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APEC-BANKS

APEC LEADERS AGREE ON INTERNATIONAL BANKING STANDARDS

AUCKLAND, Sept 13 (Bernama) -- In what is seen as a significant progress on reforming the global financial system, Apec leaders have unanimously agreed that the lifeline that banks provide speculators through high-risk lending, must be curbed.

Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi said that without the huge amount of money lent to them, they would not be able to unscrupulously attack currencies and economies which led to the unprecedented Asian financial crisis.

The leaders of the Asia-Pacific Economic Cooperation said that banks should follow international standards so that they are more transparent and accountable, he told a press conference here today.

Abdullah said that the move would contribute towards reducing high-risk lending, especially for speculative purposes, and in the process help to curb the destructive activities of currency traders.

To this end, leaders have directed the Apec Finance Ministers to come up with international standards, he said when elaborating on the Auckland Declaration, the result of the seventh Apec summit.

In his briefing to Malaysian journalists, he said Malaysia was satisfied with the outcome of the high-profile gathering, particularly in view that the country was at the forefront of efforts to reform the international financial architecture.

Abdullah also said that the discussions were active, frank and "we were comfortable with the opinions that were expressed around the room."

The meeting was held at the Auckland Museum.

"We went beyond what the Apec Finance Ministers had achieved," he said.

Abdullah also paid tribute to New Zealand Prime Minister Jenny Shipley who he said did a splendid job in chairing this year's leaders' retreat.

In the light of the Asian economic recovery that is now underway, he said that Apec has come to understand that measures, like Malaysia's capital control initiatives, could be part of a country's economic policy arsenal so long as the international financial system remained volatile.

Abdullah said he was happy to see Apec leaders taking the matter up spontaneously when Shipley, as chairperson, introduced the subject for discussion.

There was almost no break in the discussions on financial reforms as leader after leader spoke on the devastating effects speculators had on currencies and economies.

Since banks were the culprits which lent the money to highly-leveraged institutions including hedge funds, "there was unanimity in the expression of concern regarding the activities of highly-leveraged institutions and currency traders which brought about the economic crisis in many Apec economies," he said.

The unified stance by Apec leaders on banking standards clearly restores confidence in Apec which was criticised, particularly at this year's meeting for being sidetracked on non-economic issues, especially by the East Timor problem.

"We didn't discuss it at all, we remain focussed on the business of Apec," said Abdullah.

Compared with the meetings in Vancouver and Kuala Lumpur, "we certainly have made progress, especially in efforts that have to be made to ensure that emerging economies are not attacked anymore," he said.

In Vancouver, there was reluctance to talk about currency speculation and the activities of highly-leveraged institutions due to high-risk lending by the banks.

And in Kuala Lumpur, Prime Minister Datuk Seri Dr Mahathir Mohamad did bring it up, but the response was not positive.

"But today, there was a positive reaction as I saw that there was a spontaneity among the leaders to respond to the chair when the issue was brought up," he said.

They finally pointed out that some kind of standards should be imposed on the banks so that they adhere to a code of ethics in the hope that the banks would no longer be providing very high-risk lending, Abdullah said.

He said that the amount of money that highly-leveraged institutions use to speculate against currencies depend on the extent of the borrowing from banks and in many cases, huge sums of money are lent at high margins for these risky investments, he said.

Citing the massive losses by the Long Term Capital Management (LTCM) after forays into the financial market went awry, he said some of these institutions borrowed up to US\$1.3 trillion and "if anything goes wrong, you know what will happen," he said.

He said there could be other measures that Apec could take, but for the time being, the forum would focus on working out international standards for banks.

Apec groups Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taiwan, Thailand, the United States and Vietnam.

Brunei would host the next Apec leaders' meeting in November, 2000. --
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