

# IMPLEMENTING THE SUMMIT OF THE AMERICAS: *Developing and Liberalizing Capital Markets*

*by Richard L. Bernal*

This special Working Paper Series is the product of a research project, "Summit of the Americas Implementation: A Progress Report," sponsored by the Institute for International Economics (IIE), and directed by Richard E. Feinberg, former Special Assistant to the President and Senior Director for Inter-American Affairs at the National Security Council and currently Dean of the Graduate School of International Relations and Pacific Studies at the University of California, San Diego. This is the first and only major initiative to monitor independently the progress on implementation of the 23 Initiatives agreed to by the 34 heads of government who signed the *Declaration of Principles* and *Plan of Action* at the December 1994 Summit of the Americas in Miami. This nine-volume Working Paper Series tracks 13 of the 23 initiatives with in-depth studies by independent analysts whose research was debated and discussed with the participation of over 75 members of the Inter-American policy community at an IIE workshop in Washington, D.C., in May 1996. While the papers reflect a remarkably high degree of intergovernmental activity on the Summit of the Americas Initiatives, they also show that many gaps remain in implementation, reporting, and monitoring. On the eve of the December 1996 Summit Conference on Sustainable Development in Santa Cruz, Bolivia, and in anticipation of the Summit of the Americas II in Santiago, Chile, in early 1998, the North-South Center calls attention to the urgent need for civil society monitoring mechanisms that would help guarantee success in the implementation on the national and regional levels of international agreements in the Western Hemisphere.

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### **Transforming “Dichos” into “Hechos”**

At the 1994 Summit of the Americas, government leaders identified economic integration and free trade as essential to economic progress in the hemisphere. In addition, the availability of low-cost capital to finance private investment was also seen as necessary for both free trade and economic integration. It was further recognized that the development, liberalization, and integration of financial markets; increased transparency in this area; and the establishment of sound supervision and regulation of banking and securities markets would increase the availability of capital for investment and ultimately promote economic growth.

Accordingly, the *Plan of Action* issued at the Summit's conclusion called for the creation of a Committee on Hemispheric Financial Issues, which was given a mandate to focus on a range of issues related to capital markets. As spelled out in the *Plan*, the Committee's responsibilities include examining steps to promote the development, liberalization, and integration of capital markets; reviewing the status of these markets by preparing, with the assistance of the Inter-American Development Bank (IDB), a comprehensive list of national capital regulations in order to promote transparency and support discussions within the Committee; supporting the cooperative endeavors of both the Council of Securities Regulators of the Americas and the Association of Latin American and Caribbean Bank Supervisors to provide sound supervision and regulation; and reviewing problems of debt in the region.

So far, the Committee's discussions have focused on three broad areas: 1) the steps needed to maintain a sound policy environment for private investment, 2) issues involved in liberalizing

and integrating financial markets, and 3) measures aimed at combating financial crimes. These discussions culminated in a communiqué issued by the region's finance ministers at the New Orleans Ministerial, which was convened in May 1996. The communiqué not only endorsed the decisions of the Committee in the areas outlined above but also presented a mandate for the Committee's future work. This includes the establishment of a Technical Working Group on National Financial Markets Regulations to identify mechanisms to strengthen and integrate these markets.

While the countries of the region committed themselves to implementing the measures outlined in the communiqué, many had already begun to take the necessary steps prior to the formal agreement, steps which included support for structural economic reforms and other liberalization policies. In addition, a three-part Survey of Financial Systems, which will be compiled and administered by the IDB, is also being carried out. The results of that survey are expected to lead to the creation of a comprehensive list of capital markets regulations in the hemisphere. Most countries in the hemisphere have already completed the first section of the survey, which essentially gives an overview of financial and security markets in the hemisphere as well as of the rules and regulations that oversee these markets. A preliminary analysis of this section (Part I) was completed by the IDB and presented at the New Orleans meeting. This analysis clearly indicated the disparities between countries with respect to financial markets development. Secondly, the IDB concluded that in many countries there are discrepancies between market regulations and the way these markets actually work. Finally, the survey confirmed that integration or harmonization of financial markets in the hemisphere is currently quite limited.

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At the New Orleans meeting, the finance ministers designated the Committee as a mechanism for monitoring progress in capital markets development and integration and supporting the execution of the following initiatives: Training Program for Supervision and Examination, Identifying Priorities for Financial Market Development, Reviews of National Laws Affecting the Financing of the Private Sector, and Technical Assistance for Combating Financial Crimes.

Jamaica's experience illustrates some of the difficulties faced by countries in ensuring effective participation in the Summit implementation process. At the national level, Jamaica has appointed a Summit of the Americas Coordinator in the Ministry of Foreign Affairs and Foreign Trade, who serves as the principal contact for general Summit activities and works closely with the Summit Implementation Review Group (SIRG). In terms of the specific issues addressed in the *Plan of Action*, however, responsibility for implementation is shared among various government departments. With respect to the capital markets issue, for example, the Ministry of Finance, the Bank of Jamaica, the Jamaica Stock Exchange, and the Ministry of National Security are all responsible for carrying out various aspects of the agenda. This has complicated coordination efforts. The process of completing the IDB's Survey of Financial Systems serves to illustrate this point. Jamaica's Ministry of Finance, the coordinating institution for the questionnaire, is responsible for distributing the relevant sections to the appropriate government departments for completion. Yet the first two questions in the survey's first section addressed the issue of requirements for residency and citizenship with respect to banking and other financial services. It was not clear under whose portfolio this would fall, and, ultimately, formulating the appropriate responses to these questions involved seven government departments.

### **Negotiations and Their Efforts on Implementation**

The U.S. Departments of Treasury and State took the lead in the negotiations on the capital markets issue prior to its inclusion in the *Plan of Action*. During these initial deliberations, the United States sought to promote several issues that were particularly important to its interests — most notably, the need to combat financial crime — but that were not priorities for Latin America and the

Caribbean. Protracted discussions were held over what topics, other than those initiated by the United States, should be included. In some instances, the United States resisted or tried to ignore issues of greater concern to others; indeed, the debt question was only included after the repeated insistence of Jamaica and Guyana. Even so, in the *Plan of Action* the Committee on Hemispheric Financial Issues was tasked only to “review problems of debt in the hemisphere, taking account of ongoing work and drawing on, as appropriate, a broad range of expertise.”<sup>1</sup> Since the Summit, the United States, in its capacity as chair of the Committee and as the designated “responsible coordinator” reporting to the SIRG, has continued to play an important role in shaping the agenda on this issue.

### **Mechanisms for Implementation**

The IDB has been assigned a key role in implementing the goals that were outlined in the New Orleans Ministerial communiqué (see Attachment I, Annex B). The IDB is to establish and fund a technical training program for bank and security supervisors and examiners. The program would be carried out in coordination with the Association of Latin American and Caribbean Bank Supervisors and the Council of Securities Regulators of the Americas. The IDB has also been asked to host a series of hemisphere-wide meetings among policymakers, regulators, and market participants to identify priorities for financial markets development.

In addition to the IDB's involvement in efforts to improve training and communication, the communiqué also encourages greater private sector involvement in the work of the Committee. Private sector organizations have been asked to make recommendations to their respective governments for improvements in national laws and regulations to increase private sector financing. It also is hoped that the process of the ministerial meetings will be institutionalized over time, with the next meeting scheduled for late 1997 or early 1998. As noted above, a Technical Working Group on National Financial Markets Regulations also has been created to assist the IDB in completing the two remaining sections of the capital markets survey.

While it is too early to assess the efficacy of these mechanisms properly, a preliminary assessment can be made. To date, the more developed countries' concerns have tended to dominate the

Committee's discussions. This tendency has been reinforced further by the limited number of representatives from the Caribbean who are able to attend Committee meetings on a regular basis. This under-representation is mainly a function of constraints on capabilities and staffing, given the large number of Summit-related meetings taking place in various locations, often concurrently.

Aside from hosting several of the Committee's meetings, the IDB's role up to this point has been largely limited to designing, administering, and evaluating the Survey of Financial Systems. The IDB's efforts have been commendable but could be expanded. Since the Committee has no institutional mechanism to generate research and technical studies, the IDB has been asked to provide the necessary funding.

### **The Role of International Organizations**

The Organization of American States (OAS) is also active on the capital markets issue. Its major efforts in this issue area have been carried out with respect to the Caribbean and Central America primarily, where it is funding a Caribbean Common Market and Community (CARICOM) project that focuses on the challenges of integrating capital markets in the two regions. For these smaller countries in the hemisphere, it is clear that the development and integration of capital markets on a subregional level must be prerequisites to wider incorporation in a hemispheric framework. Because of this concern, the OAS project is particularly relevant to the Summit's Capital Markets Initiative. Moreover, the region's finance ministers have encouraged both the IDB and the OAS to assist with implementation of the agenda on combating financial crimes. Both organizations have been asked to provide technical support to various countries to facilitate their implementation of commitments under the December 1995 Ministerial Conference Concerning the Laundering of Proceeds and Instrumentalities of Crime held in Buenos Aires.

In terms of contributions from other multilateral organizations, the World Bank and the International Monetary Fund (IMF) supported the Committee's early discussions by preparing two papers for the first meeting of deputy finance ministers held in July 1995. The IMF paper explored capital markets developments, prospects, and, in highlighting the Mexican crisis, key policy issues.

In turn, the World Bank prepared a debt profile of the Latin America/Caribbean region, which formed the basis for debate on the steps needed to alleviate the debt burden in the hemisphere. The Committee also has solicited assistance from the World Bank and the IMF to develop programs to strengthen and integrate regional financial markets.

### **The Role of "Responsible Coordinators"**

The system of "responsible coordinators," established for reviewing Summit implementation, has been most helpful within the SIRG. It has enabled countries to be brought up to date quickly on progress and developments in any given area and also has facilitated ongoing dialogue among countries on various issues. In its role as an overall coordinating body, the SIRG serves as an important mechanism to link the range of issues that were incorporated into the *Plan of Action* — such as the initiatives on capital markets and trade, for example.

In the case of the Committee on Hemispheric Financial Issues, the United States has assumed the role of responsible coordinator, but there has been a lack of vision and purposeful leadership. It is felt by several participants and their governments that the United States does not view the work of the Committee as a priority. As a result, the general impression developed among non-U.S. members that the Department of Treasury was less than enthusiastic about being on the Committee. Although Secretary of the Treasury Robert E. Rubin's energy and obvious interest has served to allay some of these concerns, the work of the Committee must reflect in a more balanced way the interests and concerns of all participating governments. Efforts must be made to ensure that many of the crucial issues for the developing countries are addressed adequately in the work agenda and discussions. This is vitally important so that Committee decisions may accurately reflect the varying perspectives and interests in the Latin American and Caribbean region. The May 1996 New Orleans communiqué of the hemisphere's finance ministers is a step in this direction.

### **Involvement of the Private Sector and Non-Governmental Organizations**

The effort to include representatives of the private sector and relevant non-governmental organizations (NGOs) in discussions on financial

markets development and integration is relatively recent. At the New Orleans Ministerial, the Council of the Americas, along with the IDB, the Latin American Business Council (Consejo Empresarial de América Latina — CEAL), and the Inter-American Council for Commerce and Production (Consejo Interamericano para el Comercio y la Producción — CICYP), hosted a closed afternoon session between the finance ministers and representatives from the hemisphere's private sector. During this meeting the private sector reiterated its support for the Committee's mandate and welcomed the initiative to solicit recommendations from private firms on capital markets reform.

Prior to this meeting, these organizations also sponsored a private sector forum to identify priority items relating to capital markets, which would be discussed later with the ministers. In addition, the New Orleans Ministerial included a closed session between private sector representatives and the ministers of finance. The purpose of this session was to provide an opportunity for the private sector to give substantive comments on the three broad areas that the Committee had identified as crucial components of financial markets development. It also provided an opportunity for private sector feedback on the communiqué itself. As of mid-1996, NGOs were not involved in the Committee's deliberations, and so far there is no indication that this will occur.

### **Constraints to Implementation**

At the New Orleans Ministerial, the Committee's mandate for future work was endorsed by the region's finance ministers; hence, its work is just beginning. The only task completed to date has been the preliminary review of the first section of the Survey of Financial Systems. Work so far has demonstrated possible barriers to success, and the question of adequate financial resources is a particularly relevant one. Completing the three-part survey will be a detailed process requiring personnel, expertise, and financial resources that may well be beyond the reach of the smaller states. However, the IDB has offered its technical expertise on a short-term basis to countries needing assistance to complete the survey.

With respect to the individual Committee members, there is no evidence of a lack of political will regarding implementation of the communiqué. Yet certain aspects of the work program are more salient for some countries than others.

As noted, combating financial crime is an issue of particular concern to the United States, while discussions about mechanisms to deal with the debt burden are of vital importance for smaller countries, such as Honduras, Guyana, and Nicaragua. The challenge will be to ensure that the interests of the smaller countries are taken into account in the implementation of the Committee work plan.

### **Recommendations for Better Implementation**

The following recommendations are offered in order to improve ongoing performance and implementation:

1. The United States has established a Summit of the Americas Coordinating Office within the Department of State to serve as a focal point and coordinating mechanism for all Summit-related activities. It is vitally important that each country in the hemisphere establish a similar structure. This will ultimately assist with implementation in all the issue areas covered in the *Plan of Action*, including capital markets.
2. In specific reference to the Capital Markets Initiative, countries need to be represented by specialists and officials from appropriate institutions in order to facilitate the informed discussion of issues relevant to the Committee's work and to ensure that the implementation of recommended measures can be monitored properly by the actual participants in the process. For example, the Committee's mandate for future work, as stated in the Joint Communiqué (see Annex A, Item 16c), commits it to "ensure implementation of IMF disclosure standards — as appropriate for each country." This particular task will involve discussions between central bank and finance ministry officials and will necessitate considerable cooperation.
3. Subregional groupings — including CARICOM, the Central American Common Market (CACM), and the Southern Cone Common Market (Mercado Común del Cono Sur — MERCOSUR) — should coordinate on issues of particular interest to them. This would certainly improve the resonance of issues of concern to small developing countries. It might also help establish a consensus on key economic issues in the hemisphere.
4. The Committee's work plan should be integrated with the work agenda established for other issues addressed in the *Plan of Action*. For

example, a clear linkage should be established between the members of the Committee on Hemispheric Financial Issues and those working on the Free Trade Area of the Americas (FTAA) preparatory process in order to ensure the coordination of the financial and trade aspects of hemispheric liberalization and integration.

5. The work agenda on these issues must reflect the interests of all countries of the region and must include topics of current importance, regardless of whether these have been or will be discussed in other forums, such as the IMF.
6. The annual finance ministers' meeting should be held just before the annual World Bank/IMF meeting, so that the Committee can serve as a clearinghouse for information on hemispheric financial issues and also as a forum for generating a hemispheric position on global financial issues.

#### **NOTE**

1. Summit of the Americas *Plan of Action*, 1995, in *Advancing the Miami Process: Civil Society and the Summit of the Americas*, eds. Robin Rosenberg and Steve Stein (Coral Gables, Fla.: North-South Center Press), 18.

## ATTACHMENT I

*Summit of the Americas  
Meeting of Western Hemisphere Finance Ministers  
New Orleans, Louisiana  
May 18, 1996*

## JOINT COMMUNIQUÉ

### **Introduction**

1. We, the Finance Ministers of the countries participating in the Summit of the Americas (SOA), met in New Orleans, Louisiana, to address common challenges to achieve stable and sustainable economic growth in our countries and to move forward on a program that fulfills the commitment of our Heads of State and Government to build more open, transparent, and integrated financial markets. Financial market development, liberalization, and integration are crucial components of our shared vision of rapidly expanding and increasingly integrated economies in which all citizens can participate. They are also essential complements to the development of a Free Trade Area of the Americas, which is scheduled to eliminate trade and investment barriers by 2005. Our discussions today focused on three broad areas:
  - a. Maintaining a sound policy environment for private investment
  - b. Developing, liberalizing, and integrating financial markets
  - c. Combating financial crimes

### **Maintaining a Sound Policy Environment for Private Investment**

2. We have a common vision of the policies needed to achieve macroeconomic strength, recognizing that their implementation is a prerequisite to prosperity, to addressing poverty, and to strong, integrated markets in the Americas. We recognize the progress governments are making to put these policies in place.

- a. We are committed to developing and maintaining fiscal and monetary policies that bring inflation down to low levels and keep it there, maintain sustainable fiscal and external balances, increase domestic savings, promote financial stability, and foster increased real economic growth. We recognize that fiscal policies must be based on strong expenditure control and effective tax administration. Monetary stability and confidence in the financial system are fostered by independent central banks, transparent financial policies, and appropriate financial market regulation and supervision.
  - b. We believe that open and competitive financial markets are instrumental to achieving economic prosperity. Short-term capital flows present macroeconomic policy challenges. Some of our countries have found direct measures useful in moderating these capital flows. We all recognize that, fundamentally, these challenges need to be met through sound macroeconomic and financial policies in recipient and source countries.
  - c. Increased domestic saving throughout the region is a requirement for more rapid, sustained growth. We acknowledge that meeting this objective will depend upon our ability to contain inflation, control public dissaving, ensure the sustainability of social security systems, and implement structural reforms that facilitate and encourage the creation of private sector savings vehicles.
3. Privatization and liberalization, backed by prudential regulatory support, deepen the efficiency of economic activity and promote capital market development and integration. We recog-

nize the importance of moving forward with privatization in the region by identifying and addressing roadblocks to further progress.

4. Although the debt burdens of many countries in the region have become manageable through economic reform and adoption of measures to alleviate sizeable debt obligations, some of our countries still face heavy burdens that will limit the prospects for growth.
  - a. We encourage eligible countries to take full advantage of existing mechanisms for addressing commercial bank and official bilateral debt problems.
  - b. We welcome the recent initiative for deeper debt reduction now being implemented by bilateral creditors to the poorest countries.
  - c. We also welcome the progress in addressing the multilateral debt problem of the highly indebted, poorest countries at the spring IMF and World Bank meetings and strongly urge these institutions to move promptly to finalize and implement the necessary mechanisms. We recognize a continuing need for adequate flows of concessional funds in the multilateral development banks for the poorest countries.
  - d. We will continue to study this problem and to explore new mechanisms to address it through our Deputies committee and in future meetings of Ministers.
5. The publication of timely, high-quality economic and financial data enhances access to financial resources, supports stable financial markets by harnessing the ability of markets to monitor economic performance, and promotes the sound conduct of economic policy.
  - a. While recognizing that the appropriate pace of implementation will vary by country, we support IMF standards of public data disclosure.
  - b. We also agree to work toward making key financial and economic data available on the Internet.

## **Developing, Liberalizing, and Integrating Financial Markets**

6. Financial markets that mobilize and allocate savings efficiently are a cornerstone to economic growth and financial stability.
  - a. We commit to the development and reinforcement of laws, supervisory institutions, and enforcement mechanisms that ensure financial market soundness and investor protection while preserving incentives for innovation. Doing so will require the removal of regulations that are outmoded or disruptive to competition.
  - b. We recognize the benefits of progressively integrating financial systems to support broader and deeper financial opportunities for both borrowers and investors and recognize that subregional financial integration can be an intermediate step toward hemispheric integration. This is especially promising for market development in groups of smaller countries.
  - c. We appreciate the importance of rigorously applied, high-quality accounting standards for enterprises. We will promote efforts to develop, revise, and raise national standards to reflect important market innovations. In addition, we support ongoing efforts by securities regulators and the accounting profession to develop high-quality standards that are acceptable on a global basis. We will explore ways to encourage their use.
  - d. We recognize the importance of the work of the Association of Latin American and Caribbean Bank Supervisors to strengthen banking supervision systems in the hemisphere and to establish comprehensive supervision on a fully consolidated basis for all internationally active banking organizations.
  - e. We encourage the Council of Securities Regulators of the Americas (COSRA) to maintain its commitment to protect investors, develop high-quality and comparative regulatory structures, and thereby further integrate financial markets in the hemisphere. We support COSRA's 1996 work program to enhance capital formation, evaluate the impact of market structures, and combat illicit payments.

- f. We encourage work within our countries to implement expeditiously the efforts of the Association of Latin American and Caribbean Bank Supervisors and the Council of Securities Regulators of the Americas.
  - g. Our governments, in conjunction with the Inter-American Development Bank (IDB), have begun to develop a listing of national financial market regulations, mandated by the Summit leaders in December 1994 and intended to increase transparency as a first step toward liberalization and integration.
7. The development of microenterprises — which account for a large percentage of the employment of the poor, particularly women — and broader access to financial services are essential elements of sustainable and equitable development. This is an important way to broaden participation in the benefits of economic growth.
- a. We recognize that our program to improve the infrastructure and operations of financial market are central to expanding small-scale entrepreneurs' access to capital.
  - b. We also recognize that effective microfinance institutions can facilitate the mobilization of savings to fund investment and broaden economic participation.
8. We recognize the important contributions of the Inter-American Development Bank, the International Monetary Fund, and the World Bank to our efforts to reform and develop our financial systems through lending, policy advice, and technical assistance. We encourage these institutions to strengthen further their programs to support banking and capital market supervision and regulation. We also welcome the increasing efforts of the IDB and the World Bank to catalyze private capital flows from domestic and foreign sources by such means as financing and cofinancing infrastructure facilities, assisting the privatization of state-owned enterprises, and extending financial support for microenterprises.

## Combating Financial Crimes

9. We reaffirm our shared commitment to intensified action to combat the laundering of proceeds, properties, and other instrumentalities of drug trafficking and other illegal activities, recognizing the threat it presents to the integrity of financial markets and our economic and political systems.
- a. We welcome the fact that efforts to combat financial crime have intensified since the December 1995 Ministerial Conference Concerning the Laundering of Proceeds and Instrumentalities of Crime in Buenos Aires. Since then, a number of countries in our region have proposed, passed, or adopted legislation to criminalize money laundering and establish strict currency and suspicious transactions reporting rules. This is in addition to countries that already had legislation in place.
  - b. Our governments recognized the need to go further by agreeing at the Buenos Aires Ministerial to progress evaluations to identify vulnerabilities in each of our legislative, legal, and law enforcement systems. We welcome the efforts underway at the OAS to oversee the implementation of the Plan of Action agreed to in Buenos Aires. We acknowledge the work of the OAS to study and agree on a coordinated, hemispheric response, including the consideration of an inter-American convention to combat laundering of money and other assets and to identify the priorities for basic harmonization of national laws directed at the same purpose.
  - c. We fully support the ongoing OAS assessments of the implementation of the Buenos Aires Plan of Action and encourage the IDB, in coordination with the OAS, to develop a coordinated, hemispheric approach to providing training and technical assistance to lay the groundwork for implementation.
10. Recognizing that corruption in both the public and private sector weakens democracy and undermines governance and the legitimacy of institutions, we reemphasize our commitment to transparency and accountability in government, the necessity of strict enforcement measures, and the benefits of cooperation in the international investigation of corruption cases.

- a. We welcome the ongoing work of the OAS to develop a hemispheric approach to combating corruption and applaud the recently concluded Inter-American Convention Against Corruption. This Convention is the first legally enforceable international treaty on corruption and has already been signed by 21 countries in the hemisphere.
  - b. We encourage the IDB, the World Bank, and bilateral lenders to address prevention of financial crimes in their operations, including support to official programs.
11. We recognize that cooperation on tax and other financial information exchange is a potentially valuable tool for our anti-money laundering and anti-corruption efforts and agree to explore ways to promote such exchanges.

### **Work Program and Future Ministerial Meetings**

12. The Committee on Hemispheric Financial Issues, established by Heads of State and Government at the Summit of the Americas, met four times during the past 17 months at the Deputies level to discuss recent development in hemispheric financial markets, identify steps to strengthen them, and review the problems of debt in the hemisphere. This work has set the groundwork for the concrete actions that we are authorizing today.
- We call on the Committee Deputies to implement the mandate for future work outlined in Annex A and to support the execution of the initiatives identified in Annex B.
13. We will meet within two years to review economic policy issues and the recommendations of the Committee on Hemispheric Financial Issues and determine what additional steps should be taken to promote financial market development, liberalization, and integration.
14. We look forward to the Sustainable Development Summit in Santa Cruz, Bolivia, on December 6-8, 1996.

**ANNEX A**  
**MANDATES FOR FUTURE WORK**

**Committee on Hemispheric Financial Issues:**

16. The Committee on Hemispheric Financial Issues meeting at the Deputies level will continue its current mandate to pursue strong, open financial and capital markets consistent with the Summit of the Americas goal of regional integration and to review the problems of heavily indebted countries in the hemisphere. The Committee is specifically directed to:
- a. Examine issues that affect the performance of our economies and financial markets, such as improved analysis and dissemination of information concerning national economies by the private sector and international financial institutions, possible ways to improve access to medium- and long-term financing, and the conduct of monetary policy in the context of globalized markets.
  - b. Oversee and build on the work of the newly established Technical Working Group on National Financial Markets Regulations (see below) and identify priority actions to strengthen and integrate financial markets.
  - c. Ensure implementation of IMF disclosure standards — as appropriate for each country — and work toward making key economic and financial information available on the Internet.
  - d. Encourage the adoption and rigorous application of high-quality national accounting and disclosure standards by enterprises.
  - e. Consider and, as appropriate, endorse recommendations from other sources, including regional associations dealing with financial markets, the Meetings on Financial Market Development, and the reviews undertaken by private sector groups within our countries on laws affecting the financing of the private sector (see Annex B).
  - f. Work with the Inter-American Development Bank, International Monetary Fund, and the World Bank to develop new programs to strengthen and integrate regional financial markets where needed.
  - g. Explore ways to increase private sector savings, including private sector options for financing and managing pension funds.
  - h. Develop new recommendations, where appropriate, to address other financial issues of regional concern — including privatization, infrastructure investment, and microenterprise development.
  - i. Examine the overall debt situation in the hemisphere and explore new mechanisms to deal with it, in particular, measures to address the multilateral debt obligations of the poorest countries.
  - j. Complement the ongoing work of the OAS and the hemispheric governments through identification of specific initiatives, where appropriate, that Financial Ministries can pursue to combat money laundering and corruption.
  - k. Prepare recommendations for future work to be considered by the Ministerial meeting in two years.
17. By affirming the Committee's mandate for future work, we:
- a. Strengthen the network of finance officials in the hemisphere, facilitating discussion and consensus on key economic issues in the hemisphere.
  - b. Provide impetus to other organizations, including multilateral development banks and banking and security regulators, to advance efforts important to the hemisphere.
  - c. Provide opportunities for mutual support and cross-validation of individual countries' reform efforts.

**Technical Working Group on National Financial Market Regulation:**

- 18. A technical working group on national financial market regulations is to be created to:
  - a. Complete, in conjunction with the Inter-American Development Bank, compilation of a comprehensive list of national financial market regulations.
  - b. Determine the best mechanism for making this list publicly available, in order to promote transparency and assist potential investors.
  - c. Develop procedures for informing and reviewing significant changes in these regulations, to encourage transparency and keep the comprehensive list current.
  - d. Draw from the experiences of participating countries and policies contained in the list of national financial market regulations to iden-

- tify policies that encourage the development, liberalization, and integration of the region's financial markets.
    - e. Identify ways that our countries can cooperate to advance this goal.
- 19. The working group will be a dynamic vehicle to promote the development, liberalization, and integration of financial markets. It will provide periodic progress reports to the Committee on Hemispheric Financial Issues meeting at the Deputies level and will issue a report of its conclusions to the Committee within 18 months. The working group will be comprised of officials with special knowledge about their country's policies and how they affect financial markets.

## ANNEX B

### INITIATIVES

- Training Program for Supervision and Examination
- Identifying Priorities for Financial Market Development
- Reviews of National Laws Affecting the Financing of the Private Sector
- Technical Assistance for Combating Financial Crimes

#### **Training Program for Supervision and Examination**

##### *Summary:*

The Ministers called on the Inter-American Development Bank to establish a technical training program to help develop and train more highly skilled bank and securities supervisors and examiners as a means of promoting greater safety and soundness in Latin American financial systems.

Currently, no regional training programs of the type described below exist for financial market regulators. The proposed training program will foster development in the region of an expanded cadre of technically skilled bank and securities market regulators and examiners and, by providing common training, will promote regulatory cooperation across countries and across markets. The specific content of the program's courses should be based on an ongoing analysis of training needs in the region.

##### *Description of Program:*

The program will sponsor short-duration courses in banking and securities market supervision and examination. The courses will include opportunities for banking and securities examiners to focus together on issues of common interest. The program will coordinate these courses with the Association of Latin American and Caribbean Bank Supervisors and the Council of Securities Regulators of the Americas.

Participating countries will send officials from their banking, securities and other financial regulatory offices as appropriate (e.g., bank examiners, secu-

rities regulators, pension regulators, and supervisors of operations).

The IDB will be asked to fund the program.

#### **Identifying Priorities for Financial Market Development**

##### *Summary:*

In order to identify priorities for policy action, the Ministers called on the Inter-American Development Bank to host three meetings between policymakers, regulators, and market participants to identify the main problems in the development of deep, liquid financial markets and to recommend solutions. Key issues to be addressed will include the expansion of long-term financing options and the creation of new opportunities for domestic savings. The Ministers further charged their Deputies to review the recommendations and to propose next steps for action.

##### *Description of Conferences:*

The IDB will host several hemisphere-wide meetings, including one in the Caribbean, over an 18-month period. Participating countries will send experts from their regulatory agencies that have policy-level responsibility for financial market development. Private sector participants also will be invited and will be asked to present papers on specific topics.

The meeting agendas will focus on practical steps that governments can take to facilitate greater depth and liquidity in domestic financial markets. Topics will include:

- Ways to facilitate greater participation by institutional and retail investors in financial markets, with special emphasis on practical steps that governments can take to widen and deepen domestic institutional participation in financial markets.
- Ways to improve the financial, legal, and regulatory environments so as to make the issuance of medium- and long-term debt and equity instruments attractive to both issuers and investors.

- Ways to improve financial market infrastructure (e.g., quicker and more assured payments and settlement systems that use DVP (delivery versus payment); more efficient provision of custodial services; development of computer-based trading systems).
- Ways to improve financial disclosure and transparency on an internationally comparable basis (e.g., issuer disclosure; investment prospectuses; fund management performance data; transparency with respect to market transactions).
- Development of legal infrastructure to establish property rights, the perfection of security interests, and rules governing bankruptcy proceedings.

The IDB will be asked to provide funding for the meetings.

### **Reviews of National Laws Affecting the Financing of the Private Sector**

#### *Summary:*

The Ministers encouraged relevant national private sector organizations to propose recommendations for improvements in their national laws, regulations, and implementation that could enhance financing for the private sector and to recommend practical solutions. The Ministers further charged their Deputies to review the reports and recommendations and to propose next steps for action.

National laws and institutions that protect private property rights, including the rights of creditors, and establish the conditions for innovation and competition are essential to a country's ability to provide finance for the private sector and to sustain economic growth. Ministers have identified reviews by national private sector organizations as an effective way to mobilize the private sector's expertise on aspects of national laws, regulations, and implementation that could be improved.

#### *Description of Reviews:*

The reviews will identify the most important aspects of laws, regulations, and implementation that affect a country's ability to provide finance for the private sector. The areas to be covered will include:

- Protection of private property rights (e.g., secured interests, expropriation issues, policy risk issues)
- Bankruptcy regimes
- Commercial dispute resolutions
- Competition policy.

Finance Ministries encourage appropriate private sector organizations in each country to conduct reviews of these four areas. These organizations might include lawyers associations, accountancy groups, trade unions, employer and business groups, financial markets participants, Chambers of Commerce, and other professional organizations. The completed reviews would then be submitted to the Deputies of the Committee on Hemispheric Financial Issues for consideration in 1997.

### **Technical Assistance for Combating Financial Crimes**

#### *Summary:*

The Ministers encouraged the IDB, in conjunction with the OAS, to establish a comprehensive training and technical assistance program to support nations in their implementation of commitments in the December 1995 Buenos Aires Ministerial Communiqué on Money Laundering. The program will improve the integrity of the region's financial systems by addressing key legislative, legal, and law enforcement objectives.

#### *Description of Technical Assistance Program:*

The program will focus on the three core areas of legislation/regulation, investigation/prosecution, and financial intelligence support. For each country that participates, it will entail the following discrete steps:

*Step 1: Training and technical needs assessment.* A consultative process incorporating the unique legal, law enforcement, economic, banking sector, and other conditions and needs of each nation would be used to make country-specific recommendations for training and technical assistance.

*Step 2: Training and technical assistance tailored to specific country needs.* For each country, the range of possible program modules includes:

- *Three-week core training program.* The program will cover the three core areas of legislation/regulation, investigation/prosecution, and financial intelligence support.
- *Train-the-trainer modules.* The aim of these modules is to empower nations to undertake the training of their own personnel.
- *Consultation modules.* International consulting teams will assist with specific problems.
- *Self-instruction modules.* Interactive computer-based programs will be created to provide self-paced study of a broad range of topics.
- *Linkage to other international training programs.* The program will support countries' access to non-duplicative training provided by other organizations and initiatives.
- *Technology transfer.* Where appropriate and subject to resource constraints, the program may provide assistance in developing or procuring computer hardware and software.

The IDB will be asked to fund the training and technical needs assessments and, where appropriate, to fund the training and technical assistance provided to specific countries. Other organizations may also be asked to finance appropriate activities.