

**Confidential**

**DAF/CMF(2011)5**

Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

**05-Apr-2011**

**English - Or. English**

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

**Cancels & replaces the same document of 18 March 2011**

**CMF GLOBAL RELATIONS DRAFT REVISED STRATEGY:  
DEEPENING ENHANCED ENGAGEMENT**

**7-8 April 2011**

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**JT03299665**

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## CMF GLOBAL RELATIONS DRAFT REVISED STRATEGY: DEEPENING ENHANCED ENGAGEMENT

### Introduction

1. The purpose of this note is to present plans for a revised global relations strategy for the Committee on Financial Markets (CMF) that would maintain key elements of the existing approach, but with options for strengthening the CMF's relationship with EE countries. The latter component of the global relations strategy reflects both the 2010 OECD Council Guidelines regarding relations with the EE5 countries as well as the latest developments in the international arena, including in particular the emergence of the G20. The Secretariat is proposing a tri-part programme to this end, which emphasises the Tokyo Roundtable, the work on government debt management, and the work on financial education and financial consumer protection.

2. CMF delegates may recall that back in 2005, in line with the Resolution of the Council concerning the participation of non-Members in the work of subsidiary bodies of the Organisation [C(2004)132/FINAL], the Committee on Financial Markets adopted a proactive Global Relations Strategy [DAF/CMF(2005)11/REV1].

3. The CMF developed its Global Relations Strategy further in 2009 [DAF/CMF(2009)13/REV1], in light of the results of the In-depth Evaluation of the CMF by the Council [C(2007)82] and Council Resolution on Enlargement and Enhanced Engagement [C/MIN(2007)4/FINAL] which emphasised to strengthen OECD co-operation with Brazil, China, India, Indonesia and South Africa through enhanced engagement programmes with a view to possible membership and in which the importance of South East Asia was also mentioned.

4. The latest Global Relations strategy of the CMF [DAF/CMF (2009)13/REV1] suggested the necessity of bilateral meetings and multilateral dialogues with EE countries, preparing an appropriate discussion note to guide the exchange of views. Considering the importance of EE countries themselves as well as their functions as regional hubs, the CMF has strengthened its co-operation with them.

5. In July 2010, Council agreed on a set of Guidelines to Committees [C(2010)100/FINAL] aimed at deepening their Enhanced Engagement efforts with Brazil, China, India, Indonesia and South Africa. The 2010 Council Guidelines to Committees provide suggestions on ways to deepen Enhanced Engagement. Substantive Committees are requested to review their Global Relations Strategies in order to ensure such strategies adequately reflect the Organisation's priority to deepen and broaden the engagement with five Enhanced Engagement Partners. The Council's document [C(2011)22/REV1] clearly states the following "five novel elements" of the 2010 Guidelines. (See attached the 2010 Council's Guidelines.)

- **Engagement Plans:** Plans for Engagement would identify specific actions, and their possible sequencing, aimed at facilitating a deeper engagement with the Committee over time.
- **Comprehensive Approach:** Whereas the 2004 Guidelines were focused on non-Members' participation in Committees, the 2010 Guidelines ask that Committees consider the full range of tools for engagement at their disposal. These include: inclusion in databases, adhesion to policy

standards, disciplines and instruments managed by the Committees, contribution to the budget and further contribution of Regional Approaches and Global Forums to a deeper engagement with EE countries.

- **Full Participant Status:** The special attention for the possibility of Full Participant status invitations as Full Participants in Part I bodies are compatible with the Resolution [C(2004)132/FINAL], particularly when the non-Member is willing and able to comply with the relevant disciplines and if full participation would provide greater mutual benefit than observership. Full Participant status is also envisaged in the framework of the negotiation of OECD instruments or of specific projects. This would bring to the non-Member the benefit of a status that is virtually equal to that of Members in the area of work for which the body is responsible.
- **Global Relevance:** the Council asks from Committees to ensure the global relevance of their work. The rapid economic development of the large emerging economies in recent years holds valuable lessons for others and the Committees are encouraged to take account of these economies' views in work to address global issues
- **Biennial Reviews.**

In line with the above, this note will review the CMF's recent global relations activities, analyse them in their several aspects covered in the 2010 Council's Guideline and then propose revisions of the Global Relations Strategy.

#### **FOR ACTION**

*In these respects, Delegations are invited to*

- *consider carefully, comment and possibly agree on the suggestions made*
- *suggest improvements and modifications when needed.*

*(A proposal for revision of the CMF Global Relations Strategy can be found in section IV.)*

## I. Review - Current Activities

6. A series of key recommendations which are applicable even after consideration of the 2010 Council's Guidelines were already endorsed in the CMF's first Global Relations Strategy [DAF/CMF (2005)11/REV1]. A summary of the typical recommendations in relation to the 2010 Council's Guideline is as follows.

### *a) Concerning the OECD meetings and core work*

- invitations on a more regular basis to high-level officials from non-Member economies to discuss with the Committee 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;

### *b) Concerning meetings with emerging economies*

- focusing the discussion and organisation of meetings on issues that 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, which have been EE countries and the South East Asian region since Council Resolution on Enlargement and Enhanced Engagement adopted in 2007;
- increased participation of Delegates in meetings organised in emerging economies and planning meetings and outputs well in advance (as far as possible) to increase Delegates' participation and the quality of outputs
- promotion of policy conclusions, reports, proceedings and other "tangible" outputs;
- organisation of a Global Forum (open to all non-members) for 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

7. The latest document of the Global Relations strategy of the CMF [DAF/CMF (2009)13/REV1] refers to the relationship with EE5 countries as follows.

- In line with this Resolution, the CMF should,
  1. develop further bilateral dialogues with EE Countries. Currently several projects are being developed with Brazil, Indonesia and South Africa on financial education and with China on pensions and financial management of large-scale catastrophes

respectively. Missions to India and China will endeavour to strengthen the relationship in the field of financial education. More generally, the CMF and IPPC would be expected to develop further projects on private pensions, financial education and financial management of large-scale catastrophes with all EE countries through the organisation of missions and events. The CMF should also pursue and develop the bilateral dialogue it has initiated through CMF special sessions focusing on financial markets in each EE Country (as were already organised in the past, twice with China and once with India).

2. develop multilateral dialogues with EE Countries, including the CMF special session to be organised at the fall 2009 CMF meeting. The agenda for this CMF special session is expected to reflect current financial market developments as well as CMF work and priorities. The OECD Secretariat would prepare a discussion note to guide the exchange of views between authorities of EE Countries and CMF members. This would be followed next year by another CMF special session for multilateral dialogues with South East Asia.

8. This section will review the CMF's global relations activities that have been implemented, based on these previous Global Relations Strategies and Program(s) of Work, in the order of (1) Committee meetings, (2) Global Forum, (3) International Network on Financial Education (4) regional conferences held periodically (5) ad-hoc regional conferences and bilateral missions, and (6) Committee work as a whole, from the viewpoint of deepening Enhanced Engagement<sup>1</sup>.

### ***Regular Meetings of the CMF***

9. In order to integrate EE countries into the more immediate work of the Committee, the CMF held special sessions ("Policy Dialogues") with representatives from EE5 (Brazil, China, India and Indonesia attended) in October 2009, and South East Asian countries in October 2010 as part of the regular CMF meetings, discussing current financial market developments as well as structural issues, including CMF work and priorities. EE and SEA delegates also participated actively in the other parts of these Committee meetings. Since the 2009 Policy Dialogue with EE countries, EE Delegates have been invited to all regular CMF meetings, but participation has varied. Brazil has participated in all CMF meetings since October 2009. India and Indonesia have participated in some of them. China has participated only once, at the 2009 "Policy Dialogue", but attended twice a special session dedicated to China before 2009. South Africa has not yet attended any regular CMF meetings.

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<sup>1</sup> CMF's Global Relations Activities are composed of (1) Committee meetings themselves, (2) global meetings (3) Regional meeting and (4) bilateral meetings. This modality could be called the multi-strata structure.

**Attendance Record of EE countries of the CMF**

|                                      | 1st Half<br>2009         | 2nd Half<br>2009                    | 1st Half<br>2010                    | 2nd Half<br>2010                    |
|--------------------------------------|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>1. EE5 Countries invited</b>      |                          |                                     |                                     |                                     |
| Brazil                               | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| China                                | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| India                                | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Indonesia                            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| South Africa                         | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| <b>2. EE5 Countries participated</b> |                          |                                     |                                     |                                     |
| Brazil                               | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| China                                | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| India                                | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Indonesia                            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| South Africa                         | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

***The Global Forum on Public Debt Management***

10. The CMF has several vehicles to ensure the global relevance of its work under the umbrella of the *Global Forum on Finance*. For example, the *Global Forum on Public Debt Management* functions as a round-table meeting whereby public debt managers from the OECD area discuss in an in-depth fashion OECD practices, experiences and policies in the field of government debt management and the development of government securities markets with their counterparts from non-OECD economies. These round-table meetings serve also as opportunities for follow-up discussions of key topics that had been discussed before by the OECD Working Party on Debt Management. In this way, debt managers from the emerging markets benefit from becoming acquainted with recent key policy issues in this area. Examples from the recent past include the impact of the global financial crisis on borrowing strategies in different regions, sovereign asset and liability management, and changes in the use of short-term securities by debt managers. Reflecting the fact that emerging market economies increasingly face challenges similar to those of their counterparts from advanced markets as their markets' sophistication and internationalization increase, attendance records of EE countries for these events have been quite good, even though the events have been held not in their regions but at the OECD headquarters in Paris.

**Attendance Record of EE countries of the Global Forum on Public Debt Management**

|                                      | 2008                                | 2009                                | Beginning of 2011                   |
|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>1. EE5 Countries invited</b>      |                                     |                                     |                                     |
| Brazil                               | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| China                                | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| India                                | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Indonesia                            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| South Africa                         | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| <b>2. EE5 Countries participated</b> |                                     |                                     |                                     |
| Brazil                               | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| China                                | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| India                                | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Indonesia                            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| South Africa                         | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

***The International Network on Financial Education***

11. The OECD formally established the International Network on Financial Education (INFE) in mid-2008. The Network is an initiative of the OECD's Financial Education Project. The Network brings together senior government officials from both OECD member countries and non-member economies (currently 75 economies and more than 150 public bodies are represented and Brazil, India (Deputy Governor of the Reserve Bank of India), Indonesia (Deputy Governor of Bank Indonesia) and South Africa are members of its Advisory Board.) to discuss issues, new developments, experiences and programmes related to financial education. This dialogue allows government experts to exchange information on good practices, identify main policy issues, and develop related analytical work and instruments as well as to provide input on OECD guidelines and principles in the area of financial education and awareness before they are publicly available. Financial education is one of the policy fields in which OECD member countries and non-member economies can exchange views of importance with comparative ease, because developments in financial education make it possible to improve peoples' lives and contribute to the efficiency of financial markets and thereby to inclusive growth and development. These features might be one of the reasons why EE countries attendance records of INFE are particularly good, even though the general meetings of the INFE have been held in many different places, some of which are far from EE countries.

**Attendance Record of EE countries of INFE**

|                                      | 1st Half<br>2008<br>USA             | 2nd Half<br>2008<br>Indonesia       | 1st Half<br>2009<br>France          | 2nd Half<br>2009<br>Brazil          | 1st Half<br>2010<br>Italy           | 2nd Half<br>2010<br>Lebanon         |
|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>1. EE5 Countries invited</b>      |                                     |                                     |                                     |                                     |                                     |                                     |
| Brazil                               | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| China                                | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| India                                | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Indonesia                            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| South Africa                         | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| <b>2. EE5 Countries participated</b> |                                     |                                     |                                     |                                     |                                     |                                     |
| Brazil                               | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| China                                | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| India                                | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Indonesia                            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| South Africa                         | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

***Regular Regional Conferences***

12. Regular regional conferences have also helped to strengthen our relationships with EE countries. For example, in collaboration with the Asian Development Bank Institute (ADBI), the OECD has organised “the OECD-ADBI Roundtable on Capital Market Reform in Asia” (Tokyo Roundtable) 12 times in Tokyo, dating back to the Asian financial crisis. Thanks to the ADBI’s knowledge and the Japanese government’s suggestions about regional issues, Tokyo Roundtables have been always able to have attractive agendas, which reflect the CMF’s core activities as well as Asian regional issues in a well balanced manner. The ADBI’s network is also helpful to invite appropriate Asian participants. Through this cooperation, the Tokyo Roundtable has always attracted Asian participants, especially in 2010 and 2011<sup>2</sup> when influential persons were invited as keynote speakers. Reflecting these modalities, the attendance records of Asian EE countries are good. For the past five times, China, India and Indonesia have almost always participated in the Tokyo Roundtables and some of the participants from these countries were very high-ranking officials. By taking advantage of such kinds of modalities as the Tokyo Roundtable, we can also get these economies’ views on work to address global issues.

<sup>2</sup> The 12<sup>th</sup> Tokyo Roundtable, scheduled for 17-18 March 2011, has been postponed due to the tragic events hitting Japan.



**Attendance Record of China, India, Indonesia of Tokyo RT**

|           | 2006 | 2008 | 2009 | 2010 | 2011 |
|-----------|------|------|------|------|------|
| China     | ○    | ◎    | ○    | ○    | ○    |
| India     | ○    |      | ○    | ○    | ◎    |
| Indonesia | ◎    | ◎    | ○    | ◎    | ◎    |

◎ attendance – higher than or equivalent to Director of Directorate

○ attendance

13. The INFE is also currently developing regional activities. They include at this stage Asia and the MENA region, while discussions are also ongoing with the Latin American region.

***Ad-hoc Conferences***

14. Our ad-hoc conferences co-organised by the OECD and EE countries are also important tools to further develop the relationship between the OECD and EE countries as well as the relationship between the OECD and the region where each EE country could play the leading role. For example, those meetings that were held during 2009 and 2010 clearly showed that the relationship between the CMF and EE countries has been strengthened. These activities are as follows. They had a major policy impact<sup>3</sup>.

- “OECD and Brazilian International Conference on Financial Education” was held in Rio de Janeiro in December 2009. This was co-organised by the OECD and Brazil and gathered more than 200 participants from 43 countries and representatives from several international organisations.
- “The RBI-OECD Workshop on Delivering Financial Literacy was held in Bangalore in March 2010.” It was co-organised by the OECD and the Reserve Bank of India (RBI). Around 170 participants coming from 22 OECD countries and non-member economies (including 4 Enhanced Engagement countries: Brazil, India, Indonesia and South Africa) and 12 Asian countries attended the workshop. Back to back with the workshop, the “OECD Central Bank Roundtable on Financial Education in South East Asia” gathered representative of central banks from 16 countries.

<sup>3</sup> See for instance the rating of the conference organised in Rio in December 2009 (see summary note DAF/CMF(2010)13) or the following extract of a speech delivered by the Dr Subbarao, Governor of Reserve bank of India, on 22<sup>nd</sup> march 2010 in Bangalore: “The OECD has been an intellectual leader in the field of financial literacy. It has been involved in supporting research and evaluation in financial literacy and has been proactive in spreading awareness about the importance of financial education. The OECD is by far the most valuable repository of knowledge of grass root experiments in financial literacy. Learning from these international best practices can certainly help India to “leapfrog” over several stages of the process. Partnering with the OECD is therefore a huge and valuable learning opportunity for India”.

- “The OECD-Banque du Liban International Conference on Building Financially Empowered Individuals” was held in Beirut in October 2010. It was co-organised by the OECD and Banque du Liban. Around 190 participants coming from 49 countries and non-member economies (including 4 EE countries: Brazil, India, Indonesia and South Africa) attended the workshop. There was high-level representation (vice governors or above for central banks) of 10 MENA countries and key support and recognition of OECD leadership (in particular from the Lebanese Minister of Finance and the Central Bank Governor).
- A high level conference in the financial education field is planned for October 2011 and it will be opened by the Minister of Finance of South Africa.

### *Memoranda of understanding*

15. To assess the CMF’s achievements in strengthening its relationship with EE countries, it is not enough to focus only on the immediate work of the Committee and the activities conducted by its vehicles separately. The CMF’s role to mentor and support its vehicles and other global relations activities should be considered. From this point of view, the CMF has had many achievements in various fields to strengthen the relationship further with EE countries. Typical examples are as follows.

- With Indonesia, two memoranda of understanding were concluded in 2010. One is with Bank Indonesia, which aims to facilitate cooperation in the fields of financial education and financial inclusion. The other is with the Ministry of Finance, which aims to cooperate in various fields such as (1) financial institutions and institutional investors, (2) Promotion of financial literacy and awareness in the insurance and private pension sectors, (3) Insurance statistics data, (4) Insurance market development in Indonesia, (5) Private pensions and reform, (6) Debt management and government securities market development, (7) the effectiveness of financial regulation and supervision of financial markets and institutions and (8) Financial education, awareness and risk mitigation.
- With Brazil, the development of very close and successful cooperation in the field of financial education is very similar to that with Indonesia and efforts to conclude a memorandum of understanding are underway.
- In relation to South Africa, the CMF’s Working Party on Debt Management (WPDM) published the first issue of the *Statistical Yearbook on African Central Government Debt* in 2010, an outcome of its work in the region that was started a few years ago. The publication contains comprehensive and consistent information on African central government debt instruments, including both individual country data and comparative statistics to facilitate cross-country analysis. In November 2010, the OECD Council noted an MoU with South Africa on the establishment of an *OECD Centre for African Public Debt Management and Bond Markets*. The proposed Centre is the first such OECD outpost in a non-member country and supports the Enhanced Engagement process with South Africa and confirms South Africa in its role as conduit by which OECD good practices may be shared with other African countries.

These achievements would reinforce further bilateral co-operation and could develop roadmap of joint activities.

***Bilateral Meetings***

16. Behind these achievements, bilateral meetings play the important role to develop relationships with EE countries.

- An OECD mission for “co-operation on financial education and financial inclusion” with India was implemented in September 2009 and resulted in the success of the conferences in Bangalore in March 2010.
- “OECD Mission on Financial Issues” succeeded to discuss with Chinese high-ranking officials, including a vice chairman of China Banking Regulatory Commission, avenues for further cooperation between the OECD and China in these fields and especially in the field of pensions and financial education.

17. From these achievements, the CMF has clearly several areas that have attracted EE countries, two examples being financial education and public debt management.

**II. Analysis - Current Activities and achievement**

18. This section will analyse our recent global relations activities from several view points of the 2010 Guidelines, which include (1) Comprehensive Approach, (2) Global Relevance, (3) Full Participant Status. As previous sections mentioned, the CMF’s approach to Global Relations activities has a multi-strata structure which is composed of (1) Committee meetings, (2) Global Forum and INFE (3) regular regional conferences and (5) ad-hoc regional conferences and bilateral missions. This structure of Global relations activities makes it possible for the CMF to expand its relationships with EE countries and other non-member economies in various fields.

***Comprehensive approach and Global Relevance***

19. “Policy Dialogues” with representatives from EE countries (October 2009) and South East Asian countries (October 2010) as part of the regular CMF meetings made it possible for the CMF and those countries not only to discuss current financial market developments and structural issues, including CMF work and priorities, but also to open the door to participation in regular CMF meetings by those countries.

20. *Global Forum on Public Debt Management* and INFE have continuously focused on specific fields (Public debt management and Financial education). In such modalities, strong dissemination of the latest OECD guidelines and principles and OECD member countries’ best practices to non-member countries as well as the exchange of views between the OECD and non-member countries might be expected, especially if non-member countries have interest in these fields, as the attendance records of EE countries show.

21. Regional conferences such as the Tokyo Roundtable and ad-hoc conferences might attract non-member countries including EE countries because of their well balanced agendas incorporating regional issues and CMF views and the easy access to venues of conferences. Unlike the global forum on Public Debt management or INFE (which however also have regional components), regional conferences might be able to focus much more on topical issues for the region, reflecting the latest achievement of the CMF. Our bilateral missions to EE countries often specify issues of particular relevance to EE countries and create opportunities to build up the relationship with them and to develop it further.

22. Memoranda of understanding form the foundation for the CMF to establish closer relationships with EE countries.

23. These CMF tools have complemented each other and enabled the CMF to deepen its engagement with EE countries. As the discussion in this note suggests, the CMF already engages with EE5 countries and other non-member countries comprehensively. Therefore, the real issue, which the 2010 Council's Guidelines suggested, is how to develop and/or strengthen the CMF's tools and its multi-strata structure of Global Relations activities.

### ***Full Participants***

24. According to the Council's guideline 2010, committees should give special attention to the possibility of inviting the EE5 as full participants, to consider the best ways of ensuring the active involvement of the EE5 in ongoing and future work on strategic priorities that are of mutual interest and mutual benefit and that advance the OECD's high standards and best practices.

25. The Council also analysed the latest situation of committees. The Council's progress report (C(2011)22/REV1) is as follows.

- "The number of invitations of the five countries to Committee meetings has increased considerably since Enhanced Engagement was launched. Nevertheless, no new invitations as Regular Observer or Full Participant were accepted by any of these countries in 2010. However, this situation continues to evolve as these countries look for ways to expand their participation. Their tendency to attend additional Committees as ad hoc observers is not necessarily a negative sign, especially when it is a transitory phenomenon which helps the Committees and partners to explore the scope for more sustained forms of participation."
- "The focus on Full Participant status should not diminish the value of Observership, which allows for high-level and active participation in many aspects of the Committees' work."
- "Usually, Full Participant status is seen as an ultimate objective and to be considered only if and when the country concerned already has a good track record of participation in the Committee and/or involvement in its analytical work in the form of country reviews or inclusion in databases."

26. According to the CMF mandate, which was renewed in March 2008 for a five-year period, the overarching objective of the CMF is to promote efficient, open, stable and sound market-oriented financial systems, based on high levels of transparency, confidence and integrity. Reflecting our broad objective and differences between the financial markets of our member countries and those of non-members, some EE countries might not have interest in the entirety of the CMF's activities but rather only activities in specific areas, such as financial education and public debt management, even though the CMF's objectives and thus its activities are closely interrelated. For example, South Africa has very good attendance in the Global Forum on Public Debt Management and the INFE, but has rarely attended the CMF plenary meetings. Others might be facing resource constraints that limit their ability to attend the meetings that are held far from their home countries. China has always participated in the Tokyo Roundtable but has not attended Global Forum on Public Debt Management, INFE and regular CMF meetings as frequently. That said, China was a party to several bilateral meetings with the CMF.

27. Considering the Council's analysis and the actual state of affairs, it might be too early to lay out a time-line of inviting EE countries as full participants, which would have mutual interest in and receive mutual benefit from all dimensions of the CMF's activities and would be included in the framework of the negotiation of an OECD instrument or of a specific project. Before considering full participant status, it is important to enhance our abilities to diffuse the CMF's broad activities and their outcomes to EE countries and to survey EE countries' current financial market developments and their structural issues to further

develop mutual interest and mutual benefit. These challenges might contain the same elements as those which the CMF faces in the context of Comprehensive approach and Global Relevance. The contacts obtained through the efforts to overcome these challenges allow the CMF to engage with these countries further, inviting them as as-hoc observers and eventually as regular observers to facilitate deeper engagement.

28. Yet, there is a possible exception -- the Task Force on Financial Consumer Protection, as the Council's guideline 2010 showed full participant status could be granted to EE countries for a specific project.

### **III. The Way Forward**

29. On the basis of this analysis, leading fields for and requisite additional methods of further global relations activities became clearer.

#### ***Leading fields for Global Relations activities***

30. Leading fields for further global relations activities should attract non-members, if they could raise non-members' awareness of the CMF's activities. It is also preferable if the CMF has specific vehicles for global relations in specific areas. In this sense, promoting financial education has attracted many non-member countries including EE5, without mentioning the CMF's success in establishing close relationships with Indonesia and Brazil. Work on debt management risk transfers to households could also be cited, as well as many other related fields such as credit, insurance and health, and pensions. Therefore, from the viewpoint of global relations activities, financial education should be one of the leading fields of CMF's global relations activities. In addition to it, financial education has the INFE as a specific vehicle for its global relation activities in which many non-member economies participate actively (75 economies and all G20 members).

31. As the CMF's Programme of Work and Budget 2011-12 [DAF/CMF(2010)10/REV1] indicates, work related to financial education will be expanded to include policy issues related to financial consumer protection (including issues related to financial innovation and access). The importance of this field and the OECD's role in it were endorsed by the G20 in November 2011, a group which includes all of the EE countries. The G20 document (The Seoul Summit Document) also clearly specified the broad relevant field of consumer protection to include aspects such as "*informed choice that includes disclosure, transparency and education; protection from fraud, abuse and errors; and recourse and advocacy*". One would expect that consumer protection will also be one of the leading fields of the CMF's global relations activities.

32. Public Debt Management is another leading field of global relations activities. The OECD's activities in this area have attracted many EE and other non-members such as South Africa and has a broad array of relevant fields related to CMF's work such as the financial market infrastructure and its soundness. Global relations activities of the public debt management are mainly conducted through the Global Forum on Public Debt Management

#### ***Additional methods of further global relations activities***

33. To further develop global relations activities with EE countries, methods of engagement need to be considered carefully. It is especially important to find ways to motivate EE countries to participate in our activities and understand and adopt OECD principles. In this sense, helping the EE countries to see the value of joining in our activities should be considered as well as why the CMF would derive benefits from having them participate.

34. In this respect, the Task Force on Financial Consumer Protection can be considered an innovative method of engagement beyond existing INFE structures. Its noteworthy characteristics are as follows.

- The Task Force will be composed of volunteer experts and open to experts from OECD Members and selected non Members (including all G20/FSB members at least for G20 related work) as well as relevant international organisations and standard setters.
- The Task Force will assist the CMF in implementing its programme of work on financial consumer protection but also assist in delivering outputs related to G20 work, including outputs for a report mandated to the FSB (in co-operation with the OECD and other bodies) by G20 leaders in November 2010 and contributions to the development of principles, along other bodies, called by G20 Finance ministers and Central Bank governors in February 2011.
- Under the authority of the CMF, the Task Force on Financial Consumer Protection has the following mandate:
  - Study developments of financial consumer protection systems and techniques;
  - Contribute to related policy analysis and recommendations;
  - Contribute to the work on financial consumer protection initiated at the G20 Seoul summit;
  - Cooperate and coordinate on these issues with other relevant OECD bodies as well as with other international organisations;
  - Consult with other relevant stakeholders.
- Participation in global meetings, including meetings associated with the OECD led INFE.

35. Therefore, this Task Force provides an opportunity for EE countries and other non-member countries to take part in OECD work related to financial consumer protection, which could motivate non-member countries to participate. The CMF has a vehicle (INFE) to disseminate outcomes of this Task Force to develop further cooperation with non-member countries.

36. Policy Dialogues are other important tools for the CMF to deepen enhanced engagement, because Policy Dialogues make it possible for both the CMF and EE countries to exchange views about their most pressing issues, provided we are able to produce appropriately targeted discussion papers, issues notes or questionnaires for EE countries. Policy Dialogues held as a part of the regular CMF meetings provide good opportunities for EE countries to attend other parts of the CMF meetings. The Dialogues might therefore raise EE5 interest in the CMF's activities in other areas. Policy Dialogues are also good opportunities for the CMF to accumulate information on EE countries' financial market developments through the process of preparing background notes and questionnaires, discussion with EE countries, and revising notes, which can be published in *Financial Market Trends* or shared via some other means. To set up appropriate questionnaires or more generally to determine the issues of most concern for non-member countries and to discuss the issues with these countries in an appropriate manner, information collection should be stepped up for the CMF as an evidence based organisation. For example, the following topics are typical ones.

- To examine the data situation and the data quality of financial statistics in EE countries and their conformity with the principles applied in OECD countries, with a view to eventually include EE5 data in the standard databases<sup>4</sup>. (This work is mainly developed through the Working Party on Financial Statistics.)
- To build up networks with EE countries at the working level to know their appropriate contact points and their concerns and to inform our latest topics. To strengthen the relationship with the financial attachés of the EE5 embassies in Paris may be one way. For example, the Indonesian Embassy in Paris informed the OECD Secretariat that a new financial attaché, coming from Bank Indonesia, had been appointed and asked to liaise with the attaché if necessary.
- It is important to disseminate and explain further the OECD policy instruments and analyses and organise related meetings and missions, promoting the OECD approach, different from several other international bodies, and its objective to provide a range of analytical outputs and good practices for action without trying to impose them.

37. To attract EE countries and other non-members, the impact of the CMF meeting should be considered. The impact of the meeting could be improved through various means. Typical examples are as follows.

- Setting up appropriate agendas, which address regional concerns and the CMF's work in well balanced fashion.
- Inviting appropriate officials from non-members as discussants or lead speakers.
- Co-hosting regional conferences with EE countries to disseminate the CMF's achievement to the region where each EE country plays the leading role.
- Collaborating with regional organisations such as the Asian Development Bank and in some cases other specific international organisations. Such collaboration could make it possible to use their networks to choose appropriate participants as well as to structure agendas.
- In designing the approaches to increase the impact of meetings their positive reinforcements should be considered. For example, an appropriate agenda makes it possible to invite influential persons as speakers. An attractive agenda and influential speakers in turn help to attract high-ranking officials from EE countries. Information on the attendance of high-ranking officials and good summary records of previous meeting can be shared with EE countries, and may help attract other potential speakers and participants for subsequent meetings.

38. To deepen the CMF's relationships with EE countries requires additional opportunities for dialogue. We might be able to increase the chances for dialogue via conferences in which both OECD experts and representatives of EE countries participate. Some of these conferences may be organised in non-members but others might be organised in member countries. Recently the Secretariat organised several meetings back to back with conferences in Bangalore and in Tokyo. Especially in the latter case, further participation by member countries is very important. For example on the occasion of the 12<sup>th</sup> Tokyo Roundtable, under the dedicated cooperation of the Bank of Japan, a "OECD/BOJ Informal meeting with Asian Countries on Financial Education and Consumer Protection" was planned. All the Asian EE

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<sup>4</sup> In this context, the OECD, in the framework on the WPFS, will collect financial flows and stocks positions not only for OECD member countries but also for other G20 countries (EE5 + Argentina and Saudi Arabia).

countries (China, India and Indonesia) were scheduled to participate. (the meeting was however postponed due to the tragic events hitting Japan).

### ***Engagement Plans***

39. Instead of summarising this section, the suggestion has been made that this section could be re-composed as “Plans for Engagement”, which the 2010 Council’s Guidelines suggest each committee to establish. Under this plan, the engagement plan for each EE country would basically be the same. They are as follows.

(1) Discussions related to pressing issues would likely have the most impact on strengthening the relationship with EE countries. Cooperation developed in such areas could then be expanded to the extent possible to other relevant financial issues. In both cases, it is important that all exchanges with EE countries receive the necessary follow up, especially on topics that are of continuing relevance to the CMF’s work programme.

(2) To attract EE countries the CMF’s multi-strata structure of global relations activities should be further developed and/or strengthened by the following methods:

- The Task Force on Financial Consumer Protection would provide a forum to share knowledge, expertise and information on financial consumer protection with non-member countries. G20 connections should be used in other fields, where feasible.
- Policy Dialogues as a part of regular CMF meetings could play an important role in fostering mutual understanding and mutual benefits through exchanging views about EE countries’ most pressing concerns and providing chances for EE countries to attend other parts of the CMF meetings.
- Enhancing the impact of the meetings through appropriate agendas and participation of influential speakers.
- Furthering opportunities for additional dialogue with EE countries should be pursued. The active participation of Member countries in such activities is encouraged.

(3) The contacts obtained through these events should enable the CMF to engage these countries further, which could include inviting them to participate as ad-hoc observers and eventually as regular observers to facilitate deeper engagement.

## **IV. Proposal for Revision of the CMF Global Relations Strategy**

40. Based on the analysis and suggestions mentioned above, the proposal for revision of the CMF Global Relations Strategy from the viewpoints of enhanced engagement is as follows:

### ***CMF Global Relations Activities***

41. To implement global relations activities efficiently and effectively to attract EE countries, the Committee should consider the following measures.

- **Focusing on the core areas of common interest (Financial Education, Financial Consumer Protection, and Public Debt Management) and try to expand cooperation, to the extent possible, to other relevant financial issues.**



- **Paying appropriate attention to the issues of most concern to EE countries' to which the CMF could contribute.**

### *Methods*

42. To develop and/or strengthen the CMF's Global Relations effort, its existing multi-strata structure of global relations activities which is composed of (1) Committee meetings, (2) Global Forum meetings, (3) the International Network on Financial Education, (4) regional conferences, and (5) bilateral missions, the following action should be modified.

- **Using G20 connections to develop further relationships with EE5 countries to the extent possible.**
- **Organising Policy Dialogues with EE countries as a part of regular CMF meetings based on the responses to appropriately targeted issues and background notes.**
- **Increasing the impact of the meeting for EE countries, whether the meetings are held at the OECD headquarters or outside. Considering carefully to devise appropriate agendas, to invite influential persons and to establish modalities that facilitate building in a positive reinforcement of the meetings to attract EE countries.**
- **Co-hosting regional conferences with EE countries.**
- **Collaborating with the IPPC and other relevant committees in the OECD, regional organisations and specific organisations, if appropriate.**
- **Building up networks with EE countries at the working level to know their appropriate contact points and their concerns and to keep them informed on our latest work, for example through strengthening the relationship with the financial attachés of the EE5 embassies in Paris.**
- **Reinforcing bilateral co-operation and developing roadmap of joint activities through the development of Memorandum of Understanding where relevant.**
- **Examining the data situation and the data quality of financial statistics in EE countries and their conformity with the principles applied in OECD countries, with a view to eventually including EE5 data in the standard databases.**

### *Target*

43. From this basis, the proposal would proceed as follows.

- **Urging EE countries to participate in the regular CMF meetings more frequently as ad-hoc observers and eventually as regular observers to facilitate deeper engagement.**
- **Ensuring that EE countries better understand and implement OECD principles as well as instruments and other good practices relevant to the CMF's mandate and organise related meetings and missions (within budget limits).**
- **Possible promotion of full participant status for the Task Force on Financial Consumer Protection**

## ANNEX

### **GUIDELINES TO COMMITTEES FOR DEEPENING ENHANCED ENGAGEMENT**

1. In accordance with Council's decision, the Secretary-General will request substantive Committees to review the Global Relations Strategy they developed in accordance with the Resolution of the Council C(2004)132/FINAL in order to ensure that such strategies adequately reflect the Organisation's priority to deepen and broaden the engagement with Brazil, China, India, Indonesia and South Africa (EE5). Committees should involve in this review their subordinate bodies in order to ensure a comprehensive and integrated approach to the engagement of the EE5 in their work.
2. With the active support of the Secretariat, the reviews should consider the best ways of ensuring the active involvement of the EE5 in ongoing and future work on strategic priorities which are of mutual interest and mutual benefit and which advance the OECD's high standards and best practices. Special attention should be given to the possibility of inviting the EE5 as full participants, including in the framework of the negotiation of an OECD instrument or of a specific project as provided for in C(2004)132/FINAL. Consideration should also be given to the engagement of EE5, at an early stage, in major horizontal projects and flagship initiatives, as well as involvement in peer reviews and surveillance mechanisms and in high level and Ministerial meetings and their preparations. In addition, Committees are strongly encouraged to look for other opportunities to advance collaboration with the EE5.
3. In order to achieve a more structured and systematic process of engagement, the review should consider how to tailor the engagement with each particular partner, including as appropriate through direct discussions. In order to promote mutual trust and commitment, and to take the work forward in a strategic manner, Committees might develop, as appropriate, a "Plan for Engagement" with EE partners individually. Such Plans would identify specific actions, and their possible sequencing, aimed at facilitating a deeper engagement with the Committee over time. Stronger participation as ad hoc observers and moving towards more sustained forms of participation of EE partners notably as regular observers and full participants should be encouraged through this process when appropriate, as well as their inclusion in databases and adhesion to policy standards, disciplines and instruments managed by the Committee. In addition to the regular fees, an increased contribution of the EE countries to the Committee's outputs should be sought, including in the form of grants to projects of particular interest to them.
4. The review should also consider how Regional Approaches and Global Forums, as appropriate, can contribute to a deeper engagement with EE partners.
5. Committees should seek to ensure the global relevance of their work. Therefore, they are encouraged to take account of the views of the EE5 in work to address global issues.
6. To ensure that Global Relations strategies will remain relevant in the future and that Committees' PWBs are based on up to date strategies, Committees are asked to review their Global Relations strategies biennially, in parallel to the preparations of their biennial programmes of work. It is intended to incorporate the biennial renewals of the invitations to Regular Observer into this exercise as of 2012.
7. Drawing on input from the Committees and the External Relations Committee, the Secretary-General is invited to provide to the Council, by end December 2010, and regularly thereafter, progress reports on the implementation of these guidelines.