

OPENING REMARKS BY
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AT THE
SEACEN COURSE ON FINANCIAL SYSTEM STABILITY ANALYSIS AND
SURVEILLANCE (SIGNATURE PROGRAMME)
Sasana Kijang, Kuala Lumpur, 01-06 September 2013

Distinguished Speakers

Course Participants

Ladies and Gentlemen

Good Morning.

On behalf of The SEACEN Centre, I would like to extend a warm welcome to all of you to the SEACEN Course on Financial System Stability Analysis and Surveillance, a signature programme, hosted by The SEACEN Centre.

First of all, let me express my deepest appreciation to our reputable thought leaders from central banks, international financial institutions and regional learning and research institutions for serving as the faculty members for this Course. Your expertise and experience in central banking and financial stability in specific is invaluable to us.

Ladies and Gentlemen,

On this opening day of the SEACEN Course on Financial System Stability Analysis and Surveillance, I would like to share with you some of my thoughts on the current situation of the global financial stability.

The global financial crisis has taught us that a safe and healthy global financial system cannot be effectively ensured until banks are forced to rely much more on high-quality equity capital to finance their loans and investments. Regulators have apparently taken some actions along these lines. However, the regulations being proposed in many advanced economies are still insufficient to protect taxpayers

from risks that may be taken by banks that only worry about their lending competitiveness. Many big bank holding companies are still allowed to borrow up to too high percentage of their assets, for example, 95 percent or so. In such situation, even a tiny loss of bank assets may prompt a bank run. Creditors may refuse to renew their loans, causing the bank to stop lending or to sell assets hastily. If many banks are distressed at once, a systemic crisis can happen again.

Still overly insured depositors, and creditors who expect their money to be paid by authorities if not by the bank may help banks enjoy the upside of risks while taxpayers share the downside. Also, remaining implicit guarantees of government support may yet encourage banks to become too big to fail.

We must not forget a simple fact that sound and prudent banks can always sell more shares to well-informed investors. If a bank cannot persuade investors to buy its shares at any price, it simply means it fails a basic stress test. Still the pace of financial reform is rather slow in many advanced economies while their global banks operate in many emerging economies including this SEACEN region. Many of these global banks have not sufficiently recovered from crisis and other recent scandals. Again, in many economies including this SEACEN region, ineffective regulation may divert savings away from the regulated market, in effect, hiding risks in other opaque markets.

Along with a lot of regulatory efforts made under Basel III framework which is now being phased-in in many countries, bank regulators must always pay keen attention to potential risks in banking activities in our region and elsewhere and carefully watch over the implications of those risks on the regional financial stability with strengthened tool kits and upgraded analytic skills.

Ladies and Gentlemen,

In view of the above, The SEACEN Centre has been giving much greater emphasis in addressing the needs of our member banks in the area of financial stability for the past recent years. In this particular signature program, using case studies and exercises, participants will learn the factors that affect financial system stability, apply central bank's or monetary authority's mandates to manage financial system stability, evaluate the effectiveness of macro-prudential analysis tools and

surveillance methods, and formulate a plan to design or improve the financial system stability policies and strategies.

Ladies and Gentlemen,

Let me say a few words about the SEACEN Research and Training Centre. Our vision is “To be the Regional Learning Hub for Central Banks in the Asia-Pacific Region“. As a Learning Hub, SEACEN aspires to drive central bank excellence in learning for the region, by being a platform for collaboration for members to synergise efforts in central bank learning among themselves, and across its network base. The vision would be achieved through SEACEN’s mission in building capacity in central banking and fostering networking and collaboration.

I am pleased to inform that the SEACEN Centre has incorporated Adult Learning principles into the designing and implementation of our learning solutions to enhance their effectiveness. Rather than relying on the traditional one-way delivery by the speakers, the SEACEN Centre has employed key adult learning principles to foster an interactive way of learning between the participants and speakers. Thus, SEACEN courses have been transformed to be learners-centered which requires high involvement of the participants as you will experience in this Seminar.

Ladies and Gentlemen,

Coming back to the Seminar, participants will find it valuable to learn from the esteemed resource speakers as well as from the other participants. The interaction among participants and with resource speakers will only provide an opportunity to learn from one another, and also to strengthen the bond of friendship and cooperation. As most of the participants in this Seminar have long and wide experience in central banking, you can add value to the programme by actively participating during the training event.

Let me once again thank all our resource speakers and their respective institutions for their support and all our member central banks for nominating suitable participants for this programme. This meeting of minds between the Course participants and the resource persons will definitely bring us a fruitful and rewarding learning experience.

I would like to conclude by restating that there is “no one size fits all” type of solution in financial stability. The individual central banks should continue creating or upgrading their policies and practices in their own rights, rather than adhering to some common remedies. I am sure that this signature programme will provide you with the useful avenue to do so. With that, I would like to conclude by wishing all of you a great and productive learning experience and memorable stay in Kuala Lumpur.

Thank you.