Road to Financial Integration in ASEAN

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Topics of presentation

- ASEAN financial integration: evidence
- Roadmap for Monetary and Financial Integration of ASEAN
- Issues and challenges of ASEAN financial integration
ASEAN financial integration: evidence

ASEAN financial markets have developed over the years….

![Figure 1: ASEAN Financial Markets: Total Assets and Composition: 2009](source: Yung Chul Park et al. “Combined Study on Assessing the Financial Landscape and Formulating Milestones for Monetary and Financial Integration in ASEAN,” April 2011.)

… but regional financial integration has remained limited

![Table 1: Bank Branches and Subsidiaries in ASEAN](source: Yung Chul Park et al. “Combined Study on Assessing the Financial Landscape and Formulating Milestones for Monetary and Financial Integration in ASEAN,” April 2011.)
ASEAN financial integration: evidence

… but regional financial integration has remained limited

Table 2: Foreign Claims on ASEAN Banks by Country (%)

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Figure 2: Portfolio Investment among ASEAN 5 Countries (%)

Financial integration: roadmap

- ASEAN Vision 2020 (3rd ASEAN Summit 1997): "competitive ASEAN region … with free flow of goods, services, investment, a freer flow of capital"

- Roadmap for Integration of ASEAN (7th ASEAN Summit 2001): regional integration as center of ASEAN cooperation

- Roadmap for Monetary and Financial Integration of ASEAN (7th AFMM 2003): concrete steps toward integration of financial markets in the region

Financial integration: key initiatives

Financial Services Liberalization

- Progressive liberalization of ASEAN financial services by 2015 under the ASEAN Framework Agreement on Services (AFAS), based on series of negotiations

- Concluded five rounds of negotiations, protocols entered into force; 6th round launched in May 2011
Financial integration: key initiatives

Capital Account Liberalization

- Intended to achieve freer flow of capital by 2015; take stock of current status of and prepare and implement national work program for capital account liberalization, including capacity building

- Phased approach toward capital liberalization, consisting of assessment and identification of rules relating to transfer of funds for inward, outward and liquidation of FDI and portfolio flows

Capital Market Development

- Intended to build capacity and lay the long-term infrastructure for development of ASEAN capital markets, with a long-term goal of achieving cross-border collaboration between the various capital markets in ASEAN

- Scorecard approach to measure state of bond market development in ASEAN; capacity building efforts to address market gaps
Financial integration: key initiatives

ASEAN Capital Market Forum

- Development of “Implementation Plan for Integrated Capital Markets” to build efficiency, liquidity and capacity for integrated regional capital market

- Core strategies focus on harmonization of domestic laws and regulations supported by mutual recognition; creation of market infrastructure; and strengthening coordination and implementation

ASEAN Insurance Markets

- Self-assessment exercise among ASEAN insurance regulators regarding compliance with IAIS core principles of insurance regulation and supervision

- Exchange of views on latest developments on insurance laws and regulations in each country

- Development of ASEAN Insurance Report where key policy and regulatory issues are identified and discussed
Issues and challenges

- Strong commitment to financial sector reforms; development of critical financial policies to support integration
- Need to translate regional commitments to implementation measures on the ground (country level); need for monitoring
- Flexibility for change: adopting to new financial stability framework and regional financial architecture?
- Keeping ASEAN integration on track: financial integration to support trade integration

Thank You

For further questions please contact Aladdin D. Rillo, ASEAN Secretariat Jakarta aladdin@asean.org