

## **WELCOME REMARKS**

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### **Workshop on Strengthening the Future of Asian Financial Markets Focused on NPL Markets**

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1. President Ke Kasheng and other distinguished delegates from China Huarong Asset Management Company, Mr. Sun Joon Choe of Korea Asset Management Corporation or KAMCO, ADB colleagues, ladies and gentlemen.
2. I am honored to welcome you to this workshop on strengthening the future of Asian financial markets focused on non-performing loans or NPL markets. On behalf of the Asian Development Bank, I would like to extend my appreciation to the International Public Asset Management Company Forum or IPAF Chairs and their delegations for being present here today and their continuous partnership with ADB to support for stability of financial systems and development of financial markets in Asia.
3. The aftermath of the Asian Financial Crisis brought to fore the importance of dealing with NPLs to strengthen financial stability, develop financial markets and help promote economic recovery. This is where the role of public AMCs was brought to light. Public AMCs play a crucial role in speeding up the resolution of financial crises' usual aftermath: high levels of non-performing loans and assets that diminish the soundness of banks, which then contribute to the countries' and region's financial instability and retard banks' lending to business and household, especially SMEs. Public AMCs directly address the NPL and bad debt problems by acquiring, managing and disposing of impaired bank assets, thereby rehabilitating these bad assets and loans and setting the banking system on the road to recovery and normal functions.
4. The case of the People's Republic of China (PRC), specifically, the role of its public AMCs such as China Huarong in dealing with NPL to maintain stability in its economy is an example worth mentioning. At its peak in 2001, the country's NPL ratio registered at 29.80%. With the China Huarong along with other public AMC's concerted efforts, this was successfully lowered to 1.1% in 2014. How (PRC) undertook this commendable achievement, I believe, is a good example which the rest of Asia can learn from. And I am glad we can all take a peek into (PRC)'s story in today's workshop.
5. But I would also like to point out that simply addressing Asia's NPL problem does not guarantee stability. We should be mindful of lessons which can pick up from the AFC and the most recent crises in the US and Eurozone. First, financial crises take place more frequently now. Second, the broadening regional and global integration, while

possessing its own benefits, also heightens the risks of contagion and spillovers, which can quickly spread from one country to another. Finally, the financial market has been rapidly changing itself, in terms of financial products, financial institutions and the market itself.

6. In order to achieve lasting recovery, Asian economies must take on a cooperative approach to address the distressed assets and NPL problem, thereby enhancing economic safety nets and strengthening economic performance of the Asian region as whole. This is where the IPAF plays a vital role.
7. As Asia' first attempt on a cooperative approach in addressing the NPL problem in the region, IPAF has spearheaded to address a variety of economic and financial issues from NPL purchase and resolution experiences to macro-prudential and surveillance policies through knowledge sharing activities such as conferences and training seminars. And I am happy to note that, since I suggested the "7+7 initiative" to expand its networks during the meeting with CEO of KAMCO in May 2014, IPAF membership has not only continuously grown numerically from seven to ten, but has also extended its scope from public AMCs to deposit insurance corporations.
8. I believe the time is ripe for IPAF to leap forward to next steps to broaden and deepen its strategic directions in contributing to enhancing financial regulations and systems and building up financial markets, especially NPL markets, and enable them to withstand external shocks or crises. In this regard, the strong leadership of incoming 2015-2016 IPAF Chair China Huarong to host this workshop and consultation meetings is welcome.
9. ADB, as a partner of IPAF, is ready and will continue to support you in this endeavor. ADB shares IPAF's goal of fostering an enabling environment for regional cooperation and thus, is committed to support any concerted effort to develop and steer the Asian NPL market towards a new strategic direction, thereby contributing to the stability of national and regional economies in Asia.
10. Our agenda for today reflects these priorities. I therefore encourage everyone to generously share their knowledge and expertise in order to achieve an insightful discussion that would meaningfully guide IPAF in its support for the Asian NPL market in the future.
11. In closing, I wish all of you a very successful and enriching workshop.