

Road to Financial Integration in ASEAN

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Topics of presentation

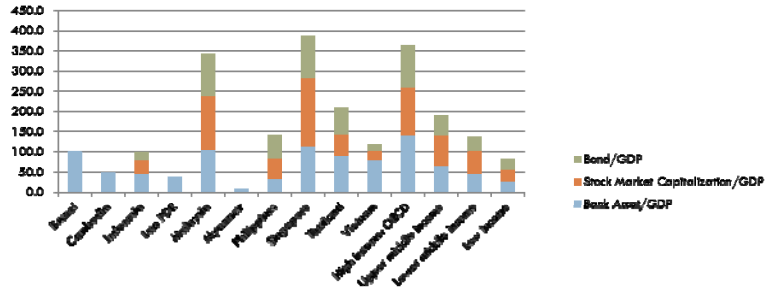
- ASEAN financial integration: evidence
- Roadmap for Monetary and Financial Integration of ASEAN
- Issues and challenges of ASEAN financial integration



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.



ASEAN financial integration: evidence

... but regional financial integration has remained limited

Table 1: Bank Branches and Subsidiaries in ASEAN

		Indonesia	Malaysia	Philippines	Singapore	Thailand	Brunei	Cambodia	Lao PDR	Myanmar	Viet Nam
Global Banks	HSBC	•	•	•	•	•	•				•
	Standard Chartered	•	•	•	•	•	•	Rep	Rep	Rep	•
	Citibank	•	•	•	•	•	•				•
Indonesia	Mandiri	•			•						
	BCA	•									
	BNI	•			•						
Malaysia	Maybank	•	•	•	•		•	•		Rep	•
	Public Bank		•					•	•	Rep	
	CIMB	•	•		•	•	IB			Rep	
Philippines	Metrobank			•	Rep						
	BDO			•							
	BPI			•							
Singapore	DBS	•	•	Rep	•	Rep				Rep	Rep
	UOB	•	•	•	•	•	•			Rep	•
	OCBC	JV	Off Shore		•	•	•			Rep	•
Thailand	SCB				•	•		•	•		JV
	Bangkok Bank	•	•	•	•	•			•	Rep	•
	Ayudhya				•			•			

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

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

	US			Japan			EU			Others		
	2001	2005	2008	2000	2005	2008	2000	2005	2008	2000	2005	2008
BRU	8.2	7.6	5.4	0	0	0	82.8	85.3	80.0	8.9	7.2	14.6
CAM	0	0	0.8	0	0	0	70.4	52.9	40.2	29.6	47.1	59.0
INO	8.1	9.8	12.9	19.1	16.1	15.2	53.8	57.8	50.1	19	16.3	21.8
LAO	0	0	0.2	0	0	10	51.3	57.7	71.6	48.7	42.3	18.1
MAL	15.5	14.4	13.9	11.1	7.6	8.4	42.9	52.4	38.9	30.5	25.6	38.8
PHI	22.2	16.1	21.4	12	9.3	13.5	51.0	60.4	51.0	14.8	14.2	14.1
SIN	12.1	15	12.5	13.8	13.7	19.1	45.3	63.8	57.7	28.7	7.5	10.6
THA	9.7	17.9	12.9	24.3	32.7	32.4	40.4	36.9	36.8	25.6	12.5	17.9
VTE	15.2	9.7	5.4	9.8	14.9	16.7	56.4	59.9	57.6	18.5	15.6	20.3

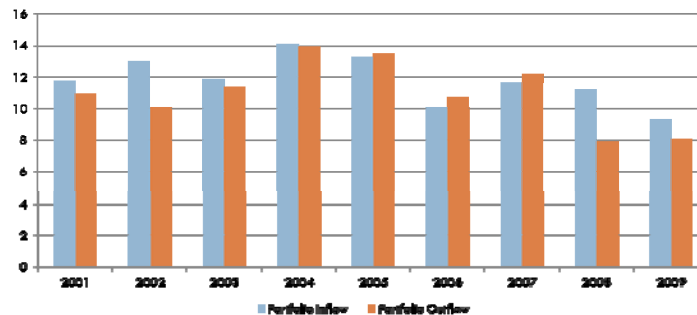
Source: Yung Chul Park et al "Combined Study on Assessing the Financial Landscape and Formulating Milestones for Monetary and Financial Integration in ASEAN," April 2011.



ASEAN financial integration: evidence

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



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.



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



Financial integration: key initiatives

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



Financial integration: key initiatives

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

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