


NOVEMBER 2022

50TH ASEAN BANKING COUNCIL MEETING

VENUE: LABUAN BAJO, REPUBLIC OF INDONESIA
HOST: PERBANAS (INDONESIAN BANKS ASSOCIATION)



THE REPUBLIC OF INDONESIA

About Indonesia

Indonesia, officially known as the Republic of Indonesia, is situated in the Southeast Asia, between the Pacific and the Indian Ocean. It is often referred to as the world's largest archipelago which represents about 17,000 islands and covers 735,358 square miles (1,904,568 sq km) in total. Jakarta is the capital city of Indonesia on the island of Java. Indonesia is the founder of numerous significant organisations such as: Non-Aligned Movement, Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation, East Asia Summit and Asian Infrastructure Investment Bank and Organisation of Islamic Cooperation. Indonesia is also a member of the United Nations, G20, WTO, and IMF.

Indonesia is currently the President of G20 for year 2022. The only ASEAN country in G20. 

Labuan Bajo, Flores, Indonesia

Labuan Bajo is one of small city in Indonesia, located on the western tip of the island of Flores in Nusa Tenggara, which is further east of Bali. It is the capital of West Manggarai Regency. It has been highly recommended as a destination for exploring exotica Flores - Varanus Komodoensis (one of the World's Seven Wonders of Nature), Komodo National Park with the beauty underwater life and Lembata, at the eastern tip of Nusa Nipa (Snake Island) Flores where in the past the hunting whales was a tradition.

Labuan Bajo has since grown larger with a vibrant and growing tourism city.



The Uniqueness of Labuan Bajo

Different to other cities in Indonesia, Labuan Bajo has some uniqueness as follow:

- It is a port city with a beautiful city landscape.
- Labuan Bajo is fortified by uninhabited small islands. The existence of islands creates the beauty of Labuan Bajo so it is no exaggeration to say that is beautiful city.
- Labuan Bajo is a safe city. Beside being secure, you will also find the warmth hospitality of locals Flores. When you meet with locals in Flores, they will always greet you with a smile.

About Komodo in Labuan Bajo

As Indonesia's fastest growing regency, Labuan Bajo serves as the launching point to Komodo National Park. As we know, the natural habitat of Komodo has become a magnet for tourist all over the world to visit Labuan Bajo. Komodo National park is only a few kilometers offshore, perfect for diving, snorkeling and kayaking. Near Labuan Bajo there are waterfalls, caves and forest for the intrepid overland tourists. Further inland there are volcanoes, multi-coloured lakes and even some Hobbits home. 



PERBANAS (THE INDONESIAN BANKS ASSOCIATION): A BRIEF HISTORY

PERBANAS is a non-profit organisation formed in 1952. Initially, it was set up as a group of private banks in Indonesia. However, the annual congress meeting 2003 approved that all types of banks including private banks, state-owned banks, and Syariah banks in Indonesia can be members of the Association. In 2014, the congress officially approved the change in the name of association to be *Perhimpunan Bank Nasional* (The Indonesian Banks Association) with the same abbreviation of PERBANAS, and has been registered and ratified as an of association status by the Minister of Law and Human Rights of The Republic of Indonesia.

PERBANAS is the primary organisation of banking industry in Indonesia that acts as a facilitator for its members to convey their aspirations to the government, House of Representatives, and Banking Regulators [Indonesia Financial Services Authority (OJK) and Central Bank of Indonesia (BI)]. PERBANAS have also becomes a forum for its members to give ideas actively and positively to contribute to the development of the Indonesian banking sector.

To strengthen the role and function of the organisation, PERBANAS also formed representatives in 33 regions such as Nanggroe Aceh Darussalam, North Sumatra, West Sumatra, Pekanbaru, Batam, Jambi, Bengkulu, South Sumatra, Lampung, West Java, Cirebon, Central Java, Tegal, Banyumas, Surakarta, Magelang, Yogyakarta, East Java, Nusa Tenggara, Maluku, West Kalimantan, East Kalimantan (2 representative), South Kalimantan, North Sulawesi, Central Sulawesi, South Sulawesi, and Southeast Sulawesi. Besides, PERBANAS contributes to Indonesian education by establishing the ABFI Institute, the prestigious finance banking and informatics institute in Jakarta Indonesia, in 1969. [E](#)

Member of PERBANAS



PERBANAS
INDONESIAN BANKS ASSOCIATION



VIA VIDEO CONFERENCE

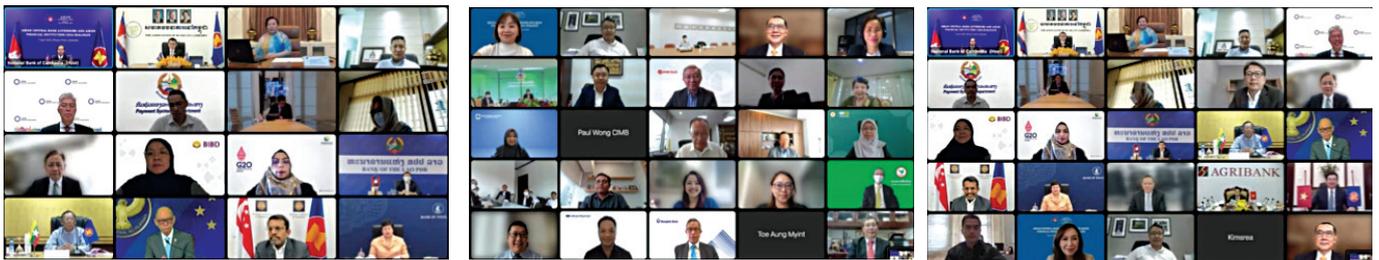
ASEAN BANKERS ASSOCIATION WITH ASEAN CENTRAL BANK GOVERNORS' AND FINANCIAL INSTITUTIONS CEOS' DIALOGUE IN PHNOM PENH



This year's Dialogue between the ASEAN Central Bank Governors' and Financial Institutions CEOs' with the theme of Cambodia's ASEAN Chairmanship "ASEAN ACT - Addressing Challenges Together" took place on 7 April 2022 as scheduled within the ASEAN calendar. This important event is within the framework of

the 2022 ASEAN Summit and as part of the 8th ASEAN Finance Ministers' and Central Bank Governors' Meeting (AFMGM) was hosted by Kingdom of Cambodia as the Chair of ASEAN via Webex video conference.

The Dialogue was chaired by His Excellency CHEA Chanto, Governor, National Bank of Cambodia. Participants came from Central Bank Governors of the ASEAN countries, the Chairman of ASEAN Bankers Association, CEOs and delegates/ representatives of the National Banking Associations of the ASEAN member countries and several other international institutions, including guests from ASEAN Secretariat. The Deputy Secretary General of ASEAN - AEC was also in attendance. The contents of the Dialogue focused on two topics: (i) Progress updates on the projects on Interoperability of Data Framework & Cross Border QR code payments; and (ii) Enhancing Financial Connectivity across ASEAN region as initiated by The Association of Banks in Cambodia (ABC). **E**



FROM THE DESK OF THE SECRETARY GENERAL

One of the significant milestones this quarter, is the privileged to be part of the annual Dialogue between the ASEAN Central Bank Governors and Financial Institutions CEOs on 7 April 2022 hosted by National Bank of Cambodia (NBC), Kingdom of Cambodia. The Dialogue was chaired by HE CHEA Chanto, Governor, NBC. This is the 5th time ABA have been invited to work with the ASEAN Central Bank Governors – as hosted and co-hosted by NBC and The Association of Banks in Cambodia (ABC), respectively on this prominent and distinguished event. Besides our Chairperson, Daw Khin Saw Oo, other Chairmen/ CEOs from ASEAN indigenous Financial Institutions and special guests were present for the Dialogue.

Time seems to have flown by very quickly. We are now past the first quarter of the year 2022. It is the time of the year when we are in preparation for much eagerly anticipated capstone event in the calendar of the ASEAN Bankers Association (ABA) – our Annual Council Meeting.

In this coming event, it is with great pleasure to note that PERBANAS (Indonesian Banks Association) will be hosting

the 50th ASEAN Banking Council Meeting in Indonesia in November 2022. The venue chosen by PERBANAS is in Labuan Bajo on the island of Flores, further east from Bali, Indonesia. One that is world famous for the Komodo dragons and it is in the westernmost tip of the island. As understood, it is one of the places in one's bucket list.

I am enthusiastic about the coming Council Meeting which I believe all of our members from each of the national banking associations are eager to participate and collaborate in the ASEAN spirit of ONE Vision and ONE Identity and ONE Community. Our host, PERBANAS is pulling out all the stops to make it a successful, exciting experience and forward-looking meeting. **E**

So stay tune.

Wishing all our Muslim colleagues and friends, this season - Selamat Hari Raya Aidilfitri!

Mr Paul C G Gwee

A CLIMATE INFORMED STRATEGY – TIME TO POWER AHEAD

By Gaurav Kwatra, Partner, Financial Services, Oliver Wyman



To say that 2021 was transformative in how banks look at climate change will not be an overstatement. After decades of wallowing primarily as a corporate social responsibility (CSR) or public relations (PR) concern, climate change is now getting embedded as a strategic priority for businesses and has found its way into the performance targets of senior bank leaders. Singaporean banks, in particular, acted quickly to address the issue, with Malaysian banks also following swiftly. The journey of the Singaporean and Malaysian banks probably forebodes what lies ahead for other institutions in the ASEAN region.

By the end of the 2010s, all Singaporean banks had sustainability teams focused on climate and corporate banking teams focused on green assets. Green investments had been scaled up to anywhere between USD10 to 25 billion as opportunities in renewables and green real estate became clear. Green bonds and sustainability linked loans were issued. However, at an overall level, green finance remained a small part of the business.

As banks recovered from the pandemic relatively unscathed, action on the climate front accelerated. Driven partly by investor, regulatory, and peer pressure, banks in Singapore have started investing in three main areas. The first is incorporation of climate financial risk in their risk framework – particularly in risk appetite, underwriting, and the risk organization. This change was accelerated by new MAS guidelines that banks are expected to comply with in 2022.

Climate risk quantification using scenario analysis has been the second major area of investment. Our quantification work with several South East Asian banks has had major strategic implications, helping identify mispricing in brown assets and accelerating the transition towards greener assets and more transition focused clients. Banks will benefit from investing in this capability early. These insights are expected to feature prominently in banks next iteration of Task Force on Climate-Related Financial Disclosure (TCFD) aligned reports.

The third major area of investment has been the development of a Net Zero strategy. This takes them beyond “green financing” into a realm where strategy will assume the real economy is transitioning to low or no carbon technologies. This opens the discussion around transition finance, knowing 20 to 40% of assets banks currently hold will look very different in a decade. Underlying the shift in the assets is an assumption that governments and consumers will transition the real economy towards Net Zero as well. If this assumption comes true, banks that embark on the Net Zero transition in their books will emerge as clear winners. However, if governments and consumers continue to drag their feet on climate change, there might be opportunity costs for the banks moving their assets to Net Zero.

Despite this risk, we believe banks at this stage have little choice but to start to align their portfolios. External pressure will continue to mount – investors now consider a Net Zero commitment to be table stakes, and international bodies like the Glasgow Financial Alliance for Net Zero (GFANZ) are now

Continued from page 4

turning their attention to Asia. Even regulators are adding pressure – Bank Negara Malaysia's draft guidelines encourage banks to set emission targets and to consider climate risk in capital calculation. Almost all the other ASEAN nations have introduced climate risk guidelines.

There is also the strategic view that sooner or later, the real economy will transition to no or low carbon technologies. Banks that fall behind that transition will lose out. Given this context, we believe banks should start investing in building their Net Zero strategies, albeit with appropriate diligence and caution.

Based on Oliver Wyman's experience of doing this work with multiple banks, here are five key lessons for banks that are starting this journey:

- 1. Start board and senior management education and budgeting now:** The depth of climate change knowledge required across board and senior management is very material, and it may not be present as evenly today. Moreover, successful climate programs will cost banks anywhere from USD5 to 25 million and result in major strategic changes. Regulatory and investor push will help immensely in getting "hearts aligned", but banking leaders will need to invest in building knowledge and capabilities to get the momentum required.
- 2. Get CEO sponsorship and build an integrated program:** Climate programs will have material profit and loss implications and will affect teams across Risk, Compliance, Wholesale Banking, and Finance. This is especially so for corporate banks, but also in retail banks where the focus is on new opportunities to help customers live a greener life. While the programs can be championed by the respective leaders of those departments and coordinated by a Strategy or Sustainability team, success can only be achieved through CEO commitment and sponsorship. Further, one integrated, well-coordinated program across these functions should be built as there will be strong overlaps in what different teams must do in terms of the emissions data used, and the combined implications of financial risk and emissions objectives on the strategy.
- 3. Start early, especially on stress testing and Net Zero:** While divergent across institutions, these capabilities have now matured. Starting early will help your bank overcome the challenges that lie ahead more effectively – especially when data and knowledge build-up takes time. Moreover, it will give you a head start in accessing the new growth opportunities, especially in the space of transition and adaptation finance.
- 4. Plan an "organizational" transformation:** Climate change will transform the way business is done across a large number of verticals. For example, your energy sector



relationship managers will need to be well-versed in the emissions of coal versus gas, and the costs of various carbon capture technologies. Your Risk function will need new underwriting tools to incorporate climate effects. This transformation will come with the challenges typical to any organizational transformation – managing change, people, investments, etc.

- 5. Plan for an evolutionary program:** The scope of climate risk will grow exponentially over time and engulf more sectors. Five years ago, financial risk from climate change was highly muted. Today, we can already observe mispricing in sectors like power and mining. Given the complexity of the task ahead, banks will be wise to use the materiality leeway offered by most regulators and focus on the sectors with most material risk and opportunities to start with, and then expand over time.

Climate change now has real risk and strategy implications. While the task ahead is daunting, it remains within reach and quick movers will certainly be strongly positioned in the future. ■

UNDERSTANDING DECENTRALISED FINANCE (DEFI) AND ITS FIVE CRITICAL RISKS

By Thio Tse Gan (Financial Services Industry Leader, Deloitte Southeast Asia) and Andrew Koay (Risk Advisory Director, Deloitte Singapore)

Over the last few years, we have observed a growing interest in digital assets, and their increasing move towards the mainstream. To date, cryptocurrencies have had the highest profile in this space, but the digital asset category is in fact much broader. In this article, we will examine one area of rapid development – decentralised finance – and some of critical risks that accompany the uptake of these platforms.

As its name suggests, decentralised finance (DeFi) – which essentially refers to financial applications built on distributed and shared blockchain technology to serve as public ledgers for digital assets such as cryptocurrencies – removes intermediaries from transactions. Such a model operates in stark contrast to traditional finance (TradFi) as we know it today, which relies heavily on intermediaries leveraging their time-tested understanding of economic structures to evaluate an obligor's risk and creditworthiness.

Central to the appeal of DeFi platforms is their potential to generate greater efficiencies: by removing the need for intermediaries and central counterparties, they reduce the overall transaction costs of participating in the financial ecosystem, all while enabling greater competition, inclusiveness, and participation from players of all sizes, including both firms and individuals.

DeFi as a nascent field

Although still a nascent and emerging field, DeFi is already proving to be highly dynamic and promising: according to CoinMarketCap, there are currently at least 18,300 different cryptocurrencies on the global market, which are collectively worth more than US\$1.8 trillion in market capitalisation.

Given their rapid growth and uptake, it is not inconceivable that in the not-too-distant future, DeFi use cases may move beyond their current niche applications to disrupt much more mainstream aspects of the financial services sector.



For example, banking and lending agreements between two parties may soon happen without the involvement of financial intermediaries, such as exchanges or brokers.

It must be acknowledged, however, that in order for the mass adoption of DeFi across the global financial ecosystem to take off, there remains much work to be done in terms of the implementation of critical capabilities required to support the various settlement models and financial applications enabled by DeFi (see Figure 1).

Nascent technology, nascent risks

Apart from the need to put in place critical capabilities and supporting infrastructure, one of the greatest concerns surrounding the use of DeFi is also the nascent risks that it presents. Although its proponents claim that DeFi applications, in conducting transactions with the use of smart contracts – sometimes peer-to-peer, but increasingly also with liquidity pools and automated market matching – have the potential to be more secure and transparent than conventional TradFi systems, the reality is that these new platforms are not at the point where they are able to meet the high standards of security, governance, and resilience required by central banks and financial market regulators.

More specifically, DeFi platforms pose the following five critical risks to financial ecosystems, each of which will need to be addressed in order for their

adoption to move at greater pace into the mainstream:

1. Market and liquidity risk

Unlike conventional fiat currencies administered by central banks, cryptocurrencies are not legal tender. As a result of this status, or lack thereof, the widespread use of cryptocurrencies and DeFi applications could have the effect of eroding a nation's monetary sovereignty, with severe implications for central banks' abilities to safeguard financial stability.

Other types of risks that are likely to be exacerbated by currency risks also include:

- Strategic risk, when organisations or individuals become "guilty by association", for example, when the brand or reputation of a particular cryptocurrency suffers
- Legal and regulatory risk, particularly those relating to know-your-customer (KYC), anti-money laundering (AML) and counter-terrorism financing (CTF), including Suspicious Transaction Reporting (STR) obligations
- Financial risk, including those relating to valuations, as well as reporting and accounting standards

Continued from page 6

Figure 1: Critical capabilities required to support DeFi applications

Architecture layer		Critical capabilities										
5	Decentralised finance	Decentralised Exchanges			Decentralised Lending			Decentralised credit delegation			Decentralised portfolios	
		Laptop/desktop		Tablet/mobile		Wearables		Smart information and communication technology (ICT)		Internet of Things/5G devices		
3	Financial purposes	Trade				Lending				Investment		
		Asset trading		Derivatives trading		Fund transfer		Unsecured lending		Secured lending		Investment vehicles
2	Digital assets	Payment token		Utility token		Investment token						
		Unpegged payment token	Pegged payment token	Transactional utility token	Non-transactional utility token	Equity token	Entitlement rights token	Debt token	Derivative token	Fund token	Other investment token	
1	Settlement models	Payment vs. Payment (PvP)			Delivery vs. Payment (DvP)			Delivery vs. Delivery (DvD)				

- Technology risk, including those relating to blockchain protocol, smart contracts, cybersecurity, and privacy
- Operational risk, include those relating to internal controls, auditability and risks associated with the custody of wallets

To ensure the integrity of the financial system in a world where DeFi is reality, greater due diligence on cryptocurrency issuers' creditability and collateral backing will be required.

2. Regulatory risk

In TradFi, lending activities are well-regulated, and backed by the credibility of a creditor's balance sheet. With DeFi, however, far regulators have offered relatively little guidance on this subject. Looking ahead, there needs to be greater level of industry-level discussions, as well as feedback from financial institutions and stakeholders, on the ways in which DeFi ecosystem participants can be better safeguarded.

3. Governance risk

Depending on the blockchain protocol that a DeFi platform relies on, there could be different ramifications on the platform's configurations that may in turn render it susceptible to malicious attacks from actors seeking to exploit loopholes. To mitigate some of the more common governance risks, there needs to be

greater transparency into rulebooks – or the rules which are responsible for dictating the protocol and architecture of a given DeFi platform.

In addition, DeFi platforms rely on various smart contracts to deliver consistency and coherence to distributed ledgers. However, smart platforms have numerous inherent weaknesses relating to race conditions, re-entrancy, cross-function, transaction order dependence (TOD)/front-running, as well as arithmetic underflow/overflow, which are all vulnerabilities that could be and has been exploited. Mitigation here would therefore entail having well-audited smart contracts, combined with the use of rigorous, defensive programming.

4. Blockchain risk

As DeFi platforms sometimes span across multiple different blockchain protocols, each of the underlying distributed ledgers could create implicit risks to the overall platform. Should one or more of the associated ledgers be abandoned or compromised, the viability of the DeFi platform may come into question. This underscores the importance of having DeFi platforms built on thoroughly tested blockchains that are well-audited from their genesis, or the first transaction ever recorded.

5. "Off-chain" oracle risk

Given their reliance on smart contracts, DeFi networks leverage the extensive use of oracles, which

are broadly defined as third-party services that enable smart contracts to receive external or "off-chain" data. However, to the extent that these off-chain systems are vulnerable to attacks, the associated DeFi network may also become a viable target for data manipulation and data leakage. While secure architecture design patterns may go some way in mitigating these risks, they will also need to be accompanied by continuous audit, monitoring, and surveillance to identify loopholes as and when they appear.

The regulatory road ahead

As with all nascent technologies, the regulatory road ahead is fraught with uncertainty and risk: many of the existing regulatory frameworks and related implementation guidelines will need to be adapted and enhanced before the broader financial ecosystem can reap the full benefits of DeFi as mainstream platforms. In particular, with the bulk of current regulations focused on intermediaries, there needs to be a shift in to accommodate a smart contracts model where intermediaries may not exist.

Then, there is also the issue of enforcement. Specifically, in DeFi's decentralised governance model, the responsibility for enforcement may shift away from traditional regulators supervision and enforcement, and towards a community-based approach that diffuses and disperses responsibility across a larger number of non-traditional financial participants.

To harness the benefits that DeFi platforms offer in terms of efficiency and inclusiveness, while also balancing them against the new risks that they introduce to the financial ecosystem, regulators, financial institutions, and other stakeholders must collaborate on the development of a better collective understanding of the mechanics of such platforms and their attendant risks – and more importantly, develop pragmatic and practical mitigation measures to address these vulnerabilities. ■

BRIDGING PAYMENTS ECOSYSTEMS, ONE NETWORK AT A TIME

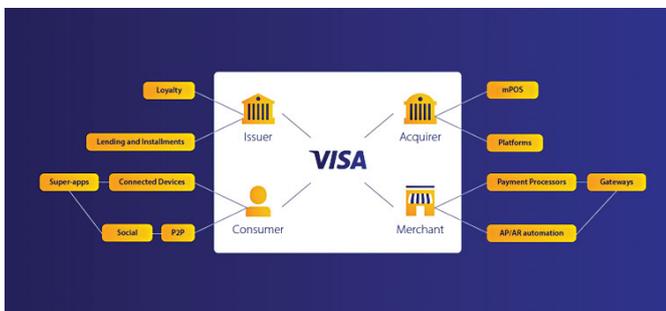
By Ciyi Lim, Head of Innovation Asia Pacific, Visa



When we think about the future of commerce, one question keeps coming up: where will people shop? Some have predicted that brick-and-mortar stores will lose relevance as customers flock online, while others believe in the continued relevance of physical storefronts. Some believe it's somewhere in the middle, with omnichannel shopping bridging offline and online. In fact, even as safe distancing measures have spurred the growth of eCommerce, physical stores in Singapore have still managed to draw crowds with deals.

As commerce evolves, and consumers transact across a breadth of online and offline channels, there is an ever-growing number of ways to pay and be paid. An increase in choice however, is often accompanied by an increase in complexity and fragmentation of the commerce experience. And we're realising that no matter how big one single player is, going alone will only get you so far.

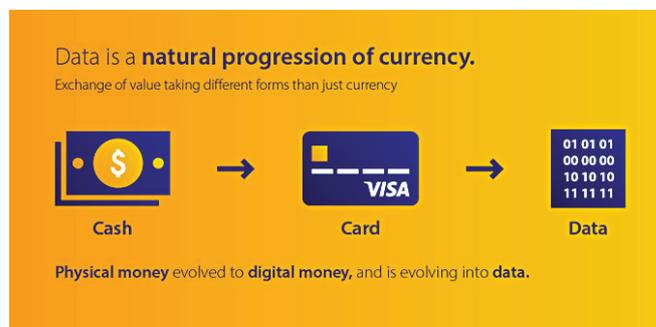
At Visa, we believe that the payments ecosystem should be flexible and expansive, to support buyers and sellers wherever they choose to be – whether it's in-store, in-app, or on a connected device. The traditional four-party model (issuer, acquirer, consumer and merchant) we have been accustomed to for the last 60 years has to adapt and stretch, in line with our new reality.



Today, there are more players in the field of payments than ever before. However, instead of trying to take on the entire value chain, most entrants have chosen a niche of their own and are looking to improve certain aspects of the payments transaction, while plugging their solutions into what others have built. These players are raising the bar for both consumers and businesses by providing greater choice and better experiences.

However, this means that end-users may encounter highly variable payments experiences as they go from one commerce journey to the next, switching between online and offline worlds. We believe that unified standards, capabilities and experiences can help provide consistency to users, and enable participation by both incumbents and new players.

Common standards and interoperability will lay the crucial foundations that enables secure and efficient participation in the payments ecosystem. Its importance cannot be understated as payments evolves beyond moving money, because if we think about it, data is actually a progression of currency.



In a way, physical movement has evolved into digital money, and is evolving to data. When we move digital money, we are essentially moving data which carries with it valuable information such as a customer's transaction value, time and frequency of purchase. These can ultimately help sellers understand their customers better and improve their offerings.

We believe that the data surrounding a payments transaction can help solve business problems – such as empowering sellers to better optimise their inventories, predict customer demands, or deliver better, more personalised propositions, information and experiences to shoppers.

Data from **payments transactions**...

- Empowers sellers to **better optimise inventories**
- Allows merchants to **predict customer demands**
- Enables the delivery of **more personalised experiences to shoppers**

As the world's largest payment network, Visa is well-positioned to take this a step further by empowering 'open data'. We are privileged to have a front row seat at the intersection of money, data and technology, which enables us to connect different parties across various platforms, and forge valuable partnerships and collaborations.

Continued from page 8

Across payment networks – our own, as well as our partners’ – we can potentially enable the sharing and exchange of data, allowing each player to harness critical insights and value relevant to their own business. Traditionally, money movement was card-based and facilitated by networks like VisaNet. We are building, acquiring and partnering with non-card networks to extend our reach, such as Visa B2B Connect, Visa Direct Payout Services and Real-Time Payments¹. Our new networks connect senders and receivers to enable money and data movement across more use cases.

For example, Visa Direct is Visa’s global real-time payments platform that provides a fast, convenient and secure way to deposit funds directly to a Visa credential, account or wallet. With Visa Payments (formerly Earthport), we have expanded our reach to 99% of bank accounts in 88 countries. Visa Direct is often used for small to medium ticket transaction amounts with high frequencies, such as cross-border remittance, on-

demand merchant settlement and funds disbursement to gig economy workers.

Visa B2B Connect is Visa’s newest (non-card) network that was designed from the ground-up. It allows banks to move high-value, cross-border B2B payments for corporate clients directly from the origin bank to the recipient bank, through a multilateral and global network.

With a more inclusive and dynamic ecosystem that is capable of supporting the flows of data, the role of payments is quickly stepping up to offer fresh solutions to help businesses tackle the problems of tomorrow. ■

¹ Actual fund availability varies by receiving financial institution, receiving account type, region, and whether the transaction is domestic or cross-border

THE FUTURE OF BANKING AND TRADE FINANCE IN A RAPIDLY DIGITISING WORLD

By Hannah Nguyen, Director - Digital Ecosystems, ICC Digital Standards Initiative

Banks and Financial institutions have a big role to play in the rapidly digitizing world. Even before the COVID-19 pandemic began, the digitalization of banking services has gained pace in ASEAN, with mobile banking leading the growth amidst the rise of a tech-savvy population, the rollout of high-speed Internet, and a strong push to accelerate financial inclusion. As the pandemic unfolded and ramifications being felt throughout the world, one thing became increasingly clear – that trade and trade finance remains heavily involved in manually processes, from courier of paper documents for documentary credit to matching of data found in trade invoices to trigger payment. This is seriously hampering global businesses’ ability to cope with and recover from the pandemic.

Moving from analog to digital

As the G7 Ministers succinctly put it in the 2021 G7 Digital and Technology Ministerial Declaration, paper-based transactions are a source of cost, delay, inefficiency, fraud, error and environmental impact. A cross-border transaction involves multiple actors and on average requires the exchange of up to 36 different documents and 240 copies. Currently, fewer than one percent of trade documents are fully digitised. There is

growing consensus among the financial community and among policy makers that such a situation is simply untenable.

As the pandemic fundamentally changed the way people and companies interact, we have all learnt to cut down on courier and sent each other pdf files and excel spreadsheets. However, human intervention is still needed to ensure data received is reliable and actionable before that is plugged into another in-house system that usually is not connected with rest of the ecosystem. Many corporates and financial institutions are still using “closed” systems or are part of multiple platforms or “digital islands” that are not interconnected. For micro, small and medium enterprises, they might lack resources to deal with such high degree of fragmentation and complexities.

Accelerating The Trade Digitisation Journey

Set up in end 2020, the ICC Digital Standards Initiative (“DSI”) has a focused mission to accelerate the trade digitisation journey globally. Our vision to enable all supply chain actors to exchange trade and supply chain data digitally end-to-end, and doing so in an open, trusted interoperable ecosystem, supported by a globally harmonised legal environment. This entails three separate but interlinked pillars:

1. Devising a new ecosystem of standards and technology enablers where relevant data from the physical supply chain (such as Know your Customer/ Supplier/ Goods/ Vessel identity, Location data, ESG Reporting Data, etc.) can be efficiently fed into the financial supply chain to power payment, insurance and trade finance processes without having to rely on cumbersome, risky paper-based information exchange and labor-intensive data reconciliation.
2. Modernising the rules for trade so that banking industry rules and local laws are aligned with the objective of recognizing electronic records as functional equivalents to their physical counterparts.
3. Empowering businesses and policy makers to acquire new capabilities, invest in infrastructures and training necessary for the transformation needed at the operational, organisational and systemic levels.

Resolving the Challenges

Building the first pillar will go a long way towards resolving the glaring trade finance gap which grew to an all-time high of \$1.7 trillion in 2020, according to the 2021 Trade Finance Gaps, Growth, and Jobs Survey by the Asian Development

Continued from page 9

Bank (ADB). As highlighted by the report, global standards are required to drive interoperability between various platforms and between components of the trade ecosystem. Beyond the expected productivity gains and lower barriers to entry for SMEs to access the much-needed liquidity, the metadata generated could give a clearer understanding of the relatively lower risks of trade finance and where greater opportunities could be captured.

For the second pillar, the DSI is working closely with the ICC Global Banking Commission to identify opportunities to commercialise ICC's e-rules at scale, including but not limited to the ICC Uniform Customs and Practice for Documentary Credits (UCP 600) Supplement for Electronic Presentations ("eUCP"), ICC Uniform Rules for Collections (URC) Supplement for Electronic Presentation ("eURC") and ICC Uniform Rules for Digital Trade Transactions ("URDTT"). While the ICC Global Banking Commission has been raising awareness on the importance of standardised data definitions and API development to ensure inter-operability, one of the biggest roadblocks to a greater uptake of existing digital solutions in trade finance remains the lack of legal recognition of electronic transferable documents across jurisdictions. Transferable documents typically include, among others, bills of lading, bills of exchange, promissory notes, and warehouse receipts, which are

essential commercial tools to facilitate the flow of payments in international trade. The United Nations Commission on International Trade Law (UNCITRAL) has proposed the adoption of its Model Law on Electronic Transferable Records (MLETR) to enable the legal recognition and use of electronic transferable records (ETRs) both domestically and across borders.

Bridging the Gaps

A report titled "Digitalising Trade in Asia Needs Legislative Reform" jointly published by the Asian Development Bank (ADB) and ICC Digital Standards Initiative in Oct 2021 has identified country-level legislative gaps that inhibit the digitalization of trade and trade finance in ASEAN. While eight out of 10 jurisdictions have adopted certain UNCITRAL texts such as the 1996 UNCITRAL Model Law on Electronic Commerce (MLEC), only Singapore has taken the first step in February 2021 to harmonise its Electronic Transactions Act (ETA) to MLETR. With the momentum building behind accelerating the ASEAN digital economy and digital connectivity, of which digitalising trade and the financial processes associated with it is an integral part, industry bodies like ASEAN Bankers Association could play a key role in establishing cross sectoral dialogues with financiers and other supply chain actors to identify specific gaps in regulatory and legal frameworks that need to be plugged, and to engage in standard-setting activities in digital trade.

Given the scope of change necessary to create a truly digital trade experience, teething problems are to be expected. But there are standards, technology solutions, industry e-Rules and best practices that can facilitate the process. An example is the newly released "Standards Toolkit for Cross-border Paperless Trade" jointly authored by ICC DSI and the WTO. Close to 100 available standards, frameworks and initiatives that offer the potential to enable all parties in global supply chains to speak the same language have been identified, ranging from country codes, legal entity identifier standards to electronic trade document standards and interoperable digitalization frameworks.

Capacity Building

Looking into a near future, the DSI is partnering with ICC Academy to release an all-new Masterclass in Trade and Supply Chain Digitization. Similar to the way bankers can take a course in INCOTERMS and trade finance qualifications from the ICC, the new Masterclass will provide attendees with a deep understanding of the various components required to digitise trade at scale and how harmonising global standards and legal foundations for digital trade can build effective bridges between previously disconnected "digital islands", facilitating not only data connectivity but also financial inclusion and sustainable growth for all. ■

UPDATE FROM NATIONAL BANKING ASSOCIATION



ڤرساتوان بڠك بروني
THE BRUNEI ASSOCIATION OF BANKS



CHAIRPERSON, THE BRUNEI ASSOCIATION OF BANKS (BAB)
HJH NORAINI BINTI HJ SULAIMAN,
ACTING MANAGING DIRECTOR AND CEO
BANK ISLAM BRUNEI DARUSSALAM (BIBD)

YM Hajah Noraini has been in the financial industry for over 22 years and was appointed as the Acting Managing Director and CEO of Bank Islam Brunei Darussalam (BIBD) on 1 December 2021.

She was previously the Acting Managing Director of Syarikat Takaful Brunei Darussalam, on secondment from BIBD. She was also the Chief Financial Officer for BIBD and has held other accounting and financial roles in various Bruneian companies such as Brunei Shell Petroleum Sdn Bhd.

Currently, she is the director for BIBD At-Tamwil Berhad, BIBD Securities, BIBD Management Services, Pantai Jerudong Specialist Centre and Jerudong Park Medical Centre. She was also a director in Tabung Amanah Pekerja (TAP) and the

Continued from page 10

Chairman for the TAP Audit Committee. She is a member of the Brunei Darussalam Accounting Standards Council.

YM Hajah Noraini is also Chairperson of the BIBD ALAF Board of Trustees. The BIBD ALAF (Advocating Life-Long Learning for Aspiring Future) programme, is BIBD's flagship CSR initiative and is an education-community funding initiative in the form of financial support and assistance.

YM Hajah Noraini has always been passionate on social inclusion programmes and bringing focus towards enhancing public knowledge on financial literacy.

She is also one of the many Bruneian women championing the sustainable development agenda which she believes goes far beyond climate change and being environmentally responsible. She is of the view that sustainable development is about investing

into being socially and commercially responsible now for a better future of our business and lives of our next generation.

On her appointment as Chair of The Brunei Association of Banks (BAB), YM Hajah Noraini said: "On behalf of BIBD, I am honoured to be appointed as Chairman of BAB for 2022-2023 and look forward to connect regionally with our industry peers via the ASEAN Bankers Association (ABA) as we lay our focus on recovering from the Covid-19 pandemic together as one regional economy as well as supporting our governments towards reaching the objective of the United Nations Sustainable Development Goals (UNSDGs) 2030.

"In Shaa Allah, with the support of our regulator and guided by their Financial Sector Blueprint, collectively BAB looks forward to taking a Whole of Nation approach to bring about a strong and sustainable banking industry in Brunei Darussalam. **E**



សហគមន៍ធនាគារនៅកម្ពុជា
THE ASSOCIATION OF BANKS IN CAMBODIA



CHAIRMAN, THE ASSOCIATION OF BANKS IN CAMBODIA (ABC)
MR RAYMOND SIA SAY GUAN,
EXECUTIVE BOARD DIRECTOR AND CEO
CANADIA BANK PLC

Mr Raymond Sia currently serves as the Chief Executive Officer & Executive Board Director of Canadia Bank Plc., and Chairman of Credit Bureau Holding (Cambodia) Ltd. He is now serving the Council of The Association of Banks in Cambodia in his capacity as Chairman for the new term 2022-2023.

Mr Sia has more than 28 years of experience in Banking, Treasury and Financial Services, working his way up during 11 years from a Graduate Trainee to holding multiple senior management roles

as Head of Syndication & Capital Markets and Head of Credit Processing with Public Bank in Malaysia. He then rose to various leadership positions in international and regional banks in Malaysia and Vietnam, namely Standard Chartered Bank (Malaysia & Vietnam). There, he moved up from Director of Local Corporates to Head of Global Corporates, with his last designation as Head of SME Banking & General Director/CEO of Hanoi Branch, Standard Chartered Bank. His highest appointment before Cambodia was Chief Executive Officer at Hong Leong Bank (Vietnam).

Mr Sia joined Canadia Bank Plc. in 2018. Under his leadership, in 2021, the Bank was recognised by The Asian Banker as "The Strongest Bank in Cambodia by Balance Sheet" & "Best Retail Bank", "Best Domestic Bank" by International Finance Magazine and "Best Bank for SMEs" by Asiamoney. **E**



PRESIDENT, BANKERS ASSOCIATION OF THE PHILIPPINES (BAP)
MR ANTONIO C. MONCUPA, JR.,
VICE CHAIRMAN, CEO AND PRESIDENT
EAST WEST BANKING CORPORATION



Mr Antonio 'Tony' C Moncupa, Jr., has been the Chief Executive Officer of East West Banking Corporation since January 2007. He had cumulatively served on the BAP board for 12 years and held various positions, including First Vice President, Treasurer, and Secretary. He was also Chair of the Open Market Committee and Capital Markets Development Committee.

With almost 40 years of banking experience, Tony gained exposure in general bank management, finance, treasury, credit, and risk management. Before joining EastWest Bank, he was the Chief Finance Officer of International Exchange Bank (iBank).

Tony, a certified public accountant, obtained his degrees in Economics and Accounting from De La Salle University and his MBA from the University of Chicago Booth School of Business.

Tony is currently the Vice Chairman of EastWest Rural Bank, Inc., Chairman of EW Insurance Brokers, Inc., and is on the Board of EastWest Ageas Life Insurance, Inc. In addition, he sits on the board of regents of the Polytechnic University of the Philippines. He served on the Board of Bancnet, Philippine Clearing House, Local Government Guarantee Corporation, Philippine Depository and Trust Corporation, and the Market Governance Board of the Philippine Dealing System. Tony was a past President of ACI, The Financial Markets Association. He was also involved in civil society and served on the Board of the Philippine Rural Reconstruction Movement and was a past President of the Rotary Club of Manila Bay. **E**



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ABA SECRETARIAT

Mr Paul C G Gwee, Secretary General

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Hajah Noraini binti Haji Sulaiman, Chairperson
Pengiran Aki Ismasufian bin Pengiran Haji Ibrahim, Vice Chairman
Mr Howard Low Boon Keng, Secretary & Treasurer

The Association of Banks in Cambodia

Mr Raymond Sia, Chairman
Dato Mohd Hanif Suadi, Vice Chairman
Mr Han Peng Kwang, Treasurer

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LETTERS TO THE EDITOR

As part of our aim to promote regional exchange of ideas and information, ASEAN Banker hopes to open a dialogue on issues of importance to our readers. We invite your comments on the stories presented in these pages and welcome articles of relevance to ASEAN Banking. All letters must be signed and include an address with contact telephone or fax number. Letters may be addressed to Mr Paul C G Gwee, Secretary General of ABA.

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ABOUT ASEAN BANKERS ASSOCIATION

The ASEAN BANKERS ASSOCIATION was founded in 1976. From the original five members, namely Indonesia, Malaysia, Philippines, Singapore and Thailand, it became six when Negara Brunei Darussalam joined as a member in 1984. In 1995, Vietnam was admitted into ASEAN as the seventh member and in May 1999, Cambodia was admitted as the eighth member. In July 2001, Myanmar was admitted as the ninth member. In 2004, Lao Bankers' Association was admitted as the tenth member thus making the constituent membership of the Association complete.

TODAY THE MEMBERS ARE:

The Brunei Association of Banks
The Association of Banks in Cambodia
Indonesian Banks Association (PERBANAS)
Lao Bankers' Association
The Association of Banks in Malaysia
Myanmar Banks Association
Bankers Association of the Philippines
The Association of Banks in Singapore
The Thai Bankers' Association
Vietnam Banks' Association

OBJECTIVES OF THE ASSOCIATION ARE:

- to raise the profile of ABA and the ASEAN banking community;
- to strengthen the 'voice' of ASEAN in policy advocacy efforts globally or regionally;
- to contribute to the ASEAN Economic Community (AEC), provide private sector support in alignment with AEC's goal;
- to share banking 'know-how', provide education to promote best-in-class banking practices amongst members countries; and
- to promote active collaboration of ASEAN banking institutions, foster friendship and cooperation amongst bankers.

PRINCIPAL ORGANS OF THE ASSOCIATION

ASEAN BANKING COUNCIL (ABC). The Council, being the executive arm of the Association, meets annually to formulate policies and coordinate activities of the Association which are carried out and implemented through the various Committees.

THE THREE PERMANENT COMMITTEES

which discuss ideas and make recommendations to the Council are:

- Permanent Committee on Cooperation in Finance, Investment, Trade and Technology (COFITT) chaired by The Association of Banks in Singapore.
- Permanent Committee on Banking Education chaired by the Bankers Association of the Philippines.
- Permanent Committee on ASEAN Inter-Regional Relations (IRR) chaired by The Association of Banks in Malaysia.

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