

**Joint Statement of the 2nd ASEAN Finance Ministers' and Central Bank
Governors' Meeting (AFMGM), Vientiane, Lao PDR, 4 April 2016
Theme: Turning Vision into Reality for a Dynamic ASEAN Community**

Introduction

1. We, the ASEAN Finance Ministers and Central Bank Governors, convened the Joint Meeting of the ASEAN Finance Ministers and Central Bank Governors under the co-chairmanship of H.E. Dr. Liane Thykeo, Minister of Finance of Lao PDR, and H.E. Dr. Somphao Phaysith, Governor of the Bank of Lao PDR.
2. We, the ASEAN Finance Ministers and Central Bank Governors together with the ASEAN Secretary-General, expressed our gratitude to the Honourable Mr. Thongsing Thammavong, Prime Minister of Lao PDR, for meeting us at the Government Office.
3. We continue our commitment to promote economic growth and financial stability in the ASEAN region, amid uncertainties in the global economy. We exchanged views with the Asian Development Bank (ADB), the World Bank, the International Monetary Fund (IMF) and the ASEAN+3 Macroeconomic Research Office (AMRO) on the economic outlook, risks, opportunities and policy challenges facing our region, in our effort to foster sustainable and inclusive growth.
4. We welcomed the successful launch of ASEAN Economic Community (AEC) and its Blueprint 2025 that will guide us in our regional cooperation for the next ten years. We endorsed the Strategic Action Plans for ASEAN financial Integration 2025 that have been developed by the Working Committees. We are committed to implementing the Strategic Action Plans to promote financial integration, financial inclusion and financial stability in our region, in support of ASEAN macroeconomic stability and growth.

Regional Economic Update and Policy Challenges

5. We noted that the ASEAN economy grew by 4.4 percent in 2015, despite challenges in the global economy. Going forward, domestic demand will continue to support growth in our economies. Investment in the ASEAN region will be driven in part by infrastructure development to improve connectivity. Nonetheless, we are mindful that there are downside risks arising from external factors this year.
6. In facing the challenging external environment, we are committed to implementing appropriate monetary, fiscal and macroprudential policies to maintain sustained economic growth and promote macroeconomic and financial stability. We will continue to engage in multilateral discussions in the areas of macroeconomic policy and financial cooperation in the ASEAN region. The implementation of structural reforms remains a key priority for the region. These reforms are aimed at strengthening the functioning of our economies. We also agreed to intensify our cooperation and

integration initiatives to strengthen the ASEAN region's resilience against potential market vulnerabilities, external shocks, and volatile financial market conditions.

Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin)

7. We noted the significant progress made by the Working Committees under the Roadmap for Monetary and Financial Integration of ASEAN in further integrating the ASEAN financial sector to support regional economic integration. We welcomed the conclusion of negotiations for the Seventh Package of Financial Services Commitments under the ASEAN Framework Agreement on Services (AFAS). We recognised the need to intensify ongoing efforts under the ASEAN Banking Integration Framework (ABIF) to encourage more Qualified ASEAN Banks (QABs). We endorsed the establishment of the Working Committee on ABIF.
8. We welcomed the establishment of the ASEAN Insurance Forum (AIFo) to strengthen the collaboration between the Working Committee on Financial Services Liberalisation (WC-FSL) and the ASEAN Insurance Regulators' Meeting (AIRM). This will facilitate coordination in supporting regional insurance integration and provide mutual benefit through capacity building. Synergy from such collaboration will help to achieve significant progress in ASEAN insurance integration to support trade, investment and economic integration in line with the AEC.
9. We commended the work of the Working Committee on Payments and Settlements System (WC-PSS) towards safer and more efficient payments and settlement mechanisms within the ASEAN region. We also commended the progress made by the Steering Committee on Capacity Building (SCCB) in intensifying capacity building activities to support the ASEAN financial integration process.

Capital Market Development

10. We are pleased with the progress made by the Working Committee on Capital Market Development (WC-CMD) in developing and deepening bond markets in the ASEAN region, particularly in facilitating retail access to domestic bond markets. We noted that the ASEAN bond market scorecard has been continuously updated to serve as a monitoring tool to evaluate the progress of bond market development in the region and provide information for other related initiatives. We welcomed the efforts of WC-CMD and the ASEAN Capital Markets Forum (ACMF) to cooperate and streamline their roles, and encouraged the WC-CMD to engage with the relevant stakeholders to address implementation issues in the ASEAN Collective Investment Scheme (CIS) Framework, such as those related to tax and foreign exchange matters. To enhance the effectiveness of the ASEAN CIS Framework, we endorsed the formation of a cross-committee taskforce comprising WC-CMD, ACMF and the ASEAN Forum on Taxation to address implementation issues related to taxes.
11. We commended the work of the ACMF in enhancing regional capital market interconnectivity through creating an enabling environment for regional integration,

building capital market infrastructure, facilitating the development of regionally focused products and intermediaries, and strengthening the implementation process. We noted that the Streamlined Review Framework for the ASEAN Common Prospectus has been implemented with the launch of a Handbook to provide guidance to the industry on the administrative and procedural matters concerning the Framework. We welcomed the positive industry response to the Framework for Cross-border Offerings of Collective Investment Schemes (CIS) with thirteen funds already recognised as Qualifying ASEAN CIS. We acknowledged the ACMF's efforts to undertake a holistic review to enhance ASEAN stock exchange connectivity and review the modality of the associated post-trade infrastructure.

12. We endorsed the ACMF Vision 2025 to achieve an inter-connected, inclusive and resilient ASEAN capital market and the ACMF Action Plan 2016-2020. We are pleased with the progress of the ACMF Market Development Programme (A-MDP) with the launch of the ASEAN Young Regulators Programme, as well as the establishment of the ACMF Industry Consultative Panels as a formal platform for dialogue with the industry. We acknowledged ACMF's initial efforts to facilitate the movement of capital market professionals within the region.

Financial Services Liberalisation

13. We are pleased that the negotiations for the Seventh Package of Financial Services Commitments under the AFAS have been concluded. We look forward to the signing of the Protocol to Implement the Seventh Package on 3 May 2016. We commended the significant progress made in the Seventh Package to liberalise the insurance sector and noted that eight ASEAN Member States (AMS) have fully liberalised the cross-border supply of international Maritime, Aviation, and Transit (MAT) insurance. This will position ASEAN insurance institutions and intermediaries to perform a more meaningful role in supporting intra-ASEAN trade. We look forward to the commencement of the negotiations for the Eighth Package in 2016 to further liberalise our financial services sector.
14. We are encouraged by the negotiations undertaken by the WC-FSL in the ASEAN+1 Free Trade Agreements (FTAs) and in reviewing the financial services obligations in the form of a chapter in the ASEAN Trade in Services Agreement (ATISA). We support the collaboration between WC-FSL and the Sub-Working Group on Financial Services (SWG-FIN) in negotiating a financial services annex under the Regional Comprehensive Economic Partnership (RCEP) agreement.

Capital Account Liberalisation

15. We are pleased with the progress made by the Working Committee on Capital Account Liberalisation (WC-CAL) to support the freer flow of capital across the ASEAN region to facilitate greater investment, trade and business activities, and to support the integration of our markets with the global economies. We are pleased that the WC-CAL continues to enhance the CAL Heat Map methodology to guide countries' plans and

timelines towards further liberalisation of their capital account regimes based on the readiness of individual economies. We welcomed the efforts to strengthen the policy dialogue process to include discussions on safeguard mechanisms to ensure that the liberalisation efforts will bring economic benefits, while supporting financial integration and stability. We are pleased that continuous capacity-building efforts have been made in this area to ensure that all countries can improve their readiness for integration.

16. We are committed to further liberalisation of remaining restrictions on flows related to trade and direct investment. Portfolio investment and other capital flows will be liberalised subject to having the domestic pre-conditions and appropriate safeguards.

Strengthening ASEAN Finance Cooperation and Economic Integration

Enhancing Regional Surveillance

17. We are pleased with the work of the ASEAN Integration Monitoring Office (AIMO) in monitoring the implementation of measures under the AEC Blueprint 2015. We welcomed the regularisation of AIMO as ASEAN Integration Monitoring Directorate (AIMD) of the ASEAN Secretariat, and encouraged AMS and external partners to continue to support AIMD in implementing its work and fulfilling its mandate.
18. We acknowledged the work of AMRO in closely monitoring and assessing the macroeconomic and financial developments in the East Asian region. We welcomed the establishment of AMRO as an international organisation and congratulated AMRO on the official opening of its office in Singapore and the recruitment of AMRO's Senior Management. We recognised the significant enhancement in the surveillance work of AMRO. We encouraged AMRO to continue strengthening its surveillance and operational capabilities to fulfill its mandate and enhance the Chiang Mai Initiative Multilateralisation (CMIM) as an effective and readily-available regional financing facility. We pledged to work with our Plus Three partners to support AMRO and to ensure macroeconomic and financial stability in the region.

Infrastructure Financing

19. We welcomed the progress of work under the ASEAN Infrastructure Fund (AIF), and reiterated AIF's very important role in strengthening the regional physical connectivity, and narrowing the infrastructure development gap in the region. We were pleased that seven projects are already on the AIF project list, and we look forward to more projects being in the pipeline for AIF support.
20. We noted the efforts of the AIF to enhance its operations and administration, and encouraged the AIF to continue working with the ADB and other relevant partners and stakeholders for the key tasks for 2016, particularly those related to credit ratings, preparations for bond issuance, capital adequacy framework, continuation of project processing and product diversification.

Cooperation on Customs Matters

21. We welcomed the signing of the Protocol on the Legal Framework to Implement the ASEAN Single Window (PLF-ASW) last year, which would expedite the implementation of ASW measures in further facilitating trade in goods within the ASEAN region. We encouraged AMS to actively participate in the implementation of the ASW Pilot Project to facilitate the development of the ASW and National Single Windows (NSWs).
22. We noted the progress of the ASEAN Customs Transit System (ACTS) in facilitating trade in the ASEAN region. We also encouraged AMS to support the ACTS project in the pilot countries and to expedite the signing and ratification of the relevant protocols under the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT).

Cooperation on Taxation

23. We noted the recent developments in the establishment of bilateral tax agreements under the ASEAN Forum on Taxation (AFT). We look forward to Cambodia's first bilateral agreement on avoidance of double taxation, which is with Singapore. We also call on all AMS to continue with their commitment under the AEC Blueprint 2025 to complete a network of ASEAN bilateral avoidance of double taxation agreements, and work towards the enhancement of the withholding tax structure to promote the broadening of investor base in ASEAN debt issuance. We encouraged all AMS to improve the implementation of exchange of information for tax purposes in accordance with international standards, and to enhance cooperation on capacity building on taxation matters. We also welcomed AFT's plan to further explore the possibility of the Global Taxpayer Identification Number (TIN), to discuss Base Erosion and Profit Shifting (BEPS) issues, and to explore the possibility of collaboration in excise taxation and information sharing among AMS on common excisable products. We endorsed the six broad strategies of taxation action plans and task the Forum to work out the details of the strategies including their timeline.

Cooperation in Insurance

24. We acknowledged the progress made under the auspices of the ASEAN Insurance Regulators' Meeting (AIRM), particularly in the development of insurance regulatory and supervisory frameworks through observance of the International Association of Insurance Supervisors (IAIS) insurance core principles and on the sharing of developments in member states' domestic insurance policies and regulations. We recognised that the Regulators have continuously discussed and intensified efforts on capacity building and research to further develop the insurance sector in ASEAN.
25. We welcomed the strengthening of cooperation and dialogue between the AIRM and the WC-FSL to further develop and integrate the insurance sector in ASEAN,

particularly through the establishment of the AIFo to ensure that the integration of the insurance sector is implemented in a prudent manner and benefits all AMS.

26. We are pleased that the Japan-ASEAN Integration Fund (JAIF) had agreed to provide support for the first phase of the ASEAN Disaster Risk Financing and Insurance (DRFI). We encouraged AMS to fully participate in the implementation.

Financial Inclusion

27. We welcomed the endorsement of the establishment of the Working Committee on Financial Inclusion (WC-FINC), in order to facilitate greater financial inclusion in the ASEAN region, enhance economic growth, alleviate poverty and reduce income inequalities. We look forward to effective deliberations and close coordination between WC-FINC and the other relevant working committees and partners. We reiterate our commitment that financial inclusion will be a policy priority and one of the pillars of ASEAN financial cooperation under the AEC Blueprint 2025.

Engaging and Building a Stronger ASEAN

28. We welcomed Indonesia's hosting of the 11th ASEAN Finance Ministers' Investor Seminar (AFMIS) this year to promote ASEAN as an attractive investment destination. We agreed that the AFMIS is an important platform to communicate to stakeholders and investors on developments and competitiveness, including future prospects and opportunities of doing business in ASEAN.

Acknowledgement

29. We thanked Lao PDR for hosting the 2nd AFMGM this year and welcomed the Philippines as Chair and Host in 2017.
