Press release

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Thirteenth Asia-Pacific High Level Meeting on Banking Supervision, Singapore, 28 February to 1 March 2018

The Financial Stability Institute (FSI), together with the Basel Committee on Banking Supervision (BCBS) and the Executives’ Meeting of East Asia-Pacific Central Banks Working Group on Banking Supervision (EMEAP WGBS), has held its 13th Asia-Pacific High Level Meeting. The meeting was hosted by the Monetary Authority of Singapore (MAS) and attended by representatives of various central banks, supervisory authorities and financial institutions in the Asia-Pacific region as well as senior officials from around the world.

In his keynote address, Mr Agustín Carstens, General Manager of the Bank for International Settlements, emphasised that effective supervision remains a critical complement to the post-crisis regulatory reforms. He stressed that supervisors should remain vigilant to contain traditional risks such as asset quality, while being mindful of emerging risks, such as the delivery of financial services using new technologies. In particular, he highlighted the need for supervisors to use forward-looking supervisory tools to identify and address problems at an early stage.

The Deputy Managing Director of MAS, Mr Ong Chong Tee, underscored the need for supervisors to apply consistency and rigour in the supervisory process, as rules and standards cannot replace supervisory judgment. His call for effective supervision set the context for the subsequent panel discussions on the application of proportionality in banking regulation and supervision, and the challenges related to early supervisory intervention and pre-emptive risk management at banks.

Mr Piyush Gupta, the CEO of DBS bank, delivered the second keynote address and highlighted his bank’s journey to become a digitised bank, including the potential challenges brought about by the increased digitisation of finance. The implications of fintech were also discussed in a panel session from the perspective of financial stability, the role of prudential authorities and bank business models.

The Deputy Governor of Bangko Sentral ng Pilipinas and Chair of the EMEAP WGBS, Ms Chuchi Fonacier, noted that banks require the flexibility to design financial products that are appropriate to their target markets, as well as innovate and leverage on existing technological solutions that can enhance customer experience or improve operational efficiency. However, she emphasised the need for supervisors to remain confident in the continuing safety and soundness of banking operations.
The meeting also covered issues such as the role of proportionality in the application of Basel III; the regulatory treatment of sovereign exposures; and the challenges related to the shift to expected loss provisioning, including the timely identification and measurement of non-performing assets (NPAs).

In his concluding remarks, FSI Chairman Mr Fernando Restoy stressed that, with the post-crisis regulatory reforms reaching completion, national authorities must now focus on robust implementation and effective supervision. In particular, he noted that, in order to extend the application of Basel III to a wider array of banks, a sensible application of the principle of proportionality may be necessary. Beyond Basel III, he underscored how important it is that authorities adopt sound practices for the timely identification and measurement of NPAs while continuing to monitor the implications of technological developments for the functioning of the financial system.

Overall, the discussions offered insights into the diversity of banking systems and supervisory regimes in Asia-Pacific. These nuances are important in informing the direction of policymaking and the crafting of supervisory approaches.

The event was co-chaired by Ms Chuchi Fonacier, Mr William Coen, Secretary General of the BCBS and Mr Fernando Restoy. In addition to representatives of 18 financial institutions and the International Accounting Standards Board, the central banks and supervisory authorities of the following countries attended the meeting: Australia, Bangladesh, Canada, China (including Hong Kong SAR), Germany, India, Indonesia, Japan, Korea, Malaysia, Nepal, New Zealand, Pakistan, the Philippines, Singapore and Thailand.

Note to editors

The FSI was jointly created in 1998 by the BIS and the Basel Committee on Banking Supervision. The FSI’s main objectives are to: (i) promote sound supervisory standards and practices globally and support full implementation of these standards in all countries; (ii) keep supervisors updated with the latest information on market products, practices and techniques; (iii) provide a venue for policy discussion and sharing of supervisory practices and experiences; and (iv) promote cross-sectoral and cross-border supervisory contacts and cooperation.

These objectives are achieved through the production of FSI Insights on policy implementation and other publications, meetings and conferences with senior officials and FSI Connect, the BIS’s web-based learning tool for financial sector supervisors. For more about the FSI, visit www.bis.org/fsi.