

ADBI-JFSA Joint Conference

**“Strengthening the Asian Financial Sector toward
Sustainable and Inclusive Growth”**

*Session 1 Global Financial Supervisory Reforms: Implications and
Lessons for Asia*

**Implications of Global Financial Regulatory Reform, including Basel III Capital
Adequacy Rules, for Asian Financial Institutions and Economies**

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Abstract

The purpose of this study is to better understand the likely impact on East Asian economies and financial institutions of various recent global financial reforms, including Basel III capital adequacy rules. We first review the lessons of the global financial crisis of 2007-2009 and their relevance for Asian economies. We then describe the major regulatory reforms that have been announced and possible concerns about their impacts on emerging economies. Next we review the literature aimed at quantifying the impacts of Basel III capital adequacy rules on economic growth. Thereafter, we describe our methodology and analysis of the quantitative impact of Basel III capital adequacy rules on a panel of Southeast Asian financial institutions (in Malaysia, Indonesia, the Philippines and Thailand) with emphasis on the effect on economic growth. Finally, the study concludes with a discussion of the policy implications of the results obtained in our study for both the financial sectors and economic growth in those countries.