



AFF REGIONAL **OUTLOOK**

A MARKET LENS ON THE FORCES
RESHAPING ASEAN FINANCE

2025-2026

1. Introduction

ASEAN's financial sector is entering a period defined by rising supervisory expectations, uneven digital maturity, and a tightening interplay between modernization, operational resilience, and AI governance. Institutions are being asked to upgrade core systems, demonstrate stronger resilience controls, operationalize digital identity, expand financial inclusion, and deploy AI responsibly, all at once.

In this environment, leadership hinges less on ambition and more on the clarity and confidence with which leaders interpret regulatory signals, assess institutional readiness, and make technology decisions under pressure.

The **ASEAN Fintech Forum (AFF)** was created to address this gap. AFF is a regional platform that brings together policymakers and BFSI leaders to interpret regulatory shifts, emerging risks, and technology trends shaping ASEAN finance.

Market feedback is central to this mission.

Discussions during AFF 2025 with senior regulators, banking executives, and regional practitioners shaped the 2026 agenda. Insights gathered on-site and through post-event engagement ensured the inaugural Five Pillars reflected real supervisory priorities: digital identity, financial inclusion, payments interoperability, operational resilience, and responsible AI.

Over the past six months, continued dialogue with regulators, digital banks, and market operators has validated emerging signals and refined the 2026 framework into a more rigorous, execution-oriented lens that reflects what senior leaders will be required to navigate in the coming year.

AFF and its regional engagements together offer a credible vantage point, a structured way to interpret the forces reshaping ASEAN finance and the institutional responses they demand.



2. How AFF 2025 Outcomes Reshaped the 2026 Priorities

The 2025 edition surfaced three structural themes consistently across the region that materially influenced the refinement of the Five Forces for 2026.

2.1 Regulatory expectations are shaping the pace and direction of modernization.

Discussions with BNM, MAS, OJK, BSP, and BOT highlighted that modernization strategies across ASEAN are increasingly anchored in supervisory priorities. Rather than technology alone setting the pace, institutions are now aligning their roadmaps with clearer regulatory expectations around digital identity integration, operational resilience, cloud governance, and AI accountability.

This shift does not constrain innovation; it frames it by guiding banks toward safer, interoperable, and implementation-ready architectures that can scale across markets



Operational Resilience and Cloud Governance

Central banks emphasised continuous controls monitoring, concentration risk management, and uplifted incident reporting expectations. Institutions increasingly recognize that modernization must proceed on a resilience-first foundation.

Digital Identity Integration

Malaysia's National Digital ID rollout, Indonesia's Go-Digital roadmap, and the Philippines' PhilSys expansion are reshaping onboarding, AML controls, fraud detection, and SME lending models. Financial institutions are adapting their processes to ensure seamless compliance and stronger trust infrastructure.

AI Safety and Model Risk

Across markets, supervisors are signalling the need for explainability, lineage transparency, bias mitigation, and stronger oversight as AI adoption accelerates. AI is now entering a regulated phase, requiring new governance capabilities within banks.

These developments collectively reinforced the Regulatory & Regional Partnerships force within the AFF framework, positioning regulatory direction as a guiding influence rather than a constraint – shaping modernization sequencing, investment focus, and ecosystem collaboration.

2.2 AI governance overtakes innovation as the defining C-suite concern

While institutions across ASEAN continue to expand AI pilots, senior leaders highlighted a growing readiness gap. The experimentation phase of AI has reached its limit: **AI can scale only if governance scales with it.** Fragmented data lineage, inconsistent model monitoring, and evolving supervisory expectations have turned innovation without control into a material operational and regulatory risk, further amplified by fraud exposure and limited cross-border coordination.



This shift reshaped the 2026 interpretation of Digital Banking & AI Development, prioritizing model governance, secure AI operations, explainability, and risk-aligned automation. As institutions assessed readiness, many recognised that these challenges extend beyond models and data to underlying architecture and operating design, prompting closer examination of lessons emerging from digital banks already operating at scale under real supervisory conditions.

Digital banks across ASEAN reinforced this point: governance challenges are rarely isolated to AI or data. They are rooted in core architecture and operating design.



Singapore

digital banks such as Trust Bank and GXS demonstrated how cloud-native, composable architectures can scale safely within a disciplined supervisory perimeter, enabling high-volume operations without compromising resilience.



Malaysia

greenfield banks including GXBank and Boost Bank exposed the tension between speed and regulatory expectations, particularly across cloud controls, onboarding flows, and SME credit models.



Indonesia

players such as Bank Jago and SeaBank highlighted how high transaction volumes quickly surface the limits of legacy cores, fragmented identity frameworks, and inconsistent fraud infrastructure.

These experiences informed two Forces, **Digital Banking & AI Development and New Payment Rails & Embedded Finance**, placing greater emphasis toward API governance, real-time fraud orchestration, and modernization of foundational systems. Digital banks showed what is possible; the 2026 framework clarifies what is necessary.

The region's emerging position is clear: AI can scale only if governance scales with it. This reshaped the 2026 interpretation of **Digital Banking & AI Development**, prioritizing model governance, secure AI operations, explainability, and risk-aligned automation



3. The Five Forces Reshaping ASEAN Finance

The 2026 Five Forces now reflect a more mature, execution-focused view of regional readiness.

3.1 Regulatory & Regional Partnerships

Stronger collaboration across borders, regulators, and financial institutions.

ASEAN regulators are accelerating expectations across digital identity, operational resilience, cloud governance, and AI accountability. The convergence of these priorities is creating a more demanding supervisory environment where compliance and modernization must advance together. In 2026, the focus will be on integrating national digital identity schemes into onboarding and fraud processes, uplifting resilience and incident management frameworks, strengthening cloud controls and workload governance, aligning emerging supervisory standards for AI, and preparing for the next phase of cross-border payments interoperability. Institutions will need to navigate these expectations while ensuring that modernization initiatives remain stable, safe, and regulator-ready.





3.2 Financial Inclusion

Driving sustainable access while managing safety, fraud, and digital gaps.

Inclusion is shifting from an access-driven challenge to one that requires robust risk infrastructure, especially as digital channels scale across underserved markets. Financial institutions must

now balance growth ambitions with stronger safeguards around onboarding integrity, MSME credit visibility, and the ability to assess customers with limited financial histories. Thin-file scoring, fraud mitigation, and sustainable economics for high-volume low-margin segments will define whether inclusion can expand without creating operational strain or increasing exposure. The institutions that succeed will be those able to combine secure digital journeys with responsible risk frameworks and resilient operating models.

3.3 New Payment Rails & Embedded Finance

Real-time, interoperable, and embedded financial infrastructure at scale.

Inclusion is shifting from an access-driven challenge to one that requires robust risk infrastructure, especially as digital channels scale across underserved markets. Financial institutions must now balance growth ambitions with stronger safeguards around onboarding integrity, MSME credit visibility, and the ability to assess customers with limited financial histories. Thin-file scoring, fraud mitigation, and sustainable economics for high-volume low-margin segments will define whether inclusion can expand without creating operational strain or increasing exposure. The institutions that succeed will be those able to combine secure digital journeys with responsible risk frameworks and resilient operating models.



3.4 Digital Banking & AI Development

From cloud to AI governance – defining the next operating model for BFSI.

Digital banking has matured to a point where innovation must be matched by architectural discipline. Institutions across the region are increasingly operating hybrid environments where legacy cores coexist with cloud-native systems, creating both opportunity and constraint. In 2026, the focus will shift toward enhancing real-time data engines, enforcing model governance standards, ensuring explainability across AI-driven decisioning, and building risk controls that can support high-volume transactions without compromising resilience. Secure AI deployment will become a board-level priority, as leaders balance efficiency gains with supervisory expectations and the operational risks associated with machine-led processes.



3.5 Rise of Islamic Finance

Strengthening Shariah-compliant models through digital transformation.

Islamic finance is transitioning from a domestic strength to a regional growth engine, supported by expanding cross-border corridors and rising demand for

ethical, Shariah-aligned financial products. In 2026, institutions will need to invest in modern Shariah-compliant operating models that can support digital product delivery, ESG-linked offerings, and real-time verification. Growth will depend on the ability to harmonize standards, develop talent, and create platforms that enable interoperability across markets. With Malaysia and Indonesia shaping the next wave of Islamic finance innovation, the sector is poised to expand its influence across ASEAN and beyond.



4. Tracking Signals as Forces Change

Beyond 2026, ASEAN's BFSI sector is moving from digital adoption to structural integration.

What once showed up as compliance signals are now hardening into foundational forces. Digital identity, for example, is no longer just a regulatory requirement. It is becoming core trust infrastructure: reshaping onboarding, credit risk, and fraud management at scale.

As this foundation solidifies, AI oversight is shifting decisively from IT into the boardroom. Experimental controls are giving way to enterprise-wide governance, where transparency and accountability are treated as fiduciary responsibilities, not technical choices.

This evolution is driving a pragmatic inflection point in core modernization. Instead of high-risk "rip and replace" programs, leaders are prioritising modular strategies that allow real-time payments and AI-driven services to scale alongside legacy systems. This is no longer optional. Regional interoperability and cross-border settlement are fast becoming competitive necessities.

Performance, too, is being redefined. Growth alone is no longer the benchmark. Institutions are increasingly judged by operational resilience and by how defensible their environments are against escalating cyber and systemic risk.

The next phase will not be defined by the speed of innovation, but by the maturity of the governance and regional alignment that sustains it.



Closing Perspective: A Shared Mandate for 2026

As ASEAN's financial system enters a more demanding era, leadership will be defined not by how much technology institutions adopt but by how effectively they govern, integrate, and scale it across complex operating environments. The coming year will reward institutions that move with clarity, those that anchor decisions in regulatory insight, invest in resilient architecture, and build trust through disciplined execution.

AFF stands as a convening force in this transition. By bridging supervisory expectations, industry realities, and emerging technological signals gathered through regional dialogue, AFF serves as the region's strategic vantage point, shaping not just conversations, but the conditions for progress.

2026 is an inflection point.

It is the moment where ASEAN financial leaders can convert fragmentation into alignment, ambition into capability, and innovation into secure, inclusive growth. AFF will continue to play its role as the region's signal engine—bringing coherence to complexity and helping leaders navigate the decisions that will shape ASEAN's financial future.

Compiled by Sabio World as the organizing partner of the ASEAN Fintech Forum (AFF).

This publication reflects insights gathered during the AFF 2025 event and post-event signals collected through continued engagement with regulators and industry leaders.

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