



THE ASIAN BANKER SUMMIT 2009

The Foremost Event on Transformational Issues in the Financial Services Industry

Crisis Responses in the Age of Black Swans

Singapore Observations

May 11, 2009

Agenda

- Current state of risk management practice
- Regulatory Initiatives
- Stress Testing and Scenario Analysis Practices
- Challenges

Current State of Risk Management Practice

- Silo approach in the management of different risk classes
- Practice largely driven by supervisory expectations e.g. Basel II
- Subtle differences in portfolio compositions
- Need to strengthen strategic role of risk management

Regulatory Initiatives

- Revised reserve requirements framework
- Expanded deposit insurance/guarantee
- Increased frequency of industry stress testing
- Active assessment of bank capital adequacy
- Training subsidies

Stress Testing & Scenario Analysis Practices

- Performed separately for different risk classes
- Largely based on observed historical market dislocations
- Increasing sensitivity analyses
- Top down analyses largely reactive towards regulatory expectations and initiatives
- Bottom up analyses based on vulnerable exposures

Challenges

- Data depth
- General lack of market/business experience among risk managers
- Integrated stress tests
- Computational intensity
- Need to develop quantitative competencies
- Technology infrastructure
- Mindset change

Closing Comments

- Need to better understand the role of risk management
- Deployment of risk management capabilities for business facilitation and ensuring financial soundness
- Need improve regulator – industry dialogue/collaboration
- Develop better understanding of institutions' role in financial sector stability