

# ASEAN Banking Integration

*Stronger Regional Banks, More Robust and Inclusive Growth*



The banking system continues to be the most developed financial sector in many ASEAN Member States (AMS), making it a cornerstone of financial integration to support AEC. In December 2014, the ASEAN Central Bank Governors endorsed the ASEAN Banking Integration Framework (ABIF) and its attendant Guidelines. The provision enabling the implementation of ABIF is in the Protocol to Implement the 6<sup>th</sup> Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (AFAS), which was signed by the ASEAN Finance Ministers in March 2015.

ABIF allows banks meeting certain criteria (“Qualified ASEAN Banks” or QABs) to have greater access to other ASEAN markets and more flexibility in operating there. ABIF recognises that some countries are more ready than others to further open up their banking sector and that gaps in market access across AMS still persist. Hence, the current focus is on pursuing bilateral reciprocal arrangements.

Banking integration contributes to both economic growth and financial inclusion. An integrated banking sector means greater competition and improved quality of services, which in turn will spur more trade and investment in ASEAN. Small and medium enterprises (SMEs) and the unbanked will have better access to financing as the lending capacity of ASEAN banks improves. Stronger regional banks can also utilise modern technology to reach out to wider segment of the population.

Banking integration, however, could also mean that risks to financial stability in one country can spill over more quickly to another. Hence, AMS have committed to complement the implementation of ABIF with stronger regulatory and supervisory cooperation arrangements between the home and host ASEAN countries, so that there will be more effective surveillance and supervision of the QABs.

TO LEARN MORE

1. [Protocol to Implement the 6<sup>th</sup> Package of Commitments on Financial Services under AFAS](#)
2. [Joint Statement of the 1st ASEAN Finance Ministers' and Central Bank Governors' Meeting \(AFMGM\) Kuala Lumpur, Malaysia, 21 March 2015 Theme: Our People, Our Community, Our Vision](#)
3. [Summary of Achievements of ASEAN Financial Integration](#)

For more information, please visit <http://www.asean.org/communities/asean-economic-community> or send an email to [aimo@asean.org](mailto:aimo@asean.org).