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Title: MAS warns against complacency as economic outlook improves
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MAS warns against complacency as economic outlook improves

By Ng Baoying, Channel NewsAsia | Posted: 02 October 2009 2155 hrs

SINGAPORE: Risk management remains important and must not be neglected even as the global economic outlook improves, said the Monetary Authority of Singapore (MAS) on Friday.

Confidence is returning to investors on the back of a stream of positive economic data from the Asian region. This has helped most key stock indices in Asia to rebound from multi-year lows that were seen earlier this year.

However, MAS is warning against complacency. At an estimated US\$3.4 trillion, it said the losses by financial institutions during the recent crisis are significant.

Heng Swee Keat, managing director of MAS, said: "Some players seem to have forgotten that we have just gone through the worst financial crisis since the post-war period. The clean-up of the wreckage will take time.

"For example, the International Monetary Fund recently revised its estimate of the write-downs on expected losses by financial institutions on bad assets to US\$3.4 trillion. The scale of these losses remains significant.

"Several weaknesses in the global economy continue to present risks to the sustainability of the recovery. These include the continued de-leveraging by banks and households, rising unemployment, weak fiscal positions in certain economies, and a reduced buffer for further decisive intervention."

Mr Heng was speaking at a symposium to mark the opening of the NUS Risk Management Institute's new facility. More than 200 policymakers, managers and academics were present to discuss risk management.

One area that the Risk Management Institute is studying is credit risk, which has come to the forefront following the global financial crisis. Credit ratings agencies were widely criticised for understating the risks involved in new products like collateralised debt obligations.

Duan Jin Chuan, director of Risk Management Institute, said: "The financial crisis told us that financial innovations create a kind of risk. If we don't properly contain financial innovation or channel the energy in a positive way, we could have a problem."

With Asia playing an increasingly bigger role in the global economy, MAS said the region needs to be vigilant and to step up its game in risk management.

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