

## FURTHERING FINANCIAL INCLUSION THROUGH DIGITAL TRADE STANDARDS

Digital transactions are the foundation of cross-border digital trade. As such, the interoperability of infrastructure, policies, and standards is key to supporting the rise of dynamic and inclusive digital economies.

### WHAT ARE DIGITAL TRANSACTIONS?

Digital transactions take place without the use of cash and may involve the collaboration of several parties, including financial institutions and several sectors within the economy.

This encompasses solutions like online payments within and across borders, online transfers of government benefits, and other online financial exchanges.

### KEY TRENDS

#### Trend 1: Digital transactions go beyond payments

Digital transactions encompass many essential financial services in the region's economy; from payments and financing to neobanking and government transfers, the wide range of services gives rise to varying degrees of interoperability between solutions and Digital Financial Service providers.

#### Trend 2: Digital transactions are on the rise in ASEAN

In ASEAN, the digital payments sector is projected to be worth at least AUD2.05 trillion. The momentum is likely to continue with:

- The number of cross-border payments doubling in 2010-2022.
- E-commerce penetration growing by 6% in 2019-2020.
- Demand for digital-only banks and e-wallet growing rapidly across ASEAN.

#### Trend 3: Digital technologies support digital transactions

Traditional banks, FinTech players, and central banks are increasingly using digital technologies to develop and improve services.

This is enabled by the increased availability and granularity of data, as well as interoperability driving investment and innovation.

### BRIDGING THE FINANCIAL INCLUSION GAP

Many leading standards are designed to reduce access barriers, improve ease of use, and safeguard against pitfalls.

While women trail far behind men when it comes to digital account ownership, countries incorporating good standards—such as the Philippines—have found higher ownership and usage among women.

Digital transactions also favour micro, small, and medium enterprises (MSMEs), which represent about 97% of all businesses in ASEAN.





## KEY DIGITAL TRANSACTION STANDARDS

### Financial messaging and payments standards

They define the rules for financial transactions and payment procedures. They are key to driving greater payment efficiency, facilitating risk management, and ensuring compliance in both domestic and cross-border transactions.

- SWIFT Message Types (MT) and ISO 15022.
- ISO 8583 - Financial transaction card originated messages–Interchange message specifications.
- ISO 20022 universal financial industry message scheme..

### Application Programming Interface and Web Service Based Application Programming Interface (APIs)

They allow secure data exchange between businesses. Standardised APIs can lead to desirable competition and innovative solutions benefiting customers in a competitive environment by reducing the barrier to secure data sharing.

- ISO/TC 68/SC 9/WG 2 is responsible for the standardisation of ISO/DTS 23029 WAPI in Financial Services.
- ISO/TS 23029:202043–Web-service-based application programming interface (WAPI) in financial services.

### QR codes

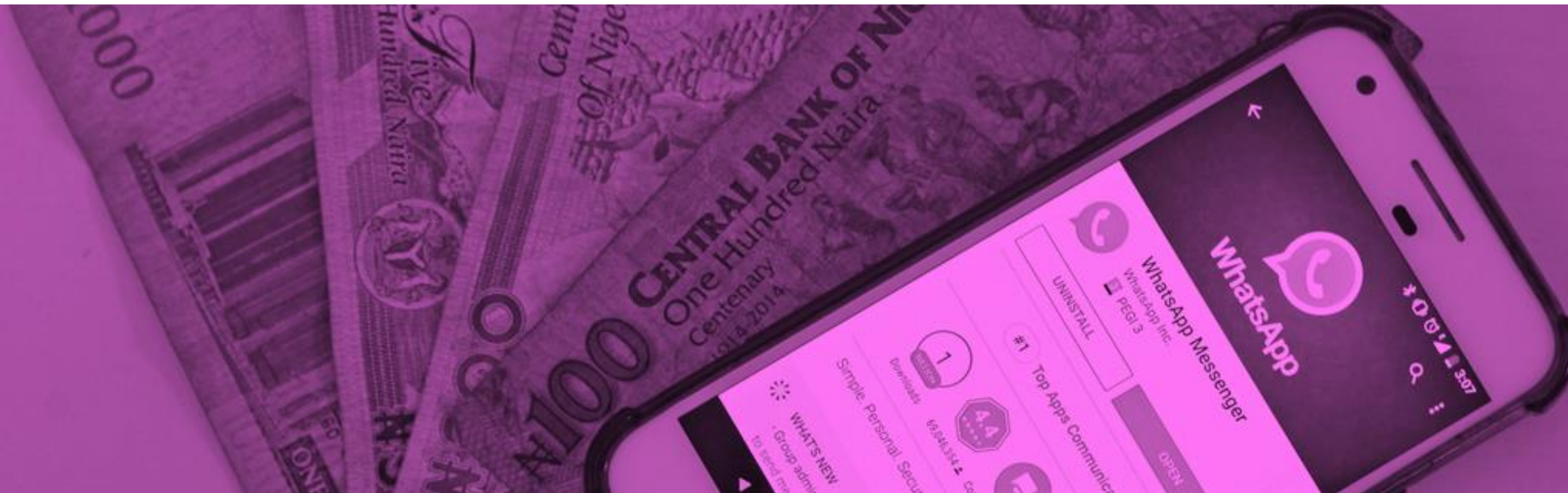
They provide a single common QR code that allows payment from multiple payment service operators. A common international standard for QR code systems has been developed by EMVCo, a specification that improves the ease and flexibility for new payment providers to enter and open interoperable networks.

- EMVCo technical specifications for “QR Code Specification for Payment System–Merchant-Presented Mode”.
- ISO/IEC 18004–automatic identification and data capture techniques – QR Code bar code symbology specification.
- ISO/IEC JTC 1/SC 31–Automatic identification and data capture techniques Technical Committee.

### Universal Accessibility

Requirements for the universal design of systems, processes, information, and ICT with the objective of ensuring access for all people, rather than access for some, but not others, due to inaccessible design.

- International Standard: ISO/IEC GUIDE 71:2014 Guide for addressing accessibility in standards.
- International Standard: ISO/IEC 30071-1:2019 Information technology - Development of user.
- International Standard: ISO 21801-1:2020 Cognitive accessibility.
- European Telecommunications Standards Institute. Public Procurement Standards EN 301-549: Accessibility requirements for ICT products and services.
- The U.S. Federal Government. Section 508 of the Rehabilitation Act (Section 508).
- W3C Web Accessibility Initiative. Web Content Accessibility Guidelines (WCAG).





## KEY RECOMMENDATIONS

### **Review, revise, and implement key regulations, policies, and standards that support and frame universally accessible and inclusive digital transactions**

ASEAN members can optimise the potential of digital transactions by implementing coherent, consistent, and comprehensive regulations and standards. Financial authorities should focus on universal access and interoperability between service providers to improve customer access.

### **Promote and participate in discussions related to international standards at a national, regional, and international level**

ASEAN countries can proactively promote leading international standards on digital transactions across the region. Standards that facilitate universal accessibility and inclusion and increase regional interoperability, such as ISO 20022, API, QR codes and universal accessibility and inclusion standards/guides (ISO/IEC GUIDE 71:2014, ISO/IEC 30071-1:2019, ISO 21802-1:2020) should be a top priority.

Within ASEAN, Working Groups such as the ASEAN Working Committee on Payment and Settlement Systems or the Working Committee on Financial Inclusion should further advocate the importance of these standards.

### **Seek opportunities to cooperate and link payments with other central banks both within and outside the region**

Singapore and Thailand's launch of the world's first linkage of real-time payment systems is a leading example of regional cooperation. The adoption of international standards has the potential to facilitate further bilateral and multilateral agreements, making cross-border transactions more accessible and inclusive for individuals and businesses engaged in regional trade.

### **Frame and regulate digital transactions as an agent of inclusivity**

ASEAN members must keep in view the fact that digital transactions carry several risks; from the disruption of largely informal and cash-based economic activities to the misuse of digital platforms to track or control behaviours, it is important to ensure digital transactions are framed in such a way that they effectively empower women, persons with disabilities, and marginalised groups.

## OPPORTUNITIES & CHALLENGES

### **Opportunities to seize**

- Growing usage - 85% of consumers in ASEAN have adopted digital payments, and this is set to continue growing.
- Cross-border movements - Digital remittance flows are expected to reach AUD13 billion in ASEAN thanks to cost reductions.
- MSMEs - An estimated AUD2.55 billion can be saved if 50% of all MSMEs in ASEAN adopt digital payments.
- Enhancing economic participation - Universally accessible digital transactions are a flexible alternative that increase the range of opportunities for women, persons with disabilities, and marginalised social groups.

### **Challenges to overcome**

- Interoperability across borders - Key standards, policies, and regulations must be consistent to support closer cooperation and integration.
- Digital financial inclusion - Across the region, nearly 70% of the population remains underbanked, with women, persons with disabilities, and marginalised social groups being highly represented in this group.
- Digital financial literacy - Digital transactions can be more difficult to manage than cash; their non-physical nature can also increase the risk of fraud or cybercrime.
- Unequal connectivity - Gaps in connectivity are strongly felt in rural or remote areas, hindering the digitalisation of largely informal, cash-based activities undertaken by women, persons with disabilities, and marginalised social groups.
- Privacy and safeguarding - The digitalisation of transactions carries the risk of being used to track, monitor, or control the spending and movements of others, especially those of women, persons with disabilities, and marginalised social groups.

