



SPEECHES

Closing Remarks

SEACEN/IMF Workshop on Financial Stability and Financial Soundness Indicators

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Closing Remarks by

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Datuk Zamani Abdul Ghani, Deputy Governor of Bank Negara Malaysia and Dr. Subarjo Joyosumarto, Executive Director of The SEACEN Centre,

Our distinguished speakers: Dr. Philip Schellekens from IMF, Ms. Chan from MAS and Dr. Wensheng Peng from HKMA;

All delegates from SEACEN member;

Ladies and Gentlemen,

Good evening.

First of all, it is a distinct honor for Bank Indonesia to host this joint workshop of the SEACEN Centre and International Monetary Fund (IMF). Let me express our deepest regret that the bomb blast in Bali on the evening of 1 October has made us decide to relocate the SEACEN – IMF Workshop from Bali to Kuala Lumpur. Nevertheless, despite the difficult situation we are now facing, I am sure once again Bali would regain its reputation as paradise island, and therefore I sincerely hope that all of you would have a second chance to experience Bali in the near future.

I am truly grateful that a notable team of experts have generously shared their time and their insights on Financial Soundness Indicators and Stress Testing.

This very interesting and useful workshop has confirmed the importance of financial soundness indicators and stress testing for monetary stability. It is also confirmed the importance to improve approaches and statistical methodologies for the collection, compilation and dissemination of real estate prices.

Ladies and gentlemen

Let me outline what I see as some of the useful results from this workshop.

First, the workshop has helped to identify some of the questions that need to be addressed when embarking on the development of property price indices. It will be useful to continue to share experiences of different countries in developing such statistics.

Second, the networking established during the workshop will hopefully be useful. The workshop has brought together many stakeholders: users of various sorts with a variety of needs, suppliers of data, and public and private compilers of real estate indicators. We have learned about the different needs and perspectives and have had a chance to exchange views. That interchange will hopefully continue after the workshop.

Third, the workshop has shown that the issue of real estate and financial stability will not go away. Risk managers, for instance, will continue to press for better and more timely data and benchmarks on values, prices, and default histories. The securitization of mortgage loans will call for reliable data on real estate prices in order to assess the value of collateral used to secure the credit risk in mortgage lending and its transfer. It has also indicated how property price indices could be used to create new instruments for investing in real estate and for pricing and trading underlying risk exposures. Pressure from analysts at commercial banks and central banks for quality property price statistics will also not go away.

Fourth, the workshop has highlighted the strong and varied demand for data related to real estate. Traditionally, statisticians have focused on value and price information for use in national accounts or consumer price indices, but this workshop has shown that there is now a need for new types of data related to FSIs. These new types include data such as real estate lending to construction industry, or default history, or leading indicators of risk. As our existing work on price indices progresses, we can strive to develop an "integrated framework" that encompasses more prices.

Fifth, we have learned a lot about the supply of data and how the various kinds of institutions in different countries that have access to information may lead to different perspectives about what to put together. Data sources could include records of tax offices, deeds, value information from appraisals, and the like. Recognizing this diversity, it would be useful to assess the different types of data and look at the experience from a range of countries. This type of assessment would seek to recognize what types of price indices are available, which would in itself tend to create additional demands for information. It would be the intention of such an assessment to work with different types of partners and to stress the different sources of supply and the range of players, including official institutions, the private sector, and non-profit institutions. Each type of player may be involved in data collection, analysis, and dissemination, and can offer some unique contribution to the mix.

In summary, I feel that the workshop has met its objectives. Bringing together experts with different perspectives has proven to be useful to gain an overview of issues and how we move forward in the future to address them. Hopefully the workshop will be the start of ongoing discussions that will move us forward in understanding the methodological questions.

Ladies and gentlemen

The three-day workshop may be quite short to fully cover the issues on Financial Soundness Indicators and Stress Testing.

Nonetheless, I am pleased to note that the workshop has generated useful discussions and the sharing of views has led to greater understanding of the Financial Soundness Indicators and Stress Testing issues faced by our countries.

Let me close by delivering our special thanks to Bank Negara Malaysia and to the course organizers: the SEACEN Centre, the IMF and our own Bank Indonesia staff, and all the resource speakers for facilitating this workshop and sharing their expertise and valuable time. To all participants, I extend my congratulations for your active participation in this workshop. As we bring this workshop to a close, I hope you have been enriched not only by the new learning shared but also by the new friendships formed.

I wish you all a pleasant evening and a safe trip home.

Thank you.

Kuala Lumpur, 7 October 2005