
FSS Speaks 2010

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Seoul, Korea

WELCOMING REMARK

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Governor
FINANCIAL SUPERVISORY SERVICE

Greetings

Ladies and gentlemen,

It is with great pleasure that I welcome you to the FSS Speaks 2010.

I am delighted to speak to you, and I thank you for joining us today.

I extend a special welcome to foreign business executives, representative of credit-rating agencies, and distinguished guests who traveled from abroad to take part in today's meeting.

We started FSS Speaks in June last year in recognition of the need for more active engagement with market participants in the wake of the global financial crisis.

Your enthusiastic response to the first FSS Speaks exceeded our initial expectations and reminded us of our obligation to maintain open, ongoing dialogue with you.

Today, I am pleased to say that we have gathered here for the second FSS Speaks.

We will be speaking to you about financial market and supervision issues that should be of particular interest to foreign businesses.

Recent Market Developments

Let me now say a few words about recent market developments and financial supervision issues that are of interest to us.

As you know, Moody's raised Korea's sovereign rating by one notch to A1 two weeks ago, citing Korea's "exceptional" post-crisis rebound, prudent fiscal management, and the overall soundness of the banking sector.

There is no question that the rating upgrade is a strong endorsement of Korea's policy actions to deal with one of the worst economic recessions to hit the global economy.

Despite the difficult circumstances, the economy achieved a positive growth in 2009, and the forecast for this year is that growth will accelerate with healthy domestic consumption and exports.

The rating upgrade also comes on the heels of the recent surge in local stock investment by foreign investors and the appreciation of the Korean won.

To be sure, there are several risk factors that may alter the near-term outlook in an adverse fashion.

In the context of the global economy, there are concerns over the pace of the growth of the world's leading economies, the fiscal soundness of several euro-zone economies, and rising commodity prices.

Here at home, the pace of household borrowing and the soundness of the real estate project finance loans of mutual savings banks are causes for some concern.

Financial Supervision

We are well aware of these risks and intend to take the appropriate precautions to keep the financial markets safe and sound.

We are also going to step up our efforts to adjust to the post-crisis global financial landscape with an eye to enhancing the future competitiveness of Korea's financial industry.

In this regard, addressing potential distress that may arise from the unwinding of crisis measures is a priority for us.

For household loan growth I noted earlier, our broad assessment is that these loans remain sound, especially when we take into account their low default rate.

We also find that domestic banks are well prepared to absorb any losses that may result from these loans.

Nevertheless, we will continue to keep a close eye on the overall loan soundness and encourage lenders to exercise prudent risk management.

This is so that they can cope with potentially adverse market conditions in the future, such as high interest rates and unexpected shift in housing prices.

For mutual savings banks with distressed project finance loans, we are going to push for smaller exposure along with loan write-offs and dispositions to contain distress caused by these loans.

We will also continue to encourage the creditor banks to carry out restructuring of distressed companies on an ongoing basis.

There are also efforts under way to fine-tune our prudential regulation and supervision in line with the global regulatory reform now taking shape.

This will entail, among others, more focused oversight of systemically important financial institutions.

We also want to make sure that new capital and liquidity regulations under discussion at the Financial Stability Board and the Basel Committee are effectively implemented into our regulations.

Moreover, we will continue to look for ways to enhance the competitiveness of the financial services industry as a key source of growth for the economy.

As we bring down barriers to market competition and efficiency, we are also going to aggressively pursue consumer protection and work to ensure orderly and disciplined market conduct.

Finally, we will continue to carry out policies in support of the financial center drive.

We also plan to further promote the one-stop service from Fn Hub Korea to produce more tangible results in improving not only our business and investment climate, but also the quality of life that foreign professionals enjoy in Korea.

Closing Remark

Ladies and gentlemen,

Edward Gibbon, the English historian, said that “The winds and waves are always on the side of the ablest navigators.”

So we intend to turn the global financial crisis into a “good crisis,” a catalyst to capitalize on to take Korea’s financial services industry to the next level.

Obviously, this cannot be achieved with the will and the effort of regulators alone.

It's possible only when we join hands with the market participants.

What we especially need and value is constructive engagement from foreign financial firms.

I say this because they are not recipients of hospitality on the sideline, but an indispensable cornerstone for the transformations we seek in our markets.

Once again, I thank you for joining us today.

The FSS Speaks is a forum for frank and constructive two-way engagement, an open marketplace of communication and mutual understanding.

So we very much look forward to listening to you and speaking to you.

Thank you.