

**WELCOMING REMARKS BY
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EXECUTIVE DIRECTOR, THE SEACEN CENTRE
FOR
3RD SEACEN-CEMLA CONFERENCE
“NEW PARADIGM IN CENTRAL BANKING”
*Kuala Lumpur, Malaysia, 21-22 October 2013***

Your Excellencies, Governors and Ambassadors

Dr. Fernando Tenjo Galarza, General Director, CEMLA

Distinguished Guests

Ladies and Gentlemen

On behalf of The SEACEN Centre, I would like to extend a warm welcome to all of you to Sasana Kijang, Kuala Lumpur and the 3rd SEACEN-CEMLA Conference with the theme “New Paradigm in Central Banking”

Ladies and Gentlemen,

Since the global financial crisis, many have argued that we face a “new ‘normal’” which can be characterized by a set of new trends such as below trend economic growth, high unemployment, rising imbalances and heavy indebtedness, increasing financial market volatility and growing need to manage capital flows searching for higher returns.

Apart from what I have already mentioned, one thing is sure. What we do know is that although we, central bankers, try to return to normality moving forward, it will most probably be different from the “old normal” that we witnessed before the global financial crisis. Now, there is an emerging consensus that the framework underpinning conventional central banking must be rethought.

The relationship between price stability and the broader goals of macroeconomic and financial stability clearly needs to be redefined. Central banks are also being pulled into new roles by the post-crisis environment, which features high levels of public and private debt in advanced

economies and concerns about volatile capital flows and currency fluctuations in emerging markets.

One country's monetary policy can spillover to other countries, especially when central banks follow inconsistent frameworks, with massive cross-border capital flows serving as the transmission channel. All these suggest that the conventional framework for central banking is inadequate. It is too narrow to meet domestic and global needs. There may be broad consensus on this point, but there is still only a little agreement about the particulars of the new paradigm in central banking. It is those particulars that we seek to elaborate in this Conference.

Ladies and Gentlemen,

Since the crisis, due to the increasing linkages between the macroeconomic environment and the financial sector, it is now recognized that price stability can no longer be the single focus of central banks and a greater role of fostering financial stability must be emphasized.

The expanded central bank mandates in the post-crisis era will bring about new and different challenges for the conduct of monetary policy, the bread and butter of central banking. Also, under the new paradigm, many questions arise on the expanded mandate of central banks and the effectiveness of monetary policies. Among them (1) What are the successful monetary policy responses and the transmission of monetary policy under heightened uncertainty? (2) What are the monetary policy instruments which central bankers can effectively use to achieve financial stability? (3) Can monetary policies be used to preemptively tackle developing financial imbalances (4) How should central banks rebuild their macroeconomic models, without a sophisticated financial sector, in order to better reflect macro-financial linkages?

Ladies and Gentlemen,

In addition, take a look at the realm of monetary and financial stability policies in today's environment which I have just described above. We can no longer look at policy implementation in isolation, like what central bankers of yester years did. There is an explicit need for monetary and regulatory policies to be complemented by macro-prudential measures to realise both price and financial stability. In other words, more than ever, we critically examine synergies and trade-off between them. Central banks' analytic models, policy frameworks, tools and instruments need to properly account for linkages between price stability and financial stability and the repercussions of their policy choices to the regional and

global economy. Only through a holistic view and global perspective, central bankers can find and apply new practical and effective solutions.

Definitely, we are entrusted with much more responsibilities now. But what is needed for us, as central bankers under the new paradigm is to rethink the appropriate scope of the central banks' mandates to ensure that central banks are being tasked to do what they can properly do and are supposed to deliver.

Ladies and Gentlemen,

Indeed, the issues to be discussed at hand are timely and we are confident that this conference for cross-regional collaboration between Asia and Latin America would promote a greater understanding of central banking issues at hand.

We are indeed honoured to host the 3rd SEACEN-CEMLA High-Level Conference with the theme "New Paradigm in Central Banking". Please allow me to thank the CEMLA General Director, Dr. Fernando Tenjo Galarza for the collaboration to make this conference possible and to Her Excellency Governor Dr. Zeti of Bank Negara Malaysia and His Excellency Governor Dr. Rodrigo Vergara of Central Bank of Chile for co-sponsoring the event. I would also like to register our appreciation to Bank Negara Malaysia for rendering invaluable assistance in organizing this conference.

We are indeed very honoured to have Mr. Mark Olson, Co-Chair, Treliant Risk Advisor LLC and former Governor of the Federal Reserve Board to share his tremendous experience and expertise with us in the keynote address. We are also very grateful to their excellencies, Governors, Deputy Governors, heads of internationally reputable institutions as well as from the academia for being our speakers, discussants and moderators. We also hope that the conference delegates will use this opportunity to exchange views and share experiences.

I wish everyone here a productive and rewarding conference. Lastly, I also hope that you will be able to find the time to enjoy the beauty and rich culture of Malaysia.

Thank you.