

Muhammad bin Ibrahim: Major milestone for financial integration in ASEAN

Remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Luncheon, hosted by Bank Mandiri, Kuala Lumpur, 6 July 2017.

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I am pleased to be here today to deliver the remarks for the lunch gathering hosted by Bank Mandiri. I am confident that Bank Mandiri will be the first Qualified ASEAN Bank in Malaysia, a major milestone for financial integration in ASEAN.

Indonesia and Malaysia – neighbours and friends

Let me start with the close relationship between both of our countries. Our relationship extends beyond our geographical proximity but is bound by our similarities in language, culture and of course – food. These natural forces have allowed us to forge and strengthen a strong history of cross-border trade and investments. Businesses from both countries have also strongly committed to invest and contribute to each other's socio-economic development.

Malaysian companies have made significant investments in Indonesia, amounting to USD12.1 billion at end 1Q-2017. These investments span the financial services, telecommunication and agriculture sectors.

In fact, the collaboration between Malaysian and Indonesian corporates gave birth to Malindo Airways Sdn Bhd in 2012. It speaks volume of the partnership and close cooperation between our two countries. Indeed this venture will further open up ASEAN skies and expanded the close ties between the people of Indonesia and Malaysia.

Over the last few years, Indonesian firms have also started to increase their presence in Malaysia. A significant step forward came last month when our respective Trade Ministers announced a target for bilateral trade of USD30 billion in the coming years. This is a doubling of USD13.8 billion recorded in 2016. I strongly believe that this target is very much achievable and with the closer banking relationship our trade will further flourish.

Reflecting on our journey towards ASEAN integration

Our partnership in ASEAN marks another integral part of our long standing and deep relationship. There is always the risk that many may take ASEAN integration for granted. If we reflect closely on our journey and how far we have come, is not by mere coincidence. It is a culmination of the collective vision, commitment and conviction to realise the benefits from deeper integration. Where we stand today is the true embodiment of the spirit of ASEAN of mutual trust and close cooperation. We continue to believe that this is the path forward for our region, and one that requires us to further deepen our strong ties to meet the challenges of the future.

This occasion is also a testament to the leadership of Indonesia and Malaysia and the excellent working relationship between the two countries. It gives me great pleasure and satisfaction to see many familiar faces today who have been instrumental in realising this efforts, especially Pak Muliaman and Pak Wimboh. For those who are not aware, we go back a long way. In 2011, Pak Muliaman and I were given the privilege to lead the Taskforce on ASEAN Banking Integration Framework. We were succeeded by Deputy Governor Abdul Rasheed and Pak Wimboh. Coincidentally, both of them were at the IMF together representing our constituency, in their roles as Alternate ED and ED respectively. They were replaced by Aznan Aziz and Pak Mulya Sirega. When they completed their term at the IMF, Pak Wimbo became the Chairman of Bank Mandiri and Rasheed became the Deputy Governor. As fate had it, Pak Muliaman became OJK Chairman and yours truly became the Governor.

All the planets were perfectly aligned. All of our efforts culminated in 2014 with the signing of the ASEAN Banking Integration Framework by ASEAN Central Bank Governors. Another key achievement was the signing of the bilateral ABIF agreement between Indonesia and Malaysia in August 2016 by Pak Muliaman and I. Six years since its genesis, we are proud to see the conceptualisation and realisation of ASEAN banking integration beginning to take shape.

Under ABIF, banks in the region will be able to play a greater role in facilitating cross-border trade and investment. It will further enhance linkages. The framework allows deeper integration while providing adequate safeguards to account for national development objectives and financial stability.

Given the significant role of banks in regional economies, the successful implementation of ABIF will be a major catalyst for sustainable, inclusive and mutually reinforcing growth in the region. As a sign of Malaysia's commitment towards this agenda, the ratification of ABIF commitments was completed in March this year. I hope that the ratification process can be concluded swiftly to enable Indonesian QABs to operate in Malaysia in the near future.

Dawn of a new era

The operationalisation of the ASEAN Banking Integration Framework represents the dawn of a new era of banking relationship between Indonesia and Malaysia. We are privileged to be a witness and contributor to this historical event. Financial integration is a key agenda for the ASEAN region and will only intensify further in the future.

As an ASEAN bank embodying the ASEAN spirit, and the largest bank in Indonesia, Bank Mandiri can bring much experience and leadership across the region. Bank Mandiri's current scope of activities covering trade financing, SME and micro banking products is highly relevant towards advancing the interests of both Malaysia and the broader ASEAN region.

The entry of Bank Mandiri into Malaysia via the ABIF Framework would also provide an opportunity to further enhance the regional integration in payment systems between Malaysia and Indonesia.

The current collaboration between the ATM switches in Malaysia (MEPS) and Indonesia (ATM Bersama) to facilitate cross-border cash withdrawals can be enhanced to facilitate cross-border remittances leveraging on over 11,000 ATMs in Malaysia and 17,000 ATMs in Indonesia. This can be leveraged upon by both the Malaysian and Indonesian population including the diaspora groups to undertake safe and efficient cross-border remittances.

Such collaboration can also be extended to facilitate retail payment card transactions via the domestic debit card schemes of both countries. Eventually, I envision ATMs in Malaysia and Indonesia will be linked seamlessly. This will reduce cost, enhance safety and expand outreach.

Conclusion

Let me conclude with a quote by Malaysia's second Prime Minister, Tun Abdul Razak Hussein, who said in 1967 that, "We cannot survive for long as independent but isolated peoples unless we also think and act together and unless we prove by deeds that we belong to a family of South-East Asian nations bound together by ties of friendship and goodwill"

We have indeed come a long way in our cooperation and journey between Indonesia and Malaysia. The potential of Bank Mandiri as a Qualified ASEAN Bank in Malaysia will be a significant milestone for both our countries and the ASEAN region. It represents the realisation of a vision that was formed more than six years ago with the ASEAN Banking Integration Framework, with roots that go even further back. We should expect greater achievements by both our countries.

Thank you.