ABSTRACT

Integration of the banking sector in the ASEAN +3 has been growing rapidly. However, it increases the transmission of risk. Therefore, the banking sector supervision needs to be done together. One of way to do it is by observe the relation of each country's central bank rates. This study aimed to analyze the relationship between central bank rates, the response of each central bank rates on changes of other countries central bank rates, and the impact of a central bank rates to central bank rates of other countries.

Population of this study are central bank rates of ASEAN +3 member countries from year 2006-2012. Samples were taken by using purposive sampling method to obtain 9 central bank rates of ASEAN +3 members that are eligible for the sample. This study uses Vector Auto Regression (VAR), which combined with the Vector Error Correction Model (VECM) using the program Eviews 6. In the analysis methods Granger Causality Test, Impulse Response Function (IRF) and Variance Decomposition (VD) are used.

The results showed that the Granger Causality Test found some significant relations between central bank rates that exist in the member countries of ASEAN +3. The Impulse Response Function (IRF) shows the reaction of the central bank rates j shocks that occurred in central bank rates i. The average quickest response is two weeks from the shock of other countries central bank rate. While the results of the analysis Variance Decomposition (VD) shows some impact of shock on central bank rates i will be accepted at the central bank rates j. These results indirectly prove the presence of banking sector integration in the ASEAN +3 country members.

Keywords: integration of the banking sector, central bank rates, vector error correction model