

**43rd SEACEN Governors' Conference and
27th Meeting of the SEACEN Board of Governors
21-22 March 2008
Jakarta, Indonesia**

Press Communiqué

1. The 43rd SEACEN Governors' Conference and 27th Meeting of the SEACEN Board of Governors were hosted by Bank Indonesia during 21-22 March 2008 in Jakarta, Indonesia. The Coordinating Minister for Economic Affairs of Indonesia, Dr. Boediono, officiated the opening ceremony while Governor of Bank Indonesia, Mr. Burhanuddin Abdullah chaired the Conference and Meeting. Participating in the Conference were Governors and representatives of the sixteen SEACEN member central banks and two observer central banks, together with the Deputy Managing Director and Executive Directors of the International Monetary Fund (IMF), Deputy General Manager of the Bank for International Settlements (BIS), and Executive Director of the SEACEN Centre.¹ The theme of the Conference was "Financial Deepening to Support Monetary Stability and Sustainable Economic Growth."
2. In his opening speech, Dr. Boediono emphasized the linkages between financial deepening and economic growth as well as poverty reduction. An efficient and robust financial system contributes to higher savings and investment, increases the efficiency of resource allocation and diversifies risks, and hence supports long-term growth and poverty reduction. He also underlined that, whilst financial deepening is important for growth, it must be implemented with adequate incentives and safeguards.
3. Governors noted that global growth is expected to weaken. Growth in the U.S. is projected to slow more sharply given the continuing fallout of the subprime crisis. In the Euro Area, growth is also now expected to moderate in 2008 and 2009. This outlook is coupled with prospects of higher inflation. There has been limited impact of the U.S. financial crisis thus far on the Asian economies. While the region will be affected by increasing downside risk to the global outlook, the

¹ The SEACEN members include Ministry of Finance of Brunei Darussalam, National Bank of Cambodia, 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, Central Bank of the Republic of China (Taiwan), Bank of Thailand, and State Bank of Vietnam. The participating observers are Bank of the Lao PDR, and National Reserve Bank of Tonga.

impact will be partially mitigated by the strong domestic demand and increased intra-regional trade.

4. Governors observed that financial deepening in SEACEN economies has taken a more diversified structure, advancing from a bank-centered to a more sophisticated market-based financial system. Such advancement is expected to continue despite the recent international financial turbulence. Stronger financial institutions and greater risk diversification can also strengthen an economy's resilience to adverse shock. However, Governors were of the view that financial deepening should be properly sequenced. Governors also underlined the risks of excess liquidity and excessive complexity resulting from various financial deepening initiatives which are not accompanied by adequate surveillance and strong regulatory framework.
5. Governors noted that market discipline, prudential norms and supervisory oversight in financial sector are essential. However, there is a need to strike a balance between flexibility, so as to encourage financial innovation, robust regulation and better corporate governance. Thus, Governors believed that the scope of supervision needs to be improved, which includes the implementation of Basel II, necessary enhancement and rigorous consolidated supervision. Governors emphasized the need to strengthen financial market surveillance to enhance the capacity to respond in a timely manner. In addition, regional cooperation could help foster development and promote resilience of the financial markets in the region.
6. Governors noted the IMF's endeavor to continue refocusing its surveillance practices to better cope with the recent global economic challenges as well as new strategic directions and efforts to develop new liquidity instruments.
7. Governors expressed their highest appreciation to Bank Indonesia for the excellent arrangements and warm hospitality in hosting this year's SEACEN Governors' Conference and SEACEN Board of Governors' Meeting.