FSF concludes third Asia-Pacific Regional Meeting

The Financial Stability Forum (FSF) has just concluded its third regional meeting in the Asia-Pacific region, held today in Beijing, China. Senior representatives from finance ministries, central banks and supervisory and regulatory authorities from ten FSF member economies and nine regional non-member countries attended the meeting. Senior officials from international institutions represented on the FSF, as well as the Asian Development Bank, also took part.

Participants exchanged views on strengths and vulnerabilities in international and regional financial systems. They agreed that growth has been particularly strong in the Asia-Pacific region, reflecting domestic structural reform progress and policy improvements, the global recovery and a benign global financing environment.

They discussed policy challenges regional authorities face in managing a sustainable upturn and maintaining financial system soundness. There was particular interest in the adjustment path of the Chinese economy and the possible consequences this will have for the regional and global economy. They also discussed the potential impact on regional economies and financial systems of the transition of global interest rates to more neutral settings, high oil and commodity prices, global imbalances and rising household indebtedness. Participants noted that volatility in financial and other markets had risen lately.

The meeting reviewed recent progress made in strengthening regional financial systems, and the associated challenges that lie ahead. They shared the view that, though strong growth in the region has generally reduced levels of non-performing loans and increased profitability of banks, challenges remain in a number of regional financial sectors. In particular, the banks’ capacity to manage various risks associated with growing new business areas, such as consumer lending, needs to be strengthened. Participants pointed to the importance of coordination among financial authorities in the development of domestic and regional bond markets as a means of deploying regional savings more effectively, increasing financial resiliency and enhancing the competitive environment in the financial sector as a whole. They also exchanged views on the regional experience with entry of foreign financial institutions in the domestic markets, including its impact on financial efficiency and stability, and the related supervisory issues. They noted the increased activities of hedge funds in financial markets and the need for adequate risk management, counterparty discipline and transparency.

Participants considered the regional implications of international initiatives currently underway to strengthen corporate governance, transparency and audit quality and to put in place stricter enforcement mechanisms, focusing on the most critical reforms necessary and obstacles that need to be overcome. They attached particular importance to ensuring strong corporate governance in the financial sector, especially in banks, given their dominant role in regional financial systems. They also emphasised the need for stronger audit quality and auditor oversight mechanisms, as well as efforts to strengthen accounting standards. They also took note of the work of IOSCO with regard to credit rating agencies. Participants underscored that further headway is needed in all these areas, in the region, as elsewhere.

Regional participants also shared views on Basel II. They took note of the fact that a certain level of flexibility for non-G10 countries regarding the implementation schedule of the new Accord would support the smooth transition to the new supervisory framework.

The FSF thanked China Banking Regulatory Commission for its hospitality in hosting the meeting.
Note for editors. The FSF was established in February 1999 to promote international financial stability through enhanced information exchange and international cooperation 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 Mr Roger W. Ferguson, Jr., Vice Chairman of the Board of Governors of the Federal Reserve System and supported by a small secretariat based in Basel, Switzerland.

The objective of the FSF’s regional meetings is to promote wider exchanges of views on financial vulnerabilities and the work underway nationally and internationally to address them. A list of the institutions represented at the 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 website at www.fsforum.org.
FINANCIAL STABILITY FORUM

The Third FSF Asia-Pacific Regional Meeting
31 May 2004, Beijing

List of Institutions Represented

Chairman
Mr Roger W. Ferguson, Jr.

Australia
Treasury
Reserve Bank of Australia
Australian Prudential Regulation Authority

Canada
Bank of Canada

China
Ministry of Finance
People’s Bank of China
China Banking Regulatory Commission
China Securities Regulatory Commission

France
Ministry of the Economy, Finance and Industry

Hong Kong (SAR)
Hong Kong Monetary Authority
Securities and Futures Commission

India
Reserve Bank of India

Indonesia
Bank Indonesia
Capital Market Supervisory Agency (BAPEPAM)

Italy
Bank of Italy

Japan
Ministry of Finance
Bank of Japan
Financial Services Agency

Korea
Bank of Korea

Malaysia
Bank Negara Malaysia

Netherlands
De Nederlandsche Bank

New Zealand
Securities Commission

Pakistan
State Bank of Pakistan

Philippines
Bangko Sentral ng Pilipinas

Singapore
Monetary Authority of Singapore

Thailand
Bank of Thailand

United Kingdom
H M Treasury
Bank of England

United States
Board of Governors of the Federal Reserve System

Asian Development Bank

Basel Committee on Banking Supervision (BCBS)

Bank for International Settlements (BIS)

European Central Bank

International Association of Insurance Supervisors (IAIS)

International Monetary Fund (IMF)

International Organisation of Securities Commissions (IOSCO)

Organisation for Economic Co-operation and Development (OECD)