

ACCELERATING ASEAN'S DIGITAL AND FINANCIAL TRANSFORMATION AGENDA

*Recommendation Whitepaper to the 12th
ASEAN Finance Ministers' and Central Bank
Governors' Meeting (AFMGM)*

Prepared By :

**US-ASEAN Business
Council**

www.usasean.org

2025

Table of Contents

➤ Executive Summary	Page 3
➤ Introduction	Page 6
➤ Improving Regional Competitiveness	Page 7
➤ Digital Trade Facilitation	Page 7
➤ Advancing ASEAN's Financial Services Environment	Page 11
➤ Artificial Intelligence (AI)	Page 13
➤ Private Sector Collaboration in Energy Transition Finance and Social Finance	Page 18
➤ Promote Digital Payment Adoption in ASEAN	Page 20
➤ Foster Innovation and a Level Playing Field in Digital Payments	Page 21
➤ Promote Interoperability and Adopt Global Standards for E-Payment	Page 23
➤ Promote Interoperability and Adopt Global Standards for E-Payment	Page 24
➤ Digital Economy Framework Agreement (DEFA)	Page 27
➤ Conclusion	Page 30

Executive Summary

Improving Regional Competitiveness

- **Digital Signature and Paperless Trade**
 - Use DEFA as a vehicle establishing definition and terminology consistency on e-signatures and digital signatures.
 - AMS should promote the widespread use of digital documentation and improve internal acceptance of e-documents, records, and signatures.
- **Digital Trade Documentation and Finance**
 - AMS should adopt a standard that is interoperable with widely used standards for electronically transmissible records as well as ICC standards for financial services like eUCP and URBPO.
 - AMS should consider open banking and APIs when planning digital trade finance frameworks, and open consultations with stakeholders and market players on implementation details.
- **Digital Trade Infrastructure and System**
 - AMS could strengthen digital infrastructure and systems to enhance their capabilities in facilitating digital trade.

Advancing ASEAN's Financial Services Environment

- **Securitization**
 - Developing the securitization market in the ASEAN region has the potential to drive digital transformation, in alignment with regional and national goals, as well as allow efficient and sustainable flow of capital from the financial system to individuals and SMEs. At the same time, it will create high credit quality investment products for financial institutions.
- **Pooling**
 - Adoption of pooling across more of ASEAN would boost the regional economy and enable more local currency settlement.

Artificial Intelligence (AI)

- **Develop a regulatory framework based on risk, principle, and outcome for AI in ASEAN member states**
 - A policy and regulatory environment that allows innovation to flourish will aid in the deployment of AI, helping to upskill ASEAN workforces and increase efficiency and safety in the provision of financial services.
 - Governments should work closely with relevant sectoral agencies in developing any AI regulatory framework, including in the financial sector, to leverage the expertise and jurisdiction of existing regulatory agencies and ensure a coherent regulatory landscape across all sectors.
 - Governments should adopt policies that facilitate the cross-border transfer of technology and in turn the use of cloud services and the deployment of AI, such as free flow of data across borders.

- **Leverage existing legal frameworks and practices before considering additional regulation**
 - Regulatory approaches to AI integration should respect and enhance existing frameworks, recognizing that insurers and the financial industry have been managing technology-related risks for years.
 - Governments should consider adopting a narrower definition of AI to clarify its distinction from other data-driven tools, allowing any potential guidance to better reflect the realities of AI use in specific sectors.
 - Governments can consider regulatory sandboxes to explore innovation in AI.
- **Avoid the premature over-regulation of AI and evaluate other key near-term aspects of regional competitiveness**
 - Government investment in clear policy, foundational technologies and digital transformation now will be key to government preparedness for impacts of blockchain and AI later.
- **Support talent development**
 - Governments could consider offering financial incentives to help companies invest in talent development. By actively supporting upskilling and strategic talent acquisition, this can build the necessary capabilities and manpower for effective AI implementation and management.

Private Sector Collaboration in Energy Transition and Social Finance

- **Energy Transition**
 - Create opportunities for private funding to crowd in on energy transition projects and create an enabling environment and the right economic conditions to enable the transition.
- **Second Party Opinions (SPOs)**
 - Promote the use of SPOs and other independent assessments of how debt instruments or financing frameworks align to sustainability principles and the extent to which they are expected to contribute to long-term sustainable development.
- **Private Social Finance**
 - Partner with industry and include market-based solutions in the national policy mix, along with existing partnerships with development finance institutions, on climate transition, development and inclusion goals.

Digital Payments

- **Promote Digital Payment Adoption**
 - Consider financial incentives for transitioning to electronic payments in less digitized markets and enhancing financial literacy.
- **Foster Innovation and a Level Playing Field in Digital Payments**
 - RTP Adoption in Government Digital Service Systems
 - Working with the private sector on instant payments
 - RTP Adoption and Payment Security
 - Regulatory changes to combat fraud need to go hand-in-hand with increased alignment between line government agencies overseeing cybersecurity and payment issues
 - Openness to adoption of technology agnostic AI tools that can help predict fraud patterns and be enabling tools for FIs to combat fraud/scams
- **Promote Interoperability and Adopt Global Standards for E-Payments**
 - Standardize payment regulations, fraud risk policies, and compliance requirements across ASEAN markets, such as the EMV Chip, EMV QR, and Payment Card Industry Data Security Standard (PCI DSS).
 - Adopt ISO 20022 and the Universal Financial Industry Message Scheme to improve regional connectivity and consider open-source payments systems (e.g., open APIs) in the payments space.
- **Enable Seamless Cross-Border Payment Connectivity and Data Flows**
 - Ensure that the movement of data is not restricted, considering the need for security and resilience in payment systems, which can be more challenging to achieve where there are data localization requirements.
 - Pursue and foster public-private partnerships and an open and interoperable cross-border ecosystem.

Digital Economy Framework Agreement (DEFA)

- **DEFA should ensure transparent and regionally consistent e-payment regulations across the region, adopting global standards for interoperability**
 - Open-source APIs can foster inclusive, scalable cross-border payments, while frameworks must ensure innovation, fair competition, and separate regulatory and service roles of central banks. Adopting global standards will improve ASEAN's competitiveness.
- **DEFA should draw from existing best-in-class digital agreements such as SADEA and KSDPA while ensuring alignment with ASEAN's unique regulatory landscape**
 - Using existing agreements would balance regulatory flexibility while ensuring businesses can operate across ASEAN without excessive compliance burdens and encourage private sector growth while maintaining financial stability and security. The financial services sector can take a lead in driving DEFA objectives through demonstrating positive outcomes for cross-border flows of trade, data and payments.

Introduction

This report offers industry insights and recommendations to foster growth in ASEAN from the perspective of US-ASEAN Business Council (USABC) financial services and digital sector companies. It highlights opportunities to boost regional competitiveness, including by streamlining business operations and digitizing trade finance. It also addresses the adoption of real-time payments (RTP) in government digital services and payment security, as well as cross-border payment connectivity through harmonized regional e-payment systems. It also encourages balanced artificial intelligence (AI) regulation to encourage innovation within existing frameworks. Our observations and recommendations are made with ASEAN's Digital Economy Framework Agreement (DEFA) in mind, highlighting USABC members' keen interest in the region's continued progress.

With over four decades of collaboration with ASEAN governments, the US-ASEAN Business Council and its members are committed to being partners and resources to ASEAN governments and supporting inclusive and sustainable economic growth for the region. In line with Malaysia's Chairmanship themes and referencing our industry field data and best practices, we share with the 12th AFMGM a range of recommendations on digital transformation and regional competitiveness, digital payments, and regulatory insurance.



Boosting Regional Competitiveness:

Digital Trade Facilitation

It is increasingly essential for the ASEAN region to consider digital trade facilitation to maintain trade competitiveness and enable effective participation in cross-border e-commerce. A shift to electronic trade data and documents, along with enabling their electronic exchange will enable economies to simplify and automate international trade procedures, which directly benefits businesses, including Micro, Small, and Medium-sized Enterprises (MSMEs). These processes include the electronic submission and processing of trade documents, the use of digital signatures and contracts, and e-transferable records. The benefits of this transformation include reduced compliance costs and cheaper operational and inventory costs, as well as indirect savings from timely availability of shipping documents and reducing the errors associated with re-keying of data. With the reduction of clearance times, this can support the faster movement of goods, increase port efficiency, and avoid bottlenecks or logistics slowdowns.

Digital contracts offer several advantages, including:

- Streamlined processes and improved operational efficiency.
- Remote access and approval, enhancing logistics.
- Reduced errors, centralized processes, and faster agreements.

Importantly, the use of electronic rather than paper documents enhances regulatory control and compliance by governments, especially when relevant data and documents can be exchanged among agencies and across borders in a timely manner, allowing trade-control agencies to more efficiently evaluate the compliance risks associated with individual shipments.



The Council recommends the following approaches on digital trade facilitation:

Enabling Paperless Trade with Digital Signatures:

Reforming electronic and digital signatures laws will better enable digital trade and unlock economic value in ASEAN. In a 2022 recommendation, the Council highlighted the importance of moving towards paperless trade and e-signatures, and recommended commitments to eliminate all paper-based exchanges of documents in the DEFA. While many countries have established legal and regulatory frameworks governing the adoption, permissibility and use of e-signatures and digital signatures, there is a lack of consistency in definitions and basic terminology. This inconsistency impedes the establishment of consistent rules on the use of e-signatures and digital signatures, and could be remedied by using DEFA to establish the required consistency. The Council reiterates the importance of DEFA as an useful tool for establishing consistency in definition and terminology for key basic terms to establish legal certainty and coherence.

ASEAN Member States (AMS) should also individually encourage greater acceptance of digital documentation in their national approaches to digital trade. This includes encouraging local authorities to accept electronic documents and records affixed with e-signatures and digital signatures, such as email approvals, in lieu of traditional 'wet' signatures, specifically where e-signature and digital signature use is permitted by law.

When crafting legislation and regulations, governments will benefit greatly from consultation with industry to ensure that regulations account for requirements for individual citizens and corporate use cases. For example, regulation requiring biometric capture is used by some governments to target individuals, but applying the same rules to corporations creates compliance issues and reduces efficiency. Similarly, some regulations on credit card applications apply to both individuals and corporations (for example, purchase cards or travel cards) but do not account for the difference between individuals and corporations. Advance consultation with industry can ensure that potential legislation appropriately accounts for compliance from corporations and individuals.

Interoperable Standards for Acceptance of Electronic Documents:

AMS can also consider the adoption of key standards and legislation that will enable digital trade in the region while combating fraud. These include the UNCITRAL Model Law on Electronically Transmissible Records (MLETR), the Electronic Uniform Customs and Practice (eUCP), and the Uniform Rules for Bank Payment Obligations (URBPO):

1

MLETR plays a crucial role in enabling the legal recognition of electronic trade documents, including those under eUCP transactions.

2

eUCP is a set of rules developed by the International Chamber of Commerce to guide how financial institutions handle electronic documents in letters of credit. The previous set of rules, UCP 600, did not cover the handling of electronic documents. Today, the eUCP is widely accepted as it includes instructions for the use of electronic documents which reduces the significant volume of paper documentation (invoices, bills of lading, etc.), though it has not been universally adopted.

3

URBPO is another useful set of rules from the International Chamber of Commerce, guiding how banks handle a type of trade payment method called a Bank Payment Obligation. The BPO allows banks to promise payment based on matching electronic data, as opposed to cross-referencing several physical documents. Development and adoption of these standards will lay the groundwork for countries to keep up with the advancing pace of digital trade.

The financial services industry is also increasingly adopting Open Banking and API technology to give clients open, quick and automated access to trade finance, improving visibility and control and lowering costs. Open banking is a framework that allows others in the trade finance network to access a customer's financial information held by banks (such as through a blockchain-powered platform) using APIs, which facilitate the exchange of digital trade documents between relevant parties in a trade finance transaction with increased efficiency and improved compliance. Countries like Singapore, Hong Kong, Korea, the US and Australia have been active in open banking implementation. In some cases, industry-led approaches have enjoyed more success than regulatory-led processes – for instance, in the case of the US, Financial Data Exchange (FDX) brought industry (FIs, data aggregators, third parties, etc.) together to develop common API standards and has been recognized by the Consumer Financial Protection Bureau (CFPB) as an official standard setting body. Developments in open banking have significant potential for GDP growth, particularly in emerging markets. We recommend that AMS consider open banking and APIs when planning their digital trade finance frameworks, and open consultations with stakeholders and market players on implementation details, best practice, and standards.



Advancing ASEAN's Financial Services Environment

Securitization

In recent years, securitization has proved to be a major catalyst to accelerate the digitalization in both consumer and SME finance industries in many developed markets, and in countries such as China and India. This trend has resulted in significant improvements in livelihood for rapidly growing middle-income populations. Securitization, a type of capital market transaction that channels liquidity from banks and institutional investors to consumers and SMEs, has been an important enabler in many developed markets to support responsible lending and financial inclusion in society. Under a well-designed regulatory framework, as proven in many developed markets, securitization can act as a conduit to allow efficient and sustainable flow of capital from the financial system to individuals and SMEs, while at the same time creating high credit quality investment products for financial institutions. However, the securitization market is still developing in many ASEAN economies.

Pooling

Pooling is a cash management technique that allows companies to consolidate the balances of multiple subsidiary accounts into a central master account. This process, typically executed at the end of each day, optimizes liquidity by offsetting surplus funds against deficits across different entities. Physically concentrating their cash positions (both positive and negative) across multiple accounts (possibly in multiple branches) into a single concentration or header account – managed by their central treasury or in-house bank – gives companies visibility & control of cash. It can provide a simple and efficient solution for companies to help maximize their interest income and/or reduce interest costs across multiple accounts in their cash management pool.

Pooling will promote regional economic growth and trade competitiveness by reducing exchange rate risks and enables corporates to be more competitive in international deals, ensuring stable pricing and predictable cash flow. It will create a more attractive foreign direct investment (FDI) environment as well – allowing corporates access to multi-currency solutions signals a sophisticated and progressive financial system. In alignment with ASEAN's own local currency settlement (LCS) initiative, pooling reduces reliance on the US dollar for trade settlement and promotes transactions in local currency. And, in markets where corporates use regular frequency inter-company sweeping, pooling helps reduce currency market volatility. Finally, as pooling reduces corporates' over-reliance on offshore markets and/or high-risk external debt for foreign currencies, it develops deeper local capital markets and reduces systemic financial risk.

USABC recommends the following to advance regional financial services:

Develop the securitization market in ASEAN

- Improve and clarify legal frameworks for securitization transactions
- Simplify and shorten the regulatory approval process
- Clarify the tax obligations for securitization issuers

Adopt pooling in respective economies of ASEAN Member States

- Consider allowing banks measured relaxation in their after-hours liquidity management and limits (e.g., single borrower limits), which will support scaled use of real-time, 24/7 payments & cross-border sweeps whilst managing banks' liquidity costs, without displacing local market liquidity.
- Simplifying by moving to one-time client approvals leveraging one-time digital documentation submission with annual digital renewals will help companies to operate more effectively through their centralized global and/or regional treasury centers.
- Allowing banks measured relaxation in their afterhours liquidity management and limits (e.g., single borrower limits) will support scaled use of real-time, 24/7 payments and cross-border sweeps while managing liquidity costs, without displacing local market liquidity.

IN SUMMARY

Securitization

Developing the securitization market in the ASEAN region has the potential to drive digital transformation, in alignment with regional and national goals, as well as allow efficient and sustainable flow of capital from the financial system to individuals and SMEs. At the same time, it will create high credit quality investment products for financial institutions.

Pooling

Adoption of pooling across more of ASEAN would boost the regional economy and enable more local currency settlement.

Artificial Intelligence (AI)

Develop AI regulatory frameworks based on risk, principle, and outcome in ASEAN member states:

As AMS develop guidelines or regulatory frameworks for AI, we recommend an approach that is based on risk, principle, and outcome. Regulations should be flexible, future-proof and leverage existing risk practices that align with industry norms to allow for continued technological advancements.

Like many other sectors, the financial services industry has leveraged artificial intelligence (AI) in a broad array of applications. Financial services companies, including USABC members, have leveraged both traditional AI and generative AI in fraud detection and risk assessments, as well as to improve customer service. The deployment of AI tools in ASEAN economies has also played a vital role in upskilling their workforces. The potential economic impact of AI in the region is considerable, as AI could add nearly US\$1 trillion to ASEAN's GDP by 2030.^[1]

A regulatory environment that allows responsible innovation to develop, while taking into account the need to address any risks, will aid in the deployment of AI in ASEAN, helping to upskill ASEAN workforces and increase efficiency and safety in the provision of financial services. Data localization requirements pose challenges to the degree of accuracy and insights of AI models, as the data needed to train these models often originates from different jurisdictions. Enabling the flow of cross-border data will be important for the effective development and deployment of AI in financial services.

In developing any AI framework, AMS should continue working closely with relevant sectoral agencies, including in the financial sector. This way, governments can leverage the expertise and remit of existing regulatory agencies to ensure a coherent regulatory landscape, and a policy and regulatory environment that allows innovation to develop. A policy and regulatory environment that allows innovation to flourish should also facilitate the free flow of data across borders, which will allow for the cross-border transfer of technologies and aid in the deployment of AI.

[1] Kearney, 2020. Racing toward the future: artificial intelligence in Southeast Asia. Accessed 12 March 2025. <https://www.middle-east.kenney.com/service/digital-analytics/article/-/insights/racing-toward-the-future-artificial-intelligence-in-southeast-asia>

Leverage existing legal frameworks and practices before considering additional regulation

Many risks associated with AI, such as bias in credit decision-making, fraud, and cybersecurity threats, are already covered by existing laws and regulatory frameworks. Regulators should focus on ensuring these frameworks are effectively applied to AI-driven systems rather than creating duplicative or redundant AI-specific rules.

AMS should consider leveraging on existing business practices and building on them to take into account the evolving nature of AI, when developing new policy initiatives. For example, financial institutions and the insurance industry operate under strong regulatory frameworks and have a long history of using data and technology when considering risk. Insurance providers have traditionally employed basic algorithms or predictive models, and from a risk perspective, AI does not present entirely new risks as insurers have been managing technology-related risks for years. Today, AI serves as an essential tool for insurers, enhancing efficiency, accuracy, and overall value for insurance consumers. This includes improved customer experiences, quicker claims settlements, enhanced risk assessments, more precise risk-based pricing, and more efficient, potentially less expensive products and services. Currently, insurers utilize AI across various business functions, including rating, underwriting, claims processing, fraud detection, marketing, and loss prevention. Implementing overly prescriptive regulatory measures for AI in insurance could lead to excessive compliance burdens and deter insurers from exploring valuable AI applications due to high compliance costs, ultimately stifling innovation and consumer benefits.

In the case of already heavily regulated industries like financial services and insurance, policymakers should consider how to strike the right balance among regulation, innovation, and competition. These industries are already heavily regulated and have established risk management frameworks designed to address the risks associated with AI. Insurers have already implemented robust measures to prevent unfair discrimination and adhere to applicable consumer protection laws. In many jurisdictions, sophisticated legal frameworks exist that govern the types of data and how insurers may use it in their operations. As such, we recommend that development of an AI framework that affects specific sectors should be done with consultation of the sector, and that the definition of AI also clarify its distinction from other existing and widespread data-driven tools to provide guidance to better reflect the realities of AI use in the insurance sector. To ensure a seamless approach to addressing AI risks, AMS should leverage existing institutional infrastructures to address sector-specific AI risks while staying closely connected with global developments in AI governance, as guidance for a broader, horizontal approach that safeguards national and regional competitiveness.

Avoid the premature over-regulation of AI and evaluate other key near-term aspects of regional competitiveness:

The Council recommends that AMS prioritize investment in foundational technologies and digital transformation, which underpin instant payments and digital trade. These will have a great near-term impact on regional competitiveness and economic growth. In 2024, only 23% of surveyed organizations in Southeast Asia were found to be at a transformative stage in their AI adoption journey.^[2] When surveyed, 36% of banks identified 24/7/365 operations as the most impactful near-term innovation and 54% identified blockchain and AI as transformative forces in the next 5-10 years. However, as venture capital investment in AI also remains heavily concentrated in certain markets, there are significant opportunities for AMS to further realize the productive and economic gains from AI.^[3] Government investment in clear policy frameworks, connectivity, and digital transformation in the near-term will be key to government preparedness for impacts of blockchain and AI later.

ASEAN policymakers would benefit significantly from continued close collaboration with the financial services industry on emerging technologies, which would provide policymakers with insights into how different emerging technologies function in industry-specific settings. This will enable informed, proportionate regulatory responses that protect consumers while enabling the region to remain competitive in the global digital economy.

[2] SAS, 2024. The IDC Data and AI Pulse: Asia Pacific. <https://www.sas.com/content/dam/SAS/documents/analyst-reports-papers/en/en-idc-data-and-ai-pulse-asia-pacific-2024-114075.pdf>

[3] OECD.AI, powered by EC/OECD, 2021. Database of national AI policies. Accessed 26 March 2025. <https://oecd.ai/en/dashboards/overview>.

USABC recommends the following for the treatment of AI:

- ***Develop a regulatory framework based on risk, principle, and outcome for AI in ASEAN member states***
 - A policy and regulatory environment that allows innovation to flourish will aid in the deployment of AI, helping to upskill ASEAN workforces and increase efficiency and safety in the provision of financial services.
 - Governments should work closely with relevant sectoral agencies in developing any AI regulatory framework, including in the financial sector, to leverage the expertise and jurisdiction of existing regulatory agencies and ensure a coherent regulatory landscape across all sectors.
 - Governments should adopt policies that facilitate the cross-border transfer of technology and in turn the use of cloud services and the deployment of AI, such as free flow of data across borders.
- ***Leverage existing legal frameworks and practices before considering additional regulation***
 - Regulatory approaches to AI integration should respect and enhance existing frameworks, recognizing that insurers and the financial industry have been managing technology-related risks for years.
 - Governments should consider adopting a narrower definition of AI to clarify its distinction from other data-driven tools, allowing any potential guidance to better reflect the realities of AI use in specific sectors.
 - Governments can consider regulatory sandboxes to explore innovation in AI.
- ***Avoid the premature over-regulation of AI and evaluate other key near-term aspects of regional competitiveness***

Government investment in clear policy, foundational technologies and digital transformation now will be key to government preparedness for impacts of blockchain and AI later.

- ***Support talent development***

Governments could consider offering financial incentives to help companies invest in talent development. By actively supporting upskilling and strategic talent acquisition, this can build the necessary capabilities and manpower for effective AI implementation and management.

IN SUMMARY

- ***Develop a regulatory framework based on risk, flexibility, principle, and outcome for AI in ASEAN member states, along with the provision of an initial set of guiding principles that allow companies to align with the local framework during the transition.***
- ***Consider the development of AI along with pre-existing regulations and consumer protections currently in place before pursuing new policy initiatives.***
- ***Governments can consider regulatory sandboxes to explore innovation in AI for insurance.***
- ***Avoid the premature over-regulation of AI and evaluate other key near-term aspects of regional competitiveness.***
- ***Provide support for talent development, thereby facilitating upskilling and talent acquisition to build the necessary capabilities and manpower for effective AI implementation and management.***



Private Sector Collaboration in Energy Transition Finance and Social Finance

ASEAN governments have a significant need for investments that create jobs, increase access to essential services, support domestic economic growth, and support sustainability and inclusion. While this is often sought from development finance institutions, the financial services industry also has mechanisms to help governments reach these goals and improve the lives of their citizens. Financial institutions offer market-based solutions for addressing issues like energy infrastructure, job creation, and essential services, providing governments with additional options outside traditional sources like MDBs and NGOs.

Promoting Transition Finance Mechanisms

Since 2015, the call to action has been to leverage private sector financing, and investment in the global energy transition has reached \$2.1tn. This has doubled since 2020. Globally, spending showed a clear divide between mature and emerging technologies. In 2024, spending on EVs was up 20%, grids 15%, renewable energy 8% and energy storage 36%; collectively they accounted for \$1.93tn of the investment. Global investment in nuclear remained constant at \$34bn, while investment in CCS fell 50% to \$6bn and hydrogen dropped 42% to \$8.4bn.^[4] In contrast, global demand for renewable energy continues to grow, driven by solar and wind, and increasingly plays a significant role in the global economy. This divide is the result of a more pragmatic energy transition based on a more realistic understanding of differing technical capabilities and costs. To meet long-term regional energy demand, investments in diversified energy infrastructure will be essential for AMS to consider. As ASEAN countries consider issues of energy security and affordability, the Council would like to highlight the foreign private sector as a potential partner in underwriting progress on climate transition.

Second Party Opinions

Sustainable debt markets play an important role in supporting transition financing by providing the necessary capital for companies and sectors to move toward more sustainable practices. The global sustainable bond issuance is expected to total \$1 trillion in 2025. As demand continues to grow for independent analysis of sustainable financing frameworks, Second Party Opinions (SPOs) of green, social, sustainability and sustainability-linked bonds and loans bring clarity to the sustainability impact of financing frameworks and instruments and their alignment to market standards. Nearly half of SPOs focus on climate mitigation projects including renewable energy, energy efficiency, green buildings, and clean transportation, aiding the transition to a low-carbon economy.

[4] BloombergNEF, 2025. Energy Transition Investment Trends 2025. Accessed 26 March 2025. https://assets.bbhub.io/professional/sites/24/951623_BNEF-Energy-Transition-Trends-2025-Abridged.pdf

Private Social Finance

The private sector supports AMS in improving financial inclusion, providing basic infrastructure, job creation, and enabling access to essential services, education, and affordable housing. Some recent examples of success in Southeast Asian economies include expanding microfinance loan portfolios focusing on MSMEs and women entrepreneurs, issuing emerging market social bonds, and financing loans to small/marginal farmers. Social finance has also been used to expand off-grid solar energy solutions for households as well as asset backed securitization to provide financing to underbanked migrant workers. Major FIs take these commitments very seriously and have set ambitious targets for meeting them.

USABC recommends the following:

- **Energy Transition**

Create opportunities for private funding to crowd in on energy transition projects and create an enabling environment and the right economic conditions to enable the transition.

- **Second Party Opinions (SPOs)**

Promote the use of SPOs and other independent assessments of how debt instruments or financing frameworks align to sustainability principles and the extent to which they are expected to contribute to long-term sustainable development.

- **Private Social Finance**

Partner with industry and include market-based solutions in the national policy mix, along with existing partnerships with development finance institutions, on climate transition, development and inclusion goals.

IN SUMMARY

- ***Create opportunities and the right economic conditions for private funding to support energy transition and embrace social finance initiatives from industry to amplify existing initiatives and supplement support from DFIs.***
- ***Invest in high quality regulatory environment that will enable foreign investors to underwrite progress on climate transition.***

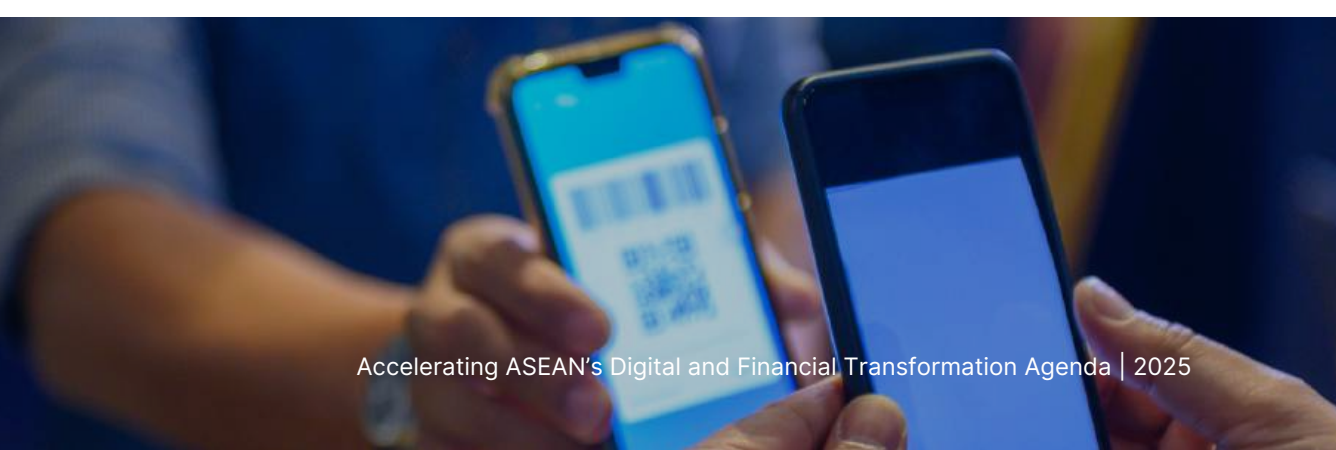
Digital Payments

Promoting Digital Payment Adoption in ASEAN

ASEAN is at the forefront of digital transformation in financial services, with almost all ten AMS having established and adopted low-cost national Quick Response (QR) payment channels. Consumers in ASEAN are also rapidly embracing digital financial services, including digital payments. This trend is also prevalent at the institutional level, with corporations, financial institutions, and governments all increasingly reliant on digital payments.

The growth of digital payment in the region could also serve as an enabler to facilitate business growth in the region, particularly for MSMEs. Digital payments could support MSMEs, which account for 97% of businesses in the region, by improving cash flow through faster payment processes; reducing costs associated with printing, mailing, and processing checks; increasing sales by providing more payment options for customers; and improving access to finance for the MSMEs. Digital payments for business and government will also increase efficiency domestically and across borders. A drive toward digitizing economic activity will have outsized benefits for rural populations, improve bankability, contribute to digital inclusion, and assist governments in streamlining payments.

Governments should continue to partner with the private sector to educate consumers and merchants about the benefits and use of digital payments to ensure that as digitization continues apace, certain segments of society are not left behind. Less digitized markets in ASEAN can consider incentivizing the transition toward credit/debit/prepaid cards and digital wallets for individuals, businesses and governments and prioritize expansion of banking services to unbanked populations regionally. Promoting education is an important aspect for businesses and consumers to successfully adopt digital payments. Education and awareness campaigns are effective at familiarizing consumers with the solutions and the expected benefits of usage. Regulators can continue to work closely with industry stakeholders to educate businesses and consumers on the benefits of digital payment systems and how to use them effectively.



Foster Innovation and a Level Playing Field in Digital Payments

Historically, with a few exceptions, regulators have focused on issues within their domestic jurisdictions; however, as business models and technology evolve, some traditional domestic issues are increasingly cross-border considerations. There are many benefits to regional cooperation on digital payments and connecting the regional to the digital economy. ASEAN member states should create conditions for open competition and a level playing field in the payments industry.

This includes removing barriers to investment, developing clear and simplified regulatory guidance and frameworks, and encouraging partnerships among all players in the ecosystem, including financial institutions, fintechs, retailers, and payment networks.

AMS should foster and sustain open competition and a level playing field in the payments industry and promote the development of a range of payment systems and solutions that bring value and choice to users and participants. This can be done by removing barriers to investment, developing clear and simplified regulatory guidance and frameworks, adopting global interoperable standards, and making Real Time Payments (RTP) participation mandatory among all players in the ecosystem, including financial institutions, fintechs, retailers and payment networks.

RTP Adoption in ASEAN

The payments industry is shifting, as account-to-account (A2A) rails and RTP gain market share. The accelerated adoption of RTP in ASEAN provides clear benefits for the economy, business, and consumers and AMS' progress on cross border bilateral QR linkages under the ASEAN Payment network are laudable. The Bank of International Settlement's (BIS) Innovation Hub's Project Nexus aims to connect domestic instant payment systems (IPS) across ASEAN countries, though there are some unresolved governance concerns, such as enforcing network rules and addressing non-compliance by participants.

Customers are moving increasingly online for payments, and the experience of payment will become more seamless and purely digital. As commerce moves online and the geopolitical environment continues to evolve, regulations are shifting, and clients are adapting their business models to mitigate risks and to stay closer to end customers, embedding payments in the digital journey to win business.

This has created a demand for instant payment systems, which facilitate electronic payments such that the transmission of the payment message and the availability of final funds to the payee occur in real-time, on a 24-hour, 7-days-a-week, 365-days-a-year basis.

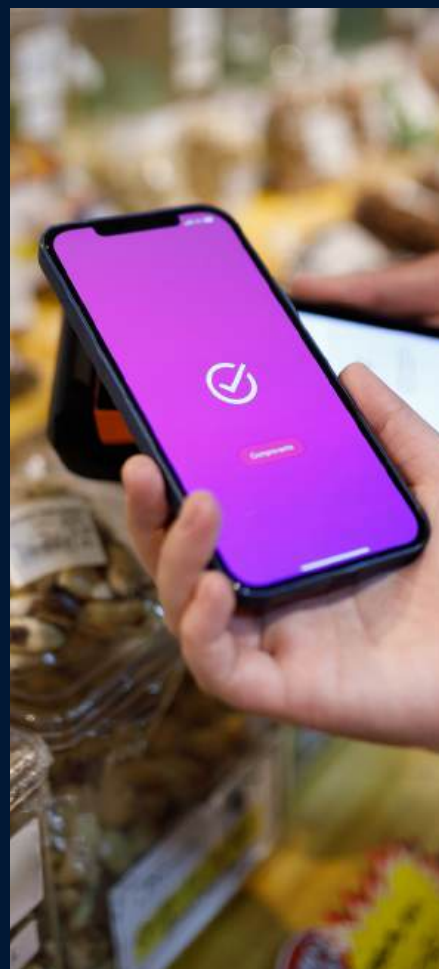
Instant payments at the individual level are driving demand for similar availability at corporate level, as well as from governments. Continued progress is transforming the corporate banking experience as digital natives seek fast, cheap, and seamless payments in all sectors of their lives, and this standard is also likely to apply to governments offering payment systems. Partnering with industry offers AMS a way to supercharge their own efforts to digitalize, leveraging private sector experience in markets around the world to bring best-in-class service to citizens.

Central banks should ensure that requirements for participation in RTP systems are transparent, consistent and predictable to encourage and enable the participation of banks and non-bank institutions that can add value to RTP systems.

RTP Adoption and Payment Security

The accelerated adoption of RTP in the region, while providing clear benefits for the economy, business, and consumers, also comes with vulnerability to fraud and scams. To address this concern, all AMS have placed combating RTP fraud and scams as a national agenda and many have begun implementing policy changes to build financial cyber resiliency so Southeast Asia can continue to maximize the benefits of digitalization.

Improvements across ASEAN will need to include open technology standards and enhanced API connectivity, as well as technology agnostic AI tools that can help to combat fraud and detect scams. Technological solutions are needed to sift through the vast amounts of real-time digital payment data. Solutions like this can provide a higher level of security against scammers, resulting in better protection and security for users, and more confidence when sending and receiving instant payments.



Promote Interoperability and Adopt Global Standards for E-Payment:

The ASEAN payments ecosystem faces significant challenges due to inconsistencies in regulatory frameworks, fragmented adoption of payment systems, and varying levels of technological readiness across member countries. ASEAN governments should prioritize providing regulatory clarity in their respective payments policies and focus on designing forward-looking policies that account for interoperability from the outset. For digital payments to bring positive multipliers to AMS, linkage and interoperability with existing payment rails and international payment networks are needed. This will enable citizens and inbound tourists to make card and QR payments with security innovation provided by international payment networks.

In driving greater interoperability, AMS should adopt these internationally recognized standards:

1

Electronic Payments: Follow the EMV Chip and EMV QR, and the Payment Card Industry Data Security Standard (PCI DSS), global standards designed for secure payment and protect cardholder data of users.

2

Electronic Data Exchange: Follow ISO 20022 and the Universal Financial Industry Message Scheme to improve regional connectivity and facilitate data exchange across ASEAN. Open-source payments systems (e.g., open APIs) can also be implemented as part of this ecosystem, and ISO 20022 can add value by providing the common business process data semantics to be used in those API-based exchanges.

Promoting regulatory alignment among AMS is critical to ensuring interoperability of instant payment systems in ASEAN. Achieving cross-border interoperability as a region requires aligning with multiple regulatory requirements, which can be time-consuming and challenging for the private sector to navigate. In contrast, regional adoption of global standards for payments creates a system that scales and keeps up with global innovation, keeping AMS competitive and accelerating the creation and deployment of interoperable payment platforms that can scale domestically and across borders.

Enable Seamless Cross-Border Payment Connectivity and Data Flows:

The ability to easily share data, including financial services data, across borders is essential for the advancement of commercial interests and public policy objectives in ASEAN's digital economy. Cross-border data flows allow for the sharing and exchange of ideas, which fosters innovation. Companies can learn from each other, compete, and collaborate on a global scale, facilitating the creation of new products, services, and technologies. This is not only vital to making the region attractive to multinational corporations, but also to helping companies from the ASEAN region scale and grow globally.

Data collection and information sharing across borders are indispensable for effective cross-border supervision, oversight, and enhanced risk management for both regulators and cross-border payment services providers, extending as well to industry use of cloud services. Data localization requirements restrict the transfer of data required for processing cross-border transactions and conducting AML/CFT functions, reducing efficiency and security, as well as increasing costs for cross-border payments. Such requirements are often premised on misconceptions about the level of control over, or security of data, which, from a technical perspective, is not dependent on the location of the data, and have a dampening impact on the development of ASEAN's digital economy.

Data localization requirements on the grounds of national security can actually be detrimental to national security goals as they would reveal the location of data to cybercriminals and prevent financial institutions from using the highest security industry-standard enterprise services, many of which are cloud-based. Efforts to secure data by localizing it generally make that country's citizens' data less safe. Removing data localization requirements can also enhance ability to leverage more advanced security capabilities, improving the security posture of the financial sector.

As ASEAN governments seek to make cross-border payments more efficient, USABC encourages an approach that avoids new or duplicative regulation and encourages innovation, such as the Financial Stability Board's (FSB) G20 Roadmap for Enhancing Cross-Border Payments. Public-private partnerships and an open and interoperable cross-border ecosystem could combine trusted technology and services with modernized infrastructure that can help support the current and future needs of governments, financial institutions, and consumers worldwide.

USABC recommends the following for Digital Payments:

1. Promote Digital Payment Adoption

- a.** Consider financial incentives for transitioning to electronic payments in less digitized markets and enhancing financial literacy

2. Foster Innovation and a Level Playing Field in Digital Payments

- a.** Consider financial incentives for transitioning to electronic payments in less digitized markets and enhancing financial literacy
 - i.** Working with the private sector on instant payments
- b.** RTP Adoption and Payment Security
 - i.** Regulatory changes to combat fraud need to go hand-in-hand with increased alignment between line government agencies overseeing cybersecurity and payment issues
 - ii.** Openness to adoption of technology agnostic AI tools that can help predict fraud patterns and be enabling tools for FIs to combat fraud/scams

3. Promote Interoperability and Adopt Global Standards for E-Payments

- a.** Standardize payment regulations, fraud risk policies, and compliance requirements across ASEAN markets, such as the EMV Chip, EMV QR, and Payment Card Industry Data Security Standard (PCI DSS)
- b.** Adopt ISO 20022 and the Universal Financial Industry Message Scheme to improve regional connectivity and facilitate data exchange across ASEAN, and consider open-source payments systems (e.g., open APIs) in the payments space

4. Enable Seamless Cross-Border Payment Connectivity and Data Flows and Standards for E-Payments

- a.** Ensure that the movement of data is not restricted, considering the need for security and resilience in payment systems, which can be more challenging to achieve where there are data localization requirements
- b.** Pursue and foster public-private partnerships and an open and interoperable cross-border ecosystem

IN SUMMARY

- *The fragmented regulatory landscape across ASEAN markets poses significant challenges for banks operating within the region.*
- *To address these issues, enhance interoperability, support cross-border initiatives like Project Nexus, reduce barriers for foreign banks, and promote digital payment adoption.*
- *We encourage policymakers to remember that digital payments are used by corporations and FIs as well as individual consumers. When crafting digital payments regulations and legislation, this fact must be accounted for to guard against unintended effects of well-intentioned rules.*
- *By implementing these measures, ASEAN can create a more integrated and efficient payment ecosystem that supports economic growth and financial inclusion.*



Digital Economy Framework Agreement (DEFA)

The Digital Economy Framework Agreement (DEFA) is a crucial tool for fostering regional cooperation and unlocking the full potential of digital innovation and investment. The Council commends ASEAN's ambitious goal of a meaningful conclusion by end-2025, recognizing that a strong DEFA will translate into solid and continuing growth of ASEAN's digital economy.

Consistency Across the Region and Adoption of Global Standards

The Council recommends that DEFA facilitate the use of open platforms and architectures. Further, we recommend tools and protocols provided for through APIs that encourage payment service providers to safely and securely make APIs for their products and services available to third parties, where possible, to facilitate greater interoperability, innovation and competition in electronic payments. Such policies are not only beneficial to consumers, merchants, and businesses, they improve the quality of a platform by facilitating innovation and competition. APIs are also good for the resilience and sustainability of the e-payment system, allowing it to remain innovative over time as APIs facilitate the introduction of new financial and electronic payment products and services in a timely manner. However, there are also businesses that will be best served by traditional payments (e.g. batch), and we encourage ASEAN policymakers to retain a holistic payments environment as part of DEFA. DEFA should set a regional baseline for all AMS, which improves the economic competitiveness and economic integration of ASEAN as a region. Given the significance of elements such as trusted cross-border trade, data and payment flows in the DEFA, there is an important opportunity for the financial services sector to lead on these fronts in driving the DEFA.

DEFA Should Draw from Existing Best in Class Digital Agreements

One source of value that comes from regional agreements like DEFA comes from the promotion of interoperability, which ensures that businesses can operate across ASEAN without excessive compliance burdens, encouraging private sector growth while maintaining financial stability and security. To harness the potential of DEFA, governments must ensure that policies and regulations do not create barriers that favor one player over another based upon geography or nationality.

A level playing field benefits businesses, consumers, and governments alike by fostering competition, driving innovation, and lowering costs. The Council is supportive of policies that promote innovation and fair competition, and prioritize interoperability, regulatory transparency, and inclusiveness.

AMS can utilize existing digital and financial agreements as models, such as the Singapore-Australia Digital Economy Agreement (SADEA) and the Singapore Digital Partnership Agreement (KSDPA), which emphasize non-discriminatory treatment and fair competition rules.

For example, the SADEA and KSDPA include goals of fostering the adoption and use of internationally accepted standards for electronic payments, promoting interoperability and the interlinking of electronic payment infrastructures, encouraging innovation and competition in electronic payments services, and adopting consumer protection measures and choice to promote consumer trust in electronic payments.



USABC recommends the following for DEFA:

- ***DEFA should ensure transparent and regionally consistent e-payment regulations across the region, adopting global standards for interoperability***

Open-source APIs can foster inclusive, scalable cross-border payments, while frameworks must ensure innovation, fair competition, and separate regulatory and service roles of central banks. Adopting global standards will improve ASEAN's competitiveness.

- ***DEFA should draw from existing best-in-class digital agreements such as SADEA and KSDPA while ensuring alignment with ASEAN's unique regulatory landscape***

Using existing agreements would balance regulatory flexibility while ensuring businesses can operate across ASEAN without excessive compliance burdens and encourage private sector growth while maintaining financial stability and security. The financial services sector can take a lead in driving DEFA objectives through demonstrating positive outcomes for cross-border flows of trade, data and payments.

IN SUMMARY

- ***DEFA should ensure transparent and regionally consistent e-payment regulations across the region, adopting global standards for interoperability as well as considering the needs of both consumers and corporates.***
- ***Using successful digital agreements as a benchmark/model will enable adoption of best practices and allow AMS to tailor the agreement to ASEAN's unique regulatory landscape.***

Acknowledgement and Conclusion

About US-ASEAN Business Council

For over 40 years, the US-ASEAN Business Council has been the premier advocacy organization for US corporations operating within the dynamic Association of Southeast Asian Nations (ASEAN). Worldwide, the Council's membership, more than 180 companies, generate over US\$6 trillion in revenue and employ more than 13 million people. Members include the largest US companies conducting business in ASEAN and range from newcomers to the region to companies that have been working in Southeast Asia for over 100 years.

We believe opening and investing in the sustainability of efficient, resilient, and competitive markets are critical to the continued growth of our member companies and innovation and job creation in the United States and Southeast Asia.

The Council has offices in: Washington, DC; New York, NY; Bangkok, Thailand; Hanoi, Vietnam; Jakarta, Indonesia; Kuala Lumpur, Malaysia; Manila, Philippines; and Singapore. The Council's Financial Services Committee is made up of the world's leading financial services institutions and market participants operating in Asia's most dynamic regional economic community.

Website

www.usasean.org