

RESPONSE ADDRESS

by Dr. Zeti Akhtar Aziz, Governor, Bank Negara Malaysia

at the 45th SEACEN Governors' Conference

Siem Reap, Cambodia

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His Excellency Mr. Keat Chhon, Deputy Prime Minister of Cambodia,

Governor Chea Chanto,

Distinguished Guests,

Ladies and Gentlemen,

It is my honour to deliver this Response Address on behalf of my fellow Governors at this Forty-fifth SEACEN Governors' Conference in this historic Cambodian city of Siem Reap. On behalf of the SEACEN Governors, I would like to take this opportunity to thank our hosts, in particular Governor Chea Chanto and the National Bank of Cambodia for the warm hospitality and the excellent arrangements which will indeed make our visit to Siem Reap both memorable and productive.

Ladies and Gentlemen,

At our meeting in Kuala Lumpur exactly a year ago in February of 2009, the global financial and economic environment was in great turmoil. The global economic outlook now has improved greatly, benefitting from the wide-ranging economic stimulus measures implemented. This rebound being most visible in the emerging economies, particularly in Asia. The regional economies have benefitted significantly from the wide-ranging extraordinary policy measures that have been implemented. In addition, resilient financial systems, the absence of excessive leverage and large-scale unemployment and the relatively low levels of public debt have increased our flexibility to manage the effects of the global crisis on our economies. The expectation therefore is for this improved economic conditions to gain further strength during the course of this year. Against this positive environment, the theme of this year's Conference: "The Role of Central Banks in Sustaining the Economic Recovery and Financial Stability" is most timely.

While the global recovery is uneven, policy makers across the globe are already shifting focus on issues relating to the effective exit

from these extraordinary measures that were implemented at the height of the crisis. The global experience has shown that such measures are not sustainable over an extended period of time. Over the medium-term, it will invariably result in risks to the financial systems as well as to the overall economy. Moreover, to achieve sustainable recovery, the role of the private sector in the economy needs to increase. The recovery needs to be accompanied by a corresponding recovery of the private sector economic activity.

With the growth prospects in the advanced economies still uncertain and with credit flows yet to resume, it is likely that the life support stimulus measures in large part will continue for some time to come. In this challenging environment, we need to maintain constant vigilance for potential sources of risks and vulnerabilities. It is important to ensure that the private sector resumes its role as an engine of growth so as to secure this self-sustaining growth. Equally important is the building of our capacity and capability to manage the new risks to financial stability and to the overall economy.

Ladies and Gentlemen,

The issues confronting central banks are increasingly becoming more diverse and complex in our role in maintaining macroeconomic stability, financial stability and in the development of an effective and resilient financial system. The more challenging global economic and financial environment also underscores the importance for closer cooperation and collaboration among central banks in the areas of surveillance and cross-border crisis management and resolution. This would involve having in place efficient information sharing networks and cross-border supervisory collaboration. This will become increasingly important in the Asian region as our financial institutions increase their operational presence across the region and as financial integration intensifies.

In this context of cross-border financial sector supervisory coordination, the SEACEN Centre has made significant progress in the proposed formation of the Colleges of Supervisors, that was agreed during the 2009 Board of Governors' Meeting. This will strengthen the collaboration on issues relating to supervision across borders of our financial institutions operating in the region. A Working Committee has

been established and is currently in the process of identifying the areas of supervisory cooperation and addressing the various issues of concern in the various jurisdictions.

Ladies and Gentlemen,

The crisis has also highlighted the dynamic nature of the environment that central banks operate in. Beyond the crisis, the growing global economic and financial integration will only accelerate the pace of change that is taking place. In this environment, we need to continuously strengthen our internal capacity and capability to manage the new risks and vulnerabilities and to generate an environment conducive for sustainable private sector economic activity. The SEACEN Centre has an important role in supporting capacity-building efforts by member Central Banks so that we enter this post-crisis era well positioned to meet future challenges. In meeting the growing learning needs of member central banks, the SEACEN Centre needs to place greater emphasis on content that is contextualised to regional economic circumstances and the level of financial sector development.

Ladies and Gentlemen,

The SEACEN Centre has every potential to become a world class knowledge centre and learning destination for Central Banks in the region. Its access to the wealth of information and knowledge that resides in member central banks and its own in-house capacity through its research and training programmes can contribute significantly to building the effectiveness of central banks in this new post-crisis era. We look forward to the Centre's changing role in this fundamentally changed environment.

In conclusion, allow me on behalf of all my fellow Governors, to put on record, once again, our sincere appreciation to Governor Chea Chanto and to the staff of the National Bank of Cambodia for all the excellent arrangements for our meetings here and for making our stay in Cambodia such a memorable one. We look forward to a very productive and successful conference.

Thank you.