

## Letter from the Executive Director

Dear Colleagues and Readers

We are pleased to celebrate the First Anniversary of the launch of the *SEACEN Financial Stability Journal* with the publication of this issue. We continue to receive very positive feedback from our readers, and the number of subscribers continues to grow.

The Editorial Board has selected four excellent articles for inclusion in this issue. Dr. William (“Bill”) M. Isaac, former Chairman of the U.S. Federal Deposit Insurance Corporation, and now a top global banking industry consultant, has submitted a thought-provoking article on lessons learned from the 2008 banking crisis in the U.S. Parenthetically, during Chairman Isaac’s FDIC tenure, he helped to avert a possible systemic banking crisis in the U.S. by arranging an orderly resolution of the failure of Continental Illinois Bank and Trust, then one of the largest U.S. banking organizations. Up until the 2008 Crisis, this had been the largest bank failure in U.S. history.

In his article, Chairman Isaac contends that, prior to the Crisis, bank supervisors had sufficient regulatory powers and tools to deal with developing problems and curb excessive risk-taking, but were reluctant to use them. Chairman Isaac also questions the value and relevance of the voluminous U.S. post-Crisis regulatory reform legislation, as he believes it does not closely relate to the root causes of the Crisis.

An article by Professor Datuk Rifaat Ahmed Abdel Karim and Professor Simon Archer discusses innovative liquidity management options that have been developed to assist Islamic banks in managing their liquidity and also in meeting the liquidity requirements of the new Basel III standards.

Dr. Frank Packer from the Bank for International Settlements (BIS) and his co-authors Mr. Jimmy Shek, also with the BIS, and former BIS colleague Dr. Haibin Zhu, have provided a comprehensive analysis of bank loan loss provisioning practices in Asia during 2000-2013. They conclude that Asian banks have generally been conservative in their approaches and that countercyclical loan loss provisioning is a common practice.

The fourth article by Dr. Herbert Poenisch, a former BIS Senior Economist and central bank researcher, discusses the need to develop better financial integration indicators for ASEAN banking and money markets. Greater clarity on interconnectivity risk will enable more detailed financial stability monitoring, an important capability in view of ongoing ASEAN integration initiatives.

I would like to take this opportunity to express our gratitude and thanks to the Editorial Board and SEACEN member central banks/monetary authorities for their input and contributions to the *Journal*.

Hookyu RHU  
Executive Director  
5 November 2014