



**ASEAN FINANCE AND CENTRAL BANK
DEPUTIES' WORKING GROUP MEETING
(AFCDM-WG)**

14 February 2022, Video Conference

SUMMARY OF DISCUSSION

INTRODUCTION

1. The Meeting of the ASEAN Finance and Central Bank Deputies' Working Group (AFCDM-WG) was held on 14 February 2022 via video conference.

2. The Meeting was co-chaired by Mr. Uy Rithymony, Director of Economic Integration and ASEAN Department, Ministry of Economic and Finance Cambodia and Mr. Vouthy Khou, Director of Economic Research and International Cooperation, National Bank of Cambodia. The meeting was attended by delegates from ASEAN Members States (AMS), and the chairs or representatives of the Working Group (WG)/ Working Committees (WCs) under the Finance and Central Bank track, and representatives from the ASEAN Secretariat (ASEC), the Asian Development Bank (ADB) and the Sustainable Finance Institute of Asia (SFIA). The list of delegates appears as **ANNEX 1**.

AGENDA ITEM 1. ADOPTION OF THE AGENDA

3. The Meeting adopted the agenda, which appears as **ANNEX 2**.

AGENDA ITEM 2. ASEAN CHAIR PRIORITIES FOR 2022

4. The Co-Chairs presented the ASEAN 2022 Chair Priorities under Cambodia's Chairmanship with its overarching theme of ASEAN A.C.T: "*Addressing Challenges Together*", and they also presented Cambodia's Priority Economic Deliverables being implemented under the four key strategic thrusts of (i) Enhancing Digital Connectivity, Science and Technology; (ii) Narrowing the Development Gap for ASEAN's Competitiveness; (iii) Promoting a more Integrated, Inclusive, Resilient and Competitive ASEAN; and (iv) Global ASEAN for Growth and Development under the overall ASEAN Economic Community in 2022. The presentation appears as **ANNEX 3**.

5. The Co-Chairs also briefed the meeting on the proposed three (3) PEDs namely: (i) Endorsement of the ASEAN sustainability linked bond standard for inclusiveness, sustainability and connectivity; (ii) Expansion of the ASEAN Customs Declaration Documents (ACDD) exchange through the ASEAN Single Window (ASW) to cover the remaining ASEAN Member States (AMS); and (iii) completion of signing of the 9th Protocol to implement the Ninth Package of Commitments in financial services under the ASEAN Framework Agreement on Services (AFAS). However, the third PED is still in the process of being approved by Cambodia's Principals and the AFCDM-WG will be advised once it is confirmed.

6. It was thereafter shared that under Cambodia's ACT, the other priorities for finance cooperation that were identified include: (i) for "Recovery", to promote trade and investment facilitation and deepening financial integration, (ii) "Resiliency", to promote sustainable finance and financial stability, and (iii) "Togetherness", to narrow development gap among AMS.

7. Brunei Darussalam supported Cambodia to further continue the efforts on recovery, sustainability and inclusivity in ASEAN. The Meeting congratulated Cambodia on her ASEAN Chairmanship this year and noted the proposed ASEAN Chair's priorities.

AGENDA ITEM 3. ASEAN ECONOMIC COMMUNITY (AEC) BLUEPRINT

8. The ASEC presented the updates on the AEC-related outcomes of the 38th and 39th ASEAN Summit and ASEAN Senior Economic Officials Meeting's Retreat (SEOM). The Meeting also took note of the Finance process' Annual Priorities (APs) for 2021 and its recent updates. The recent update includes 25 of the 32 APs from Financial Integration, Financial Inclusion, and Financial Stability (A4) and Taxation Cooperation (B5) have been completed. However, there were still seven (7) APs that were not implemented and carried over to 2022. The presentation appears as **ANNEX 4**.

9. Indonesia expressed appreciation on the updates from ASEC and she raised the issue regarding the assessment of Timor Leste on her possible accession to ASEAN as one of its member. However, the said issue on Timor Leste's accession has not been discussed under AFCDM-WG or WG/WC under finance track. ASEC explained that Timor-Leste's accession were being discussed in the Economic Ministers and Political pillars and the outcomes is being cascaded to the other sectoral groups including the finance process. Indonesia supported the assessment and would like to seek update from ASEC on the: (i) progress of assessment particularly under economic pillar; (ii) agenda/issue under finance track need to anticipate for AANZFTA; (iii) identification legal adjustment to the existing agreement under finance track. ASEC further explained to the Meeting that there will be a scheduled fact finding missions to Timor Leste this year, once the travel restrictions are lifted. The fact-finding mission from ASEC will further assess the capability and capacity of Timor-Leste in acceding to some economic, legal and social agreements in ASEAN .

AGENDA ITEM 4. ROADMAP FOR MONETARY AND FINANCIAL INTEGRATION OF ASEAN (RIA-Fin)

4.1 Financial Services Liberalisation (FSL)

10. ASEC, representing in behalf of the Co-Chairs of the WC-FSL (Indonesia and Vietnam), updated the Meeting on the progress of work on WC-FSL, which included (i) the moving timeline and the possibility of the 9th Protocol signing by the 8th AFMGM; (ii) the progress on the review/upgrade of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) Financial Services Annex, (iii) the two capacity building activities ((Investment State Dispute Settlement on Financial Services (ISDS-FS)) and Marine, Aviation and Goods in Transport (MAT) Insurance)), (iv) Key Performance Indicator (KPI) regarding insurance penetration rate; and (v) annual priorities for 2022. The progress report appears as **ANNEX 5**.

11. Thailand urged WC-FSL to work together to achieve the completion of the APs. Thailand also commented on the AP for the subsequent year, as a task of FSL under AFAS will be completed and taking steps into transition from positive risk to negative risk approach, Thailand urged to have similar important priority in the future to sustain the momentum from the COVID-19. The Meeting noted the progress made by the WC-FSL.

4.2 Capital Market Development (CMD)

12. Indonesia, representing both the Co-Chairs of the WC-CMD, updated the Meeting on the progress of CMD initiatives, including the proposed six priorities for 2022, further

development of a Transition Pathway and Transition Standards of the Version 1 of the ASEAN Taxonomy, progress of the KPIs, RMT report, and capacity-building efforts. The Meeting also noted adoption of ASEAN Sustainable Standards through its collaboration with the ACMF to further develop the ASEAN Taxonomy; finalization and socialization of the conversation pack of the sustainable finance first for sustainable projects, and engagement with professional bodies and associations to develop learning and capacity building programmes for key sustainable finance participants

13. Thailand responded that they have been tasked to develop an ASEAN Green Map to guide central banks, recognizing that the banking sector lags behind the capital market in sustainable finance area. Thailand will be reaching out WC-CMD and other WCs in the capital market, in developing the ASEAN Green Map to avoid duplication of work and focus only on the areas of the banking sector. The Philippines commended the successful collaboration of SLC, WC-CMD, ACMF and AIRM in pushing the sustainable finance agenda that led to the completion of 1st Version of the ASEAN Taxonomy. It also mentioned that ASEAN may leverage on this arrangement among the four committees to address other priority areas such as the development of an ASEAN Green Map, a roadmap for capacity building blocks of sustainable finance, and a common data collection framework.

14. The Meeting noted the progress made by the WC-CMD and look forwards . The progress report appears as **ANNEX 6**.

4.3 ASEAN Capital Markets Forum (ACMF) Capital

15. Cambodia SERC, as the Chair of ACMF, updated the Meeting on the implementation progress of the ACMF initiatives in 2021, the progress of the implementation of ACMF Action Plan 2021-2025, that includes one of Cambodia's finance PED, Sustainable Finance frameworks including the development of an ASEAN sustainability-linked bond standard to facilitate bond issuance for sustainability-related goals and is expected to endorse in Q4 2022, ASEAN Collective Investment Scheme (CIS), ASEAN Corporate Governance Scorecard (ACGS), Disclosure Standards and Streamline Review Framework, and capacity building for ACMF. The Meeting also took note of the nine (9) key priorities for 2022. The progress report appears as **ANNEX 7**.

16. The Meeting noted the progress made by the ACMF.

4.4 Capital Account Liberalisation (CAL)

17. Brunei Darussalam, representing the Co-Chairs of the WC-CAL, updated the Meeting on the status of the 2021 annual priorities , revised CAL Heat Map and consolidated CAL Plans (2019-2025), key achievements in the SAP, progress of KPIs and KPIs review plan, Risk Monitoring Template (RMT) and capacity-building initiatives in 2022. The WC-CAL Co-Chair will seek SLC's endorsement for the CAL (i) 2022 annual priorities and (ii) additional KPIs (i.e., share of intra-ASEAN FDI to ASEAN GDP; and current account balance to GDP). The progress report appears as **ANNEX 8**.

18. The Meeting noted the progress made in the WC-CAL.

4.5 Financial Inclusion (FINC)

19. Indonesia, representing the Co-Chairs of the WC-FINC, updated the Meeting on their progress report, which included five annual priorities for 2022, SAP implementation, KPIs

progress towards the 2025 goals, RMT report and capacity-building initiatives. The Meeting took note of the DO Co-Leads for 2022-2023. The progress report appears as **ANNEX 9**.

20. Singapore accepted the chairmanship of WC-FINC and thanked the previous Co-Chairs for doing an excellent job in achieving APs for WC-FINC.

21. The Meeting noted the progress made by the WC-FINC.

4.6 ASEAN Banking Integration Framework (ABIF)

22. Thailand, representing the Co-Chairs of the WC-ABIF, updated the Meeting on the progress of ABIF initiatives, including the outcome of priorities for 2021 and the proposed four annual priorities for 2022. The Meeting took note of the WC-ABIF's study on Financial Landscape to prepare for ABIF review. WC-ABIF would consider to further assess, discuss or adopt the recommendations deem relevant to ASEAN context. The progress report appears as **ANNEX 10**.

23. Thailand gave further inputs to the report and proposed the recommendations to address conditions that would facilitate banking integration in more digitalized context. These conditions will have meaningful implications to the work of the WC-ABIF in the future, for example minimum standards on EKYC, technological risk management standard and approach to movements of IT talent across ASEAN. The Meeting noted the progress achieved by the WC-ABIF.

4.7 Payment and Settlement Systems (PSS)

24. Singapore, presenting as the Co-Chairs of the WC-PSS, briefed the Meeting on its 2022 priorities, namely (i) develop the approach to monitor ASEAN Member States' progress in meeting the G20 targets for cross-border payments on cost, speed, transparency and access; (ii) complete a capacity building activity targeted at recent innovations in the payments space; and (iii) conduct a workshop on enhancing the safety and resiliency of payment operators/service providers. The Meeting also took note of the WC-PSS' progress on the SAP implementation, KPI, RMT report and capacity-building activities. The progress report appears as **ANNEX 11**.

AGENDA ITEM 5. ASEAN SURVEILLANCE PROCESS

25. The ASEAN Integration Monitoring Directorate (AIMD) presented the Concept Note (CN) of the ASEAN Finance Integration Monitoring Report (AFIMR) 2022, particularly on the transition to Circular Economy (CE) in ASEAN and how the ASEAN Taxonomy can be of assistance in the region's decarbonisation and sustainable development.

26. The AFIMR 2022 consists of three main Chapters, namely: Chapter 1 – Economic and Financial Landscape in ASEAN; Chapter 2 – Progress of ASEAN Financial Integration; and Chapter 3 – Transition to a CE in ASEAN. The Meeting noted the indicative timeline of the report which will be finalized by May of 2022. The ASEC's presentation appears as **ANNEX 12**.

27. Singapore welcomed the draft CN specially on the point of the nexus between the CE Framework and the ASEAN Taxonomy. MAS shared that promotion of resource resilience and transition to circular economy is one of the 4 environmental objectives under the ASEAN Taxonomy. As the work on incorporating this this EO under the ASEAN Taxonomy is still developing, it could be beneficial for the ATB to be kept informed and updated on the AEC's

circular economy work and how it would interact with the ASEAN Taxonomy. To that end, MAS suggested that ASEC could reach out to SFIA, as host of the ASEAN Taxonomy Board to see how the AB can be plugged in to the AEC circular economy work. The Meeting noted the proposed CN of the AFIMR.

AGENDA ITEM 6. ASEAN FINANCE COOPERATION

6.1 Infrastructure Finance

28. The ADB as Administrator of the ASEAN Infrastructure Fund (AIF), and on behalf of Indonesia as the Chair of the AIF Board of Directors, presented the key activities in 2021 and the next steps for 2022 and beyond. ADB stressed that the AIF's operation has been going on smoothly with just one cancellation. The Meeting took note of the updates including the ongoing pipeline projects, and the mainstreaming of its ASEAN Catalytic Green Facility (ACGF) due to its success in catalyzing other development partner's and private stakeholder's funds to further expand access to green capital markets. The Meeting also took note of the AIF Board's approval mainstreaming of Green and Inclusive Infrastructure Window (GIIW) into permanent ACGF in June 2021. The ADB's presentation appears as **ANNEX 13**.

29. Singapore commended the ADB for the good progress of the AIF and ADB's achievement and experiences to the ACGF during the pilot period could offer useful design in increasing financing project forward. Singapore proposed three suggestions namely, (i) encourage ACGF to strengthen the cooperation with other infrastructure initiatives in the region, including the ASEAN+3 Working Group (WG) 1 on Infrastructure Financing as a number of ASEAN members were already members of the ASEAN+3 WG 1; (ii) encourage and urge ADB to explore more innovative financing tools through the ACGF to mobilise private capital to address the widening infrastructure financing gap in the region, which could include more asset recycling initiatives to reinvest capital into green and sustainable projects; and (iii) welcome AIF and ACGF to leverage the 50% partially standardised project finance loan document templates jointly developed by the Asia Pacific Loan Market Association and Infrastructure Asia in collaboration with Clifford Chance and Allen and Gledhill. This could be a useful initiative to expedite infrastructure project financing in ASEAN, including from private and institutional sources. This would also facilitate the development of a secondary market for infrastructure debt in ASEAN, thereby increasing financing flows for infrastructure needs in the region. Singapore looked forward to an upcoming sharing by the ACGF at one of the ASEAN+3 WG 1 meetings in the upcoming weeks.

30. The ADB took note of the Members' inputs and suggestions.

6.2 Cooperation in Insurance Matters

31. Singapore as the Chair of AIRM, briefed the Meeting on the updates of ASEAN Insurance Surveillance Report and AIRM Sustainable Finance Survey. The Meeting also took note of AIRM 2021/2022 sustainability agenda, update on ASEAN Taxonomy, the regulator-industry associations' dialogue on digitalization and COVID-19 insurance data terminal initiative.

32. The Meeting noted the progress made by the AIRM. The progress report appears as **ANNEX 14**.

6.3 Disaster Risk Financing and Insurance (DRFI)

33. Brunei Darussalam as the Chair of the ASEAN Cross-Sectoral Coordination Committee (ACSCC) on Disaster Risk Financing and Insurance, briefed the Meeting on the updates on related meetings and the progress of ADRFI Phase 2, which included (i) the completion of the ICRM's Risk Assessment template for Insurance Exposure Data (IED) and Insurance Loss Data (ILD) for three (3) AMS and the next three (3) AMS will follow this year, (ii) development of ADRFI-2 web platform to assist in risk assessment and advisory with the open access of the exposure/loss visualization and risk financing analysis function, (iii) capacity building activities, particularly on the Insurance of Public Assets; and (iv) possibility of expanding the scope of the ACSCC-DRFI to include the inclusion of other risk, including pandemic risks. The progress report appears as **ANNEX 15**.

34. The Meeting noted DRFI Program Phase 2 and its implementation progress, as well as the ACSCC Chairmanship transition to Cambodia.

6.4 Cooperation in Customs

35. The ASEC updated the Meeting on the development of the ASEAN Customs Cooperation, which included updates on ASEAN Customs Integration and ASEAN Single Window (ASW). The Meeting noted the ongoing progress of the ASEAN Customs cooperation relative to the progress of the Strategic Plan of Customs Development (SPCD 2021-2025), including the review of the ASEAN Harmonized Tariff Nomenclature, Implementation of ASEAN Economic Operator, the Progress of the ASEAN Customs Transit System among others. It also updated the meeting on the implementation of the ASEAN Single Window (ASW), particularly on the ASEAN Customs Declaration Documents (ACDD), the ATIGA e-Form D and the other proposed expansion of other trade-related documents to further facilitate trade.

36. As the ASEAN region seeks to recover from COVID-19, Singapore viewed that Customs Cooperation initiatives would play a critical role in creating a favourable environment for cross border movement of goods and trade facilitation, enhance regional economic integration, and allow ASEAN to seize economic opportunities arising from global supply chain reconfigurations. Singapore offered three suggestions, namely (i) urge AMS to fully implement the ASEAN Authorized Economic Operator Mutual Recognition Arrangement (AAEOMRA) to ensure more seamless and secure trade flows within the region.; (ii) encourage ASEAN to seek opportunities arising from digitalisation by simplifying custom procedures through the expeditious operationalisation of the ASW, in particular, the implementation of ACDD and the ATIGA e-Form D; and (iii) look forward to the link-up of the ASW with the national single windows of key dialogue partners to position ASEAN as a key node in the global supply chain and global trade flows in the post-COVID environment.

37. As the host of ASEAN Custom Directors-General Meeting in June 2022, Singapore looked forward to welcoming ASEAN Custom Authorities in person in Singapore and working closely with AMS to make substantive progress on customs cooperation, including the signing of a joint action plan on the AAEOMRA at the Meeting.

38. The ASEC took note of the Members' input and suggestions. The Meeting noted the progress made by Cooperation in customs. The progress report appears as **ANNEX 16**.

6.5 Anti-Money Laundering and Counter Terrorist Financing (AML/CFT)

39. The ASEC updated the Meeting on recent progress of initiatives and activities of cooperative work under the AML/CFT in 2021. The 2021 Asia Pacific Group (APG) approved

the timetable for the APG events including the pre-governance plenary committee meeting, Mutual Evaluation Committee meeting and TA&T Forum. On Financial Action Task Force Activities (FATF), a recently completed joint APG and Global Center on Cooperative Security typologies report. The meeting also updated the progress update of conference, workshop and webinar in 2021.

40. The Meeting took note of the progress in AML/CFT, which appears as **ANNEX 17**.

6.6 ASEAN Forum on Taxation (AFT)

41. The ASEC presented the progress of AFT, which covered (i) status of the Bilateral Tax Treaty Network in ASEAN; (ii) implementation Exchange of Information (EOI); (ii) implementation of the best practices in the Withholding Tax study; (iii) standardising ASEAN Certificate of Residence; (iii) progress of Sub-Forum on Excise Taxation; and (iv) proposed 2022 priorities.

42. Singapore viewed that it was critical to ensure a pro-business environment and to facilitate greater intra-ASEAN trade and investment flows as the region pivoted towards a post-COVID recovery. Singapore offered two suggestions, namely (i) for AMS to complete and improve the Network of Bilateral of Double Tax Agreements (DTA) within ASEAN to promote greater intra-ASEAN trade and investment; and (ii) encourage AMS to conclude an action plan based on the recommendations of the ASEAN Withholding Tax Study so as to enhance the withholding tax structure within ASEAN. Singapore noted that this was listed as a deliverable under the strategic action plan of AFT from 2016-2025.

43. The Meeting took note of the progress, which appears as **ANNEX 18**.

AGENDA ITEM 7. OTHER MATTERS

7.1 Update on G20

44. Indonesia presented to the Meeting the G20 finance track agenda under Indonesia Presidency in 2022 with the theme of “*Recover Together, Recover Stronger*”, anchored in 3 pillars of (i) promoting productivity; (ii) increasing resilience and stability; and (iii) ensuring sustainable and inclusive growth. The Indonesian 2022 presidency have six priorities, that includes (i) exit strategy to support recovery; (ii) addressing scarring effects to secure future growth; (iii) payment systems in the digital era; (iv) sustainable finance; (v) financial inclusion: digital & SME; and (v) international taxation. The Meeting also took note of the update on the 1st FCBD: issue note for each areas. The G20 updates appear as **ANNEX 19**.

7.2 ASEAN Taxonomy Board (ATB) Proposal for the ASEAN Finance Cooperation Web Portal (AFCWP) And Update on the ASEAN Taxonomy Version 1.

45. ATB updated the meeting on the Version 1 of the ASEAN Taxonomy, which primarily comprise of (i) Foundation Framework and (ii) Plus Standard. This will be used as the basis for consultation, discussion and collaboration with key stakeholders as well as to guide the next stages in the development of the Taxonomy. The progress update appear as **ANNEX 20**.

46. ASEC has explained to the Meeting that they are ready to accommodate the request to include an ATB section in the AFCWP, as per endorsement of AFCDM-WG. ASEC has allocated a folder for ATB in AFCWP. ASEC will liaise with the SFIA to begin the migration of some information to the AFCWP.

47. The Meeting noted the proposal from ATB to be included in AFCWP.

7.3 ASEAN Secretariat – AMRO Cooperation

48. AIMD presented on the proposed ASEAN Secretariat-AMRO Cooperation to support ASEC on the work on ASEAN financial integration, specifically on monitoring and evaluation of the finance sector, macroeconomic surveillance, and the support for the finance sector Working Committees (WCs). There are three priority areas for cooperation, namely (i) Regional Economic and Financial Research and Surveillance; (ii) Capacity Building; and (iii) Data and Information Sharing. The Concept Note appears as **ANNEX 21**.

49. Indonesia sought clarification on the scope of work and cooperation and extent of involvement of AMRO in the ASEAN financial integration process. The Meeting noted that Indonesia will give their inputs in written comments and the AMFSED will incorporate this and update the Concept Note accordingly.

7.4 Preparations for the 8th ASEAN Finance Ministers and Central Bank Governors Meeting, 26th ASEAN Finance Ministers Meeting, 18th ASEAN Central Bank Governors' Meeting, and Related Meetings.

50. Cambodia briefed the Meeting on the tentative schedule of the 8th AFMGM and related meetings on 7-8 April 2022, possibly in a virtual format. The date and format of AFMGM will be informed to the ASEAN Secretariat later once the approval from their Principals are received.

AGENDA ITEM 8: DATE AND VENUE OF NEXT MEETING

51. Indonesia as the next ASEAN Chair informed that the next AFCDM-WG will be held tentatively in February 2023, subject to the development of the COVID-19 situation.

AGENDA ITEM 9: ADOPTION OF REPORT

52. The SOD of the 2022 AFCDM-WG Meeting is to be adopted on ad-referendum basis.

ACKNOWLEDGEMENT

53. The AFCDM-WG expressed its appreciation to Cambodia and ASEAN Secretariat for the excellent arrangements for the Meeting.
