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Deregulation and Financial Hub for Northeast Asia
Roundtable Speech before Hong Kong Business Executives

September 1, 2006, Hong Kong

I am pleased to meet with you today and share our thoughts on issues that are of interest to all of us. Before I do that, let me briefly talk about Korea's financial deregulation and financial hub initiative.

Until fairly recently, the share of foreign equity investment in Korean companies was one of the highest in the world. In contrast, local institutional investors have not been as active. More recently, however, we see the market activities of local institutional investors picking up on the back of rapid growth of asset management services. This is certainly a positive development. It may also be an early sign that our effort to transform Korea into a financial hub for Northeast Asia is paying off.

Let me quickly outline why the case for Northeast Asia's financial hub is compelling for us. Amid some signs of growing inflationary pressure and monetary tightening worldwide, the near-term global economic outlook is somewhat less certain. The Korean economy certainly has had its share of ups and downs. But what is clear is that it is now on a fundamentally sound foundation after bold structural reform the government initiated following the 1997 financial crisis. As Korea's exports to the world amply demonstrate, Korea's global competitiveness in manufacturing is not in doubt.

But no nation can secure its future on industrial strength alone. Korea is no exception. So we see a need to move to the next level where Korea can realize its full potential. We believe building a financial hub backed by highly educated workforce and world-class IT infrastructure will help us achieve the goal of moving the economy to the next level.

Building a financial hub requires creating an attractive financial market. What this entails is creating a marketplace where financial firms from all over the world can come and compete freely and create value. It will also entail creating a financial market with depth and breadth as well as uncompromising transparency and investor protection.



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To succeed, we understand that we must first build an efficient and effective supervisory system that provides for a safe and sound financial system. Our ongoing regulatory reform, from deregulation, investor-friendly regulatory climate, to emphasis on market discipline is very much a part of this effort.

Deregulation began in earnest in late 1990s. And we can point to many tangible and intangible benefits deregulation brought to Korea's financial market. Going forward, I think the emphasis should be on raising the "quality" of regulations, not merely on reducing the "quantity" of regulations.

We are also well aware that inadequate regulatory transparency and regulatory risk inflate the cost of doing business in Korea. We know it's an issue for foreign businesses in particular, and I can tell you we are taking steps to correct it.

In addition to deregulation, we came up with some basic principles that will guide us when we set new rules and regulations. We said that any new rule or regulation we set must be reliable, up to the global standards, rational, cost-effective, and responsive to the market.

We are also working to make our regulations as detailed and specific as necessary to improve regulatory transparency. We are taking steps to encourage self-regulation and self-policing in the financial service industry while providing greater protection and recourse from regulatory actions.

In short, the five principles I noted will help us improve our regulatory consistency and transparency. And this in turn will help instill well-functioning market discipline.

I would also like to make a couple of observations about Korea's capital market deregulations. The government recently proposed a legislation that will consolidate several capital market-related laws with deregulation as the key objective. We expect many positive changes in the financial services industry from the new legislation.

As a whole, it will create a more market-friendly environment and open many new opportunities for financial service companies to innovate and compete in the marketplace.



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There will be some structural changes as well since the new legislation will shift the focus of regulation from financial institutions to financial products and services. In particular, the new legislation is expected to give a fresh impetus to Korea's asset management and investment banking services that the government is promoting to facilitate the financial hub initiative.

I will conclude my talk by reiterating our commitment to creating a market-friendly regulatory environment for all and an attractive market place for all. We are continually upgrading our regulatory standards in line with global standards and taking bold steps to improve regulatory transparency and reduce regulatory cost.

To be sure, the goal of transforming Korea into a major financial center is an ambitious one. But I am confident that we are up to the challenge. And I have every reason to believe that Korea will soon join the ranks of the world's leading financial centers.

Thank you.