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# **Weekly Newsletter**

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## Plan for Joint Establishment of 'Financial Information Sharing Committee' Released

**T**o facilitate the increased sharing of information among the concerned institutions such as the FSS, the Bank of Korea (BOK) and the Korea Deposit Insurance Corporation (KDIC), the FSS released plan to establish a joint committee of those institutions, tentatively named the Financial Information Sharing Committee, by the end of 1<sup>st</sup> quarter of 2001.

While the operational guidelines for the FSS, BOK and KDIC include provisions for the supply and sharing of information with each other, the establishment of this committee reflects the increasing need to enhance the system of mutual cooperation among the concerned institutions.

The committee structure will be broken down into two parts, a decision-making branch and the executive arm. The Financial Information Sharing Committee – which will be composed from the board of directors of the FSS, BOK and KDIC – will meet on a quarterly basis and will set the principles and criteria for sharing financial information. The Financial Information Sharing Working-level Committee – which will be composed of working-level executives from the FSS, BOK and KDIC – will engage in information sharing and will meet at least once a month.

## Plan to Overhaul Reporting System of Financial Institutions

**T**he FSS has revealed a plan to reduce the number of reports that financial institutions are required to submit, effective from the end of 2001, which is aimed at integrating the current diverse reporting system into a simplified and comprehensive business reporting system.



Under the plan, the total number of reports to be submitted by financial institutions would be reduced from 56 to 23, while the total number of items included in the reports would also be lowered from the current 1,537 to 1,290.

### **Number of Reports and Items**

	Before Overhaul		After Overhaul	
	Reports	Items in Reports	Reports	Items in Reports
Banking Sector	6	507	3	284
Securities Sector	17	236	10	295
Insurance Sector	22	430	4	393
Others	11	364	6	318
Total	56	1,537	23	1,290

Moreover, the data submitted through the comprehensive business reporting system will be included into a newly created integrated data-base and the new system of information analysis to the integrated data base will be introduced to the FSS at the end of 2001.

The combination of the comprehensive business reporting and informational analysis systems is expected to greatly lessen the burden of reporting on financial institutions, and to help the FSS to more effectively conduct supervision and examination by laying systematic foundations for the collection and sharing of information.

## **Measures to Strengthen Punishment against Violations of Disclosure Requirements**

**F**ollowing recent changes to regulations governing financial disclosure by listed firms, the FSS has introduced additional measures to strengthen the enforcement of punitive sanctions against violations of disclosure requirements including the submission of false disclosures and failure to state important matters in the disclosed



documents. The new measures, which are aimed at protecting investors from making misguided investment decisions based on information contained in disclosed materials, include the following.

First, in the case of newly listed firms on the Korea Stock Exchange (KSE) and newly registered firms on the Korea Securities Dealers Automated Quotation (KOSDAQ), the FSS will conduct comparisons of the registration statements for securities issuance with regularly disclosed business reports to detect any violations of disclosure requirements. The comparisons will focus on unfaithful disclosures and cover reporting periods of two years.

Second, the FSS will impose stricter punishments against violations of disclosure requirements itself in addition to unfair trading practices. The punitive measures include subjecting offenders to criminal charges, recommending dismissal of directors, and ordering the immediate imposition of penalties and sanctions against offending companies.

For regular disclosure, the new measures are applicable to any disclosure violations that occurred starting from February 15, 2001. For irregular disclosure, the measures are applicable to violations that occurred beginning from November 2000.

## **Transparency of Business Licensing and Authorization Procedures Enhanced**

**I**n an effort to enhance transparency of the business licensing and authorization process, the FSS posted the current processing status of applications onto the FSS web-site effective on February 20, 2001.

By entering their application number on the web-site, applicant firms can gain access to important information such as the name of the officer in charge of their application for a



business license or authorization, the procedural treatment of the application to date, and other details of the processing status.

## Introduction of Resident Examiner System

**O**n February 20, 2001, the FSS announced introduction of the resident examiner system, under which FSS examiners will be dispatched on residential basis to financial institutions with weak corporate governance structures or insufficient internal-controls. The measure aims at preventing financial incidents before they can occur and improving the close and continuous surveillance of financial institutions.

Resident Examiners will be responsible for the following:

- Collecting information relating to the illegal activities of management and staff of the concerned financial institution;
- Inspecting the efforts of the concerned financial institution to correct items or problems pointed out by the FSS;
- Maintaining a cooperative relationship with the internal auditors and external auditors;
- Assessing the scale and level of the risks posed by the concerned financial institution.

The term of resident examiners at financial institutions will range from one month to three months. The teams of resident examiners would be comprised of two to three examiners, and the FSS would sign MOUs with the concerned financial institutions prior to dispatching the teams in order to obtain pledges of openness and cooperation.

## Corporate Direct Financing Increases in January

The total amount of direct financing by domestic corporations recorded 3,345.3 billion won in January 2001, which marks an 11.1% increase from the 3,009.9 billion won recorded during the same month of 2000. The increase is mainly attributable to the greater issuance of bonds, which amounted to 2,944.3 billion won, or up 128.1% from the same month of 2000. On the other hand, total new stock issues decreased to 401.0 billion won, down 76.7% from the same month of last year.

### Direct Financing by Type

(unit : billion won, %)

	Jan. 2000	Jan. 2001	% Change
Stocks	1,719.1 (57.1)	401.0 (12.0)	-76.7
Bonds	1,290.8 (42.9)	2,944.3 (88.0)	128.1
(ABS)	(799.8) (26.6)	(531.0) (15.9)	(-33.6)
Total	3,009.9 (100.0)	3,345.3 (100.0)	11.1

Salient features of direct financing trends during January of 2001 are as follows.

First, the issuance of bonds replaced new stock issues as the preferred method of direct financing by corporations, led by a sharp increase in the issuance of bonds other than asset-backed securities (ABS). The total amount of bonds other than ABS increased to 2,413.3 billion won, up 391.5% from the same month of 2000. The ratio of bonds with over two-year maturity in January also rose to 76.0%, up 22.3 percentage points from December 2000. The sharp increase indicates that the bond market began to function properly as a key funding source for cash-strapped companies.

Second, direct financing by the top four chaebols decreased by 31.2% from the same month of 2000. As a result, their portion of total direct financing declined to 35.9% from 66.4%.



(Appendix)

1. Major Financial Statistics

(unit: point, percent, won)

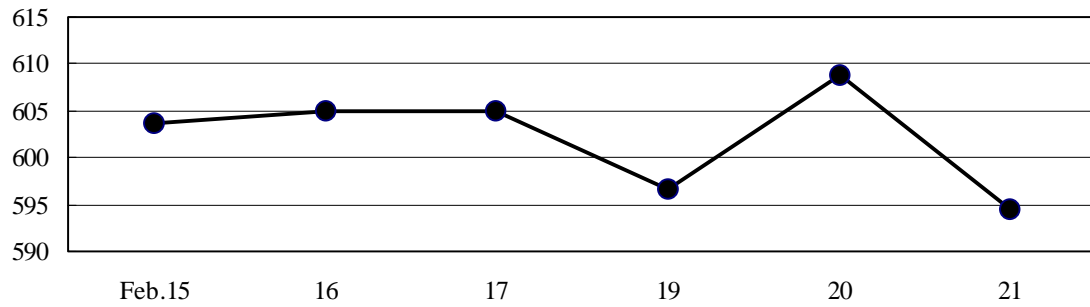
	Equity Indexes			Interest Rates				Exchange Rates	
	KOSPI Index	KOSPI 200 Index	KOSDAQ Index	Corp. Bond Yields (3 years)	Gov't Bond Yields (3 years)	Call Rate (1day)	CD Yields (91days)	Won/USD	Won/100 JPY
2000 July	705.97	89.35	115.80	9.17	8.07	5.12	7.06	1,116.0	1,018.25
Aug.	688.62	86.54	108.59	8.98	7.79	5.11	7.05	1,109.0	1,042.10
Sept.	613.22	76.47	90.17	9.04	8.07	5.05	7.05	1,115.0	1,030.88
Oct.	514.48	64.00	74.68	8.59	7.64	5.33	7.02	1,139.0	1,045.91
Nov.	509.23	63.48	67.26	8.35	7.16	5.32	6.94	1,213.5	1,092.26
Dec.	504.62	63.35	52.28	8.14	6.74	5.36	6.88	1,261.0	1,101.31
2001 Jan.	617.91	77.98	84.36	7.38	5.68	5.26	5.94	1,258.0	1,080.29
Feb.15	603.63	75.88	87.38	6.44	5.14	5.05	5.67	1,246.0	1,072.29
16	604.92	76.08	86.32	6.51	5.32	4.95	5.66	1,243.0	1,074.33
17	-	-	-	6.52	5.32	5.15	5.65	1,245.0	1,075.13
19	596.67	74.91	87.29	6.58	5.40	5.05	5.63	1,248.0	1,076.79
20	608.74	76.36	87.65	6.58	5.40	5.06	5.61	1,238.0	1,068.16
21	594.53	74.38	85.25	6.79	5.72	4.92	5.62	1,238.0	1,066.78

Note : End of Period

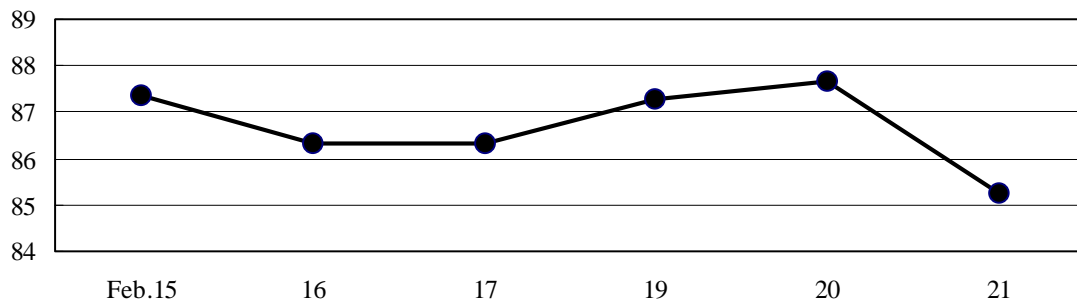


## 2. Daily Trends

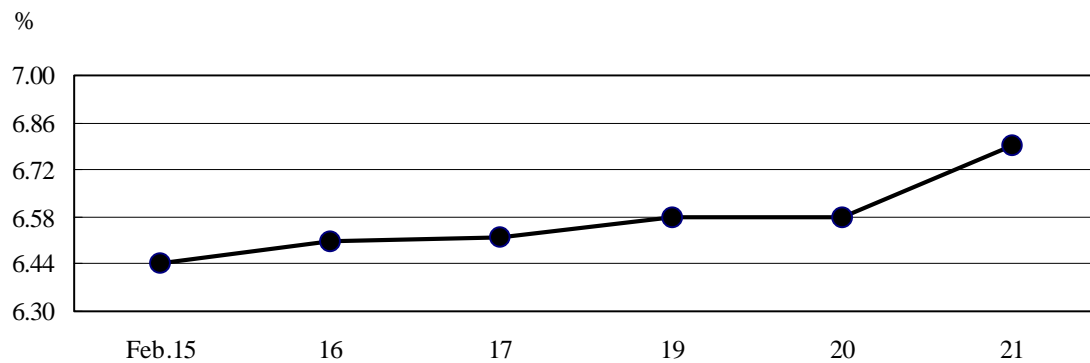
### 1) KOSPI



### 2) KOSDAQ Index



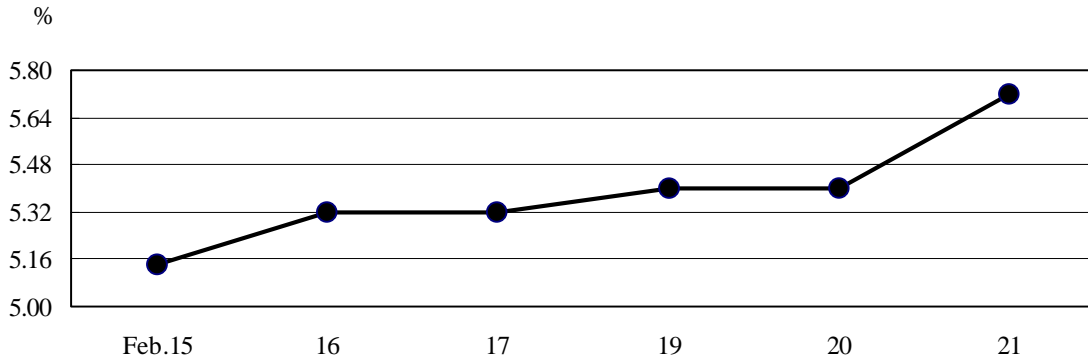
### 3) Yields on Corporate Bond Yields (3 Years)



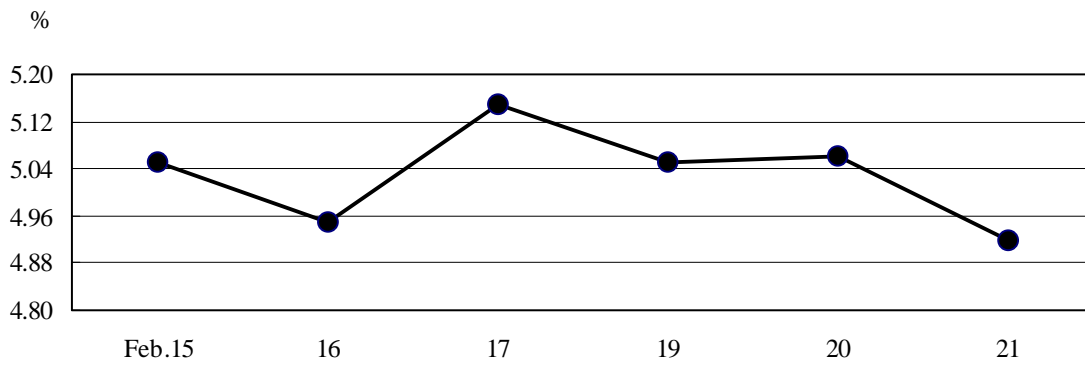




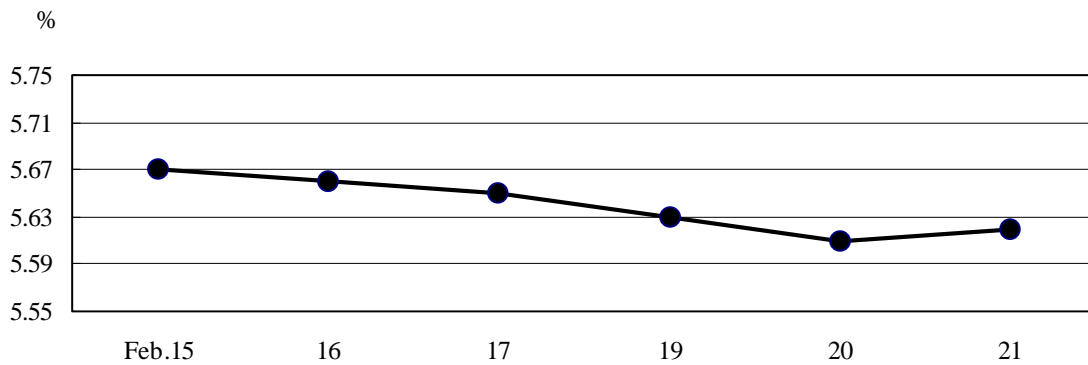
#### 4) Yields on Government Bond ( 3 Years)



#### 5) Call Rate (1 Day)

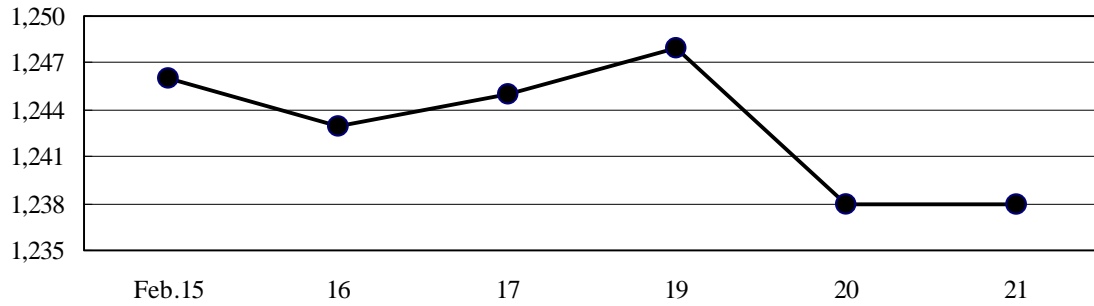


#### 6) Yields on CD Rate (91Days)

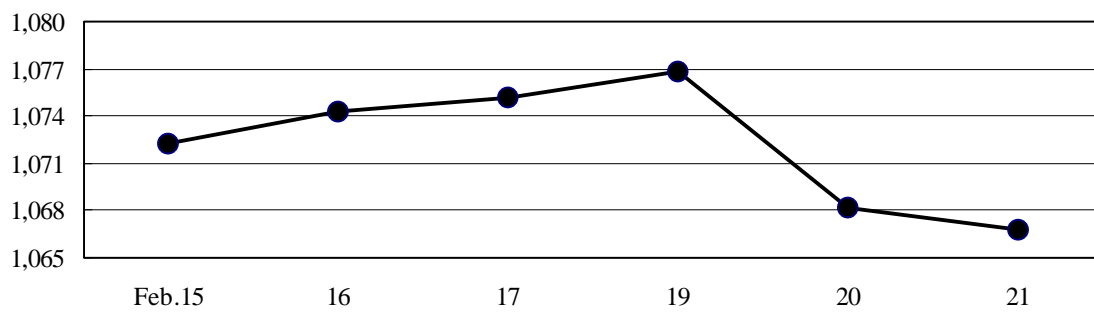




**7) Won/US Dollar**



**8) Won/100 Japanese Yen**





## **Financial Supervisory Service**

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### **Main Office**

27, Yoido-dong, Youngdeungpo-gu, Seoul 150-743, Korea  
Tel: 82-2-3771-5114 Fax : 82-2-3771-5985  
[Http://www.fss.or.kr](http://www.fss.or.kr)

### **Overseas Offices**

#### **New York**

14<sup>th</sup> floor, 780 Third Avenue New York, NY 10017 U.S.A  
Tel : 1-212-350-9388 Fax : 1-212-350-9392  
E-mail : [newyork@fss.or.kr](mailto:newyork@fss.or.kr)

#### **London**

3<sup>rd</sup>. Floor 1, Minster Court, Mincing Lane, London EC3R 7AA, U.K  
Tel : 44-207-621-8490 Fax: 44-207-929-1677  
E-mail : [london@fss.or.kr](mailto:london@fss.or.kr)

#### **\* Frankfurt Resident**

Messturm 28. OG. Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany  
Tel : 49-69-7434-8722 Fax: 49-69-7434-8729  
E-mail : [frankfurt@fss.or.kr](mailto:frankfurt@fss.or.kr)

#### **Tokyo**

Yurakucho Denki Bldg. South Kan 1051, 7-1, Yurakucho 1-Chome, Chiyoda-ku, Tokyo,  
Japan  
Tel : 81-3-5224-3737 Fax : 81-3-5224-3739  
E-mail : [tokyo@fss.or.kr](mailto:tokyo@fss.or.kr)

#### **\* Hong Kong Resident**

Rm 1208-9, Alexandra House 20 Charter Road, Central, Hong Kong  
Tel : 852-2526-6508 Fax: 852-2868-5276  
E-mail : [hongkong@fss.or.kr](mailto:hongkong@fss.or.kr)

**If you have any questions, suggestions, and/or comments, please feel free to contact the International Cooperation Office at (82-2) 3771-5975, fax (82-2) 3771-5985, or e-mail us at [soykim@fss.or.kr](mailto:soykim@fss.or.kr)**