



Governor's Keynote Address at the FSS Speaks 2017

The following is the full text of the keynote address Governor Zhin Woong-Seob delivered at the FSS Speaks 2017, an annual gathering of the executives of foreign financial firms in Korea and FSS supervisors, in Seoul on April 19, 2017.

Good morning, ladies and gentlemen,

It is my great pleasure to welcome you to FSS SPEAKS 2017. Allow me to start by expressing my heartfelt appreciation to all the distinguished guests here today representing foreign financial companies operating in the Korean market.

I would like to extend my special thanks to the honorable James Choi, Ambassador of Australian Embassy in Seoul, and the honorable Marc Knapper, Charge d' Affaires of U.S. Embassy in Seoul. I sincerely thank you for joining us this morning and making this gathering such a special occasion.

Let me also acknowledge and thank Mr. Remko Witteveen, head of Financial Markets at ING Bank Asia, and Ms. Helen Wong, chief executive of Greater China of HSBC Group. I want to express my gratitude for making the time to deliver your wonderful speeches today, and also thank the guest speakers who will be sharing their insightful ideas from the perspective of foreign financial companies.

FSS SPEAKS, marking its 9th anniversary this year, is where we the supervisors offer an overview of how we intend to carry out our supervision throughout the year. But equally important, it is also about listening to the voices of foreign financial companies bringing vigor and vitality to the Korean market. We will therefore listen attentively to your words delivered today and reflect them in our work of creating a supervisory framework that offers practical support for foreign financial companies.

Ladies and gentlemen,

Have you, by any chance, heard of the word "VUCA"? It is a relatively new term coined by combining the first letters of the word "volatility," "uncertainty," "complexity," and "ambiguity," which is used to refer to an "uncertain future." And I think that this term "VUCA" well characterizes the situation we all face these days.

Looking outward, we can also see the global environment full of uncertainties, as depicted by the prevalence of trade protectionism, interest rate hike of the Fed, and possible breakup of the EU. And all of this is making it increasingly difficult

to predict the future we're headed towards. What adds on to the complexity of the situation is the convergence of wide-ranging technologies driven by the Fourth Industrial Revolution.

But I believe it is unlikely that this state of "VUCA" will have a negative impact on the Korean economy and financial market. And there are various indicators backing up such a belief.

To start with, the Korean economy has strong fundamentals, securing the 8th largest amount of foreign reserves in the world and recording current account surplus for 60 consecutive months. Moreover, the financial sector is fully capable of responding to crises, as capital soundness and foreign currency liquidity of Korean banks are maintained on a favorable level. It's also notable that the amount of Korean stocks held by foreign investors reached an all-time high, meaning that investors are signaling a message of strong confidence towards the Korean financial market. So I hope that all of you, having confidence in the stability of the Korean financial market, will continue to expand exchange and investment.

Now turning my focus to financial supervision, there is one question that bears asking, which is: "What is then required for supervisors to effectively respond to the Age of VUCA?" In seeking the answers to this question, I was able to find some implications in this year's Davos Forum, notably in its theme "Responsive and Responsible Leadership." So going forward, the FSS intends to underscore these two values of "responsiveness" and "responsibility" in our supervision.

With respect to "responsiveness," we will try to better relate to the hardship faced by financial consumers and companies and actively respond to their requests. Building on these efforts, we will also make sure to fully meet our "responsibilities" of securing stability of the financial market, protecting financial consumers, and supporting sustained growth of the financial industry. And I believe this will enable us to successfully cope with the "Age of VUCA" we're facing.

Then, let me elaborate on how we intend to achieve each of our responsibilities. First, to stabilize the financial market getting ever more uncertain these days, we will keep our guard up to maintain a watertight safeguard system. That is, we will do our utmost to ensure that anxiety triggered by financial companies does not grow into an economic crisis. We will also make sure that uncertainties at home and abroad do not undermine the soundness of financial companies. And more importantly, we will act more "responsively" towards financial companies and devote our resources to addressing vulnerable areas identified along the way.

Let me now move onto financial consumer protection and financial inclusion. For this, the FSS will put effort into widely embracing marginalized groups in the market by pursuing financial practice reform and strengthening consumer rights. We will thus faithfully carry out the "20 Major Financial Practice Reform Tasks" to strengthen the rights of financial consumers. Meanwhile, for consumer

groups likely to be left behind in technological innovation, we will come up with measures for offering assistance. Lastly, to support sustained growth of the financial industry, we wish to create a supervisory framework that can flexibly deal with internal and external changes.

To this end, the FSS will make a shift in our supervisory framework from punitive and ex-ante supervision to ex-post supervision. And this will enable us to boost creativity and dynamism among market participants while facilitating the entry of new players into the market.

Another task we will push for is the fostering of fintech ecosystem which will hopefully reinvigorate the Korean financial market. What we're witnessing these days is the launching of Korea's first internet bank bringing fresh new air of competition into the banking industry. And the consequence is increased amount of benefits offered to financial consumers. To allow such innovation to continue in the financial market, we will work on building a supervisory framework that is conducive to innovation. Through these efforts, our hope is that Korea will transform into a leading county in fintech.

Ladies and gentlemen,

In my speech today, I shared with you the supervisory plan the FSS set for this year, but let me stress that this plan can only be accomplished when it earns the support from all of you. Advanced financial know-how and strict advice you've given have been a great help in carrying out our responsibilities as a regulator.

For example, we actively reflected your opinions in our work of relaxing Chinese wall regulations, permitting outsourcing of data processing to off-shore parties, and swiftly accepting report filings on ancillary and concurrent businesses of banks. And the regulatory improvement made as a result has been receiving positive marks up to date. The FSS will continue to stay open to your voices and put them into good use as we strive to create a business-friendly environment for foreign financial companies and further develop the Korean financial market.

I therefore ask that you continue to provide us with valuable advice and solution going forward. Another thing I want to stress is that a higher level of autonomy given under the principle-based supervisory system must come with a strong sense of responsibility. And I believe it starts from securing a robust internal control system. I understand that there may be some limitations due to the relatively small size and workforce of foreign financial companies, but let me once again ask you to be mindful of internal control and pay close attention to it.

Ladies and gentlemen,

Before bringing my speech to an end, I would like to share with you a quote by Abraham Lincoln that goes: “You cannot escape the responsibility of tomorrow by evading it today.”

What I wish to emphasize is that to squarely face up to the challenges of the uncertain future, it would be essential to carry out our responsibilities to the fullest. And I believe we can successfully navigate through these uncertainties by staying “responsive” to each other and being “responsible.” I also hope that today’s conference will serve as an opportunity to deepen trust formed between foreign financial companies and the FSS.

In closing, let me wish all of you great health, happiness, and lasting success in the Korean financial market.

Thank you.
