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Welcoming Address at FSS Speaks 2009

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Ladies and gentlemen,

Thank you for joining us for a very special event today. We are delighted to host “FSS Speaks 2009” with such an exceptional group of guests. We welcome you and very much appreciate having you here. I extend special thanks to those who traveled from abroad—Hong Kong, Singapore, and elsewhere—to take part in today’s meeting.

The FSS is hosting today’s event for a very simple reason: To share information and shed light on Korea’s financial supervision and market conditions for foreign market participants and observers.

As we dealt with the aftermath of the collapse of Lehman Brothers in mid-September last year, we obviously faced a fluid situation, and this sometimes invited divergent analysis and views. So it is my hope that today’s meeting will give us a chance to catch up and bring you up-to-date on Korea’s financial supervision and market developments. You will also have a chance to ask questions and hear directly from us.

Above all else, I see today’s meeting as an important step that will help us better understand each other and build confidence.

In April, *The Banker*—the monthly U.K. publication—issued an article that marveled at Korea’s rise to the world’s 13th largest economy from a per-capita income equal to that of present-day Sudan 40 years ago.

The growth of Korea’s financial services industry has been very much a part of the success story. In terms of trading volume, Korea’s stock market ranks among the world’s top ten and the stock index options market first.



Korea's financial services companies underwent a drastic transformation in the wake of the 1997 financial crisis. And they now fare better than many of their peers in the developed countries in both profitability and soundness. With tough corporate accounting and governance regimes, Korea's financial firms now operate with greater transparency and discipline than ever before.

And no one should under-estimate or take lightly the contributions foreign financial firms have made in Korea's financial market development over the years. They helped to disseminate and institutionalize advanced management practices such as internal controls and risk management. No less important is the role they have played in connecting markets at home and abroad and helping domestic financial firms expand global business network.

Ladies and gentlemen,

As the global financial crisis runs its course, we face a host of challenges on many fronts. As you know, market slides across the world picked up noticeably in the last quarter of 2008, and this was quickly followed by a severe credit crunch and a global recession. We have taken aggressive steps to deal with the crisis.

With the KOSPI back to pre-Lehman crisis levels of around 1,400 and the won-dollar exchange rate in the 1,200 range, there is now renewed optimism about market outlook.

In the broader economy, we also see several key indicators pointing to stronger economic activities ahead. And this has helped to offset many of the downbeat assessment and predictions about the economy from market observers outside Korea.

To be sure, uncertainties persist, and we can only be cautiously optimistic at this point. The prevailing near-term outlook is that the global economy will recover only at a gradual pace. And many countries will have to contend with uncertainties such as potentially larger-than-expected troubled assets and rising commodity prices.

Let me now say a few words about some of the key issues the FSS is dealing with or will be dealing with in the near future.

One is to accelerate the pace of the ongoing restructuring of financially distressed companies. We know from our past experience that the sense of urgency and resolve we have about restructuring in a bad economy dissipates when the economy shows signs of improvement. So no meaningful restructuring takes place, and companies and lenders become complacent until the next crisis. And the cycle is repeated.



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This time, we have pushed hard for aggressive and meaningful restructuring of distressed companies in the construction, ship-building, and shipping industries. Going forward, we intend to encourage the creditor banks to deal with large companies in need of restructuring as well.

This may prove painful for some companies in the short-run. But we must remember that it is a necessary process for the long-term viability and vitality of the companies and the banks involved.

We also intend to take steps to facilitate prompt and efficient restructuring through the capital markets. An example may be allowing private equity funds to acquire assets such as real estate and NPL in addition to controlling equity stakes. Another may be to let them borrow directly on their own from financial institutions and qualify for certain tax incentives.

Let me also stress that there is no change in our commitment to promoting the financial services industry as a key growth-driving industry for the economy. Some attribute the global financial crisis to failure in regulation and argue against further deregulation.

But efforts aimed at improving the regulatory climate, such as providing greater international harmonization and a level playing field for domestic and foreign financial firms, will have to continue.

Let me also say that we are forging ahead with our financial hub plans for Northeast Asia. In the wake of the financial crisis, some wonder whether the financial hub initiative should be reconsidered.

But we believe we are headed in the right direction. And where there are lessons to be drawn from the financial crisis or from the countries affected by it, we will certainly do so and refine our approach to ensure continued progress toward our goal.

We also see the financial crisis as an opportunity to upgrade our financial supervision and take it to the next level. As part of this, we intend to closely examine the steps we took to deal with the crisis and make sure there is no unintended effect on the market.

Let me finally add that the FSS is working on a report entitled “Post-Crisis Financial Supervision and Policy Challenges.” It is going to be a candid and objective examination of Korea’s financial system— something akin to the Turner Review by the U.K. FSA—and propose recommendations for Korea’s future financial regulation and supervision.



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In closing, I would like to share with you a famous quote by Henry Ford, the founder of the Ford Motor Company. He said that “Coming together is a beginning. Keeping together is progress. Working together is success.”

So let me say that we have come together here at the FSS Speaks 2009, we will keep together and cultivate mutual understanding through this forum each year, and work together for success in our markets with our respective endeavors.

You are not a guest to us, but a valued member of our community and a key constituent we must hear from and respond to. I have no doubt that today’s meeting will reaffirm that and renew your confidence in us.

Thank you.