

**44th SEACEN Governors' Conference and
28th Meeting of the SEACEN Board of Governors
6-7 February 2009
Kuala Lumpur, Malaysia
Press Communiqué**

1. The 44th Conference of the Governors of the South East Asian Central Banks (SEACEN) and 28th Meeting of the SEACEN Board of Governors were held on 6-7 February 2009 in Kuala Lumpur, Malaysia. The Deputy Prime Minister and Minister of Finance of Malaysia, The Honourable Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, officiated the Opening Ceremony. Participating in the Conference were Governors and representatives of the sixteen SEACEN central banks and an observer central bank¹. The Managing Director of the International Monetary Fund (IMF), Mr. Dominique Strauss-Kahn; Dr. Nout Wellink, the President of the De Nederlandsche Bank; and Mr. Hervé Hannoun, the Acting General Manager of the Bank for International Settlements (BIS) were special speakers at the Conference. Governor Dr. Zeti Akhtar Aziz of Bank Negara Malaysia chaired the Meetings. The theme for the Conference was "Preserving Monetary and Financial Stability in the New Global Financial Environment".

2. In his opening address, Dato' Seri Mohd Najib emphasised that Asian economies, while facing critical challenges arising from the synchronised downturn in the global economy, were better positioned to face the recessionary implications of this global financial crisis due to the structural reforms undertaken since the Asian financial crisis. While regional economies had the policy flexibilities to mitigate the impact of the current financial turmoil, there was also a need to prepare for longer term challenges and the new economic order that would arise after the current economic and financial turbulence stabilises. In addition, the Asian region would need to manage the on-going financial market liberalisation, financial innovation and expanded activities of financial institutions while actively promoting greater regional economic integration. He urged for increased vigilance to detect and manage potential risks to systemic stability within the region. Policymakers also needed to sustain their efforts in undertaking structural reforms and further intensify monetary and financial cooperation.

3. Governors deliberated on developments arising from the on-going prolonged financial crisis and the series of measures undertaken by monetary and fiscal authorities in the advanced economies to restore stability. Governors noted that the resilience of the region's banking sectors and the continued functioning of financial markets had supported confidence in the region's financial system. While experiencing increased volatilities in capital flows, the region's foreign exchange markets exhibited orderly adjustments and the payments systems had functioned efficiently. The SEACEN economies were impacted in different degrees through contraction in trade and financial flows. Governors noted that while monetary easing and fiscal stimuli in the regional economies were providing support for domestic demand, regional resilience has been enhanced with closer surveillance, exchange of information on financial system developments and sharing of regulatory

¹ The SEACEN members include the Ministry of Finance Brunei Darussalam, National Bank of Cambodia, Reserve Bank of Fiji, Bank Indonesia, The Bank of Korea, Bank Negara Malaysia, The Bank of Mongolia, Central Bank of Myanmar, Nepal Rastra Bank, Bank of Papua New Guinea, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, Central Bank of Sri Lanka, Central Bank of the Republic of China (Taiwan), Bank of Thailand, and State Bank of Vietnam, The participating observers are Bank of the Lao PDR, and National Reserve Bank of Tonga.

approaches in managing risks to financial stability, and greater joint efforts to building capacities among central banks and monetary authorities in the region.

4. In their dialogue with Mr. Dominique Strauss Kahn, Managing Director of the IMF, the Governors discussed the latest assessment of the Fund on the challenges facing the global economy and the international financial system. The recession in the developed economies has evolved to be deeper than all previous post-war recessions. The financial crisis has now exhibited even stronger linkages between the financial and real sectors and the intensifying adverse feedback loop. The current global crisis requires strong and coordinated global responses. It is important to recognise that policy measures in the advanced economies would have a significant impact on emerging economies. The concern was raised that policy measures in some advanced economies may potentially restrict financial flows to emerging economies. The Governors noted that the international dimension of funds flow requires the establishment of an effective institutional mechanism to be built into the international financial system to ensure that cross border implications of policies are considered carefully with respect to their impact and implications on other economies.
5. Governors welcomed the call to double the size of the IMF's resources of USD250 billion with immediate effect. Governors supported the idea of the Fund establishing co-financing schemes with regional groupings to address regional financing needs. Governors supported the more inclusive approach by the Fund to ensure that decision making on global issues consider implications on emerging economies.
6. Governors observed that for the region, cross-border collaboration to maintain regional monetary and financial stability had strengthened, particularly in the sharing of information and surveillance. Governors also emphasised the need to sustain efforts towards building the capacities of financial supervisors and regulators, which underscored the long-standing collaboration among SEACEN members. On capacity building and regional collaboration in central banking, SEACEN Governors discussed the need for the SEACEN Centre to study the formation of "colleges of supervisors" (groupings of supervisors) to strengthen collaboration in cross-border supervision.
7. The issue of reconciling short-term policy actions to mitigate economic downturns with the need for adjustments towards longer-term sustainability was discussed with Mr. Hervé Hannoun, Acting Managing Director of the BIS. While attention was focused on mitigating the effects of the unprecedented global economic situation, Governors recognised the potential impact that the current monetary, financial and fiscal measures had on long-term macroeconomic stability. Governors stressed the importance of exit strategies for the measures being implemented as stability is restored. Governors agreed on the need for greater vigilance to detect market distortions, both in the financial and real sectors, and having in place consistent medium-term policy frameworks to return to the path of sustainability.
8. While national and regional actions were necessary to ensure financial stability, Governors reiterated the need for bold and urgent reforms to the international financial architecture to restore global stability and confidence, and more importantly, reduce the frequent occurrences and

severity of future financial crises. Several reform priorities were emphasised, including the functioning of international financial markets and the role of international financial institutions. Governors welcomed the steps in the international community to address weaknesses in the international financial architecture, which included reforms of the Bretton-Woods Institutions.

9. The issue of optimal supervisory arrangements was discussed with Dr. Nout Wellink, President of De Nederlandsche Bank. Governors considered the potential conflicts between prudential supervision, market conduct and consumer protection. Governors noted that regulatory frameworks needed to be flexible and responsive to promote financial innovations and to adapt to the rapidly changing financial landscape while at the same time reduce the potential for regulatory gaps. Governors noted that while different regulatory arrangements were adopted to suit the different needs of individual economies, they should also be adequately comprehensive to cover all segments of the financial sector. Governors noted that an effective model would require the following features: greater information sharing between different authorities, efficient coordination including cross-borders, robust communication mechanisms and the convergence of objectives among the regulatory authorities.
10. Governors accepted with thanks the offer of the National Bank of Cambodia to host the 45th Conference of the SEACEN Governors and 29th Meeting of the SEACEN Board of Governors in 2010.
11. Governors expressed their appreciation to Bank Negara Malaysia for the excellent arrangements and warm hospitality in hosting this year's SEACEN Governors' Conference and SEACEN Board of Governors' Meeting. Governors also congratulated Bank Negara Malaysia on the occasion of the 50th anniversary of the central bank.

7 February 2009