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Opening Address by the Governor of the National Bank of Cambodia

HE CHEA CHANTO

At SEACEN-BIS Exco Seminar

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- Deputy Governors and Heads of Delegations of SEACEN member and observer countries,
- Dr. Tarisa Watanagase, former Governor of Bank of Thailand,
- Dr. Karunasena, Executive Director of the SEACEN Centre,
- Dr. Andrew Filardo, Head of Economics for Asia and the Pacific, BIS Representative Office for Asia and the Pacific,
- Mr. Nigel Jenkinson, Financial Stability Board, BIS,
- Ms. Chng Sok Hui, Chief Financial Officer, DBS Bank,
- Distinguished Guests, Delegates, Ladies and Gentlemen.

Good morning!

It gives me great pleasure to express my warmest greetings to you today to Phnom Penh, the capital city of Cambodia, where the Mekong River has divided into four arms, and was named therefore Chaktomouk River, meaning the 4-faces River.

The National Bank of Cambodia is indeed very pleased to host the SEACEN-BIS Executive Seminar today and the 9th Meeting of the SEACEN EXCO that will follow tomorrow. I also would like to express my deep gratitude to all of you for participating in this important high level Seminar.

Ladies and Gentlemen,

The aim of the EXCO Seminar today is to stimulate debate on current topical issues and to add value to these discussions. In light of the recent developments, the topic that this Seminar addresses is particularly challenging: **“Macro-Financial Linkages: Financial Stability and Economic Growth”**. This is one of the issues that have come under particular attention of policy makers, central banks and monetary authorities that are in charge of reviewing practices, rules, policies and procedures in all areas having a substantial influence on the functioning of the financial sector, with the ultimate goal of achieving sustainable economic growth.

In Cambodia, when we adopted the Financial Sector Blueprint for Long-term financial sector development about ten years ago, the Government was conscious that an economy will not reach its growth potential and develop at an adequate pace, without an active contribution from the financial sector. However, the ability of banks to engender economic growth and facilitate development depends on the health, soundness and stability of the system. Therefore, the Cambodian Government is committed to strengthening the financial system and, over the recent years, has been enacting legislation, adopting policies, creating institutions and adapting procedures as part of the financial sector reforms in order to quicken the pace of economic growth.

And I believe other countries have also embarked on various necessary reforms for the reason of stability and growth. However, despite the individual and regional efforts to strengthen the banking and financial system so far, we still experienced two major crises within a distance of about a decade and both of them have shown strong linkages between financial sector soundness and macroeconomic stability.

The link between the financial sector and the real economy is now considerably stronger than was the case in the past. The financial crisis has demonstrated, in general, that, although microprudential supervision makes a valuable and indispensable contribution to financial stability, it may be insufficient on its own to ensure systemic financial stability. For this reason, a macroprudential approach to policy formulation is necessary to complement microprudential supervision, and in fact monetary policy.

Dr. Karunasena and his team at the SEACEN Center must, therefore, be congratulated for their initiative and dynamism in bringing major stakeholders together to articulate the way forward to address the issue of macro-financial linkages, given the changed environment in which financial institutions have to operate. And I would like to take this opportunity to express heartfelt gratitude to the BIS for its unwavering support and assistance to the works that SEACEN have done and are doing now. We would also like to thank all the speakers and lead-discussants for sharing their expertise and experiences with us.

Over the course of today Seminar, this morning and in the afternoon, we will have three sessions to examine and discuss our main topics. In the first session, **Dr. Reza Siregar**, Director of Research and Learning Content of the SEACEN Centre will take us through key fundamental issues relating to the topic **“Living with Macro-Financial Linkages: Challenges and Policy Perspectives for SEACEN Economies.”** After his presentation, the lead-discussants from Bank Negara Malaysia, Bank of Thailand and the BIS, will start off the discussions.

The first session in the afternoon will be the presentation on **“Recent Development in Frameworks for Assessing and Managing Macro-Financial Risk”** by Mr. Nigel Jenkinson from the Financial Stability Board of the Bank for International Settlement. After his presentation, the Deputy Governor of the Bank of Korea and Senior Deputy Governor of Central Bank of Sri Lanka will kick off the discussions. This session will be chaired by Dr. Karunasena.

And next and last, we have the pleasure to get the perspectives from the private banker, **Mrs. Chng Sok Hui, Chief Financial Officer of DBS Bank**, on the topic **“Overhauled Prudential Measures and Implications for Monetary and Financial Stability.”** The lead discussants for this session will be Deputy Governors of Bank Indonesia and Bangko Sentral ng Pilipinas. And this will bring us to the conclusion of today gathering. This session will be chaired by Dr. Tarisa.

In between, ladies and gentlemen, during lunch time, we are honored to hear special luncheon address delivered by **Dr. Tarisa Watanagase**, former Governor of Bank of Thailand, on the Bank of Thailand perspectives in pursuing monetary and financial stability.

Ladies and Gentlemen,

I think that this Seminar can be an important step in identifying and overcoming the challenges facing central banks in managing macro-financial linkages to achieve sustainable growth. By further exchanging views and experiences, we can deepen our understanding of the issues and challenges underlying such linkages, which would help us to arrive at more effective solutions.

In closing, I would like to once again thank all of you for being here. I would also like to thank the SEACEN staff for their excellent collaboration and the NBC organizing committee for their hard work in preparing for this important Seminar.

I hope your journey to Cambodia will give you a chance to see a little of our country, meet our people, and learn a bit of our culture and tradition. In this light, we hope you will enjoy visits to some places of interest in Cambodia that we have arranged for you.

Let me conclude by wishing you a productive Seminar and pleasant stay in Cambodia.

Thank you