

PRESS RELEASE

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For Immediate Release

ASEAN BANKING COUNCIL MEETING SUCCESSFULLY HELD IN DA NANG

The 47th ASEAN Banking Council Meeting was successfully held on 23 – 24 November 2017 at Furama Resort Danang, Da Nang, Vietnam. The Meeting was hosted by the Vietnam Banks' Association (VNBA).

This year's Council Meeting had the honour of His Excellency, Le Luong Minh, Secretary-General of ASEAN in attendance and was well attended by nearly 200 senior banking executives from the 10 ASEAN countries and subject matter experts from International Finance Corporation (IFC), part of the World Bank Group. This strong support demonstrates the robust commitment of the 10 ASEAN national banking associations.

His Excellency, Le Luong Minh, Secretary-General of ASEAN, in his key speech briefly traced the transformative success of ASEAN as she celebrates her 50th anniversary this year. ASEAN is now well recognised as an economic powerhouse. With the establishment of the AEC in December 2015, collectively ASEAN now ranks as the world's 6th largest economy, with a current combined GDP of approximately USD 2.6 trillion, and the third largest market with a combined population of 640 million people. ASEAN accounts for 7% of global trade in 2016. Almost a quarter of ASEAN's total trade is intra-regional. The region has also sustained its position among preferred investment destinations, attracting 5.5% of global FDI flows in the same year. Investment linkages within the region remain strong, with intra-ASEAN investment accounting a quarter of total FDI flows.

His Excellency also highlighted that AEC Blueprint 2025; the successor of AEC 2015, has developed the ASEAN Strategic Action Plan 2016 – 2025, highlighting three key pillars: financial integration, financial inclusion, and financial stability. Where financial integration is guided by the ASEAN Banking integration Framework (ABIF) and financial inclusion through the ASEAN Financial Inclusion Framework. Digital financial inclusion has been highlighted as a key enabler in this development. Recognising both benefits and threats that could come from FinTech and digitalisation, the Guidance Notes on Digital Financial Services are being developed and will be used as a reference for ASEAN Member States to develop or enhance their digital financial ecosystem at the national level. The Guidance Notes are expected to further facilitate cashless transactions as well as outline key elements of an enabling regulatory environment for digital financial services in response to the emergence of digitalisation and financial innovation in the ASEAN financial sector.

His Excellency noted that in the past 50 years, ASEAN has grown into an important global economic entity capable of forging a stronger path to expand its potential as a significant and influential global actor. Past achievements and milestones have made ASEAN more resolute in its commitment to pursue deeper regional economic integration where financial integration has been playing a crucial role in supporting the process.

In her keynote address, Her Excellency, Madame Nguyen Thi Hong, Deputy Governor of the State Bank of Vietnam urged ASEAN banks should continue to consolidate their commitment to further enhance financial sector integration and form effective linkages with private sector in the region. In the overall picture, ASEAN promises to be a bright spot built up with spirit of unity and sustained cooperation. This objective has been reflected by ASEAN leaders in the AEC Vision 2025 on building a community through increased linkages in trade, investment and people.

The role of the banking sector in ASEAN region has become more important than ever as banks will be acting as a bridge connecting economies for enhancing sustainable growth and broadening financial inclusion across all social sectors through the use of Fintech. In this new context, the banking sector should continue to ensure that good governance, risk management practices and sustainable framework must be in place to mitigate potential risks.

Mr Phan Duc Tu, Chairman of Vietnam Banks Association and Chief Executive Officer of BIDV in his welcome remarks stressed the need for working together to achieve the common objective of ASEAN Bankers Association. This is in the context of the rapidly changing regional and global banking sector driven by the 4th Industrial Revolution and the global integration. A new growth cycle of banking sector has posed a number of issues that need to be addressed - how to collaborate, connect and make use of each other's strengths to launch new products, new services in order to meet increasing and diversified demands of the society; how to train and develop high-quality human resources that are consistent with the era of artificial intelligence and risk management requirements in a volatile business environment. With the aim of fostering cooperation, exchanging experiences, and addressing issues for regional banks, this year's Council Meeting will bring good opportunities to connect with ASEAN senior banking leaders and subject matter experts in the field of banking and finance.

Mr Farid Rahman, representing the Chairman of ASEAN Bankers Association and The Indonesian Banks Association (PERBANAS), in his opening remarks noted that further progress has been made under the ASEAN Banking Integration Framework (ABIF) where agreement has been signed between Indonesia and Malaysia and negotiations are underway between Malaysia and Philippines on the matter of Qualified ASEAN Banks (QAB). This should spearhead the promotion of further financial development and higher regional economic growth that is anchored on the principles of inclusiveness, transparency and reciprocity for all the people of ASEAN. Within this context, it is also worthy to note there is the strong emphasis of capacity building in all areas for us to meet the challenges.

Mr Gene Fang, Associate Managing Director of Financial Institutions of Moody's, presented the global macroeconomic and banking sector outlook in APAC for 2018. It was generally noted there is broadening emerging markets recovery and stable growth in advanced economies underpin by global growth momentum through 2019. The key credit factors are generally stable to positive for ASEAN banking systems. In particular it was noted that Vietnam banking outlook is positive amid healthy economic growth and reforms.

At the Council Meeting, members endorsed the proposals of its three permanent committees Cooperation in Finance, Investment and Trade (COFIT), ASEAN Inter-Regional Relations (IRR) and Banking Education which met prior to the Council Meeting.

Committee on Cooperation in Finance, Investment and Trade (COFIT)

The ASEAN Financial Innovation Network (AFIN) is an ASEAN Industry Sandbox programme that offers a safe and controlled risk-free environment for banks to test innovative FinTech solutions.

AFIN attempts to address the following four “problems” faced by FIs in adopting FinTech:

- a. Banks have legacy systems.
- b. A large proportion of banks’ IT budget goes to maintenance of the legacy system and lesser to the adoption of innovation.
- c. Inherent to FinTech industry, many are startups and they come and go. Banks are not assured of their reliability and sustainability.
- d. Talented IT professionals are not working in the banking industry. They are FinTechs.

AFIN will allow FinTechs from all over the world, to offer their solutions and see what possibility they can bring to the Financial Industry, thereby addressing the problems above through the following outcomes:

- a. Banks with legacy infrastructure can seamlessly connect with Fintech with minimal effort and cost. This also creates opportunity to allow small and mid-sized banks to leverage the platform to take advantage of the innovative FinTech solutions.
- b. Banks can choose between various FinTechs and able to collectively identify quality Fintech companies to reduce risk of unpredictability of small FinTechs.
- c. Develop experience and empirical data to inform future discussion on policy harmonisation for fintech to efficiently integrate with financial sector across multiple jurisdictions.
- d. Improve the global opportunities for ASEAN fintech to export their solution to global market and also attract global investment to boost ASEAN fintech growth.

This programme will be further socialised with the National Bankers Associations through workshops that will be organised in their respective countries.

Cyber Security

The Cyber Threat landscape both regionally and globally, as well as key recommendations for ASEAN Cyber Security developments were presented at the meeting. Cyber incidents is not a matter of “if it happens” but a matter of “when it happens”. It is therefore crucial for quality insights and ideas to be further generated and then socialised to boost our collective efforts to augment the cybersecurity posture of ASEAN banking and financial sector.

Similar to AFIN, this subject will be discussed more deeply through workshops to be organised in the region in 2018.

Committee on ASEAN Inter-Regional Relations (IRR)

The IRR has agreed to explore the development of a working relationship and cooperation with Asia Pacific Economic Cooperation (APEC) Business Advisory Council (BAC) as well as with ASEAN BAC on banking and financial issues. The Thai Bankers’ Association will act as the principal liaison between ASEAN Bankers Association, APEC BAC and ASEAN BAC.

As part of the activities for next year, the Committee has identified Singapore as the venue for the study tour in 2018.

Committee on Banking Education

The Committee agreed to create a clearing house for the ideas to exchange and share training/certification programmes and to inform each other one's training requirements. This will also include sharing of publications and emerging trends in the industry.

At the Council meeting, the ABA Chairmanship was handed over to Lao Bankers' Association (LBA) represented by Mr Phoukhong Chanthachack.

The 48th ASEAN Banking Council Meeting will be held in November 2018 in Brunei Darussalam and hosted by The Brunei Association of Banks (BAB).

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About ASEAN Bankers Association

The ASEAN Bankers Association (ABA) aims to strengthen the voice of the ASEAN banking community in policy advocacy efforts globally and regionally. ABA promotes active collaboration between ASEAN banking institutions and the national association of banks of the ASEAN countries to provide private sector support in alignment with the goals of the ASEAN Economic Community ("AEC"). Since its establishment in 1976, ABA has provided a platform to share banking knowledge and provide education to promote best-in-class banking practices among the ASEAN member countries.

Further information on ABA is available on the website: www.aseanbankers.org

About Vietnam Banks' Association

The Vietnam Banks Association (VNBA) was established in 1994 and is a voluntary professional organisation of credit institutions in Vietnam; it operates in a voluntary principle of autonomy and self-responsibility. It gathers and motivates its Members to cooperate and support one another in their operations; it protects legitimate rights and interests of the Members; it acts as a link between the Members and the government agencies; it aims at stable, effective, prudential, and healthy development of the credit institutions of Vietnam and contributes to the implementation of the monetary policies for socio-economic development. VNBA currently has 59 members, including 50 full official members, 5 associate members and 4 members of honour.

Further information on ABA is available on the website: www.vnba.org.vn/en/