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BEYOND BORDERS: ADVANCING AN INCLUSIVE AND RESILIENT DIGITAL FINANCIAL FUTURE FOR ASEAN

Recommendation Whitepaper to the 13th ASEAN Finance Ministers' and Central Bank Governors' Meeting (AFMGM)

Presented By.

THE US-ASEAN BUSINESS COUNCIL

EXECUTIVE SUMMARY

Capital Markets and Investment Climate

- **Strengthen ASEAN's Capital Markets and Investment Climate**
  - Reduce regulatory and tax friction by harmonizing authorization, reporting, and documentation requirements across ASEAN and expand bilateral and multilateral withholding tax treaties to attract private capital.
  - Scale regional investment frameworks and expand the ASEAN CIS framework to include all AMS.
  - Promote education on the role of credit ratings to support debt capital market development
  - Enhance transparency of private capital through de-risking measures.
  - Advance ASEAN-wide coordination on voluntary carbon markets aligned with Article 6 of the Paris Agreement.

Artificial Intelligence and Digital Finance

- **Promote Regional Coordination on the Responsible Use of AI and Digital Finance**
  - The responsible adoption of AI and agentic commerce in ASEAN's financial sector requires regulatory frameworks that are proportionate, risk-based, and technology-neutral.
  - AMS should adapt existing regulatory frameworks through public-private collaboration to address authentication and liability issues in agentic commerce, rather than creating new and overly prescriptive AI-specific regulations.

Digital Payments

- **Advance Cross-border Interoperability in ASEAN**
  - Promote financial inclusion and support for MSMEs through greater digital payment interoperability, grounded in open, global standards and multi-rail ecosystems.
  - Enable seamless visitor mobility through open-loop transit adoption and a frictionless "welcome journey" payment experience.
  - Design routing and data policy around security outcomes, not prescriptive localization, and preserve access to globally integrated fraud prevention.
  - Treat payment security as economic infrastructure; ensure pricing frameworks support long-term investment in resilience.

Digital Payments (cont.)

- **Trusted Digital Identity and Secure Cross-Border Data Flows**
  - Work towards a regionally interoperable digital identity architecture that allows verified individual and business credentials to be recognized across member states.
  - Adopt high standards for cross-border data flows and reference proven international frameworks.

- **Responsible Innovation in Stablecoins**
  - Regional coordination on stablecoin regulations will complement broader payment interoperability goals and reduce fragmentation across ASEAN. Policy frameworks should ensure that stablecoins being used in financial transactions are well-regulated and of high quality, while recognizing the need for interoperability across jurisdictions.
  - Regulate stablecoins on a principles-based approach within existing frameworks; prioritizing real-world commercial use cases and clarifying accounting treatment as cash equivalents.
  - Prioritize commercial use cases for stablecoins beyond consumer payments and clarifying their accounting treatment as cash equivalents to unlock enterprise adoption.

Resilience and Inclusivity in Financial Systems

- **Addressing Financing Gaps in ASEAN**
  - AMS should strengthen policy and regulatory frameworks to improve access to critical illness, health protection, and enhance pension systems to deliver adequate retirement income across formal and informal sectors.
  - Use Targeted tax incentives to accelerate insurance and retirement protection coverage and support the uptake of long-term savings products.
  - Strengthen retirement system sustainability by gradually transitioning toward funded and portable retirement models that safeguard worker benefits and build long-term domestic investment capital.
  - Sustainable finance for women's health strengthens health system resilience and advances inclusive and sustained economic growth across ASEAN.

- **Cybersecurity and Operational Resilience**
  - Harmonize cybersecurity standards and reference internationally recognized frameworks like the CRI Profile to enhance cyber resilience.
  - A calibrated, risk-based approach will support innovation and cross-border digital integration while maintaining high standards of security and supervisory effectiveness.

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INTRODUCTION

This report offers industry insights and recommendations to foster growth in ASEAN by highlighting key opportunities and challenges across three interconnected themes. The first theme focuses on accelerating digital transformation and capital market competitiveness, including the adoption of artificial intelligence (AI) in financial services, the modernization of capital markets, and financing of digital and climate infrastructure. The second theme focuses on advancing a trusted and interoperable digital payments ecosystem, including recommendations for cross-border payment standards and the importance of a mutually recognized digital identity framework, and the adoption of blockchain technology in stablecoins. The final theme of the whitepaper focuses on addressing gaps in insurance and retirement protection, alternative financing for micro, small, and medium enterprises (MSMEs), women's health financing, and cybersecurity and operational resilience. Drawing on the experience and expertise of our members, this whitepaper presents concrete recommendations for ASEAN member states (AMS) to consider as they deepen regional economic integration.

The US-ASEAN Business Council (USABC) and its members are committed to being partners and resources to ASEAN governments and supporting inclusive and sustainable economic growth for the region. This is our 42nd year since our founding, and we continue to work closely with governments and other stakeholders to support ASEAN's economic integration, digital trade, and finance. In line with Philippines' Chairmanship themes and referencing our industry data and best practices, we share with the 13th AFMGM a range of recommendations on digital transformation and regional competitiveness, digital payments, and future-ready policies for AMS' consideration.

THEME 1:

Accelerating ASEAN's Digital Transformation and Regional Competitiveness for Trade and Capital Markets

1A: **Strengthen ASEAN's Capital Markets and Investment Climate**

ASEAN's long-term growth ambitions require substantial financing to close infrastructure gaps in transport, digital connectivity, renewable energy, water systems, and urban services. According to the ASEAN Infrastructure Fund, ASEAN requires an estimated US$210 billion annually through 2030 to meet its infrastructure priorities, yet the region still faces a funding gap exceeding US$100 billion each year. Broader ADB analysis places total infrastructure needs for ASEAN and its regional partners at US$2.8-3.1 trillion from 2023 to 2030, reinforcing the scale of capital required to sustain growth, enhance resilience, and accelerate the green transition.

The widening gap between financing needs and available public resources means that ASEAN must look to a mix of public and private funding options to meet the region's infrastructure needs.

Private capital has emerged as a useful complement to public funding mechanisms for ASEAN. Globally, it has been playing an expanding role to meet the bespoke needs of increasingly complex transactions, the energy transition, datacenters, digital infrastructure, clean energy, power systems, and energy transition projects.

Infrastructure Financing

For example, the growth in digital infrastructure, spanning data centers to telecom towers, has been a large part of infrastructure financing growth globally and in ASEAN during 2025 across Malaysia, Singapore, and Thailand. Debt financing has grown at a rapid pace to support these developments. Many of these bank loan financings have implemented sustainability-linked loan frameworks, adopting learnings from other sectors. As the digital infrastructure growth continues in-region, ensuring that global and local debt capital markets participation in these financings will be critical and will require a supportive regulatory environment to ensure a long-term investor base can be developed.

At the same time, these developments should occur in a sustainable manner with consideration for emissions, power, and water. ASEAN faces an acute and growing financing challenge: the region is estimated to require over US$200 billion in annual energy investments by 2030 for its energy transition in the near term alone[1], against a backdrop where public budgets are already stretched and private capital remains insufficiently mobilized. Despite encouraging growth in sustainable finance globally, the funding gap remains substantial. Public finance alone is insufficient to meet the gap, and private capital has not flowed at the scale needed, in part because the risk-return profile of climate-resilient projects in emerging markets remains challenging without targeted policy support. Regulatory fragmentation among AMS continues to constrain cross-border capital flows and investor confidence.

To catalyze private participation, AMS should prioritize de-risking mechanisms – blended finance structures, guarantees, and public–private partnerships – and consider targeted incentives such as tax credits or breaks, accelerated depreciation, and concessional loans for climate-resilient projects. Clear, predictable policy frameworks and bankable project pipelines will further enable capital to flow at scale.

Continued regional collaboration among policymakers is needed to reduce fragmentation, building on the ASEAN Taxonomy, sectoral transition guidance, and the ASEAN Centre for Climate Change and Environmental Policy and Technology (ACCEPT) tool. Sustained alignment on standards and implementation will strengthen interoperability across markets. A unified approach would amplify ASEAN's collective voice, attract larger pools of cross-border capital, and ensure more efficient use of resources across member states.

Voluntary carbon markets also present a further opportunity in sustainability finance. Governments are increasingly aligning to international standards and Article 6 of the Paris Agreement, which is a positive development. To scale with integrity and reduce fragmentation, deeper regional coordination is needed. ASEAN-wide alignment with Article 6 would enable international transfer of carbon credits, support market integration, and help build deeper, more liquid markets.

The ASEAN Collective Investment Scheme (CIS) framework represents an important foundation for advancing regional capital market integration, enabling cross-border distribution of funds and expanding investor access to diversified products. However, its uptake remains constrained by uneven implementation, regulatory fragmentation, and persistent tax and currency-related frictions. Differences in national requirements continue to impose duplicative compliance burdens on fund managers. At the same time, the absence of streamlined tax arrangements and limited availability of currency risk management tools reduce the attractiveness of CIS products for both managers and investors. Addressing these structural barriers would help to unlock the full potential of the framework.

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1 World Economic Forum. "Unlocking energy transition investment and innovation". Published June 20, 2025. Accessed March 10, 2026. https://www.weforum.org/stories/2025/06/asean-energy-transition-meeting/#:~:text=Despite%20ambitious%20net%20zero%20pledges,power%20and%20drive%20down%20costs.

RECOMMENDATIONS

1. **Reduce regulatory friction by harmonizing authorization, reporting, and documentation requirements across ASEAN,** standardizing post-trade infrastructure and entity identifiers, and resolving tax frictions through additional bilateral and multilateral withholding tax treaties.

2. **Scale the ASEAN CIS framework and encourage all AMS to join the CIS framework**. To support this, AMS should conduct ongoing reviews of the CIS framework to identify and address implementation challenges as they emerge; harmonize rules to reduce compliance complexities for fund managers; address tax issues by establishing bilateral and multilateral tax treaties; and together with industry develop currency-hedged share classes to mitigate foreign exchange risk and leverage digital distribution platforms.

3. **Promote broad market understanding on how credit ratings support the development of the debt capital markets.** Credit ratings require consistent disclosure of financial data, governance practices, risk exposures, and market conditions and play a critical role in improving transparency and building investor confidence. This helps to reduce information asymmetries, one of the biggest barriers to attracting long-term capital. For many emerging economies, transparent and credible ratings can broaden the investor base and support the development of deeper, more resilient capital markets.

4. **Enhance transparency in private capital markets.** Private market investors are increasingly seeking objective performance benchmarks, standardized data, and reporting tools and support analysis and decision-making. The growth in private markets highlights the need for standardized definitions, high quality valuation tools, and performance metrics. For example, S&P Global, Cambridge Associates, and Mercer have collaborated to create a new private market taxonomy to support analysis, reporting, and performance tracking. The new classification system is one of the building blocks of S&P Global's private markets performance analysis.

5. **AMS should take the following actions to advance digital infrastructure financing:**

   a. **Mobilize private capital through targeted de-risking mechanisms.** AMS should prioritize blended finance structures, guarantees, and public-private partnerships to shift the risk-return profile of climate-resilient projects and help address green and climate financing issuance cost challenges. Targeted fiscal incentives, including tax credits, accelerated depreciation, and concessional lending alongside clear and predictable policy frameworks and bankable project pipelines, are essential to catalyze private participation and enable capital to flow at the scale required.

   b. **Deepen regional policy alignment to reduce fragmentation and attract cross-border capital**. AMS should sustain and accelerate alignment on sustainable finance standards, building on existing foundations, including the ASEAN Taxonomy, sectoral transition pathways, and the ACCEPT tool. Consistent implementation across markets will strengthen interoperability, amplify ASEAN's collective voice in international forums, and ensure more efficient deployment of public and private resources toward shared climate goals

   c. **Advance ASEAN-wide coordination on voluntary carbon markets through alignment with Article 6 of the Paris Agreement.** Voluntary carbon markets are gaining momentum across the region, but fragmentation in standards and market structures limits their integrity and scale. ASEAN member states should deepen regional coordination and align with Article 6 to enable the international transfer of carbon credits, support market integration, and develop deeper, more liquid markets capable of channeling capital meaningfully toward ASEAN's decarbonization objectives.

IN SUMMARY:

- Reduce regulatory and tax friction by harmonizing authorization, reporting, and documentation requirements across ASEAN and expand bilateral and multilateral withholding tax treaties to attract private capital.
- Scale regional investment frameworks and expand the ASEAN CIS framework to include all AMS.
- Promote education on the role of credit ratings to support debt capital market development
- Enhance transparency of private capital through de-risking measures.
- Advance ASEAN-wide coordination on voluntary carbon markets aligned with Article 6 of the Paris Agreement.

1B: Promote regional coordination on the responsible use of AI and digital finance

Artificial intelligence (AI) is rapidly becoming an essential tool across ASEAN's financial services landscape, enabling faster underwriting, fraud detection, credit assessment, and delivering value to consumers and businesses alike. Financial institutions (FIs) can now offer faster, tailored, and accessible services, including to populations that have historically been underserved. AMS and the private sector share a common interest in realizing these benefits fully. Striking the right balance between responsible governance and enabling innovation is therefore vital for ASEAN's competitiveness as a region and for the region's broader goals of financial inclusion and economic resilience.

Risk-based approach to AI Governance

USABC thus supports a proportionate, risk-based approach to AI governance, one that focuses on regulatory attention on higher-risk use cases and contexts rather than applying uniform requirements across all AI applications. FIs operating across ASEAN are already governed by comprehensive regulatory frameworks covering data privacy, consumer protection, operational risk, cybersecurity, and third-party risk management – all of which are relevant when AI is deployed.

Rather than creating new, duplicative AI-specific requirements that would impose disproportionate compliance burdens and deter valuable innovation, AMS should encourage FIs to integrate AI risk management into their established frameworks.

Alignment with internationally recognized standards and frameworks is critical to ensuring that AI governance in ASEAN is both credible and commercially workable. Frameworks such as the OECD Principles on Artificial Intelligence, the NIST AI Risk Management Framework, and ISO/IEC 42001 represent mature, globally accepted benchmarks that financial institutions with international operations are already working to adopt. AMS should recognize compliance with these standards as meaningful evidence of sound AI governance, allowing institutions to leverage group-level frameworks where these meet regional expectations. A regionally harmonized approach that builds on international norms will reduce compliance complexity, support cross-border financial integration, and position ASEAN as a trusted destination for responsible AI-driven financial innovation.

AI in Insurance

The insurance sector offers a compelling illustration of why proportionate, outcomes-based AI governance matters in practice. Insurers have long relied on sophisticated data-driven tools for underwriting, claims routing, loss prevention, and risk assessment, and AI represents a natural and valuable extension of this established practice, not a departure from it. AI-enabled capabilities are helping insurers offer quicker claims settlements, more accurate risk pricing, and more tailored products to a broader population, including groups that have historically lacked access to affordable coverage. To this end, AI efficiencies will help achieve industry and government's shared objective of bringing the financial security of insurance to more citizens of AMS. Critically, this is occurring within regulatory frameworks that already govern how insurers collect, use, and protect data – frameworks that apply equally whether or not AI is involved.

The insurance industry's experience underscores a broader principle: AI use in financial services is not occurring in a regulatory vacuum, and new AI-specific requirements risk creating duplicative compliance burdens without meaningfully improving consumer outcomes. Regulators should equally be cautious about treating the use of personal data in AI applications as inherently high-risk. In insurance, data differentiation is fundamental to accurate risk assessment and sustainable pricing, and existing consumer protection laws already set appropriate boundaries on the use of personal data. Where AI is deeply embedded in core operational processes, as it is in claims routing and underwriting, prescriptive requirements to segregate or constrain the technology would degrade the speed and accuracy of the product for all consumers and add costs that are ultimately passed on to policyholders. The insurance sector's experience makes the case that well-calibrated, risk-based governance is the approach most likely to deliver the shared goal of expanding financial protection across ASEAN.

Opportunities for AI to Streamline Trade Finance

AI is poised to transform trade finance by addressing longstanding operational inefficiencies and risk management challenges[2]. Many institutions are already deploying sophisticated AI solutions that enhance document processing, fraud detection, and transaction execution while fostering greater ecosystem collaboration.

Trade compliance is not a single task. It includes objective controls (for example, sanctions list screening) and more subjective assessments (for example, whether activity is plausible given the goods, routes, counterparties, quantities, and pricing). AI is particularly well-suited to the latter: synthesizing diverse contextual signals to identify anomalies that a human reviewer might miss, especially given time pressures and high volumes.

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2 Supply Chain Financing – Durable Global Trade in the Age of AI. Accessed 24 March 2026.
https://www.citigroup.com/rcs/citigpa/storage/public/GPS_Report_Supply_Chain_Financing_2026.pdf

One of the highest-impact use cases is invoice risk. Over-invoicing and under-invoicing are well-known mechanisms for trade-based money laundering, but invoices are difficult to monitor systematically because they frequently contain line-item detail across multiple pages. For large importers, invoices can run to 30–40 pages, making it impractical for an operator to extract and compare data consistently. AI changes the mechanics of that process. Models can extract all line items, group them meaningfully, and aggregate them into structured datasets. AI agents can then attempt to source comparable pricing from open sources and generate alerts when unit prices deviate materially from expected norms, bringing a human into the loop only when the signal warrants it. AI therefore could empower compliance teams to be more consistent, across far more activity, and with better auditability.

Shipment and vessel monitoring holds a similar dynamic. A bill of lading contains key details such as the shipper and consignee names, precise cargo description (weight, quantity, condition) vessel/carrier information, ports of loading and discharge, and container numbers – the information may appear complete and fully compliant. However, AI might assist as it evolves with enhanced screening for higher risk commodities, such as oil and petroleum products as these products have inherent higher risk of commingling and/or sanctions evasion. Here there may be merit for a bank to undertake specific deceptive shipping checks (such as AIS manipulation, Dark Activity/Ship-to-Ship Transfers) which are not relevant for container vessels.

A less visible but highly strategic benefit of AI-driven extraction is that it creates structured historical data – a transaction memory – that many trade ecosystems do not have today. Once trade documents are reliably converted into structured datasets, banks can detect behavioral changes over time, not just single-transaction anomalies. This matters because trade is typically recurring. When an applicant and beneficiary have maintained consistent volumes and business types for years and then suddenly show a material deviation, AI can flag that shift and assign an elevated risk score. This moves risk management from reactive exception handling to earlier intervention based on pattern recognition. Predictive models also extend into cash-flow forecasting and default prevention, especially in receivables finance where banks can analyze payables, receivables, ERP feeds, and account statements to anticipate liquidity gaps.

AI in trade finance can also be used to support interoperability. Trade workflows encounter problems not only because of document complexity, but also because participants often use slightly different data language. Traditional integration requires detailed mapping, file-format specifications, and repeated coordination each time a counterparty's output changes. That work is slow, costly, and vulnerable to errors or miscommunication. AI introduces a more flexible approach using dynamic mapping and interpreting data in whatever form it is presented (so long as the content is sufficient). This can reduce the need for rigid file formats and can materially lower the time spent resolving discrepancies caused by missing, incorrect, or inconsistently formatted data. The practical benefit is faster reconciliation and fewer exceptions, which directly improves client experience and reduces operational overhead. By integrating AI with technologies such as blockchain, it is possible to create immutable audit trails while simultaneously providing predictive insights into counterparty reliability, strengthening trust within trade finance ecosystems.

Finally, AI in trade finance can support financial inclusion. MSMEs remain structurally underserved in trade finance. One reason is that the manual work required to underwrite an MSME is not proportionally smaller than the work required for a large corporate, even though facility sizes and revenue opportunities differ. AI can shift this cost curve by automating the ingestion and analysis of MSME information, including transaction histories, social media presence, and supply chain relationships. This allows banks to assess an MSME's portfolio, identify concentration risks (for example, reliance on a single buyer), and assess related counterparty credit signals more efficiently.

Tokenized Financial Instruments

In the traditional world, distributing exposure to bills of exchange is possible but cumbersome. Paper-based transfers are often slow and operationally intensive, which limits the number of banks or investors that are even willing to participate. In a tokenized model, transferring ownership becomes as simple as moving a token to another wallet. This could open the door to a broader investor base and the creation of more dynamic marketplaces for short-dated, low-risk assets. Banks and institutional investors would be able to buy and sell exposure more easily, and corporates would benefit from deeper pools of liquidity.

Legal frameworks are changing to create a supportive environment. These new laws and regulations set specific requirements for a digital record to carry the same weight as traditional paper. This creates an environment in which technologies such as blockchain and tokenization can be used not only for efficiency, but also with robust legal enforceability. In the U.S., the adoption of Article 12 of the Uniform Commercial Code in New York introduces the concept of controllable electronic records (CERs). It provides a legal framework for governing ownership and transfer, enforcing rights, and determining priority for certain types of digital assets. In the UK, the Electronic Trade Documents Act 2023 grants electronic trade documents the same legal status as their paper counterparts, provided certain conditions are met. Other jurisdictions are exploring similar approaches.

For a tokenized bill of exchange to be truly effective, widespread adoption across all participants in the trade finance ecosystem (buyers, sellers, FIs, and others) is necessary. Hesitation from stakeholders to embrace new technology and a lack of understanding of its benefits could slow progress. It will be important for solutions to operate on public blockchain infrastructure and support interoperability across banks and platforms – a single-bank closed system cannot deliver the network effects that make trade finance so powerful. The aim is to create something that other market participants can integrate with and build upon, so that tokenized trade assets can essentially move as freely as the goods and services they support.

Creating Supportive Regulatory Frameworks for Further AI Innovation

AI is moving from prediction engines to autonomous actors (agents), which is a fundamental shift from knowing to doing. AI agents are beginning to discover, research, and in some cases complete transactions on behalf of consumers and businesses, creating new commercial channels with delegated authority to agents. While still in its early stages, agentic commerce raises important questions for policymakers that will need to be addressed through collaboration between regulators, payment industry players and the broader AI ecosystem:

- how to maintain authentication and verification as agents are delegated tasks;
- how liability for fraud and dispute resolution should be allocated between buyers, agents, and businesses;
- how e-commerce companies and platforms can ensure trust and reliability in agents; and
- how existing cyber, fraud, privacy, and data frameworks will be impacted, in addition to new frameworks being set up.

Translating these policy objectives into practice will require alignments with global technical standards that can operationalize trust, security, and accountability at scale. In this context, industry standard bodies play an important role. For example, EMVCo is examining how EMV Specifications, including EMV 3-D Secure, EMV Payment Tokenization, and EMV Secure Remote Commerce, can be developed and enhanced to support seamless and secure card-based agentic payments.

USABC urges AMS to advance activity- and risk-based AI policy frameworks that leverage existing institutional strengths, align with international standards, and create space for ongoing dialogue between regulators and industry as the technology continues to develop. The goal is to create a regulatory environment that is demanding where the risks are highest, flexible where they are lower, and coherent enough across ASEAN to support the regional financial integration that benefits consumers, businesses, and governments alike.

RECOMMENDATIONS

1. Apply risk-based frameworks to AI governance. Use of AI in financial services is already comprehensively governed under existing laws including operational risk, data privacy, consumer protection, and cybersecurity frameworks. AMS should avoid creating new, overly prescriptive AI-specific regulatory regimes that duplicate these existing requirements. Where AI-specific guidance is warranted, it should be proportionate, risk-based, and clearly distinguish between AI that serves assistive functions (such as process automation or analytics) and AI that is involved in high-level decision-making with direct consequences for consumers or business outcomes. Governance frameworks should also reflect the realities of how AI is deployed – as an embedded technology integrated across underwriting, claims, fraud detection, and customer service – rather than treating it as a separate function that can be easily isolated or opted out of.

2. Advance regionally coherent, risk-based AI and data governance to avoid fragmentation. Divergent AI and data regulations across AMS risk increasing compliance burdens, enabling regulatory arbitrage, and constraining innovation – particularly for regionally operating firms and MSMEs. AMS should work toward interoperable, activity- and risk-based AI and data governance frameworks aligned with internationally recognized standards, enabling responsible cross-border data flows while maintaining strong, outcomes-based privacy and security protections. Mutual recognition and interoperability arrangements, supported by sustained public-private collaboration, would preserve trust and oversight while enabling scalable deployment of advanced and agentic AI applications across jurisdictions.

3. Preserve global coherence in AI regulation to avoid innovation-inhibiting fragmentation. Divergent and overly prescriptive AI regulation across multiple ASEAN jurisdictions creates compliance complexity that disproportionately burdens both global companies and MSMEs. AMS should work toward harmonization of AI governance approaches – compatible with internationally recognized frameworks and allowing financial institutions to maintain the global AI governance structures that currently enable them to comply across jurisdictions. Reflexive categorization of AI use is inherently high-risk, and should be avoided regardless of application nuances.

4. AMS should work collaboratively with the private sector including payment networks to adapt existing regulatory frameworks — particularly around authentication, fraud prevention, and liability — to support innovation in agentic commerce while maintaining consumer and payment service user protections. Specific consideration should be given to protocols and standards established by market participants that could help achieve regulatory objectives – especially where such protocols or standards are open source. Examples include Visa's Trusted Agent Protocol, the open-source Agentic Commerce Protocol (ACP) co-developed by OpenAI and Stripe, Stripe's Machine Payments Protocol (MPP) co-developed with Tempo, and Google's Agent Payments Protocol, which demonstrate how market-led, interoperable frameworks can deliver trust, authorization, and accountability in AI-initiated transactions.

5. To prevent a fragmented ecosystem of AI agents, AMS can develop common, open standards for agent-to-agent communication, similar to how ISO 20022 creates a common language for financial messages. These protocols would define how agents discover, authenticate, and negotiate with one another to execute tasks. A standardized communication layer is essential for creating a competitive and innovative marketplace where agents from different providers can interact seamlessly across the ASEAN region.

IN SUMMARY:

- In summary, the responsible adoption of AI and agentic commerce in ASEAN's financial sector requires regulatory frameworks that are proportionate, risk-based, and technology-neutral.
- AMS should adapt existing regulatory frameworks through public-private collaboration to address authentication and liability issues in agentic commerce, rather than creating new and overly prescriptive AI-specific regulations.

THEME 2:
ASEAN's Digital Payments Ecosystem

Trusted, interoperable digital payments are a foundational enabler of ASEAN integration, supporting seamless economic interaction across consumers, businesses and governments. Secure, cross-border payment networks underpin trade, tourism, remittances and emerging digital commerce models, enabling value to move across borders efficiently, safely and at scale. By reducing friction and fragmentation, interoperable payments strengthen regional connectivity, inclusion and resilience across the ASEAN digital economy.

2A: Advance Cross–border Payment Interoperability

Advancing cross-border payment interoperability is central to realizing a future where consumers and businesses across ASEAN can transact seamlessly, using the payment methods they trust and prefer, regardless of borders. The region has made significant progress in digitizing payments, yet cross-border experiences often remain fragmented, with differences in systems, standards, and rules limiting true interoperability. Addressing these frictions presents a powerful opportunity for ASEAN to deliver simple, inclusive, and connected payment experiences that mirror the ease of domestic transactions and support a more integrated regional digital economy.

Globally accepted standards are the foundation of digital payments interoperability, enabling different networks, providers, and technologies to connect seamlessly across borders and payment rails. Over time, common technical, security and messaging standards have allowed digital payments to scale from closed domestic systems into trusted global networks – reducing fragmentation, lowering integration costs, and ensuring consistent levels of security, reliability and consumer protection. By providing a shared "language" for authorization, clearing, and settlement, globally accepted standards have supported innovation and competition while preserving choice, allowing for new payment methods to emerge without breaking connectivity.

The region has made significant progress in enabling interoperable digital payments, yet some frictions remain especially in cross-border experiences with differences in systems, standards, and rules limiting interoperability.

These frictions present a constraint on cross-border digital trade, liquidity for MSMEs, and e-commerce across the region. Fragmented and restrictive national regulations governing payment licensing, cross-border data transfer, cybersecurity, and necessary Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) can impede the seamless flow of commerce across ASEAN. Beyond licensing and regulatory fragmentation, unpredictable settlement timelines can impose real costs on MSMEs' working capital and constrain the growth of cross-border e-commerce.

These frictions disproportionately affect smaller merchants and marketplace participants who lack the resources to navigate multiple regulatory regimes. Addressing these frictions presents an opportunity for ASEAN to deliver secure, inclusive, and interoperable payment experiences that expands choice for consumers and merchants, allowing people to pay and be paid using methods that best fit their needs. Interoperable ecosystems where multiple rails, providers, and form factors co-exist strengthen competition, encourage innovation, and improve resilience. Preserving choice helps ensure that consumers and merchants are not locked into a single mandated pathway, while supporting seamless cross-border commerce without compromising safety, reliability, or consumer protection.

Open-Loop Transit: Enabling Seamless Visitor Mobility

Contactless transit systems that allow visitors to pay using widely held cards or mobile devices they already carry are increasingly being adopted to support seamless visitor mobility. By relying on global, technology-neutral standards such as Europay, Mastercard and Visa (EMV) contactless, these models remove the need for visitors to obtain special transit cards, make public transport immediately intuitive upon arrival, and help increase ridership while supporting tourism growth.

Embedding contactless transit payments into the visitor's "welcome journey" – particularly across airport connections, metro systems, and bus networks – helps ensure that a visitor's first payment experience is simple and frictionless. To maximize these benefits, AMS should avoid single-rail or bespoke technical mandates that constrain interoperability, and instead encourage open certification, competitive procurement, and alignment with globally recognized standards.

Secure Cross-Border Processing, Flexible Routing, and Trusted Data Flows

Onshore routing requirements and data localization policies can increase complexity, fragment security controls, and limit access to advanced, globally-integrated risk-management capabilities. These effects may raise friction and reduce consistency in acceptance and fraud prevention without delivering proportional supervisory benefits. For instance, tourism payments routinely span multiple jurisdictions, and reliable, low-latency experiences depend on efficient routing and real-time, data-driven fraud controls informed by global patterns. A balanced policy approach should focus on security outcomes while enabling trusted cross-border processing with appropriate safeguards.

Sustained Investment in Payment Security and Resilience

As digital payments scale in volume and cross-border reach, payment security becomes a core economic policy consideration. Secure and trusted payment systems are a foundational infrastructure that enables commerce, supports financial inclusion, and underpins confidence in digital transformation. Payment risks today are dynamic, data-driven, and inherently cross-border; advanced AI-enabled risk management capabilities allow payment infrastructures to detect emerging threats and respond in real time. Systemic resilience is strongest when threat intelligence and best practices are shared across the ecosystem — including consumers, merchants, issuers, acquirers, networks, technology providers, regulators, and other key players like telcos. AMS can play an important role in ensuring that frameworks continue to support sustained investment in fraud prevention, cybersecurity, and system resilience. Approaches that balance affordability with the economic capacity for long-term security investment help strengthen trust, protect consumers and merchants, and reinforce the resilience of the payments ecosystem over time.

Enabling MSME Participation

MSMEs are the backbone of ASEAN economies and a driver of deeper regional integration. In a digital world, e-commerce and technology platforms are critical to the growth of MSMEs across ASEAN, enabling even small merchants to leverage sophisticated payment capabilities – from fraud prevention to multi-currency acceptance. A future-ready, trusted, and interoperable cross-border payments environment can enable these businesses to participate seamlessly in regional trade, tourism, and the digital economy – accepting payments from customers across ASEAN and beyond as easily as domestic transactions. When acceptance is built on globally aligned, technology-neutral standards, MSMEs can grow with confidence, offering consumers choice while benefiting from consistent security, reliability, and transparency. By reducing fragmentation and lowering the cost and complexity of digital acceptance, interoperable payment networks and platforms can help ensure that the benefits of cross-border payments are widely shared – empowering ASEAN's long-tail merchants to innovate, scale, and compete in an increasingly connected region.
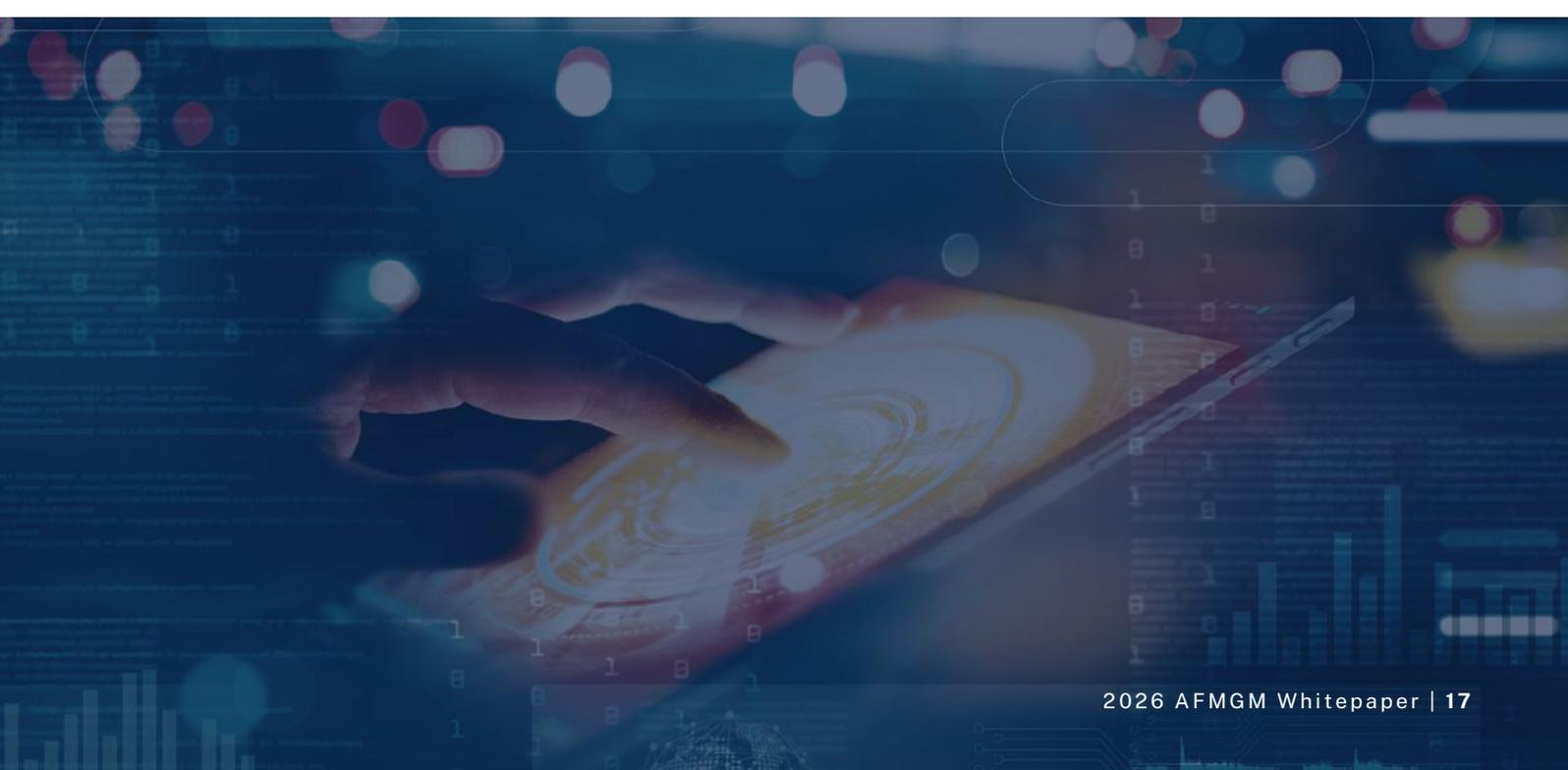
RECOMMENDATIONS

USABC recommends that AMS leverage regional frameworks like the nearly completed Digital Economy Framework Agreement (DEFA), to achieve greater policy convergence in promoting digital payment interoperability and support a more integrated regional payment ecosystem. AMS could work towards achieving consensus on the following policy recommendations:

1. Facilitate the harmonization of electronic payment regulatory frameworks across the region by fostering greater alignment and convergence in areas such as e-payment licensing, standards, and processes. Within the DEFA, AMS could broaden the adoption of standards for enabling interoperable digital payments beyond ISO20022 Universal Financial Industry Message Scheme to improve regional connectivity and use open-source payment systems (APIs) in the payments space. AMS should also adopt standardized payment, security, and fraud-risk frameworks (ISO 8583, EMV Chip, EMV QR, PCI-3DS, PCI-DSS) alongside interoperable payment rails across cards, real-time payments, QR and wallets, to reduce acceptance and operating costs, improve transaction security and cash flow, and expand access to regional customers, particularly MSMEs. Regulatory frameworks should remain technology-neutral and aligned with global standards, avoiding bespoke or single-rail mandates that limit interoperability, competition, and consumer choice.

2. Adopt a balanced data policy that focuses on security outcomes rather than onshore routing or data localization requirements. Highly centralized domestic architectures can increase concentration risk and limit access to global threat intelligence. AMS should enable trusted cross-border processing with appropriate supervisory safeguards, preserving access to AI-enabled, globally integrated fraud-prevention capabilities, particularly in cross-border commerce.

3. Prioritize sustained investment in payment security and partner with industry on ecosystem-wide risk intelligence, principles-based security frameworks aligned with global standards, responsible governance of AI in payments, and cross-border cooperation to combat fraud and cyber threats.

IN SUMMARY:

- Promote financial inclusion and support for MSMEs through greater digital payment interoperability, grounded in open, global standards and multi-rail ecosystems.
- Enable seamless visitor mobility through open-loop transit adoption and a frictionless "welcome journey" payment experience.
- Design routing and data policy around security outcomes, not prescriptive localization, and preserve access to globally integrated fraud prevention.
- Treat payment security as economic infrastructure; ensure pricing frameworks support long-term investment in resilience.

2B: Promote Trusted Digital Identity and Secure Cross–Border Data Flows

Trusted payment systems have historically enabled cross-border transactions by abstracting identity, compliance, and risk differences across jurisdictions through shared standards, rules, and safeguards. The absence of a cross-border mutual recognition framework for digital identity and KYC/KYB standards across ASEAN is a significant structural barrier to regional economic integration that also constrains the pace and scale of digital financial inclusion. It also creates challenges for fraud prevention, as inconsistent identity standards undermine the ability to maintain a coherent AML/CFT risk picture.

The costs of fragmented KYB are particularly worse for MSMEs, since larger corporations can absorb the compliance overhead of repeat verification processes. A mutual recognition framework for KYC and KYB would enable regulated institutions to rely on KYC/KYB verification conducted by counterparts in participating ASEAN jurisdictions, subject to minimum standards covering legal entity verification, beneficial ownership disclosure, and sanctions screening.

An interoperable, cross-border digital identity system would also provide the foundational layer of trust needed to securely authenticate and authorize AI-initiated transactions. This linkage is vital for mitigating fraud risk and building a scalable and secure ecosystem for the future of AI-driven commerce in the region.

Regional Progress towards a KYC/KYB Mutual Recognition Framework

Several AMS have made significant progress in national digital identity infrastructure that provide a strong potential foundation for regional interoperability:

- Indonesia's population identity database (Dukcapil) is increasingly integrated with financial institution onboarding processes, enabling digital identity verification at scale.
- The Philippines' PhilSys national ID system provides a foundational identity infrastructure that FIs can reference in customer due diligence.
- Thailand's National Digital ID (NDID) platform provides a consent-based framework for identity sharing across participating institutions, using a federated architecture that preserves individual control.
- Singapore's MyInfo platform enables citizens to share government-verified personal data with FIs and other service providers on a consent basis, dramatically reducing onboarding friction.

The domestic achievements of AMS' demonstrate that trusted digital identity at scale is achievable. Bilateral agreements between financial regulators and the FATF's Guidance on Digital Identity (2020)[3] provide useful templates for wider replication across ASEAN:

- FATF's Guidance on Digital Identity (2020) provides an internationally recognized framework for assessing the reliability and independence of digital identity evidence used in customer due diligence — a standard ASEAN member states could adopt as the baseline for mutual recognition.
- FATF has affirmed that well-designed digital identity systems support effective, risk-based AML/CFT compliance rather than undermining it.
- The MAS-US Treasury Joint Statement on Financial Services Data Connectivity[4] and the similar joint statement between BSP and MAS[5] demonstrate that bilateral regulatory agreements on data connectivity are a possibility, opening opportunities for broader multilateral frameworks.

Secure, Rules-Based Cross-Border Data Flows

Sharing of KYC/KYB information can help aid in fraud detection, AML/CFT screening, sanctions compliance, and credit risk assessment, all of which depend on the ability to aggregate and analyse data across borders. The rapid growth of the digital economy in ASEAN has made cross-border data flows essential for trade, financial services, and innovation. The ability to transfer data securely and efficiently is critical for competitiveness, economic integration, and building trust in the Southeast Asian financial system.

USABC encourages AMS to adopt high standards in their trade agreements ensuring the free flow of critical financial information. USABC refers specifically to the provisions in Article 5 of the Singapore-EU Digital Trade Agreement (DTA) that facilitate secure and seamless cross-border data flows. Such provisions would promote regulatory consistency and interoperability across the region, supporting digital trade and economic integration.

Article 5 commits the parties to ensuring the cross-border transfer of data by electronic means for business purposes, and prohibits measures that would:

- Require the use of computing facilities or network elements in the party's territory for the processing of data
- Require the localisation of data in the party's territory for storage or processing
- Prohibit storage or processing of data in the territory of the other party
- Make cross-border data transfer contingent on use of local computing facilities or localisation requirements
- Prohibit the transfer of data into the territory of the party

3 Financial Action Task Force (FATF). "Guidance on Digital ID". Published March 2020. Accessed 10 March 2026. https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/Digital-identity-guidance.html
4 Monetary Authority of Singapore. "United States-Singapore Joint Statement on Financial Services Data Connectivity". Published 16 November 2020. Accessed March 10, 2026. https://www.mas.gov.sg/news/media-releases/2020/united-states-singapore-joint-statement-on-financial-services-data-connectivity
5 Monetary Authority of Singapore. "Joint Statement of Intent on Data Connectivity between Bangko Sentral ng Pilipinas and The Monetary Authority of Singapore." Published 16 November 2020. Accessed 10 March, 2026. https://www.mas.gov.sg/news/media-releases/2020/joint-statement-of-intent-on-data-connectivity-between-bsp-and-mas

Secure cross-border data flows preserve regulatory access to data for supervisory purposes while prohibiting unjustified localization. It is also consistent with DEFA principles and facilitates secure, rules-based cross-border data transfers.

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 service providers. Data localization requirements may restrict the transfer of data required for processing cross-border transactions or conducting AML/CFT functions, leading to delays and increased costs for cross-border payments.

Several AMS have policies that restrict the flow of data through various data localization requirements. Such restrictions have a dampening impact on the development of ASEAN's digital economy and could especially hurt ASEAN MSMEs' prospects of engaging in digital trade and developing new products and services.

Even for global businesses, localization requirements prevent them from accessing markets where they do not operate a data centre or from relying on global firmwide applications and capabilities. Data localization requirements on the grounds of national security can also be detrimental to national security goals as they would reveal the location of data to cybercriminals. Moreover, firms are not given the freedom to locate their customers' data based on security requirements.

Data localization requirements repress innovation by placing burdens on new entrants and increasing barriers to entry, thus jeopardizing ASEAN's competitiveness in the long term. Cross-border data flows, however, 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 can lead to economic growth and improved standards of living.

AMS should embed equivalent provisions in DEFA and in future bilateral digital economy agreements, ensuring that financial services data flows are explicitly covered and not left to ambiguous carve-outs. This would avoid data localization measures that fragment the regional payments ecosystem, increase compliance costs, and undermine the interoperability gains sought through broader ASEAN digital integration efforts.

RECOMMENDATIONS

1. Develop a mutual recognition framework for KYC/KYB standards and operationalize a "trusted digital identity" for the ASEAN 2026-2030 Roadmap. The framework should: (a) establish minimum KYC/KYB standards that are mutually recognized across ASEAN; (b) enable regulated institutions to rely on KYC/KYB conducted by counterparts in other AMS; and (c) facilitate the development of portable digital identity credentials that are recognized across borders, consistent with privacy and data protection standards.

2. Include rules-based commitments on cross-border financial data flows in future bilateral and regional trade agreements and DEFA. This includes committing to the free cross-border transfer of financial services data for business purposes and prohibiting unjustified data localization measures.

IN SUMMARY:

- AMS should work toward a regionally interoperable digital identity architecture that allows verified individual and business credentials to be recognized across member states.
- By adopting high standards for cross-border data flows and referencing proven international frameworks, AMS can enable secure, efficient, and innovative digital services that benefit businesses and consumers across the region.

2C: Promote Trusted Digital Identity and Secure Cross–Border Data Flows

Stablecoins are no longer a niche in the global financial system. As economies digitize and both public and private actors explore new forms of money and asset classes, stablecoins represent a practical evolution and a present reality in how value is created, stored, and transferred. Designed to maintain a stable value, they have seen rapid growth in recent years and now exceed US$316 billion in global market capitalization[6]. Stablecoins are a type of digital asset designed to maintain stable value through reserve backing and are increasingly used as payment and settlement infrastructure rather than as investment vehicles.

Payment stablecoins are increasingly demonstrating real-world utility – enabling faster, cheaper cross-border payments and remittances, improving corporate treasury operations, and expanding financial access in underserved markets.[7] This has significantly influenced the regulatory stance of many markets regarding stablecoin issuance. Several jurisdictions have already implemented stablecoin regulations, notably the Markets in Crypto-Assets (MiCA) regulation in the EU and the Stablecoin Ordinance in Hong Kong. Furthermore, other Asian markets such as Taiwan, Australia, and Korea are in the process of developing legislative underpinnings for stablecoin regulation.

Industry experience shows that well-regulated stablecoins can be integrated safely into regulated payment infrastructure alongside traditional fiat rails, serving as a complement rather than a disruptive replacement. Stablecoins and programmable digital assets may also play a role in enabling the micropayment and autonomous payment patterns associated with agentic commerce, such as through Stripe's MPP.[8] However, a fragmented regulatory approach across ASEAN – where some jurisdictions move quickly and others have not yet established regulatory clarity – could create frictions to cross-border usage of stablecoins and undermine the region's collective competitiveness while allowing risks to build. Consistent with recent US regulatory guidance (e.g., SEC Commissioner Peirce's remarks on stablecoin accounting treatment[9]), clarifying stablecoins' status would give businesses confidence to adopt them for legitimate commercial purposes. The anticipated US Clarity Act is expected to offer guidance and a comprehensive framework for regulating digital assets.

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6 Bitget.com. "Global Market Capitalization Exceeds $4 Trillion Amid Growth in Crypto and Stablecoins". Published 21 March, 2026. Accessed 22 March, 2026. https://www.bitget.com/amp/news/detail/12560605289415

7 Global Market Capitalization Exceeds $4 Trillion Amid Growth in Crypto and Stablecoins. Accessed 24 March, 2026. https://www.bitget.com/news/detail/12560605289415

8 Also referenced in Section 1B, USABC AFMGM Whitepaper 2026.

9 U.S. Securities and Exchange Commission. "Cutting by Two Would Do." Published 19 February 2026. Accessed 19 March, 2026. https://www.sec.gov/newsroom/speeches-statements/peirce-stablecoin-021926-cutting-two-would-do

Creating a Future-Ready and Resilient Policy Environment for Stablecoins

The use of stablecoins and blockchain technology presents the potential to enhance the efficiency, resilience, and inclusiveness of digital financial systems when governed by clear, well-designed regulatory frameworks. Policymakers globally are increasingly focused on ensuring that stablecoin activity develops within the regulatory perimeter, with appropriate safeguards, oversight, and compatibility with existing financial systems. Opportunities for ASEAN include the ability to conduct real-time, 24/7 cross-border and domestic settlement, and to promote the growth of financial and private markets by unlocking value through asset tokenization. It fosters innovation, interoperability and connectivity among ASEAN nations for both wholesale and retail clients, thereby promoting cross-border trade and the efficient movement of funds. When implemented correctly, atomic settlement can eliminate settlement risk for Payment Versus Payment (PVP) and Delivery Versus Payment (DVP) transactions, while reducing – but not eliminating – liquidity, operational, and cross-border coordination risks.

At the same time, regulatory uncertainty – particularly around licensing, settlement use cases, and cross-border participation – can deter responsible actors and slow the modernization of payment and settlement infrastructure. The potential for disparate stablecoin legislation across different ASEAN markets could create significant operational challenges for Virtual Asset Service Providers (VASPs) seeking to operate regionally. A future-ready policy approach therefore requires frameworks that enable innovation while preserving trust, financial stability, and monetary sovereignty.

Responsible Digital Asset Innovation: Supporting Cross-Border Settlement

Given the unique value of stablecoins in cross-border settlements, it is important that regulation is consistent across borders and sets a high watermark for regulated stablecoins. The Financial Stability Board recommendations[10] on the regulation of global stablecoin arrangements are an important starting point, while the GENIUS ACT[11] offers a practical blueprint, including licensing and authorization regimes, reserve safeguarding and auditability, custody and asset segregation requirements, capital and liquidity standards, and AML/CFT obligations. An analysis or rating of the credit quality of the pool of reserves backing a stablecoin also provides useful insights on its market value and operational risk, liquidity risk, technology risk and other considerations.

AMS can promote responsible digital asset innovation, including the use of blockchain, distributed ledger technology, and related technologies, as potential design mechanisms that improve cross-border settlement efficiency, rather than treating them as standalone instruments distinct from the traditional financial system. Well-regulated stablecoins are increasingly being used at the infrastructure and settlement layer of the financial system, rather than only as consumer-facing money. In these models, stablecoins are used to facilitate settlement between regulated financial institutions, improving speed and efficiency for use cases like cross-border commerce and corporate treasury management. They are designed to complement existing payment and settlement systems, not to replace fiat currencies or interfere with monetary policy or central bank mandates.

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10 Financial Stability Board. "High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements: Final report". Published 17 July 2023. Accessed 19 March, 2026. https://www.fsb.org/2023/07/high-level-recommendations-for-the-regulation-supervision-and-oversight-of-global-stablecoin-arrangements-final-report/
11 US Congress. "S.1582 - GENIUS Act" Published 14 July 2025. Accessed 19 March, 2026. https://www.congress.gov/bill/119th-congress/senate-bill/1582

A policy framework grounded in clarity, proportionality, and international coordination can allow stablecoins to strengthen – rather than fragment – the financial system. When used at the infrastructure level and governed by clear, risk-based regulation, stablecoins can modernize settlement systems, support cross-border trade, and enhance financial resilience. In doing so, they can extend the reach and reliability of existing payment frameworks, reinforcing trust and stability on a global scale rather than competing with them. Stablecoin frameworks should be designed to complement and strengthen domestic currency systems. Well-designed regulatory frameworks for robust domestic-currency payment systems and stablecoin on-/off-ramp infrastructure can ensure that stablecoin adoption supports rather than undermines monetary sovereignty.

USABC would welcome the opportunity to work with AMS and the ASEAN Secretariat to elaborate on these recommendations where appropriate.

RECOMMENDATIONS

1. AMS should not treat payment stablecoins as inherently risky. Rather, AMS should adopt clear, principle-based regulations and integrate them into existing e-payment and financial services regulatory frameworks. These frameworks should be designed to maximize cross-jurisdictional compatibility across ASEAN and the world.

2. AMS should facilitate the development of business models that leverage the capabilities of both stablecoins and fiat rails to deliver more efficient financial services in areas such as cross-border payments, remittances, and corporate treasury management. This could include ensuring that infrastructure exists to connect stablecoin rails to domestic payment systems, so that value flows into, rather than around, the domestic financial system. Clarifying the accounting treatment of stablecoins as cash or cash equivalent assets, should they meet the regulatory requirements on redemption, reserve assets etc., would remove a key barrier to enterprise adoption.

3. AMS can consider ensuring that capital treatments for digital assets specifically account for actual risk, rather than merely perceived risk. This would ensure a consistent approach across digital assets, including stablecoins, thereby promoting the benefits of real-time, 24/7 cross-border and domestic settlement and supporting financial innovation and the growth of financial and private markets through asset tokenization. It is advisable to consult with key trading partners to ensure regulatory harmonization and technological interoperability, thereby promoting ASEAN as a global leader on digital assets.

IN SUMMARY:

- Regional coordination on stablecoin regulations will complement broader payment interoperability goals and reduce fragmentation across ASEAN. Policy frameworks should ensure that stablecoins being used in financial transactions are well-regulated and of high quality, while recognizing the need for interoperability across jurisdictions.
- Regulating stablecoins on a principles-based approach within existing frameworks; prioritizing real-world commercial use cases and clarifying accounting treatment as cash equivalents.
- Prioritizing commercial use cases for stablecoins beyond consumer payments and clarifying their accounting treatment as cash equivalents to unlock enterprise adoption.

THEME 3:

Creating a Resilient and Inclusive Financial System

3A: Unlocking Financing and Addressing Gaps in Insurance and Retirement Coverage

ASEAN is one of the world's most dynamic economic regions, yet its long-term growth trajectory faces structural vulnerabilities that neither digitization nor trade liberalization alone can address. Rapid demographic change, persistent insurance and pension protection gaps, the fiscal pressures of an ageing society, the urgent demands of energy transition, and the financing requirements of digital and physical infrastructure together represent a complex, interconnected set of challenges that demand purposeful, future-ready policy responses.

Against this backdrop, ASEAN's financial conditions are under pressure. Moody's Ratings' ASEAN Financial Conditions Indicator (FCI), a composite of rates and credit spreads, equity markets, macro fundamentals, portfolio flows, and lending across Malaysia, Indonesia, Thailand, and the Philippines, has dipped below its long-term average as of early 2025, reflecting weakening portfolio flows and equity market turbulence driven by geopolitical uncertainty and concerns about US trade policy.

Across ASEAN, gaps in critical illness (CI), health, and mortality protection remain, particularly for middle-income households, informal workers, and ageing populations. Increasing healthcare costs are exposing households to financial pressure that are not fully addressed by public systems alone. In addition, longer lifespan is placing pressure on public pension systems, healthcare services, and household savings. As such, developing more comprehensive retirement protection systems can help close these gaps and strengthen long-term financial resilience across the population.

India's Experience: How Regulatory Frameworks and Tax Policy Can Shape Insurance Uptake

Experience from India highlights structural factors that are relevant for ASEAN. Despite sustained economic growth and a large, expanding middle class, insurance protection uptake has been constrained by product complexity, uneven distribution capacity, data limitations, and concerns around mis-selling and consumer trust. Policy and regulatory responses in India have increasingly emphasized simpler protection products, improved suitability and governance, stronger distribution standards, and public initiatives to raise insurance awareness, particularly for health and mortality risks. In particular, India has exempted individual life and health insurance premiums from the 18% Goods and Services Tax (GST), effective from September 22, 2025. These measures recognize that expanding coverage requires not only demand, but also tax incentives and regulatory frameworks that enhance insurance penetration and sustainable market growth.

Targeted Tax Incentives to Accelerate Insurance and Retirement Protection Coverage: Lessons from ASEAN

Analysis of ASEAN's life and health markets similarly points to a growing need for comprehensive protection across life, health, CI, and retirement, driven by demographic change, longer life expectancy, and lifestyle-related diseases. The experience of the Philippines and Singapore illustrates how well-designed tax incentives can serve as powerful levers for expanding voluntary insurance and pension coverage, offering instructive models for AMS seeking to close their protection gaps.

- **The Philippines:** The country continues to put more efforts on enhancing its Personal Equity and Retirement Account (PERA), which is a long-term voluntary retirement savings program designed to boost supplementary retirement income and expand coverage across both employed and self-employed workers. Recent regulatory reforms in 2025 have further enhanced PERA's effectiveness as a savings vehicle. Revenue Regulation No. 222025 now allows employers to claim some additional deductions for qualified PERA contributions made on behalf of their employees. These employer tax incentives complement the individual tax benefits and strengthen the scheme's role in expanding voluntary retirement savings across the workforce.
- **Singapore:** The life insurance industry recorded S$6.53 billion in total weighted new business premiums in 2025, an 11.3% increase from the prior year. This was achieved alongside the country's mandatory Central Provident Fund (CPF) system and complementary tax reliefs that encourage voluntary retirement savings and life insurance ownership, with separate tax incentives applying to eligible CPF top-ups and qualifying life insurance premiums.

These case studies demonstrate how combining savings systems and targeted tax incentives – whether integrated within a single framework or applied through complementary policies – can increase insurance and pension coverage, strengthen household financial resilience, and inject long-term capital into the broader economy.

Longevity and the Growing Need for Sustainable Health Retirement Coverage

Closing gaps in CI, health, and retirement protection is central to strengthening financial resilience across ASEAN, particularly as societies experience longer life expectancy and rising longevity-related challenges. As people live longer, policy attention must shift towards supporting financial security across the full life course. Expanding coverage will therefore require policy support in the form of well-designed tax incentives that encourage early and sustained participation in insurance and pension systems.

By using targeted tax-deductibility and contribution incentives to complement existing arrangements, AMS can accelerate insurance and pension penetration help households approach longevity with greater confidence, alleviate long-term health and retirement pressures on families and the public system, and mobilize long-term savings to support inclusive and sustainable economic development.

Pay-as-you-go (PAYG) Mandatory Retirement Obligations for Employers

Across ASEAN, closing the retirement protection gap requires not only expanding voluntary coverage, but also strengthening the design and sustainability of mandatory retirement obligations. In some markets, regulatory frameworks impose employer retirement liabilities – often in the form of PAYG obligations – yet do not require employers to prefund these liabilities. This structure creates vulnerabilities, particularly as populations age, labor markets remain informal, and fiscal pressures intensify. Employers may therefore settle benefits on a PAYG basis, exposing workers to benefit insecurity if employers face financial distress and leaving retirement outcomes highly uneven across the workforce.

Well-designed funded systems can provide stronger retirement security through assets accumulation in dedicated and regulated funds; safeguarding workers' benefits regardless of employer solvency. It also enables portability across employers; workers carry their accrued benefits as they move throughout the labor market. Moving away from unfunded employer mitigates long-term fiscal risks, particularly in ageing societies, while the accumulated retirement assets becoming a stable, long-term source of domestic investment capital, supporting economic development.

3B: Addressing Financing Gaps for Health, Women, and MSMEs

Closing Protection Gaps in Health Finance

To strengthen long-term health resilience and reduce the fiscal burden of preventable diseases, AMS could also consider adopting targeted fiscal policy incentives that expand access to science-based nutrition and preventative health products. Incentives such as reduced import duties or zero-rating of essential diagnostic and nutritional products can improve affordability for households while supporting early intervention and preventative care. Such measures would complement national strategies to reduce the prevalence of non-communicable diseases, improve maternal and child nutrition, and promote healthier ageing. By incorporating fiscal incentives into broader health financing frameworks, ASEAN can catalyze greater private sector participation in preventative health, unlock cost savings for public health systems, and strengthen the region's overall human capital and economic competitiveness.

Increasing Mobility and the Diversity of Informal Workers

ASEAN's rapidly evolving labor markets further complicate the challenge of closing protection gaps, as the region experiences a sharp rise in worker mobility and the continued predominance of diverse informal employment arrangements. Large segments of the workforce – including gig workers, platform-based service providers, microentrepreneurs, cross-border migrant workers, and seasonal laborers – move frequently between jobs, sectors, and even national jurisdictions. Their employment relationships are often short-term, multi-employer, or digitally mediated, making them difficult to capture within traditional employer-linked insurance and pension systems. The absence of portable, account-based protection mechanisms means that informal and mobile workers routinely fall outside mandatory retirement schemes, health coverage, and life or CI protection. This fragmentation results in inconsistent benefit accumulation, uneven risk pooling, and heightened exposure to income and health shocks. A future-ready approach will therefore require AMS to develop portable, interoperable, and contribution-flexible protection systems—including digital identity–enabled enrolment, micro-premium and micro-savings options, and cross-border recognition of accumulated rights—to ensure that protection keeps pace with the new realities of ASEAN's increasingly mobile and diversified workforce.

Women's Health Financing

Women's health represents a significant unmet need in many ASEAN countries and is increasingly recognized as an area where targeted investment could generate substantial economic and social returns.[12] Across Southeast Asia, women continue to face barriers to accessing healthcare, including limited insurance coverage in several markets, high out-of-pocket costs for essential medicines and procedures, access to reliable contraception and reproductive health services and uneven health service availability between urban and rural areas.[13] These financing gaps create opportunities for innovative approaches that leverage private capital and outcome-based accountability frameworks rather than relying solely on public budgets.

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12 World Economic Forum & McKinsey Health Institute. "Closing the Women's Health Gap: A $1 Trillion Opportunity to Improve Lives and Economies." Published 17 January 2024. Accessed 10 March 2026. https://www.weforum.org/reports/closing-the-women-s-health-gap-a-1-trillion-opportunity-to-improve-lives-and-economies

13 ASEAN Secretariat & UN Women. "ASEAN Gender Outlook 2024." Published 23 September 2024. Accessed 10 March 2026. https://data.unwomen.org/publications/asean-gender-outlook-2024

The Sustainable Finance market – investments that are driven by financial, social, and environmental returns – may be a path to potentially address financing issues. This market has shown growth above 20% and it's expected to reach US$4 Trillion by 2030[14]. As part of the diverse instruments available in the Sustainable Finance realm, outcome-based financing (OBF), which links funding disbursements to verified health outcomes rather than service delivery inputs, is emerging as a viable path gaining attention globally as a mechanism for addressing gaps in women's health financing. Variants of OBF have been applied successfully in maternal health, reproductive health, and non-communicable disease prevention programs in several countries, delivering improvements in service utilization, transparency and health outcomes. Such instruments may be supported by philanthropy, impact capital, development banks, commercial capital and government funds, making them an innovative approach to bridge funding gaps, strengthen partnerships, advance public policies, and drive resilience in ASEAN.

Alternative Finance for MSMEs

Access to finance remains a persistent constraint for MSMEs across ASEAN, particularly those engaged in digital and cross-border commerce. While traditional bank lending continues to play an important role, many MSMEs rely on alternative financing channels such as supplier credit, platform-based financing, and other embedded finance models that are increasingly enabled by digital payment ecosystems. Greater adoption of digital payments can improve the visibility and predictability of MSME cash flows, creating opportunities for responsible, data-enabled financing models. Recent regional research on real-time payments in Southeast Asia highlights strong MSME interest in leveraging digital transaction data to improve credit assessment and access to working-capital solutions. Policymakers can support this evolution by enabling interoperable payment systems, promoting clear frameworks for the responsible use of transaction data, and encouraging partnerships that expand access to finance while protecting business users. When supported by robust data protection, consumer and business safeguards, and cross-border interoperability, these approaches can help unlock alternative financing options for MSMEs, strengthen liquidity, and support more inclusive and resilient economic growth across ASEAN.

RECOMMENDATIONS

1. Strengthen policy and regulatory frameworks to improve access to CI, health, and retirement insurance protection, drawing on international experience by working on the following:

   a. Offering targeted tax incentives to accelerate insurance and retirement protection coverage, while alleviating long-term health and retirement pressures on families and the public system.

   b. Partnering with industry on insurance awareness initiatives, recognizing the role of public education in improving understanding of CI, health, and life risks and reducing long-term household vulnerability.

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14 Environmental, Social, and Governance (ESG) Wealth Management Products Market Report 2026: $4.12 Trn Opportunities, Trends, Competitive Landscape, Strategies, Forecasts 2020-2025, 2025-2030F, 2035F. Accessed 24 March 2026.
https://finance.yahoo.com/news/environmental-social-governance-esg-wealth-105900108.html

RECOMMENDATIONS

2. Strengthen retirement system design through transition from PAYG to funded models to address structural vulnerabilities in unfunded employer liabilities, ASEAN member states should:

   a. Encourage the gradual prefunding of employer retirement obligations.

   b. Promote hybrid or fully funded defined contribution arrangements that ensure solvency and reduce fiscal risk.

   c. Establish regulatory pathways for employers — especially MSMEs — to transition from PAYG to funded schemes.

3. Develop Portable, Account-Based Protection Systems for Informal and Mobile Workers. AMS should adopt portable, interoperable digital accounts for insurance and retirement contributions, with features such as:

   a. Digital ID-enabled enrollment

   b. Micro premium and micro savings capabilities

   c. Cross-border recognition of accrued rights within ASEAN This ensures that protection follows the worker — not the employer or jurisdiction.

4. Establish an ASEAN Framework for Long-term Protection Metrics and Cross-Country Benchmarking for regional coordination, harmonization, and evidence-based policymaking.

   a. Develop shared indicators for CI, health, and retirement coverage

   b. Benchmark protection adequacy, cost, participation, and sustainability

   c. Facilitate joint learning and policy alignment

5. Integrate sustainable finance and OBF models into national health financing strategies, including through:

   a. Enabling policy and regulatory frameworks that provide legal pathways for deployment and financing of innovative instruments such as social or sustainability bonds

   b. Public-private collaboration

   c. Cross-ministerial coordination between Ministries of Finance and Health

   d. Regional knowledge exchange and working multidisciplinary groups[15]

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15 15 G20 – The Road to Sustainable Finance in Health. Accessed 24 March 2026. https://g20healthpartnership.com/wp-content/uploads/2023/06/G20-REPORT-DIgital-V2.pdf

IN SUMMARY:

● AMS should strengthen policy and regulatory frameworks to improve access to critical illness, health protection, and enhance pension systems to deliver adequate retirement income across formal and informal sectors. This includes:

- Targeted tax incentives to accelerate insurance and retirement protection coverage, support uptake of long-term savings products, and enhance household resilience
- Strengthening retirement system sustainability by gradually transitioning from unfunded pay-as-you-go employer obligations toward funded and portable retirement models that safeguard worker benefits and build long-term domestic investment capital

● Sustainable finance for women's health strengthens health system resilience and advances inclusive and sustained economic growth across ASEAN.

3C: Cybersecurity, Operational Resilience, and Trust

The expansion of digital financial services in ASEAN has heightened the importance of robust cybersecurity. As digital ecosystems grow more interconnected, harmonized cybersecurity standards are essential to protect critical infrastructure, foster trust, and enable safe innovation. Internationally recognized cybersecurity frameworks that are based upon the principles of risk management and relevant across sectors support such implementation by strengthening consistency and continuity among interconnected sectors and throughout global supply chains.

Building trust in ASEAN's financial system requires regulatory approaches that strengthen operational resilience. The experience of jurisdictions that have implemented prescriptive direct oversight of resilient, multi-layered digital infrastructure offers important cautionary lessons: overly prescriptive requirements can create regulatory fragmentation, increase compliance costs without commensurate risk reduction, and introduce new operational complexities that reduce rather than enhance systemic resilience. Regulatory approaches that duplicate supervisory expectations across both financial institutions and their underlying infrastructure providers risk blurring accountability lines, creating overlapping audit and reporting obligations, and diverting resources from substantive risk management toward procedural compliance.

Establishing Clear Responsibilities and Reporting

USABC members find that effective cybersecurity and operational resilience arrangements are best achieved through a clear delineation of responsibilities between financial system actors, commensurate to their respective nature, role, and scope of service. This includes reliance on internationally recognized standards and independent third-party audits, which can provide robust assurance without requiring regulators to specify detailed technical architectures. Incident reporting requirements should be proportionate and focused on confirmed, material events, so that supervisory attention and institutional resources concentrate on issues with true systemic significance. Widespread and ongoing adoption of such frameworks and standards by companies and governments will help mitigate cyber risks while facilitating sustainable economic growth.

Leveraging Consensus-Based Frameworks and Risk Management Best Practices

USABC encourages the adoption of risk-based approaches based on consensus-based frameworks, standards, and risk management best practices, such as the National Institute of Standards and Technology's Cybersecurity Framework (NIST CSF)[16] and the Cyber Risk Institute (CRI) Profile[17], which builds on NIST CSF and tailors it to the financial sector. The CRI Profile provides a scalable, flexible approach for FIs of all sizes to assess, manage, and report on cyber risk. In general, regulatory frameworks should avoid mandating specific technical architectures, data localization requirements, or jurisdiction-specific certifications that duplicate internationally accepted regimes and increase costs without improving security or resilience outcomes.

To align regulatory expectations with global best practices and reduce fragmentation, AMS financial regulators should reference and consider recognizing the CRI Profile when developing regulation and conducting supervision. This approach would:

1. Facilitate regulatory consistency and interoperability across the region.
2. Support risk-based, outcome-focused cybersecurity management.
3. Enable financial institutions to efficiently comply with multiple regulatory requirements.
4. Strengthen the region's collective cyber resilience and trust in financial services.

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16 NIST Cybersecurity Framework 2.0. Accessed 10 March 2026. https://nvlpubs.nist.gov/nistpubs/CSWP/NIST.CSWP.29.pdf
17 Cyber Risk Institute Profile. Accessed 10 March 2026. https://cyberriskinstitute.org/

RECOMMENDATIONS

1. AMS should ensure clear accountability boundaries when it comes to cybersecurity and clarify the respective roles of financial institutions, technology and infrastructure providers, and regulators to prevent overlapping obligations and gaps in responsibility, with regulated entities maintaining responsibility for managing the risk of their AI, cloud, and other digital tools.

2. AMS should ensure accountability is commensurate with each actor's role and scope of service, and adopt proportionate incident reporting focused on confirmed, material events routed through financial institutions as the primary supervised entities.

3. AMS should leverage consensus-based, internationally recognized frameworks and risk management best practices — such as the NIST CSF and the CRI Profile — to guide risk-based, outcome-focused cybersecurity management, reduce regulatory fragmentation, and enable financial institutions to meet multiple regulatory requirements efficiently while strengthening regional cyber resilience and trust.

IN SUMMARY:

- Harmonize cybersecurity standards and reference internationally recognized frameworks like the CRI Profile to enhance cyber resilience
- A calibrated, risk-based approach will support innovation and cross-border digital integration while maintaining high standards of security and supervisory effectiveness.

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