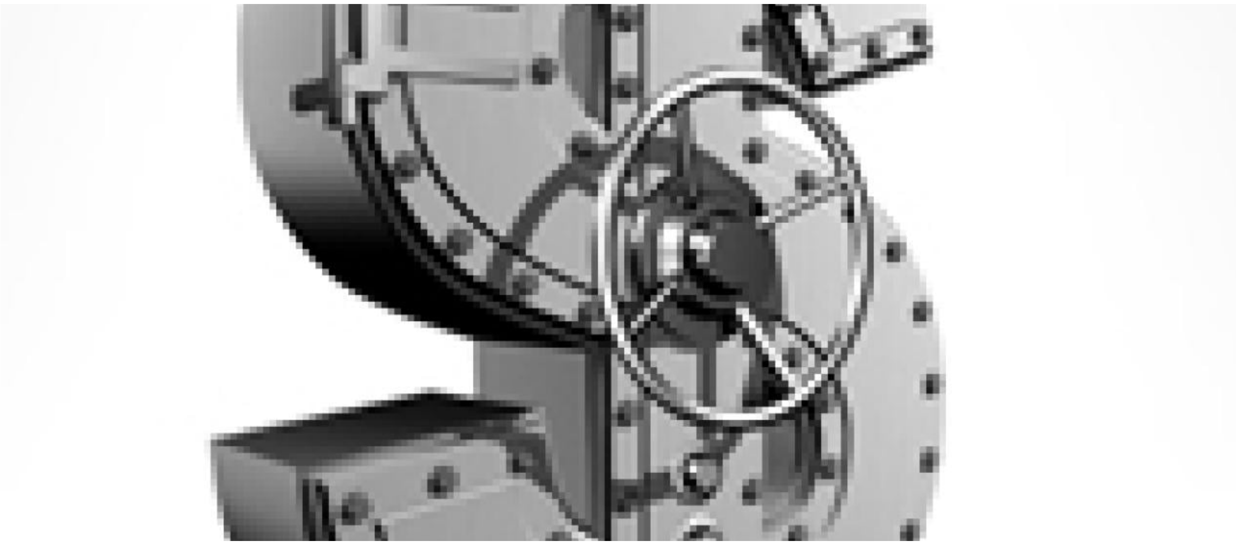
Banks in Asia may weather global financial crisis



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"Asian economies are strong. We have historically high foreign reserves. We have trade surpluses and well-capitalised banks in Asia," said **Peter Flavel**, global head of private banking at Standard Chartered Bank.

While banks in Asia do not have significant exposure to toxic assets such as collateralised debt obligations, Flavel said valuations of Asian banks have fallen in tandem with global banks, because of the negative investor sentiment flowing through from Wall Street.

Following the collapse of stock markets worldwide, central banks around the world moved to inject liquidity into the financial system to try and restore confidence among investors.

“This is a step in the right direction,”said **Hellmut Schuette**, Senior Affiliate Professor of International Management at INSEAD . “Governments have woken up. I am not as pessimistic as newspaper headlines.”

“The most important thing is to make the credit market work,” said **Pedro Rodeia**, director and head of Asian Financial Institutions at McKinsey & Co.

As a result of asset writedowns, banks in the US do not have sufficient liquidity to provide short-term financing for companies whose short-term commercial papers are maturing, Rodeia said. He estimates there are about US$1.6-1.7 trillion worth of outstanding commercial papers in the US.

The $700 billion bailout package recently approved by the US Congress will not solve the current liquidity crunch, he said. The package is aimed mainly at buying distressed assets from the banks in the hope that once these assets are off their balance sheets, banks could start lending to each other again.

The liquidity crunch has, so far, not hit Asian banks as investors seem to be willing to finance selected deals.

“Asia is a very strong place, We raised $50 billion worth of capital here in the last 12 months,” said **Jonathan Larsen**, country head of Citigroup in Singapore. This is a testament to the tremendous wealth accumulation in Asia’s booming economies.

Asian sovereign wealth funds, particularly Singapore’s Temasek Holdings and the Government of Singapore Investment Corporation, were among the early investors to inject liquidity into cash-strapped banks such as Citigroup, Merrill Lynch and UBS.

“There is a very good use of long-term Asian capital. There is another two trillion dollars worth of capital available from Asian sovereign wealth funds. As long as they are within the guidelines that Singapore sovereign wealth funds are putting forward, I think it’s a very good thing,” said Flavel of Standard Chartered Bank.

The strong liquidity in Asia and continuing growth of private banking and wealth management activities in the region provide a silver lining amidst the looming dark clouds of global financial turmoil and economic recession.

“Our businesses in Asia are still doing well. Growth in the first half was in excess of 30 per cent. That will moderate a little in the second half but it will still be a good year,” Larsen said. “But given these unprecedented times, we have to be prudent and act responsibly.”

Both Citigroup and Standard Chartered Bank are continuing to recruit people. “Standard Chartered Bank is relocating a lot of jobs to Singapore. Growth is going to continue, albeit at a moderate pace,” Flavel said.

“Our staffing levels will continue to grow as a consequence of migration of jobs into Asia. We’re still adding resources for jobs that are moving from London and New York for back office operations to support derivatives trade,” Larsen said.

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