

WELCOME REMARKS BY
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SEACEN-BIS HIGH-LEVEL SEMINAR ON
‘ENHANCING THE EFFECTIVENESS OF CENTRAL BANKS’
Kathmandu, Nepal, 17 September 2014

Governor Dr. Yuba Raj Khatiwada,
Governor, Nepal Rastra Bank

Dr. Frank Packer, Head of Economics and Financial Markets for Asia and Pacific,
Bank for International Settlements,

EXCO members and Deputy Governors,

Distinguished Speakers,

Ladies and Gentlemen,

Good morning.

It is my pleasure to deliver these welcome remarks today at the SEACEN-BIS High-Level Seminar on “Enhancing the Effectiveness of Central Banks,” which is held back-to-back with the 13th SEACEN-EXCO meeting.

First of all, on behalf of The SEACEN Centre, let me extend a warm welcome to all of you. I would like to thank Governor Dr. Yuba Raj Khatiwada, Nepal Rastra Bank for hosting these events with warm hospitality and I commend the excellent and efficient preparation work done by the staff of Nepal Rastra Bank. I would also like to thank Dr. Frank Packer and his colleagues at the BIS for their unsparing effort to collaborate with SEACEN on this seminar.

Ladies and Gentlemen,

The central banks are once again, in the spot light. Like it or not, governments all over the world are looking at central banks to do the right thing: to get the economies moving again. I would like to emphasise that in today’s rapidly changing financial environment, it is not easy

for any central bank to operate, as the theme of this seminar suggests, EFFECTIVELY. Until recent times, central banks used to only have to worry about price stability. But currently, most CBs have additional simultaneous jobs to perform: to ensure financial stability. Viewed systemically, these mandates are not independent but correlated. Obviously, given multiple mandates, policy conflicts are inevitable. Given this scenario, most of us will agree that EFFECTIVENESS is defined by how well central banks perform in enhancing the effectiveness of monetary policy and promoting financial stability.

Clearly, the worst stage of the sub-prime crisis may be over, but uncertainties in the global financial market still remain. According to the latest World Economic Outlook by the IMF, global activity has broadly strengthened with overall downside risk, in fact, diminishing. This is good news but there is still the possibility of advanced economies focusing on their own economic and financial developments and making premature withdrawals of monetary accommodation.

Ladies and Gentlemen,

As we all understand, there appears to be some disparities in policy strategies between the US and the EU. The US Fed, after the FOMC meeting yesterday, announced that interest rates should remain low for a considerable time after its bond buying program is complete. The FED Chairwoman said its future monetary policy decisions will depend on the data. However this decision was not unanimous, which implies the possibility of normalizing interest rates sooner in the event of continued strength in the economy and continued signal of financial market excess. Meanwhile the EU region is, on the other hand, expected to look for further monetary policy easing for extended periods. Under this unfavourable uncertainty with opposite directions in terms of policy trend between the US and the EU, emerging market economies like ours have to ensure that any policy adjustments must also be consistent with the overall medium- to long-run objectives of the macroeconomic policies of the economies. In other words, central bank's policy directions must involve adequate assessment of the sustainability and appropriateness of the current policy stance. This is not an easy task but one that requires careful balancing between the current policy stance and the medium to long-run objectives.

Last but not least, for the greater good, we need each other. We need greater regional cooperation in implementing our policies, in particular, macro-prudential measures and cross-border supervision. The benefit of collaboration among central bankers is obvious. It allows them to keep abreast with the developments in each other's jurisdictions by leveraging on one

another's experience and knowledge to address any possible potential risks and vulnerabilities in the domestic as well as regional markets. From a slightly different perspective, The SEACEN Centre is in a unique regional position in its endeavours to serve its membership of central banks through its thought leadership role in the learning programmes, research work, networking and collaboration platforms for capacity building in central banking knowledge. In this regard, SEACEN will continue to strengthen regional cooperation, in particular research collaboration with member banks to find common policy recommendations and solutions to pressing regional issues.

Ladies and Gentlemen,

The issues of how to enhance effectiveness of central banks in times of uncertainty, without any doubt, are complex but we are extremely grateful to all our distinguished speakers who will be sharing their experiences in this seminar. They are:

- Dr. Duvvuri Subbarao, Distinguished Visiting Fellow at the National University of Singapore and former Governor, Reserve Bank of India
- Dr. Kiyohiko Nishimura, Dean of the Graduate School of Economics and Chairman of the Faculty of Economics, University of Tokyo and former Deputy Governor, Bank of Japan
- Dr. Panicos Demetriades, Professor of Financial Economics, University of Leicester, UK and former Governor, Central Bank of Cyprus

I am also extremely grateful to all EXCO members, fellow colleagues from the BIS and SEACEN who will chair and act as discussants. I am confident that with your active participation, this seminar will contribute to a better understanding on the issues of "Enhancing the Effectiveness of Central Banks."

Thank you very much.