FINANCIAL SERVICES & CAPITAL MARKETS

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Fueling ASEAN growth through an integrated financial and capital market

August 2014
Agenda

1. Why is an integrated financial and capital market important to ASEAN?

2. What can we learn from the EU experience?

3. What are the key challenges?
   - Policy & Regulation
   - Infrastructure
   - Capital Flows
   - Cross Border Banking
   - Talent

4. What can we do?

5. Final Thoughts
ASEAN grew to be one of the largest global economies and a significant trading bloc with a vibrant underlying industry

Collectively, ASEAN represents one of the most vibrant economies in the world

Export strength, increasing regional trade as key components of the ASEAN growth story

- Population of > 600 million, high population growth
- High savings (32.52%), modest investments
- $2.3 trillion GDP with diverse economies
- Total Intra-ASEAN trade of over $2.4 trillion
- Exports from the ASEAN region to the rest of the world were $1.243 trillion in 2013
- ASEAN companies aspiring to become regional / global players

World’s largest economies, (Real GDP US$ trillions, 2012 and 2020)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>19.4</td>
<td>15.7</td>
</tr>
<tr>
<td>China</td>
<td>12.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Japan</td>
<td>6.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Germany</td>
<td>3.9</td>
<td>3.4</td>
</tr>
<tr>
<td>India</td>
<td>3.2</td>
<td>1.9</td>
</tr>
<tr>
<td>ASEAN</td>
<td>5%</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Sources: WorldBank.org, Standard Chartered Bank, CIA.gov
Broader range of financing options beyond bank lending would help address the growing financing needs of industries (esp. SMEs)

- SMEs create domestic demand through jobs, bring innovation, competition, and drive international trade

- Poor access to finance may impede development of SMEs. Lenders have been hesitant to extend credit to SMEs due to poor consistency of financial/credit reporting standards, lack of credit ratings and concerns of cross border ownership rights

- SME access to alternative financing would go a long way for the sustained growth of the economy, and requires more sophisticated and innovative institutional arrangements in order to respond effectively to their real needs

Example: Malaysia SME Survey indicates limited use of capital market instruments due to continued obstacles

Reasons For Capital Markets Hesitation

Source: ADB: Capital Market Financing for SMEs: A Growing Need in Emerging Asia
Though some progress has been made in the integration of capital markets, much needs to be done to achieve the goals AEC 2015

**AEC Blueprint Guiding Principles**

- Freer movement of capital across ASEAN
- Freer capital raising across ASEAN
- Freer portfolio investment across ASEAN

**Implementation Plan for Capital Markets Integration**

- Mutual recognition framework for fund raising, product distribution, investment and market access
- ASEAN exchange alliance and governance framework
- New products and ASEAN as an asset class
- Strengthen bond markets
- Align domestic capital markets development plans to support regional integration
- Reinforce ASEAN working process

**Achievements**

- Linkage of ASEAN Exchanges and ASEAN Exchanges website with integrated view of ASEAN market
- Harmonisation of ASEAN Disclosure Standard Scheme
- Launching of the ASEAN corporate governance scorecard
- Bond Market Development Scorecard
- Framework for cross-border offering of collective investment schemes (CIS), allowing retail investors to buy/sell funds issued in SG, TH or MY

However, liberalisation to foster the development of capital markets has been constrained by

- Concerns regarding financial stability and perceived risks related to financial policies & sovereignty of individual countries
- Significant differences in the levels of development of capital markets
- Reconciliation of national interests while pursuing same goals and collective benefits
- Existence of capital controls and exchange restrictions in many jurisdictions, differences in the tax regimes
### Significant benefits to all ASEAN market participants to be reaped

<table>
<thead>
<tr>
<th>Benefits for</th>
<th>Corporates</th>
<th>Financial Services Institutions</th>
<th>Investors</th>
<th>Governments &amp; Regulators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits</strong></td>
<td>Access to deep pool of financing and <strong>lower cost of funds</strong></td>
<td>Address maturity gap through use of capital markets instruments rather than lending</td>
<td>Enhanced <strong>product and service innovation with access to mutual funds, exchange traded funds, and bond pools</strong></td>
<td><strong>More efficient allocation of capital</strong></td>
</tr>
<tr>
<td></td>
<td>Easier <strong>regional expansion</strong></td>
<td><strong>Economies of scale and scope</strong> through access to larger customer base</td>
<td><strong>Lower prices</strong> for financial services as competition lowers transactions costs and allows larger regional firms to exploit economies of scale and scope</td>
<td><strong>Regulation of cross-border traders and investment will be strengthened</strong> and regulators are able to offer greater <strong>protection for investors</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Broader investor base</strong> through entry of foreign investors and retail participation</td>
<td><strong>Greater access to investment opportunities across borders</strong></td>
<td><strong>Improvement of regulatory standards</strong> by adopting best practices</td>
<td><strong>More resilient banking sector through the creation of regionally competitive banks</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Reduced transaction cost</strong> through harmonised clearing, regulatory and tax frameworks</td>
<td><strong>Larger pool of investors, including stronger buy side participation</strong> in markets</td>
<td><strong>More resilient banking sector through the creation of regionally competitive banks</strong></td>
<td><strong>Enhanced ability to respond to financial shock due to improvements in financial infrastructure.</strong></td>
</tr>
</tbody>
</table>
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Some key lessons to be learnt from the European Union

The European integration journey started more than 60 years ago and is still work in progress. Initial steps towards integration were not perfect but overall positive

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>Six country cooperation on heavy industries (1951) expanded - European Economic Community (EEC), or ‘common market’</td>
</tr>
<tr>
<td>1970</td>
<td>Werner Report sets out a path towards Economic and Monetary Union (EMU)</td>
</tr>
<tr>
<td>1977</td>
<td>First Banking Directive - first step towards the harmonisation of banking regulation</td>
</tr>
<tr>
<td>1979</td>
<td>Launch of EMU - coordination of central exchange rate under the Exchange Rate Mechanism (ERM)</td>
</tr>
<tr>
<td>1989</td>
<td>Second Banking Directive - “single passport” rule for banks</td>
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<tr>
<td>1992</td>
<td>Maastricht treaty – EEC becomes EU – agreement to develop a monetary union</td>
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<tr>
<td>1998</td>
<td>Establishment of ECB – sets monetary policy for Euro countries and manages their foreign reserves</td>
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<tr>
<td>1999-2001</td>
<td>Launch of Euro. Financial Services Action Plan (FSAP) for full integration of European banking and capital markets</td>
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<tr>
<td>2007</td>
<td>Markets in Financial Instruments Directive (MiFID) - governs provision of investment services</td>
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<tr>
<td>2008</td>
<td>Financial crisis – leads to closer economic cooperation. ECB launches Target2-Securities (T2S) project</td>
</tr>
<tr>
<td>2011</td>
<td>MiFID2 – more efficient, resilient and transparent markets; strengthen the protection of investors</td>
</tr>
<tr>
<td>2012</td>
<td>European Markets and Infrastructure Regulation (EMIR) – trade reporting, central counterparty clearing for derivatives</td>
</tr>
<tr>
<td>2013</td>
<td>EU Corporate Debt issuance in 2013 just over $100b vs. $5-10b in 2004</td>
</tr>
</tbody>
</table>
The EU integration brought significant benefits to its members

While the single currency provided a major impetus to the integration of financial markets, benefits are not limited to that.

Positive impact on economic growth in all founding countries due to integration with EU single market.

More efficient allocation of credit, aided by lower cross border spreads through free flow of information and capital.

Level playing field for financial services providers across member states through mutual recognition of banks through a “single passport”.

Single market for labour, goods & services, capital flows, and financial services.

Strong rule of law and good governance built trust in the Banking system and Capital Markets.

The global financial crisis exposed some of the shortcomings, forcing the EU to address them sooner than anticipated.

- **Currency union** without fiscal union or sufficient monetary policy coordination
- **Lenient policies** in smaller, peripheral nation states led to inflated banking sector
- **Lack of coordination by Eurozone governments** created macroeconomic imbalances of divergent wages and prices
- **Nationally-based supervisory models** have lagged behind the integrated and interconnected reality of European financial markets in which many financial firms operate across borders
- **Serious failings in the cooperation, coordination, consistency, and trust between national supervisors**
- **Existing supervisory arrangements** proved incapable of preventing, managing or resolving the crisis
- **No EU regulatory structure for bank supervision**
What can ASEAN learn from this?

Any integration brings challenges…

• Different macroeconomic and monetary policies across borders
• Asset ownership rights are not always consistent for foreign owners of financial instruments – bankruptcy, asset seizure, etc.
• Bank supervision needs to be coordinated across multiple jurisdictions with consistency
• Differences among cross border CCPs in EU and disagreements regarding optimal infrastructure needed to be addressed
• Needed a stronger ECB to build trust and confidence among regional supervisors

… but a robust framework helps avoid problems

• Coordination of regulatory and policy alignment among member nations is critical
• Regional investor protection through a binding arbitration dispute mechanism creates confidence
• Regional bank resolution framework through a shared dedicated court system
• Risk management by central clearing counterparties (CCPs) can dampen pro-cyclical exaggerations of financial markets
• Pan-regional supervisory system to coordinate initiatives and centrally deal with crisis situations

Implications for ASEAN?

<table>
<thead>
<tr>
<th>Significant disparities between ASEAN members</th>
<th>Adequate safeguards</th>
<th>Regulatory and policy harmonisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Two speed approach – ASEAN-5 vs BCLMV</td>
<td>• Rule of law, investor protection (e.g. bondholders)</td>
<td>• Strive for policy alignment</td>
</tr>
<tr>
<td>• Start bilaterally?</td>
<td>• Pan-ASEAN macroeconomic stability frameworks</td>
<td>• Strong supervisory coordination</td>
</tr>
<tr>
<td>• Reciprocity</td>
<td>• Establish regional stability fund</td>
<td>• Cross border resolution mechanisms</td>
</tr>
<tr>
<td>• Shared benefits</td>
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</tbody>
</table>

ASEAN-5: Indonesia, Malaysia, the Philippines, Singapore and Thailand
BCLMV: Brunei, Cambodia, Laos, Myanmar, Vietnam
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To reap the benefits of an integrated financial and capital market, a number of barriers need to be addressed
Key challenges towards policy & regulatory integration of ASEAN are similar to those of the EU

Harmonisation of legislative frameworks among ASEAN countries is key to a successful integration

**Key Challenges**

- **Regulatory misalignment**
  - Capital controls and exchange restrictions
  - Differences in regulations – economic policies, tax regimes, banking regulations
  - Portfolio restrictions on institutional investors

- **Sovereign interests vs ASEAN benefits**
  - No supra-national legal power
  - Risk that centralised financial policy disproportionately benefits developed nations
  - Individual countries may first focus on capacity building, then open up

- **Safeguard measures to be defined**
  - Safeguards against macro-economic instability and systemic risks
  - Investor protection – current foreclosure laws, bondholder protection weak
  - Protection of less developed countries - capital outflows, competitive pressures

**EU Lessons**

- Lack of policy alignment, regulatory coordination and a supranational body to deal with crisis situations led to long-lasting Eurozone crisis
- Harmonisation as critical component

Considerations for ASEAN:

- How to alleviate concern regarding loss of sovereignty on macroeconomic, monetary, and fiscal policy
- Is monetary alignment and a common currency an option at all? What is the next best alternative?
- How to protect and foster relatively less developed economies?
- How to mitigate systemic risks
A currently disjointed ASEAN infrastructure needs to be harmonised to facilitate efficient financial and capital markets

Key Challenges

- **Disparate standards** preventing efficient cross-border payment and settlement; adopting common best practices and standards is time consuming
- **Lack of centralised clearing services establishment** to enable efficient post-trade clearing and settlement
- Existing **infrastructure capability** in member countries need to be enhanced if not ready to accommodate high-speed inter-connections among all national information infrastructures
- Efforts required to ensure **security measures** are in place to build trust and confidence in the use of the internet and exchange of electronic transactions, payments and settlements
- Due to substantial financing needs to develop regional architecture, ASEAN needs to explore various funding mechanisms and sources, as well as governance models for regional infrastructure

Some of the challenges represented by the lack of regional infrastructure have been addressed by the EU, e.g.

**European Markets and Infrastructure Regulation (EMIR)**
- Mitigates risks posed to the financial system by OTC derivatives transactions – trade reporting, CCP clearing
- Increases transparency of the derivatives market

**Directive on Payment Services (PSD)**
- Provides the legal framework for a single comprehensive system of pan-EU rules for payment services
- Makes cross-border payments easy, efficient and as secure as 'national' payments within a member state
- Improves competition and thus efficiency and cost-reduction. The Directive also provides the necessary legal platform for the Single Euro Payments Area (SEPA)

Considerations for ASEAN:
- What common infrastructure makes sense for ASEAN in a multi-currency environment?
Even if capital is substantially allowed to move across borders, capital mobility is still considered not free as subject to control

The process to address current challenges around capital account liberalisation is time consuming and looks to delay significant progress towards the freer flow of capital

<table>
<thead>
<tr>
<th>Key Challenges</th>
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<tbody>
<tr>
<td>• Cross border capital flows <strong>subjected to control in form of permission, ex ante reporting, quantity restrictions</strong></td>
</tr>
<tr>
<td>• <strong>Differing currencies, lack of interest rates integration</strong> hinders the seamlessness and cost-effectiveness of FX flows</td>
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<tr>
<td>• Potential high cost for cross border transaction handling due to its complex nature</td>
</tr>
<tr>
<td>• Caution to open up due to a variety of risks and <strong>lack of measures to safeguard</strong> against instability</td>
</tr>
<tr>
<td>• Macroeconomic risks – credit growth due to capital inflows - appreciation of real exchange rate, inflationary pressure, and may affect other macroeconomic variables such as price stability, exchange rate stability, export</td>
</tr>
<tr>
<td>• Financial stability risks - capital inflows pushing up asset prices; capital outflows leading to depletion of foreign exchange reserves or currency depreciation</td>
</tr>
<tr>
<td>• Small, segmented financial markets are vulnerable to shocks and require <strong>management of reserves outside the region instead of financing the region’s development needs</strong></td>
</tr>
<tr>
<td>• Difficulties in establishing a <strong>universal capital account liberalisation</strong> that is consistent with national agendas and economy readiness of all member countries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EU Lessons</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The EU achieved free and seamless cross border capital flows through the establishment of a common currency</td>
</tr>
<tr>
<td>• Preceded by an Economic &amp; Monetary Union (EMU) and Exchange Rate Mechanism (ERM), requiring member states to give up monetary and fiscal sovereignty</td>
</tr>
</tbody>
</table>

Considerations for ASEAN:

➢ As an ASEAN currency union is not in sight, what is the next best alternative for the region?
Regional banking is still fragmented and hindered by regulation

Though cross border banking promotes regional financial stability, economic growth and capacity to withstand external shocks, many challenges are still prominent

Key Challenges

- **Significant gaps in banking system, especially between ASEAN-5 and BCLMV**
  - Less developed capabilities, lack of competitiveness
  - Fund outflow from less-developed countries with poorer institutional qualities causing winner-loser scenario

- **Regulation preventing regionalisation**
  - National laws differentiating between foreign and local banks, impacting ability of foreign banks to obtain bank licenses or buy stakes in local firms

- **Financial stability frameworks**
  - Absence of sufficient financial safety nets
  - Lack of integrated crisis management in the definition of macro-prudential policy
  - No single cross border banking supervision and deposit guarantee system

- **Trade-off between national interests and ASEAN benefits**
  - Threats from the entry of foreign banks and being dominated
  - Local banks too small to compete with regional or global peers - priority on protecting local players

**EU Lessons**

- Liberalisation of cross border banking through “single passport” system
- Allows financial services operators legally established in one member state to establish/provide their services in the other member states without further authorisation requirements

Considerations for ASEAN:

- What safeguards to put in place to protect weaker members while achieve non-discrimination and get to ‘single passport’ system?
Access to skilled talent across the region is a cornerstone of the AEC, though national interests still often take precedence.

ASEAN will add an estimated 50m people until 2020, creating a culturally and demographically diverse, highly mobile and tech-savvy workforce with different perspectives on what constitutes a fulfilling career.

Key Challenges

- **Movement of labour not yet free**
  - Within countries, nationalistic restrictive legislation prevent organizations from being agile in their talent strategy and policies

- **Talent gaps**
  - Markets across ASEAN are struggling to get the right amount of quality talent to fuel growth

- **Technology gaps**
  - Technology and competency gaps in the workplace hinder organizations from growing with the digital revolution

- **Mind-set change**
  - Hierarchical leadership styles will need to evolve to be in line with changing Millennial expectations and technology trends

- **ASEAN diversity**
  - The political, social, cultural and economic diversity of ASEAN makes it difficult to bridge talent gaps regionally

EU Lessons

- “Youth on the move” initiative provides funded study programmes, learning projects and training programmes to help young people in developing the skills needed to enter or stay within the labour market
- EURES, an EU-wide job placement and recruitment tool centrally provides job information, advices and job-matching services to workers, employers as well as citizens who want to move and work abroad

Considerations for ASEAN:

- What should political leaders do to support the business community’s increasing need for talent?
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Opportunities exist for both policy makers and business community to foster the integration of ASEAN financial and capital markets

**Establish regional industry utilities to foster integrated financial and capital market**
- Leverage exchange infrastructure (e.g. ASEAN trading link)
- Participant-led utilities driven by a consortium of banks
- Lead with industry practices especially in new domain, laying the foundation for policy and regulation

**Leverage new phenomena such as internet financial services platforms to provide alternative funding options that mitigate constraints**
- Peer-to-peer financing
- Crowdfunding

**Build trust through enhanced regulatory alignment**
- Move towards a common regulatory framework (e.g. alignment and coordination of policies)
- Standardised rule making body
- Capital flow liberalisation

**Creation of an ASEAN “growth” bank to support economic development**
- Foster greater financial and development cooperation among ASEAN member states
- Provide financing for infrastructure projects

**Support industry-driven initiatives**

**Focus on talent development and mobility**
Creation of a shared and distributed infrastructure to facilitate integration of ASEAN financial and capital market

What is a Utility?
• Entity created by industry participants to create efficiencies by collectively performing a set of non-differentiating functions
• Common technology employed across the industry

Ownership & Economics
• Industry or exchange-led
• Member or consortium owned
• Shared governance
• For-profit or non-profit
• Profits & losses distributed by ownership
• Fees for service paid by members and non-members alike

Types of Utilities
• Post trade processing utility
• Data utilities – Financial Reference Data, Client Data & Documentation, Client On-boarding
• Common internet-based platform (e.g. P2P lending)
The concept of a shared market utility is not new

The principle is successfully applied both in financial services and other industries

<table>
<thead>
<tr>
<th>Client Reference Data Utility (CReD)</th>
<th>Accenture Post Trade Processing</th>
<th>Navitaire</th>
<th>AnnualCreditReport.com</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership by DTCC and a group of large global banks</td>
<td>Launched by Accenture and Broadridge with Societe Generale as first client</td>
<td>Delivers industry-leading technology services that help enable growth, profitability and innovation for more than 50 airline and high-speed rail clients worldwide</td>
<td>FACTA - consumers to have access to a free credit report</td>
</tr>
<tr>
<td>Jointly develop a comprehensive service to collect and manage client entity reference data necessary to meet regulatory requirements and other normal course of business activities</td>
<td>Solution for post-trade processing and technology services</td>
<td>Reservation, direct distribution, revenue management, revenue accounting and business intelligence services</td>
<td>Led to joint-venture by largest credit reporting agencies to create a shared web portal</td>
</tr>
<tr>
<td></td>
<td>Helps reduce post-trade processing costs, adapt to new regulations and technology, quickly and efficiently launch products</td>
<td></td>
<td>Centralised data repository used by participants as marketing tool selling detailed analysis and credit scores to end users</td>
</tr>
</tbody>
</table>

Considerations for ASEAN:
- Challenges related to data security?
- In absence of established common working framework, can exchanges/clearing house take the lead?
Other illustrative examples

A multilateral bank could stem large infrastructure financing projects

Example

New Development Bank,
formerly known as BRICS Bank

• Created as an alternative to the IMF and World Bank
• Each country contributed $10b in initial capital intended for Infrastructure projects for a target total of $100b
• Created a $100b Contingent Reserve Arrangement (CRA) to cushion against balance of payment and/or other liquidity issues through swaps agreements
• Each country will have a Finance Minister or Central Bank Chair on the BOD with an equal vote for dispute resolution
• Membership may be considered for other countries in emerging markets

ICE is another example of an industry-led platform that

Example

Intercontinental Exchange (ICE)

• Originally created as an internet based platform in energy trading fostering transparency, efficiency and lower cost
• Expanded as ICE in 2000 the new market offered better liquidity, pricing, transparency, and efficiency for participants
• Over time has expanded across multiple exchanges and now includes soft commodities, equity index futures, and foreign exchange
• Today comprises 11 exchanges, 5 clearing houses and more than 12,000 listed contracts and securities

Considerations for ASEAN:

➢ In the context of ASEAN, can we lead with market based solution?
➢ Minority interest – benefits for lesser developed countries? How will ASEAN address governance that insures fairness and equality?
➢ How do we provide oversight and establish boundaries?
Internet Financial Services platforms may be able to provide an alternative to mitigate some of the constraints

Platforms for alternative funding such as peer-to-peer lending and crowdfunding can facilitate access to capital for smaller, less established firms or in less developed markets

**Internet Financial Services examples**

<table>
<thead>
<tr>
<th>Peer-to-peer financing</th>
<th>Crowdfunding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Online lending leveraging digital platforms and credit checking tools</td>
<td>• Commercial purposes equity-based and credit-based funding. 2 primary types:</td>
</tr>
<tr>
<td>• Lenders set interest rates by competing in a reverse auction market; mitigate risk through diversification and choice of borrowers</td>
<td>• <strong>Reward-based</strong>, non-monetary payback</td>
</tr>
<tr>
<td>• Borrowers do not give away any equity, but rather pay interest on the borrowed money to lenders</td>
<td>• <strong>Equity-based</strong>, investors receive unlisted shares. Often requires an established regulatory framework to govern and legalise this fundraising practice.</td>
</tr>
<tr>
<td>• Financing is done through an intermediary who receives a fee for funded loans from the borrower and a loan servicing fee to investors</td>
<td>• Early stage SME capital raising</td>
</tr>
<tr>
<td></td>
<td>• Inputs from investors can influence the valuation and size of an offering, leveraging the knowledge of the “crowd”</td>
</tr>
</tbody>
</table>

**Benefits**
- Alternative **access to financing** by lesser established enterprises
- Positive economic impact through rebalancing of investible assets (**local investment**)
- **Greater participation** by retail and institutional investors

**Challenges**
- Creation of a **framework** and standards which are clearly articulated and backed by the rule of law across boundaries to avoid differing rules by jurisdiction
- Access to common reliable **credit ratings**

**Considerations for ASEAN:**
- Should alternative financing options be allowed to flourish?
- Will we feel comfortable bringing non-financial services providers into the system?
From a political and regulatory perspective, the ideal solution may not be feasible in practice but steps can be taken

In an ideal world, ASEAN could learn from the EU experience and employ best practices from the start

- Standardised macroeconomic policy
- Aligned legal & supervisory regimes, removing barriers to capital flows and trading
- Legal and institutional frameworks for bank resolution procedures and cross border operations
- A central governing body to enforce monetary policies and serve as licensing/regulatory authority over financial institutions
- ”Qualified ASEAN Banks” that are free to operate across the region
- Adequate safeguards against potential macroeconomic instability and systemic risk
- Investor protection, dispute settlement mechanisms

... though in the current environment the emphasis would be on harmonisation and coordination of national regulations

Some short term opportunities:

- Creation of a working committee for draft rules to be adopted across ASEAN
- Develop and agree on a framework for a governing body for professional licensing
- Standardise central bank reporting for interest rates, account balances, capital accounts, currency targets
- Creation of a binding arbitration board with each ASEAN nation represented in an equal manner

Considerations for ASEAN:

➢ Coordination & harmonisation vs a single authority – what is realistic for ASEAN?
The right deployment and management of talent is critical to the success of the ASEAN region

<table>
<thead>
<tr>
<th>Diverse workforce</th>
<th>Business Leaders</th>
<th>Government</th>
<th>Educational institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Build capabilities to manage multi-generational, diverse, virtual workforces</td>
<td>• Build awareness around potential hidden pools of talent while ensuring social protections are in place</td>
<td>• Instill an understanding of cultural context and adaptability in students</td>
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<table>
<thead>
<tr>
<th>Skills and mindset</th>
<th></th>
<th>Government</th>
<th>Educational institutions</th>
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<tbody>
<tr>
<td>• Ensure culture of the company is open to new technologies and change</td>
<td>• Ensure access to advanced technological infrastructure and other enablers of digital literacy</td>
<td>• Ensure sufficient emphasis on developing soft skills – team building, innovation, collaboration</td>
<td></td>
</tr>
<tr>
<td>• Forward-thinking in acquisition and development of new skills</td>
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<th>Work experience</th>
<th></th>
<th>Government</th>
<th>Educational institutions</th>
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<tbody>
<tr>
<td>• Provide flexible working frameworks and arrangements for employees to lead self-actualized lives</td>
<td>• Provide their own employees with flexible working arrangements to set an example for private sector organizations</td>
<td>• Focus on developing modular curricula enabling employees to develop and up-skill talent continuously</td>
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</tbody>
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<thead>
<tr>
<th>Organization structures</th>
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<th>Government</th>
<th>Educational institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Diffused decision-making authority through organization based on new structures of collaboration</td>
<td>• Transformed into leaner, flatter, less hierarchical organization</td>
<td>• Emphasize development of leadership skills, critical thinking, project management, collaboration and initiative in students</td>
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<tr>
<th>Business Ecosystems</th>
<th></th>
<th>Government</th>
<th>Educational institutions</th>
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<tbody>
<tr>
<td>• Be prepared to work with external talent, partners, and suppliers in a seamless way</td>
<td>• Enhance competitiveness by investing in talent hubs</td>
<td>• Develop education clusters to build capabilities aligned with key priority growth sectors</td>
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Agenda

1. Why is an integrated financial and capital market important to ASEAN?

2. What can we learn from the EU experience?

3. What are the key challenges?
   - Policy & Regulation
   - Infrastructure
   - Capital Flows
   - Cross Border Banking
   - Talent

4. What can we do?

5. Final Thoughts
What are the cornerstones to the creation of a more harmonised, integrated ASEAN financial and capital market?

- Policy and regulation alignment - Coordination & harmonisation vs singular authority?
- How do we achieve non-discrimination and get to a ‘single passport’ system while establishing safeguards to protect weaker members?
- What common infrastructure makes sense for ASEAN in a multi-currency environment?
  - Did the ASEAN trading link bring benefits? Should the project be furthered providing a depository and clearing link?
  - Shall we consider the creation of an industry-led utility? Or government-led policy-bank?
  - What are the key challenges (e.g. data security) and how can they be overcome?
  - Minority interest – how will ASEAN address governance that insures fairness and equality?
  - How do we provide oversight and establish boundaries?
  - Absent of an established common framework, can exchanges/clearing house take the lead?
- What are the safeguards that need to be in place for an integrated financial and capital market? How can we be sure the benefits are shared equally among all parties involved?
- Do we think that internet financing platforms offer a viable alternative for some financing needs?
- What should political leaders do to support the business community’s increasing need for talent?
Summary

- An efficient integrated financial and capital market is key to sustained growth of the ASEAN economy, especially in providing the industry with access to diverse source of funding.

- Key challenges including policy and regulation alignment, pan-ASEAN supervision and dispute resolution and limited regional infrastructure remain.

- It is imperative that policy makers come together and execute in orderly fashion, build in adequate safeguard and ensure benefits are shared by all parties involved.

- Industry could also step forward with specific industry-led initiatives, for instance establishment of market utilities to help progress the agenda.

- Emergence of internet financial services platform could also be another alternative in mitigating some of the current constraints.
THANK YOU