

**6th World Islamic Economic Forum - “The Transformation of the International Financial System and the Role of the Islamic Financial System”,  
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**Keynote Address by**

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This is a time of extraordinary global economic challenge and uncertainty. The recent unprecedented global financial and economic crisis has resulted in tremendous damage across the world. The meltdown in the global financial system resulted in several setbacks including bank failures, a credit crunch, a collapse of asset markets, massive wealth destruction, a sharp decline in trade and financial flows and widespread unemployment in many parts of the world. To contain the effects of the financial crisis on the economy, extraordinary and exceptional measures were taken by policymakers around the world. With the global economy now on the road to recovery, attention has turned towards securing a more permanent solution in shaping the global economy of tomorrow that would avoid such crisis of such proportions in the future.

Significant steps are being taken by the international community to intensify efforts to reform and strengthen the international financial system. The aim is to build the foundations for a stronger and more inclusive global economy - built on the premise of sustainable growth and a greater shared prosperity. This global resolve is in fact, fundamentally in congruence with, and accentuates the role and relevance of Islamic finance on the global economic stage in this post-crisis era. Islamic finance, through its emphasis for the attainment of socio-economic goals based on the objectives of Shariah, provides the discipline that enhances the prospect of strengthening the global economy and overall financial stability.

The relatively better performance and the sustained momentum of the growth in Islamic finance during this period of global financial turmoil exemplifies its inherent strengths - its emphasis on a strong linkage to productive economic activity which predisposes the economy to financial deepening without the excesses,

its emphasis for accountability, disclosure and transparency and its inbuilt checks and balances, all of which underpin Islamic finance as a stable form of financial intermediation that strengthens its prospects as a contributor to economic growth and financial stability.

While the amount of funds managed in the Islamic financial system is still only a fraction of the total assets of the international financial system, it represents that portion of financial activities that is truly supported by underlying productive capacity that generates growth of economies across continents. It is this form of financial activities that we would want to encourage, as opposed to the financial flows that are destabilising and not contributing to generating real economic activity.

The efforts to reform the international financial system by the international community have aimed to address the broad range of flaws and weaknesses that has contributed to this recent crisis and to restore confidence in the integrity of the global financial system. At the core of this reform agenda is the development of a new financial regulatory framework that would be more effective and that is premised on a greater emphasis on ethics, fairness, and accountability and that promotes global economic, social and environmental sustainability. It also needs to be anchored on a balance of supporting growth while maintaining financial stability, and one that is founded on greater international coordination of regulatory approaches and supervisory oversight with a crisis management framework that will reduce systemic risk and the severity of any such future financial crises.

These reforms include measures to raise the quality and level of capital held by banking institutions, strengthening the liquidity risk requirements and management, implementing

forward-looking provisioning standards, and aligning compensation practices with long term performance. Further measures also include the improvement in transparency and strengthening of the supervisory frameworks and arrangements for dealing with cross-border oversight on financial groups that operate beyond domestic shores. This has also been reinforced by the strengthening of macro-prudential regulation. The crisis had demonstrated that the collective behaviours of banking institutions and other highly leveraged institutions had contributed to the material build-up of risks in the financial system which ultimately in turn undermined financial stability. It was also recognized that the existing regulatory framework was insufficient to address systemic risks. This has prompted a more integrated approach to the regulation with substantial strengthening of the macro-prudential elements of financial regulation.

A major concern on the calibration of the regulatory reforms is its unintended consequences that could materially impair the vital role of the financial sector in the economy. Of concern is that the cumulative impact of the new measures may affect the cost and availability of financing to the wider economy. There needs to be a balance between long run financial stability and its potential increased costs to financial intermediation. This balance needs to combine regulatory and supervisory systems that are more forward looking and responsive to risk; while having in place appropriate incentive structures for financial institutions to prudently manage risks and strengthen conditions for market discipline to take effect.

While the Islamic financial system has generally performed well during this global financial crisis, several valuable lessons can be drawn from this crisis in our efforts to strengthen further the Islamic financial infrastructure for a more resilient and stable financial system. In 2009, a Task Force on Islamic Finance and Global Financial Stability was formed by the IDB and the IFSB to undertake an assessment of Islamic finance during the global financial crisis and to identify the further building blocks that are necessary to further strengthen the foundations of the Islamic financial system. The report examines the conceptual elements inherent in Islamic finance and their effects on financial stability and considers eight further areas of development

in the Islamic financial architecture to enhance its ability to deal with a more challenging future operating environment. This Report completed in April this year aims to support the international efforts towards providing a strong foundation for financial stability in the global financial system.

The eight areas for strengthening the financial infrastructure of Islamic finance address the institutional capacity both at the national and international level with the aim of contributing to global financial stability. These building blocks which address the core foundations for the development of Islamic finance include, first, ensuring the effective implementation of the prudential standards; second, the development of systemic liquidity management infrastructure; third, the establishment of strong financial safety nets; fourth, putting in place an effective crisis management and resolution frameworks; fifth, strengthen further the accounting, auditing and disclosure standards; sixth, having an effective macro prudential surveillance in place; seventh, having credible credit rating institutions and processes; and finally eighth, enhancing close international cooperation and coordination among countries including in capacity building and talent development to support efforts at the national level to ensure financial stability.

Islamic finance does not exist in isolation and as it becomes an increasingly important component of the global financial system, it will inevitably be impacted by the changing global landscape of financial regulation. This is particularly important as its growth gains momentum both in terms of number of service providers and in terms of business volume and as the internationalisation process continues. The global call for improved regulation and increased oversight in an international financial environment that is fundamentally different will thus also require us to intensify the efforts that have already been undertaken to strengthen the financial regulation for Islamic finance.

The financial reforms in Islamic finance to support sustainable and responsible innovation, in particular, need to leverage on its inbuilt strengths that set Islamic finance apart in performing its role in the mobilisation and allocation of resources to generate real economic activities. In Islamic finance, innovation is key in pushing the frontier

of market development to generate the range of products and services, processes and functions. The key lies in preserving the benefits of innovative initiatives and activities whilst ensuring that they do not result in negative externalities. This comes in the forms of its strong paradigm in governance, disclosure and transparency, as well as the emphasis that innovations are anchored in the objectives of Shariah and thus are for the benefit of the people.

Importantly, Islamic finance has the disposition to facilitate financial deepening without financial excesses through the fundamental Shariah requirement for Islamic financial transactions to be supported by an underlying economic activity and for socially-responsible financial innovation. Moreover, the profit-sharing and risk-sharing characteristics of Islamic financial transactions strengthen the incentives for Islamic financial institutions to undertake the appropriate due diligence on the Islamic financial transactions to ensure that the profits are commensurate with the risks assumed. The Shariah board of Islamic financial institutions additionally serve as a rigorous process of endorsement of the experts, thus representing a vital institutional safeguard to ensure that the inherent strengths of Islamic finance are fully realised. This ensures that the products are offered with the intention to achieve real benefits for the investors. It would therefore reduce the tendency for extreme behaviour in the financial system.

More recently, the world attention had shifted from troubled banks to troubled countries with rising sovereign risks, leading to further rescue packages and increased anxieties over contagion to financial markets in other parts of the world. Whilst these challenges continue to be addressed by the developed economies, the emerging economies have emerged from this crisis with stronger growth performance. The Asian region in particular, has entered the crisis with solid economic fundamentals and more resilient financial systems and institutions. This has in turn substantially limited the consequences of the contagion. With the internationalisation of Islamic finance in this decade, it has further reinforced the trend of greater financial integration in emerging economies. This has reinforced the changing global pattern of financial and economic

integration as financial and economic linkages strengthened between the emerging economies.

In the more recent period, with the enhanced international dimension of Islamic finance, it has become an increasing form of intermediation that has facilitated economic linkages between emerging economies. In addition, it has also drawn the participation by the more established financial centers to forge stronger financial linkages with the dynamic growth regions of Asia and the Middle East. Indeed, this would contribute towards more efficient mobilisation of funds across regions, reinforcing the significance of Islamic finance as an increasingly important channel for a globally more inclusive economic development. In the aftermath of the crisis, Islamic finance will continue to spur new connectivity among nations as its role and relevance gains more significance, thereby contributing to a more balanced global growth.

## Conclusion

In conclusion, it is the very premise on which Islamic finance performs its intermediation function that strengthens its potential role and relevance in advancing the growth and development agenda towards preserving financial stability and towards strengthening economic and financial linkages between nations. By operating in accordance with the rules of Shariah, Islamic finance draws its strengths from its direct link to economic activity and its inherent requirement for prudent risk management and explicit disclosure and transparency thereby ensuring the viability of the activities in generating sufficient wealth to compensate for the risks involved. These inherent strengths will continue to be the catalysts driving its transition into a new era of growth and development in this post-crisis world.

As Islamic finance transitions to its next stage of development with greater international integration, the immense benefits that will be unleashed need to be accompanied by a higher level of resilience to be well positioned to manage the new challenges that the future will bring. Our collective efforts to mobilise a higher level of global cooperation in promoting this outcome will also enhance the prospects of Islamic finance to contribute towards securing global financial stability and a greater shared economic prosperity.

**Bank of Korea International Conference 2010:  
“The Changing Roles of Central Banks”  
Seoul, 31 May 2010**

**Keynote Address by**

**Tan Sri Dato’ Sri Dr. Zeti Akhtar Aziz**  
Governor, Bank Negara Malaysia

It is my great honour to be invited to speak at the “Bank of Korea International Conference 2010”, held this year in conjunction with the 60th anniversary of the Bank of Korea. Let me take this opportunity to congratulate the Bank of Korea on this special occasion. The Bank of Korea can take great pride in its achievements during these six decades. From its establishment in June of 1950, the Bank of Korea has devoted great efforts to provide a stable and conducive macroeconomic environment and to build an effective financial system that has facilitated the growth of the Korean economy and its long-term sustainability.

This recent decade has been the most challenging for policymakers, in particular, for Central Banks. In the late 1990s, the Asian region was confronted with a severe crisis, and about a decade later, the world was confronted with a financial crisis of unprecedented global proportions. While Asia was adversely affected by these crises, there was a rapid return to recovery, both during the Asian financial crisis and during this recent global financial crisis. For the Bank of Korea, the courageous policy responses to some of the very tough challenges presented during these episodes can be judged by the results that have been achieved. There is now a cause for optimism in the present circumstance. Korea is recognised as one of the economies that has been the fastest to recover from the crisis. The exceptional work by the Bank of Korea has been an important element in this unwavering resilience of the Korean economy.

As the nature of globalisation changes and as financial innovation intensifies, the world has become more complex and less predictable.

While the trend for greater trade orientation continues, changes in comparative advantage and shifts in the direction of global demand have transformed the trade patterns in the global economy. In addition, the financialisation of savings and the increased diversification of these funds into financial markets have increased the impact of these markets on the real economy as the performance of these markets experience booms and bust. The greater integration of financial markets across borders has also increased the potential for its effects to be rapidly transmitted from one financial system to another market in another part of the world. In this new environment, the greater interdependence arising from the stronger interlinkages between economies and financial systems have thus significantly raised the risk for contagion.

At the same time, new economic growth centres have emerged that are shaping the economic and financial landscape of the world economy. Emerging economies in Latin America, the Middle East and Asia have become important centres in the global economy. These trends have resulted in an increasingly multi-polar world in which the economic power is more dispersed in the global economy. In Asia, the growing significance of domestic demand, the enhanced quality of the workforce and the more developed and resilient financial systems have all contributed to this strong growth performance. While the strong global linkages continue to be an important element in this growth process, this decade has seen the tremendous expansion in intra-regional trade in Asia. Intra-regional trade has increased from 32% of total trade in 1995 to now exceed 50%. This trend has generated mutually reinforcing growth in the region.

While this trend has reduced the extent to which external demand and supply shocks affect the Asian region, the more recent phenomenon of greater international financial integration has left no country insulated from the contagion of external shocks and from financial crisis from other parts of the world. In this new environment of greater international financial integration, developments in one asset class in a market in a distant country can spread to other asset classes, markets and to other parts of the world. Financial exposure through third markets are also becoming the new norm as liquidation of assets frequently occur in well functioning and high performing markets to meet obligations in other markets that have experienced disruptions or meltdowns. This was evident in the post-Lehman period which saw massive outflows from the Asian region following the deleveraging by the financial sector in several of the advanced economies. The increased connectivity of the world means that systemic risk events will become more widespread and significant compared to previously.

These fundamental changes in the national and international financial environment have prompted the search for solutions that would reduce the prospect of such financial disasters from happening in the future. This search has involved the reassessment of the role that should be assigned to Central Banks. It is important to recognise however, that there is no unique blueprint for the design of the institutional arrangements for a Central Bank and that it needs to be relevant and suited to its own circumstances. Indeed, the roles of Central Banks have varied considerably and have ranged from having a narrow mandate of maintaining price stability to more broader mandates that have included maintaining financial stability, undertaking the supervisory and regulatory function of the financial sector, maintaining orderly financial markets, addressing financial imbalances, leading the financial resolution initiatives in the management of a crisis and finally, driving the development of the financial system. My remarks today will focus on the mandate and role of Central Banks from the perspective of emerging economies, and more specifically, in the context of Asia.

## National roles

This recent two decades, have witnessed radical reforms of Central Banks in several parts of the world, generating widespread debate on two specific trends that have emerged. The first relates to the shift in focus to the single mandate of price stability as being the core function of Central Banks. This has been frequently accompanied by the adoption of the inflation targeting framework. The second relates to the establishment of a separate entity to undertake the supervisory function of banks, although more than half of the Central Banks around the world still have the responsibility of the supervisory function. In the aftermath of the recent global financial crisis, the search for the appropriate framework for monetary stability and for the optimal institutional structure for financial sector regulation and supervision continues, perhaps now with greater earnest.

Prior to the recent financial crisis, the predominant view was that Central Banks should pursue “one tool and one target” policy strategy. Based on this view, the best role for the Central Bank in pursuing macroeconomic stability and prosperity was to ensure that inflation remains low. This recent crisis has changed this perception. Maintaining price stability and financial stability is a means to an end. The ultimate goal is surely to achieve sustainable economic growth and prosperity. Maintaining orderly financial markets has also now become an important role for Central Banks given the implications it has on the functioning and performance of the real economy.

For the emerging economies in Asia, ensuring orderly financial markets has always been an important role for the Central Banks in the region. Given the stage of development of the financial markets and its relative size in the international financial system, disorderly conditions that do not self equilibrate generally threaten to undermine the performance of the real economy. This was evident during the Asian financial crisis in 1997 and 1998. Ten years hence, several financial reforms and initiatives have been implemented by the

region. These reforms include deregulation and instilling greater market orientation, the development of the domestic financial infrastructure and the supporting legislation, increasing the range of instruments at the disposal of the Central Bank and strengthening the surveillance capabilities of the Central Bank.

These developments have yielded tremendous payoffs to the Asian region. The strengthened resilience that has been achieved has enabled most financial markets in Asia to absorb the destabilising implications of the recent global financial market turmoil. Most importantly, there was no disruption to our financial intermediation process. This has not only allowed the markets to facilitate the transmission of policy but it has also supported the recovery of private sector economic activity.

Equally important has been the role of the Central Bank in addressing the build up of financial imbalances which would not only have an impact on financial stability, but also on macroeconomic stability. While interest rates have been an important tool to address the build up of such financial imbalances, most Central Banks in Asia have placed greater reliance on macroprudential measures. Prudential measures applied since the 1990s have been successful in containing the build up of such financial imbalances, thus reducing the risk to financial stability.

The world going forward is likely to continue to be affected by financial crisis. History has shown that there have been more than a hundred distinct banking crises in these two recent decades. The prospect of surviving such a crisis is not only about building resilience but also having the capacity to manage it. The institutional arrangements for financial stability continue to be a key area of debate. The main issues have tended to centre on the role of the central bank in financial stability, and whether there should be a single or multiple supervisory authorities. Given that the central bank is the lender-of-last-resort, the central bank is invariably in the frontline of the actions to restore stability. While there is no general agreement on the

optimal structure for the supervision function, it is recognised that financial systems have become increasingly complex and interconnected. Whether a country adopts an integrated model or a model that is organized along sectoral lines, effective coordination is critical to effectively safeguard financial stability.

As the entity responsible for monetary policy, the Central Bank undertakes surveillance on macroeconomic conditions and in undertaking open money market operations and the management of international reserves, the Central Bank has direct contact with the financial markets. The Central Bank is thus able to gain valuable insights that contribute towards a more informed financial supervision, including in the design and implementation of macroprudential policy measures. The Central Bank is also best positioned to evaluate the tradeoffs should conflicting objectives arise. In such situations, a fragmented institutional arrangement frequently results in delays and compromises in policy responses. In addition, there would also be a lack of clarity of the accountability for the decisions.

Finally, the Central Bank also performs a critical role in crisis containment and management, in particular, to provide liquidity, to prevent disruptions to the functioning of the financial system and to restore stability and confidence to the financial system. To avoid a piecemeal approach by any individual agency in the system and to ensure a comprehensive response to the financial crisis, the institutional arrangements for greater coordination across agencies is essential to allow for prompt action that may include a range of measures such as capital injections, debt guarantees and asset purchases in the effort to contain and manage the crisis.

### Regional roles

At the regional level, the role of the Central Banks in East Asia has in this decade, transitioned to a new level of collaboration and cooperation. Following the Asian financial crisis, efforts have focused on five main areas, namely, to enhance the effectiveness of regional economic and financial surveillance,

to improve the arrangements for regional crisis management that is reinforced by regional support mechanisms, to develop the regional financial infrastructure including the bond market and the payments and settlement system, to strengthen regional financial stability, and finally, to pursue capacity building collaboratively, so as to enhance the effectiveness of the Central Banks in the region.

The priority for Asia going forward is to accelerate regional financial integration. To ensure this takes place in an environment of regional stability, strengthening cooperation is also aimed at managing the risks and vulnerabilities of the region. In 2006, the East Asian Central Banks have established a monetary and financial stability committee as a forum to discuss the risks to regional macroeconomic and financial stability. In addition, the ASEAN+3, a subset of this group, has already taken concrete steps to multilateralise the Chiang Mai Initiative into a more advanced and robust framework for the effective pooling and utilisation of liquidity support in the region. While the Asian region is highly diverse, in these key areas of cooperation and collaboration, the Asian region has demonstrated its cohesiveness in coming together to deal with the challenges that the new environment presents to us.

## Conclusion

Let me now conclude. The world has changed and will continue to change. To remain effective in the new environment and to have the capacity to respond to the new challenges, Central Banks also need to undertake its own transformation and modernisation. Moreover, in preserving the independence of the Central Bank and to be able to stand our ground in performing our responsibilities, Central Banks need to be standing on solid ground. This requires continuous capability enhancement and capacity building so as to be well positioned to have the ability to rise to the challenges of the new environment. This may involve significant changes to the governance arrangements, the empowering legislation, the skills required, the role of communications, the human capital management and development and the organisational culture. Indeed, capacity building is a further robust area of collaboration in the Asian region.

Going forward, Asia's participation in the global economic and financial system is set to increase exponentially. As the countries of the region connect with each other and the rest of the world, there is every reason to hope for a better future of sustained stability and enhanced growth prospects for the benefit of the regional and world economy.

**Official Monetary and Financial Institutions Forum (OMFIF) -  
“Vision of Asia Award Acceptance Speech”  
London, 30 June 2010**

by

**Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz**  
Governor, Bank Negara Malaysia

It is my great honour to be here today to receive this Vision of Asia Award from the Official Monetary and Financial Institutions Forum (OMFIF). I would like to thank Lord Desai, for his generous introduction and the advisory board of OMFIF for this recognition. As a policy maker from an emerging economy in Asia - for almost three decades - it has been both exhilarating and most rewarding. While being challenged to the limit, in particular, during the Asian financial crisis, the Asian economies have now emerged stronger and more resilient.

This decade has seen a dramatic change in the nature of the globalisation process. As this process intensifies, Asian economies have demonstrated their flexibility to adjust and respond to the opportunities and challenges that have emerged. The initial wave of globalisation was in the form of trade. This was followed by the globalisation of corporations and more recently by the globalisation of financial flows. The recent global financial and economic crisis has called for the globalisation of policy given the limits for policy at the national level and the need to address cross border developments that have implications on the domestic financial system and hence the domestic economy.

The global economy and the international financial system have entered a new era. A fundamental transformation of the global landscape is taking place. Arising from the growing disparity in growth performance between the developed and emerging world, increasingly the economic power in the global economy is becoming more dispersed. The Organisation for Economic Cooperation and Development (OECD) estimates the emerging economies' share of global economic output will exceed that of the developed world by 2011. By 2030, the emerging economies are expected to account for 60% of total world output.

The benefits of globalisation are thus becoming more balanced. In 2000, the emerging economies accounted for 80% of the world population but only generated 40% of global income. By 2030, it is estimated that 85% of the world population from the emerging economies will generate 60% of the income. This is reinforced by increased trade between emerging economies. While world trade has quadrupled between 1990 to 2008, trade flows between emerging economies increased ten-fold.

Asia is very much part of this global shift that is taking place. Following a decade of significant economic and financial transformation, Asia has emerged as a major growth centre in the global economy. Asia now accounts for one third of world output and 28% of world trade. This progress and development has created employment and improved living conditions, lifting millions out of poverty. While Asia is one of the most diverse regions in the global economy, it has been able to take advantage of the complementarities in the region to generate significant expansion in intra-regional trade, intra-regional investment activities and increased intra-regional financial flows.

### **Vision of Asia**

This award speaks to the growing importance of Asia within the world economy. Allow me to touch on three major trends in Asia that are likely to influence Asia's role in the world as we advance into the future. First, the role of the growing cumulative domestic demand in Asia for the regional and global output. Second, the role of Asia in the more efficient intermediation of funds mobilised in Asia arising from the more pronounced regional financial integration. Third, is the policy strategies being adopted by the region to address challenges and the model for the management for international relations.

The economic transformation of Asia in this decade has resulted in Asia becoming an important source of cumulative demand in the global economy. Rising incomes, low unemployment, a young demographic structure that has higher propensity to consume, relatively low level of household debt and policies to encourage consumption have spurred consumption demand. Other measures being initiated include putting in place social safety nets in the form of schemes and programmes for education, healthcare, retirement and unemployment benefits. This has not only resulted in significant expansion of the retail trade sector in the region but Asia is increasingly becoming an important consumer in the global economy.

Private investment activity has also resumed following a period of excess capacity due to overinvestment prior to the Asian financial crisis. There are also plans for massive investment in infrastructure development in the region. While Asia has the internal capacity from its high savings to finance these investments, the resulting higher import demand that these investments will generate will contribute to the further unwinding of the global imbalances. This stronger domestic consumption and investment demand in Asia is also being supported by the strengthened and more developed financial systems. The relatively low level of leverage of the corporate sector and the continued access to financing support this trend.

While regional economic integration has always been part of the Asian economic landscape, regional financial integration has been a more recent phenomenon. While regional financial integration will facilitate the already strong trade and investment linkages in the region, a more important aspect of financial integration for Asia is that it will facilitate a more efficient intermediation of funds within Asia. Asia's more developed financial markets and continued initiatives to liberalise the financial sector will also strengthen inter-linkages with both the traditional financial markets and with new financial centres in other emerging economies. Going forward, products from Asian financial markets can be expected to increasingly assume greater importance as an asset class. It will thus increase the

potential for the diversification of risks and contribute towards stability of the international financial system. It will also expand the options for investors and borrowers and thus, contribute to more efficient allocation of financial resources across borders. In addition, the development of the capital markets in the Asia region will have the important role in channelling part of the sizable savings of Asia back into productive investments in the region. With greater liberalisation of the financial sector and the capital account, and the increased linkages of the national payments systems in Asia, and the greater presence of regional institutions in the individual domestic financial systems, the trend for increased financial flow within the region will continue. Given Asia's favourable economic prospects and more developed financial market, Asia is already attracting volatile capital flows.

The route that Asia is taking to forge greater financial integration will however be different from that of Europe. Unlike in the European Union, Asia has not ventured to have centralised institutions to coordinate financial integration. Rather, it has leveraged on existing regional groupings and existing networks to forge greater collaboration in areas of common interest. Secondly, a common currency is not on Asia's medium term agenda. To minimise exchange rate risks and facilitate intra-regional trade and investment, countries have ventured into arrangements to use domestic currencies for trade settlements.

Let me touch on policy and strategies adopted in Asia. Asia has tended to not adhere to rigid ideologies but rather focus on institutional building and financial market development, strengthening of the payment systems and the regulatory and supervisory framework. Indeed, many of the reforms that are now being widely debated to address the weaknesses observed in the global financial system during this crisis have already been implemented in Asia. This includes the adoption of sound liquidity frameworks, substantially strengthened governance and risk management practices, comprehensive financial safety nets, and the implementation of counter-cyclical measures such as loan-to-value ratios. While a decade of financial reforms have paid off, increased

regional efforts on surveillance, crisis management, liquidity support arrangement, and financial supervision and development of regional financial markets continue to be the focus of attention going forward.

## Conclusion

Let me conclude my remarks. The global economy is experiencing a significant and fundamental shift. Asia is very much at the centre of this shift. As Asia becomes an increasing source of demand and as a more

financially integrated Asia becomes more interlinked with the rest of the world and as Asia further strengthens its resilience, the stage is set for Asia to assume a more prominent role in the global economy.

In the endeavour to achieve the shared goals of balanced global growth and the common interest of global financial stability, Asia holds the potential and the promise of a platform for meaningful collaborations towards attaining sustainable global solutions and progress in this more inter-connected world.