



APEC Business Advisory Council

2026 Report to APEC Finance Ministers

**MODERNIZING THE POLICY AND REGULATORY
ECOSYSTEM FOR ASIA-PACIFIC FINANCE**

INTRODUCTION

Against the backdrop of a rapidly changing international environment, 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 that 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 with it new opportunities, it also introduces new risks. In financial services, policymakers and regulators have always recognized the need to protect consumers, especially the most vulnerable, and prevent criminal misuse of the financial system, while allowing room for innovation. However, reforms are needed to modernize laws, policies, regulations and market infrastructure 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. With progressive urban concentration of populations and businesses and expanding cross-border supply chains comes greater vulnerability to human and economic losses from extreme weather conditions, earthquakes, tsunamis and other perils. The threat from epidemics evolving into pandemics continues to rise with increased human mobility and urban growth and expansion into wildlife habitats.
- Economies have played a critical role in the past in financing infrastructure, social services and recovery from disasters, as well as supporting businesses during the COVID-19 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.

In this report, ABAC proposes concrete measures to harness *regional cooperation in modernizing the policy and regulatory ecosystem for Asia-Pacific finance* to meet the challenges that APEC member economies are facing.

- *Building the ecosystem for digital finance*, through measures to advance the digital transformation of banking services, promote trust in digital finance, build the digital financial market ecosystem for expanded cross-border business, develop digital payments as a key trade infrastructure, and reduce tax- and customs-related frictions and costs in global trade; and

- ***Mobilizing private capital for strong, sustained and resilient growth***, through the scaling up of financing for infrastructure connectivity and energy security and efficiency, and financial protection against natural disasters, pandemics and non-communicable diseases.

ABAC also calls for continued support for public-private collaboration in implementing ongoing initiatives to translate previous deliverables of the APEC Finance Ministers' Process (FMP) into concrete measures and policies. These collaborative efforts being undertaken through three FMP policy initiatives - the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Financial Inclusion Forum (APFIF) and the Asia-Pacific Infrastructure Partnership (APIP) – are described in the Executive Summary of their 2026 Progress Report that is annexed to this ABAC Report. The full Progress Report can be downloaded from the ABAC website.¹

BUILDING THE ECOSYSTEM FOR DIGITAL FINANCE

Advancing the Digital Transformation of Financial Services

The digital transformation of financial services is occurring through changes within traditional institutions and through the emergence of new types of financial assets. Three ongoing processes will be critical:

- The digitalization of banking services, which continue to play a major role as source of financing in most member economies;
- The evolution of digital cross-border payments, which are foundational enabler of trade; and
- The emergence of digital asset rails and tokenized financial infrastructure reshaping the architecture of cross-border finance across the region, including the wider use of central bank digital currencies (CBDCs), tokenized deposits and stablecoins in several economies.

Digitalization of Banking Services

Digital banking services can facilitate access to finance by introducing innovations and new competition that reduce onboarding barriers and costs and improves customer experience, service quality and overall efficiency. However, incentivizing competition and innovation needs to be balanced with appropriate regulatory responsibilities, risk management frameworks, and effective monitoring to avoid concentration risks.

An ABAC research study² confirmed that digital banking activity (measured by supply of digital banking services and availability of digital payments and funding for fintechs) is mostly consistent with a set of enablers - higher level of foundational capabilities, maturity of the innovation and startup ecosystem, and development of the financial system and policy and regulatory frameworks for digital banking services. The study also showed a consistent gap between APEC economies with higher levels of digital banking activity and those with lower levels across all enablers and recommended ways to close this gap.

Recommendation #1

We recommend that member economies support regional collaboration to adopt a ***digital banking development strategy*** with clear goals and expected outcomes and supported by cross-border coordination and information sharing, prioritizing three areas:

- a. Enabling competition through proportionate, technology-neutral and risk-based regulation that facilitates market entry;

¹ <https://www2.abaonline.org/content/download/22643061>.

² <https://www2.abaonline.org/content/download/22643058>.

- b. Promoting interoperability and data access to foster innovation and contestable markets; and
- c. Strengthening digital infrastructure, institutional (including regulatory and supervisory) capacity, and trust frameworks to support sustainable scale.

Evolution of Digital Cross-Border Payments

Digital payments are foundational to modern trade, enabling businesses, particularly micro-, small and medium enterprises (MSMEs), to access markets, participate effectively in cross-border commerce, and drive regional economic integration. Interoperable, efficient, secure, resilient and cost-effective digital payment systems, as well as the availability of cross-border data sharing infrastructure, are essential to supporting transactions as trade becomes more digital. Work is currently ongoing to support implementation of the G20 Roadmap for Cross-Border Payments,³ led by the Financial Stability Board (FSB) and its partner organizations. However, gaps in interoperability, fragmented regulatory approaches, and uneven access to payment systems continue to create barriers to their full use.

Recommendation #2

We recommend that member economies support a ***regional undertaking to enable interoperable cross-border payment systems***, including QR code payments. This should include:

- a. Enhancing interoperability of regulatory frameworks governing digital payments across member economies, with a view to advancing mutual recognition, including through adoption of international best practices in digital regulation, consistent terminology, streamlined licensing procedures and technology-neutral approaches;
- b. Advancing clear and interoperable rules that enable trusted cross-border data flows while safeguarding legitimate policy objectives;
- c. Development of an APEC MSME digital trade toolkit to enable seamless navigation of digital payment choices, market access and rules; and
- d. Development and piloting of frameworks that leverage relevant transaction insights, within appropriate legal and privacy safeguards, to support risk-based pre-clearance and streamline low-risk e-commerce shipments.

Given their high degree of standardization, QR code payments have emerged as a solution for achieving cross-border payment connectivity in the retail sector and simplifying cross-border remittances, benefiting travelers, MSMEs and consumers. The Asia-Pacific region promises to be a leading market, with rapid growth driven by high smartphone penetration, consumer demand for contactless payments, proliferation of interoperable fast-payment systems and the rapid evolution of the platform economy. Within the region, cross-border QR code interconnectivity has already taken shape, with the launch and piloting of pair-to-pair cross-border interconnection and multi-party hub solutions based on unified standards.⁴ While many payment systems in APEC and beyond remain siloed, regional cooperation can build on these existing solutions and experiences to improve interoperability and enable QR code technology to deliver on its promise of speed, affordability and a seamless user experience.

³ <https://www.fsb.org/2025/10/g20-roadmap-for-cross-border-payments-consolidated-progress-report-for-2025/>

⁴ Examples are China's Cross-Border Interconnection Payment Gateway (CPG), which enables Chinese and international participating institutions to conduct cross-border QR code payment transactions through a unified standard and a single gateway, the China-Viet Nam cross-border QR interconnection program, and the ASEAN Integrated QR Code Payment System under the Regional Payment Connectivity (RPC) initiative.

Recommendation #3

We recommend that member economies *support a policy agenda to promote an enabling environment for interoperable QR code payments* in the region, leveraging current practices and sharing successful solutions and experiences to lower entry barriers, reduce fragmentation and create a stable basis for future integration and expansion. Through policy dialogues, member economies could explore:

- a. Pathways for interested APEC economies to develop their own QR code payment systems, including unified QR code gateways as a foundational step toward regional connectivity;
- b. Possibilities for harmonization or mutual and multilateral recognition of QR code payment standards and interoperability of QR code payment systems, including routing, messaging, clearing, settlement and downstream processing; and
- c. Feasibility of a voluntary, principles-based APEC QR interoperability framework to support the incremental integration of QR code payment systems, including through a unified QR code ecosystem for participating economies as a single-point access with regional connectivity.

The Emergence of Digital Currencies

Digital asset rails and tokenized financial infrastructure have emerged to play an increasingly visible role in payment and settlement systems, with the convergence of regulated institutions and digital asset-native firms reshaping the architecture of cross-border payments across the region. In conjunction with the growing role of blockchain in financial services, tokenized counterparts of traditional forms of money (CBDCs, tokenized deposits and stablecoins) have moved from experimentation to scaled deployment across the world. This is particularly the case with stablecoins, which processed over USD 33 trillion in on-chain transactions globally in 2025.⁵

While creating substantial opportunities for cross-border efficiency, access to finance and modernization of payments infrastructure, they remain constrained by regulatory fragmentation and outdated licensing frameworks. However, even as regulators in the region have shown increasing interest, the growing domestic use of foreign currency stablecoins (most of which are overwhelmingly USD denominated) in certain economies has sparked regulatory concerns related to monetary and financial stability and financial integrity.⁶

Fiat-backed stablecoins in some Asian currencies are emerging, but still remain limited in scale due to thin liquidity and narrow use cases. Their further development will require effectively competing against existing multi-layered local currency payment systems that are already efficient and widely adopted, as well as robust foundational infrastructure and mature regulatory frameworks based on core regulatory features, appropriate legal, market and governance infrastructure, and domestic and cross-border interoperability.

Recommendation #4

We recommend that member economies support *capacity building to promote readiness for interoperable digital currencies*. The goal is to assist in creating enabling ecosystems for interoperable digital currencies that promote the goals of monetary and financial

⁵ <https://thedigitalbanker.com/the-stablecoin-revolution-is-reshaping-business-payments/>

⁶ With regard to monetary stability, central banks view the wider use of foreign currency stablecoins as leading to currency substitution, resulting in foreign interest rate changes having strong impact on domestic economies, working against domestic monetary policy. With regard to financial stability, regulators are concerned that stablecoins can bypass existing capital flow management measures in economies with capital controls and amplify volatility of capital flows. As for financial integrity, there is potential for stablecoins to be used for money laundering and other illicit activities if issuers are not required to track or disclose token usage.

stability, financial integrity, efficiency, greater access to finance and regional capital market and financial integration. It should include the following elements:

- a. Policy dialogues to better understand the risks and opportunities presented by the wider use of digital currencies and potential roles they may play within economies' monetary systems;
- b. Workshops to help in designing legal and regulatory frameworks, market infrastructure and interoperability enablers for the development of digital currencies as part of existing domestic monetary and payment systems, where applicable; and
- c. Regional conferences to discuss possible ways for regional public-private cooperation on digital currencies, including on-chain platforms, to promote capital and financial market integration and cross-border interoperability.

Promoting Trust in Digital Finance

While the rapid development of digital finance has created significant opportunities for businesses across the region, it has also driven a sharp increase in cyber-enabled fraud and scams.⁷ Losses from fraud and scams have risen significantly across the region,⁸ as criminals increasingly use AI, voice cloning and sophisticated social engineering techniques, while operating across multiple jurisdictions. These activities erode consumer trust, disrupt business operations and weaken the foundations of digital commerce and finance. Consistent with the objectives of the APEC Internet and Digital Economy Roadmap, building a trusted digital economy and digital finance ecosystem requires coordinated, cross-border and cross-sector public-private partnerships that involves real-time information sharing and the effective use of technology for fraud detection and prevention.

Looking further ahead, cybersecurity risks posed by quantum computing require prioritized and coordinated action across the financial sector and relevant industries. Sufficiently advanced quantum technologies present a credible threat to current encryption standards, with the potential to break widely deployed encryption protocols across financial networks and render sensitive transactional and customer data vulnerable to retrospective decryption – a risk compounded by actors who are already intercepting and storing encrypted data today for future decryption. Effectively addressing these risks will require the integration of post-quantum cryptography (PQC) within economies' cybersecurity frameworks for financial institutions and attainment of cryptographic agility in designing systems capable of seamless algorithmic transitions as PQC standards evolve.

Recommendation #5

We recommend that member economies support a public-private *capacity building initiative to combat fraud and scams under APEC*. This should focus on:

- a. Strengthening regional policy frameworks to prevent, detect and disrupt evolving fraud and scams across their lifecycles;
- b. Establishing dedicated points of contact for reporting fraud;
- c. Adopting a whole-of-ecosystem approach through coordinated economy-wide strategies and cross-sector public-private partnerships;
- d. Enabling secure real-time data and intelligence sharing, including safe-harbor provisions;

⁷ Fraud includes account takeover by phishing or vishing, cyber-attacks, theft and unauthorized use of credit and debit card numbers, and check fraud, among others. Scams, which are a subset of fraud, involve authorized push payments using impostor scams, investment scams, romance scams, online shopping and auction scams, among others.

⁸ In 2025, fraud losses are estimated to have reached USD15.9 billion in the USA (US FTC data), USD2.2 billion in Japan (Japan National Police Agency data), and USD1.4 billion in Australia (Australia NASC), while scams resulted in an estimated USD23.6 billion in losses across Southeast Asia according to the Global Anti-Scam Alliance.

- e. Promoting balanced, proportionate and interoperable anti-scam tools, including the use of AI for fraud detection and prevention;
- f. Supporting international collaboration, information sharing, coordinated action and law enforcement, including engagement with cross-sector international platforms; and
- g. Promoting financial education for consumers and MSMEs.

Recommendation #6

We recommend that member economies support a *regional quantum preparedness knowledge-sharing platform*. This should assist in developing sector-wide quantum preparedness assessment mechanisms, learning from existing models, to measure financial institutions' strategic awareness and operational readiness, identify gaps, and produce transition roadmaps with concrete PQC and quantum computing pilot initiatives. It should also assist smaller institutions that face greater resource constraints in responding to these risks, to ensure that baseline cryptographic resilience rises uniformly across all APEC financial systems.

Building the Digital Financial Market Ecosystem for Expanded Cross-Border Business

Data, infrastructure and payments are key pillars underpinning cross-border business in the region. Various initiatives have been undertaken by ABAC, APEC and individual member economies, including the APEC Centre of Excellence for Paperless Trade (ACCEPT), to address obstacles to trade financing and efficient, secure and interoperable payment systems enabled by digital technology.⁹ However, more efforts are needed to overcome challenges posed by fragmented domestic systems, divergent payment infrastructure, inconsistent data standards, regulatory and compliance complexity, uneven digital readiness and limited cross-border interoperability, which constrain transaction efficiency and raise costs for businesses and individuals.

Further progress in addressing these structural barriers can be achieved by considering existing models and how they may be regionally scaled up or serve as a basis for region-wide systems. These include building digital bridges across economies' data platforms and trade single windows supported by digital trade document standards. This model is based on three elements: (a) economy backed data infrastructure (establishing consent-based data-sharing platforms that allow MSMEs to selectively share cargo and trade data with banks without surrendering control of that data, such as the Commercial Data Interchange or CDI consent framework in Hong Kong, China); (b) paperless trade document standards (adoption of a comprehensive set of paperless trade documents across the full trade process between jurisdictions that are aligned with the International Chamber of Commerce (ICC) Digital Standards Initiative (DSI) and relevant international legal frameworks such as the UNCITRAL Model Law on Electronic Transferable Records (MLETR)); and (c) cross-border connectivity (linking economies' trade single windows and data platforms across Asia-Pacific corridors to enable banks to verify cross-border MSME transactions and extend financing beyond home markets).¹⁰

⁹ See ABAC's previous recommendations on end-to-end digitalization of trade finance and interoperable wholesale central bank digital currencies (CBDCs) in its 2023 Letter and Report to APEC Finance Ministers (<https://www2.abaconline.org/content/download/22632761>) and the background papers *Facilitating End-to-End Cross-Border Digital Trade Finance* (<https://www2.abaconline.org/content/download/22632371>) and *Common Principles for the Development of Interoperable Wholesale Central Bank Digital Currencies in the Asia-Pacific Region* (<https://www2.abaconline.org/content/download/22632181>).

¹⁰ This model is used by Hong Kong, China's Project CargoX linking Hong Kong, China with Chinese Mainland and ASEAN trade data corridors.

Recommendation #7

We recommend that member economies continue to support ongoing *trade digitalization* efforts previously proposed by ABAC through standardization of digital documents and alignment with international frameworks such as the UNCITRAL MLETR, and build on them by:

- a. Enabling the leveraging of cargo and trade data insights by lenders to expand MSMEs' access to trade financing;
- b. Expanding the linkages between trade single windows and other digital platforms across member economies; and
- c. Exploring the use of interoperable tokenized payment mechanisms and settlement in trade finance to make it more accessible and affordable for smaller businesses.

Reducing Tax and Customs-Related Frictions and Costs in Global Trade

An ABAC research study¹¹ across four APEC economies reveals a critical and largely unaddressed structural friction: multinational enterprises are compelled to navigate two entirely separate, legally independent valuation regimes — one for transfer pricing and another for customs — applied by different authorities to the very same intercompany transaction, generating substantial duplicative costs in both time and resources. In an era of heightened economic uncertainties and supply chain disruption, eliminating this regulatory disconnect would send a powerful signal that APEC economies are committed to making cross-border trade simpler, more predictable, and more resilient for the businesses that sustain regional growth.

Recommendation #8

We recommend that member economies support 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

Scaling Up Financing for Infrastructure Connectivity

While the benefits of connected infrastructures are visible, massive funding gaps are limiting infrastructure and capability growth. Developing Asia needs to invest an estimated US\$26 trillion between 2016 and 2030 for infrastructure but its funding shortfall is about 48 percent. Cross-border projects face compounded challenges: multiple regulatory regimes, inconsistent standards, and risk profiles that institutional investors find difficult to assess and price. Without deliberate action to address these structural barriers, the region will continue to under-invest in the very assets that would most strengthen its collective prosperity.

To address the apparent funding gaps for connected infrastructures across economies, three levers have been identified to ease the constraints faced and improve bankability of cross-border infrastructure projects. These levers are:

- Economy-level commitment and alignment: Strong government leadership and coordination to provide policy certainty, harmonize regulations and standards, and streamline approvals across jurisdictions.

¹¹ <https://www2.abaconline.org/content/download/22643059>.

- Risk allocation: Identification of project risk categories, allocated owners, underlined by clear and well-defined risk allocation principles to mitigate misalignment on risk ownership and uncertainty.
- Market and fiscal enablement: Development of mechanisms to align risk and return across different capital sources to enable projects, as commercial capital alone will not be able to sustain risk profiles for cross-border infrastructure, particularly at early or complex stages.

Recommendation #9

We recommend that member economies support the *development of a shared regional framework for sustainable infrastructure finance*, with the following objectives:

- a. Establish *intergovernmental agreements* to anchor commitment and *joint decision-making bodies* to streamline permitting, resolve cross-border legal and regulatory conflicts and fast-track regional grid interconnectors for cross-border projects to offer investors the assurance that their investments continue to deliver according to expectations *regardless of changes in political regimes*.
- b. Advance *regulatory harmonization and interoperability through the development and pilot implementation of the Sustainable Infrastructure Evaluation Framework (SIEF) as a shared, voluntary reference framework for projects to be evaluated using a consistent methodology to identify finance-ready projects, corresponding risks, preparation needs and scalable regional models*.
- c. *Develop and adopt a common risk allocation framework* for the region, with clear risk definition, assignment to the party best positioned to manage, mitigate, or absorb it and proliferate successful project structures more efficiently.
- d. Develop an enabling environment for capital providers through *revenue certainty mechanisms, strategic usage of concessional finance, replicable blended finance structures and structured exit pathways for capital recycling*, to mobilize capital at scale.

Financing Transition to More Diverse, Secure and Efficient Energy Systems

Energy is central to the economic security and growth and industrial competitiveness of Asia-Pacific economies.¹² Many economies in the region, especially developing economies, remain very vulnerable to shocks in energy markets.¹³ At the same time, demand for energy is expected to grow even more rapidly than at present, especially as investments in digital infrastructure including AI and data centers, expand.¹⁴ While this growing demand presents a challenge, it also brings opportunities to scale up investment in diversifying energy sources (including renewable generation and hydrogen), transmission infrastructure, energy storage and critical energy supply chains to achieve greater energy security and efficiency.

Unfortunately, developing economies in the region are lagging behind most of the world in attracting private capital to the energy sector. In 2025, Southeast Asia and Latin America/Caribbean attracted only 3 and 4 percent, respectively, of total global investment in

¹² APEC member economies account for approximately 56 percent of global energy demand, 58 percent of global energy supply, 68 percent of global electricity generation, and 60 percent of global carbon emissions, <https://www.apec.org/press/news-releases/2022/apec-is-on-track-to-meet-aspirational-energy-goals>.

¹³ According to the International Energy Agency, oil products and natural gas, together with coal, account for about 60 percent of total final energy consumption in the Asia-Pacific and Central and South America. In addition, they account for significant shares of electricity generation – 66 percent in the Asia-Pacific and 24 percent in Central and South America, <https://www.iea.org/>.

¹⁴ According to the Asia Pacific Energy Research Centre (APERC), cumulative investment requirements are estimated to reach between USD 57 trillion and USD 91 trillion just across the power and hydrogen sectors between 2025 and 2060, <https://www.apec.org/press/news-releases/2025/report-apec-electricity-demand-seen-nearly-double-by-2060-as-energy-transition-accelerates>.

clean energy.¹⁵ There is an opportunity to address this issue through instruments such as transition bonds and loans and carbon markets. Economies that have voluntarily chosen to create frameworks based on targeted emissions levels intend to use these instruments to diversify their energy supply and increase the role of non-fossil fuel energy sources, including renewables, biofuels, hydro-, geothermal and nuclear power, at the same time improving energy efficiency across industries.

While the markets for transition bonds and loans and carbon credits are expanding in several of these economies, scaling up these markets will require addressing four high-level structural frictions that inhibit the flow of capital for transition financing. These are:

- the *bankability* gap (the most critical factor - the disconnect between the massive capital requirements of transition projects and the insufficient risk-adjusted returns they offer);
- *credibility* risk (lack of regulatory clarity and concerns over asset integrity);
- *opacity* (inability to verify assets due to fragmented data systems); and
- *capacity* constraints (limited sectoral coverage for the reference pathways that investors use to judge progress).

Addressing these structural frictions is necessary for carbon credit markets to transform into well-functioning transmission channels for mobilizing capital into energy transition projects. Price signals provided by deep and liquid markets are a prerequisite for carbon to effectively enable scaling up of transition finance. For this to emerge, carbon credits will need to be treated and traded like other financial market assets, especially with respect to necessary tax and accounting frameworks, transparency and mutual recognition.

Recommendation #10

We recommend that those economies voluntarily pursuing more diverse, secure and efficient energy systems through transition financing and carbon markets consider the adoption of a ***transition finance toolkit*** designed to mitigate high-level structural frictions (bankability gap, credibility risk, opacity, and capacity constraints) to unlock the flow of capital to energy transition projects.¹⁶ This toolkit is composed of five strategic levers:

- a. *Necessary taxation and accounting frameworks.* Establish standardized frameworks for taxation, whenever necessary, and accounting to treat carbon credits as high-value financial assets that create a reliable price signal, transforming these assets into bankable financial instruments that lower the cost of capital from simple offsets.
- b. *Transparency.* Implement digital connectivity via the Climate Action Data (CAD) Trust to ensure real-time visibility and eliminate double counting.
- c. *Risk sharing.* Embed carbon credits into financial instruments such as sustainability-linked bonds (SLBs) to lower the cost of capital for clean energy projects, allowing governments to utilize performance-linked interest rate step-downs for projects that meet carbon reduction milestones.
- d. *Mutual recognition.* Adopt pragmatic frameworks that respect domestic rules while ensuring cross-border interoperability.
- e. *Trade resilience.* Ensure carbon pricing is compatible with global guidelines such as the transition bond guidelines of the International Capital Market Association (ICMA) and relevant mechanisms governing trade in carbon-intensive goods to ensure APEC's trade competitiveness.

¹⁵ International Energy Agency, 2026 *World Energy Investment* <https://iea.blob.core.windows.net/assets/4fda38df-523c-46f5-ae75-49481abdc8fc/WorldEnergyInvestment2026.pdf>.

¹⁶ <https://www2.abaconline.org/content/download/22643057>.

Adoption of this toolkit needs 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.

Recommendation #11

We recommend that those 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.

Scaling Up Financial Protection Against Natural Disasters and Pandemics

Natural catastrophes such as hurricanes, earthquakes and floods leave behind enormous financial burdens. However, many people and businesses remain uninsured leaving them vulnerable. Global economic losses from disaster events during the past 10 years amounted to over USD 2.5 trillion, of which 58 per cent were uninsured. This represents a global protection gap of USD 1.5 trillion. The trend has also been steadily increasing over the past 30 years. The regions with the highest insurance protection gaps are Asia, with 83 percent, and Latin America, with 81 per cent.¹⁷

With regard to pandemics, the frequency of annual reported outbreaks has been rising. Since COVID-19, several new cases have been recorded, including Avian influenza in the USA, MERS coronavirus in France and a novel recombinant Mpox virus in England in 2025, a Nipah virus outbreak in India and an Ebola virus outbreak in the Congo and Uganda in 2026. Traditional insurance techniques have proven inadequate to protect against pandemic risk due to the massive amounts required for indemnification, and unaffordable due to the expected frequency of events. Various risk models are predicting a high probability of a comparable pandemic event to COVID-19 within the next decade.¹⁸

There is a critical need to mobilize more private sector resources to insure against future natural disasters and pandemics. This is due to the increasing frequency and severity of natural catastrophes and growing vulnerability to pandemics due to rapid urbanization and growing global mobility, while fiscal constraints are severely limiting economies' future ability to assist affected businesses and communities. There is growing recognition across the region of this need, with the World Bank's issuance of the first Pacific Alliance catastrophe bond in 2018 for Chile, Colombia, Mexico and Peru and another one to insure the Philippines against natural disaster-related losses in 2019, several recent catastrophe bond issuances in Singapore and Hong Kong, China, and the ASEAN+3 Finance Ministers' and Central Bank Governors' call at

¹⁷ <https://www.swissre.com/institute/research/sigma-research/sigma-2025-01-natural-catastrophes-trend.html>.

¹⁸ Metabiota (rebranded as Ginkgo Bioworks) predicted the probability of another pandemic of the same or greater magnitude as COVID-19 to be 22 to 28 percent within the next decade, see <https://www.devex.com/news/how-might-probability-inform-policy-on-pandemics-metabiota-has-ideas-100427>. London-based disease forecasting firm Airfinity suggests in its latest risk modelling that there is a 27.5 a chance that a pandemic as deadly as COVID-19 could occur within the next 10 years, see <https://www.airfinity.com/articles/the-west-should-be-on-a-war-footing-for-the-next-pandemic>. The UK National Risk Register 2025 highlights a 5 to 25 percent likelihood of a pandemic over a 5-year period see <https://www.gov.uk/government/publications/national-risk-register-2025>.

their 2026 meeting in Samarkand for leveraging a broad range of instruments including catastrophe bonds and contingent financing.¹⁹

Recommendation #12

Building on ABAC's previous recommendations to scale up the catastrophe bond market²⁰ and establish an Epidemic Risk Markets Platform,²¹ we recommend that member economies collaborate with multilateral development banks and the insurance industry to expand financial protection for developing economies from large-scale natural disasters and pandemics by launching:

- a. *a regional program to promote catastrophe bond issuance*; and
- b. *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.

Promoting Healthy Workforces for Stronger Economies

Demographic change, longer working lives, labor shortages, and the growing burden of non-communicable diseases are increasingly influencing workforce participation, productivity, and economic resilience across the region. As economies seek to strengthen competitiveness and sustain growth, investing in healthier and more resilient populations should be recognized as an investment in human capital. Business-led approaches, supported by enabling policy environments, can help strengthen workforce participation, productivity, and economic resilience.

Recommendation #13

We recommend that economies promote *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. These measures should be supported by policies and workplace practices that support healthy aging and economic participation and enabling environments for innovation and evidence-based workforce health solutions, including digital tools and technologies that improve prevention, disease management, harm reduction models, and access to care while respecting privacy and building trust, and based on a view of health as an investment in human capital and economic resilience.

CONCLUSION

Regional cooperation to modernize the policy and regulatory ecosystem for Asia-Pacific finance is important in addressing the challenges that APEC economies are facing. It can play a key role in mobilizing capital across the region to allocate it more efficiently for stronger growth. It is necessary for ensuring that policy, regulatory and market infrastructure reforms promote interoperability and reinforce regional economic integration, instead of creating new cross-border barriers to business. It is critical in the sharing of innovative policies and practices and market infrastructure design to ensure that MSMEs have access to finance and find more opportunities to actively participate in regional business.

ABAC believes in the significance of collective efforts under the Finance Ministers' Process guided by the Incheon Plan to mitigate the growing risk of economic and financial

¹⁹ https://asean.org/wp-content/uploads/2026/05/20260502-Joint-Statement_29th-AFMGM3_final.pdf.

²⁰ https://www2.abaconline.org/assets/2019/2019_Letters/Finance_Ministers/ABAC_Letter_to_APEC_Finance_Ministers_2019.pdf.

²¹ https://www2.abaconline.org/assets/2022/Ministerial_Letters/ABAC_Letter_to_APEC_Finance_Ministers_2022.pdf.

fragmentation and ensure that the Asia-Pacific region remains on track to sustained growth. Financial systems, which play a central role in connecting enterprises and individuals within and across markets, will need to be an important focus of efforts. This report identifies practical and actionable measures that APEC and its member economies can adopt and implement to harness regional coordination and cooperation and public-private collaboration to build interoperable, dynamic and resilient finance ecosystems and to mobilize private capital for growth that benefits all.

We call on APEC Finance Ministers to endorse these recommendations and urge relevant stakeholders, including policymakers and regulators, the private sector market participants and officials of 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 APFF, APFIF and APIP remain committed to supporting the Finance Ministers in implementing their initiatives and in their continuing efforts to promote our region's continued growth and resilience.