

Summary Points

1. ACMF's role in strengthening the region's capital market integration efforts for the next phase is crucial as it comes at a time of a confluence of disruptions - from accelerating signs of a de-globalisation, a retreat from integration due to COVID-19, rapid technological advancements disrupting traditional business models and the changing future of work.
2. The need to mobilise greater private sector funding through more efficient and integrated capital markets is particularly important due to the COVID-19 crisis as the public sector cannot do the heavy lifting alone and continued over-reliance on the banking sector can compromise its absorption capacity. Longer-term investments such as infrastructure development which are critical for the region will need stronger regional collaboration. ASEAN should increase the visibility and size of the ASEAN Infrastructure Fund by working together with other multilateral agencies and Development Financial Institutions. ASEAN could also consider introducing an ASEAN Long Term Infrastructure Investment Fund and an ASEAN –Infrastructure Investment Trust Fund, based on concepts which have been successful in Europe and India, to spur greater involvement.
3. ACMF must take a leadership role in moving towards a greener and more sustainable economy. To complement the ASEAN Sustainable Capital Markets roadmap, a comprehensive financing strategy for the region, aligned with the broader SDG goals which determines the priority areas and sectors where investments are needed, has to be developed. To build on the progress made by ACMF with regards to the ASEAN Corporate Governance Research Institute, their mandate should be broadened to be an ASEAN Sustainable Research Centre – a one stop centre to work with permanent capacity on the above action plans, under ACMF's strategic guidance.
4. SMEs are the backbone of the ASEAN economy and are expected to further grow in importance. Hence efforts must focus on providing easier access to market-based financing instruments for smaller businesses which would benefit from more diverse funding sources, apart from bank financing. In line with this, ACMF needs to develop an ASEAN-based mutual recognition regulatory framework for innovative alternative funding models such as equity crowdfunding and peer-to-peer lending, which is now available in Singapore, Malaysia, Thailand, Indonesia and Philippines. For greater effectiveness, an ASEAN "Market Access Platform" which links SMEs across ASEAN will facilitate greater cross-border partnerships to achieve wider reach, scale and synergies and act as a bridge between ASEAN and global startup ecosystems.
5. The digital transformation of the capital markets is well underway globally and will only accelerate over the next few years. ACMF needs to shape a consensus view on the role and future use of artificial intelligence (AI) and the regulations of AI in capital markets and this would be best achieved through the establishment of a high level expert AI committee. Also ACMF needs to consider designing a "single access point" for a digital information platform to facilitate the centralisation of national data repositories at a regional level to assist ASEAN in policymaking, coordination in times of emergencies and to further promote ASEAN as an asset class.
6. Efforts also need to focus on promoting further financial development. Some considerations include promoting further capital mobility within the region through a sequencing strategy, building a more diverse and digitally-adaptive talent pool regionally by establishing an ASEAN learning centre to design curriculum aimed at promoting mutual recognition of skills as well as to expand the scope of the ACMF Pass Framework. This should also be complemented by an ASEAN-led initiative to improve financial literacy to facilitate greater investor participation so as to reap the benefits of a more inclusive capital market.

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Background

ACMF Vision 2025 is to become an “Interconnected, Inclusive and Resilient Capital Market”. The Phase 1 action plan from 2016 to 2020 focused on six key priorities- regional market infrastructure and connectivity, cohesive regulations and practices, promoting ASEAN asset class, mobility of professionals, greater investor participation and stakeholder interaction - with specific initiatives designed to achieve the objectives.

The Phase 1 action plan has generated some positive developments for ASEAN's capital markets. However, in drawing up the Phase 2 action plan, ACMF is at an important juncture especially due to the COVID-19 crisis. To recover from the pandemic and to strengthen ASEAN's growth and resilience, the role of capital markets will be even more crucial as public funding cannot do the heavy lifting alone and needs to be complemented by substantial private financing and as continued over-reliance on the domestic banking sector will increase pressure on its absorption capacity and can compromise long-term growth.

ACMF's role in strengthening the region's capital market integration efforts for the next phase is crucial but comes precisely at a time of a confluence of disruptions- from accelerating signs of a de-globalisation and a retreat from integration due to COVID-19 to rapid technological advancements disrupting traditional business models and changing the future of work.

In line with this, ICMR is of the view that further regional capital market integration efforts should focus on facilitating the structural changes that is now unavoidable as a result of the pandemic and to address the barriers which could impede capital market's mutually reinforcing functions to:

1. Support longer term investments in infrastructure
2. Transition to a greener and more sustainable economy
3. Provide easier access to market-based financing instruments for smaller businesses which would benefit from more diverse funding sources, apart from bank financing
4. Advance and adapt capital markets' legal and regulatory frameworks to fast-changing technological interventions which are aimed at supporting growth and innovation
5. Promote further financial development through efforts to increasing capital mobility within the region, build a more diverse and digitally-adaptive talent pool regionally and improve financial literacy and education initiatives to reap the benefits of a more inclusive capital market

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1 Support longer term investments in infrastructure

Overall, enhanced financial integration can create a better environment for more stable, long-term investments. Currently, total ASEAN savings rate stands at 31.7% (of GDP), in which Singapore and Brunei have the highest with over 50% (of GDP), followed by Thailand and Indonesia at above 30% (of GDP).

These high saving rates will need to be channelled into more productive investments to benefit real economic growth. There is already huge demand for infrastructure development in ASEAN as the region is growing faster relative to other regions. The ADB estimates about US\$2.8 trillion infrastructure investment needs in ASEAN between 2016 to 2030, which is equivalent to around US\$184 billion a year.

The capital requirements for infrastructure development is still heavily dependent on government financing. However, public sector capital alone is inadequate to finance all the required infrastructure projects. Over-stretching public sector debt could also be detrimental for macroeconomic stability that can lead to systemic risks to the economy if not managed prudently. Therefore, the role of private capital in infrastructure development is pivotal to share the burden of the government.

The ability to attract private capital to invest in long-term infrastructure development still remains a critical challenge. According to ADB, private capital participation in infrastructure development can increase if the following factors are addressed – by increasing transparency, by reducing gaps in information flows, improving effectiveness of project structuring, and improving the coordination between private and public sectors. Hence, in the case of ASEAN, regional level coordination is pivotal to increase cross-border private participation for infrastructure development.

Some proposed action plans and programmes include:

(i) Increasing the visibility and size of the ASEAN Infrastructure Fund (AIF)

- The AIF was established in 2011 with \$485.3 million paid equity by ASEAN member countries and the Asian Development Bank (ADB). The AIF commenced its lending operations in 2013, offering loans to its sovereign member countries for infrastructure projects in the region. As of 2019, the AIF has committed to financing nine projects, with a total portfolio size of around \$3 billion co-financed with ADB for infrastructure development in various sectors such as energy, water, transport and urban development.
- While the AIF has progressed well, the figure remains far lower compared to the investment needs in ASEAN. More contributions are needed to increase the fund size to invest in infrastructure development. The funding framework largely depends on central banks' foreign exchange reserves and ADB. ADB's role in enhancing the credibility of AIF is indisputable. However, moving forward AIF may be able to expand the size of its fund if it considers working together with other multilateral agencies and Development Financial Institutions (DFIs), especially the Asian Infrastructure Investment Bank (AIIB) and also the national DFIs in order to accelerate investment infrastructure development in ASEAN.

(ii) Conducting a viability study for the establishment of an "ASEAN Long-term Infrastructure Investment Fund (ALTIIF)"

- The main objective for the establishment of the ALTIIF is to facilitate cross-border development for long-term development funds which make investments in multiple countries and are

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distributed to investors on a cross border basis. ALTIIF promotes investment opportunities especially for large institutional investors i.e. insurance, sovereign wealth and pension funds, who have greater appetite for long-term investments.

- The establishment of the ALTIIF, in support of stronger, more balanced and sustainable growth in specific sectors such as infrastructure within the region can also be a gradual step to facilitate liberalisation of foreign direct investment and other long-term capital flows which are less prone to shorter-term vulnerabilities.
- The concept of an ALTIIF is modelled based on the European long-term investment fund (ELTIF). Unlike the EU, ASEAN is not a monetary union and therefore perfect mobility of capital for all types of investment may not be viable. However, given the need for infrastructure development by all ASEAN member countries and that the infrastructure sector is expected to be the third largest sector for ASEAN investment growth, there is an increasing need to collaborate to enjoy greater benefits from infrastructure development in the region. While the ELTIF framework in Europe works between UCITS and private market equity, the ALTIIF can focus on fund raising for long term infrastructure projects using various investment tools i.e. debt or equity within ASEAN member countries. The projects should have a greater economic impact and is mutually beneficial to ASEAN community. The ALTIIF should also enable managers to offer ASEAN Infrastructure Products that meet demand of investors and further contribute to ASEAN's longer-term growth.
- Labuan could replicate the role of Luxembourg to champion this initiative.

(iii) Launching an ASEAN-Infrastructure Investment Trust (InvITs) Fund

An Infrastructure Investment Trust Fund is like a mutual fund, which enables direct investment from retail or institutional investors in infrastructure projects to earn a portion of income as returns. The InvITs is treated as a modified version of REITs to suit the infrastructure sector. The InvITs is gaining positive traction in India. This model can be promoted in ASEAN countries to finance infrastructure projects for the region. For instance, the InvITs in India allows a maximum of 20% in under-construction investment projects and 80% or more in revenue-generating infrastructure projects.

(iv) Adapting and strengthening the public private partnerships (PPP) model

The PPP model remains attractive and is gaining traction in the ASEAN region, especially for financing infrastructure projects. Nonetheless, governments and policy makers should be aware of the risks and potential liabilities from PPP including completion risks, market risks, and environment risks among others. For greater efficiency, the PPP project should be well-designed with explicit risk sharing arrangement between parties through regulatory and institutional mechanism.

The PPP model can also benefit from ALTIIF as the harmonisation of infrastructure investment allows for the infrastructure sector in ASEAN to grow. Likewise, the InvITs also will increase greater participation for PPP projects, given the viability of this projects to generate income.

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2 Transition to a greener and more sustainable economy

ASEAN has launched a roadmap for ASEAN Sustainable Capital Markets focused on four priority areas - strengthening foundations, catalysing products and enabling access to under-served areas, raising awareness and capacity building and increasing connectivity - with recommendations to drive ASEAN's sustainable agenda forward.

In line with this, ASEAN has already developed various standards to facilitate product innovation and is looking to develop standards for sustainable funds. The ACMF has provided ASEAN capital markets with sustainable standards for bond issuances to support sustainable growth. The ASEAN Green, Social and Sustainability Bond Standards have seen strong private sector take-up. As of December 2019, bonds totaling \$5.3 billion have been issued under these standards. Of these, bonds worth \$3.1 billion were issued using the ASEAN Green Bond label across Malaysia, Philippines, Singapore, and Thailand. Indonesia's issuances of green sukuk were also aligned with the ASEAN Green Bond Standards¹.

On accelerating the transition to a greener and more sustainable economy for the medium-term, ACMF's action plans could be targeted for the region's capital markets greater alignment with the broader and more ambitious 17 Sustainable Development Goals (SDGs) by 2030. The current rate of progress to achieve the SDGs is insufficient and will need to be accelerated by collective action, partnerships and mobilisation of the region's private investments to achieve the scale, liquidity and diversification needed to finance ASEAN's achievement SDG goals, especially as access to international concessional financial is likely to be limited in the future.

Hence there is also a need for the region to leverage new opportunities to narrow financing gaps in areas such as infrastructure, as abovementioned, through leveraging on new establishments such as the AIIB.

Further, ACMF's action plans for the medium-term can be aimed at:

- (i) Developing a comprehensive financing strategy for the region aligned with SDGs and to determine the priority areas and sectors where investments are needed,
- (ii) Establishing a common set of disclosure standards within ASEAN for sustainability; such as an ASEAN sustainability taxonomy,
- (iii) Promoting the upgrading and harmonising of companies' disclosure standards which internalises environmental and social costs which can be reflected in the corporate's cost of capital,
- (iv) Addressing the lack of reliable data through a common regional platform to effectively measure SDG progress by exploring the use of big data analytics and AI for data-tracking and measuring,
- (v) Assessing the viability of transition mechanisms to a low-carbon economy for instance through transition bonds for greenhouse gas-intensive and resource-based industries common in ASEAN,
- (vi) Promoting the convergence between Shariah and ESG standards, and
- (vii) Enhancing the awareness of the ASEAN initiatives and products to regional and global investors and issuers.

To build on the progress made by ACMF in the establishment of an ASEAN Corporate Governance (CG) Research Institute, it is proposed that the mandate is broadened to be established as an ASEAN Sustainable Research Centre (Research Centre) in line with the broader SDG goals. The Research Centre should facilitate multi-stakeholder consultative planning, knowledge and expertise-sharing across experts, academia and policymakers in the region and to work with permanent capacity on the above action plans, under ACMF's strategic guidance.

¹ Roadmap for ASEAN Sustainable Capital Markets

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3 Provide easier access to market-based financing instruments for smaller businesses

In Southeast Asia, SMEs account for between 97% and 99% of the total number of enterprises in individual nations. Their contribution to the national gross domestic product (GDP) ranged between a whopping 85% (Cambodia), to the low to mid-30s (Malaysia, Thailand, the Philippines).

SME loan to GDP ratio, however still remains abysmally low in most ASEAN nations, with figures ranging from 3% to 34%. The situation is particularly severe in the Philippines and Indonesia, both of which have ratios in single digits. Malaysia and Singapore fare better with 55% and 36% respectively, while Thailand leads the way with 105% of the GDP ratio in SME loans. In the Philippines and Indonesia, which have a higher concentration of small enterprises than their neighbours, less than 40% of SMEs have access to bank loans. ASEAN banks have traditionally been averse to providing finance to SMEs, due to the lack of adequate credit ratings, higher risks, and the absence of thorough business records².

In transitioning to a knowledge-based economy, smaller companies such as high growth start-ups also find it especially difficult to access bank financing because they rely on intangible assets which are not accepted as bank collateral. The underdevelopment of venture capital and private equity funding options means that the SMEs and tech companies will continue to depend primarily on government support which can impede the innovative capacity of these companies. In addition, without sufficient incentives for private investors in the region to fund the region's most innovative firms and with underdeveloped ASEAN equity exchanges, apart from Singapore, as exit options to cater for the 'new economy' business models they will instead get listed in offshore markets.

3.1. Developing an ASEAN-based regulatory framework for innovative alternative funding models

- Alternative lending solutions are pouring into ASEAN - Equity crowdfunding and peer-to-peer lending is now available in Singapore, Malaysia, Thailand, Indonesia and Philippines
- Cross-border ECF and P2P lending will enable more SMEs to raise capital from a broader investor base, while allowing investors to contribute towards regional innovation and economic development
- This would require mutual recognition of a regulatory framework for ECF and P2P operators

3.2. Establishing an ASEAN Market Access platform to boost interconnectivity in the ecosystem

- These efforts can also be complemented by a "Market Access Platform" which links SMEs across ASEAN to facilitate greater cross-border partnerships to achieve wider reach, scale and synergies and acts as a bridge between ASEAN and global startup ecosystems.
- This can be further accelerated by leveraging on government agencies, government-linked companies and larger corporations to benefit from collaborative partnerships and/or business opportunities with young, innovative SMEs.
- Malaysia, given the domestic size of its market, would be ideally positioned as an ASEAN "test hub" for the regional market access platform

² How fintech & P2P lending are driving SME growth in ASEAN 2019

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4 Advancing and adapting capital market's legal and regulatory frameworks to fast-changing technological interventions

Fast changing technological interventions which are disrupting traditional business models have raised questions about the efficacy and 'speed-to-adapt' of current legal and regulatory frameworks. Given the speed of technological disruptions, the future of regulation will need to be based on a model which is more adaptive to rapid change, pivoting business models with a shift of focus toward an outcome-based regulation which allows for feedback mechanisms.

As new business models emerge, such as the "platform-based" businesses which rely on growth and expansion across national boundaries, ACMF's role is critical in moving toward more profound cooperation and regulatory convergence around technological disruptions in the region's capital markets.

4.1. Shaping the consensus view on the role and future use of AI

- The digital transformation of the capital markets is well underway globally and will only accelerate over the next few years. Notably, the role of Artificial Intelligence (AI) and other emerging technologies will redefine the future of finance through diverse applications, from risk assessment processes, know-your-customer monitoring to assisting with regulation, risk and compliance and other uses. The financial services sector is expected to spend USD19 billion on AI and cognitive technologies by 2025, a CAGR of 29.6% from 2019.
- As such, there will be a need for ACMF to shape a consensus view on the role and future use of AI and other types of emerging technologies in the financial sector. This includes regulations of AI use by fintech and other intermediaries, what national governments will promote and how to create an enabling environment for development of AI while also addressing the socio-economic challenges created by the transformation of labour markets due to AI and its impact on the future of work.
- In addition, ACMF can play a role in building competitiveness in the research and deployment of AI and data analytics in fintech, financial intermediaries and supervisory/regulatory bodies aligned with boosting the region's technological and industrial capacity.
- Some other considerations include, but are not limited to:
 - i. To set up a high-level expert committee in AI ("ACMF AI Committee") to first build a regional consensus view on the development and deployment of ethical and trustworthy AI in financial markets. The ACMF AI Committee provides their proposed common definition of AI, as a starting point due to AI's broad nature of capabilities
 - ii. To develop new "governance models" for a well-defined and robust supervisory and ethical framework as a key characteristic of AI development in ASEAN Capital Markets
 - iii. To facilitate joint research initiatives and partnerships on use of AI in ASEAN Capital Markets who are able to provide knowledge transfer for emerging and disruptive technologies for applications in the financial services sector

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4.2 Developing a regionally centralised data and information platform

- The regulatory and market infrastructure changes will continuously be shaped by an exponential use of data and information across businesses. Moreover, this pandemic has brought to fore the expeditious need to share information, data and expertise on the management of the crisis.
- The design of a “single access point” for a digital information platform championed by ACMF can facilitate the centralisation of national data repositories at a regional level to:
 - i. Strengthen data and information flows
 - ii. Facilitate greater knowledge-sharing and collaboration
 - iii. Enhance transparency
 - iv. Boost regulatory convergence between regional regulators and policymakers
 - v. Strengthen the level of coordination for collective action in emergency situations such as COVID-19.
- Beyond this broad framework, having centralised data and information hosted on a single platform would also facilitate research and studies on regional trends and can be used to promote more equity and bond investments, cross-border listings and trading, through: -
 - i. Better transparency and data comparability about underlying assets and financial instruments- for both financial and non-financial (e.g. ESG) data, related-party transactions, off-balance sheet items e.g. contingent liabilities to support the price discovery process of market-based mechanisms.
 - ii. A standardised format for company filings, under a common database with common search tools to improve cross-border data comparability
- In the long term, this platform could be expanded to include data from academia, private sector and other international organisations. Certain datasets could also be made public, under a regional Open API framework, to improve product development at a regional level.

4.3 Encouraging greater digitalisation of financial intermediaries

ASEAN has internet penetration rate of 65%³ with mobile penetration rates in countries like Vietnam significantly increasing⁴. Digital financial products provide increased accessibility, particularly for the younger generation, and may allow capital market products to reach a broader investor base. There should be a push to encourage digitalisation by facilitating cross-border collaborations between financial intermediaries and fintech startups.

³ <https://aseanup.com/southeast-asia-digital-social-mobile/>

⁴ <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/07/Mobile-Internet-Connectivity-Global-Factsheet.pdf>

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5 Promote further financial development within ASEAN

5.1 Increasing regional capital mobility within the region

Movement of capital within ASEAN remains restricted given the undesirable short-term consequences of exchange rate volatility, financial and asset price cycles and sudden reversals in capital flows. The bitter experience during 1997 financial crisis resulted in a sharp contraction in capital flows and have led to central banks in the region becoming very cautious on capital flow mobility.

However, ACMF could take a more gradual approach to liberalisation of capital flows by adopting a “sequencing strategy” i.e to first remove restrictions on longer-term and foreign direct investment (FDI) flows and on operations linked to business operations before short-term capital flows or full capital account liberalisation. The gradual liberalisation of cross border capital flows which support long-term and sustainable investments that benefit the region can be first facilitated through a proposal for the establishment of a dedicated long-term fund, the ALTIIF as abovementioned.

Secondly, the pre-conditions to this arrangement would be for member states to first consider making special arrangements and distinctions in terms of facilitating capital mobility within ASEAN, through the mutual recognition principle- with a more gradual process for lower-income countries- but demarcated from the way they view capital flow mobility to all other countries.

Thirdly, ACMF will need to also consider the building blocks for facilitating an enabling environment for freer capital mobility addressed in stages; from ease of currency use, cross-border settlements and ease of hedging with agreed-upon safeguard measures.

Enhanced capital mobility within ASEAN will also allow for greater risk-sharing mechanisms through financial information sharing with more harmonized regulatory requirements including credit registeries and using common accounting standards. This will improve joint monitoring of governance of private entities and improve the quality of enforcement mechanisms and accelerate offering of ASEAN Investment products. With greater ASEAN integration, economic opportunities will be shared among its member countries by allowing for greater movement of talent, knowledge, product and services which dovetails well with the vision of AEC 2025 .

5.2 Build a more diverse and digitally-adaptive talent pool regionally

ACMF's medium-term action plans for building a more diverse and digitally-adaptive talent pool in ASEAN will need to capitalise on the wave of rapidly advancing technological disruptions, changing demographics and shifting working arrangements amid the emergence of the “gig economy”, trends which are further accelerated due to COVID-19.

However, reinvestments in growing people's capabilities cannot be left to the individual governments' alone as talent development in ASEAN's capital markets will not be successful without participation from the private sector.

As ASEAN is one of the fastest growing economy in the world with 35% of its population still below 20 years old and its digital economy only representing 7% of GDP compared to 16% for China, 27% for the EU and 35% for the US, there are significant opportunities to position itself as the new and emerging center of innovation and development of the world if talent development is made a key priority for the region. The launch of the ACMF's Professional Mobility Framework in 2018 is a significant step in facilitating mobility of ASEAN capital market professionals.

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To develop a more holistic and integrated set of reforms for regional talent development, other initiatives could be considered, which may fall under the remit of ACMF's Professional Mobility Framework:-

- Establish a centralised ASEAN centre for regional development of education and learning ("ASEAN learning centre") for capital market professionals with specific focus on those with skills and applications of emerging technologies to produce a pool of future-ready workforce.
 - i. The ASEAN learning centre will design a standardised set of curriculum with the aim of promoting mutual recognition of skills to accelerate intra-regional movement of workers
 - ii. The ASEAN learning centre will leverage on algorithm-based technology for demand-supply matching to increase the effectiveness of training and talent placement.
- Expand the scope of ACMF Pass Framework:
 - i. Considerations could be made to increase the scope of activities permitted under the ACMF Pass Framework. The current framework allows for professionals to issue research analysis and reports and give advice on capital market products. However, technological advancements have increased the capabilities and can facilitate cross-border talent. Other investment activities such as fund management or brokering should be recognized as it could promote the movement of capital throughout the region.
 - ii. The ACMF Pass Framework still requires any professional to apply for a separate from each jurisdiction the professional intends to work at. This scope should be broadened in view of technology now facilitating cross-border talent even without physically being in the other country. The creation of a central point where professionals can apply to various countries for the Pass that would also maintain a database of the various professionals under the Pass would be beneficial to both the professionals and the jurisdictions they operate in.
 - iii. There are only four countries (Thailand, Malaysia, Singapore and the Philippines) recognised for ACMF Pass Framework. Other member countries should consider adopting the ACMF Pass Framework to create a more inclusive ASEAN bloc. Member countries who have not signed on to the framework could view the ACMF Pass as an opportunity for knowledge sharing of professionals between the region.

5.3 Facilitating greater investor participation through regional financial literacy efforts

ACMF has focused its efforts on promoting ASEAN as an asset class and in line with this, emphasis has been placed on ensuring sufficient product diversity, including equity, debt products and collective investment schemes to create and sustain investor interest. ACMF is also working on expanding the current set of ASEAN indices as well as related equity products such as exchange-traded funds. In addition, ACMF has also focused, as one of its key priorities, on developing a well-established investor protection regime to instil trust and confidence of investors for example, through enhancing cross-border dispute resolutions mechanisms.

An ASEAN initiative which makes financial literacy a priority in lifelong learning and to develop an ASEAN-based competency framework based on best practices in financial education initiatives would be much welcomed. Strengthening existing efforts to create greater investor education and awareness which are complemented with regulations which streamline disclosures and enhance transparency will benefit every member state as citizens are more

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equipped to assess investment advice, broaden their investment options and improve the level of trust in capital markets.

An ACMF-led structured financial literacy programme should be aimed at:

- Increasing awareness on ASEAN cross-border products to targeted segments of existing retail investors
- Facilitating greater understanding of opportunities in geographical regions that may be unfamiliar to investors
- Understanding investor behavioural challenges for risk-taking and a strong preference for investments with a “home bias”

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Appendix - ASEAN capital market data

Appendix I – Global Equity Index Performance and Volatility

	Closing as at End			1-year Returns			1-year Volatility		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Malaysia	1,796.81	1,690.58	1,588.76	9.45%	-5.91%	-6.02%	6.09%	9.65%	8.64%
Thailand	1,753.71	1,563.88	1,579.84	13.66%	-10.82%	1.02%	10.04%	10.96%	10.81%
Indonesia	6,355.65	6,194.50	6,299.54	19.99%	-2.54%	1.70%	11.37%	14.22%	13.13%
Philippines	8,558.42	7,466.02	7,815.26	25.11%	-12.76%	4.68%	14.17%	16.47%	16.28%
Singapore	3,402.92	3,068.76	3,222.83	18.13%	-9.82%	5.02%	9.12%	12.33%	11.45%
ASEAN	856.32	759.44	799.24	26.34%	-11.31%	5.24%	8.23%	11.14%	10.48%
China	89.35	71.20	85.70	52.34%	-20.31%	20.37%	13.51%	20.30%	18.89%
Asia Pacific ex Japan	569.62	477.09	552.69	33.50%	-16.25%	15.85%	9.69%	13.31%	13.15%
Asia Pacific	173.81	146.71	170.66	28.71%	-15.59%	16.32%	9.10%	12.21%	11.89%
Asia	160.18	135.20	157.00	30.77%	-15.59%	16.12%	9.24%	12.67%	12.35%
Europe	131.41	114.20	139.60	7.27%	-13.10%	22.24%	9.22%	11.45%	12.06%
EMU	126.25	107.69	131.83	10.09%	-14.70%	22.41%	10.31%	12.02%	13.13%
North America	2,702.78	2,512.01	3,236.31	19.16%	-7.06%	28.83%	7.58%	14.51%	14.60%
Latin America	2,828.15	2,565.92	2,917.73	20.83%	-9.27%	13.71%	20.97%	20.68%	20.76%
Emerging Markets	1,158.45	965.78	1,114.66	34.35%	-16.63%	15.42%	10.93%	14.15%	13.39%
Developed Markets	2,103.45	1,883.90	2,358.47	20.11%	-10.44%	25.19%	6.57%	11.26%	11.81%
World	513.03	455.66	565.24	21.62%	-11.18%	24.05%	6.53%	10.99%	11.45%

Source: Bloomberg

ASEAN was the only region to record single digit returns in 2019, while Malaysia was the only country within ASEAN with negative returns for the same period. The negative returns were mainly driven by poor corporate earnings for the year.

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Appendix II – Global Equity Index Financial Ratios

	Price Earnings Ratio (P/E)			Price to Book Ratio		
	2017	2018	2019	2017	2018	2019
Malaysia	16.65	21.31	17.74	1.79	1.75	1.58
Thailand	17.60	16.23	18.08	2.03	1.74	1.71
Indonesia	19.81	21.46	19.38	2.48	2.24	2.11
Philippines	22.06	18.48	17.18	2.47	1.95	1.80
Singapore	11.07	12.62	12.48	1.19	1.06	1.10
ASEAN	17.41	15.15	16.37	1.88	1.64	1.68
China	15.94	11.68	14.05	1.96	1.49	1.62
Asia Pacific ex Japan	15.06	12.29	16.58	1.73	1.44	1.60
Asia Pacific	14.87	12.43	16.60	1.59	1.32	1.47
Asia	14.62	12.15	16.28	1.57	1.28	1.42
Europe	17.88	15.54	21.28	1.81	1.58	1.87
EMU	20.51	14.52	21.04	1.72	1.39	1.65
North America	21.95	16.57	21.46	3.15	2.83	3.41
Latin America	18.65	13.94	18.34	1.89	1.86	2.12
Emerging Markets	15.12	11.71	15.74	1.74	1.45	1.61
Developed Markets	20.07	15.66	20.68	2.37	2.11	2.52
World	19.18	15.10	19.91	2.30	2.00	2.36

Source: Bloomberg

Most indices experienced an increase in their Price/Earnings and Price/Book ratios in 2019, suggesting a period of growth during the year. However, the recorded growth did not lead to a divergence away from the 12-month average levels, maintaining the fair valued view of the indices.

For 2020, the short-term impact of Covid-19 was a slight movement away from the 12-month average. The upward movement of these ratios implies that most countries' stock markets are expensive and may act as a dampener on investor demand.

Appendix III – Global Fixed Income Performance and Volatility

	1-year Returns			1-year Volatility		
	2017	2018	2019	2017	2018	2019
Malaysia	16.24%	2.37%	10.16%	3.71%	5.76%	4.05%
Thailand	15.58%	1.99%	22.71%	4.03%	5.71%	5.42%
Indonesia	16.50%	-7.50%	18.80%	5.09%	8.93%	7.16%
Philippines	0.85%	-10.65%	27.91%	5.24%	6.94%	6.58%
Singapore	13.05%	0.32%	6.51%	5.72%	5.35%	4.10%
Vietnam	27.77%	2.76%	16.87%	4.33%	4.13%	3.86%
Asia	7.86%	1.16%	3.74%	3.48%	4.77%	3.78%
Emerging Markets	9.32%	-4.61%	14.42%	3.11%	4.41%	3.68%

Source: Bloomberg

Emerging market Fixed Income indices recorded Equity-level returns in 2019 with relatively low levels of risk.

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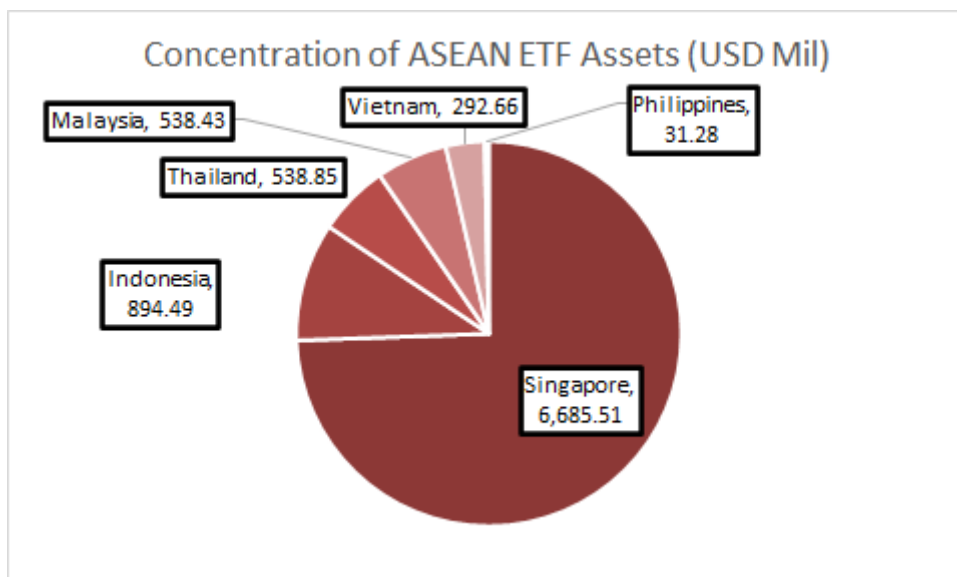
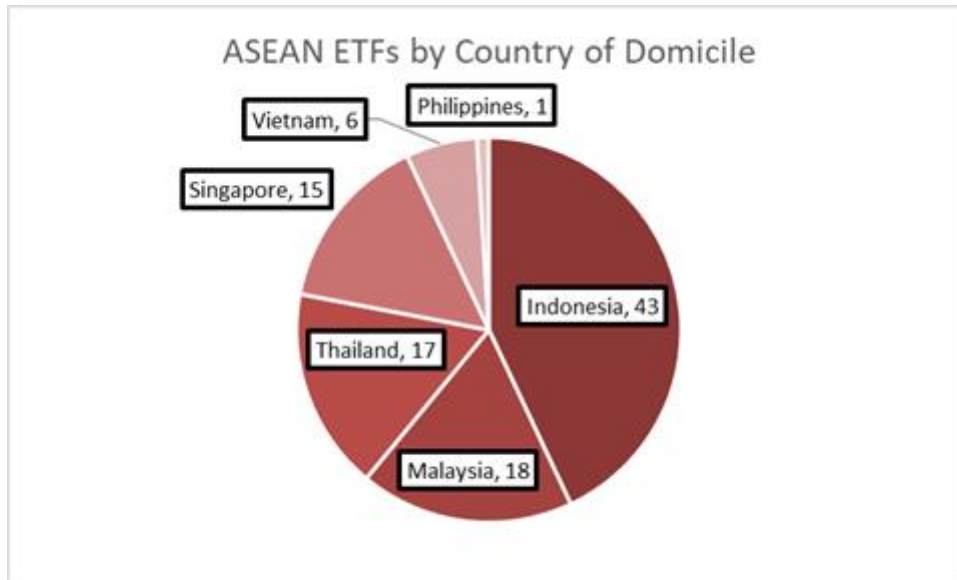
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Appendix IV – ASEAN-domiciled ETFs

As of 4 September, there are 100 ETFs domiciled within ASEAN countries. The ETFs launched span various themes including ESG, leveraged, inverse and REITs ETFs.

Recent traction has been noted in the leveraged and inverse space with Malaysia following Singapore's steps and launching its first leveraged and inverse ETFs in late 2019.



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