

**OPENING REMARKS BY**  
**MR. HOOKYU RHU**  
**EXECUTIVE DIRECTOR, THE SEACEN CENTRE**  
**AT 10TH SEACEN-BOJ INTERMEDIATE COURSE ON**  
**PAYMENT AND SETTLEMENT SYSTEMS FOR EMERGING ECONOMIES**  
*Singapore, 26– 30 April 2015*

Ms. Ho Hern Shin, Executive Director of Specialist Risk Department, Monetary Authority of Singapore

Mr. Shuhei Aoki from Bank of Japan

Distinguished Guests and Resource Speakers,

Ladies and Gentlemen,

Good morning to all of you and welcome to the 10th SEACEN-BOJ Intermediate Course on Payment and Settlement Systems for Emerging Economies

First and foremost, on behalf of the SEACEN Centre, I would like to thank the Monetary Authority of Singapore for graciously hosting this programme in this beautiful Garden City. Executive Director Ms. HO Hern Shin, we are honoured to have you here today too at the Opening Ceremony. Not forgetting the hardworking Secretariat Team of the Monetary Authority of Singapore that ensures this programme goes smoothly. Thank you for your time and effort.

We are glad to have all of you here with us to embark on a 4 day journey through a carefully planned learning structure of payment and settlement systems, completed with country sharing, panel discussion, and case studies.

On this opening day of the SEACEN-BOJ Intermediate Course on Payment and Settlement systems, I would like to share with you some of my thoughts on the payment and settlement systems and their traditional relationship with the central banks, by revisiting the history of modern finance.

The origin of banks is known as the rise of the Italian Medici in the 14th century when 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 to use it either as a means of payment in its own right or as a means to obtain cash for itself from other banks 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. At that time, the Medici bank was so profitable with decentralized 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 first system of cheques in history and piloted 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.

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

Nine decades later, Bank of England created in 1694 was given a distinctive privilege in 1742. Since then, BOE has been endowed with 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 keep current accounts with BOE.

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 much older than the functions of lending and exclusive issuing of bank notes.

From this perspective, I personally believe that modern central banks should continue to play a leading role in advancing their nation's payment and settlement systems and keeping the systems in sound, efficient and robust shape.

In today's financial world which is widely interconnected and integrated, central banks' traditional role in developing international standards for payment, clearing and settlement systems has become even greater. Moreover, with the adoption of legislations and other policies recommended by CPSS/IOSCO in 24 PFMI (Principles for Financial Market Infrastructures), central banks have been anticipated to play crucial roles in fostering the safety, efficiency and resilience of systemically important FMIs – payment systems, central securities depositories, securities settlements systems, central counterparties (CCPs) and trade repositories.

As we are well aware, central banks have always had a keen interest in the safety and efficiency of payment and settlement systems. The most important function of today's central banks is to be the guardian of people's confidence in their currency, and this confidence depends on the ability of economic agents to transfer money and financial instruments safely and efficiently through the nation's payment and settlement systems.

I believe that SEACEN's effort to improve learning contents of the three courses on payment and settlement systems has certainly contributed to the progress of advanced payment and settlement systems and financial market infrastructures in the region by providing a good opportunity for member central banks to share experience and expertise in this important area of traditional central banking policies.

In this context, I believe that this 10th SEACEN-BOJ Intermediate Course on Payment and Settlement Systems for Emerging Economies is highly useful for participants from SEACEN member banks and other stakeholders to further develop their expertise in this important area.

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:

Mr. Ronasak Ruengvirayudh, Former Director of Payment System Policy Department,  
Bank of Thailand;

Mr. Shuhei Aoki, Bank of Japan;

Ms. Kuda Rananand, Bank of Thailand;  
Mr. Robert Lindley, Committee on Payment and Market Infrastructures;  
Mr. Esmond Lee, Hong Kong Monetary Authority;  
Mr. Jeryl Poh and Mr. Nelson Chua, Monetary Authority of Singapore;  
Ms. Bella Santos, Bangko Sentral ng Philipinas; and,  
Ms. Nor Azlina Abdul Wahid, Bank Negara Malaysia

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.

It is my pleasure to inform you that 32 participants from 16 institutions in the Asia Pacific region will be participating in this Course. The next one week will be a highly intensive time of learning and the interactions among participants and resource persons will enrich your learning experience in the 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.

I sincerely hope that all the participants in this course will be able to gain maximum benefits that can be synergized by sharing knowledge and experience with the resource persons and other participants and can be amplified by adding more hands-on experience after going back to their respective central banks.

I wish you a productive and rewarding learning experience.

Thank you.