Welcoming remarks

Jaime Caruana[1]

It is my pleasure to join Governor Shirakawa in welcoming you all to this seminar. Let me also thank the Governor for agreeing to co-host the event with the BIS here in Yokohama, one of Japan's most vibrant cities. Over the next day and a half, we are assembled here to share our views about how to develop capital markets in Asia and the Pacific.

This is now our seventh high-level seminar on financial markets. The first such seminar took place in November 2005 in Kunming, China. Since then, the event has become one of the flagship seminars organised by the BIS Asian Office.

The theme of the Kunming seminar was "Developing corporate bond markets in Asia". After the Asian financial crisis in 1997–98, the region's central banks launched various initiatives to develop local currency bond markets with the twin aims of mitigating the impact of capital flow reversals and reducing foreign currency mismatches. Thus, the 2005 seminar was held to share regional experience in developing local currency corporate bond markets.

On this occasion, with the theme of "The development of regional capital markets", we revisit the issue of bond market development. During the recent international financial crisis, global credit markets imposed extraordinarily wide spreads on Asian names despite their negligible exposures to subprime debt. Many domestic banking systems ceased to lend as banks became liquidity-constrained. But this spurred local currency bond issuance. It appears that local corporate bond markets can indeed at times play a "spare tyre" role as an alternative source of financing.

Earlier this month, the G20 leaders met in Cannes, France, and endorsed "the G20 Action Plan to support the development of local currency bond markets". Under this initiative, various international organisations will coordinate efforts to provide technical assistance and improve databases on local currency bond markets. The BIS has played an active role in both areas, and will continue to do so in the future – for example, by supporting the activities of the CGFS and EMEAP.

Asia-Pacific bond markets have weathered the recent crisis well, and indeed continued to grow rapidly through the crisis. This year, the region's equity markets have experienced swings similar to those of US and European markets in the face of the European debt crisis in spite of very different fundamentals. In contrast, Asia-Pacific local currency bond markets have seen more stability in fund flows. In the long term, Asia-Pacific bonds could become an established asset class in global investors' portfolios. We may wish to discuss how to expedite this process.

I think all this makes for a very interesting seminar over the next day and a half. I look forward to your discussions.

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