

WELCOME REMARKS
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AT THE 2ND SEACEN COURSE ON
BANK EXAMINER FOUNDATIONAL SKILLS DEVELOPMENT
Sasana Kijang, Kuala Lumpur, 1 – 13 March 2015

Distinguished Resource Persons

Course Participants

Ladies and Gentlemen

Good Morning.

On behalf of The SEACEN Centre, I would like to extend to all of you a very warm welcome to the **2nd SEACEN Course on Bank Examiner Foundational Skills Development**, hosted by The SEACEN Centre.

First of all, let me express my deepest appreciation to the resource persons from central banks for serving as faculty members of this learning event. Your expertise and experience in central banking and financial stability, in specific, is invaluable to us.

Ladies and Gentlemen,

There are numerous lessons to be drawn from our experience in the lead-up to the GFC. Financial supervision frameworks in many nations were broadly inappropriate to proactively react to the build-up of risks in the financial system. Regulators were criticized for their failure to read the warning signs, and failure to correct misaligned incentives in the mortgage securitization market. They also naively kept a light touch approach to prudential supervision, while relying too much on the ‘presumed’ self-correcting power of financial markets.

We have realized enough that the modern new type of crisis, which originates mostly from financial excesses and asset bubbles and also accompanies contagion and spillover on wide territories through many channels, can have painful and long-lasting consequences. Marking the eighth year after the start of the GFC, bank regulators and supervisors have so far done a

lot of hard works including Basel III framework. This new Basel framework serves as a comprehensive regulatory framework for banks aiming at better addressing the different risks in banking business and increasing the resiliency of the banking system.

Nevertheless, this is not enough. I believe that today's bank examiners should much better understand the basics of sound banking business, both from micro-prudential and macro-prudential perspectives. In other words, bank examiners should now have robust skills and knowledge to effectively search potential risks in individual banks and also assess the implications of those risks on the stability of the entire financial system. Obviously it is not easy to practice such a comprehensive supervisory approach due to requirement for learning new sets of knowledge and skills, resource limits and uncertain financial environments. It requires more imaginative way of thinking, more of a problem-solving mindset, and practical techniques to reliably detect new and emerging potential risks and assess their micro-prudential and macro-prudential significance.

As one of SEACEN's Customized Programs, a 2-week course on Bank Examiner Foundational Skills Development was successfully implemented last year. This year's course is basically another round of such exercise; however in SEACEN's new three year Strategic Business Plan 2015-2017, we have created progressive modular programs in two knowledge blocs of MMPM and FSS respectively by setting clear linkages from Foundational to Intermediate and to Advanced Courses. This Foundational Course, designed for entry to mid-level bank supervisors, will cover basic technical competencies as well as behavioral skills and will also guide participants to the next stage courses. We have included two Foundational Courses in 2015 and 2017, two Intermediate Courses in 2015 and 2016, and two Advanced Courses in 2016 and 2017. Therefore, by faithfully accomplishing the follow-up assignments after this Foundational Course, participants will be invited again to the next step Intermediate Courses in 2015 and 2016.

Ladies and gentleman,

This foundational programme for bank examiners aims to provide foundational knowledge and skills that a bank examiner should possess in performing his/her duties. Using case studies and examples, participants will be able to apply examination management and principles effectively, benchmarked to international standards and recognized sound practices. In achieving this objective, participants will learn to (i) assess a bank's "risk appetite" and strategies to judge whether they are reasonable in relation to its financial strength and its risk

management capabilities; (ii) analyze basic bank operations and related risk factors; (iii) analyze basic bank accounting systems and procedures and key issues that may arise; (iv) assess the performance of bank directors and executive management in fulfilling their duties and responsibilities; (v) assess bank governance arrangements to ensure that they embody appropriate and effective “checks and balances”; (vi) assess the adequacy of bank policies and operating procedures covering various risk areas; and, (vii) make appropriate recommendations for remedial action when there are weaknesses or unsound practices or conditions in evidence.

Ladies and Gentlemen,

Let me say a few words about the SEACEN Research and Training Centre. Our 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 its network base. The vision would be achieved through SEACEN's mission in building capacity in central banking and fostering networking and collaboration.

I am pleased to inform that the SEACEN Centre has incorporated Adult Learning Principles into the designing and implementation of our learning solutions to enhance their effectiveness. Rather than relying on the traditional one-way delivery by resource persons, the SEACEN Centre has employed key adult learning principles to foster an interactive way of learning between the participants and resource persons. Thus, SEACEN courses have been transformed to be learners-centred which requires high involvement of the participants as you will experience in this Course.

Ladies and Gentlemen,

Coming back to the Course, I wish to convey our gratitude to all resource persons for their commitment and support. It is my pleasure to inform you that 27 participants from 14 institutions in the Asia Pacific region will be participating in this Course. I am confident that the next two weeks will be a highly intensive time of learning and the interactions between participants and resource persons will enrich your learning experience in the area of supervision. Learning will not only happen between participants and resource persons, but among participants as well. Your sharing of knowledge, experiences and insights will certainly add value to the Course. The interaction among participants and with resource persons will

not only provide an opportunity to learn from one another, but also to strengthen the bond of friendship and cooperation.

Once again I would like to thank all resource persons and their respective institutions for the support and valuable contributions; and to all our member and invitee central banks for nominating suitable participants for the Course.

I wish you a productive and rewarding learning experience and an enjoyable and relaxing field trip to Malacca, a Historical City in Malaysia on this weekend.

Thank you.