

**WELCOME REMARKS BY
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FOR
SEACEN COURSE ON OVERSIGHT OF
PAYMENT AND SETTLEMENT SYSTEMS
*Dalian, China, 22 – 27 June 2014***

Esteemed Speakers

Course Participants

Ladies and Gentlemen

Good Morning.

On behalf of The SEACEN Centre, I would like to extend to all of you a warm welcome to the **SEACEN Course on Oversight of Payment and Settlement Systems.**

First and foremost, I must express SEACEN's sincere appreciation to Dr. Zhou XiaoChuan, Governor of The People's Bank of China for kindly hosting this important SEACEN Course in this beautiful city of Dalian; also, I wish to convey special thanks to Mr. Zhou Jinhuan, Deputy Director General, Payment and Settlement Department of The People's Bank of China for making the time and effort to deliver the Opening Address.

We are pleased to have onboard with us a team of experienced resource speakers from various institutions to share their wealth of knowledge with you. They are namely, in the order of appearance:

1. Dr. Vacharakoon Jivakanont, Team Executive, Payment Systems Analysis Team, Payment Systems Policy Department, Bank Of Thailand
2. Mr. Stephen Pang, Senior Manager, Hong Kong Monetary Authority
3. Mr. Isaku Endo, Financial Sector Specialist, Financial Infrastructure and Remittances Service Line, World Bank
4. Ms. Hayati Omar, Deputy Director, Payment Systems Policy Department, Bank Negara Malaysia

5. Ms. Charulatha S. Kar, Senior Officer, Department of Payment and Settlement Systems Reserve Bank of India
6. Mr. Joko Raharjo, Bank Indonesia (BI)
7. Mr. Melchor T. Plabasan, Bangko Sentral ng Pilipinas (BSP)

We at the SEACEN Centre hope that with such a rounded team, this course will equip you with the techniques and insight that will help you in conducting oversight of payment and settlement systems.

Ladies and Gentlemen,

The origin of banks is known as the rise of the Italian Medici in the 14th century. At that time, there were multiple systems of coinage, some gold, some silver, and some base metal. Any long-distance trade or tax payment at that time needed conversion from one currency to another. Of particular importance in the Medici's early business were the bills of exchange which had developed in the Middle Ages as a way of financing long-distance trade. The creditor could draw a bill on the debtor and either use the bill as a means of payment in its own right or obtain cash for itself at a discount from a banker willing to act as a broker. But there were no cheques yet; instructions for payment to a third party were given orally and written in the bank's books. There was no interest; instead depositors were given claims to the bank's annual profits. Unlike earlier Italian banks, branch managers of the Medici bank were junior partners who were remunerated with a share of the profits. With this decentralization, the Medici bank was so profitable with branches in Rome, Geneva, Florence, Pisa, London and Avignon.

This Italian banking system became the European model in the coming centuries. In Amsterdam, London and Stockholm, the next wave of financial innovation occurred as the forerunners of modern central banks. The Amsterdam Exchange Bank (called Wissel Bank in Dutch name) was set up in 1609 to resolve the clearing problems at that time created by the 14 different mints and foreign coins in circulation there. By allowing merchants to set up accounts denominated in a standardized currency, the Exchange Bank pioneered the system of cheques and direct debits or transfers that we take for granted today. This allowed more and more commercial trade to take place without the need for the amounts of money involved to materialize in actual coins. One limitation on this system was that the Exchange Bank maintained almost 100 percent ratio between its deposits and its reserves of precious metal and coin.

With the foundation of the Swedish Riksbank in 1656, this barrier was broken through. The Riksbank lent amounts in excess of its metallic reserve, exploiting the fact that the money left on deposit could profitably be lent out to creditable borrowers.

And then, with the creation of Bank of England in 1694, the Bank was endowed with distinctive privileges. From 1742 it established a partial monopoly on the issues of banknotes, a distinctive form of promissory note that did not need to bear interest, designed to facilitate payments without the need for both parties in transaction to have current accounts.

From this review of modern financial history, we can recognize that managing the nation's payment and settlement systems was the oldest core function of the forerunner central banks. It was in fact older than the functions of lending and banknote issuing.

Oversight of payment and settlement systems is defined as the central bank's activities to monitor the design, risk management, and operations of systems operated by the private sector; to assess the systems against established safety and efficiency objectives; and to induce changes where necessary. In its oversight of payment and settlement systems, the banks seek to establish a common understanding with system operators and other stakeholders on ways to maintain and improve the safety and efficiency of systems, and supports their efforts for improvements. Through these activities, the banks aim to ensure the safety and efficiency of settlement, not only in individual systems but also in the overall payment and settlement arrangements.

At the end of this course, participants will be able to apply fundamental concepts of oversight in carrying out basic oversight functions in line with international standards and national policy objectives. In achieving this objective, participants will be able to

- 1) Apply fundamental concepts of oversight in carrying out basic oversight functions in line with international standards and national policy objectives;
- 2) Conduct oversight functions in LVPS, SSS or RPS in line with international standards and national policy objectives; and
- 3) Analyse the assessment methodology and transparency related to LVPS and SSS.

I wish to convey our gratitude to all resource persons for their commitment and support. It is my pleasure to inform you that 38 participants from 20 central banks in the Asia Pacific

region will be participating in this Course. I am confident that the next one week will be a highly intensive time of learning and the interactions between participants and resource persons will enrich your learning experience in this area of payment and settlement systems. Furthermore, this event also provides a regional platform for sharing of knowledge and experiences as well as fostering closer co-operation among central bankers.

Ladies and Gentlemen,

Let me briefly share with you about The SEACEN Research and Training Centre. As approved by the Board of Governors in February 2011, our new 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 SEACEN's network base. The vision would be achieved through SEACEN's mission in building capacity in central banking and fostering networking and collaboration. With strong commitments from our stakeholders as seen in this Course, we are confident that our vision will become a reality.

In organizing this learning event, participants will find it both fruitful and rewarding to learn from the resource persons as well as from other participants.

Once again I would like to thank all resource persons and their respective institutions for the support and valuable contributions; and to all our member and invitee central banks for nominating suitable participants for this course.

I wish you all a productive and rewarding learning experience.

Thank you.