

Opening Remarks

at the Conference on Basel III : Outlook for Capital and Liquidity

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Mr. Cordewener, Mr. Azevedo(HSBC), Mr. Andrews (UBS), Mr. Rees(Citigroup), Mr. Harrald(SCB), distinguished guests, ladies and gentlemen

Good morning!

On behalf of the Banking Bureau, I would like to welcome all of you to participate in the conference of Basel III. Today, it is really a pleasure to have Mr. Karl Cordewener, Deputy Secretary General of the Basel Committee on Banking Supervision, to share his views with us in this conference. As the host, I can assure you that, at the end of the day, the real benefit of this conference will come to all the participants.

Firstly, Basel III reminds me of an article entitled “Basel gives banks the whip hand” published by the Euromoney in 2001. In the article, it is indicated that the 2001 Basel II draft is a dereliction of duty by the regulators. It says using banks’ internal models to set their capital may be an attractive solution to the tricky problem of how to regulate large and sophisticated banks. But the idea of letting banks regulate themselves and get the market to police the banking system is open to enormous concerns.

Consequently, the 2008 financial crisis proved that capital adequacy requirement was just part of the pre-conditions for a stable and sound financial system. To cope with the financial crisis and the too big to fail problem, the Basel Committee has published Basel III to strengthen capital and liquidity requirements. It is believed that Basel III is a key milestone to strengthen banking supervision, and to avoid taxpayers’ funded bail-outs.

However, there is no guarantee that another financial crisis will not happen again post the adoption of the Basel III. Therefore, closer attention must be paid to the implementation of the Basel III.

The Basel Committee already set up the timetable for the implementation of Basel III. But it still depends on the determination of financial supervisory authorities around the world to undertake concrete measures to put it in effect. The Financial Supervisory Commission has developed a two-year timetable and a substantial implementation plan for Basel III. Measures including the amendment of current rules & regulations, awareness promotion, pilot calculation, quantitative impact review, training courses, the revision of other related regulations and the statistics reporting forms will be conducted in the next two years until the end of 2012. We believe that local banks will be able to comply with the Basel III implementation timetable.

In addition, it has been reported that banks are worried about the liquidity crunch and leverage constrain in the banking sector should the Basle III be adopted. Some banks claimed that Basle III will reduce the amount of loans in the banking system and in turn, may cause the shrinkage of GDP and the increase of unemployment rates. These concerns must have been recognized and carefully evaluated by the Basel Committee.

In order to better understand Basel III for its smooth implementation, we cordially invite Mr. Cordewener, a real expert in Basel Capital Accord, to come to Taiwan and give us more insight. It is sincerely hoped that his visit will promote the awareness and the understanding of Basel III in local banking industry. This conference is helpful in generating consensus between the competent authority and the banking sector to work out new regulations in the future..