



Bank of Japan

The Importance of Financial Infrastructure in Seeking a More Resilient Financial System ~From an Asian Regional Perspective~

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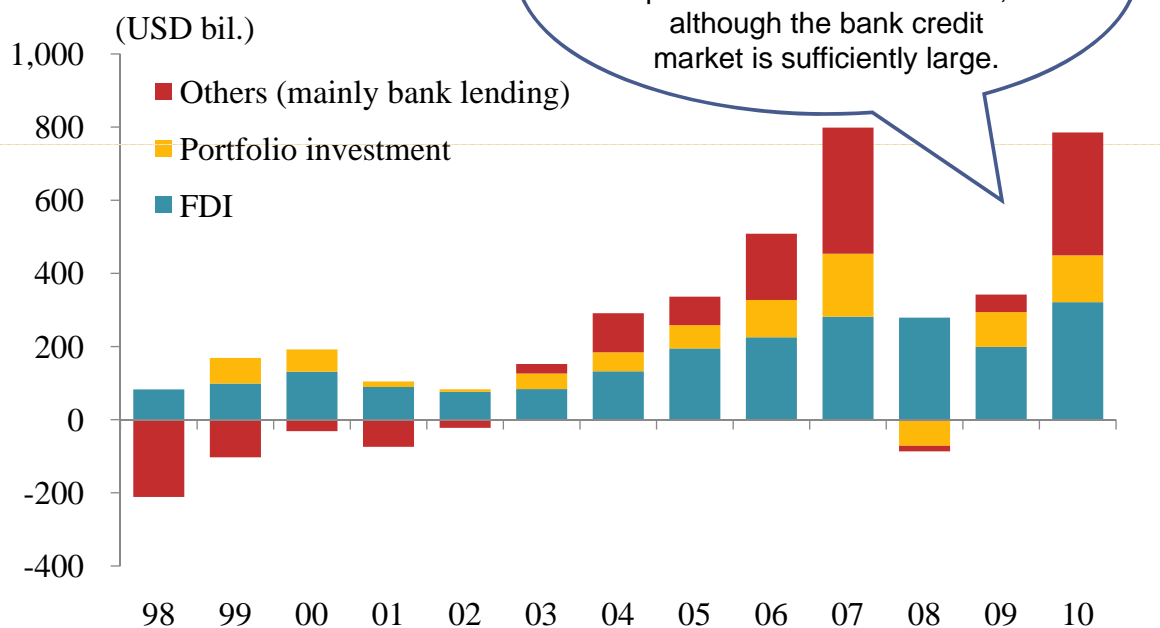
Deputy Governor of the Bank of Japan

Outline

1. **Introduction: Resiliency of the Financial System**
2. **Successful Efforts since the Asian Currency Crisis: But Don't Be Too Complacent**
3. **Short-Term Measures to Cope with Financial Instability: Don't Forget Their Long-Term Consequences**
4. **Improving Payment and Settlement Systems in Asia: Respect Free Markets**

(Slide 1)

Capital Inflows to Asia



(Note) The sum of China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, and Thailand.
 (Source) CEIC, IMF

(Slide 2)

Still accommodative: Real interest rates are significantly lower than real GDP growth rates in Asia

	Policy interest rate (May 18, 2011)	Real interest rate	Real GDP growth rate (y/y change)
China	6.31	1.01 (Apr.)	+9.7 (11/1Q)
Hong Kong	0.50	-4.10 (Mar.)	+6.2 (10/4Q)
India	7.25	-1.55 (Mar.)	+8.2 (10/4Q)
Indonesia	6.75	0.55 (Apr.)	+6.5 (11/1Q)
Korea	3.00	-1.20 (Apr.)	+4.2 (11/1Q)
Malaysia	3.00	0.00 (Mar.)	+4.8 (10/4Q)
Philippines	4.50	0.00 (Apr.)	+7.1 (10/4Q)
Singapore	0.44	-4.56 (Mar.)	+8.5 (11/1Q)
Taiwan	1.75	0.45 (Apr.)	+6.2 (11/1Q)
Thailand	2.75	-1.25 (Apr.)	+3.8 (10/4Q)

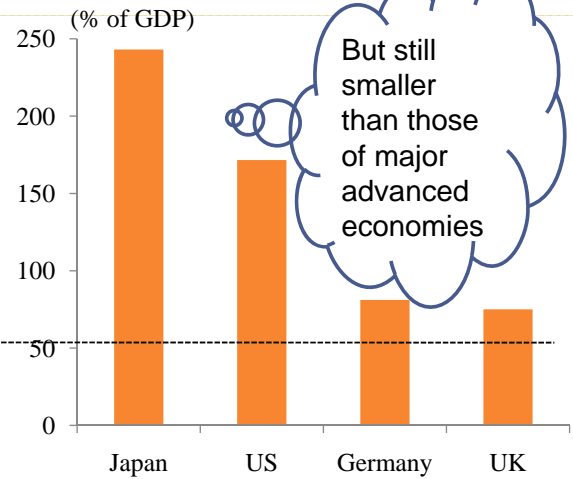
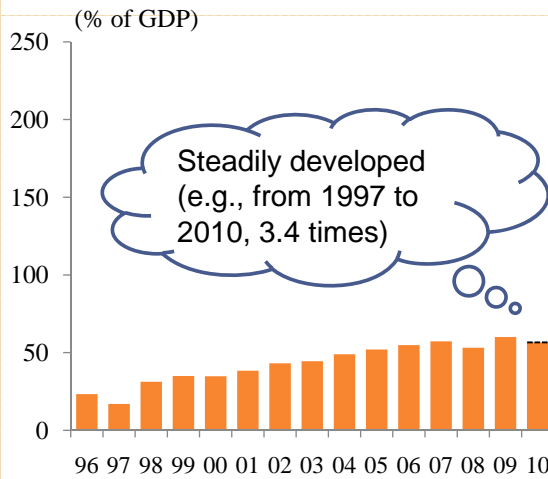
(Note) Real interest rate is defined as interest rate minus expected rate of inflation. In this slide, I take policy rate as interest rate, and assume expected inflation is equal to most recently available headline CPI inflation in each economy.

(Slide 3)

Domestic Debt Securities Markets

Asia (ex JP)

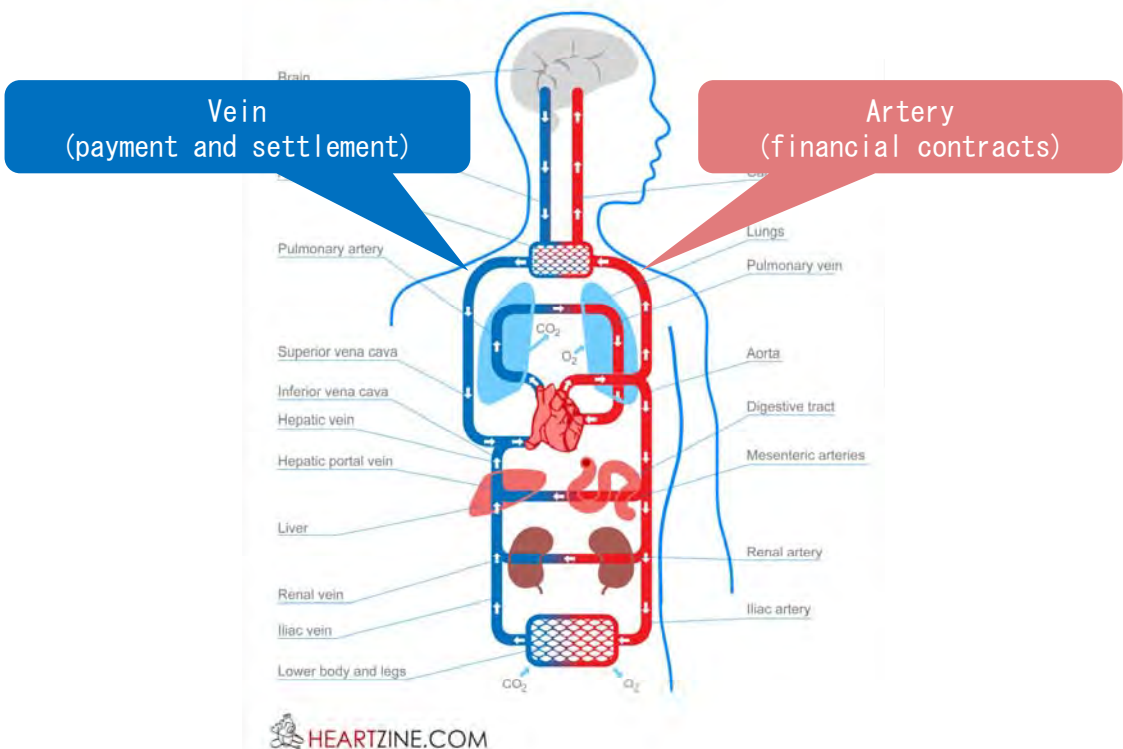
JP, US, GER, UK (2010)



(Note) Data for Asia is the sum of China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, and Thailand.
 Data for 2010 is as of end-September.
 (Source) BIS, CEIC

(Slide 4)

THE CIRCULATORY SYSTEM



End of Presentation



View of the BOJ courtyard around sunset