

Title: Banks may have to raise capital, MAS warns
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Banks may have to raise capital, MAS warns

Regulators also say it is keeping close watch on property market and prices

By Siow Li Sen
lisen@sph.com.sg
Singapore

MORE capital raising for banks – including Singapore banks – is on the cards as global regulators look to strengthen the banking system, said Monetary Authority of Singapore (MAS) managing director Heng Swee Kiat.

In addition, global regulators are considering a minimum global liquidity standard to address liquidity concerns, said Mr Heng yesterday.

He also mentioned that the MAS is keeping a close watch on the property markets and the upcoming monetary policy review will continue to focus on maintaining price stability. “To improve the resilience of banks, global regulators have agreed to raise the levels and quality of bank capital,” he said. Mr Heng was speaking at the opening of the Risk Management Institute’s (RMI) new facilities.

On liquidity, he said regulators are considering the introduction of a minimum global liquidity standard that includes a stressed liquidity coverage requirement un-

derpinned by a longer term structural liquidity ratio. “MAS is involved in the discussions on both the capital and liquidity proposals and supports the broad thrust of these initiatives.”

As MAS’ regulatory framework has generally been regarded as conservative, we are in a good position to comfortably adopt these more stringent standards,” said Mr Heng.

Earlier, Mr Heng said that while confidence has returned to the financial markets with more recent forecasts for global economic growth revised upwards, much remains to be done.

“There is palpable relief that the global economy has avoided the abyss. But some players seem to have forgotten that we have just gone through the worst financial crisis since the post-war period,” said Mr Heng.

The clean-up of the wreckage will take time, he said. For example, the International Monetary Fund recently revised its estimate of the write-downs on expected losses by financial institutions on bad assets to \$3.4 trillion.

The MAS is involved in discussions at the Financial Stability Board, the Basel Committee on Banking Supervision and other fora to consider proposals to strengthen the regulatory framework.

The focus is on two key areas: regulatory

capital framework and liquidity risk management standards, he said.

At home, the MAS is monitoring closely the property markets, given the revival in investor confidence, he said.

With the revival in investor confidence and generally conducive global liquidity conditions, authorities have been keeping a close watch on the asset markets, he said.

MAS recently disallowed the Interest Absorption Scheme and Interest-Only Housing Loans for private residential property lending.

“We will closely monitor developments in the property market and the broader economy. Our upcoming Monetary Policy review in October will continue to focus on MAS’ objective of maintaining overall price stability for the medium-term.”

DBS Group Holdings spokeswoman Karen Ngui said it was not unexpected that banks might be asked to raise more capital.

“We feel we are well capitalised at this point in time,” said Ms Ngui.

DBS Bank chairman Koh Boon Hwee said on Wednesday that banking business in the future will not be as lucrative as it was before the onset of the current global recession, sparked by reckless lendings.

Speaking at a conference, he said capital requirements for banks would go up and returns would come down.