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**Roundtable Meeting, Hong Kong**

Tuesday, August 23, 2011

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**ROUNDTABLE REMARK**

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**Financial Supervisory Service**

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Good afternoon, / everyone.

It's great to meet you.

And I thank you / for joining us today / on such a short **notice**.

I must say / that I almost feel right at home / here in Hong Kong.

I think it's **because** I have to read / about Hong Kong markets / every day at work.

I hoped to see you today / to **discuss** recent market **developments** in Korea / and hear your thoughts.

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**Investor** fears / over **European** debt **crisis** and U.S. **recession** / have been taking a heavy toll / on markets this month.

The S&P's **downgrading** of U.S. / also seems to be having / a **surprisingly** negative effect / on market **sentiment**.

Because of Korea's openness / to global trade and finance, / Korean markets often show greater volatility / than other less open economies.

Unfortunately, / this is seen by some / as a cause for gloomy predictions / about our markets and economy.

But the simple fact is that / there is nothing about Korea / that warrants such gloom.

So I do see a need / to speak up and dispel such notions.

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Investor panic / fueled by deepening global uncertainty / seems to be driving markets these days.

And the sharp swings we saw / in our markets this month / reflect this.

But the steadiness / of government bond yields / and the strength of the Korean won / tells a different, / more assuring story.

And the assuring story is / Korea's sound fiscal management, / its tough prudential regulations / on foreign currency liquidity, / and its substantial foreign exchange reserves.

As for Korea's banking soundness / and external debt positions, / all the key indicators / point to the right direction.

For example, / the proportion of short-term debt relative to the total external debt / has been declining.

We see the same downward trend / in domestic banks' foreign liabilities, / especially their short-term borrowings.

I can also tell you / that the overall loan-to-deposit ratio / is now a touch below 100%, / and the BIS capital ratio, / at about 14.3%, / remains exceptionally strong.

Domestic banks' overnight call rate / remains quite low, / and the rollover rate / for long-term borrowings / has increased sharply / in a sign of improving funding structure.

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Let me finally stress / that we stand ready / to safeguard the **stability** / of our financial system.

We are closely monitoring market **de**velopments, especially the **liquidity** positions / of financial firms and businesses.

And we have **carefully prepared** / **contingency** plans / to deal with **disruptions** / in the credit markets.

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In closing, / let me say that there is no quick fix / to restoring fiscal soundness / and **renewing** global growth.

And this is probably / what drives the panic we see in global stock markets.

However, / as the IMF noted recently, / Korea's economic **fundamentals** are strong / and in better shape / than most of the major **economies**.

So we have **reasons to believe** / that the **volatility** we see in our markets / will have a short life.

For our part, / we are taking **proactive** steps / with a firm grasp of market **de**velopments / and forging ahead / with our effort to create a sound, / investor-friendly market **envi**ronment.

This is why I wanted to come here / and speak to you.

But I am actually **eager** to listen / to what you have to say, / and I would **welcome** / any thoughts you may have / on what I said today.

I must again thank you / for joining us on a short notice.

I am **delighted** to meet you / and hope we can do this again.

Thank you.