



Financial Stability and Financial Sector Supervision: Lessons from the Past Decade and Way Forward

Jointly organized by
The Financial Research and Training Center (FRTC)
of Japan's Financial Services Agency (FSA),
21 Century COE-Market Quality Project of Keio University,
and IMF Regional Office for Asia and the Pacific (OAP)

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Program

Drawing on the lessons of the crises, banking systems in Asia have been strengthened significantly over the last 10 years, resulting in much improved regulatory and supervisory frameworks throughout Asia. These improvements notwithstanding, rapid evolution of financial markets, including greater competition and introduction of new financial technologies in derivatives and securitization have created new challenges, as have the large inflows of capital attracted by the renewed dynamism of Asian emerging markets. Supervisors are responding to these challenges through upgrading of their supervisory framework including the move towards adoption of Basel II standards. The purpose of this conference is to review the progress in banking reform and financial sector supervision and examination over the last 10 years, and to discuss the readiness of financial systems in Asia to cope with ongoing changes in the global financial landscape, including through an effective implementation of the Basel II standards.

9:30-9:45 am Registration

10:00-10:10 am Opening Remarks

Mr. Takafumi Sato, Commissioner, Financial Services Agency (FSA), Japan, introduced by Professor Naoyuki Yoshino, Director of the Financial Research and Training Center (FRTC), FSA and Professor, Keio University

10:10am-12:00 pm *Session 1: Banking and Financial Sector Reform after the Crisis*

Session 1 provides an overview of the financial sector reform 10 years after the Asian Financial Crisis, and reviews the financial system weakness that have precipitated and/or intensified the crisis, and the subsequent efforts to address these weaknesses. As a case study, the session will take up the banking reform and financial sector reforms in Thailand. Discussants will be asked to reflect on the experience in their own countries, and evaluate the progress to date.

Chair: Mr. William A. Ryback, Special Advisor, Financial Supervisory Service (FSS), Korea

Overview of Financial Sector Reform after the crisis

Speaker: Mr. Jonathan Fiechter, Deputy Director, Monetary and Capital Market Department, International Monetary Fund (IMF)

Thailand's experience of Banking and Financial Sector Reform after the Crisis

Speaker: Mr. Krirk Vanikkul, Assistant Governor, Financial Institution and Policy Group, Bank of Thailand (BOT), Thailand

Discussants: Dr. Anwar Nasution, Chairman, Supreme Audit Board, Indonesia
Professor Mariko Fujii, Special Research Fellow of the FRTC, FSA
and Professor, Research Center for Advanced Science and Technology, The University of Tokyo

12:00-1:30 pm **Lunch Break**

1:30-3:45 pm ***Session 2: Bank and Financial Sector Supervision and Examination***

Session 2 focuses on the actual implementation of bank supervision and bank examination before, during and after the crises. While institutional framework such as rules and regulations, e.g. on asset classification and prompt corrective actions may be introduced (or perhaps existed even prior to the crisis), the efficacy of such measures rest on the ability of bank staff to comply with regulations, and for supervisors to identify non-compliance and other weaknesses, and take corrective action. Shortfall in the number and skill level of supervisory staff might have been, and perhaps continue to be, important issues in each country. This session will learn from the experience in Japan, Korea, Malaysia, and Philippines as well as from other countries in the region, to discuss the progress and remaining challenges in implementation.

Chair: Mr. Nobuyoshi Chihara, Deputy Commissioner for International Affairs, FSA, Japan

Japan's Experience of Financial Supervision and Financial Sector Examination

Speaker: Mr. Hirofumi Gomi, Adviser, Nishimura & Asahi
Former Commissioner, FSA, Japan

Korea's Experience of Financial Supervision and Financial Sector Examination

Speaker: Dr. Jang-Yung Lee, Assistant Governor, FSS, Korea

Malaysia's Experience of Financial Supervision and Financial Sector Examination

Speaker: Ms. Nor Shamsiah Yunus, Assistant Governor, Bank Negara Malaysia

Philippines's Experience of Financial Supervision and Financial Sector Examination

Speaker: Mr. Nestor A. Espenilla, Jr., Deputy Governor, The Bangko Sentral ng Pilipinas (BSP), The Philippines

Discussants: Mr. W. Jason George, Senior Financial Sector Specialist,
Representative Office for Asia and the Pacific,
Bank for International Settlements (BIS)

3:45-4:00 pm (Coffee Break)

4:00-6:00 pm *Session 3: Panel Discussion: Challenges going Forward*

This session will consider the challenges for financial sector supervisors in the current environment. While banks' risk management have improved, sustained large capital inflows which have fueled liquidity and resulted in buoyant asset markets across the region, and given possible turnaround in global liquidity conditions, there may be questions as to whether the system is resilient enough, or supervisors are sufficiently informed and are ready to identify and address emerging vulnerabilities in the banking and financial system. Moreover, the increased complexity of financial products and markets raises the question of whether banks and supervisors fully understand and can evaluate the risks in the system. Panelists will be asked to discuss the key risks that may lead to financial instability.

The panel will also be asked to exchange view on measures to reduce vulnerabilities and improve the resilience of the banking system, in terms of supervisory framework and implementation. One issue will be the implementation of Basel II standards, and the extent they may help to provide the basis for an effective supervisory system in the new environment.

Moderator: Professor Takatoshi Ito, Professor, the Graduate School of Economics and Graduate School of Public Policy (GraSPP), The University of Tokyo

Panelists:

Mr. Masamichi Kono, Deputy Director General, FSA, Japan
Mr. Simon L. Topping, Executive Director of Banking Policy, Hong Kong Monetary Authority (HKMA)
Dr. Wong Yit Fan, Managing Director and Head Country Risk Management, DBS Bank Ltd., Singapore
Mr. Peter Tebbutt, Senior Director with the Financial Institutions Group, Fitch Ratings Hong Kong

6:00-6:15 pm **Closing Summary and Remarks**

Mr. Akira Ariyoshi
Director, Regional Office for Asia and the Pacific (OAP), IMF

End of the conference

6:30 pm **Reception**

Remarks: Mr. Junichi Maruyama, Deputy Commissioner for International Affairs, FSA, Japan