

Anselmo L S Teng: Establishing a platform for financial cooperation and promotion of economic and commercial interaction

Speech by Mr Anselmo L S Teng, Chairman of the Monetary Authority of Macao, at the Conference of Central Banks and Regulatory Authorities of Portuguese Speaking Territories, Macao, 6 April 2009.

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Dear Delegates, Distinguished Guests, Ladies and Gentlemen,

Good Morning!

Allow me to propose a vote of thanks, on behalf of the Board of Director of the Monetary Authority of Macao (AMCM), to our counterparts who attend this conference today. At the same time, I would like to extend our warm welcome to all distinguished guests, friends of the financial industry. I would also express my gratitude to the Commercial Attachés of our country's embassies in Lusophone countries.

In the wake of the New Year, the financial tsunami which erupted in September last year still lingered in the international financial markets. Intermittently, worrisome news gave rise to uneasiness and undermined confidence. The government and market participants of markets where the financial crisis erupted endeavoured to carry out measures to salvage and impart confidence. However, this financial impact, which devastated the globe, has already inflicted deep and extensive negative damages to the financial system. It has brought great and long term negative effect to the overall economy.

As financial regulators, we realize that the eruption of financial tsunami has posed a few soul-searching issues. However, in the face of an issue of such generality, it may not be the most effective and correct solution if we rely on one's own adjustment and conclusion. We believe that if we want to adopt effective measures with a view to stabilizing the financial system and rebuilding confidence of consumers, we need to seek international participation and cooperation, including enhancing communication and cooperation between financial regulators.

Promoting international financial regulatory cooperation mechanism is pivotal when the world economy is at its development stage. And it will become a measure which carries special connotation when there is fluctuation and mutation in the world financial system. We in fact have one common objective; protecting the lawful rights of consumers, maintaining the stability and security of financial system, facilitating orderly development of the overall economy. When the operation of the market calls for appropriate fine tuning, when its business requires more effective supervision, when its structure requires reasonable consolidation, it will be the responsibility of the regulators to implement appropriate policies and measures which will be commensurate with the expectation of the community.

On 25 September 2006, an "Economic and Trade Cooperation Plan" was passed in a ministerial level meeting of the Economic and Commercial Cooperation Forum of China and Portuguese Speaking Countries held in Macao. The delegates were ministers responsible for economic and commercial affairs of 7 Portuguese speaking countries and China.

The ministers reviewed the development since the inception of the Forum. They actively appraised the economic and commercial results achieved under the framework of the action plan. At the same time new economic and commercial activities beneficial to implementation of new development within the realm of cooperation were incorporated in the newly formulated action plan. The delegates agreed to promote the endeavour of financial institutions of the member states with a view to locating source of fund for items of common interest within the framework. The feasibility of establishing a financial cooperation mechanism under the Forum was mullied.

Financial cooperation and economic and commercial communication between China and Portuguese speaking countries has a long cordial relationship, which is of much importance in the co-coordinated development. Based on existing foundation, we can expect a sustainable relationship in cooperation. At this particular juncture, when global economy is sinking into recession or stagnation, the impetus to jump start economy appears the more precious. China and Brazil are renowned to be members of the BRIC. They have delegates present in this conference. Together with representatives of other Portuguese speaking countries which have tremendous economic development potential, the delegates will exchange candid dialogues with a view to enhancing financial cooperation to promote economic and commercial flow. We believe, we can reinforce our cooperation through all these beneficial and constructive communications.

Taking into account its constraint of natural resources and its geographical location, the MSAR has been assiduously developing tertiary industry, particularly tourism and services industry. Simultaneously, the Government has put forward a policy measure to build up Macao to become a regional service platform, which includes the function of service platform for economic and commercial cooperation between China and Portuguese speaking countries. In fulfilling its duties, AMCM proactively encourages the financial sector to explore the market, make acquaintance with counterparts, seek commercial opportunity and strive to score a reasonable return on capital. Therefore it has organized many times representatives of the financial sector for overseas visits, which cover markets with development potential. The visits have enabled the delegates to understand the development of financial markets overseas, befriend with merchants and counterparts, establish cordial linkage. I think many delegates here have had the experience of receiving your Macao counterparts. I am sure such mutual visits and communications have forged a long lasting memory in our minds.

Thanks to the candid introduction by various central banks and regulatory authorities, the auspices of the diplomats of our country and the active participation of representatives of our financial institutions, the overseas visits organized by AMCM have achieved the desired results. The visits have brought recognition of the fine results of our financial sector and laid a solid foundation for exploring overseas markets, business liaison and cooperation. From the regulator's point of view, the visits have enhanced the effectiveness and quality of supervision, strengthened mutual working relationship via the signing of memoranda of understanding with regulatory authorities of Portuguese speaking countries. In a way, these visits have facilitated the internationalization of the financial supervision of the MSAR.

I take this opportunity to introduce to you ladies and gentlemen how AMCM encourages the local financial sector to strengthen their overseas networking. I hope you can share my view in this respect. A regulator should be true to its job by assiduously fulfilling its supervisory duties. At the same time, it should think beyond this by considering the needs and position of market operators. More importantly, when the market is battered or disturbed by unstable factors, the regulator should exert more efforts to safeguard market stability and lawful rights of consumers, manage and dispel the adverse effects by identifying and eliminating the source of the problem in a timely manner, support the restructuring of a healthy market environment. To put it in a nutshell, a regulator should fine tune its policy and maintain order in the market in a positive and active manner to ensure the normal operation of the market and systemic security.

In view of above, AMCM has been adopting a proactive manner in response to China's proposal in the Forum's ministerial meeting to establish a mechanism for closer financial cooperation, which will no doubt realize the objective of improving the standard of living of people in the areas involved through more aggressive economic and commercial activities. The objectives raised by the Forum carry special meaning, they are viable and feasible. As pointed out by Mr. Francis Tam, Secretary for Economy and Finance, the economic and commercial cooperation between China and Lusophone countries is complementary and necessary. Enhanced cooperation will be of mutual benefit through maximization of utility in

deploying resources, which will increase productivity and is conducive to raising quality of life of people in the area involved.

As a matter of fact, the headquarters of Portuguese capital banks operating in the MSAR have long connections with Portuguese speaking countries. They have been utilizing such historical and social connections to build up business network in these developing countries. They arrange financing facilities for local governments and enterprises of all sizes in addition to syndicated loan arrangements. As a result, they are already quite versatile in this respect. On the other hand, a Chinese capital bank operating in Macao has in the past years been actively exploring financial business in certain Portuguese speaking countries in Africa and has been quite successful in building up concrete business cooperation through local Portuguese counterparts. Although these are all at rudimentary stage, it carries very important connotation. We should be more affirmative in this respect and hope that more local financial institutions will follow suit. Greater achievements are contemplated.

The financial institutions operating in the MSAR should make use of such an opportunity to extend business network to these Portuguese speaking countries in an orderly manner. Simultaneously, market participants should adopt a modern business mentality and take positive action to understand and get familiar with the markets of Portuguese speaking countries. We are glad to see more different forms of cooperation, such as establishing exchange of market information with the local financial institutions operating in the private sector of Portuguese speaking countries, or organizing more syndicated financing facilities, or even forming a partnership via crossholding of equity. Starting from cooperation between governments, we can extend practical cooperation to privately run financial institutions which will no doubt create a locomotive effect in establishing a holistic and multi-level cooperation network.

Today, we are facing the threat of economic recession arising from systemic risks in certain credit markets. One thing for sure, countries involved in the process of globalization must have felt the pinch. However, we should never put the blame on economic globalization, which lies in the course of history and is an issue which carries positive connotation. Therefore, strengthening regional cooperation via different methodologies, enhancing cross-border cooperation, reinforcing cooperation between countries which use the same language are conducive to the facilitation of economic globalization. As long as we endeavour, we can achieve, via a synchronized cooperation mechanism, the most efficient allocation of resource so that the target of improving the living standard of the general public can be realized.

Coming back to the main theme of this conference, our target is to promote financial, economic and commercial interaction through the establishment of a platform for financial services. It goes without saying that the financial sector will much benefit in taking part in this function. The ultimate goal however is to improve the well being of the general public through economic and commercial interaction. In my visits to many Portuguese speaking countries, I have had the chance to converse with officials of their regulatory authorities. Some Lusophone countries in Africa have experienced unstable political scenarios for quite some time. They are however endowed with the essential factors for development. The domestic officials are eager to improve the well being of their people. The responsible persons of the financial regulatory authorities are especially displaying such fervour. They realize their burdens and missions. I have been highly impressed by their ardent attitude in learning from the experience of other organizations.

In the new millennium, all nations have been making use of the relatively stable political environment to formulate economic development policies. The end results may be different due to their indigenous conditions. However, we have witnessed that many people have been lifted from the abyss of poverty, while some have become quite well off. In the process, the financial industry has been wholeheartedly providing support and deployment to nurture stable economic development. The objective of improving economic situation is to satisfy the demand of the general public. Financial development serves the economy, while economic

development satisfies the demand of the general public. The establishment of a platform for the financial development contemplated by the MSAR Government is meant to jump start the local economy, promote appropriate industrial diversification to ensure sustainable development of the economy. Through the structuring of a financial services platform, economy and trade can progress steadily which will create a stable, secure and healthy market economy. Our delegates come from public and financial sectors of Portuguese speaking countries in 4 continents. We may not share the same background historically and socially, but we share the same language system and we adopt similar legal system. We can share our experience in the course of our different developments. We communicate, attempt to converge our views but retain our inclusiveness with a view to realizing closer cooperation. Our conference today denotes that we basically share the idea of a common topic, around which we positively and proactively offer our opinions and proposals. We have taken a major step forward by offering a candid attitude to promote and realize a common objective.

Before I conclude, please allow me again to propose a vote of thanks to guests and delegates who have come a long way from home to attend this conference hosted by AMCM. Simultaneously, I would like to express our warmest gratitude to the delegates for their candid and frank opinions. On the other hand, there may be deficiencies in organizing this event due to various constraints. In this respect, your opinions and tolerance are most appreciated. I would like to take this opportunity to wish you good health and a pleasant stay in Macao. More importantly, I hope Macao will impart to you a fine and long lasting memory.

Thank you!