

# Opportunities from ASEAN Integration for Philippine Banks

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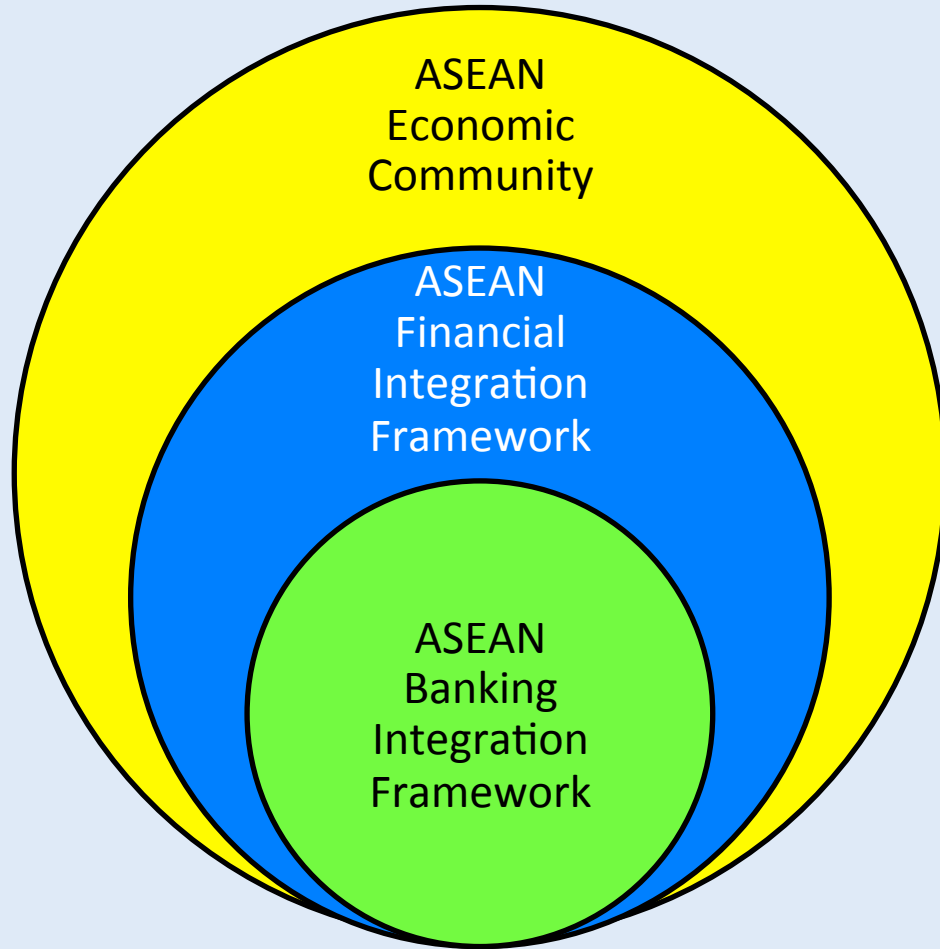
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# Presentation Outline

- ASEAN Economic Community and ASEAN Financial Integration
- Opportunities to the Banking Sector
- Challenges



# ASEAN Banking Integration Framework



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# The ASEAN CB Governors' Vision of ASEAN 2020

## ASEAN Leaders Agreement in 2007

ASEAN a **single market and production base with free movement** of goods, services, investment, skilled labor, and **freer flow of capital**



## OUTCOME

ASEAN a leading growth region with strong mutually beneficial, **self-reinforcing** regional economic and **financial dynamics** that accelerate regional growth, characterized by:

- Developed and integrated regional financial markets
  - Financial system that supports regional economic integration
    - Strong ASEAN FIs that effectively intermediate funds, facilitate cross-border capital flows and support regional expansion of ASEAN corporations
- Seamless regional payments and settlements systems

# Essential ABIF Timelines



**21 March 2015**  
**Formal Approval**

**2015**

Conclusion of one pioneer ABIF agreement between two or more ASEAN member countries

**2018**

Conclusion of at least one ABIF arrangement by each ASEAN 5 country

**2020**

Conclusion or near conclusion of at least one arrangement per member state



# If the ASEAN were a single country....

- *7<sup>th</sup> largest economy in the world, projected to rank as 4<sup>th</sup> in 2050*
- *Home to more than 600 million people, larger the EU or North America*
- *3<sup>rd</sup> largest working force in the world behind China and India*

| GDP 2013, current prices<br>\$ trillion |            | Real GDP growth, 2000–13<br>% |            | GDP growth volatility, <sup>1</sup> 2000–13<br>% |            |
|---|------------|-------------------------------|------------|--|------------|
| United States                           | 16.8       | China                         | 10.0       | Russia   | 4.2        |
| China                                   | 9.3        | India                         | 7.0        | India  | 2.4        |
| Japan                                   | 4.9        | <b>ASEAN</b>                  | <b>5.1</b> | United Kingdom                                   | 2.3        |
| Germany                                 | 3.6        | Russia                        | 4.4        | Italy  | 2.3        |
| France                                  | 2.7        | Brazil                        | 3.2        | Germany  | 2.3        |
| United Kingdom                          | 2.5        | Canada                        | 1.9        | Japan  | 2.2        |
| <b>ASEAN<sup>2</sup></b>                | <b>2.4</b> | United States                 | 1.8        | Brazil   | 2.2        |
| Brazil                                  | 2.2        | United Kingdom                | 1.5        | China  | 1.8        |
| Russia                                  | 2.1        | Germany                       | 1.1        | United States                                    | 1.7        |
| Italy                                   | 2.1        | France                        | 1.0        | Canada   | 1.7        |
| India                                   | 1.9        | Japan                         | 0.8        | France   | 1.6        |
| Canada                                  | 1.8        | Italy                         | 0.0        | <b>ASEAN</b>                                     | <b>1.5</b> |

Source: McKinsey&Company



# Qualified ASEAN Banks

*Indigenous ASEAN bank; Supported by the Home Country as a QAB Candidate in the Host Country*

*Meets the prudential requirements of the Host Country*

*Strong and well-managed banks; Effectively supervised following the Basel Core Principles for Effective Banking Supervision*

## ***Strong and Well-managed Banks***

- Track record and business plan*
- Financial soundness and strength of capital*
- Governance and ownership*
- Corporate group structure*



# Admission Process for QABs

QAB Candidate  
Assessment by  
Home Country

Reciprocal  
Arrangements  
Between Home  
and Host  
Countries

QAB Candidate  
Assessment by  
Host Country

Finalization of  
Arrangement





# *Getting Ready for the Banking Integration*



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# Related Laws

- **R.A. No. 10574** – An Act Allowing the Infusion of Foreign Equity in the Capital of Rural Banks, Amending R.A. No. 7353, Otherwise Known as “The Rural Bank Act of 1992”, as amended and for Other Purposes
- **R.A. No. 10641** – An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721



# Possible Contributions of ASEAN Banking Integration to the Banking Sector

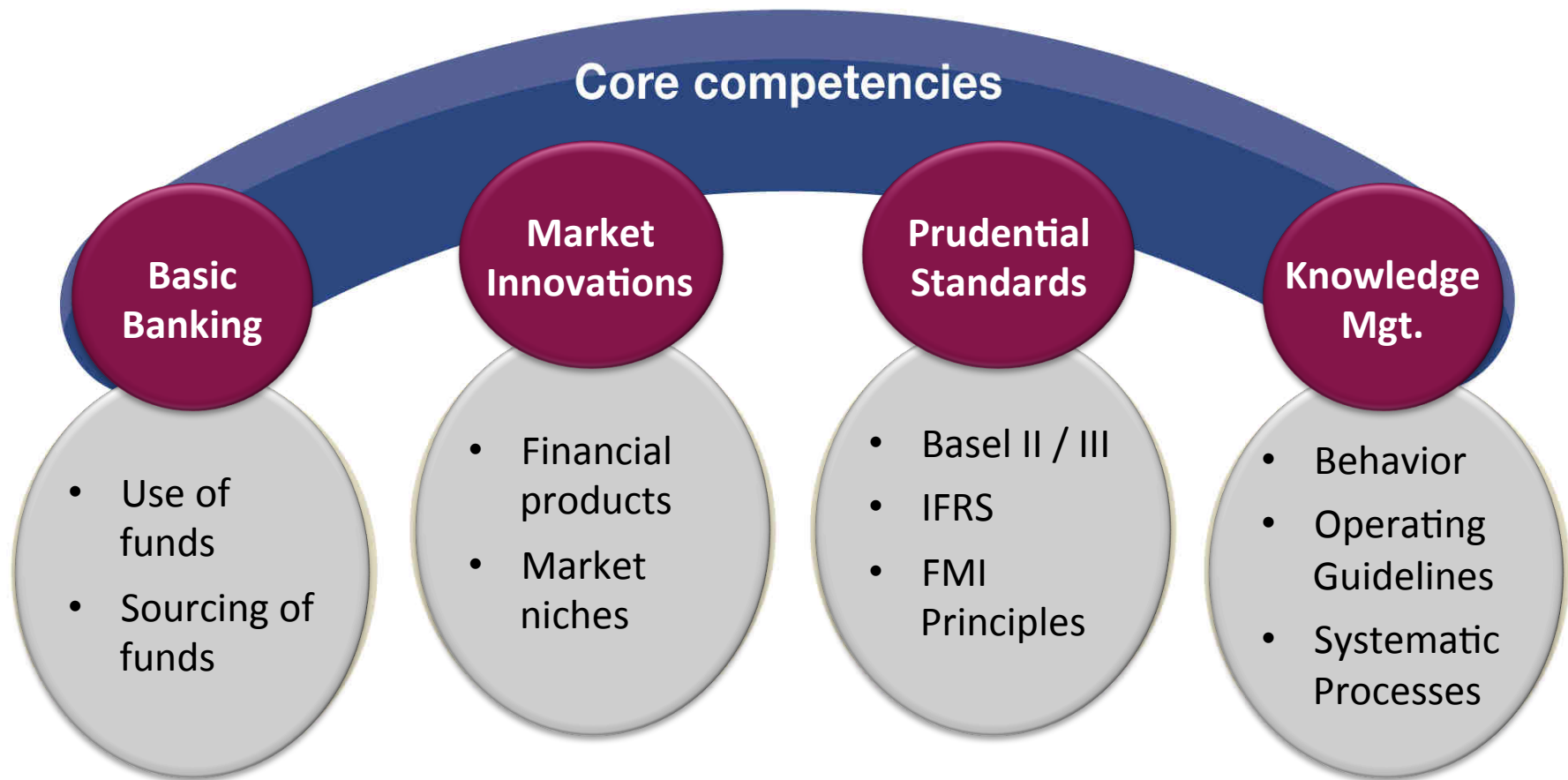
- Improved Governance and risk culture
- Opportunity to develop Core Competencies or Specializations
- Improvements in information and communication technology
- Wider Access for your customers



# Instill a thriving culture of...



# Continuously learn about...



# Operate at the new realm of banking...



## Mode of Payment

- Credit card
- Debit card
- Cash card

## Mode of Banking

- ATM
- Internet
- Mobile

## Communication

- Electronic mail
- Video / Teleconferencing
- Intranet

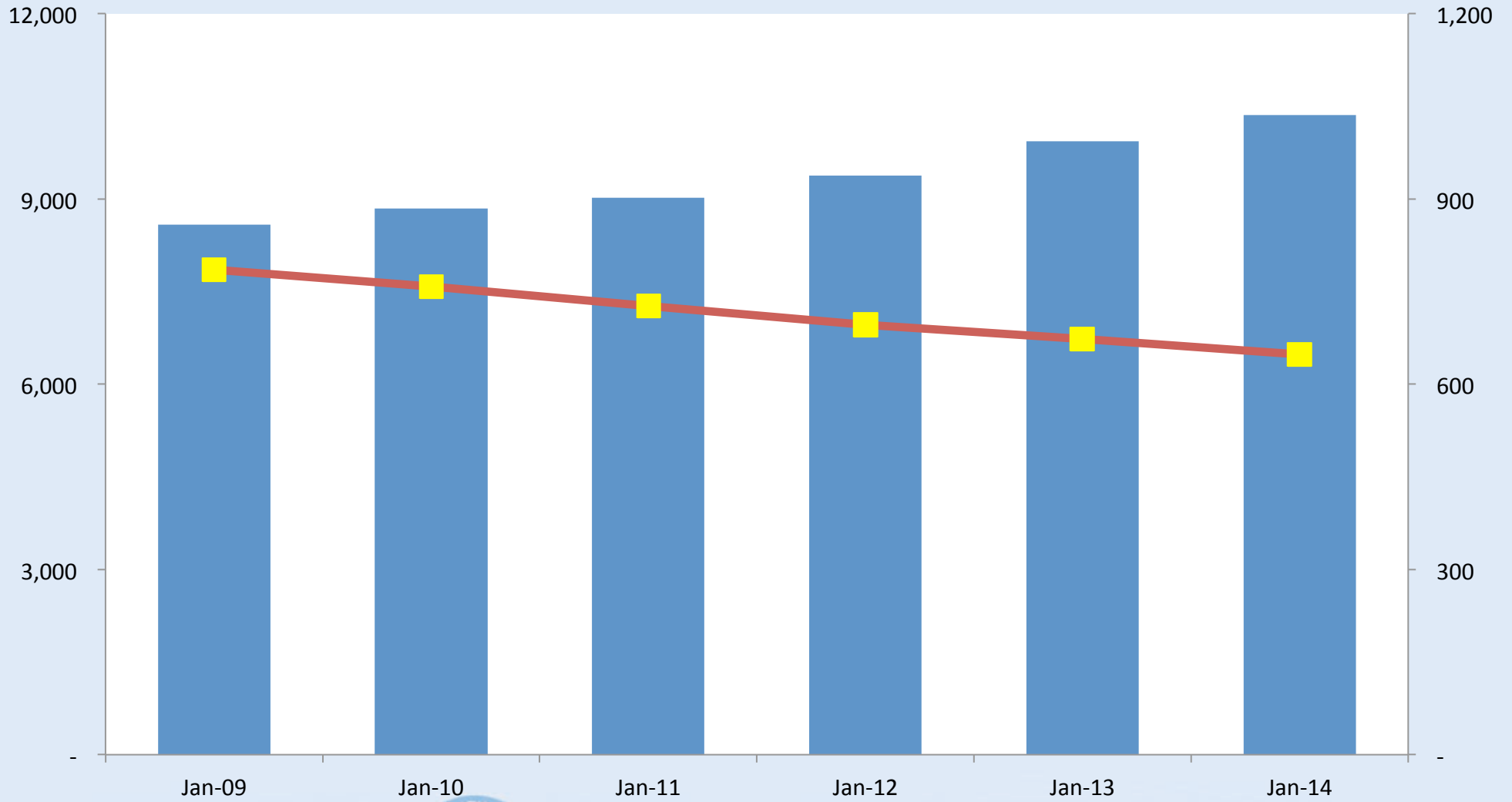
## Payment Systems

- Delivery-versus-Payment
- RTGS
- CLS



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# Expanding Bank Network



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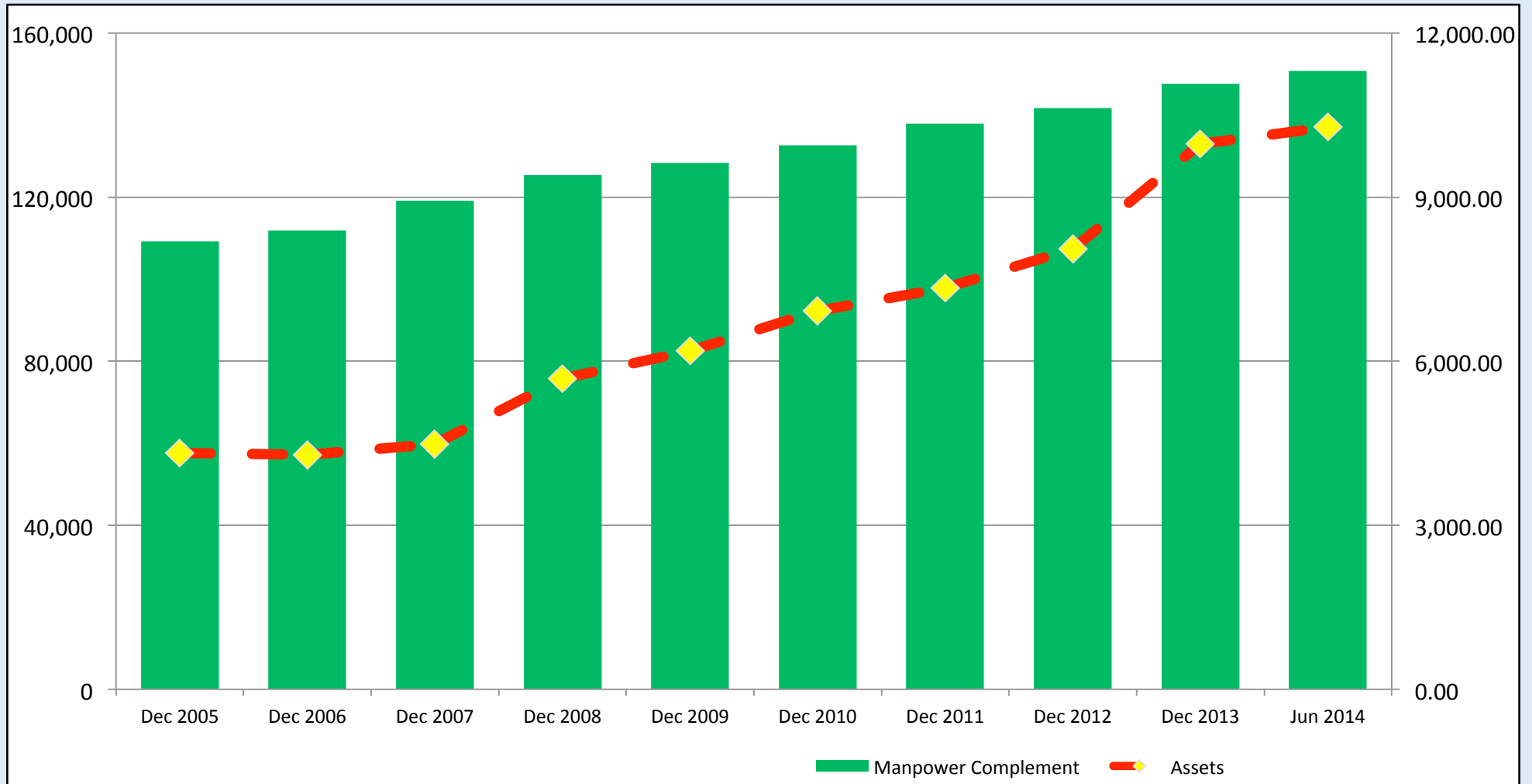
# Other Contributions of ASEAN Banking Integration to the Banking Sector

- Greater Competition
  - ✓ Enhance human resource skills
  - ✓ Bring about a broader range of financial products and services
  - ✓ Contribute to the creation of more jobs





# Banking Industry Manpower



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# Industry Dominated by Domestic Players

**Safeguard:** FB's aggregate share of the banking system up to 40% only

*Current Profile:* **9.90%**

aggregate share of foreign banks to banking system total assets as of end-Dec 2014

The Monetary Board can adopt measures to ensure the significant share of domestic banks in the entire banking system



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# Final Thoughts..

✓ Consumer Protection

✓ Communication Plan



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# Nurture the consumers' well-being...



**Customers**

**Full Disclosure**

**Redress Mechanism**

**Fair Treatment**

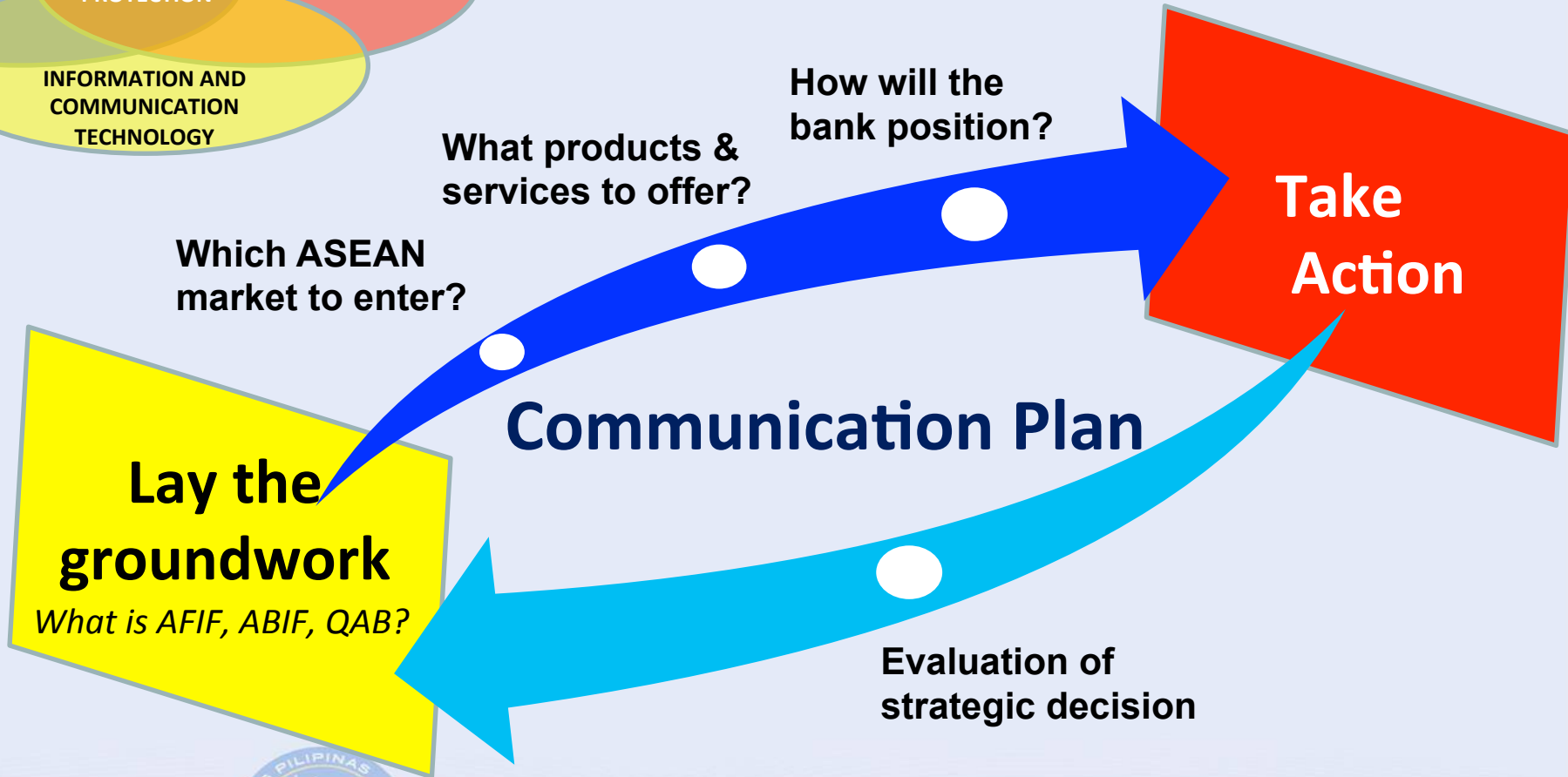
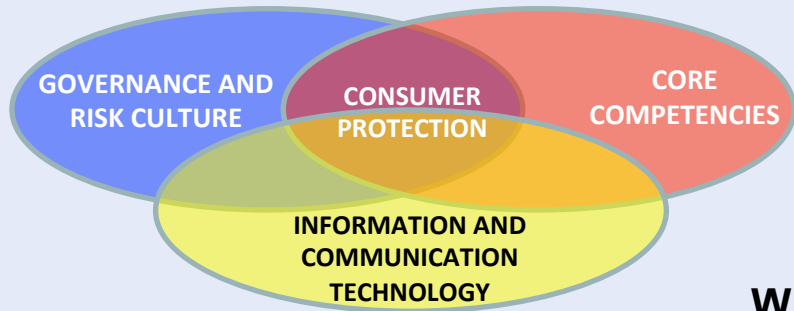


**Providers**



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# Initiate the talk...



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