC Shanghai, People's Republic of China</p>
<p>Operational Risk (Banking) 12-16 April 2010 hosted by Bank Indonesia Bali, Indonesia</p>
<p>Risk Management for Securities Regulators (Securities) 17-21 May 2010 hosted by SEC Philippines/ADB ADB, Manila, Philippines</p>
<p>Dealing with Problem Banks (Banking) 2-6 August 2010 hosted by Bank Indonesia Bali, Indonesia</p>
<p>Liquidity Risk Management for Cross-Border Banking Institutions (Banking) 11-15 October 2010 hosted by APRA Brisbane, Australia</p>
<p>Investigation & Enforcement (Securities) 25-29 October 2010 hosted by FSS Seoul, Republic of Korea</p>
<p>Risk Management (Banking) 8-12 November hosted by HKMA Hong Kong, China</p>
<p>Early Warning Tests, Problem Institutions and Contingency Plan (Banking & Securities) 23-25 November 2010 hosted by BSP/PDIC/ADB ADB (Manila, Philippines)</p>
<p>Market Supervision (Securities) 13-17 December 2010 hosted by SC Malaysia Kuala Lumpur, Malaysia</p>

* The training schedule is subject to change depending on the request from host institutions and is regularly being updated through the website (www.adb.org/Projects/APEC).



APEC Financial Regulators

Training Initiative

Asian Development Bank

Overview

The Asia-Pacific Economic Cooperation (APEC) Finance Ministers endorsed the establishment of the APEC Financial Regulators Training Initiative (FRTI; the Initiative) in May 1998 to build and enhance staff expertise at financial supervisory and regulatory authorities to promote financial sector stability.

FRTI was initially implemented over a 2-year period. After an evaluation of its initial activities and progress, the APEC Finance Ministers agreed to continue the Initiative. Phase 1 (1998–2000) identified training needs for financial regulators and developed core curricula for training. Phase 2 (2001 to present) has focused on conducting regional and national training courses, and on developing and distributing training materials and other knowledge products.

Objective

The Initiative aims to strengthen financial supervision and regulation in the region by enhancing the analytical and technical capacities of bank supervisors and securities regulators.

Training Programs

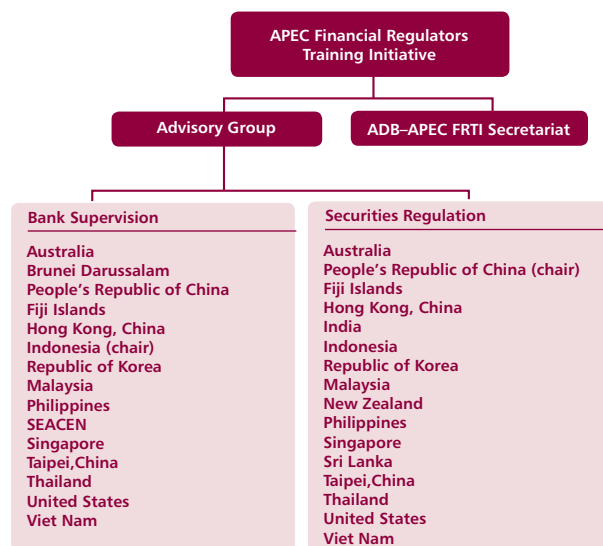
The Initiative has separate training programs for bank supervisors and securities regulators. For bank supervision, topics include bank rehabilitation; bank analysis and examination; risk-focused supervision and risk assessment; market, credit, and operational risk analysis. For securities regulation, core courses include market supervision; investigation and enforcement; regulation of new products; risk management; and financial analysis, forensic accounting, and auditing.

Structure

The Advisory Group (AG), representing bank supervisory and securities regulatory agencies, guides and steers the implementation of the Initiative. The AG decides on training programs based on the evolving needs/priorities identified by members; the relevance of topics to core financial supervisory and regulatory functions; and feedback from evaluations and surveys conducted. The AG comprises 15 members (including SEACEN*) for bank supervision and 16 member economies for securities regulation.

Based at ADB headquarters in Manila, Philippines, the Secretariat is responsible for implementing training activities. ADB funds the operational costs of the Secretariat, training events and activities associated with the development and dissemination of training materials.

Figure 1: APEC Financial Regulators Training Initiative



* The South East Asian Central Banks Research and Training Center.

Progress

The Initiative has made progress in strengthening existing national training programs and in developing new regional training programs. Since 2001, the Initiative has trained 2,800 participants. About 87% of the participants are from APEC member economies.

Training products developed under the Initiative include audiovisual materials covering core areas of banking supervision, as well as web-based training materials addressing training management and training-need strategies.

Table 1. Participation in Training Seminars, 2001–2009

	5-Day Seminars			Total
	Banking Supervision	Securities Regulation	3-Day Seminars	
Number of Trainings of which: regional Participation	41	31	1	73
	32	27	1	60
Australia	37	1	0	38
Brunei Darussalam	8	6	0	14
PRC	456	149	0	605
Hong Kong, China	147	6	0	153
Indonesia	200	100	3	303
Korea, Rep. of	16	15	0	31
Malaysia	110	235	4	349
New Zealand	2	4	0	6
Papua New Guinea	13	4	0	17
Philippines	298	227	26	551
Singapore	15	50	0	65
Taipei, China	44	84	1	129
Thailand	66	83	8	157
Viet Nam	5	13	0	18
APEC member economies	1,417	977	42	2,436
Non-APEC member economies	148	208	8	364
TOTAL	1,565	1,185	50	2,800

PRC = People's Republic of China.

Key Features

- **Course seminars are free.** The nominating institution bears participant costs.
- **Target Groups.** The Initiative is primarily targeted at junior- to intermediate-level staff and potential instructors of bank supervisory agencies, securities and futures regulatory commissions.

- **Learning Methods.** Training includes case studies, classroom discussions and group presentations. Sessions allow for dialogue with experts on issues and current trends.
- **Training Staff.** Resource persons come from regulatory agencies including the United States (US) Federal Reserve System, the Canadian Office of Superintendent of Financial Institutions, Securities and Futures Commission of Hong Kong, Securities Commission of Malaysia, Monetary Authority of Singapore, Australian Securities and Investments Commission, Ontario Securities Commission, United Kingdom Financial Services Authority, US Securities and Exchange Commission and US Commodity Futures Trading Commission, other training centers as well as public and private institutions and ADB.
- **Courses.** There are separate courses for banking supervisors and securities regulators which range from 3 to 5 days. Training is in English.

Training Schedule for Bank Supervisors for 2010

Date	Content	Location
22–26 Feb	Bank Analysis and Examination	Philippines
12–16 Apr	Operational Risk	Indonesia
2–6 Aug	Dealing with Problem Banks	Indonesia
11–15 Oct	Liquidity Risk Management	Australia
8–12 Nov	Risk Management	Hong Kong, China

Training Schedule for Securities Regulators for 2010

Date	Content	Location
8–12 Mar	Regulation of New Products	PRC
17–21 May	Risk Management for Securities Regulators	Philippines
25–29 Oct	Investigation and Enforcement	Republic of Korea
13–17 Dec	Market Supervision	Malaysia

3-Day Program for 2010

Date	Content	Location
28–30 Sep	Early Warning Tests	Philippines

Note: The schedule of the programs above are subject to change. For the updated schedule, visit the APEC FRTI website at www.adb.org/projects/apec.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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