

## Belt and Road Initiative A DECADE AND BEYOND

# Banking on the BRI

Financial institutions and those familiar with the financial services sector review the Belt and Road Initiative's impact and the opportunities in store for the sector

BY **SREEREMA BANOO**

**F**inancing of the infrastructure projects under the Belt and Road Initiative (BRI) has offered some opportunities for the financial services sectors of member countries. A report, The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future, from the Chinese Embassy in Malaysia in October 2023 said participating countries and relevant institutions have carried out multiple forms of financial cooperation and improved the mechanisms for investment and financing. The report noted that as at the end of June 2023, a total of 13 Chinese-funded banks had established 145 first-tier offices and branches in 50 BRI partner countries.

In Malaysia, the most visible outcome of the BRI is the construction of the East Coast Rail Link (ECRL) and although the project is financed by the Export-Import Bank of China — like many of the BRI's mega infrastructure projects in other BRI participating countries that are backed by China's large state-owned enterprises (SOEs) and state-owned banks — there have been opportunities for local financial institutions in trade finance and investment services, as well as project management consultancy services.

Kevin Foo, partner and head of financial services in KPMG in Malaysia, points to Malayan Banking Bhd's issuance of RMB1 billion worth of bonds on China's interbank bond market in 2017, using the proceeds to assist BRI-related projects. There have also been positive developments in Islamic banking, for instance, the ECRL project's primary issuance of RM2 billion in nominal value of Sukuk Murabahah. With Malaysia continuing to lead the world sukuk market, he says the participation of Chinese-owned companies in the sukuk market will spur market activities in Malaysia's capital market and offer more options for Malaysian investors. "Banks will therefore benefit along the funding chain," he adds.

Maybank group CEO for global banking Datuk John Chong says the group has been seeing increasing interest from private-owned enterprises (POEs) as they pursue a China+1 strategy to diversify and de-risk amid geopolitical tensions. "Asean is an obvious location choice due to its proximity, historical and cultural ties and younger demographic. Given our 10-market regional footprint, Maybank has been receiving inquiries from POEs about investing in Asean countries such as Malaysia, Indonesia and Vietnam," he adds.

Novan Amirudin, CIMB Group co-CEO of group wholesale banking, says the financial services group has played a pivotal role in facilitating BRI financing in the decade since its announcement in 2013. "Some notable examples include assisting clients in issuing multiple bonds and sukuk for China-related investments, such as the 21st Century Maritime Silk Road bonds of about RM670 million in 2015 through China Construction Bank (Asia), BEWG (M) Sdn Bhd's RM400 million Sukuk in 2017



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Novan, CIMB Group co-CEO of group wholesale banking

CIMB

and Edra Energy Sdn Bhd's IMTN Sukuk worth RM5.085 billion in 2018.”

He adds that through its overseas branches in Greater China, particularly CIMB Bank Bhd in Shanghai and Hong Kong, the group has established strong relationships with local Chinese companies. "Leveraging our local expertise and extensive knowledge, we assist clients in navigating new markets and regulatory landscapes."

Novan points to knowledge gained from previous strategic investments in local firms such as Bank of Yingkou and partnerships with Chinese firms such as CGS International Holdings Ltd (formerly China Galaxy International Financial Holdings Ltd). "As a regional bank with geographical footprints across Southeast Asia and Greater China, CIMB is well-positioned to facilitate collaboration between domestic clients seeking partnerships with Chinese companies, and Chinese companies interested to invest in Southeast Asia."

OCBC Bank (M) Bhd managing director and head of wholesale banking Jeffrey Teoh Nee Teik says since the launch of BRI, OCBC Bank has provided various financial services including short- and long-term loans, cash management and bonds to Chinese enterprises expanding into Asean.

Having established its China Business Office in 2018 at its headquarters in Singapore, gradually expanding the coverage to Asean countries along BRI routes, in 2024 OCBC Malaysia leveraged its advantage and talent in the local market and formed a China Business unit. This unit integrates multiple departments within

the bank, covering corporate, commercial and personal banking, thus providing one-stop services for Chinese enterprises and investors venturing into Malaysia.

### Opportunities for greater financial integration and in fintech

A key pillar of the BRI is financial integration among the participating countries. According to the Chinese Embassy's report, about 17.7 million businesses in 131 partner countries had opened UnionPay services, and 74 partner countries had opened UnionPay mobile payment services. China has also signed bilateral currency swap agreements with 20 partner countries and established renminbi clearing arrangements in 17 partner countries.

Foo says there has been good traction in financial integration between Malaysia and China, albeit taking place at a slow pace. "Bank Negara Malaysia and the People's Bank of China (PBoC) have (in 2021) renewed the bilateral currency swap arrangement for a term of five years, with the size maintained at RM110 billion, which will boost trade and investments between our countries at a time when the global economy is undermined by higher inflationary pressures and growing recessionary risks."

The BRI has also indirectly paved the way for cross-collaborations, such as Maybank's tie-up with China UnionPay Merchant Services and Touch 'n Go's (TNG) joint venture with China's Ant Group, the parent company of Alipay, China's largest digital payment platform. With the latter, for instance, TNG e-wallet users now have access to Alipay+ Rewards and can perform contactless and cashless transactions in Mainland China and in the region.

"More recently, Payments Network Malaysia Sdn Bhd (PayNet)'s agreement with UnionPay International activated a cross-border QR payment interoperability model that allows Chinese consumers visiting Malaysia (and vice versa) to use UnionPay QR payment products conveniently," Foo adds.



**“Malaysia could certainly take a page from China's success stories in digital banks, which are leading the way in financial innovation in the region.”**

Foo, KPMG partner and head of financial services

KPMG



**“With the increasing interest in decarbonisation, Maybank is also well-placed to provide transition finance advisory as the first bank in Malaysia to launch a Transition Finance Framework.”**

Chong, Maybank group CEO for global banking

MAYBANK

He believes that opportunities for further financial integration can be found in Malaysia's growing digital banking sector. "China has been in the digital banking scene since 2014, much earlier than Malaysia, with some of the world's largest digital-only banks such as Tencent's WeBank, Ant Group's MYbank and Suning Bank. The digital banking space in Malaysia has already started a collaboration with China in the form of Asia Digital Bank Ltd, a wholly-owned subsidiary of Chinese state-owned Asia Pacific Investment Bank, which obtained the first digital banking licence for investment banks from the Labuan Financial Services Authority (LFSA) in November 2020."

There are also opportunities and learnings to be gained from China's success in financial innovation, especially as it is home to some of the world's most innovative and successful fintech companies. Regional financial integration enabled by the BRI coupled with a tech-savvy population, technological infrastructure, flourishing e-commerce industry and social media platforms, means that China is setting the pace for financial innovation, Foo says.

Effendy Shahul Hamid, CEO, group consumer and digital banking, CIMB Group and chairman of TNG Digital, says through the joint venture with Ant Group, CIMB Group and TNG have had a front row seat when it comes to financial innovation, particularly in the case of the TNG e-wallet. "Know-how in technology platforms to handle high-volume payments securely was certainly a huge eye-opener. Over the years, TNG Digital has learned, adapted and incorporated knowledge in architecture, algorithms and data structure designs from our collaboration with the Chinese, successfully demonstrating our ability to enhance the stability of our tech platform. This capability has been proven in han-

# A pivotal bridge between China and Malaysia

Since the launch of the Belt and Road Initiative (BRI) more than a decade ago, the OCBC group has played a significant role as a financial services provider. With a long history in China, going back almost a century when the first branch was opened in Xiamen in 1925, the group has built a strong regional presence in the Greater Bay area.

In a Q&A with *The Edge*, OCBC Bank (M) Bhd managing director and head of wholesale banking, Jeffrey Teoh Nee Teik, says its regional presence and experience has enabled it to help Chinese customers set up their businesses locally.

With the recovery of Malaysia's economy post-pandemic, more cross-border investments and trade flow between the two countries can be expected, especially in infrastructure, high-tech manufacturing, telecommunications and the media industry — fuelling optimism for the financial services sector.

The following are excerpts from the interview with Teoh.

**The Edge: When the BRI was started 10 years ago, it was widely expected to have an impact on a broad spectrum of the economy, not just in Malaysia but also in the region. What are your views on this initiative 10 years after its inception? How have Malaysia and banks such as OCBC benefited or tapped the opportunities that have arisen?**

**Jeffrey Teoh Nee Teik:** The BRI has had a significant impact on the global economy. Beyond capital export and commodity exchange, it serves as a foundation for a new economy centred on infrastructure development. As at June 2023, according to official announcements from China, 152 countries had signed documents to join China's BRI. The trade volume between China and these nations has grown from US\$1 trillion to US\$2 trillion since 2013. China has invested in over 3,000 projects in these countries, with non-financial investments exceeding 785.9 billion renminbi, primarily contributing to the development of local ports, railways, bridges and industrial parks.

Taking Malaysia as an example, we can see the tangible effects of the BRI, particularly with Chinese enterprises having increased their investments. From the initial East Coast Rail Link (ECRL) and Southern Rail Link, there are more Chinese enterprises from the manufacturing and high-tech industries that have invested and set up factories in Malaysia. These are positive trends that can be attributed to China's BRI policy and its 'going global' initiatives.

After a rapid decade of growth, the BRI continues to remain relevant in Malaysia. With a renewed focus on increasing awareness and understanding in sustainability and the establishment of electric vehicle (EV), EV battery and solar panel factories in Southeast Asian countries, there are plenty of opportunities for banks to explore and capitalise on.



**“Leveraging our network advantages in Singapore and other Asean countries, OCBC has provided financial services such as short- and long-term loans, cash management and bonds to Chinese enterprises expanding into Asean countries such as Malaysia, Indonesia, Thailand and Vietnam.”**

Teoh, OCBC Bank (M) managing director and head of wholesale banking

OCBC

**What have been some of the ways OCBC has played a role in BRI financing since it was announced in 2013?**

OCBC has a long history in China, dating back to 1925 when we opened our first branch in Xiamen. We have since expanded our network to become one of the largest foreign banks in the Greater Bay area, with the acquisition of Wing Hang Bank in Hong Kong SAR and Wing Hang Bank (China) Ltd. Our strong regional presence has enabled us to provide valuable insights and knowledge to help our Chinese customers set up their businesses locally.

Since the launch of the BRI in 2013, OCBC has played a significant role as a financial services provider. Leveraging our network advantages in Singapore and other Asean countries, OCBC has provided financial services such as short- and long-term loans, cash management and bonds to Chinese enterprises expanding into Asean countries such as Malaysia, Indonesia, Thailand and Vietnam, aligning with the BRI's overall direction.

**What would you say was the major turning point for OCBC in terms of BRI financing?**

In 2018, OCBC established its China business office at its headquarters in Singapore and gradually expanded its coverage to Asean countries along BRI routes. The following year, dedicated relationship managers were placed in OCBC Malaysia to serve Chinese multinational companies based in Malaysia. As the Chinese business grew, in 2024, OCBC Malaysia leveraged its advantage and talent in the local market and formed a China Business unit that integrates multiple departments within the bank — covering corporate, commercial and personal banking. This unit is able to provide one-stop services for Chinese enterprises and investors venturing into Malaysia.

**One of the promises of the BRI is financial integration among member countries. How successful has this integration been between Malaysia and China? Where do you see areas of opportunity?**

In terms of monetary cooperation, the construction and improvement of the Cross-Border Interbank Payment System (CIPS) for renminbi (RMB) is gradually being promoted. So far, several banks in Malaysia, includ-

ing OCBC, have obtained licences to facilitate direct exchange between RMB and the ringgit.

In investment and financing, China's main approach in Malaysia is to promote a new investment mechanism through major projects such as the ECRL and the Southern Rail Link. These have formed a new model of investment for the country.

In financial services collaboration, there is now greater collaboration between financial institutions from China, Malaysian local banks and OCBC in providing loans and funds for investment projects in both countries.

**How has the BRI catalysed opportunities in financial innovation — for example, providing more sophisticated fintech solutions?**

The BRI has catalysed opportunities in financial innovation particularly by fostering the development and adoption of more sophisticated fintech solutions. These are:

#### i. Digital payment systems

The adoption of digital payment systems across participating countries enables seamless cross-border transaction. This has led to the development of various innovations and helps integrate fintech solutions such as mobile wallets and QR code payments.

#### ii. Supply chain financing

The BRI has facilitated the integration of supply chain finance solutions, enabling participants to access working capital and optimise cash flow, as well as enhance transparency and reduce financing risks for businesses engaged in cross-border trade.

#### iii. Trade financing

Fintech solutions have played a significant role in enhancing trade finance and risk management along the BRI routes. Digitised and streamlined trade finance processes enhance accessibility to trade finance for businesses.

#### iv. Green finance and sustainable investment

Fintech solutions supported by the BRI helps promote and facilitate funding for eco-friendly projects and initiatives aligned with environmental sustainability goals.

**It has been a decade since the BRI was announced. How do you see the role of financial institutions such as OCBC evolving in terms of helping Chinese enterprises do business in Malaysia and Southeast Asia, and vice versa?**

OCBC acts as a pivotal bridge between China and Malaysia, connecting investors from the two countries. Leveraging our network advantages in Asean countries and resources in Malaysia, we establish extensive contact points (including consulting firms, law firms, accounting firms and relevant government agencies) for the business development of Chinese enterprises in Malaysia and Southeast Asia and vice versa, throughout the entire business lifecycle.

**What is it about the BRI that continues to excite you?**

As China continues to support overseas investments, coupled with the recovery of Malaysia's economy since the pandemic, we see more cross-border investment and trade flow between Malaysia and China, especially in infrastructure, high-tech manufacturing and telecommunications and the media industry. In 2024, the 50th Diplomatic Anniversary between Malaysia and China, we believe the demand of investment will continue to increase. As a leading financial service provider in the Asean-Greater China region, we believe we will be able to seize this opportunity by expanding, enhancing and growing our financial infrastructure for our existing and potential clientele. For now, and beyond. — By Sreerema Banoo



**With the recovery of Malaysia's economy post-pandemic, more cross-border investments and trade flow between the two countries can be expected, especially in infrastructure, high-tech manufacturing, telecommunications and the media industry**

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### Investments now being made in new areas

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dling mega-events from both the government and e-commerce sectors, showcasing the robustness of our technology infrastructure,” he adds.

OCBC's Teoh says fintech solutions have played a significant role in enhancing trade finance and risk management along the BRI routes. “Digitised and streamlined trade finance processes enhance accessibility to trade finance for businesses. Fintech solutions supported by the BRI (also) help promote and facilitate funding for eco-friendly projects and initiatives aligned with environmental sustainability goals.”

#### 10 years on, what's next?

More than a decade since the introduction of the BRI in 2013, the initiative is now less focused on large infrastructure projects. In Malaysia, China is looking for policy support for Chinese investments into Malaysia, including into new areas such as renewable energy, semiconductors and digital technology. Maybank's Chong says in Penang, Kedah and Johor, the group is already seeing POEs in the process of setting up manufacturing facilities.

“Aside from setting up plants, clients from China have expressed interest in taking over existing local businesses such as logistics service providers to support their production. For them, it is about speed to market. With the increasing interest in decarbonisation, Maybank is also well-placed to provide transition finance advisory as the first bank in Malaysia to launch a Transition Finance Framework.

“Given these new opportunities of the BRI, Maybank continues to deepen our knowledge about the top POEs and seek co-financing opportunities with onshore Chinese banks. In strengthening our regional presence as part of our M25+ strategic vision, we are bolstering our China desks to facilitate broader conversations within Asean,” Chong adds.

Given that one of the intended outcomes of BRI projects is narrowing the urban and rural divide through enhanced connectivity, Foo believes that there are opportunities for financial institutions to leverage on BRI projects to expand into shariah-compliant investment funds, mobile banking services, online trading platforms, financial education and literacy platforms, and social finance solutions.

“Malaysia could certainly take a page from China's success stories in digital banks, which are leading the way in financial innovation in the region. For example, MYbank addressed the issue of unequal access to capital encountered by female entrepreneurs in China, a large portion of the underserved banking customers, by adopting a data-driven approach that uses more than 3,000 variables to assess an applicant's ability to repay.

“The bank's use of algorithms allows quick and cost-effective assessments of the small businesses monthly sales and repayment patterns, enabling the 3-1-0 lending model where borrowers can complete their online loan applications in three minutes, obtain approval in a second, with 0 human interactions. MYBank reported a default rate of just 1%,” says Foo.

He adds that the Malaysian fintech sector “can be amplified” with more collaborations between China and Malaysia. “Despite various efforts such as MDEC's (Malaysian Digital Economy Corporation) partnering with equity crowdfunding and P2P platforms to help start-ups, the focus in financial services and banking solutions remains limited. There has to be continued and concerted efforts to enable the transfer of knowledge, expertise and tools — and these are on top of government policies, regulations and business incentives that support the growth of fintech in Malaysia.”



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Effendy, CEO, group consumer and digital banking, CIMB Group and chairman of TNG Digital

CIMB

## Reaping the benefits

TNG Digital Sdn Bhd, the operator of the Touch 'n Go (TNG) e-wallet, has experienced unparalleled growth since its formation in 2017, with the TNG e-wallet emerging as a key driver of the country's cashless agenda. A joint venture between CIMB Group's Touch n' Go Sdn Bhd and Ant Financial, the parent company of Alipay, China's largest digital payment platform, TNG Digital is today a leading fintech player. Effendy Shahul Hamid, CEO, group consumer and digital banking, CIMB Group and chairman of TNG Digital, says the strong intent of China's Belt and Road Initiative (BRI) was an indirect driver that led to the joint venture. In a Q&A with *The Edge*, he shares some of the milestones over the years and how the partnership with the Ant Group is catalysing financial innovation at TNG Digital.

**The Edge: When the BRI started 10 years ago, it was widely expected to have an impact on a broad spectrum of the economy, not just in Malaysia but in the region. Can you share your views on this initiative 10 years after its inception? How have Malaysia and financial institutions (FIs) like TNG Digital benefited or tapped the opportunities that have arisen?**

**Effendy Shahul Hamid:** Clearly, this has been a huge success for the partnership between China and Asean in many ways. In the case of Malaysia, it has allowed for greater people and economic movement between Malaysia and China and vice-versa, boosting economic growth and fostering better relations. I am pleased to see that this is set to continue, with continuously increasing flight frequencies and extension of visa-free travel policy.

The formation of TNG Digital, owners of the Touch 'n Go (TNG) e-wallet, is a result of the BRI. The strong intent of the BRI indirectly led to a joint venture between CIMB's 100%-owned subsidiary Touch 'n Go Sdn Bhd and Ant Group, Alibaba Group's flagship financial services engine. Leveraging the technology, TNG Digital has capitalised on the opportunities presented by the BRI to expand its digital payment services.

**What are some examples/highlights of successful cross-border financial services offered by TNG? What would you say was the major turning point for TNG Digital regarding BRI financing?**

There have been many successes, but clearly a key one is the ability for Malaysians to use the TNG e-wallet in China, seamlessly across millions of merchants within the Alipay+ network. This not only provided a service, but it really solved a major pain point for Malaysians wanting to make cashless retail purchases in China, thus empowering Malaysians to spend like a local conveniently abroad, promoting financial inclusion and enhancing the overall travel experience. We have seen a significant increase in cross-border payments since this service was launched.

**What have been some of the key lessons learnt from partnerships with Chinese FIs, for**

**example, Ant Group? What's the key ingredient required in navigating relationships — be it with other Chinese financial institutions or customers?**

The CIMB Group is no stranger to business ventures with Chinese businesses and corporates. In the past, we had been shareholders of a city commercial bank in the Northeast of China and also had a securities joint venture with China Galaxy Securities. The joint venture with Ant Group is no different. All three have yielded good results, but more importantly, we have had the opportunity to build very good long-term relationships.

The TNG joint-venture with Ant Group in particular turbo-charged our knowledge and maturity in understanding the provision of high-velocity, secure digital payments to the masses. A priceless experience in the financial services world of today.

**One of the promises of the BRI is financial integration among member countries. How successful has this integration been between Malaysia and China? Where do you see areas of opportunities?**

I think it has been a fairly successful initiative. While there can always be deeper integration, I feel it's been a good start. Cross-border retail payments between the countries are on the rise. Add this to the systematic rise of general trade, investment and people flow initiatives — the results have been very positive.

**How has the BRI catalysed opportunities in financial innovation, for example, providing more sophisticated fintech solutions?**

We have, of course, a front seat to this, given the JV with Ant Group where the TNG e-wallet is concerned. Know-how in technology platforms to handle high-volume payments securely was certainly a huge eye-opener. Over the years, TNG Digital has learnt, adapted and incorporated knowledge in architecture, algorithms and data structure designs from our collaboration with the Chinese, successfully demonstrating our ability to enhance the stability of our tech platform. This capability has been proven in handling mega-events from both government and e-commerce sectors, showcasing the robustness of our technology infrastructure.

I do think we are just seeing the tip of the iceberg though — as a group (CIMB and TNG), we have been able to have first-hand experience working with global leaders (like Ant) in the provision of inclusive lending, insurance and investment services.

**What is it about the BRI that continues to excite you?**

The opportunities that we could potentially tap in the future as well as accessing the vast pool of specialists in financial technology resources in China. I also look forward to facilitating the participation of Malaysians in skill-acquisition opportunities as we move towards becoming a more developed nation ourselves.