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Opening Remarks

IOSCO Asia-Pacific Regional Committee and Roundtable Meetings

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Ladies and Gentlemen,

I would first like to welcome you to Seoul for the IOSCO-APRC and Roundtable Meetings. We are delighted and honored to host today's important gathering. And I thank APRC Chairman Thirachai and the member regulators for joining us here in Seoul today.

The IOSCO-APRC is a forum for securities regulators in the Asia-Pacific region with the goal of enhancing regional cooperation and advancing the region's common agenda. For Korea, a country aspiring to become a financial center, it is also a unique opportunity for fresh policy perspectives.

Globalization is changing the world's financial landscape. Competition among financial services companies is intensifying, and uncertainties are growing in various markets.

Amid these changes, financial regulators in many countries are pushing for deregulation and giving more flexibility to financial services companies. As a result, we see many new innovative and often complex financial products coming to the market.

But all is not well. For example, problems with subprime mortgage in the U.S. and elsewhere that began to materialize early this year are creating more uncertainties in the global markets. It is widely expected that losses incurred by many global investment banks from their exposure to subprime debt will likely increase by year end. So, some say that the spillover from the U.S. subprime turmoil will be larger than expected.



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Amid much uncertainty, however, Korea's financial market and financial firms have been continuously showing a solid performance. This has been possible due to efforts to reform our financial system over the past decade. Indeed, since the Asian financial crisis, the government and financial services companies have made significant improvements in both qualitative and quantitative terms.

Korea's financial services industry has experienced strong growth since the crisis with assets of the industry as a whole increasing more than threefold. Capital markets in particular rapidly grew with Korea's stock market ranking fifth and the bond market ranking third in Asia in terms of market size. Also noteworthy is the robust growth of investment funds with their growing popularity among investors. The profitability and soundness of the financial services industry has also significantly improved with the ratio of bad debt falling from 15% at the end of 1999 to below 2%.

Korea's market infrastructure—including corporate accounting, disclosure, and governance—is among the best in Asia. Through our online electronic disclosure system, DART, investors have easy access to the latest corporate disclosures. We are also working to adopt International Disclosure Standards and anticipate that Korea's corporate disclosure will soon be on par with the highest global standards. We are also making efforts to adopt global accounting standards and improve accounting transparency with the implementation of IFRS in 2009.

Korea, one of the world's most dynamic economies, has the right mix of market growth potential and world-class IT and market infrastructure to grow into a global financial market.

Korea's asset management industry and capital market has strong growth potential. Currently, Korea's KOSPI200 options and futures markets rank 1st and 5th, respectively, in the world in terms of trading volume.

Korea also recently enacted Financial Investment Services and Capital Market Act. The new law is intended to bring about a "big bang" in the financial services industry and significantly improve Korea's financial landscape. Among others, it will remove many regulatory barriers, stimulate new, innovative financial products, allow financial firms to engage in diverse business areas, and promote fair competition. The government will work to enhance regulatory transparency and consistency in order to provide an effective market environment under which businesses can compete freely and thrive.



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Korea's securities industry has also experienced a noticeable growth since 2004. The industry's corporate financing and asset management know-how is strong. Its global business network is expanding, and we see the industry striving for new product development and innovation. Going forward, what we would like to see is industry restructuring that will pave the way for the creation of top investment banks in the Asia-Pacific region. The revised regulatory licensing rules we announced this month aim to facilitate this goal.

To be sure, we intend to step up our oversight of risks stemming from intensifying competition in the securities industry. That is, we will step up monitoring of business conduct and financial soundness of securities firms and take preemptive measures to protect investors and maintain financial soundness.

Sophisticated investors such as private equity funds have helped improve the efficiency of financial markets. They often employ a wide range of investment strategies that effectively diversify risk and provide liquidity to market. We are well aware of these positive roles that private equity funds play and thus are taking steps to promote them.

The government is also planning to introduce hedge funds as part of efforts to promote the development of the asset management industry. Once hedge funds are introduced, our regulatory focus would be to give all flexibility hedge funds need as well as to ensure stability of our financial system. As you might be aware, during the IOSCO Technical Committee meeting in Tokyo early this month, hedge funds were one of the discussion topics. Committee members exchanged their views on the oversight of hedge funds and the so-called "retailization" of hedge funds.

The importance of international cooperation is ever growing. Markets today face challenges that cannot be solved on a national level due to increasing cross-border financial activities and integration of financial markets. We also see heightened risk of financial distress in one country quickly spilling over into others and affecting markets worldwide.

I can tell you that we are taking steps to improve international cooperation and would like to strengthen our cooperative relationship with IOSCO APRC. In today's meeting, I hope to have a constructive discussion on ways we can enhance cooperation between IOSCO APRC members.

As of 2006, the Asia-Pacific region was home to 60% of the world's population and accounted for 30% of global GDP. With strong economic growth of China and India, the region's share of global output will surely continue to rise. Few doubt that the Asia-Pacific region is the world's most dynamic economic region with enormous



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growth potential. And given the region's large population size and magnitude of economies as a whole, intra-region financial activities will surely expand.

But it is also true that differences and gaps do exist in regulatory environment and financial market regimes across the region. So, going forward, close cooperation among regulators is paramount. Today's meeting is an important occasion that will facilitate information exchange and reinforce our common agenda.

Again, we welcome you. We are delighted to host today's meeting. And I hope we have many constructive and productive discussions today.

Thank you.