



NATIONAL BANK OF CAMBODIA

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## Opening Remarks

By

H.E. Chea Chanto, Governor of the National Bank of Cambodia  
SEACEN-Federal Reserve System Course on Principles of Asset/Liability  
Management (PALM)  
Siem Reap, 2-7 May 2010

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- Dr. Karunasena, Executive Director, the SEACEN Centre,
- Mr. Adrian D'Silva, Senior Advisor, Federal Reserve Bank of Chicago,
- Mr. Patrick Coyle, Senior Examiner, Federal Reserve Bank of Richmond,
- Distinguished Guests, Ladies and Gentlemen,

A very good morning!

Today, on behalf of the National Bank of Cambodia, I have the great honor and pleasure to be the host for the SEACEN-Federal Reserve System Course on Principles of Asset Liability Management (PALM) in collaboration with the SEACEN Centre and the Federal Reserve System in Siem Reap province from 2 to 7 May 2010.

Taking this opportunity, once again, I would like to welcome and thank Dr. Karunasena, and all of your staff who are always striving to provide good cooperation among member central banks, monetary authorities and prestige institutions across the region in order to bring the knowledge of changing world to enhance the quality of capacity building for our central bankers.

In the meantime, I would like to express warm welcome to resource speakers: Mr. Adrian D'Silva, Mr. Patrick Coyle, and all delegates to Cambodia, to Angkor Wat, Siem Reap province in particular. I would also like to thank the SEACEN Centre and the Federal Reserve System for making this course possible in a series.

Our course today provides us *not only* a very importantly regional forum for bank supervisors and regulators to exchange ideas related to potential risks

and prompt corrective actions *but also* build up the mutual cooperation and networking among the banks in the region.

### **Distinguished Guests, Ladies and Gentlemen,**

Let me take this opportunity to say a few words about the Asset Liability Management (ALM). ALM is an important element within an Enterprise Risk Management framework. ALM is a process of managing risks that emerge mismatches of assets and liabilities of banks. Bank can have different variants of risks such as interest, credit, liquidity and sometime the operational risks.

It is critical for the sound financial management of any entity that invests to meet future cash flow needs within constraints. Some financial entities use ALM as part of a strategic decision-making framework to exploit opportunities to create value and optimize their risk and reward profile.

There are different organizational and governance models that guide the management of bank asset and liability activities. The models reflect fundamentally different risk philosophies that tend to evolve with growing depth of financial markets together with the position and activities undertaken by banks in the market.

In this context, the supervisory authority must holds responsibility to put in place a comprehensive strategy to address risks related to the banking sector. Bank supervisors need to perform the effective procedures for monitoring and assessing the bank's asset liability positions to ensure that their assets and investment activities are appreciate to their liability and risk profiles and their solvency positions.

The prudential regulations and sound supervisory process are also serving as a very main component for good governance to support public confidence and financial stability for macroeconomic stability. Thus, the development of sound regulatory and supervisory frameworks should be based on the Basel Committee core principles for effective banking supervision.

In short, the principle is a rule and the management is an art. The fundamental step in ALM is the ongoing process of formulating, implementing, monitoring, and revising strategies related to assets and liabilities to achieve financial

objectives, for a given set of risk tolerances and constraints. So the importance of ALM to a financial company that focuses on managing risks for profit.

### **Distinguished Guests, Ladies and Gentlemen,**

I am sure that our esteemed resource speakers will provide more detail than this. You may feel having a very interesting, productive and fruitful discussion within these days. I do hope that at the end of the course all of you will have obtained a better understanding of concepts of the asset and liability management. Equally important, you will also have obtained a clearer view of the main purposes of bank supervisor perspective.

In addition, I believe that all of you enjoyed yesterday's social program and took pleasure in discovering the sight of Angkor temples and others, which are ranked among the world's wonders. Still there are some more interesting places that are not included in the official program. So even though you are on a tight schedule in Siem Reap, I hope you will find time to visit other places and to get to know about our people and culture.

Last but not least, let me wish you a productive and successful discussion. I would like to take this opportunity to register our deep appreciation for your support and kind cooperation in participating in this course.

May I wish you all good luck and a pleasant stay in our ancient capital city of Siem Reap, Angkor.

Thank you!