

Opportunities and Challenges of Financial Digitalization: A New Perspective on ASEAN+3 Regional Financial Cooperation (Abstract)

Financial digitalization (FinDig) is changing the landscape of the international monetary and financial system. With digital finance anticipated to increasingly dominate a growing volume of global cross-border transactions, the main challenge for policymakers is how to facilitate and support FinDig to leverage its benefits while mitigating and minimizing attendant risks.

For the ASEAN+3 region, with its tech-savvy population—a large swathe of who is still unbanked—FinDig offers many cross-border benefits and opportunities, but also poses significant risks if not adequately coordinated and regulated. The public sector should be responsible for policy, regulation, and supervision, and ensure a level playing field for the private sector, who typically lead innovation, customer engagement, and product delivery.

Meanwhile, alternatives to the existing Regional Financing Arrangement—the Chiang Mai Initiative Multilateralization—may have to be reassessed and new instruments explored to tackle growing FinDig risks to members' balance of payments. Correspondingly, the ASEAN+3 Macroeconomic Research Office will have to expand or refocus its surveillance and research to cover FinDig developments; introduce new technical assistance options to help its members close capacity gaps in FinDig implementation; as well as facilitate collaboration among members across a myriad of FinDig areas.