ASEAN economies have become more financially integrated over the past decade. Both de-facto integration and regional agreements under the ASEAN Economic Community (AEC) have increased financial links among countries in the region. Regional initiatives in financial services liberalization, capital market development, and capital account liberalization have also contributed to the deepening of regional financial markets.

However, while regional financial integration is clearly deepening, ASEAN economies are still facing challenges in integrating their financial markets. This is due to limited opportunities for risk diversification within the region, absence of ample liquidity, lack of adequate financial infrastructure links, and gaps in regulatory quality among countries, particularly the need to harmonize/maintain minimum standards and regulations. Since financial integration is a market-driven process, it is only logical that regional institutional supports be developed over time to enforce rules and monitor the progress of implementation. One critical form of institutional support is by strengthening the mechanism for private sector consultation.

About the Bulletin

ASEAN for Business is a bulletin published by the Enterprise and Stakeholder Engagement Division of the ASEAN Secretariat.

This bimonthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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ASEAN Financial Integration in brief

In ASEAN, the main vehicle for pursuing integration is the Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin), which was endorsed by the ASEAN Finance Ministers in 2003. The Roadmap was developed to support the establishment of the ASEAN Economic Community (AEC) as the end-goal of regional economic integration by 2015.

Under the AEC, the integration of financial markets is an important priority. Such integration is envisioned in terms of facilitating free flow of services and freer flow of capital in the region.

Profile of the working committees tasked to implement RIA-Fin

In order to ensure that the RIA-Fin is well-implemented, ASEAN has established seven working groups/committees, namely:

I. Working Committee on Capital Market Development (WC-CMD)

The WC-CMD was established to build capacity and lay the infrastructure for the development of ASEAN capital markets, particularly bond markets, with a long term goal of achieving cross-border collaborations among capital markets in ASEAN.

2019 ongoing priorities:

1. Enhance the role of ASEAN capital markets to support infrastructure financing through the set-up of the Working Group on Infrastructure Financing.
2. Increase private sector participation during the WC-CMD meetings and to develop joint projects of mutual interest.
3. Revise the AEC Strategic Action Plan (SAP) and the KPIs for Financial Integration to include sustainable finance and to set-up targets and milestones that echo the agreed priority.

II. Working Committee on Financial Services Liberalisation (WC-FSL)

The WC-FSL was established with three objectives: (i) to provide a forum for ASEAN-member countries to share information and exchange experiences on financial services liberalisation matters; (ii) to carry out the process of financial services liberalisation under the ASEAN Framework Agreement on Services (AFAS); and (iii) to facilitate financial services liberalisation by ASEAN with its Dialogue Partners.

2019 ongoing priorities:

1. Target to finalise the negotiation of the 9th Protocol of Commitments under AFAS by the end of 2019.
3. Target to complete the study of key elements for stand-alone FS Chapter for future ASEAN+FTAs comprehensive agreements.

III. ASEAN Insurance Forum (AlFo)

The AlFo will strengthen the collaboration between the WC-FSL and the ASEAN Insurance Regulators Meeting, helping to achieve significant progress in ASEAN Insurance Integration. Such collaboration includes capacity building activities to enhance the readiness of the ASEAN Member States (AMS) for regional insurance integration.

2019 ongoing priorities:

1. Develop the Roadmap for ASEAN Insurance Integration Framework (AIIF).
2. Invite private sector experts to share initiatives and views on enhancing ASEAN’s disaster resilience.

IV. Working Committee on Capital Account Liberalisation (WC-CAL)

The WC-CAL is tasked to implement the priority actions to achieve freer flow of capital in ASEAN as mandated under the AEC Blueprint. Additionally, the WC-CAL will monitor and facilitate discussions on capital account liberalisation issues and progresses among AMS.

2019 ongoing priorities:

1. Publication of the Capital Account Liberalisation Policy Paper entitled-
“Capital Account Safeguard Measures in the ASEAN Context.”
• Develop the ASEAN Guiding Principles on Local Currency Settlement.

V. Working Committee on ASEAN Banking Integration Framework (WC-ABIF)
The role of WC-ABIF focuses on facilitating: (i) effective operationalisation of the banking integration process; (ii) initiatives to promote improvement in regulatory frameworks; and (iii) cooperation and financial stability arrangement for regional financial integration.

2019 ongoing priorities:
• Establish at least two Qualified ASEAN Banks (QAB) by the end of 2019.
• Share experiences on the ABIF arrangements and identify common challenges and issues to be addressed.
• Develop a roadmap to enhance regulatory coherence, including identifying capacity building priorities to facilitate ABIF.
• Complete stock-take of Crisis Management, Recovery and Resolution (CMRR) regime of AMS.
• Arrange capacity building programmes to enhance AMS’ CMRR regimes.

VI. Working Committee on Financial Inclusion (WC-FINC)
The WC-FINC has the responsibility to deliberate and effectively coordinate initiatives to advance financial inclusion in ASEAN through close collaborations with relevant working committees and working groups. Additionally, WC-FINC also serves as a platform for sharing of country experiences, expertise, and information to facilitate member countries to develop or enhance their national financial inclusion strategies and initiatives.

2019 ongoing priorities:
• Publication of Guidance Notes on Digital Financial Services (DFS) as well as DFS Survey on Policy and Regulatory Enablers.
• Conduct DFS self-assessment based on the Guidance Notes and enablers.
• Conduct case studies on FinTech and other related case studies for knowledge sharing.
• Development of Guidance Notes on Monitoring Financial Inclusion Toolkit.
• Continue strategic capacity building.

VII. Working Committee on Payment and Settlement Systems (WC-PSS)
The task of the WC-PSS is to prepare the payment and settlement systems (PSS) of member countries in embracing the AEC by conducting studies and providing policy recommendations for the PSS development and the cooperation as well as the harmonisation of the ASEAN PSS.

2019 ongoing priority:
• Promote the standardisation of innovative retail payment instruments (i.e. through interoperable QR Code).

Engaging the working committees
The information provided in the previous section is important for the private sector to obtain a good overview of the working committees as well as their priorities for 2019. Recommendations or proposals for collaborations to the working committees should ideally be aligned with their respective priorities. This will ensure a more effective and productive public-private engagement.

The next steps on engaging the working committee will be to be mindful of their meeting schedules, which are held twice a year, the first is early in the year preceding the ministerial meeting, and the second is usually held in the 3rd quarter of the year. In order to facilitate the engagement with the private sector, a formal request needs to be submitted to the co-chairs of the respective working committee. On these matters, the private sector might want to consult the ASEAN Secretariat (ASEC) through the email addresses provided on the first page.

Regular consultations between the working committees and private sector as the key market players are important to realise the ASEAN Financial Integration. ASEC, through the information provided in this bulletin, aims to strengthen this public-private engagement.
Recent Updates

ASSIST for trade in services is now fully operational

Starting from 1 May 2019, the ASEAN Solutions for Investments, Services and Trade (ASSIST) is available for the enterprise operating in ASEAN to file a complaint related to trade in services within the ASEAN region. The enterprise can file the complaint under its own name or anonymously through an ASEAN-based trade association, chamber of commerce, business council, business federation, or registered lawyer or law firm.

ASEAN Labour Ministers reaffirmed commitment to address the future of work in the region

ASEAN Labour Ministers adopted and signed the ASEAN Labour Ministers’ Statement on the Future of Work: Embracing Technology for Inclusive and Sustainable Work, during the Special Session for ASEAN Labour Ministers on the Future of Work on 29 April 2019 in Singapore. In the statement, the Ministers highlighted the important role of the private sector in preparing the ASEAN workforce for the future of work.

AEC-related progresses were discussed during the ASEAN Economic Ministers Retreat

The 25th ASEAN Economic Ministers Retreat was held in Phuket, Thailand, on 22-23 April 2019. The notable progress of the Retreat included the signing of the ASEAN Trade in Services Agreement (ATISA) and the Fourth Protocol to amend the ASEAN Comprehensive Investment Agreement (ACIA). Full excerpt of the 25th AEM Retreat outcome can be found here.

ASEAN Telecommunication Ministers took steps towards the Digital ASEAN

ASEAN Telecommunication Ministers (TELMIN) gathered in Phuket, Thailand on 28-29 March 2019 for the ASEAN Digital Ministers Retreat. During the meeting, the Ministers agreed to consider the changing of name from the ASEAN TELMIN to become the ASEAN Digital Ministers Meeting, as well as to prepare the next ASEAN master plan on the area of digital economy. More info on the outcome of this meeting can be found here.

ASEAN Secretariat continues its effort to strengthen the role of the private sector

The ASEAN Secretariat held the Second ASEAN Economic Community (AEC) Dialogue on 15 - 16 April 2019 in Jakarta, Indonesia, which was attended by the regional business councils and business associations. The key highlight of the Dialogue was the panel discussion on enhancing financial technology (FinTech) for financial inclusion in ASEAN, which invited experts from both public and private sector. The panel discussion acted as platform for knowledge sharing and for regulators and private sector representatives to exchange views.

ASEAN Finance Ministers and Central Bank Governors discussed progresses related to ASEAN Financial Integration

The 5th ASEAN Finance Ministers’ and Central Bank Governors’ Meeting were held in Chiang Rai, Thailand, on 5 April 2019. The meeting discussed various progress pertaining to ASEAN Financial Integration, which included the signing of the Protocol to Implement the Eighth Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (AFAS) and the live operation of the ASEAN Single Window (ASW). Full excerpts of the meeting outcome can be found here.
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<td>Symposium on “ASEAN Industrial Transformation to Industry 4.0” – organised by ASEAN-BAC</td>
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<td>ASEAN Tourism Seminar – organised by ASEAN-BAC</td>
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