## Session 1: Banking and Financial Sector Reform after the Crisis — Comments

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# Presentations by Mr. Fiechter and Mr. Vanikkul

#### ♦Overview

- The financial sector in East Asia is much stronger today.
- In Thailand, extensive reform measures have been adopted, resulting in better figures in the banking sector.

### **♦**Concerns

 Business cycles and economic downturns might result in banks facing problems related to asset quality and earnings.

#### ♦ Challenges forward

- An increasingly complicated financial sector
- Cycles of greater risk-taking and falling risk premiums

## Crisis-Prevention Efforts

# **Banking Sector**

- Strong capital base Quality of management
- (risk management)

### Financial Markets/Corporate **Activities**

- Reducing the vulnerabilities to liquidity and balance-sheet risk
- Effective corporate governance and bankruptcy code
- Improving transparency

### Regulatory Framework

- •Basel II (risk-based regulation)
- Risk awareness
- Enhancement of supervision

### Macroeconomic Policy

- Sound and stable macroeconomic policy
- Appropriate exchange rate regime

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## Effective Crisis Response

- ☐ Prompt action to maintain financial stability
- □ Coherent policy adjustment package to provide confidence to markets and investors
- Cost-minimizing steps in the adjustment process
  - ···The exact actions are still under debate
- ♦ Possible issues for effective financial sector supervision;
- Cyclical implications of risk-based regulatory measures
- Allowing diversity from the regulatory perspective
- Use of macrofinancial approach