

## Press release

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Ref no: 24/2002E

12 October 2002

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### **Asia/Pacific nations declare that quick disposal of non-performing loans is vital for strengthening financial systems**

The Financial Stability Forum (FSF) has just concluded its second regional meeting in the Asia-Pacific region, held over the past two days in Beijing, China. Senior representatives from finance ministries, central banks, and supervisory and regulatory authorities of 6 FSF member economies and 9 regional non-member economies attended the meeting. Senior officials from 4 international institution members of the FSF, as well as the Asian Development Bank, also took part in the meeting.

Participants exchanged views on vulnerabilities in domestic and international financial systems in the light of a scenario of continued moderate global growth, but with significant downside risks and uncertainties. It was noted that the recovery underway in many regional economies was well entrenched, but might weaken should downside risks materialise. They considered that the adjustments implemented in regional financial sectors following the Asian crisis were now bearing fruit. However, in a number of economies, addressing non-performing loan (NPL) problems was regarded as a continuing challenge, especially in the context of deflationary pressures. Significant ongoing efforts are needed to restructure and dispose of past stocks of NPLs and to strengthen credit cultures to limit new NPLs. They also agreed that further reforms in the financial sector through, e.g., consolidation and privatisation must be pursued vigorously.

Meeting participants also exchanged views about policy responses that are necessary to address weaknesses in market foundations. Opaqueness of corporate governance practices in the region was cited as one of the factors that had led to the Asian crisis: although progress has been made since then, it was felt that further reforms were necessary and its urgency had increased following recent corporate failures in major markets. Participants thought that the present environment provided a window of opportunity for reform and they felt it important to keep up the momentum. A number of participants reported measures taken recently in their jurisdictions in this area. Priorities may differ from market to market, but all agreed that enhancement of corporate governance practices and strengthening of accounting and auditing standards and practices were of critical importance. In this context, they expressed hope that an improved and coherent set of international principles and standards in these areas be agreed upon as soon as possible so that all economies can begin to implement them in their respective jurisdictions.

Participants expressed continued interest in the ongoing work to finalise the new Basel Capital Accord. Some concerns were expressed about the ability of regional banks to adopt the Internal-Ratings Based version of the new Accord given their comparatively less sophisticated institutions. It was explained that ample time would be available for banks outside the G-10 countries to make transition to the new regime. The Basel Committee on Banking Supervision would take account of comments made by participants in the final stage of preparation.

They also reviewed developments of discussions at the FSF on a number of other issues that had been of concern to them, such as Highly Leveraged Institutions (HLIs) and implementation of the 12 Key Standards.

The FSF and meeting participants thanked the People's Bank of China for its hospitality. They look forward to the next meeting in the region.

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## FINANCIAL STABILITY FORUM

**Note for editors.** The FSF was established in February 1999 to promote international financial stability through enhanced information exchange and international co-operation in financial market supervision and surveillance. It brings together on a regular basis national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSF is chaired by Andrew Crockett, General Manager of the Bank for International Settlements, in a personal capacity.

The objective of bringing together regionally based Forum members and non-Forum members is to allow an exchange of views of potential vulnerabilities from a regional perspective, brief non-members on the Forum's discussions and enable non-members to inject views and perspectives on the Forum's work. A listing of the institutions represented at today's meeting is attached.

For further information on the FSF, its membership, the activities of its working groups and previous FSF meetings, please visit the FSF web site at [www.fsforum.org](http://www.fsforum.org).

# FINANCIAL STABILITY FORUM

## FSF Asia-Pacific Regional Meeting

### List of Institutions Represented

Beijing, 11 -12 October 2002

<b>Australia</b>	Treasury Reserve Bank of Australia Australian Prudential Regulation Authority
<b>China</b>	Ministry of Finance People's Bank of China Securities Regulatory Commission
<b>Germany</b>	Deutsche Bundesbank
<b>Hong Kong SAR</b>	Hong Kong Monetary Authority Securities and Futures Commission
<b>India</b>	Reserve Bank of India Securities & Exchange Board of India
<b>Indonesia</b>	Bank Indonesia Indonesian Capital Market Supervisory Agency
<b>Japan</b>	Ministry of Finance Bank of Japan
<b>Korea</b>	Ministry of Finance and Economy Bank of Korea
<b>Malaysia</b>	Bank Negara Malaysia Securities Commission
<b>New Zealand</b>	Reserve Bank of New Zealand Securities Commission
<b>Pakistan</b>	State Bank of Pakistan Securities and Exchange Commission
<b>Philippines</b>	Banko Sentral ng Pilipinas
<b>Singapore</b>	Monetary Authority of Singapore
<b>Thailand</b>	Bank of Thailand
<b>United States</b>	Board of Governors of the Federal Reserve System
<b>International Monetary Fund</b>	
<b>World Bank</b>	
<b>OECD</b>	
<b>Basel Committee on Banking Supervision</b>	
<b>Asian Development Bank</b>	