Capitalising on ASEAN's Mobile Moment:

EFFECTIVE MOBILE POLICY AND REGULATION FOR THE ASEAN ECONOMIC COMMUNITY

SEPTEMBER 2014

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01.

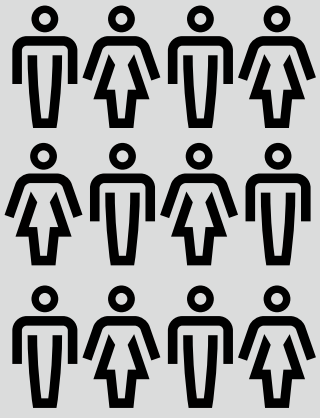
How mobile will contribute to a successful ASEAN economic community

The Association of Southeast Asian Nations (ASEAN) has experienced tremendous economic growth and social development in the recent past, with the mobile industry a significant regional driver. The number of mobile customers has dramatically increased across the region, due in no small part to the economic successes that have been delivered through national policies and effective regional cooperation.

Across Asia Pacific, the mobile industry contributed

US$ 864bn

to the region's gross domestic product (GDP) in 2013, equivalent to 4.7 per cent of the total.



Furthermore, it directly supported

3.7m JOBS

and contributed

US$ 82bn

TO PUBLIC FUNDING

(not including regulatory and spectrum fees).

A robust mobile sector is a significant economic advantage, and the creation of an ASEAN Economic Community (AEC) in 2015 presents even more opportunity to drive growth in mobile and make substantial contributions across many different economic and social areas. However, some challenges remain to unlocking the true potential of mobile across the ASEAN region.

Ensuring a competitive environment, timely allocation of spectrum resources, fair taxation and enhanced privacy and security for consumers are paramount to the sustainability of this growth and delivering the benefits of mobile to people across the region.

Recognising the importance and further potential for mobile to contribute to the growth and development of the ASEAN region, the heads of ASEAN nations enshrined their commitment to this sector through the e-ASEAN Framework Agreement in 2000. Subsequently, the Economic Community Framework (2007) also made special provisions for supporting mobile through strategic actions aimed at implementing an ASEAN-wide information and communications technology (ICT) infrastructure. At a high level, these measures looked at pan-ASEAN conformity on assessments of equipment and deepening cooperation on policy and regulatory issues related to the expansion of networks.

These initiatives are steered by the ASEAN Telecommunications and IT Ministers (ASEAN-TELMIN), who are ultimately responsible for delivering on the four objectives of the e-ASEAN Framework Agreement:

DEVELOP, STRENGTHEN AND ENHANCE THE COMPETITIVENESS OF THE ICT SECTOR;

REDUCE THE DIGITAL DIVIDE WITHIN AND AMONGST ASEAN MEMBER COUNTRIES;

PROMOTE COOPERATION BETWEEN THE PUBLIC AND PRIVATE SECTORS; AND

DEVELOP ASEAN INFORMATION INFRASTRUCTURE.

ASEAN-TELMIN are also responsible for ensuring that a pan-regional ICT sector is developed through the AEC initiative. Nevertheless, it must be recognised that ASEAN membership comprises a divergent group of countries, making it difficult to achieve economic integration in a straightforward manner. Economic transformation as spelled out by the AEC 2015 will be challenging with significant opportunities as well as potential sources of disruption, including for the mobile sector.

Given different national economic circumstances, regulators and policymakers should realise that a single regulatory solution may not be universally applicable across all ASEAN members. However, identification of, and agreement on, the direction of policy, given economic and social circumstances, can create sustainable competitive advantages for the overall region. With this in mind, the GSMA and its members are committed to supporting ASEAN in the development of effective policies and actions in key focus areas critical to the success of the AEC's mission.

02.

ASEAN mobile markets at a glance

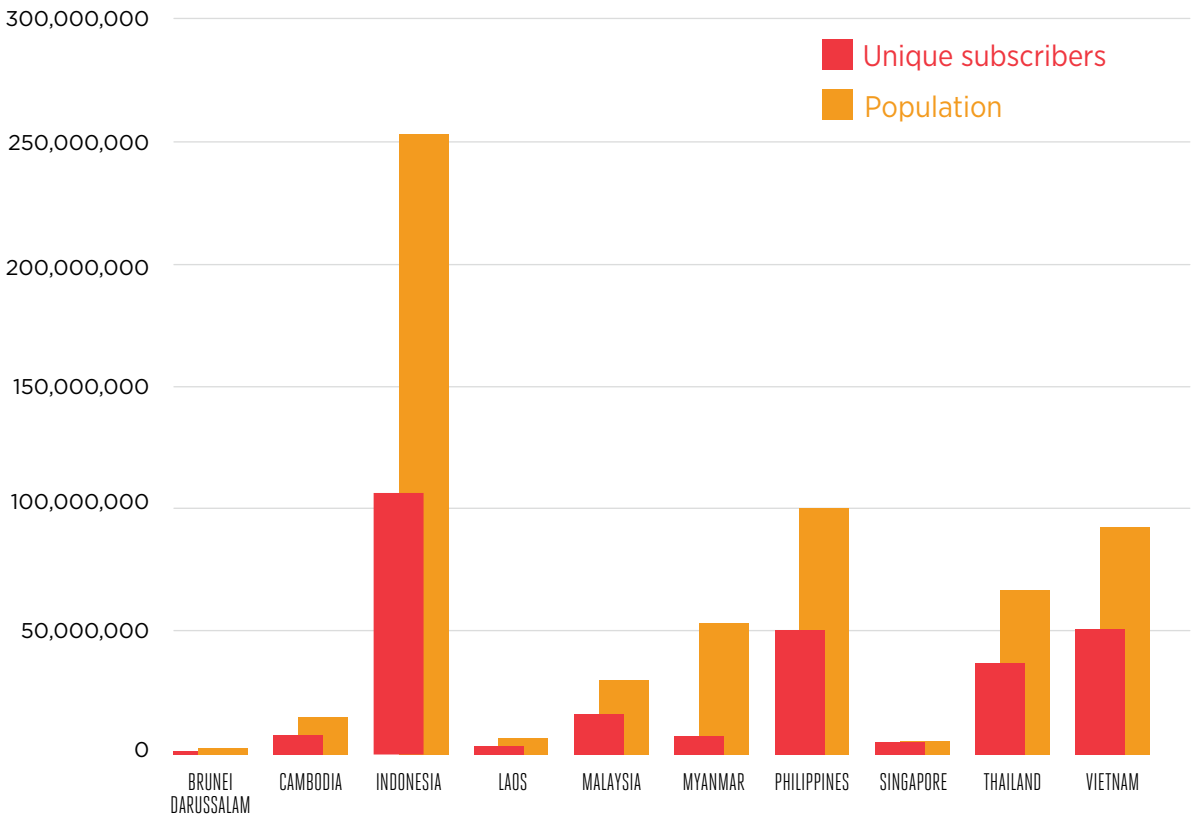
All ASEAN countries

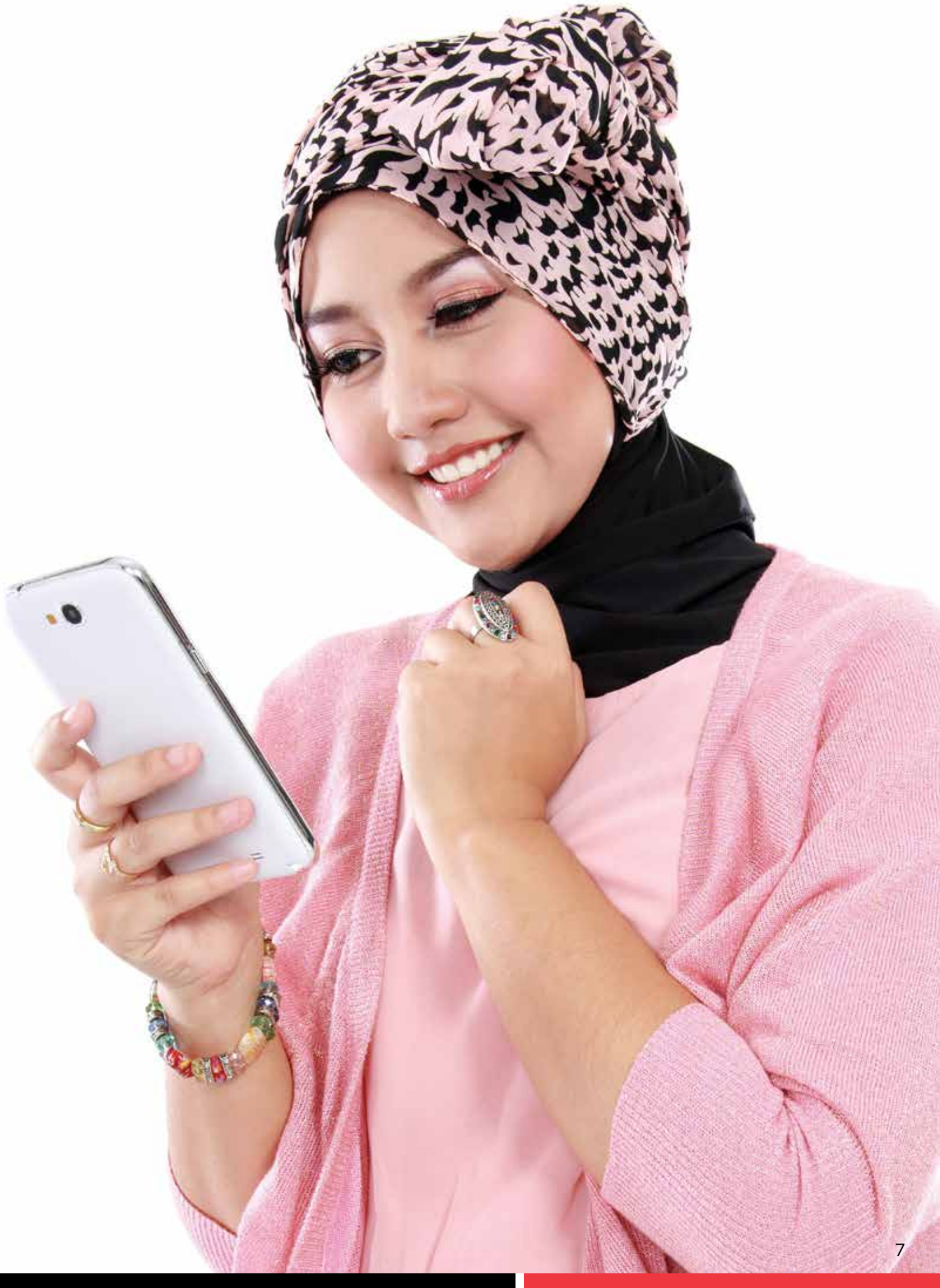
MARKET PENETRATION, UNIQUE SUBSCRIBERS
45.80%

MARKET PENETRATION, CONNECTIONS
120.30%

626,586,508
POPULATION

286,951,732
UNIQUE SUBSCRIBERS





03.

Key focus areas of action to leverage mobile for economic and social development, and regional competitive advantage in ASEAN

COMPETITION AND MARKET ACCESS

Market-based evolution of competition among communications providers has been the common regulatory principle which has supported the dramatic increase in mobile and broadband service take-up and consumer welfare both in ASEAN and internationally.

A truly regional single telecommunications market must be based on an understanding that government's role should be to allow sustainable market structures to evolve naturally. By doing so nationally, a more stable and transparent regional investment environment can be fostered to drive growth across all ASEAN nations and deliver better value for national and regional consumers.

Excessive regulation can stifle innovation, raise costs, limit investment, harm consumer welfare and lead to inefficient allocation of resources. Allowing continued market-based evolution to drive investment in the telecom sector, by sustaining heavier infrastructure investment and driving down unit prices in the long-term, is the optimal approach. In most ASEAN markets, this will mean supporting a degree of consolidation. It is better to have stronger operators, capable of greater investment, than multiple weaker ones. International research and historical trends suggest that an efficient mobile market will have between three to five operators[1].

As agreed at the ASEAN TELMIN meeting in Singapore in November 2013, **regulators should focus efforts on fostering an environment that will promote competition in the private sector to benefit ASEAN citizens.** Acknowledging the capital-intensive nature of the industry, ASEAN should support a framework that recognises the need for sufficient scale so that operators can keep prices affordable for customers by functioning profitably.

Furthermore, as competition intensifies and evolves, for example, with service-based entry from internet players, ASEAN regulators should facilitate sector restructuring and, where appropriate, consolidation to support the required levels of mobile broadband investment within their markets.

1 Telecoms, Media & Technology, Supercollider, (HSBC Global Research: February 2014)

Traditional telecoms operators and service providers are subject to complex and often burdensome national licensing regimes—an ASEAN communications provider may be subject to 200 separate regulatory rules within its operating market. Additionally, the provision of telecom services requires national presence and thus being subject to sector specific taxes and fees effective in the country. Conversely, substitutable services, such as VoIP, can be delivered without the same geographic ties, thereby creating differentiated tax treatment.

Licence and tax structures significantly limit the commercial freedom of operators and service providers in the face of new and flourishing international service-based competitors. Currently, there is no global model for creating a level playing field for both traditional telecom operators and internet players. **Regulation and tax treatment of operators and internet-based communications and content providers should be on the basis of consistent and proportionate regulation reflecting the types of service or content provided.**

Traffic management is becoming even more important with the advent of all-IP mobile networks in which real-time services, such as voice and video calls, and less urgent services, such as email, will all be delivered as packets of data in the same way. This practice has always been essential for the efficient delivery of services and creates an environment for investment. **Mobile network operators are pragmatic that traffic management helps to deliver consumer choice.**

While pre-emptively regulating this area, such as through ex ante network neutrality licensing, may appear attractive to certain policymakers and has been advocated in the US and EU, **adopting a 'case-by-case' ex post net neutrality approach based on evidence of market development may be more appropriate.** Such an approach is more likely to facilitate new ways of operators and internet players interacting, while promoting an open and competitive internet space that benefits consumers.

KEY CONSIDERATIONS FOR POLICYMAKERS:

Through a common direction of travel, ASEAN can ensure the harmonisation of regional competition policies to support a vibrant regional telecommunications sector.

ASEAN should adopt a harmonised regional policy of openness to competitive entry by establishing a level playing field.

ASEAN policymakers should aim to keep the entire communications and internet space competitive and attractive for investment.

LICENSING

Licensing should follow basic principles across the region to ensure consistency and create a predictable environment for a harmonised telecommunications market.

ASEAN countries should **adopt national unified licensing regimes** which provide the optimal model to enable market evolution and innovation as well as support competitive supply.

Restrictive licence conditions limit operators' ability to use their spectrum resources fully and risk delaying investment in new services. **To drive new regional services across ASEAN, a concerted effort should be made to remove service and technology restrictions in existing licences.**

Such a regional approach to licensing is consistent with the ICT Masterplan's Strategic Thrust 1.2, which seeks to harmonise regulatory practices and ICT standards across ASEAN.

The prospect of licence expiry creates significant uncertainty for mobile operators. **A transparent, predictable and coherent approach to renewal is therefore important, enabling operators to make rational, long-term investment decisions.**

There is no standard approach to spectrum renewal. Each market needs to be considered independently, with industry stakeholders involved at all stages of the decision process. Failure to effectively manage the renewal process can delay investment in new services and affect mobile services for, potentially, millions of consumers.

It is essential that governments and regulators implement a clear and timely process for the renewal of spectrum licences. Maintaining mobile service for consumers is critical. To ensure this, **the approach for licence renewal should be ideally agreed at least three to four years before licence expiry.**

Governments and regulators should work on the presumption of licence renewal for the existing licence holder. Exceptions should apply only if there has been a serious breach of licence conditions in advance of renewal.

Should a government choose to reappraise the market structure at the time of renewal, the priorities should be to maintain service for consumers and ensure network investments are not stranded. Governments should not discriminate in favour of, or against, new market entrants, but **establish a level playing field.**

New licences should be granted for a minimum of 15 to 20 years, to give investors adequate time to realise a reasonable return on their investment. Renewed licences should be technology and service neutral. Terms for renewal must be clearly identified when new licences are issued.

COMMUNICATIONS LICENCE	SPECTRUM PERMISSION	VAS PROVIDER CODE (EXAMPLE)
Single, simple set of rules for commercial operation of communications networks and services	Simple description of spectrum which is being made available to a provider	A code which is managed by the National Regulatory Authority/Value Added Services-(VAS) regulator
Without service or technology distinctions	Or which is unlicensed	With terms which deal only with VAS: consumer protection, transparency, pricing, etc.
Communications providers determine level and boundary of their operations on a commercial basis.	With terms which deal only with spectrum-related issues, e.g., period of allocation, payment terms, management of interference, etc.	VAS providers must register and be in good standing to offer services and to contract with communications licensees
Intervention based on market power	Again, without service or technology distinctions	

KEY CONSIDERATIONS FOR POLICYMAKERS:

Regulatory authorities should foster a transparent and stable licensing framework that prioritises technology and service neutrality, promoting a high quality of service and encouraging investment.

A transparent, predictable and coherent approach to renewal creates a degree of certainty, enabling operators to make rational, long-term investment decisions.

ASEAN provides a unique environment to identify, allocate and license spectrum regionally in alignment with internationally harmonised mobile spectrum bands. This will enable both regional and international economies of scale, reduce cross-border interference and facilitate international services for customers.

SPECTRUM

Spectrum is the lifeblood of the mobile industry, and enables significant social and economic benefits. A best practice spectrum management framework should provide certainty to the industry on its short- to medium-term goals as well as its long-term visions.

ASEAN data traffic is now growing rapidly and will continue to grow, reflecting increased demand for internet use and mobile broadband based on broadband connectivity.

ASEAN consumers have preferred mobile access to fixed line access for voice services due to a combination of functionality and pricing. As consumer demand shifts from voice to broadband data, ASEAN policy makers should replicate the effective, low-priced model, which has been successful for voice in the supply of broadband services, in particular, mobile broadband services. Regional spectrum harmonisation and allocation will play a critical role in future mobile sector success in replicating mass-market access that has already been achieved for voice.

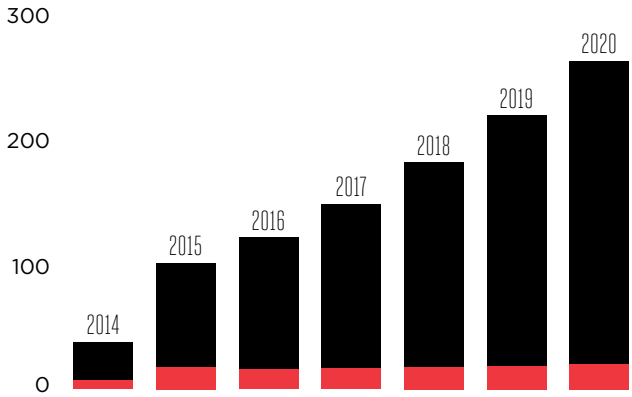
The ASEAN TELMIN meeting in November 2013 focused on three action areas:

- Harmonisation of the 700MHz frequency band for mobile broadband services in line with the Asia-Pacific Telecommunity (APT) 700MHz Band Plan;
- Acceleration of the shift from analogue to digital television broadcasts to free spectrum capacity for other services such as wireless broadband; and
- Enhancement of resilience and protection of submarine communications cable systems.

The Digital Dividend is a key enabler for universal broadband access, bringing socio-economic benefits to people in cities as well as rural and remote areas. The economic benefits of licensing the Digital Dividend to mobile are far greater than allocating it to any other service.

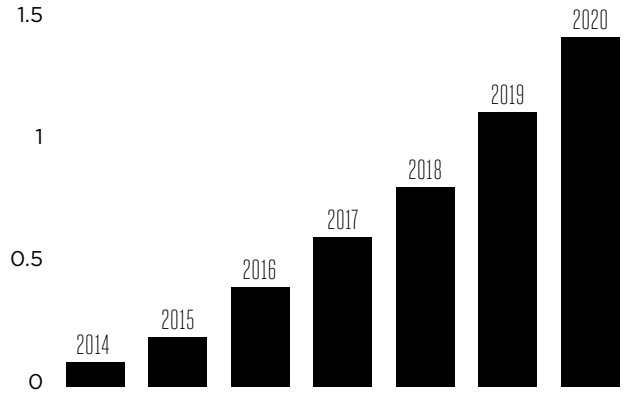
GDP INCREASED US$ 959bn 2014-2020 (NPV US$ 865bn)

Incremental GDP [US$ bn]



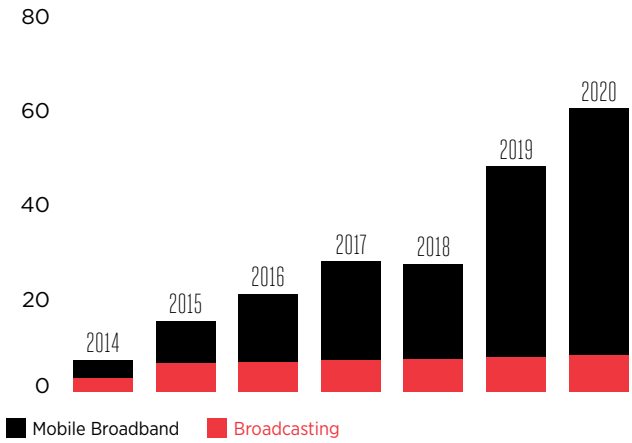
1.4M NEW BUSINESS ACTIVITIES BY 2020[1]

Cumulative new business activities [M]



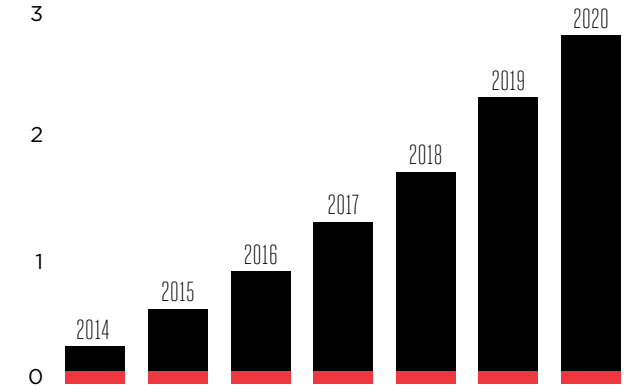
GOVERNMENT REVENUES UP US$ 171bn (NPV US$ 144bn)

Incremental tax [US$ bn]



2.7M ADDITIONAL JOBS CREATED BY 2020

Cumulative new jobs [M]



1. Incl. new independent businesses as well as new departments/units/business areas within existing firms
Note: NPV discounted by study country government security rates for each cluster; 1.5% for Korea, 2.8% for Malaysia, 4.0% for Indonesia and 5.0% for India
Source: Datamonitor; EIU; OECD; World Bank; National statistics units; BCG analysis[2]

The APT 700MHz band plan provides for efficient use of the spectrum, offering a total of 2x45MHz of spectrum for mobile broadband. A full allocation of this band to mobile makes it possible to assign the spectrum in large enough blocks to enable the industry to deliver widespread 4G LTE services in a cost effective manner.

TELMIN was also urged to commence work on harmonising the 800MHz frequency band[3], which is generally used for IMT and other services, but in a non-harmonised way.

TELMIN's plans for action on spectrum over the next period are consistent with the effective development of the sector. **ASEAN policymakers should reflect on how much IMT spectrum is currently allocated in the region and make coordinated plans to increase this in a timely manner in order to address escalating future requirements.**

2. The GSMA and The Boston Consulting Group (2012), 'The Economic Benefits of Early Harmonisation of the Digital Dividend Spectrum & the Cost of Fragmentation in Asia-Pacific'
3. iDA, Joint Media Statement of the 13th ASEAN Telecommunications and IT Ministers Meeting (TELMIN) and its Related Meetings, https://www.ida.gov.sg/About-Us/Newsroom/Media-Releases/2013/Joint-Media-Statement-of-the-13th-ASEAN-Telecommunications-and-IT-Ministers-Meeting-TELMIN-and-its-Related-Meetings

Policymakers should also ensure IMT spectrum is released at realistic and appropriate price levels that reflect the market value and dynamics, with a view to spur long-term sustainable investment and growth.

Currently, there is more harmonised IMT spectrum available in Asia Pacific than in other regions, but the amount allocated to national mobile operators does not reflect regional spectrum availability (spectrum identified for mobile or IMT in the ITU Radio Regulation). Furthermore, published future spectrum plans suggest that the overall amount of harmonised IMT spectrum available in ASEAN is likely to be less than the anticipated amount of available harmonised spectrum in regions of Europe and North America, resulting in a substantial regional spectrum 'divide'.

This will lead to negative outcomes for ASEAN as the long term cost of providing mobile broadband in urban and rural areas of the region could be significantly higher than the cost of providing the same broadband capacity in the US and EU.

The pace of mobile technology change is increasing, with decreasing cycle time for new technology and a corresponding need for increased agility. This increases the requirement for good planning and sound allocation frameworks. Spectrum for new uses should be allocated in advance of the technology becoming available so that operators have plenty of time for planning, capital expenditure and implementation.

An evolving spectrum roadmap helps governments forecast future trends and manage their work and risks, and at the sametime, provides the industry with **increased certainty** about the governments' future allocation plans and management of radio spectrum.

GROWTH

of mobile communications is known to boost GDP growth and contribute positively to the development of countries and economic regions

AFFORDABILITY

is a significant barrier to mobile broadband adoption, particularly in markets where taxes and fees on the sector are high and customer incomes are low.

KEY CONSIDERATIONS FOR POLICYMAKERS:

Governments that align national use of spectrum with internationally harmonised band plans will achieve the greatest benefits for both governments and consumers. Harmonised use of spectrum also minimises interference between services and across national borders.

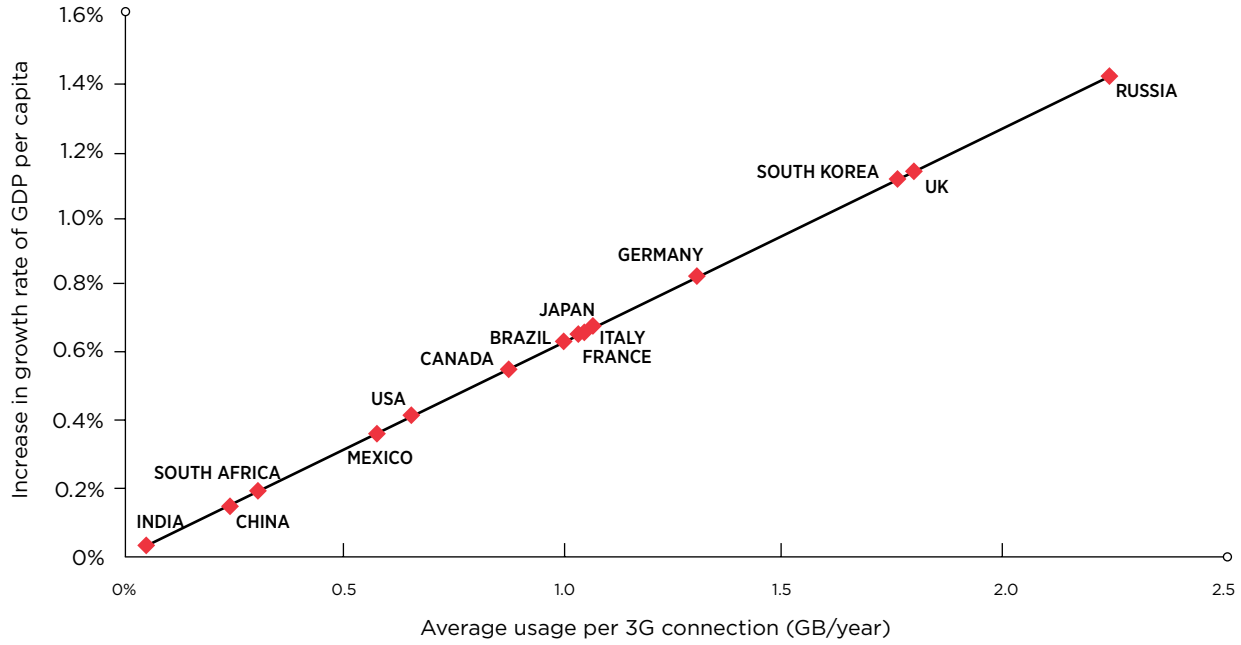
Technology neutrality encourages innovation and promotes competition, allowing markets to determine which technologies succeed, to the benefit of consumers and society. Governments should allow operators to deploy any mobile technology that can technically co-exist within the international band plan.

An evolving spectrum roadmap is critical to ensure there is enough spectrum to meet surging demand for mobile services and to provide the certainty and transparency to drive sustainable long-term investment.

TAXATION

The growth of mobile communications is known to boost GDP growth and contribute positively to the development of countries and economic regions[4]. On this basis, mobile has played and is expected to continue to play a key role in supporting inclusive socio-economic development in ASEAN. **Policymakers should enable consumers and businesses to reap the benefits afforded by mobile services.**

EFFECT OF DOUBLING MOBILE DATA USAGE PER 3G CONNECTION ON GDP PER CAPITA GROWTH



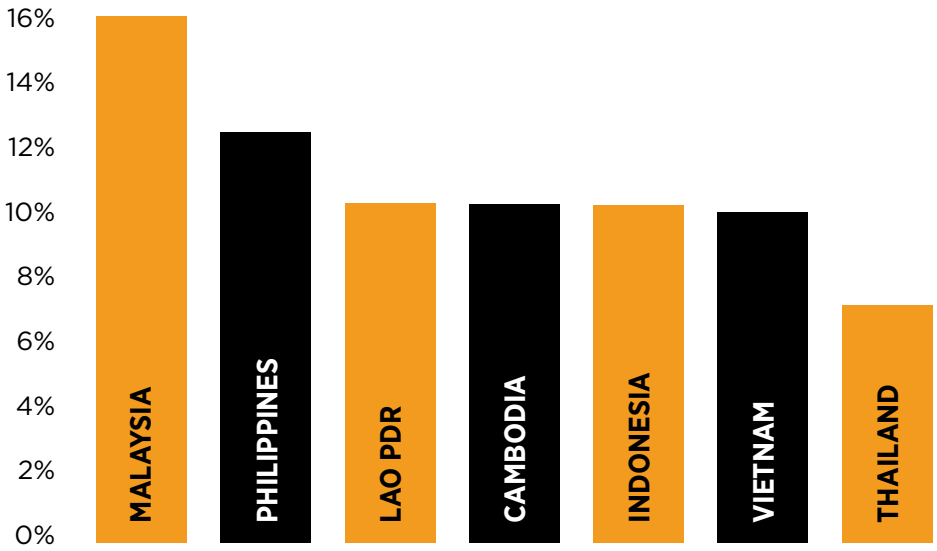
Source: Deloitte analysis[5]

The mobile sector contributes significantly to public funding, even before regulatory and spectrum fees are considered. Players in this sector recognise the importance of paying their fair share in taxes; however, in many jurisdictions, the tax regime is disproportionately punitive by imposing sector-specific taxes rather than adopting a principle of broad-based taxation. This approach can have unintended and unfavourable consequences for consumers of mobile services and can create competitive distortions.

Affordability is a significant barrier to mobile broadband adoption, particularly in markets where taxes and fees on the sector are high and customer incomes are low. **The ASEAN ICT Masterplan stipulates in its vision that inclusivity should drive efforts in this sector.** Taxes and fees on consumer access to mobile services disproportionately harm ASEAN consumers, especially lower income groups, and run counter to national universal service aspirations.

4. An increase of 10 mobile phones per 100 people boosts GDP growth by 6% (Vodafone, 2005); in Bangladesh, Malaysia, Pakistan, Serbia, Thailand and Ukraine, mobile phones had a significant impact on GDP (Deloitte, 2008); for a given level of total mobile penetration, a 10% substitution from 2G to 3G penetration increases GDP per capita growth by 0.15% points, and a doubling of mobile data use leads to an increase in the GDP per capita growth rate of 0.5% points (GSMA, Deloitte and Cisco, 2012).
5. Deloitte/The GSMA/Cisco (2012), 'What is the impact of mobile telephony on economic growth?'

TAX AS A SHARE OF THE TOTAL COST OF MOBILE OWNERSHIP



Source: Deloitte analysis[6]

A key thrust under the ICT Masterplan is to promote economic transformation and a second is to empower and engage people. **Mobile can contribute to developing a modern economy while engaging citizens through access to government services, information and opportunity.** This can be achieved only through a concerted regional effort to make access to ICT equitable and affordable to all consumers. Sector-specific taxation, in particular, represents a significant barrier.

An effective tax policy has to contend with practical difficulties including widespread informal activity, institutional capabilities and political pressure from special interests.

High mobile sector taxation creates long term national economic and fiscal costs. It is estimated that a one percentage point reduction in the tax burden on mobile broadband would result in up to a 1.8 percentage point increase in penetration and an up to 0.7 percentage point increase in GDP over five years[7].

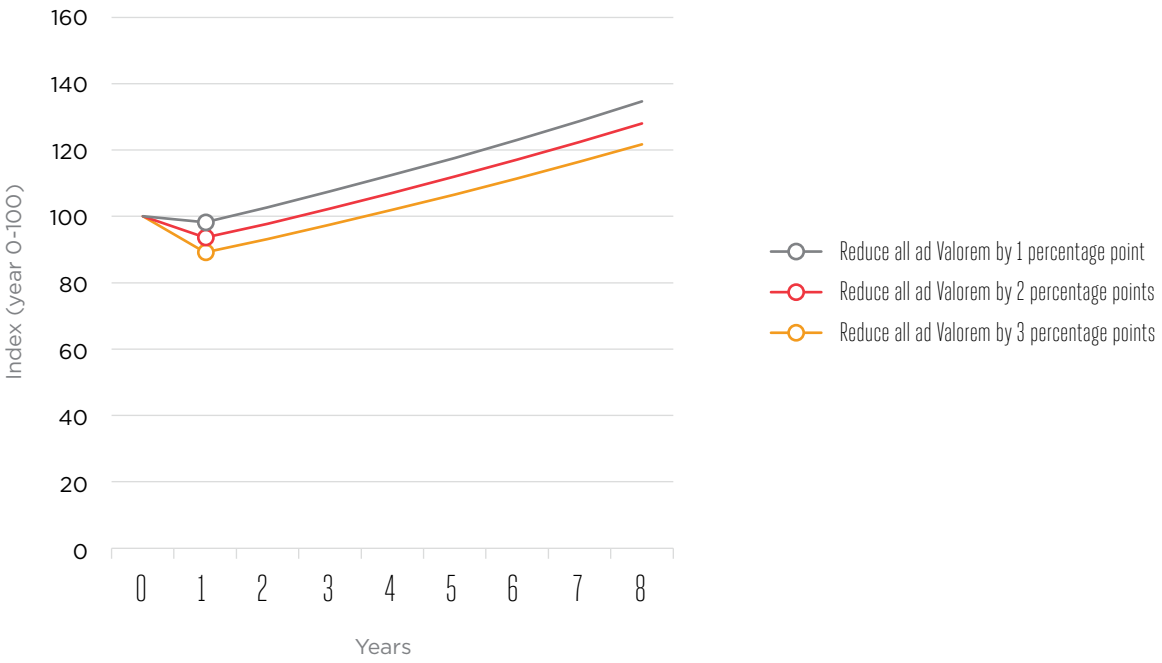
In general, **taxation should be broad-based as this minimises economic distortions.** Competitive distortions arise when taxes are applied differently to providers of equivalent services. Harmonisation and phased reductions of taxes on established services will limit short-term fiscal costs and maximise economic opportunity. It is recommended that ASEAN policy-makers review taxation of economic 'bads' rather than connectivity 'goods' to raise revenue while improving social welfare.

The complexity and uncertainty of mobile taxation impacts deployment of infrastructure and may affect further investment in the sector. As mobile consumers are typically price sensitive, particularly as new services first emerge, transitional arrangements may be proposed to enable the effective growth of these services through harmonised and broad-based taxation, provided that competitive distortions are not created in the process.

6. Deloitte/The GSMA (2011), 'Global Mobile Tax Review 2011'
7. The GSMA (2012), 'The Impact of Taxation on the Development of the Mobile Broadband Sector'

It is recommended that **ASEAN policymakers adopt economy-wide taxes while sector-specific taxes should be reviewed and progressively reduced** to realise benefits of increased mobile penetration. Multiple overlapping taxes increase cost and impede or prevent government national connectivity aspirations.

ABILITY OF MARKET TO RECOVER LOST TAX IN YEARS FOLLOWING TAX REDUCTION



Source: Deloitte analysis[8]

KEY CONSIDERATIONS FOR POLICYMAKERS:

Mobile operators are committed to paying their fair share of taxes under an equitable and balanced taxation structure.

ASEAN nations should seek to align their approaches to mobile taxation with their aspirations as laid out in the ASEAN ICT objectives.

Sector-specific taxation should be reviewed and reduced to ensure that uptake and consumption of services are not harmed by added burdens on consumers.

8. The GSMA (2014), 'Mobile taxes and fees: A toolkit of principles and evidence'

DATA PRIVACY AND SECURITY

A data enriched world creates a wealth of new economic, social and cultural opportunities. As more physical transactions move online and digital services help drive mobile and internet use, the amount of personal data that is compiled, collected and shared online will increase exponentially in volume and complexity. The free flow of data is a major source of growth, jobs and investment – key objectives of the digital agendas of many ASEAN countries.

However, the manner in which a country or region approaches data protection, privacy, security and cross-border data transfer may create effective trade barriers, undermining these digital agenda objectives. For example, data is one of the key items of discussion under the US-led Trans Pacific Partnership (TPP) Agreement and will continue to be so going forward as 'big data' is increasingly seen as a crucial commodity. **The key to realising the potential economic and social benefits is establishing a technology and service neutral policy approach that encourages practices that foster trust and confidence and that respect and protect the privacy of individuals,** across online services and across borders.

An additional key challenge is that 'privacy' is regulated by a patchwork of national data protection and privacy laws, telecommunications licences and Codes of Conduct that vary from country to country and that are neither consistent nor interoperable. This impacts not only on the design and operation of services, but also on generating key social and economic benefits from data driven innovation. It also impacts on the take up and use of new digital services which are expected to be a key feature of mobile. Though there may be calls for national 'localised' storage of personal data, they must be balanced to ensure that ASEAN consumers and businesses can benefit from regional economies of scale, and remain competitive in a globally connected economy.

The ASEAN region has been one of the most active areas globally in developing data protection frameworks, **recognising that the absence of a harmonised data protection legal infrastructure has the potential to hinder regional exchanges and economic development.** Consistent with the ASEAN initiative of "Thinking Globally, Prospering Regionally" there are significant business opportunities that may be secured by ensuring good data protection and privacy standards within the region. Most privacy and data protection legislation in ASEAN has taken its cues either from the EU data protection directive, the Organisation for Economic Co-operation and Development (OECD) guidelines, or the APEC Framework.

Even though ASEAN member countries have agreed to develop 'best practices/guidelines' on data protection by 2015, there is as yet no real commitment to harmonise legislation at a regional level. Moreover, only three ASEAN countries currently have data protection legislation in place. While some have e-commerce legislative provisions, they do not cover the scope of a comprehensive data protection and privacy legislative framework.

ASEAN policymakers should work towards establishing cross border standards within the region that are premised on business accountability and supporting privacy enhancing technologies e.g., minimum standards for consumer privacy, transparency and choice rather than mandating prescriptive rules that could prevent innovation and economic development in the region. Data protection and privacy legal frameworks should also not be commercially restrictive, should support self-regulation and encourage privacy by design.

KEY CONSIDERATIONS FOR POLICYMAKERS:

ASEAN presents an opportunity to enact meaningful pan-regional data protection and privacy legislation through a forum that has seen successful harmonisation efforts.

Inconsistent data protection regulations and sector-specific rules can disrupt international exchanges and present a barrier to cross-border trade and investment.

Building on a comprehensive framework approach as seen in the EU Data Protection Directive/OECD Guidelines/APEC Framework can ensure that ASEAN's people enjoy a high standard of data protection.

04.

Case Studies

INTERNATIONAL MOBILE ROAMING (IMR)

Intra- and extra- ASEAN tourist arrivals in ASEAN countries have been rising since 2008, emphasising the opportunity for transparent, low-priced mobile services for travellers within the region. This presents an opportunity to facilitate competition and protect users. Policymakers included proposals for a reduction in intra- ASEAN roaming as a component of the ASEAN ICT Master Plan 2015.

Any regional approach to the regulation of international mobile roaming should reflect an analysis of the ASEAN market, and an understanding of the different ways consumers use services in different markets. For example, this region has a much higher percentage of pre-paid customers in rural or low-income communities, as well as multiple-SIM holders.

The mobile environment is growing in the Asia Pacific region, both in subscribers and data traffic. However, roaming services are still being established. Countries within the region are in different stages of economic development, with significant differences in inflation rates, currency exchanges, labour costs and GDP per capita. GDP per capita in some Asia Pacific countries can be up to 56 times higher than others in the region. Overall, the average GDP per capita for the region is lower than in the developed world and four times lower than in Europe.

There is varying market maturity across the region, with penetration ranging from four per cent in North Korea to 226 per cent in Macau. On average, mobile penetration is one and a half times less than the European average, with 83 per cent of mobile users using prepaid subscriptions. Asia Pacific's roaming services will continue to develop, as the region hosts just 25 per cent of the world's global roaming market with 42 per cent of the world's population.

Roaming use and its relevance as a service for mobile users varies significantly across the region. Only 10 per cent of the region's population travelled abroad in 2011, with factors such as greater distances between countries and less affordable travel contributing to this low rate. Research has shown up to 80 per cent of roaming traffic from the region is international calls to mobile user's home country.

It must also be considered that ASEAN operators currently offer attractive roaming plans tailored to the genuine needs and usage of consumers in their market.

ASEAN policymakers and regulators are encouraged to promote greater transparency in IMR plans, as per the guidelines set out in the APT's IMR Working Group Report from May 2012.

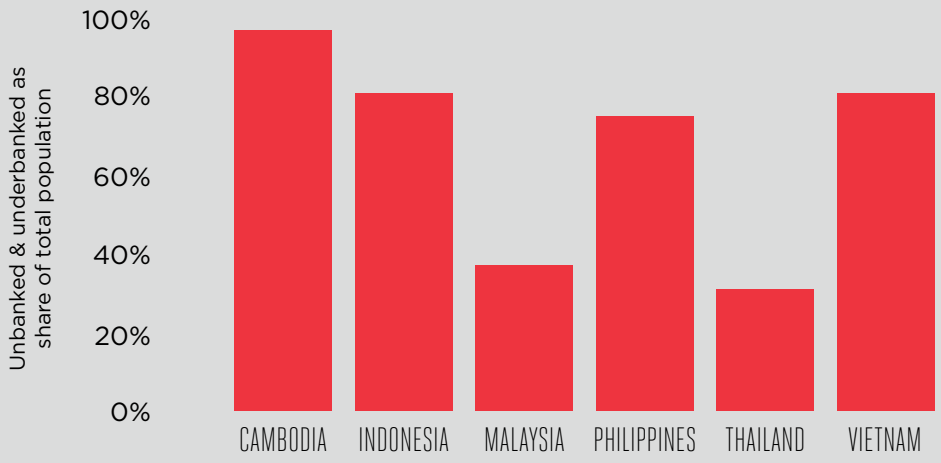
MOBILE FINANCIAL SERVICES

An estimated 2.5 billion people in low- and middle-income countries around the world are unbanked, regularly relying on informal and risky financial services. Of these people, 1.7 billion already have access to a mobile phone. As mobile financial services, such as mobile money, continue to play an important role in financial inclusion and lifting people out of poverty, ASEAN policymakers must look at putting in place regulatory regimes that will enable people to fully harness and benefit from this new opportunity.

A key challenge to delivering successful digital financial services has been the restriction in some ASEAN markets in allowing mobile operators to offer these services. Another problem many markets face is regulatory overlap. Evidence shows that markets which allow mobile operators to offer mobile financial services experience faster growth in the development of digital financial services as well as a correlative growth in access to financial services.

Further, the separation of financial and telecommunications regulatory responsibilities must be prioritised at a national level to ensure a stable and predictable environment for operators.

Such an environment can allow for faster service expansion, and unlock pan-ASEAN possibilities in areas that will provide an entirely new avenue for citizens to manage their personal finances securely.



Source: World Bank Global Findex, GSMAi Analysis

05.

Final remarks

The GSMA and its members are enthusiastic about the possibilities afforded by the AEC. Political and economic integration across the full ASEAN Economic Community will reinforce the opportunities for a regional communications infrastructure and services business.

We strongly believe that the identification of, and harmonisation on, the direction of optimal policy, given regional economic and social circumstances, are what will create a sustainable competitive advantage for ASEAN.

We recommend that ASEAN addresses the identified areas in order to achieve its goals for regional economic integration in the communications space. The bottom line is that regional coordination of communications regulation should focus on critical strategic policies which will drive improved ASEAN-wide sector performance. Otherwise, regulators should adopt a light-touch, simplified approach, forbearing unless intervention is necessary to achieve regional coordination.

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