

Closing remarks

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Honourable Governors,

Colleagues and

Distinguished guests,

Let me begin by extending my congratulations to the BIS Asian Office for successfully completing this three-year Research Programme, and our appreciation and gratitude to the People's Bank of China for hosting this conference.

This research programme has provided the opportunity for us to reflect on the challenging issues confronting the central banks in the region in the areas of monetary policy, financial stability and the development of financial markets. The high-quality papers presented during these one and a half days have certainly helped to deepen our thinking on these issues. I would like to put on record our gratitude to the BIS for the resources that were committed to support this research programme. The participation of the significant number of governors and deputy governors in this conference demonstrates both the interest and the value of the work that has been done under this research programme. The commitment of the BIS to provide further resources for research will provide continuity to this programme. I believe the value of the research programme strongly justifies the support for future programmes.

Ladies and Gentlemen,

It is very likely that the world following this crisis will be fundamentally different. For the central banks, the crisis has prompted a re-examination of the existing approach and frameworks in preserving monetary and financial stability. The issues that have emerged are of great interest to Asia as we develop and reform our financial systems, particularly as we become more deregulated and liberalised and are therefore subject to greater exposure to external developments.

With the increased prospects that Asia will very likely lead the recovery in the global economy, expectations are that the unwinding of monetary policy vis-à-vis the rest of the world could present challenges in managing strong capital inflows, which would have implications for asset prices and exchange rates. This could in turn undermine stability and the process of real economic recovery. Exit strategies, once conditions improve and economic recovery is firmly established, will need to be carefully managed.

A further challenge discussed during this conference is the design of the policy framework for maintaining monetary and financial stability. Related to this is the reassessment of the scope of responsibilities of central banks and whether monetary policy should solely focus on achieving price stability with the attendant benign neglect of other factors that might affect overall macroeconomic stability. As extensively discussed yesterday, there is a strong case for central banks to lean against the wind and focus attention on credit growth and asset prices. There is thus a need to rely on a more optimal policy framework of monetary policy and macroprudential measures.

Many insightful comments were shared yesterday on the development of the financial markets and overall financial system, ranging from the issue of greater openness and

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financial liberalisation, to the crucial need to ensure greater financial inclusion. Today we have looked at the financial stability issue. Of great value in the discussions was the examination of these issues in the context of the Asian financial system.

Ladies and gentlemen,

The BIS Asian Research Programme has been successful in its intended objectives – providing quality research insights on the many important issues confronting central banks and supervisory authorities. While this wrap-up conference marks the conclusion of this three-year research programme, I am certain that this programme of applied research will continue to contribute much to the intellectual foundation for central banks in the region as we strive to overcome the many challenges in years to come.

Thank you.