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Good morning, ladies and gentlemen,

Welcome to FSS Speaks 2013. It's great to have you here today, and I thank you for joining us.

As many of you know, we had the first FSS Speaks in 2009, and today marks our fifth meeting. Let me first say that we very much appreciate your continued interest in our annual meeting. It has certainly served a useful purpose for the past five years. And we are dedicated to making it a continued success and hope that you find it useful and informative.

The theme for this year's meeting is "Towards a Creative and Innovative Financial Market." We chose this theme to underscore the importance of unleashing the creative and innovative powers in the market. I would also like to add that, as always, what you tell us today in our discussions matters to us. So I hope that you take advantage of today's meeting to share your views with us and help us move forward together.

I also want to take a moment to pay my personal tribute to you. It's never easy to live and work in a foreign country for many obvious reasons. Yet many of you do and do it so well. So I take this opportunity to acknowledge your dedication and contribution. All of you are our stakeholders. And I want you to know that we are here today not only to speak to you, but also to listen to you.

Let me now say a few words about recent market developments. With respect to the state of the global economy, we continue to see some signs of weakness and pockets of uncertainty. The potential impact of large automatic spending cuts in the U.S. and the recession in the euro-zone economies are but two examples of uncertainty we see. The fallout from the aggressive monetary policies of the world's major economies and the implications for exchange rates also loom large over the markets.



So the near-term outlook for the global economy is not particularly encouraging.

This makes a strong recovery of the Korean economy less likely. Moreover, there are some signs of capital volatility increasing and putting additional pressure on financial markets.

In response, the Korean government has been doing its part with supplemental budget spending and a package of stimulus measures to accelerate economic recovery. Korea's policy makers are also undertaking fresh efforts to improve the regulatory climate and revitalize the financial markets. On the monetary policy front, policy makers are responding with interest rate cuts in support of economic recovery. I have no doubt that our economic recovery will be faster and more vigorous with your participation and support in our effort.

Let me quickly turn to regulatory reform and the policy direction we seek in support of financial stability and economic vitality.

First, we are going to take new measures to further improve our regulatory framework and regulatory efficiency. For this, we are going to take a close look at whether our regulations are set at the right level and how effective they are.

I would also emphasize that we will seek greater international harmonization of financial regulations. We are doing this to reduce regulatory inconsistencies not only across countries, but also across domestic and foreign financial firms. The goal we seek is simple: we want to make sure that we are providing a level playing field for all in Korea.

Second, financial-sector competitiveness is critically important to the economy's ability to grow and create jobs. To a significant extent, financial-sector competitiveness depends on financial firms' ability to innovate and create value. We can play a positive role in this by lending a hand to financial firms that are developing innovative products and creating new markets.

Third, we will continue to set high standards for financial firms' safety and soundness amid the low-growth, low-interest global environment. So, as we encourage financial firms to raise their loss-absorbing capacity, we will keep a close watch on how they are managing high-yield, high-risk investment. And, in the meantime, we will be making continued efforts in strengthening our macro-prudential supervision to monitor and contain systemic risks.

As we take fresh measures to improve our regulatory framework, we will make sure that we continue to improve the business climate for foreign financial firms in Korea. Many of you are familiar with efforts under way to attract foreign financial firms to do business in Korea. This is of course one key objective of our financial center initiative. The efforts we have undertaken are paying off in several important ways.



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For instance, I can tell you that a total of 33 foreign financial firms have set up new business operations since 2009. In recent global financial center rankings, Seoul was ranked within the world's top ten.

But we know we can do better, and we will do better. We will continue to work hard to provide an effective regulatory environment for foreign financial firms doing business in Korea. To this end, we intend to shorten our review period for foreign financial firms' application for new branch operations in Korea. I would also stress that our commitment to effective regulatory environment extends to accounting transparency, reliable credit rating, and the security of financial firms' IT systems.

We are also going to look for ways to further improve the examination process with the aim of raising the level of transparency and reliability of the examinations we conduct. One area of improvements we seek is shortening the period of our post-examination review and execution. The goal here is to make sure that our supervisory action produces the intended effect on financial firms in a timely manner without any lingering uncertainty. We also intend to make sure that individuals are given adequate opportunities to offer justification for their activity, before any supervisory sanction is finalized. Employees of financial firms will benefit from this improvement, irrespective of their nationalities.

As we kick off our meeting, I wish to emphasize the value I place on maintaining an open and candid dialogue with you and on responding to your concerns. For instance, during our free trade negotiations for the past few years, we gave due consideration to what we had heard from foreign financial firms in connection with offshore outsourcing of IT services and data processing. Accordingly, the process of changing relevant rules and regulations is still under way. And this work also includes any possible technical issues that might take place in the course of implementing those changes.

In addition, as you know, we expanded our prior consultation regime in November last year so that we receive feedback from foreign financial firms on major regulatory changes and have them properly reflected in our policy.

Starting this year, I also hope to personally get together with the heads of foreign financial firms every six months or so. I propose this as another opportunity for foreign financial firms to engage in wide-ranging market and supervision discussions with us and help us create and maintain an effective regulatory environment for all.



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Ladies and gentlemen,

Today, I would like to make a couple of proposals to you in the interest of our shared goals. One is a more sustainable management strategy from foreign financial firms that would enable us to grow and develop together. We of course understand and recognize the many important contributions you make in our markets. We are also seeing more aggressive consumer protection efforts from foreign financial firms. We very much appreciate it, and I think that we can do more going forward with greater emphasis on our common long-term goals.

I would also suggest to you to invest in Korea with long-term perspectives. As you know, competition in Korea's financial markets is growing and getting tougher. However, when you consider our rising income, diversified demands for financial products and services, and favorable market environment, you would easily find that Korea will remain an attractive market. So, we hope to see foreign financial firms to grasp changes taking place in our markets with long-term perspectives and actively invest in and benefit from new growth opportunities we see. And I pledge that we will do our part in lending a hand and working toward a positive, effective regulatory environment for all.

Ladies and gentlemen,

The Korean economy will continue to grow and advance. Among others, it has a large, mature real sector, a deep pool of highly productive workforce, a world-class IT industry, and an open, dynamic financial industry.

Let me again stress that foreign financial firms are an important segment of our market. The new government recognizes this as well and has made it clear that it will continue to encourage and support foreign financial firms to do business in Korea. So your constructive engagement and participation matter to us.

And, more than anything else, I hope that today's conference serves as an opportunity to enhance our mutual understanding and trust.

Thank you.