EUCCK 3rd International Financial Services Seminar
“Sustainable Society Finance”

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Ritz Carlton Hotel, Seoul

Closing Remarks

ROLE OF FINANCE IN A SUSTAINABLE SOCIETY

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Ladies and gentlemen,

It's great to speak to you today. Let me first say my thanks to the EUCCK and President Jean Marie Hurtiger for hosting such an illuminating seminar today.

I would also like to extend my greetings and thanks to Richard Hill—EUCCK Banking Committee Chairman—and the seminar speakers for contributing to the critical debate on Sustainable Society Finance.

Ladies and gentlemen,

As we all know, the global economy is now on its way to recovery after a financial crisis widely considered the worst since the Great Depression.

But confidence in the recovery is tempered by a sovereign debt crisis in the Euro-zone. And there are concerns over the after-effects of the sweeping stimulus measures that many countries adopted to deal with the crisis. With the health of the financial sector and household finance still recovering from the crisis, uncertainty also hangs over the timing of the exit of the stimulus measures.

All in all, the post-crisis financial landscape is very much in flux. And many foresee transformational changes ahead that will significantly alter our perceptions and expectations about the market.

Against this backdrop, today's seminar on "Sustainable Society Finance" focuses on issues that will surely be of great interest to the market and policy makers worldwide.

Finance for sustainable society is a forward-looking, future-oriented concept particularly relevant to green finance and socially responsible and inclusive finance in Korea.

So let me say a few words about each.

First, green finance.

Green finance contributes to green growth, which fosters environmentally sound and sustainable economic growth with energy- and other-resource-friendly green technologies.

Many developed countries now actively support investment in green industries with wide-ranging tax and financial incentives. For example, in the Netherlands, banks raise funds through tax-favored green bonds or green funds for business ventures and investment in green industries. In Germany, we see government-supported policy banks providing low-interest loans for investment in clean energy and environment.

Korea has been pushing for "Low-Carbon, Green Growth" as a new path for future growth as well. Just last year, the government announced a 5-year strategic plan for green growth that calls for strong, concerted actions on climate change and energy independence, new growth engines for the future, and improving the overall quality of life.

Since the beginning of this year, the government has also taken several policy initiatives designed to promote green finance in support of green growth. For example, tax law provisions have been amended to give tax exemptions on certain types of interest and dividend income from green investment. And, in April, the government started a new certification program for green technologies, business ventures, and companies. As a result, we may well see a new class of green financial products coming to the market later this year.

There are also efforts under way to build the infrastructure necessary for carbon emissions trading. They include setting up an exchange for carbon emissions trading by next year and putting into place the tools and mechanisms necessary for exchange trading by the end of 2012.

I can also tell you that regulators are working on best practice guidelines and other measures to encourage a healthy growth of green finance within the bounds of financial prudence and soundness.

In addition to green finance, socially responsible and inclusive finance—especially for low-income consumers—is seen as another key element of finance for sustainable society.

And it is for this reason that the government and regulators have been taking concrete measures that are aimed at facilitating more inclusive consumer finance.

One example is the micro-credit initiative that the government launched in partnership with private-sector credit providers in December last year. Under the program, financially distressed small business owners with troubled credit history are eligible for micro-credit for a new business start-up or working capital. Although it is still in the early stage, our expectation is that it will continue to expand as more lenders and borrowers embrace it.

And, some time later this year, low-income borrowers should be able to take advantage of loan services that small lenders will offer with the backing from regional credit guarantee foundations under a joint public-private partnership. The guarantee is to be used to provide approximately 10 trillion won in new loans to low-income borrowers over the next five years or so.

Another initiative is a small loan program called “Seed for Hope” that the major commercial banks started in March last year with the goal of expanding credit to low-income borrowers. I can tell you that, as of April this year, 16 banks extended credit totaling 1.9 trillion won to some 288 thousand borrowers.

As a way to further reduce high interest burden on low-income borrowers, we also hope to see the maximum legal interest rate cut from the current 49% to 39% within a year or so.

Ladies and gentlemen,

Alvin Toffler—the American writer and futurist—once observed that profound risk brings with it great opportunity for significant social progress.

So it may be said that we have a great opportunity for a new post-crisis socio-economic paradigm that can take us one step closer to the sustainable society we all desire.

Green finance and socially responsible and inclusive finance may well be that great opportunity to shape the next socio-economic paradigm to the benefit of all.

Thank you.