

Financial Integration in the ASEAN Context

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ASEAN (Association of Southeast Asian Nations)

- Brunei Darussalam
(7 January 1984)
- Cambodia
(30 April 1999)
- Indonesia
(8 August 1967)
- Lao PDR
(23 July 1997)
- Malaysia
(8 August 1967)
- Myanmar
(23 July 1997)
- Philippines
(8 August 1967)
- Singapore
(8 August 1967)
- Thailand
(8 August 1967)
- Viet Nam
(28 July 1995)



ASEAN Aims and Purposes

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavours.
- To promote regional peace and stability through abiding respect for justice and the rule of law.

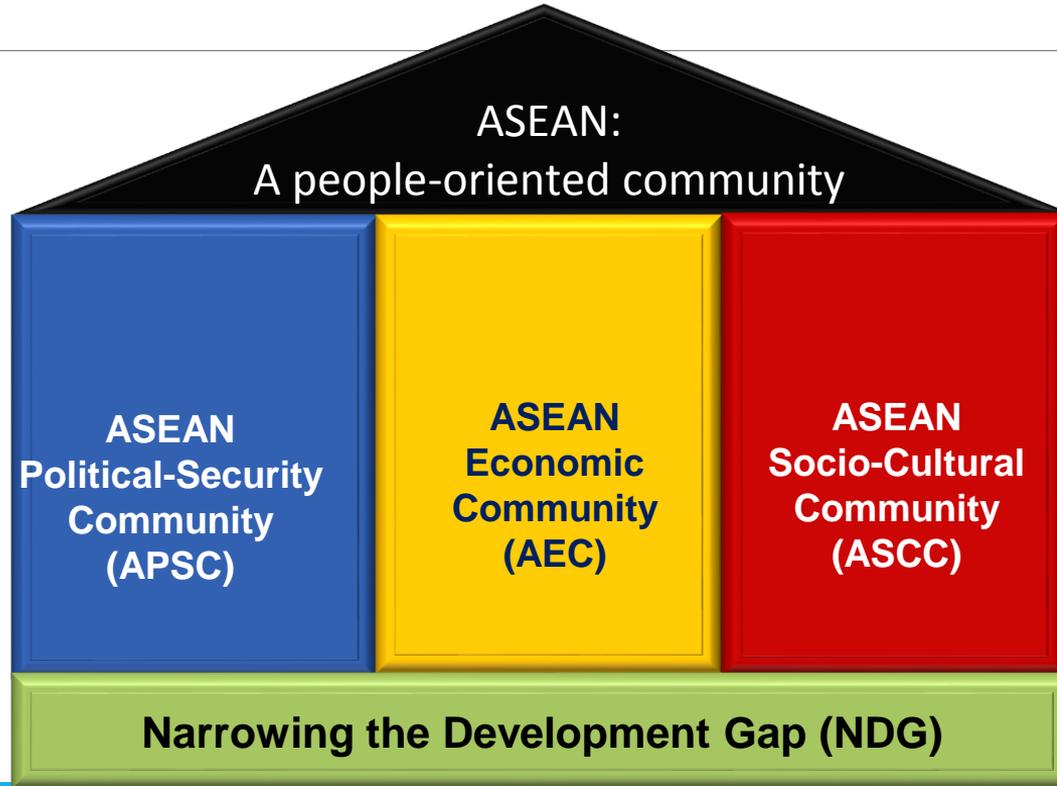
The Road to ASEAN Economic Community

- **1977 - ASEAN Preferential Trading Arrangements**
- **1992 - ASEAN Free Trade Area (AFTA)**
- **1997 - ASEAN Vision 2020**

“transform the ASEAN into a stable, prosperous and highly competitive region with equitable economic development and reduced poverty and socio-economic disputes.”
- **2003 - ASEAN Community**

Three Pillars: ASEAN Economic Community, ASEAN Socio-Cultural Community and ASEAN Security Community
- **2007 - ASEAN Economic Community 2015**

ASEAN Community Building



AEC Vision 2025

“ASEAN Economic Community by 2025 shall be a highly integrated and cohesive economy, a competitive, innovative and dynamic ASEAN, a resilient, inclusive and people-oriented, people-centred ASEAN, enhanced connectivity and sectoral cooperation, and a global ASEAN.”



AEC Blueprint 2025

Highly integrated
and cohesive
economy

Competitive,
innovative and
dynamic ASEAN

Enhanced
connectivity and
sectoral cooperation

Resilient, inclusive,
people-oriented and
people-centred
ASEAN

Global ASEAN

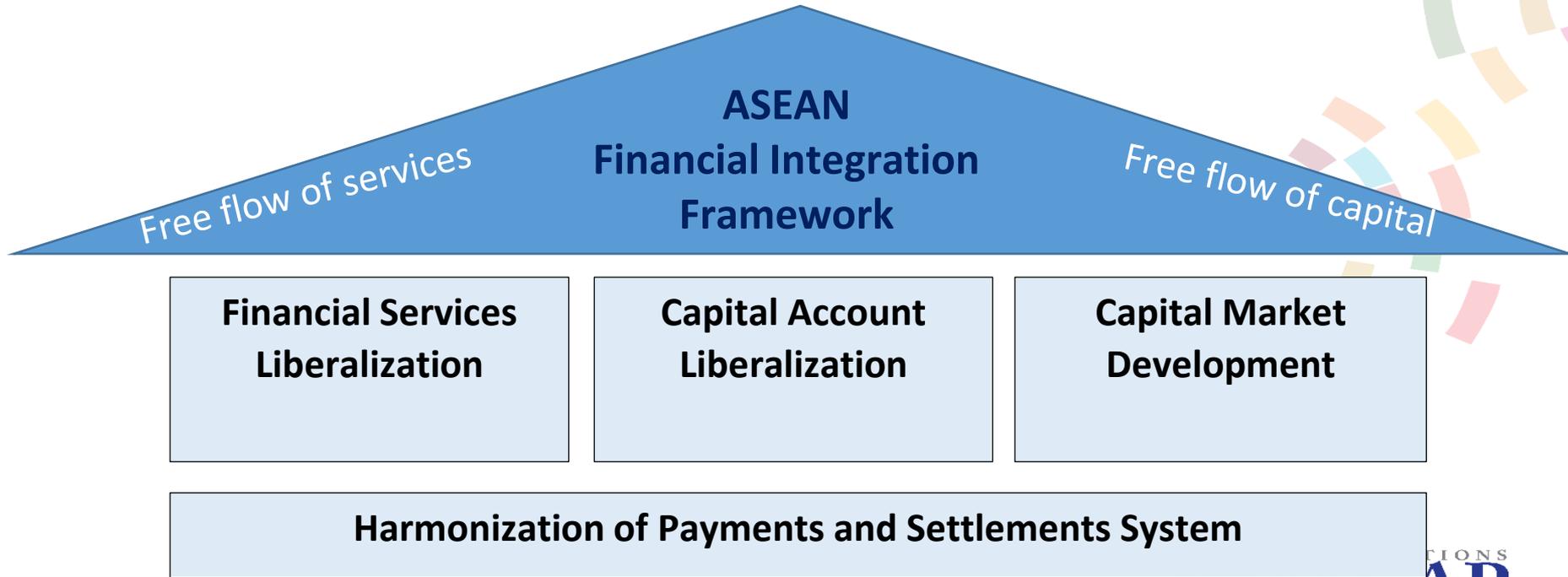
Key messages

- In ASEAN, the main vehicle for pursuing integration is the Roadmap for Monetary and Financial Integration, which was endorsed by the ASEAN Finance Ministers in 2003
- Since then, activities have been directed toward financial services liberalization, capital market development, and capital account liberalization

Key messages

- In 2011, ASEAN central bank governors adopted the ASEAN Financial Integration Framework (AFIF) to provide a general approach to the liberalization and integration initiatives under the AEC
- One key initiative under AFIF is the integration of banking services in the region to be pursued more comprehensively under the ASEAN Banking Integration Framework (ABIF)
- ASEAN banks are given greater market access and operational flexibility through the creation of Qualified ASEAN Banks (QABs)

ASEAN Financial Integration Framework



Financial Services Liberalization

- Removal of restrictions on financial services
- Presence of qualified ASEAN banks in ASEAN5



Impact business:

- Entry of foreign banks
- Market access of banks
- Access to new financial products

Capital Account Liberalization

Removal or relaxation of restrictions on capital flows across the region



Impact on business:

- Relaxed rules on investing in other ASEAN countries

Capital Market Development

- Deep, liquid and integrated capital market
- Building capacity and infrastructure



Impact on business:

- Linkages of equity exchanges
- Cross-border equity transactions

Harmonization of Payments and Settlements System

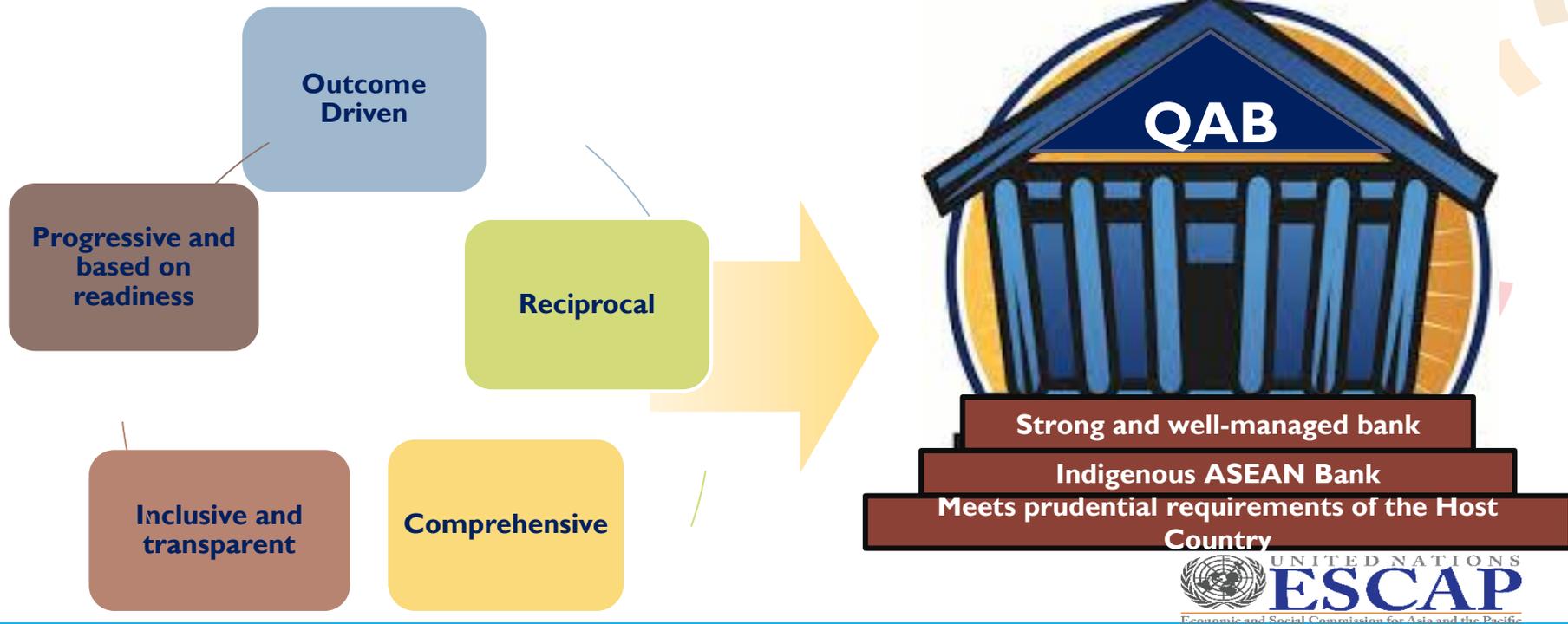
Harmonization of domestic laws and regulations and linkage of systems



Impact on business:

- Efficient and convenient electronic payments for businesses

Banking Integration



Initiatives on cross-border payment and financial services

Countries	Activities
Indonesia and Thailand	- Bank Indonesia and Bank of Thailand MOU signing on Payment systems and financial innovation
Cambodia and Thailand	- Interoperable QR Payment
Indonesia and Thailand/ Intra-ASEAN	- Indonesia and Thailand / Intra-ASEAN L/C Service on Enterprise Blockchain
Lao PDR and Thailand	- Bank of Lao PDR & Bank of Thailand MOU signing on Payment systems and Financial Innovation - Joint Initiative for Cross-border QR Payment Real-time International Fund Transfer for Business using Blockchain Technology
Myanmar and Thailand	- Remittance powered by Everex
Singapore and Thailand	- Remittance transfer via API - Cashless Experience through Cross-border QR Payment - BeWallet Interoperable QR Payment
Malaysia, Philippines, and Thailand	- SpeedSend: Cross-border Money Transfer

Opportunities

- ASEAN financial integration plays an integral role in achieving the AEC's ultimate goal – creating a “highly integrated and cohesive economy”
- Regional financial cooperation has significantly strengthened financial integration, promoted financial inclusion and ensured financial stability

Challenges

- Regional financial integration is clearly increasing, but ASEAN economies seem to be more integrated with global financial markets than with their regional neighbours
- Main reasons are:
 - limited opportunity for risk diversification within the region
 - absence of adequate liquidity
 - lack of adequate financial infrastructure links such as payments, settlement and clearing
 - gap in regulatory quality among countries and the need to maintain minimum standards and regulations

Going Forward

- Regional commitments need to be translated into national commitments
- **Promoting connectivity** is necessary to support a “seamless ASEAN” and “advance partnerships” forward, e.g. e-Payment
- Given increasingly interconnected and digital environment, it is important to **build resiliency** and ensure that regional financial system remains stable and safe, e.g. cybersecurity, financial regulations
- **Ensure sustainability** practices in the financial sector, including both the banking sectors and capital markets and increase attention to ESG, e.g. responsible lending, green bond, standards

Thank you!

