

26. The financial instability in Asia underscores the importance of developing strong, resilient and well-regulated domestic financial markets within the framework of a stable international financial system. We therefore call for the adoption by member economies of internationally recognised principles for enhancing supervision of banking systems and securities markets. Among these are the Basle Principles on Effective Banking Supervision and those of the International Organisation of Securities Commissions. In this connection, we welcome work by our Finance Ministers and Central Bank Governors to explore ways to assess the adequacy of and to help reinforce efforts to strengthen financial supervisory regimes in member economies, including by identifying ways to record in APEC their progress in adopting international standards/codes/best practices. We look forward to a report at our next meeting on both these directives.

We also **direct our Finance Ministers** to look for **innovative ways to promote the recovery of capital flows into the region**, including through partnerships among member economies, the private sector and collaborative efforts with the World Bank, the ADB and other multilateral institutions. We look forward to concrete results at our next meeting.

27. We record our satisfaction with the progress made by our Finance Ministers in promoting the Cebu collaborative initiatives to develop strong, resilient and stable financial and capital markets in our region and we look forward to regular updates on the implementation of these initiatives at the individual and regional level. We endorse the move by our Finance Ministers to address the need for freer and stable capital flows into the region and in this regard direct our Finance Ministers to incorporate the useful lessons of the past 18 months as they endeavour to develop a pragmatic Voluntary Action Plan as well as formulate appropriate guidelines for monitoring capital flows, including short-term flows.
28. We commend increased efforts to assist crisis-affected regional economies develop sufficient capacity to rebuild their economies and overcome current difficulties. We welcome the Australian **initiative on Economic Governance Capacity Building** and the areas proposed for enhanced capacity building joint activities. We also welcome the Singapore initiative which will provide technical assistance programmes at the IMF-Singapore Regional Training Institute and in collaboration with other interested partners and institutions. We encourage economies to pursue such capacity building initiatives.
29. We are agreed on the importance of improving economic transparency and predictability at the national and international levels. Therefore, we **welcome a new collaborative initiative** agreed by Finance Ministers at