

**THE 41ST SOUTH EAST ASIAN CENTRAL BANKS (SEACEN)
GOVERNORS CONFERENCE AND
25TH MEETING OF THE SEACEN BOARD OF GOVERNORS**

4 – 5 March 2006

Bandar Seri Begawan, Brunei Darussalam

PRESS COMMUNIQUE

1. The 41st South East Asian Central Banks (SEACEN) Governors Conference was hosted by the Ministry of Finance, Brunei Darussalam, and held in Bandar Seri Begawan, Brunei Darussalam from 4th – 5th March 2006. Fifteen SEACEN member and observer central banks and monetary authorities, as well as representatives from the Bank for International Settlements and the International Monetary Fund participated in the Conference¹. The Minister of Finance II, Pehin Dato Abd Rahman Ibrahim, officiated at the opening ceremony. Dato Haji Ali Apong, Permanent Secretary, Ministry of Finance, Brunei Darussalam, chaired the sessions. The theme of the Conference was “Internationalisation of Financial Services: Implications and Challenges for Central Banks”.
2. In his opening address, the Minister of Finance II, Pehin Dato Abd Rahman Ibrahim, highlighted that the financial services industry has long been recognized as the essential intermediary in international trade, enabling the global exchange of goods and services to flourish. In recent years, more specialized financial services have emerged, including international investment products that allowed a significant volume of capital to move across international borders. These

¹ 1 The SEACEN members are Ministry of Finance, Brunei Darussalam; 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; The Central Bank of China, Taipei; and Bank of Thailand. The participating observer includes National Bank of Cambodia.

international investment flows have created special challenges for central banks, and other financial regulators. While internationalization has stimulated competition and created new markets and products, it has also required new capabilities from regulatory authorities.

3. During the discussion on the conference theme, it was noted that the internationalization of financial services in Asia is evident from the growing volume of cross border capital flows and the significant increase of foreign banks' assets. This development was brought about by the quality and quantity of cross-border information flows, and the development of linking infrastructure across borders. Nevertheless, Governors stressed that despite provision of adequate, timely and accurate information, markets did not always make correct interpretation and decisions could have disruptive and destabilizing implications.

4. Internationalization of financial services can bring benefits including more competitive services and products. However, Governors noted that among the important preconditions for maximizing the benefits of internationalization of financial services include having in place strong prudential safeguards; sound macroeconomic policy and healthy external position; better risk management; and greater regional cooperation. While Governors recognized the importance of adopting international standards and practices, the implementation of certain new complex standards and practices needed to take into account the context of the region. Governors stressed that there is no one size-fits-all for dealing with the challenges imposed by internationalization of financial services. They cautioned that liberalization should be phased in gradually and only after the necessary infrastructures and institutional developments had been put in place. Countries, therefore, will have to ensure an appropriate policy mix suitable for their individual economies, readiness of domestic financial system and consideration for socio-economic development to ensure greater social inclusion.

5. On the world economic outlook, Governors noted that the outlook of global economic growth is better than expected in view of strengthening of real GDP growth in the major economies, reinforced by growth in the Euro area and firm economic expansion in Japan. While the US and China remain the engines of growth in the global economy, economic expansion in the Asian region is expected to continue in 2006 supported by strong external demand and brighter prospects for domestic demand. Notwithstanding the positive outlook, the risks of global imbalances and higher inflation due to high and volatile oil prices still remain.
6. Governors ratified the SEACEN Centre's programme of activities and the budget for Operating Year 2006/07.
7. At the 25th Meeting of the Board of Governors of the SEACEN Research and Training Centre, the Board of Governors unanimously agreed to admit and welcome the National Bank of Cambodia as the fifteenth SEACEN member.
8. Governors accepted with thanks the offer from Bank of Thailand to host the 42nd Conference of the SEACEN Governors and the 26th Meeting of the SEACEN Board of Governors in 2007.
9. Governors expressed their deep appreciation to the Ministry of Finance, Brunei Darussalam for its warm hospitality and excellent arrangements for the Conference and Meeting.

Ministry of Finance, Brunei Darussalam
5 March 2006