

Strengthening Infrastructure and Capital Market thru Retirement Income Policies

**ADB-IOECD Roundtable on Capital Market and Financial Reform in
Asia**

Tokyo, 22-23 March 2016

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- Introduction to APFF and Insurance and Retirement Income Workstream

The APFF within the APEC Process

Finance Ministers' Process (FMP)

21 APEC Finance Ministries

Advisory Functions: ADB, IMF, OECD, WBG, ABAC

Finance Ministers
*Heads of Delegation of
International Organizations and
ABAC*

Deputy Finance Ministers/Deputy CB
Governors
*Representatives of International
Organizations and ABAC*

Senior Finance Officials
*Representatives of International
Organizations and ABAC*

FMP Policy Initiative

Managed by ABAC

APEC
Finance
and
Developme
nt Institute

Financial
Regulators
Training
Initiative

APEC
Financial
Institutions
Dealing
with SMEs

Asia-
Pacific
Forum on
Financial
Inclusion

Asia-
Pacific
Financial
Forum
(APFF)

Asia-Pacific
Infrastructu
re
Partnership
(APIP)

APEC PPP
Experts
Advisory
Panel

Asia
Region
Funds
Passport
(ARFP)

The APFF Network



Over 150 organizations



Over 300 individual experts

The APFF Structure

APEC Finance Ministers Process (FMP)

APEC Business Advisory Council (ABAC)

**Asia-Pacific
Financial Forum
(APFF)**

APFF Work Streams

Financial
Infrastructure
Development
Network

Trade /
Supply
Chain
Finance

**Capital
Markets**

**Financial
Market
Infrastructure /
Cross-Border
Practices**

**Insurance /
Retirement
Income**

Linkages /
Structural
Issues

Credit
Information

Secured
Transactions

Accounts
Receivables
Finance

Classic repo
markets

Derivatives

Information
for Investors

Asia Region
Funds
Passport

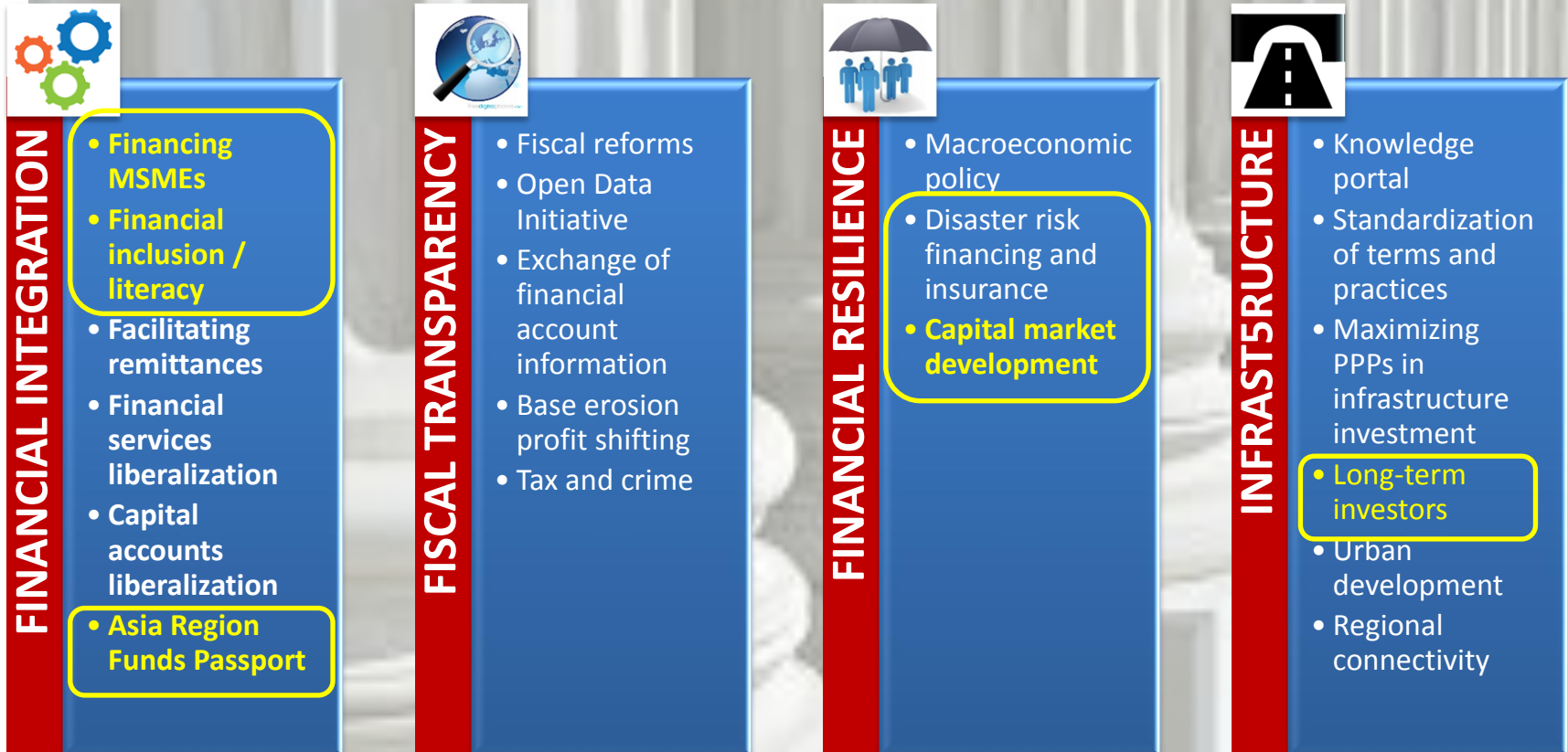
Retirement /Long-
Term Investment

Disaster Risk
Financing
/Insurance

The Cebu Action Plan:

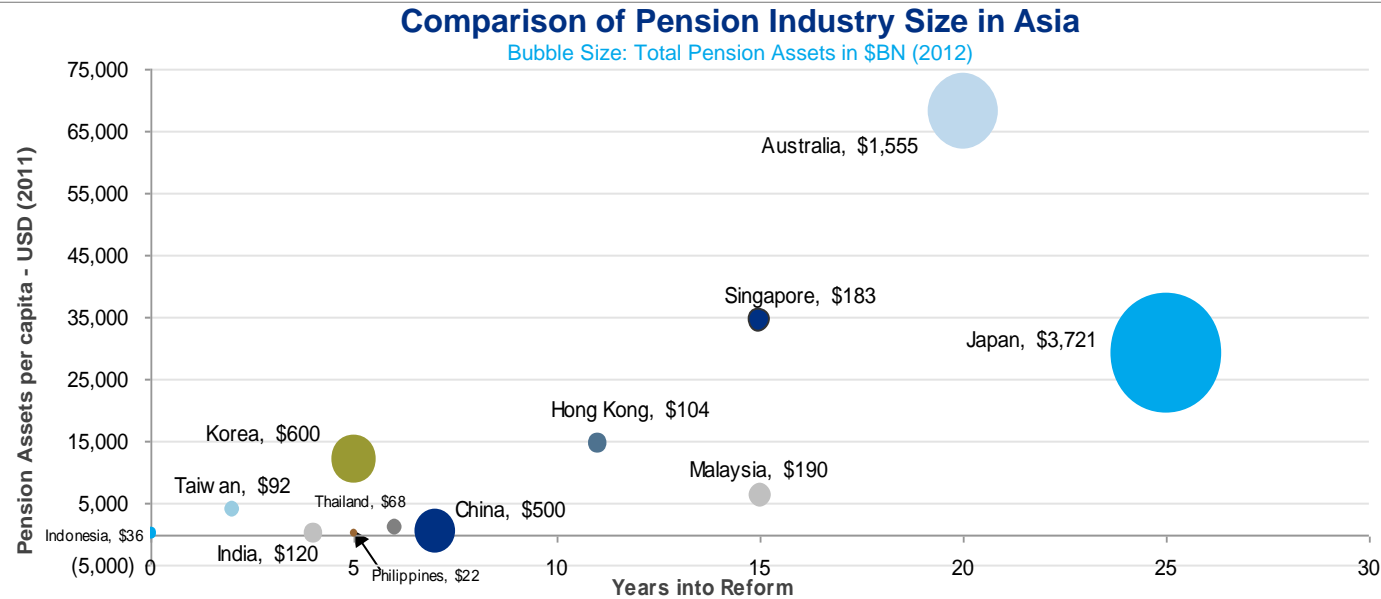
A Ten-Year Roadmap for the APEC Finance Ministers' Process

FOUR PILLARS



- APFF Framework
 - Roadmap for Sustainable Development thru Retirement Income Policies
 - Insurance and Retirement Income Workstream

Pension Reforms across Asian Markets Continue to Drive AUMs



Source: Currulli Associates; Respective Pension Funds in the countries, Internal Calculations

Ongoing Reform Progress in Key Asian Markets

	DB → DC	Increasing Coverage	Increasing Contribution Rate	Member Choice	Tax Incentive	Sophistication of Pension Funds	Projected Assets
Australia	Completed	Completed	Starting	Completed	Completed	Completed	\$7TR (2030, Source: Deloitte)
Korea	Starting	Starting	Starting	Starting	Starting	Completed	USD 3.5TR (2032; Source: NPS Korea)
Taiwan	Starting	Completed	Starting	Starting	Starting	Starting	\$300BN (2020; Source: Mercer)
Hong Kong	Completed	Completed	Starting	Starting	Starting	Starting	N/A
China	Starting	Starting	Starting	Starting	Starting	Starting	\$1.2TR (2020; Source: Allianz/Mercer)
India	Starting	Starting	Starting	Starting	Starting	Starting	\$7.6TR (2032; Source: NPS India)

Key:

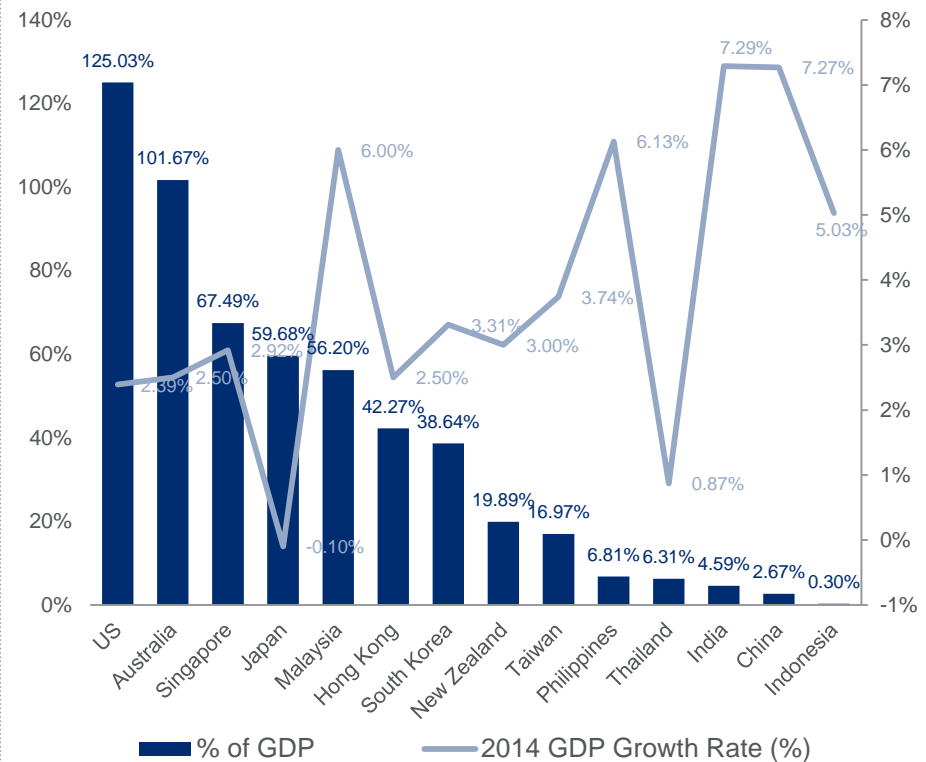
- Completed
- Starting

Asia Pension Funds as % of GDP

Global Pension Assets vs. GDP

Market	Estimated AUM (in USD billion)	% of GDP
Australia	1478.97	101.67%
China	276.50	2.67%
Hong Kong	123.00	42.27%
India	94.00	4.59%
Indonesia	2.68	0.30%
Japan	2746.00	59.68%
Malaysia	190.00	56.20%
New Zealand	39.79	19.89%
Philippines	19.40	6.81%
Singapore	207.87	67.49%
South Korea	545.00	38.64%
Taiwan	90.15	16.97%
Thailand	25.53	6.31%
US	21779.00	125.03%

Source: World Bank, OECD, Willis Towers Watson



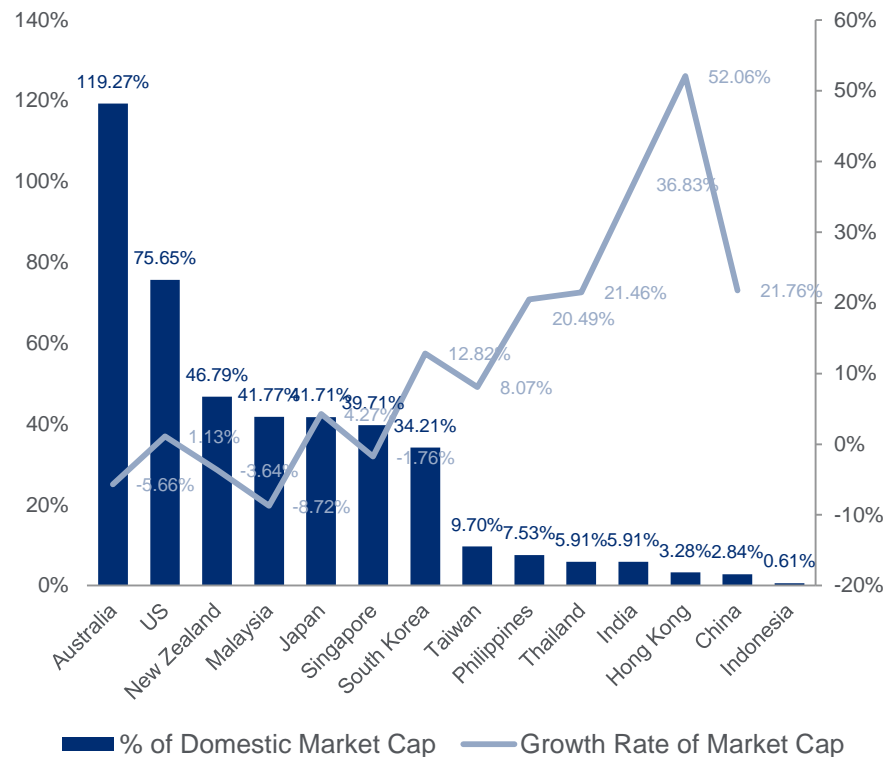
Source: OECD, World Bank

Asia Pension Funds as % of Domestic Market Capitalization

Global Pension Assets vs. Domestic Market Cap

Market	Estimated AUM (in USD billion)	% of Domestic Market Capitalization
Australia	1478.97	119.27%
China	276.50	2.84%
Hong Kong	123.00	3.28%
India	94.00	5.91%
Indonesia	2.68	0.61%
Japan	2746.00	41.71%
Malaysia	190.00	41.77%
New Zealand	39.79	46.79%
Philippines	19.40	7.53%
Singapore	207.87	39.71%
South Korea	545.00	34.21%
Taiwan	90.15	9.70%
Thailand	25.53	5.91%
United States	21779.00	75.65%

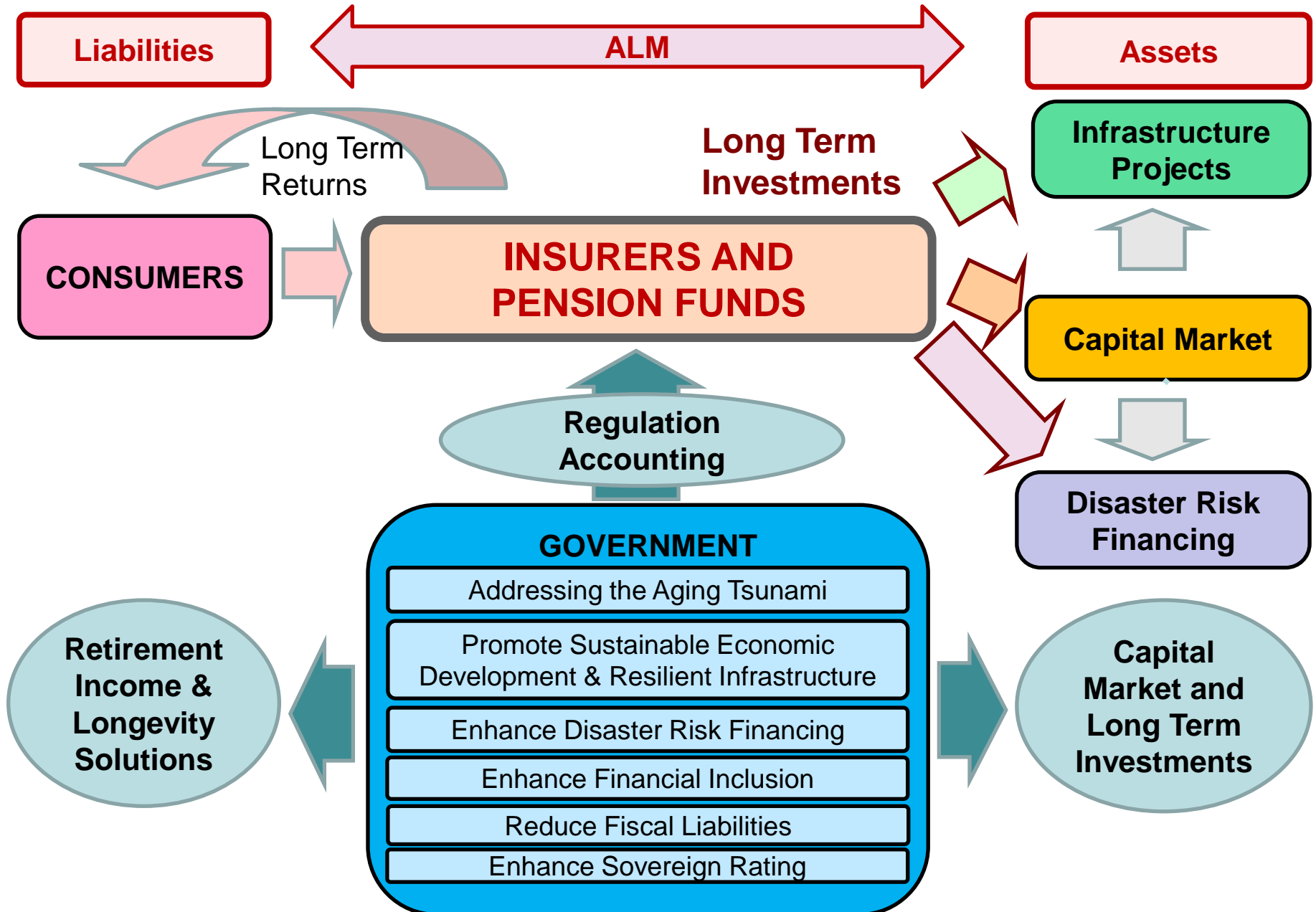
Source: Bloomberg, OECD, Willis Towers Watson



Source: Bloomberg, World Bank

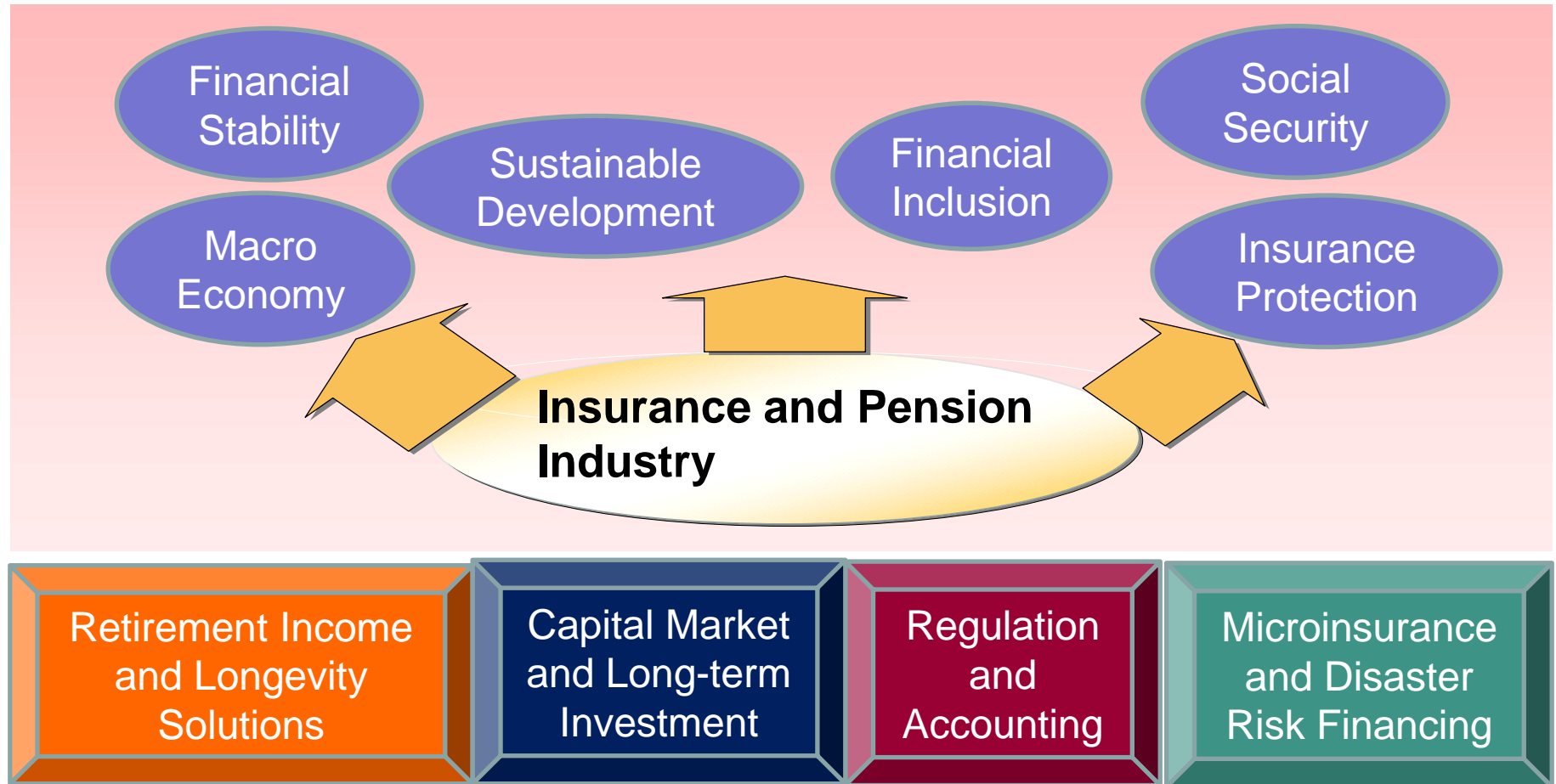
Roadmap for the Sustainable Development

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APFF Insurance and Retirement Income Work Stream

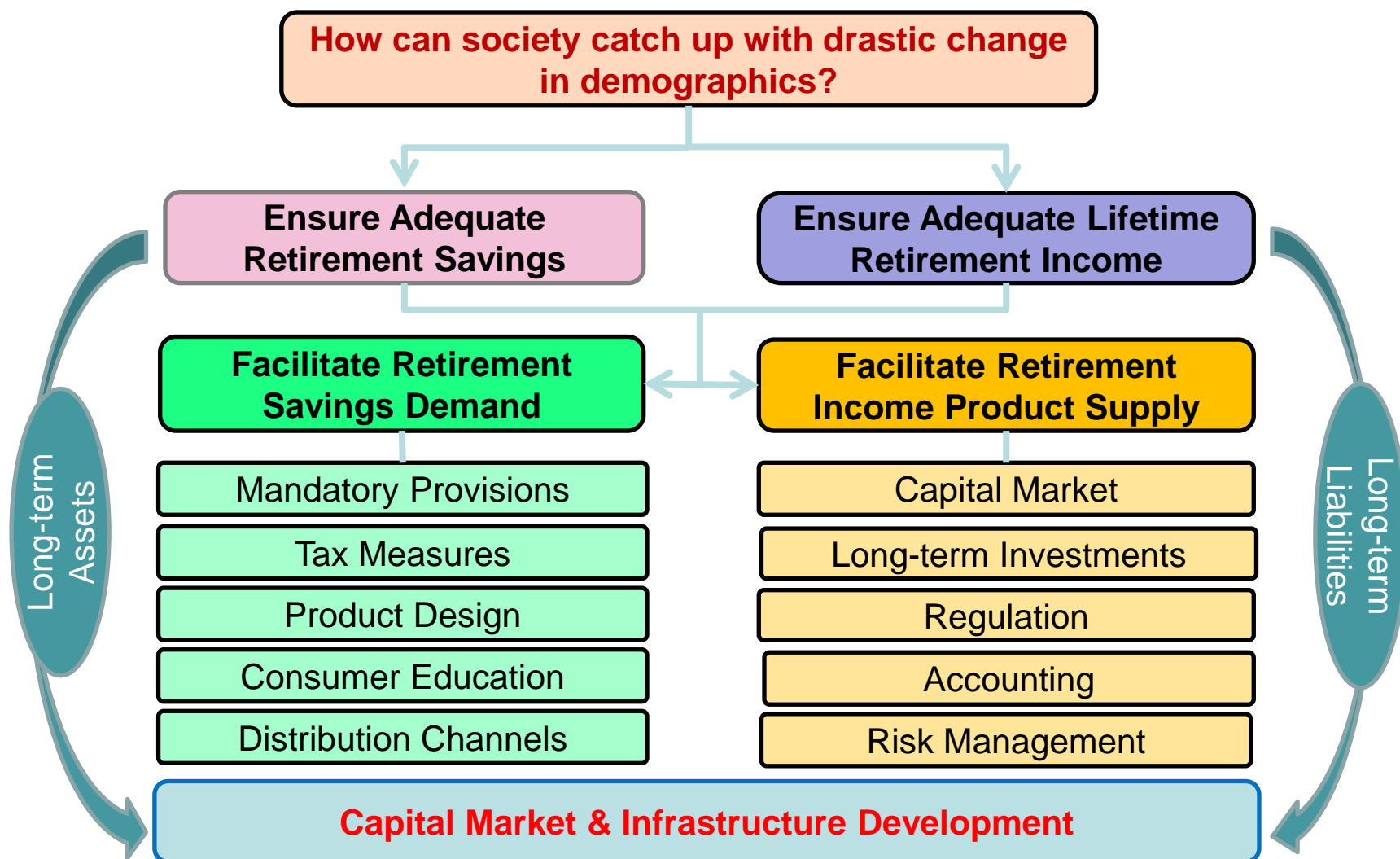
- A holistic framework to support the long-term roles of insurance and pension industry in the Asia-Pacific



Retirement Income and Longevity Solutions

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- Responding to the needs of aging, while promoting capital market and infrastructure development



- APFF Progress Report

CAP

**4E Long - Term Investment
in Infrastructure**

**3B Disaster Risk Financing
and Insurance**

WG

**Retirement and Long-Term
Investment Working Group**

[Sherpa Makoto Okubo /
Vice Sherpa Paul F. Lynch]

**Disaster risk financing and
Insurance Working Group**

[Sherpa Douglas Barnert]

SS

**Retirement Savings and
Lifetime Retirement Income**

[led by Vanessa Wang]

**Capital Market and
Long-Term Investments**

[led by Brian Murray]

**in collaboration with
APFF Capital Market WS**

Regulation and Accounting

[led by Makoto Okubo]

Disaster Risk Financing

[led by Masaaki Nagamura]

Micro-Insurance

[led by Michael McCord]

**in collaboration with
Financial Inclusion Group**

CG

Coordination Group

[led by JC Parrenas, Anthony Nightingale, Sherpas]

Completed and Ongoing Work I

- 2015: **Roundtables, dialogues, workshops** (Tagaytay City, Bacolod City, Toronto, Iloilo City, Cebu, Brunei)
- **Cebu Action Plan**: incorporation of proposals on infrastructure, long-term investment, insurance and disaster risk financing
- **Infrastructure**
 - APIP: Dialogues, support for Finance Ministers' workshops, participation in APEC PPP Experts Advisory Panel
 - Islamic Investment in Infrastructure Platform (I3P)– supported by Brunei and Malaysia Finance Ministers
 - Project preparation: APEC Knowledge Portal/Global Infrastructure Hub, coordination with ongoing initiatives (e.g., Infrastructure Investment Support System)
 - Asia-Pacific Urban Infrastructure Network

Completed and Ongoing Work II

- **Insurance**

- Regulation and accounting: engagement with accounting (IASB/FASB) and insurance regulatory bodies (IAIS, CIRC, ASEAN insurance regulators, etc.)
- Long-term investment: financial instruments for insurance and pension funds investment in infrastructure

- **Accumulation of long-term capital in pension funds:** retirement income market reforms – promote supply of retirement income products and demand for retirement savings

Proposed 2016 Work Program I

- **Retirement Income and Longevity Solutions**

- Case study on selected APEC economies and examine gap on retirement income and longevity solutions
- Tentative target economies: Vietnam, Indonesia and Chinese Taipei)
- Review of potential solutions.
 - Variable Annuity
 - Pooled solutions (p2p)

- **Capital Markets/Long Term Investments**

- Discussing an overview of restrictions and issues that could impede their ability to fund long-term investment.
- Case study on selected APEC economies and examine possible improvements to attract pension and insurance long term investors.
 - Construction Period Guarantee (cf CGIF)
 - Tentative target economies: Vietnam, Indonesia and Chinese Taipei)

Proposed 2016 Work Program II

- **Regulations and Accounting**

- Continued engagement with IASB/FASB, IAIS and Asian and Latin American insurance regulators, solvency frameworks for APEC emerging economies
 - ABAC letter was submitted to the IAIS on 30 January on the global risk-based International Capital Standards (ICS)
 - Participating in regional conferences/meetings to discuss regulatory/accounting issues (APEC/APFF, IAIS, OECD, ASSAL, ASEAN, NAIC, etc.)
- Continue a dialogue with regulators/supervisors/accounting standard setters to discuss relevant issues, and to coordinate with other stakeholders
 - ABAC letter was submitted to the IASB on 12 August on the Conceptual Framework for Financial Reporting
 - Continuous dialogue with IASB on the IFRS4 proposals
 - IFRS4 Phase I/IFRS9 (overlay approach/deferral approach)
 - IFRS4 Phase II (unit of account, cliff effect, transition)

Activities

MSME/TRADE AND SUPPLY CHAIN FINANCE/FINANCIAL INCLUSION

- 2015 Sep 23-24, Philippines – Cebu Action Plan workshop for Philippine stakeholders on credit information and secured transactions (collaboration with IFC)
- 2015 Nov 12, Philippines – Launch of Financial Infrastructure Development Network (FIDN) (collaboration with IFC)
- 2016 Mar 14-15, Manila – FIDN Workshop for Philippines
- 2016 Apr 7-8, Japan – Asia-Pacific Financial Inclusion Forum (collaboration with ADB)
- 2016 May, China (Nanjing) - Conference on Secured Transactions Legislative Reform (collaboration with IFC/WBG)
- 2016 May, Peru – Collaboration with FMP Financial Inclusion Workshop
- 2016 2nd Semester, China - Symposium on SME Credit Reporting (collaboration with IFC/WBG)
- 2016 2nd Semester, Vietnam - Symposium on Supply Chain Finance (collaboration with IFC/WBG)
- 2016 September, Peru – Forum on MSME Financing (collaboration with APEC SME Working Group)
- **2016 (under discussion), various locations – Cebu Action Plan FIDN workshops on credit information and secured transactions (collaboration with IFC, APEC Economic Committee and USAID)**

CROSS-CUTTING ISSUES

2016 24 February, USA – Roundtable on Financial Innovation (FinTech/RegTech)
2016 July, Hong Kong – Asian Roundtable on Financial Innovation
2016 August, Shenzhen – APFF Symposium

CAPITAL MARKETS/LONG-TERM INVESTMENT

- 2015 Oct 27, Brunei – Workshop on Creation of Islamic Infrastructure Investment Platform
- 2015 Nov 16, Philippines – Cebu Action Plan workshop for Philippine stakeholders on repo and derivatives market development (collaboration with ADB, IMF, US Treasury, FRBNY)
- 2015 Sep 17/Nov 6, Hong Kong, Chinese Taipei – Outreach to regulators on Asia Region Funds Passport (ARFP) participation
- 2015-2016 Ongoing – APFF Tax Task Force compiling Matrix of Quantitative Tax Factors for ARFP Home/Host Jurisdictions
- 2016 Feb 13-14, Peru – Collaboration with FMP DRF workshops
- 2016 Mar 23, Sydney – APFF Progress on the ARFP and Regional Financial Market Integration - Industry/Regulator Dialogue
- 2016 March, Chinese Taipei – Workshop for Chinese Taipei FSC on ARFP (TBC)
- 2016 April, Indonesia – Cebu Action Plan workshop for Indonesian stakeholders on repo market development (collaboration with ADB, IMF)
- 2016 May, Malaysia – Conference on Platform for Islamic Investment in Infrastructure
- 2016 (TBC), Canada – APFF Roundtable on Pensions and Insurance Investment in Asian Infrastructure
- 2016 June, Seoul – Financial Market Infrastructure event (TBC)
- **2016 (under discussion), various locations: Cebu Action Plan country-specific workshops with interested regulators on repo and derivatives market development, information for capital market investors (issuer disclosure, bond market data, investor rights in insolvency), financial market infrastructure, ARFP (collaboration with various multilateral and public sector stakeholders)**

Note: This list does not yet include all planned and proposed activities.

Asia Pacific Financial Forum (APFF) Retirement and Long-Term Investment Working Group

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For more details on the APFF, visit mackglobe.com
or email Makoto Okubo (m-okubo@nipponlifeglobal.com) or
Vanessa Wang (vanessa.wang@citi.com)