

Yuba Raj Khatiwada: Emerging global financial issues of common interest

Welcome remarks by Dr Yuba Raj Khatiwada, Governor of the Central Bank of Nepal, at the 49th SEACEN Governors' Conference/High-Level Seminar and 33rd Meeting of the SEACEN Board of Governors, Kathmandu, 21 November 2013.

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Chief Guest Rt. Honorable President of Federal Democratic Republic of Nepal, Dr. Ram Baran Yadav

Honorable Minister of Finance, Mr. Shanker Prasad Koirala

***Chair of SEACEN Board of Governors and Governor of the Bank of Mongolia
Mr. Naidansuren Zoljargal***

Fellow SEACEN Governors, Distinguished Keynote Speakers, Delegates, Ladies and Gentlemen

1. It gives me a great pleasure to welcome all of you to this 49th SEACEN Governors' Conference/High-Level Seminar and 33rd Meeting of the SEACEN Board of Governors being held in Kathmandu. I am thankful to the SEACEN Governors for trusting us to host this important event after 26 years. We last had the opportunity to host this important event in 1987 while I was myself a junior officer at the Nepal Rastra Bank. We are immensely delighted and feel highly honored to have the opportunity to host this important event and are overwhelmed by the gracious presence of Rt. Honorable President of Nepal, Honorable Minister of Finance, fellow Governors and other dignitaries.

Ladies and Gentlemen

2. Let me take this opportunity to congratulate fellow Governors and collaborators on the occasion of 30th anniversary of the SEACEN Centre whereby our collective efforts along with other non-member contribution have taken the Centre to a greater height of recognition and pride. This is evident from the increased members including Asia's largest and emerging economies, growing attraction for more membership, and increased capacity of the Centre in research and training. The Centre has also created a platform and an opportunity for all of us to discuss the emerging global financial issues of our common interest. I do expect continued support of my fellow Governors of the SEACEN Board and our collaborators in furthering the SEACEN Centre to the stage of great height and recognition.

Ladies and Gentlemen,

3. In changing economic landscape, central banks are growingly entering in their non-conventional roles; and we have been seeing a paradigm shift in our roles and responsibilities. The advent of recent global financial crisis has not only exposed more complex and intricate macro-financial linkages in the transmission mechanism of the monetary policy, this has also shifted our attention towards that of the financial stability and economic growth. Growing global financial integration, financial innovation and evolution of new financial products and massive use of electronic technology in financial services have made our job even more challenging.

4. Emerging Asian market economies are now characterized by rapid financial globalization and integration which has contributed to increased volatility of capital flows and rapid transmission of financial crises. Deepening and broadening of the financial sector has created more financial risks and vulnerabilities in the financial system of our economies. The presence of informal markets and shadow banking which often leads to a weaker transmission of the monetary policy has made the central banks' role more challenging. Increasing new financial products triggered by sophisticated information technology, massive

cross-border capital flows resulting to volatility in exchange rates and uncertainty of the spillover effect in the domestic economy are added challenges for we central bankers towards making our financial system more stable, inclusive, and economic growth friendly.

5. These challenges call upon the central bank authorities to recast monetary policy objectives and instrument, to strengthen regulation and supervision and exercise macro-prudential measures as a complement to monetary policy. Priority has to be accorded in identifying all the sources of risk and imbalance that can have systemic implications for the economy's growth and stability. Our monetary policy also needs to address how financial resources are better allocated to promote growth and jobs along with ensuring macro-economic stability. Furthermore, there is a need to effectively integrate or coordinate monetary, regulatory and supervisory functions into coherent frameworks for the maintenance of financial stability and promotion of inclusive economic growth.

6. This 49th Governors' Conference and High Level Seminar aims to discuss some of these pertinent issues. What we have learnt is that financial system can have robust growth and can be stable only in an environment of real economy growing in a sustainable manner. Thus a strategy to promote economic growth must be an integral part of the financial sector development strategy. Deliberations and discussions on these important subjects have drawn the interest of the global leaders including the central bankers and international financial institutions, particularly after the recent financial crisis. We will have the opportunity to hear thoughts and views on these relevant topics from the distinguished speakers from renowned institutions. I hope that it will be very much rewarding to all of us.

7. For many of you, this may be the first time in Nepal or you may be visiting Nepal after an interval. I hope that your stay in Nepal will be refreshing and memorable one. You will have an opportunity to explore more about our rich culture, nature and the friendly people during your stay and during the social events that would take place following the meetings.

8. Let me close my remarks by once again welcoming Rt. Honorable President, Honorable Finance Minister, fellow Governors and distinguished delegates to this 49th Governors' Conference/High Level Seminar and the Meeting of Board of Governors in Nepal. I look forward to a rewarding discourse and exchange of views and experiences among fellow Governors which will help better deliver our central banking roles and responsibilities.

Thank You