Muhammad bin Ibrahim: ASEAN financial integration, collaboration with Myanmar and other challenges for Malaysia

Speech by Mr Muhammad bin Ibrahim, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Maybank Myanmar Grand Opening, Yangon, Myanmar, 2 October 2015.

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A very good evening, it is an auspicious occasion. Congratulations to Maybank on the opening of its branch in Yangon, Myanmar. I am very confident that the launching of this first branch marks the beginning of a productive, innovative and meaningful journey for Maybank in contributing to the economic transformation of Myanmar and in particular the development of its financial sector. I am confident that this branch will be the first of many to come.

My remarks today will touch on three subjects: Firstly, the importance of ASEAN financial integration; secondly, the close and long-standing friendship between Myanmar and Malaysia; and the role of financial institution as a responsible corporate citizen.

ASEAN: Story of the future that begins today

Members of ASEAN have adopted an ambitious, unique and comprehensive vision for an economically and financially integrated region. I term it as unique since we are embarking on this process in a phased and gradual manner. Each member country is given the flexibility to progress towards integration based on its state of readiness. It is an inclusive approach and a long term strategic plan to unlock the growth potential of our region in the coming decades.

The case for integration is self-evident. From its inception, Malaysia’s and its founding members’ vision have always been for a strong and integrated ASEAN region. The “ASEAN Way” believes there is strength in diversity and no country should be left behind. ASEAN strongly believes in the concept of shared prosperity, where wealth creation within the region will be enjoyed by all.

The spirit of cooperation and flexibility are amongst the principles which underpinned the success of Myanmar’s chairmanship of ASEAN in 2014. Under Myanmar’s leadership, we saw major strides in financial integration that culminated in the conclusion of the ASEAN Banking Integration Framework (ABIF) by the ASEAN Central Bank Governors. A framework of gargantuan achievement.

Myanmar’s leadership in seeing this through was crucial and now ABIF represents the single most important agreement in strengthening the ASEAN banking system, driving deeper integration and enhancing the region’s growth potential. It is an agreement of momentous significance.

I would also like to congratulate Myanmar for successfully advancing the Yangon Outcomes for Financial Inclusion during their tenure as Chair in 2014. The groundwork that Myanmar laid during their Chairmanship was key to the announcement by the Finance Ministers and Central Bank Governors in March 2015 that financial inclusion will be elevated to be an important policy priority for ASEAN. This has resulted in the establishment of a dedicated working committee in ASEAN to deliberate policy options, engage stakeholders and coordinate collective actions to advance financial inclusion.

Malaysia also places a big priority on financial inclusion. In particular, we have found it useful to be a member of the Alliance for Financial Inclusion (AFI), a network of policymakers from developing countries, where we are able to work alongside other policymakers to advance financial inclusion globally.
Additionally, AFI is a platform where members could share experiences and learn about policies that have been successfully implemented by others.

ASEAN member countries, such as Myanmar, who are not a member of AFI, may wish to consider becoming a member to stay connected and expand the network of financial inclusion collaboration.

Financial integration as the building block to unlock growth

Finance is an important component of any economy. Its development and greater financial integration will be the catalyst and foundation upon which an economy will progress and grow. Central to this, is a well-developed financial infrastructure that can appropriately serve effectively at every stage of an economy’s development.

Myanmar is on the cusp of a remarkable period. It is blessed with a strategic location in the greater Mekong region with a young, productive and rising demographic base, as well as the beginnings of an emerging and rapid development process.

This economic transformation of Myanmar will most likely require investment at a rapid pace. McKinsey Global Institute estimates that around USD650 billion worth of investments are needed for this transformation over the next 15 years, of which USD320 billion is solely for infrastructure building.

ASEAN has one of the highest saving rate in the world at approximately 30% of GDP, or USD750 billion. Part of these savings could be recycled within the region and used to meet the investment needs of Myanmar. This includes the provision of sufficient housing, efficient public transportation and access to clean water and electricity.

Central to this premise, is allowing the region’s financial resources to move more freely across borders. This is where financial integration will play a critical role, by opening new opportunities for trade and financial linkages and for our banking institutions to enhance their presence.

Similar to the experiences of Malaysian banks in other ASEAN countries, it is our expectation that Maybank will play its part in the development and modernisation of Myanmar’s financial sector. This includes playing its expected role in promoting greater financial inclusion for the micro, small and medium enterprise segment, the most important component in developing an economy.

Myanmar and Malaysia: Close and long-standing friendship

The opening of Maybank’s Yangon branch is a testament of many things. It is a start of substantive bank linkages between our two countries. The flourishing socio-economic and commercial interlinkages between Malaysia and Myanmar is evidenced by the rise of cross-border trade and investment in recent years between the two economies.

Malaysia’s total exports to Myanmar was over USD800 million in 2014, while imports stood at over USD160 million. Malaysia is also consistently one of the top 10 contributors to foreign direct investment in Myanmar.

Myanmar and Malaysia has built a strong friendship based on mutual trust. In this regard, Malaysia was glad to have extended a helping hand to Myanmar when financial assistance was needed in the past. In return, Myanmar has reinforced this trust with good faith. A substantial amount of the assistance has been repaid in a timely manner commensurate with Myanmar’s steadily strengthening international financial standing.

At the central banking level, Bank Negara Malaysia (BNM) and Central Bank of Myanmar (CBM) collaborate very closely. I am glad to say that the results of this collaboration have yielded tangible results. For instance, in October 2013, CBM and BNM signed an enhanced Memorandum of Understanding (MoU).
The MoU affirmed commitments from the two sides to provide capacity building support in areas including financial and monetary stability and financial inclusion. I am pleased to say that since 2012, almost 200 officials from the government of Myanmar have attended and benefited more than 30 programmes and study visits organised by BNM.

In the long run, these programs could contribute towards raising the internal capacity of CBM so that as a group, we can better enjoy the benefits and meet the opportunities and challenges of regional financial integration.

As a member of the central bank fraternity, BNM alongside institutions such as the World Bank (WB) and International Monetary Fund (IMF), has facilitated the implementation of Myanmar’s Financial Sector Development Strategy. Through this program, several opportunities for collaboration on training have been identified, particularly in the context of existing plans for human resource development at the central bank, the CBM’s strategic plan for onsite and offsite supervision, and a future CBM training institute.

And today, with the opening of this Maybank branch, marks another milestone in the relationship between Myanmar and Malaysia. The granting of a banking license to Maybank provides Malaysia with yet another avenue to participate and contribute towards the economic development of Myanmar.

**Being a responsible corporate citizen**

It is in the interest of financial institutions to be a responsible corporate citizen and contribute to the flourishing and wellbeing of society. Financial institutions must adapt to their domestic environment and be mindful of the needs of the community in which they operate in.

Access to financial services for all segments of society is important for inclusive and sustainable growth for an economy. The low and moderate income households must be served as they represent the future.

There are at least two dimensions to being a responsible corporate citizen. The first dimension is to design and grow business responsibly, by providing ethical and sustainable financial products and services to all segments of society. Part of this essential component is promoting greater levels of financial literacy and understanding of financial products among the local community. Banks need to strive to deliver the highest standards of service to all.

The second dimension is the act itself of giving back to the community. On this note, I am encouraged to hear that Maybank’s Yangon office is already driving initiatives for the local community, through its Project H.E.A.R.T (Helping Every Asian Rise Together).

Therefore, judging by Maybank’s by-line, with its stated aim of “humanising financial services”, I am confident Maybank will show a stellar example in making a difference in Myanmar.

I also expect that as a good corporate citizen, Maybank will contribute to the development of the domestic financial sector, as over the long term and given the opportunity, they can meet the overall financial services needs of the low and moderate income households. I should also expect a meaningful participation and contribution of Maybank in Myanmar’s interbank and foreign exchange markets as well as the payment system.

**Conclusion**

As we speak, Myanmar is undergoing a profound shift. It stands at the cusp of something great. During this historic time, it gives us a great honour that Malaysia is actively involved and contributing to Myanmar’s transformation. For we consider Myanmar not only a partner, but a close friend.
With this, I wish Myanmar all the success in her future endeavours. Congratulations to Maybank again for the start of a new chapter in what I trust will be an enduring and productive presence in this great country.

Truly, the future is bright and this is indeed, Myanmar’s moment.