

Keynote Speech  
“Strengthening ACMECS Integration through Financial Cooperation”  
ACMECS CEO Forum  
Dr. Veerathai Santiprabhob  
Governor of the Bank of Thailand  
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Excellencies,  
Distinguished guests,  
Ladies and gentlemen,  
Swasdee krub,

First of all, I would like to take this opportunity to thank the leaders of the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the organizers for the opportunity to speak at this very important forum. I believe the ACMECS and the Bank of Thailand share a common goal, a goal of promoting economic and financial developments to ensure sustainable well-being of our people. Certainly, our region has immense potential from growth perspectives, with abundant natural resources to population primed to embrace new economic opportunities. Just as important is the development of our financial systems to unlock the potential of our people and support growing intra-regional trade and investment. A well-functioning financial system is a critical foundation for us to achieve our common goal.

To establish suitable financial environment, financial development policies in the ACMECS region must focus on three key words of productivity, immunity, and inclusivity. Productive financial sector enables efficient resource allocation critical for raising the productivity of the economy as a whole. Maintaining a resilient financial system allows for smooth functioning of the financial market, improves risk management, and keeps systemic risk at bay. And, an inclusive financial system ensures that the benefits from economic growth can be shared fairly across the whole society, fostering stable social and economic environment conducive for sustainable growth.

Ladies and gentlemen,

Policymakers must take on the challenges of developing our financial systems with a great sense of urgency. Thus far we have seen integration of the ACMECS economies on various fronts—through economic connectivity in trade and investment and through people-to-people connectivity in migration of labor and tourism. Yet, financial connectivity in our region lags behind developments in other sectors and should be prioritized so that it does not hinder further economic integration.

Fortunately, today we have the opportunity to leapfrog development in our financial systems and regional financial connectivity because of rapid advancement in technology. Not at any point in history have powerful technologies been so affordable and accessible. For instance, the costs of industrial robots and smartphones are now 30 times and 50 times cheaper than those with similar features just ten years ago. Moreover, there are a diverse and extensive number of software applications as well as know-hows available to satisfy businesses and consumers; many of which can be accessed online and obtained free-of-charge. All of these have allowed for greater adoption of mobile devices as well as emergence of new financial technology platforms.

Looking around our region, there are many exciting developments taking place that can enhance our financial systems and strengthen their productivity, inclusivity, and immunity. For instance:

- a. Emergence of faster-pay infrastructures and mobile financial services within our region like the FAST payment and Wing in Cambodia, Wave Money in Myanmar, or PromptPay here in Thailand have helped reduce the cost of financial services for financial institutions and the public at large. For Thailand, the PromptPay infrastructure has helped cut down cost of retail fund transfer so much so that most financial institutions now offer online transfers free-of-charge. These infrastructures are critical foundations for which new add-on services can be built upon to support growing e-commerce activities in our region.
- b. In addition, we have seen firms experimenting with using alternative online data and machine learning for credit scoring model. A credit

- scoring model created from data of payment receipts should help financial institutions better assess credit risks while ensure that borrowers, especially small enterprises, gain funding at a fair price.
- c. Another initiative undergoing testing here in Thailand is the use of blockchain for cross-border financial transactions. This technology should make cross-border payments more secure, more efficient, and more affordable to businesses and a larger population in the near future.

Ladies and gentlemen,

All of these are just some examples of the developments happening in our financial landscape. What is more important is that we must recognize that financial technology is a powerful tool for us to improve on productivity, immunity, and inclusivity. Efficiency in financial services is enhanced, as new payment ecosystem can enable more efficient transfer of funds and significantly lower transactions costs for consumers. It also allows financial institutions to scale-down on the high cost brick-and-mortar model and shift to less costly and more efficient digital services. Meanwhile, resilience is strengthened when financial institutions use payment or online data to better analyze and forecast credit demand and credit risks. Additionally, advancement of technology like biometrics and blockchains can help safeguard financial information and reduce the number and magnitude of fraudulent activities. Finally, financial inclusion is improved as digitization of financial services and platforms allow access through online or smartphone, which can benefit consumers both in cities and in remote areas. Moreover, the ever-expanding universe of new financial services means there are a number of choices and solutions available to fulfill different needs, especially those currently underserved.

Ladies and gentlemen,

As financial technology can help unlock massive potential of our people, it is now up to us, the leaders and policymakers, to play an important role of “the catalysts,” to pave way for greater adoption of financial technology. On this point, I believe there are at least four key areas that catalysts like us must act together:

First, we must encourage common standards of technologies or platforms to avoid market fragmentation. Having common standards would improve competition and innovation, as they allow easy access for all players, especially small innovative players. A good example of the common standards is the Standardized QR Code for electronic payment here in Thailand, where banks and non-banks can apply the common standard to their applications. The result of which was the remarkable speed of adoption of QR code for payment; in less than one year since its launch, QR code payment is accepted by over 2 million merchants all over Thailand. More importantly, financial institutions within the region have already taken advantage of the interoperability of the QR code by applying the common standard in their applications for cross-border transactions with their partners. We are certain there will be many similar partnerships in the future.

Second, we must establish basic and open digital financial infrastructure so that further innovation can emerge to serve a wider range of consumers. Open infrastructure enables service providers to build value-added services on top at low cost. For instance, e-payment services were created based on our PromptPay infrastructure, such as bill payment and request-to-pay features. These, in turn, have helped facilitate e-payments for merchants and consumers and improved the overall e-commerce business landscape. Even charitable organizations are able to take advantage of the open-platform with e-donation. Meanwhile, the adoption of electronic payment through a common infrastructure can further create the data essential for information-based lending or for banks to improve on their risk models.

Third, we must facilitate greater convergence of rules and regulations within our region to make sure that existing regulations do not impede advancement of financial connectivity. Efforts are being made in this area. ASEAN central banks are working on initiatives under the ASEAN Banking Integration Framework to make banking regulations more cohesive, aiming at achieving greater consistency with international best practice.

Meanwhile, aiming to enhance connectivity, since June of last year the Bank of Thailand has undertaken Foreign Exchange Regulation Reform to relax

rules on foreign exchange controls and make foreign exchange-related transactions more digital, flexible, and accessible. To give a few examples, foreign exchange transaction forms were completely abolished, which should reduce document-related burden for the private sector; the working scopes of money changers and money transfer agents are expanded so that they can better facilitate retail cross-border transactions; and commercial banks can now provide direct Thai Baht loan to non-resident companies established in the Greater Mekong Sub-region (GMS). These efforts will improve connectivity as well as ease of doing business in our region.

Fourth, we must foster greater cooperation on cyber security to ensure resilience of our financial systems. Arising with new forms of financial technology is our increased reliance on data transmitting devices and data usage; these come with greater risks of cyber threat. And, globally the number of threat incidents have been rising. Cyber security should be one, if not, the top priority for catalysts like us going forward.

Ladies and gentlemen,

The Bank of Thailand looks forward to working closely with other central banks, government agencies and, very importantly, private sector participants in the ACMECS region to support adoption of financial technology to promote economic and financial developments. With the affordability and availability of many powerful financial technologies, there is no better time for us to improve on our productivity, immunity, and inclusivity so that we can ensure sustainable improvement in the standard of living our people. I am certain the contributions from the ACMECS leaders present here today will go a long way towards fulfilling our common goal. Thank you very much for your kind attention.