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Weekly Newsletter

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Financial Information Sharing Committee Holds Its First Meeting in March

The Financial Information Sharing Committee, a joint committee established in February by the FSS, Bank of Korea (BOK) and the Korea Deposit Insurance Corporation (KDIC) to promote more open and effective information sharing among the three organizations, held its first meeting on March 14, 2001 (see February 24, 2001 edition of the FSS Weekly Newsletter for details on the Committee).

The members of the committee include the Assistant Governor of the FSS in charge of the Supervision Information Department, the BOK Assistant Governor in charge of the Banking Institutions Department, and the Executive Director of the KDIC in charge of the Risk Management Department. The committee will meet on a quarterly basis to review information-sharing policies and practices, and to set guidelines for information sharing procedures.

At the working level, the FSS Director of the Supervision Information Department, the BOK Director of the Banking Institutions Department, and the KDIC Director of the Risk Management Department make up the Financial Information Sharing Working-Level Committee, which will be held on a monthly basis to engage in information sharing.

In addition, the executive and working-level committees are collaborating to overhaul the current IT infrastructure in order to facilitate easier access to shared information on a real-time basis and to enhance the overall processes of information sharing among the financial regulatory agencies.

Corporate Direct Financing Increases during Jan.-Feb. Period

During the Jan.-Feb. 2001 period, the total amount of direct financing by domestic corporations increased to 15.3 trillion won, up 38.6% from 11.0 trillion won recorded during the same period of 2000. The increase reflected

the greater issuance of stocks by rights offerings and bonds, which amounted to 3.9 trillion won and 11.4 trillion won, respectively, up 32.5% and 40.8% from the same period of 2000.

Direct Financing by Type of Issuance

(unit : billion won, %)

	Jan.- Feb. 2000	Jan.- Feb. 2001	% Change
Stocks	2,921.0 (26.5)	3,871.4 (25.4)	32.5
Bonds	8,097.4 (73.5)	11,398.9 (74.6)	40.8
ABS	6,734.3 (61.1)	5,303.6 (34.7)	-21.2
Others	1,363.1 (12.4)	6,095.3 (39.9)	347.2
Total	11,018.4 (100.0)	15,270.3 (100.0)	38.6

Salient features of direct financing trends during the Jan.-Feb. period are as follows. First, the issuance of corporate bonds excluding asset-backed securities(ABS) increased to 6.1 trillion won, up 347.2% from the same period of 2000. Moreover, the issuance of bonds with maturity over 2 years amounted to 5.8 trillion won, accounting for 83.5% of total corporate bonds issued, up 10.7 percentage points from the same period of last year and reflecting recent trends towards longer-term maturity bonds. The issuance of corporate bonds with 'BBB' grade also increased to 2.2 trillion won, up 680.4% from the same period of 2000.

Second, the portion of direct financing accounted for by the top four chaebols, excluding ABS, decreased to 40.4%, down 14.1 percentage points from same period last year. However, the total amount of direct financing by the top four chaebols excluding ABS increased to 4.0 trillion won, up 72.4% from the same period in 2000.

Profits Decline at Securities, Investment Trust Management Companies in First Three Quarters of FY2000

According to financial results announced for the first three quarters of FY 2000 (April 1, 2000 – December 31, 2000), the combined total assets of domestic securities companies amounted to 43.8 trillion won as of end-December 2000, marking a decrease of 26.1% from end-December 1999. The fall in assets reflected reduced holdings of beneficiary certificates such as marketable securities and deposits for subscription.

Meanwhile, total pre-tax profits at securities companies fell to 114.0 billion won, down 5,131.8 billion won from the same period last year. The sharp decrease in profits was due largely to a 3.5 trillion won decline in commission fees and a 1.6 trillion won increase in securities trading losses. Among 43 domestic securities companies, 26 firms recorded positive pre-tax profits while 17 posted losses.

Domestic investment trust management companies (ITMCs) also suffered a decline in pre-tax profits, which amounted to 109.9 billion won during the first three quarters of FY2000, down 127.1 billion won from the previous year. The decrease was mainly due to a significant drop in fund management income that resulted from declining sales of beneficiary certificates. Of the 27 domestic ITMCs, 24 posted profits while 3 recorded losses.

Pre-tax Profits at Securities Companies and ITMCs

(unit: billion won)

	Apr.- Dec. 1999	Apr.- Dec. 2000	Change
Securities Companies	5,245.8	114.0	-5,131.8
Investment Trust Management Companies	237.0	109.9	-127.1



Performance of Life Insurance Companies in First Three Quarters of FY 2000

Life insurance companies reported combined net losses of 843.5 billion won during the first three quarters of FY 2000 (April 1, 2000 – December 31, 2000), compared to combined net profits of 1,841.0 billion won for the same period of FY 1999. The losses recorded by life insurance companies were mainly attributable to a 3,949.6 billion won increase in policy reserves and a 2,835.6 billion won decrease in net income from investment operation.

Of the 23 life insurance companies, 9 posted profits while 14 recorded losses during the first three quarters of FY 2000.

Net Income of Life Insurance Companies

(unit: billion won)

Sources of Net Income*	Apr.- Dec. 1999	Apr.- Dec. 2000	Change
Insurance operation	-1,454.2	2,853.2	4,307.4
Investment operation	5,979.9	3,144.3	-2,835.6
Increase in policy reserve	2,435.6	6,385.2	3,949.6
Others	-249.1	-455.7	-206.6
Total	1,841.0	-843.5	-2,684.5

* : Profit & loss before policy shareholders dividend

In spite of their rising losses, the combined assets of life insurance companies increased to 120.5 trillion won as of end-December 2000, up 9.8% from end-December 1999. By type of asset, corporate bonds accounted for the largest increase at 7.5 trillion won, followed by a 3.2 trillion won increase in loan assets. On the other hand, beneficiary certificates accounted for the greatest decrease in assets by 6.1 trillion won, followed by a 5.4 trillion won decline in stocks.

Portfolio Investment by Foreign Investors in February

Foreign investors purchased stocks worth 3.80 trillion won while selling off 3.43 trillion won in stocks in February, ending the month as net buyers of 369.0 billion won worth of stocks on the Korea Stock Exchange (KSE). Despite their net purchases, the market value of foreign investors' equity holdings fell to 67.8 trillion won from 73.7 trillion won, and the market share of foreign equity holdings also fell to 29.6% from 30.4% in January.

In the KOSDAQ market, foreign investors were net sellers of stocks worth 10.2 billion won in February. The market value of foreign equity holdings fell 490 billion won to 3.38 trillion won, down from 3.87 trillion won in January. The total market share of foreign investors also fell from 8.3% in January to 7.9% in February.

Foreign Investment in KSE/KOSDAQ

(unit: billion won)

	KSE		KOSDAQ	
	Net Purchase ¹⁾	Total Market Value of Stock Holdings ²⁾	Net Purchase ¹⁾	Total Market Value of Stock Holdings ²⁾
2000. 12	452.1	56,558.5 (30.1%)	38.1	2,033.5 (7.0%)
2001. 1	2,733.7	73,669.9 (30.4%)	229.9	3,865.4 (8.3%)
2001. 2	369.0	67,799.0 (29.6%)	-10.2	3,376.2 (7.9%)

Note: Figures in parenthesis denote the percentage of total stock holdings.

1) During the period;

2) Outstanding at the end of the period;

In the domestic bond market, foreign investors were net purchasers of 68.0 billion won worth of bonds in February, increasing their total bond holdings to 593.8 billion won from 589.5 billion won as of end-January. The total market share of foreign investors remained unchanged from January at 0.14%. Special purpose bonds, including Monetary Stabilization Bonds and Industrial Financial Debentures, accounted for 64.1% of foreign investors' total bond holdings while corporate bonds accounted for 23.2%.

Foreign Investment in Bonds

(unit: billion won)

	Net Purchase ¹⁾	Value of Bond Holdings ²⁾
2000. 12	- 8.4	692.1 (0.16%)
2001. 1	- 0.1	589.5 (0.14%)
2001. 2	68.0	593.8 (0.14%)

Note: Figures in parenthesis denote the percentage of total bond holdings.

1) During the period;

2) Outstanding at the end of the period;

Total External Liabilities Fall in January

Korea's total external liabilities stood at US\$133.4 billion as of end-January 2001, down US\$2.9 billion from the previous month. The drop marks the sixth consecutive month that external liabilities have declined. The decrease was mainly attributed to early redemption of borrowings from the IMF and increased redemption of borrowings by domestic financial institutions and foreign bank branches.

In particular, short-term external liabilities fell to US\$42.3 billion as of end-January, down US\$ 1.9 billion from the previous month. The ratio of short-term debt to total foreign debt fell accordingly to 31.7%, which is down 0.7 percentage points from December 2000. The ratio of short-term debt to usable foreign exchange reserves was also down by 1.6 percentage points from the previous month to 44.3%, well below the critical threshold of 60%.

Meanwhile, Korea's gross external assets stood at US\$165.5 billion as of end-January, down US\$1.4 billion from the previous month. Korea's net external assets – gross external assets minus liabilities – rose to US\$32.1 billion, marking an increase of US\$1.5 billion from December 2000 and maintaining Korea's position as a net creditor nation since September 1999.

(Appendix)
1. Major Financial Statistics

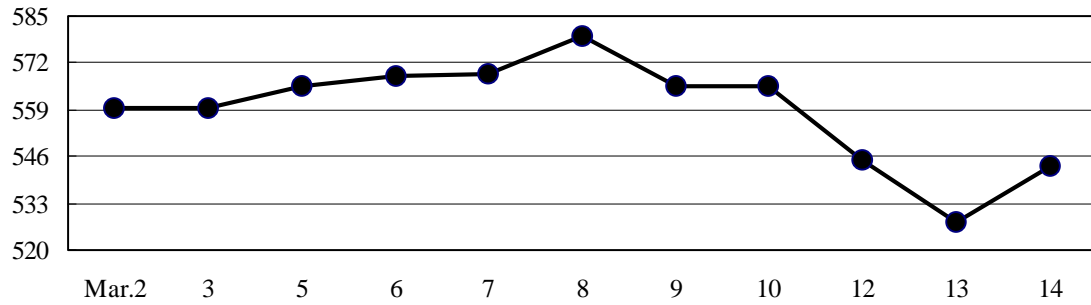
(unit: point, percent, won)

	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	578.10	72.14	76.76	6.77	5.43	5.05	5.68	1,249.0	1,075.33
Mar.2	559.44	69.84	71.99	6.82	5.55	4.99	5.67	1,262.5	1,071.28
3	-	-	-	6.81	5.55	5.04	5.67	1,271.0	1,066.99
5	565.38	70.76	74.32	6.82	5.58	5.06	5.66	1,275.5	1,067.81
6	568.15	71.13	73.52	6.94	5.83	5.05	5.67	1,264.0	1,064.87
7	568.64	71.12	75.35	7.13	6.04	4.97	5.68	1,274.0	1,065.22
8	579.28	72.47	78.00	7.37	6.30	5.01	5.69	1,275.0	1,061.62
9	565.76	70.55	76.56	7.17	5.99	4.87	5.68	1,269.5	1,060.86
10	-	-	-	7.17	5.99	5.05	5.68	1,271.0	1,062.71
12	545.05	67.89	72.33	7.24	6.09	5.00	5.68	1,278.5	1,060.12
13	527.97	65.82	68.57	7.23	6.09	4.97	5.68	1,277.0	1,061.95
14	543.28	67.69	72.04	7.02	5.74	4.97	5.68	1,276.0	1,062.01

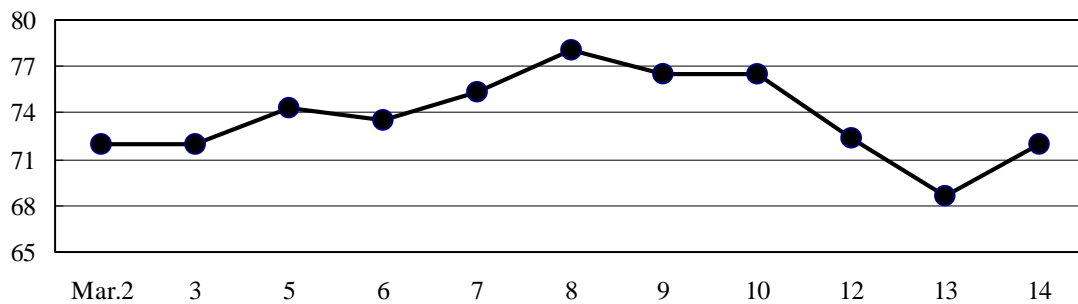
Note : End of Period

2. Daily Trends

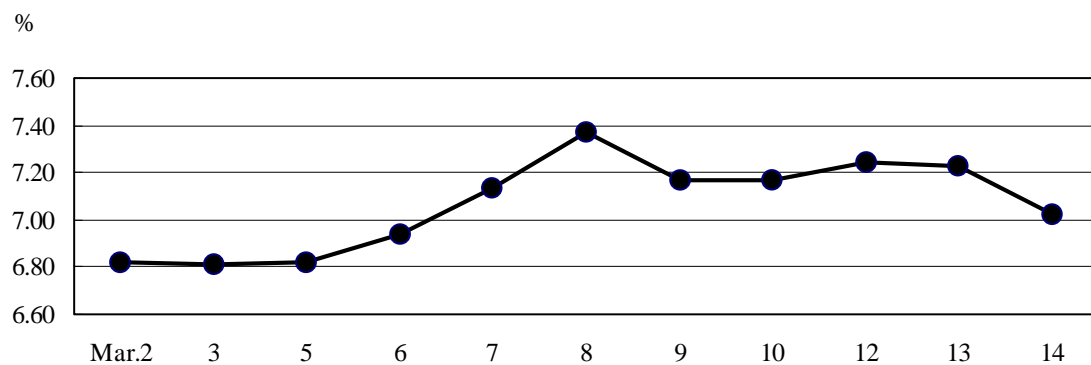
1) KOSPI



2) KOSDAQ Index

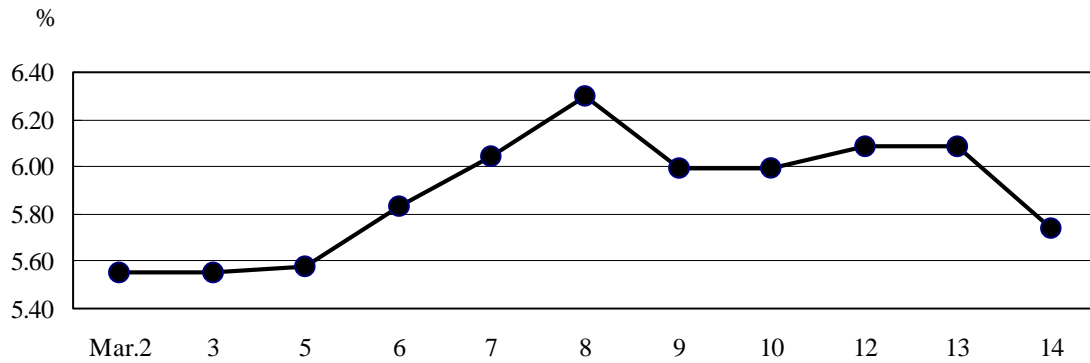


3) Yields on Corporate Bond (3 Years)

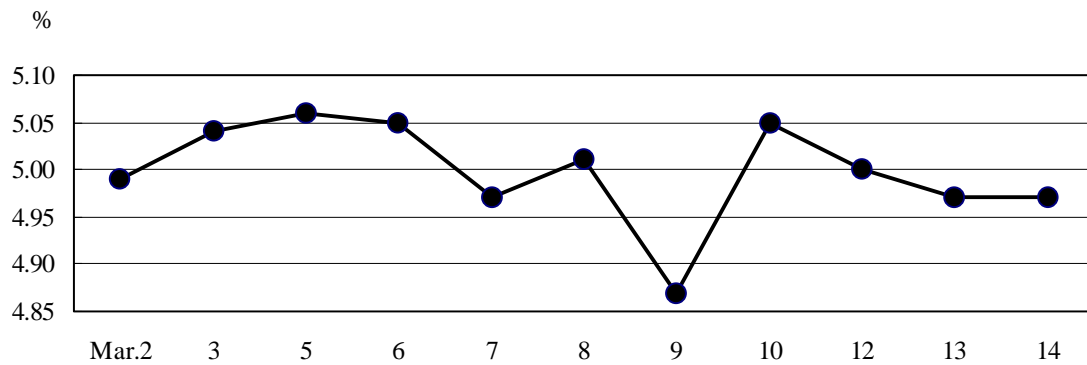




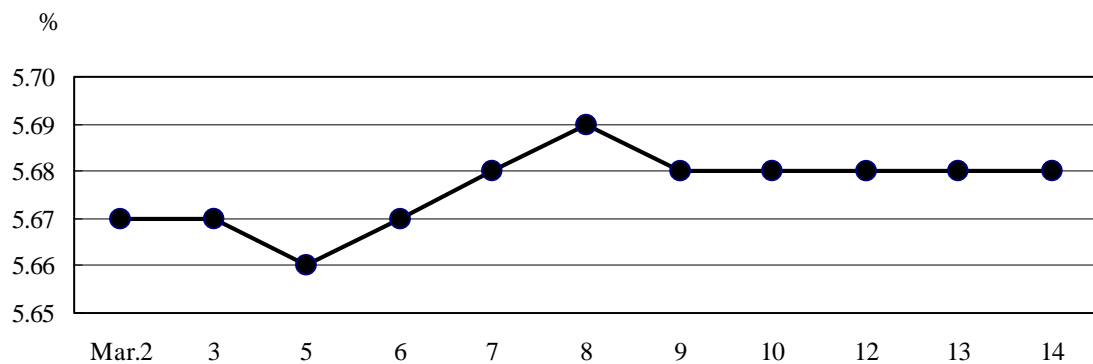
4) Yields on Government Bond (3 Years)



5) Call Rate (1 Day)

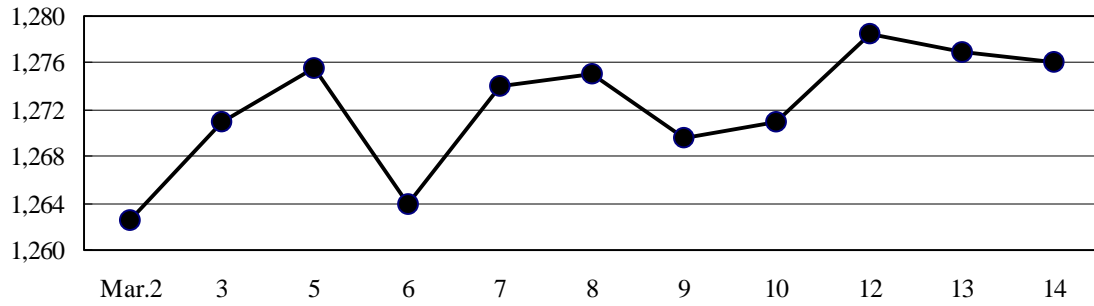


6) Yields on CD (91Days)

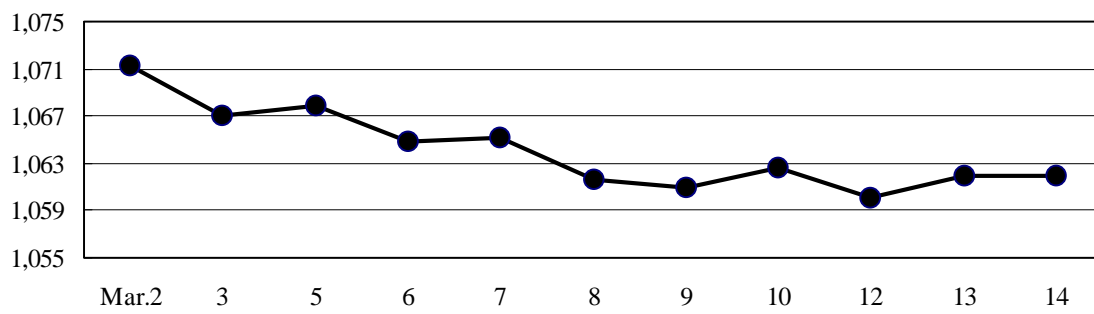




7) Won/US Dollar



8) Won/100 Japanese Yen





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