

10 August 2026

His Excellency Lan Fo'an

Chair, APEC Finance Ministerial Meeting

Minister of Finance

People's Republic of China

Dear Minister Lan,

It is my great honor on behalf of the APEC Business Advisory Council to present to you our recommendations to the APEC Finance Ministers this year.

The Asia-Pacific region today finds itself facing challenges on multiple fronts.

- Energy market volatility and heightened economic uncertainties are weighing on Asia-Pacific markets. These economies are heavily dependent on imported energy sources. This comes at a time when the need to mobilize capital for large-scale investment in energy and other infrastructure is increasing to support productivity gains and technology-driven economic growth.
- While digital technology brings new opportunities, it also introduces new risks. Laws, policies and market infrastructure need to be modernized for financial services to fit the requirements of the digital age, while avoiding fragmentation and ensuring interoperability.
- Risks and costs of natural disasters, pandemics and non-communicable diseases are increasing. Our economies face greater vulnerability to human and economic losses from extreme weather conditions, earthquakes, other perils and pandemics, which would require mobilizing more financing to protect businesses and communities.
- Economies have played in the past a critical role in financing infrastructure, social services and disaster recovery, and in supporting businesses during the pandemic. However, increasingly limited fiscal space will make it difficult to continue allocating sufficient public funding for these purposes. Innovative solutions will be needed to crowd in private sector capital to ensure the region's strong and resilient economic growth.

To meet these challenges, ABAC proposes concrete measures to harness regional cooperation in ***modernizing the policy and regulatory ecosystem for Asia-Pacific finance***. These are as follows:

Building the ecosystem for digital finance

Digital technology is transforming traditional financial institutions and giving rise to new types of financial assets. Three ongoing processes are critical: digitalization of banking services, digitalization of cross-border payments, and the emergence of digital asset rails and tokenized financial infrastructure that are reshaping the architecture of cross-border finance across the region. We recommend that economies:

- Adopt a ***digital banking development strategy*** to facilitate access to finance. It should focus on enabling competition through proportionate and risk-based regulation, promoting interoperability and data access to foster innovation and contestable markets, and strengthening digital infrastructure, institutional capacity, and trust frameworks.
- Support a ***regional undertaking to enable interoperable cross-border payment systems*** that addresses gaps in interoperability, fragmented regulatory approaches, and uneven access to payment systems, including a ***policy agenda to promote an enabling environment for interoperable QR code payments***.
- Support ***capacity building to assist in creating enabling ecosystems for interoperable digital currencies***, including on-chain platforms, that promote monetary and financial stability, financial integrity, efficiency, greater access to finance and regional capital market and financial integration.

While the rapid development of digital finance has created new business opportunities, it has also driven a sharp increase in cyber-enabled fraud and scams, threatening to erode trust in digital commerce. Looking further ahead, cybersecurity risks posed by quantum computing require action, with advanced quantum technologies presenting a credible threat to break widely deployed encryption protocols across financial networks. To address these risks, we recommend that economies support a public-private *capacity building initiative to combat fraud and scams* under APEC and a *regional quantum preparedness knowledge-sharing platform*.

Data, infrastructure and payments are key pillars underpinning cross-border business in the region. Action is needed to address obstacles to trade financing and to efficient, secure and interoperable payment systems. These structural barriers include fragmented domestic systems, divergent payment infrastructure, inconsistent data standards, regulatory and compliance complexity, uneven digital readiness and limited cross-border interoperability. To address them, we recommend *building digital bridges across economies' data platforms and trade single windows that leverage cargo and trade data and are supported by digital trade document standards*.

We also recommend the *development of a standardized Joint Transfer Pricing-Customs Instrument* across APEC jurisdictions to enable greater efficiency and reduce very costly compliance burdens for enterprises that sustain regional growth.

Mobilizing private capital for strong, sustained and resilient growth

Given that the infrastructure financing gap cannot be bridged by public sector resources alone, mobilizing capital for investment in regionally integrated sustainable infrastructure at scale needs to be treated as a strategic priority. We recommend the *development of a shared regional framework for sustainable infrastructure finance*. It should include intergovernmental agreements to anchor commitment and joint decision-making bodies to facilitate cross-border projects and offer greater certainty to investors, a common risk allocation framework for the region, revenue certainty mechanisms, strategic usage of concessional finance, replicable blended finance structures and structured exit pathways for capital recycling.

Energy security is central to the region's economic growth. Economies that do not have access to a sufficiently diverse source of energy need to scale up investment in alternative energy sources (including renewables and nuclear), transmission infrastructure, energy storage and critical energy supply chains to achieve greater energy security and efficiency. Economies that have voluntarily chosen to use transition bonds and loans and carbon markets to diversify their energy supply and improve energy efficiency across industries should ensure their effectiveness. To achieve this, we recommend:

- That *economies seeking to scale up these markets adopt a transition finance toolkit* to address high-level structural frictions that inhibit the flow of global capital for transition financing - the *bankability* gap, *credibility* risk, *opacity* and *capacity* constraints – with focus on five strategic levers – necessary taxation and accounting frameworks, transparency, risk sharing, mutual recognition and trade resilience.
- That economies developing their carbon markets to finance energy transition stimulate the active utilization of these markets as a financing instrument for transition through *regional coordination, launching an APEC Carbon Market Literacy Program and facilitating formation and implementation of offtake agreements*. Further discussions should also be undertaken on how to scale up these markets by transforming carbon credits into regulated, high-integrity and standardized financial instruments that can attract large-scale institutional investors.

These initiatives need to go hand in hand with measures to facilitate regulatory interoperability and streamlining of energy transition frameworks across participating economies. Public-private partnerships and financing mechanisms will be needed to de-risk large energy projects, promote regional energy connectivity and infrastructure, and accelerate private capital deployment into emerging energy technologies. They must be supported by investment incentives, financing mechanisms and regulatory frameworks.

There is a critical need to mobilize more private sector resources to protect communities and businesses against large-scale natural disasters and pandemics. We recommend that economies collaborate with multilateral development banks and the insurance industry to launch *a regional program to promote catastrophe bond issuance* and a *pilot for a hybrid insurance product combining pandemic business*

interruption and contingent credit in a one-stop offering, with a view toward scaling up to a level of macroeconomic significance.

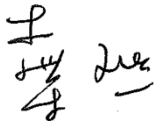
To strengthen workforce participation, productivity and economic resilience, we also recommend that economies *advance health as an investment in human capital* by promoting access to sustainable health financing, insurance, and supplemental insurance solutions that support prevention, continuity of care, financial resilience, and workforce participation, while expanding access to scalable and affordable models for businesses of all sizes, including MSMEs.

We call on APEC Finance Ministers to support these recommendations and urge relevant stakeholders, including policymakers and regulators, private sector market participants and officials from multilateral institutions, to work together in implementing them within APEC's voluntary and non-binding framework. We in ABAC and our network of collaborators in the Asia-Pacific Financial Forum (APFF), Asia-Pacific Financial Inclusion Forum (APFIF) and Asia-Pacific Infrastructure Partnership (APIP) remain committed to supporting the Finance Ministers in implementing their initiatives and in their continuing efforts to promote our region's growth and resilience.

We are also pleased to submit the 2026 Progress Report of APFF, APFIF and APIP. Its Executive Summary is appended to this Letter and the accompanying Report, and the full text can be downloaded through this link: <https://www2.abaonline.org/content/download/22643061>.

Details of our recommendations are contained in the attached Report. We look forward to discussing them with Finance Ministers at their annual meeting and our upcoming working lunch dialogue this coming October in Hong Kong, China.

Yours sincerely,



Li Fanrong
ABAC Chair 2026

ATTACHMENTS:

- APEC Business Advisory Council 2026 Report to APEC Finance Ministers
- 2026 Progress Report: Asia-Pacific Financial Forum ■ Asia-Pacific Financial Inclusion Forum ■ Asia Pacific Infrastructure Partnership – Executive Summary