



**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMMITTEE ON FINANCIAL MARKETS**

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**CMF OUTREACH STRATEGY**

*This document reflects the CMF's decision on its outreach strategy as adopted at the meeting held on 17-18 March 2005.*

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## **TOWARDS A NEW OUTREACH STRATEGY**

### **Introduction**

1. The Council adopted in July 2004 a new Resolution concerning the participation of non-members in the work of subsidiary bodies of the Organisation (see C(2004)132/FINAL). This new Resolution introduced several modifications in the current procedure. Amongst them, the following may be noted:

- A Committee may take the initiative to recommend to the Council, via the Committee on Co-operation with non Members (CCN), to invite a non-Member after developing, in line with its mandate and the Organisation's overall outreach strategy, a well-targeted, pro-active outreach strategy which provides a framework for the participation of non-Members in the work of the Committee and its subsidiary bodies. In order to identify the non-Members to be invited and the appropriate form of participation, the strategy should consider the elements set out in the Resolution.
- In accordance with the Committee's outreach strategy, a Committee or one of its subsidiary bodies may invite non-Members to be represented by an ad hoc observer at particular meetings or parts thereof at its discretion. The Secretariat shall keep the CCN regularly informed of such proposed invitations. The Council retains the right to intervene on the extension of such invitations.

2. Accordingly, the Committee on Financial Markets was invited on the occasion of its October 2004 meeting to define a pro-active outreach strategy, which should take account of the criteria suggested by the CCN as well as the criteria previously agreed by the Committee to consider observership requests. The Committee was also invited to identify those non-member countries whose participation in the Committee's work would facilitate the achievement of the Committee's mandate and implementation of its programme of work, in the framework of such outreach strategy.

3. Another important development mentioned in October is that the Committee's outreach work will now be fully integrated in the Committee's core activities and thus in its 2005-2006 programme of work (see also DAF/CMF(2004)4 and DAF/CMF(2004)23). The Committee was made aware that it is formally accountable for outreach results during the biennium.

4. It was also decided that, based on the comments by the Delegates, the Chair and the Bureau will finalise, with the assistance of the secretariat, a note on the CMF outreach strategy, which will then be shared with the Committee for comments and approval. The following note is thus sent for approval by the Committee.

5. The Delegates are invited to:

- comment and approve this outreach strategy
- identify those non-member countries whose participation in the Committee's work would facilitate the achievement of the Committee's mandate and implementation of its programme of work, in the framework of such outreach strategy and in this respect:

- confirm the decision to develop closer relationship with the BRICs (Brazil, Russia, India, China) as proposed in the CMF programme of work and suggest possible other countries (see also paragraph 16)
- if relevant, identify amongst those countries, those for which the Committee would wish to take the initiative to recommend to the Council to invite them to participate to its work (see paragraph 17) and, if this is the case, decide on the process to be developed according to paragraph 13

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## **CMF Outreach strategy**

### ***Participation of non-Members***

6. Over the years, the CMF has developed a substantial programme to promote modern, open and sound market-based financial systems in the emerging economies (see for instance the list of meetings in Addendum 1). This work, which focuses on securities markets, institutional investors, and debt management, has been developed on a global, regional and country basis, benefiting from various voluntary contributions, notably from Japan. It is expected that it will be further expanded in 2005 and 2006.

7. The CMF included references to outreach work in its new mission statement, which states amongst the CMF objectives and working methods, respectively the promotion of the integration of non-Members in the international financial system and the expansion of the scope of its outreach work by establishing closer links with systemically important countries. More generally, the internationalisation and globalisation of financial markets definitely require a strengthening of the outreach strategy of the Committee and makes its general strategic goal and objectives fully relevant to non-members (see DAF/CMF(2004)23, ANNEX II).

8. In this respect, the CMF welcomes the invitation to formalise a new outreach strategy suggested by the new Resolution concerning the participation of non-members in the work of subsidiary bodies of the Organisation adopted by the Council in July 2004 (see C(2004)132/FINAL). This is particularly the case as this new Resolution introduces elements of flexibility and proactivity which have always been promoted by the Committee in its relationship with non members.

### **Criteria**

9. The CMF considers that the criteria suggested by the CCN in order to identify the non-members to be invited and the appropriate form of participation are most relevant and endorse them all. These criteria are the following:

- a) whether non-Member participation would facilitate appreciably the achievement of the mandate and the programme of work of the subsidiary body concerned;
- b) whether and in what ways association of non-Members with its work would be of benefit to the Organisation including in fulfilling its mandate of contributing to the development of non-Members;

- c) whether economic growth and/or the welfare of Members, considered on a national, regional or global basis<sup>1</sup>, within the substantive area covered by the subsidiary body concerned are influenced to a significant degree by the policy orientations of non-Members;
- d) in relation to the substantive area covered by the mandate of the subsidiary body concerned, the degree to which non-Members' institutional and policy know-how contributes significantly to OECD peer learning/influencing and rule-making processes;
- e) the appropriate number of non-Member participants, focusing both on the non-Members and the time period of the invitations in light of the requirements of the mandate of the subsidiary body concerned, its programme of work and its methods of work;
- f) the consequences that non-Members' participation might have on the working methods, programme of work and Secretariat resources devoted to the subsidiary body concerned;
- g) in the case of full participants, the non-Member has been found to be willing and able to commit to the relevant OECD acquis, as appropriate;
- h) a consideration of the full range of vehicles to engage non-Members in the work of the Organisation and the subsidiary body concerned, as well as the limits and forms of the participation of non-Members which appear desirable and most useful, to maximise the benefits and reduce any disadvantages.

10. With respect to its particular situation, the CMF considers also that the results of the discussion on the issue of observership it conducted several years ago are still relevant. At its November 1992 session, the CMF had considered the question of the participation of non-Member countries in its work and the results of its deliberations were transmitted to the Secretary-General through a letter by the Chairman on 20 November 1992. The Committee considered thus that the following additional criteria would appear to be of particular relevance to qualify a country for observership:

- “its importance as a financial centre and/or as an importer/exporter of financial services;
- its integration into the international financial system;
- the degree of actual openness to international trade in financial services including, in particular, the possibility for foreign financial institutions to operate on the local market;
- the extent to which its policies in the financial area conform to the basic principles of the OECD Codes of Liberalisation and of the National Treatment instrument”.

11. The CMF would wish to retain these criteria and to update them with the following additional criteria:

- -impact (actual or potential) of the concerned country on the financial stability of OECD financial markets;

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<sup>1</sup> The impact of a non-Member's policies on an individual OECD Member state, or indeed on a region, should not be of itself sufficient justification for that non-Member's participation in an OECD body. National or regional impact should be merely one element in the analysis which Committees go through in drawing up a strategy.

- -expected development of the financial markets in the concerned country.

12. All the criteria mentioned in paragraphs 9, 10 and 11 should however be considered in a flexible and operational approach. In 1992 already the Committee did not feel that it would be appropriate to set rigid criteria that would automatically imply that operational links should be established with a given country. The determination of the eligibility of a country for specific forms of association with the work of the Committee should be made on the basis of a case-by-case approach.

## Process

13. The CMF welcomes the proactivity promoted by the Resolution and suggests using the following two-stage process when considering potential candidate and the desired form of participation through the proactive process<sup>2</sup>.

- If there is an initial consensus that a candidate may qualify for observership, the Committee will first decide whether it can satisfy itself through an internal consultation process by which the Committee assesses the qualification of the candidate on the basis of the above criteria or if the Committee wishes to call for an external process, based on that it agreed on in November 1992 and which involves consultation with the relevant country.
- In that later case, the Committee will seek further inputs before making its decision. As previously, a meeting can for instance be convened between CMF members and a delegation of the concerned country to provide an opportunity for an exchange of views on the current and prospective situation of the applicant's financial system. The discussion at the meeting would be based on: i) a note on the financial system and policy prepared by the country concerned and ii) a Secretariat note setting out a number of issues for consideration on the country's financial system in general as well as, more specifically, its banking sector and securities markets. Against the background of the result of the meeting and/or any other external process that the Committee may decide, the CMF in plenary session makes a determination as to the final CMF position to be forwarded to the Council.
- In the former case, the Committee will transmit its recommendation to the Council solely based on this internal consultation process.
- The Bureau may, at any time, suggest modifications to this process to be endorsed by the Committee.

14. The resolution notes that participation should be recommended sparingly. This view matches the CMF recurrent position (it may be noted in this respect that the Committee disagreed several times to recommend the Council to grant observership status or suggested limitations to it. The Committee also alerted non-members when there was indication of decline in quality of participation). The Committee will also consider all the forms of participation before making a decision. The CMF welcomes also and endorses the criteria suggested by the CCN for assessment of renewal, i.e:

- the quality of participation;
- the annual compliance with financial obligations;

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<sup>2</sup> The Committee notes also that The Resolution still allows for request for observership (or other ) status made at the initiative of the related country. The process detailed in paragraph 11 will apply to this situation, after proper related Council process.

- the continuing consistency with the outreach strategy;
- the impact on the efficient functioning of the Committee.

15. The Resolution states also that the Monitoring of non-Member participation shall take place on an annual basis in the form of Committee Chairs reporting to the CCN. The bureau will be expected to assist the chair in this respect.

### **Non-Members**

16. Without focusing solely on observership, the CMF already proposed in its draft 2005-2006 programme of work, to develop closer dialogue with the so-called BRICs (Brazil, Russia, India, China), for instance through a special session of the CMF and specifically dedicated outreach work. Other countries or regions could also be targeted in this process (south Asia was for instance suggested by one Delegation).

17. At its 2005 March meeting, the Committee decided, at this stage, not to take the initiative to recommend to the Council to invite particular countries to participate in its work as formal observers. Rather, the Committee would wish to hold meetings on an ad hoc basis with important emerging economies as a key component of its outreach activities.

### ***Integration of outreach outputs in the programme of work***

18. The CMF considers that its outreach strategy should take into consideration the integration of the outreach outputs in the programme of work of the Committee. In this respect, it takes note and welcomes the fact that such outputs will be integrated in the Committee's core activities and thus in its 2005-2006 programme of work (see also DAF/CMF(2004)4 and DAF/CMF(2004)23). The Committee is formally accountable for outreach results during the biennium.

19. The Committee agrees that further analytical work would be undertaken on issues where emerging economies could benefit from CMF accumulated experience and OECD good practices. Issues of particular relevance for emerging economies could also be integrated into some ongoing work. In this category, the projects on "finance for investment" and "financial education" may be especially important for these economies. The work on debt management is also very relevant.

20. The work conducted with non-members should also focus on areas where the Committee can best provide relevant contributions and expertise and avoid duplicating with work undertaken by other organisations and fora.

21. The CMF welcomes also the reference in the Resolution to the possibility of a Committee or one of its subsidiary bodies to invite non-Members to be represented by an ad hoc observer at particular meetings or parts thereof at its discretion and used this possibility already by inviting China to its special session in New-York in March 2005.

22. In discussing its new outreach strategy, the Committee agrees that the following actions should be taken into consideration, in particular with those countries which whom the Committee wishes to establish a closer dialogue, with the objective to provide and integrate further the outreach outputs in its programme of work (in the limit of the resources available):

*a) Concerning the OECD meetings and core work*

- invitations on a more regular basis to high-level officials from non-Members countries to discuss with the Committee the development of the financial markets and regulatory frameworks as well as other financial issues deemed relevant by the Committee;
- more systematic integration of non-Member issues in the development of OECD principles;
- further promotion of liberalisation in emerging markets and of adequate regulation to make this liberalisation successful;
- integration of emerging markets issues in monitoring and analytical work of the Committee;
- if relevant, setting up of a small task force composed of volunteer delegates and experts to provide advice and assistance to the Secretariat on implementation of the outreach strategy;
- the Committee and/or its working Parties could also consider the organisation of special sessions back to back with an outreach meeting.

*b) Concerning emerging economies meetings*

- focusing the discussion and organisation of meetings on issues which are in the programme of work of the Committee and on which the OECD can provide expertise;
- focusing on regions and countries given priority by the Committee;
- increased participation of Delegates in meetings organised in emerging economies and planning meetings and outputs well in advance (as far as possible) to increase outputs quality and delegates' participation
- promotion of policy conclusions, reports, proceedings and other “tangible” outputs;
- organisation of a global forum (open to all non-members) on policy dialogue on issues particularly relevant for emerging economies;
- organisation of selected missions with the objective of strengthening the relationship between the Committee and its Groups and those countries identified as potential important partners for future co-operation;
- strengthening co-operation with other international bodies which are active in emerging economies in the financial fields and/or which have a more global membership, especially with those bodies which are already associated to the work of the Committee, for instance through observership status.