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Challenges Ahead for Financial Reform in Korea
Closing Remarks for the 2nd Annual Euromoney Korean Financial Markets
Congress

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Distinguished guests, and ladies and gentlemen,

I am pleased to join you today. I would like to thank Euromoney for inviting me to speak before such a special group of finance professionals. The two-day conference we are wrapping up today has been a constructive forum for innovative ideas and new thinking on some of the key challenges we face. I think it also gave all of us some fresh perspectives on the goals we are trying to achieve for Korea's financial service sector.

In terms of overall financial soundness and growth prospect, Korea's financial service industry is strong and well-positioned for stable growth. But we must not be complacent with what we see today and not lose sight of what we would like to see years down the road. That is, I believe we must always look ahead and take steps to prepare for the future.

Anyone who compares Korea's financial service sector today to where it was in the wake of the 1997 financial crisis will see a remarkable turnaround. In a nutshell, we have moved up to a new level. Our market infrastructure and regulatory climate in terms of financial reporting, risk management, IT, investor protection, and prudential controls have never been better. More importantly, we are seeing a new culture of compliance, self-policing, and respect for the rule of law from businesses.

We also see domestic financial institutions generating healthy profits and improving their long-term growth prospects. Industry consolidation and universal banking are fueling competition and innovation as well as bringing new products and services to the market. It will be unfair to attribute the success we see today to any individual effort. Clearly, it is a collective endeavor and thus should be shared among the financial institutions and investors at home and abroad who shared our optimism and believed in Korea's future.



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Again, our market infrastructure and regulatory climate have improved significantly in recent years. But we can and must make them better if we are to successfully transform Korea into a truly global dynamic financial hub. So I believe we must continue to raise the bar and set new, higher benchmarks than before. For our part, we are staying on track with our deregulation and other regulatory reform plans.

In addition, there are a number of near-term supervisory goals we hope to achieve. One is laying the groundwork for a more even, balanced growth in the financial services industry. This issue often comes up when comparing the banking sector with all the others. Balanced growth in banking, securities, insurance, asset management and other sectors is crucial to stable, sustained growth of the financial service industry. For this reason alone, we will need to explore the best ways to promote well diversified growth.

We would also like to see our early warning system for market-wide, systemic risks improved so that it can help us act decisively to deal with developments such as volatility in the foreign exchange market and rapid growth of mortgage lending.

With the ever-growing presence of foreign businesses and investors in our market, we see a need to step up cross-border supervisory cooperation with foreign supervisors. Close cooperation is needed to avoid needless cross-border friction and help ensure fair and consistent investor protection and enforcement actions.

We are also looking at ways to make it easier for companies to raise capital in the debt and equity markets, reduce disclosure compliance cost, and move even closer to international accounting standards.

Just as the success we achieved is a collective endeavor, so must be what we hope to achieve. I would say that, going forward, it is the market that will have to take the lead in bringing about the desirable changes for the future.

Let me just share with you some of the desirable changes that I think are worth mentioning. One is building trust in the marketplace. As former Fed Chairman Allen Greenspan rightly noted, our market economy is built on mutual trust. Without it, no company can expect to thrive for long. This is especially true for financial service companies that are entrusted to safeguard and manage our money.



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There are different paths we can take to build trust. But, first, I believe we must come to an understanding of some fundamental principles and values that we must honor in the marketplace without exception or compromise. The decision-makers and managers must then demonstrate leadership and stick to the core principles and values. Only then can they expect others to follow their lead and instill a sense of trust.

To be sure, there are always risks in market activities that cannot be controlled. Without trust, such risks are amplified in times of uncertainty and can substantially raise the cost of doing business. But with trust, such risks will always be minimal.

I suspect that recent news of corporate wrongdoing is raising doubts among some investors about Korea's corporate governance and transparency. On this matter, let us assure you that we will aggressively enforce our rules and regulations and will not shy away from imposing regulatory discipline to protect investors and market integrity.

Another desirable change in addition to building trust in the marketplace is deepening our talent pool. There is no question that we must continue to work to improve our financial system and infrastructure. But, at the same time, we should not underestimate the power of highly competent and talented professionals to contribute to the profitability, soundness, and competitive strengths of financial institutions. They matter a great deal.

The quality of Korea's workforce is generally recognized as world-class. But when it comes to the pool of talent in the financial services industry, some suggest that we will need to more than double what we have now to become globally competitive.

Whether it's an analyst who can process vast quantity of data into useful information or a manager capable of laying out a bold strategic vision for a company's future, the need for talent is pressing in the financial service industry. Indeed, our success may well depend on our ability to continually bring up and attract competent, resourceful, and ethically uncompromising professionals who can take us to the next level.

For the long-term competitive strength of Korea's financial service industry, I would also stress "global mindset." Today, we live in an age of globalization in which competitive market forces increasingly shape our future. Korea is no exception to this. Foreign investors now make up a substantial, and often key, part of market activities in Korea.



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Likewise, the overseas business of domestic financial institutions has been steadily growing in recent years. By “global mindset,” I am suggesting not dwelling needlessly on nationality or local customs, but opening our mind and our heart to new thinking, new ideas, and new solutions from outside that benefit us. With profound respect for others and recognizing their strengths and contributions, I believe we must step up our efforts to nurture a healthy global mindset at home. I believe it is in our best interest to do so.

We are hearing more and more of words like “Chindia,” short for China and India, in our discourse about Asia’s growth potential. Few would doubt Asia’s economic ascendancy in the coming years. It is said that seven of the ten countries with the largest foreign exchange reserves are in Asia. Most of the economies in the region are poised for a strong, sustained growth, and no other market can offer the same growth opportunities that Asia offers to global investors. It is by any measure an attractive market to be in.

As Korea’s financial regulator, I can tell you that we are staying on track with our regulatory reform to improve Korea’s regulatory climate and attract global businesses and investors to our market. It’s open to all, and we welcome you.

Thank you.