

**WELCOMING REMARKS OF
MR. HOOKYU RHU, EXECUTIVE DIRECTOR,
THE SEACEN CENTRE FOR
SEACEN-TORONTO CENTRE COURSE ON RISK-BASED SUPERVISION
*Hanoi, Vietnam, 28 July – 2 August 2013***

Mr. Do Viet Hung, Deputy Director General, International Cooperation Department (ICD),
State Bank of Vietnam

Mr. Chris Cardoza, Program Director, Toronto Centre

Distinguished Resource Speakers

Officials of State Bank of Vietnam

Course Participants

Ladies and Gentlemen

Good Morning!

On behalf of The SEACEN Centre, I would like to extend a very warm welcome to all of you to the **SEACEN-Toronto Centre Course on Risk-Based Supervision**, organised in collaboration with the Toronto Centre and hosted by State Bank of Vietnam.

First of all, allow me to express our deepest appreciation to Mr. Do Viet Hung, Deputy Director General, ICD and State Bank of Vietnam's management for hosting this learning event and for their continuing support of SEACEN activities. Our special thanks go to State Bank of Vietnam, organising committee led by Ms. Nguyen Thi Hoa and the Secretariat team for working closely with The SEACEN Centre months before this event. I wish to record our appreciation for the excellent arrangements and warm hospitality extended to all of us.

As you may be aware, SEACEN has been collaborating with the Toronto Centre over 10 years to enhance the knowledge and skills of central bankers in this region. On behalf of SEACEN members and associate central banks, I wish to thank the Toronto Centre for its continuing support in SEACEN activities. My special thanks go to Mr. Chris Cardoza, Program Director, for his support to the collaboration between our two institutions and in particular for his

contribution to this event. We are fortunate to have with us 4 other resource speakers in addition to Mr. Cardoza, who have travelled from far and near to share their wealth of knowledge, expertise and experience in this Course. They are namely, in the order of appearance:

- Mr. Sukarela Batunanggar, Director, Financial System Stability Department, Indonesian Financial Services Authority;
- Mr. Jean Sarazin and Mr. James Bruce, Program Leaders, The Toronto Centre;

With such a list of distinguished speakers, I am confident that our participants would learn much from this Course to enhance their supervision skills. In view of this, I would like to take this opportunity to thank all the resource speakers and their respective institutions for the support and invaluable contribution to this Course.

Ladies and Gentlemen,

Over the last few decades, we have witnessed the rapid expansion of banking activities as a result of economic liberalization, financial sector deregulation, diversification of banking activities, and technological and financial product innovations. Financial products and services have become more complex; banks have become providers of increasingly universal financial services; and banking systems have become more concentrated with the emergence of systemically important banks at all three levels: domestically, regionally and globally. On one hand, these changes have brought about benefits such as improving efficiency in the financial sector and satisfying the public's increasing appetite for diverse as well as innovative financial products and services. On the other hand, these developments within the financial industry have also created potential challenges to bank supervisors and regulators in ensuring soundness of banks and stability of the banking system. In view of this, it is critical that supervisors continue to uphold their given mandate as key players in the banking system. Banks must be managed soundly to ensure that depositors' monies are safe and banks play their role as effective intermediary.

Looking at the SEACEN region, banking systems have shown resilience during the recent global financial crisis thanks mainly to the reforms undertaken since the Asian crisis in 1997. However, we cannot be complacent given the inherent risks in banking business and increasing interconnectedness in the global banking system. Relative market share of internationally active banks are growing in the region, while some national banks in the region have expanded cross borders and are becoming systemically important financial institutions

in the region. Hence, understanding current issues and challenges in supervision and improving required skills for handling these challenges prudently have become critical competencies for banking supervisors in this region. We especially need to ensure that our finite human resources in prudential supervision are allocated to detecting and mitigating the most significant risks that could undermine banks' soundness, or even create systemic problems. In this regard, I am pleased to note that The SEACEN Centre, as the learning hub for central banks in this region, has taken some initiatives to support our member central banks by organizing learning events to provide relevant knowledge and skills as well as high-level meetings to promote regional collaboration on matters pertaining to supervision.

Ladies and Gentlemen,

This learning event, organized in collaboration with the Toronto Centre, is a part of SEACEN's such efforts. It is the objective of this Course that participants will be able to assess the soundness of a financial institution by applying the Risk-Based Supervision Framework through completing case study and exercises. In achieving the learning objective, participants will learn to:

1. Describe the fundamentals of Risk Based Supervision
2. Assess the significant activities and inherent risks in a financial institution
3. Assess a financial institution's corporate governance, risk management and oversight functions
4. Analyse the risk equation for a significant activity to establish risk matrix for a bank
5. Recommend an effective Supervisory Plan for off-site and on-site monitoring based on the Risk Based Supervision Framework

The importance and relevance of the topics to be discussed in this Course is evident from the encouraging response we received to our invitation for nomination. It is a pleasure to inform that we have here with us today a total of 36 well-qualified and suitable participants representing 16 institutions. I am confident that the next five days will be a highly intensive time of learning and the interactions between participants and speakers would enrich your learning experience in this area of supervision. Furthermore, this event also provides a regional platform for sharing of knowledge and experiences as well as fostering closer co-operation among central bankers and regulators.

Ladies and Gentlemen,

Allow me to say a few words about The SEACEN Research and Training Centre. 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.

Coming back to the Course, I hope that the participants will find it both fruitful and rewarding. Above all, the interaction among participants and with the resource speakers will provide an opportunity to learn from one another and strengthen the bond of friendship and cooperation. I also hope that you will be able to find the time to enjoy the culture and beauty of Vietnam, and Hanoi in particular.

Allow me to conclude by thanking once again State Bank of Vietnam for hosting this event; organizing committee and the secretariat team of State Bank of Vietnam for the excellent arrangements and warm hospitality; Toronto Centre, resource persons and their respective institutions for the generosity and support; and finally to all our member central banks and associates for nominating suitable participants for this Course. I wish you a productive and rewarding learning experience.

Thank you.