



Volume II No. 16

May 26, 2001



Weekly Newsletter

FSS Announced List of 60 “Major Business Groups”

Supplementary Measures to Reinforce PCA System

**First-ever Issuance of Primary CBOs for Venture
Companies to Help Ease their Liquidity Conditions**

FSC/FSS Hosts 2nd High-Level Dialogue with UK FSA

**FSS to Hold Second Meeting of International Advisory
Board(IAB) on May 28-29, 2001**

**Corporate Direct Financing Increases
During Jan.-Apr. 2001 Period**

**(Appendix) 1. Major Financial Statistics
2. Daily Trends**



FSS Announces List of 60 “Major Business Groups”

In accordance with the Regulations on the Supervision of Banking Institutions, the FSS announced this year’s list of 60 “major business groups” on May 24, 2001.

Under the regulations, domestic business groups are ranked according to the size of their outstanding credits by banks, merchant banks and insurance companies, and the 60 largest corporate borrowers are selected as major business groups. Through the coordination among the creditor banks, a primary creditor bank for each of the selected major business groups is then designated to oversee their credit status.

The role and responsibilities of the primary creditor banks include compiling credit and business information on the selected business groups as well as signing agreements for the fulfillment of Capital Structure Improvement Plans (CSIPs) with the major business groups. The CSIPs include stipulations for reduction of debt-to-equity ratios, restructuring of all affiliated companies, and significant improvements in corporate governance. In addition, all major business groups are required to eliminate outstanding intra-group debt guarantees and agree not to make any new intra-group debt guarantees.

This year, 15 business groups were newly added to the list. They include six companies that were separated from the Daewoo Group in April 2000 but were considered business groups because of their affiliation with overseas subsidiaries, Hyundai Motor Company, which was separated from the parent Hyundai Group, and POSCO, which had previously been excluded as a state-invested firm.

In addition, a total of 9 banks have been selected as primary creditor banks for the major business groups. Among the banks, Hanvit Bank tops the list as the primary creditor bank for 26 groups, followed by Korea Development Bank, Korea First Bank and Korea Exchange Bank.

The total amount of credits extended to the 60 major business groups decreased to 111.8 trillion won as of the end-2000, which is down by 12.3 trillion won from the end-1999. Accordingly, the ratio of total credits for the 60 major business groups to total credits



extended by banks, merchant banks and insurance companies fell to 26.0% as of the end-2000 from 28.9 % as of the end-1999.

Credits Extended by Domestic Financial Institutions*

(unit: trillion won, %)

Loans		End-1999	End-2000
Total Credits	(A)	429.4	430.4
Credits to 60 major business groups	(B)	124.1	111.8
	Ratio (B/A)	28.9	26.0

* : include banks, merchant banks and insurance companies

Supplementary Measures to Reinforce PCA System

For timely Prompt Corrective Action (PCA) measures against financial companies showing signs of distress, the FSC/FSS announced supplementary measures on May 14, 2001 that are designed to reinforce the current PCA system. The supplementary measures are as follows.

First, the FSS will enhance the continuous monitoring system of financial companies to facilitate timely detection of financial incidents as well as excessive management risk. Additionally, a comprehensive monitoring system will be created by establishing a direct connection between the continuous monitoring system of financial companies and the monitoring system for financial markets. Moreover, even if the FSC/FSS detects management risk of the company that does not immediately warrant PCA, an MOU for the resolution of the management problems will be signed between the FSC/FSS and the concerned financial company.

Secondly, in order to improve the transparency of accounting information to facilitate early detection of ailing financial companies, the required accounting audit period will be shortened and the quarterly business reports of listed financial companies will be required to include the review opinions of external auditors.



Thirdly, the FSS will strengthen the valuation criteria on the assets and liabilities of ailing financial companies. And to ensure the objectiveness of valuation, external accounting firms will directly participate in the process.

Finally, the loan classification coordination meeting, which was established by banks to prevent differing loan classifications for the same corporate borrowers, will be expanded to other financial sectors.

First-ever Issuance of Primary CBOs for Venture Companies to Help Ease their Liquidity Conditions

The first-ever issuance of primary CBOs for venture companies worth 361.8 billion won was successfully completed on May 17, 2001, following the submission of securities registration statements to the FSS on May 11, 2001. The primary CBOs for venture companies in Korea are expected to help ease their liquidity conditions.

Tong Yang & Hyundai Investment Bank, which served as both the originators as well as the lead managers for the issuance, pooled and underwrote convertible corporate bonds carrying a 3-year maturity that were privately placed by 166 medium-sized venture companies with credit ratings below investment grade (CCC⁺ to BB⁺). The pooled assets were transferred to Special Purpose Companies (SPCs), which issued the primary CBOs. They received AAA⁺ rating due to full payment guarantees from the Korea Technology Credit Guarantee Fund.

Moreover, two additional issuances of venture primary CBOs worth approximately 630.0 billion won by Daishin Securities and Daewoo Securities are planned for the near future.

FSC/FSS Hosts 2nd High-Level Dialogue with UK FSA



The second annual high-level bilateral meeting between the FSC/FSS of Korea and the Financial Services Authority (FSA) of the UK was successfully held in Seoul, Korea on May 21-22. Mr. Keun-Young Lee, Chairman/Governor of the FSC/FSS, and Mr. Michael Foot, Managing Director of the FSA, led the delegation of each authority.

The discussions covered recent developments in the integration of financial supervisory systems in both countries, as well as specific supervisory issues relating to Korean financial institutions operating in the UK, and the UK financial institutions operating in Korea. The meeting also included discussions between the two authorities on a new risk assessment model, preparations for the introduction of the New Basel Capital Accord in 2004, and the regulatory implications of the recent trends towards financial consolidation and electronic finance.

The meeting was very successful with both sides agreeing to maintain a close dialogue on regulatory developments in the UK and Korea. The next high-level dialogue will be held in London in 2002.

FSS to Hold Second Meeting of International Advisory Board (IAB) on May 28-29, 2001

The FSS will hold the second meeting of the International Advisory Board (IAB) in Seoul, Korea on May 28-29 2001. Co-sponsored by the FSS and the World Bank, the IAB provides counsel to the FSS and Korean government on major financial supervisory policy, reform and regulatory. The primary objective and purpose of the second meeting of the IAB are to provide new insights and advices to the FSS regarding market driven restructuring and development of infrastructure for efficient financial markets.

The Board is currently comprised of thirteen members, including two Nobel laureates in



economics and other world-renowned scholars, policy makers and experts in the fields of financial policy and regulation, banking, capital markets and information technology.

The recommendations provided by the Board at the inaugural IAB meeting, which was held in September 2000, will be reviewed in a morning conference session with senior FSS officials on Monday, May 28th. During the afternoon session, the Board will be divided into two separate discussion groups – the bank & insurance sector group and the capital market & information technology group – to hold detailed talks on the future directions and prospects for individual financial sectors. The second day of the meeting, May 29th, will feature the open IAB Forum, at which the board members will discuss and debate “Continuing Efforts to Design a New Financial Architecture” in front of over 200 financial professionals.

Corporate Direct Financing Increases during Jan.-Apr. 2001 Period

During the Jan.-Apr. 2001 period, the total amount of direct financing by domestic corporations increased to 28.1 trillion won, which is up 16.6% from the 24.1 trillion won recorded during the same period of 2000. The increase mainly reflected the greater issuance of bonds, which amounted to 23.3 trillion won, up 21.3% from the same period of 2000.

Direct Financing by Type of Issuance

(unit : billion won, %)

	Jan.- Apr. 2000	Jan.- Apr. 2001	% Change
Stocks	4,887.2 (20.3)	4,789.1 (17.1)	-2.0
Bonds	19,188.3 (79.7)	23,283.2 (82.9)	21.3
ABS	15,428.2 (64.1)	13,405.5 (47.8)	-13.1
Others	3,760.1 (15.6)	9,877.7 (35.1)	162.7
Total	24,075.5 (100.0)	28,072.3 (100.0)	16.6

Salient features of the direct financing trends during the Jan.-Apr. period are as follows. First, the issuance of corporate bonds excluding asset-backed securities (ABS) increased to 9.9 trillion won, up 162.7% from the same period of 2000. Moreover, the issuance of bonds with maturity over 2 years amounted to 7.7 trillion won, accounting for 78.3% of total corporate bonds issued, up 7.1 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 3.1 trillion won, up 223.9% from the same period of 2000.

Second, the total portion of direct financing accounted for by the top four chaebols, excluding ABS, increased to 40.6%, up 1.1 percentage points from same period last year. However, the total amount of direct financing by the top four chaebols excluding ABS increased to 6.0 trillion won, up 74.3% from the same period in 2000.

(Appendix)
1. Major Financial Statistics

(unit: point, percent, won)

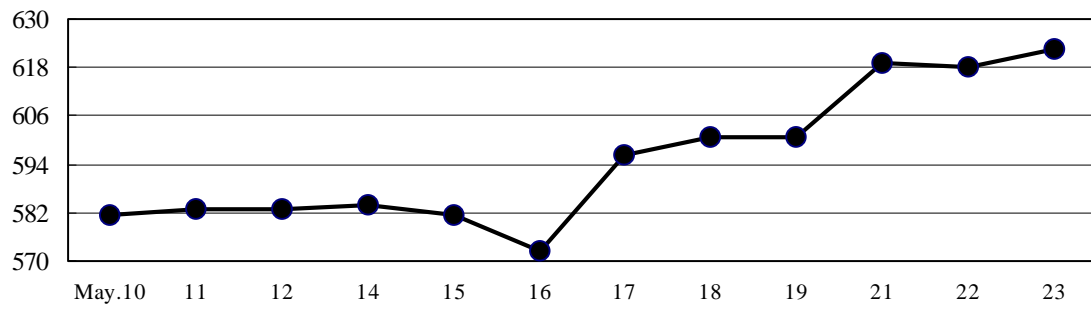
	Equity Indexes			Interest Rates				Exchange Rates	
	KOSPI Index	KOSPI 200 Index	KOSDAQ Index	Corp. Bond Yields (3 years)	Gov't Bond Yields (3 years)	Call Rate (1day)	CD Yields (91days)	Won/USD	Won/100 JPY
2001 Jan.	617.91	77.98	84.36	7.38	5.68	5.26	5.94	1,258.0	1,080.29
Feb.	578.10	72.14	76.76	6.77	5.43	5.05	5.68	1,249.0	1,075.33
Mar.	523.22	65.16	68.43	7.69	6.31	4.94	5.70	1,335.0	1,056.17
Apr.	577.36	72.45	78.97	8.05	6.80	5.00	5.92	1,320.0	1,065.38
May10	581.38	72.77	81.41	7.74	6.43	5.01	5.89	1,307.0	1,067.81
11	583.06	72.95	81.72	7.76	6.44	5.10	5.89	1,302.0	1,059.83
12	583.06	72.95	81.72	7.76	6.44	5.10	5.89	1,298.0	1,059.16
14	584.08	72.99	82.93	7.79	6.54	5.00	5.89	1,297.0	1,056.19
15	581.30	72.61	81.48	7.84	6.65	5.00	5.89	1,303.0	1,056.77
16	572.40	71.46	80.12	7.83	6.61	4.99	5.88	1,309.0	1,056.50
17	596.39	74.72	83.32	7.82	6.61	4.99	5.87	1,300.0	1,056.91
18	600.54	75.25	83.03	7.79	6.59	4.85	5.85	1,290.2	1,045.05
19	600.54	75.25	83.03	7.79	6.59	5.10	5.84	1,305.0	1,055.83
21	618.96	77.51	83.81	7.73	6.54	5.00	5.83	1,301.0	1,056.01
221	617.99	77.37	83.78	7.72	6.53	5.06	5.83	1,295.0	1,053.70
23	622.60	77.83	82.86	7.71	6.53	5.00	5.83	1,288.0	1,060.08

Note : End of Period

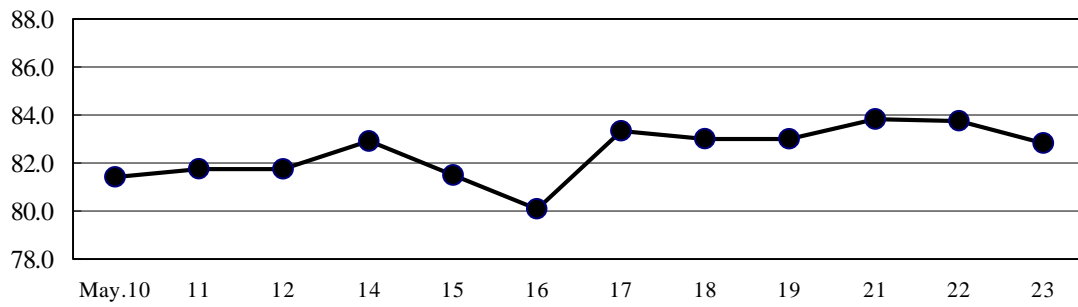


2. Daily Trends

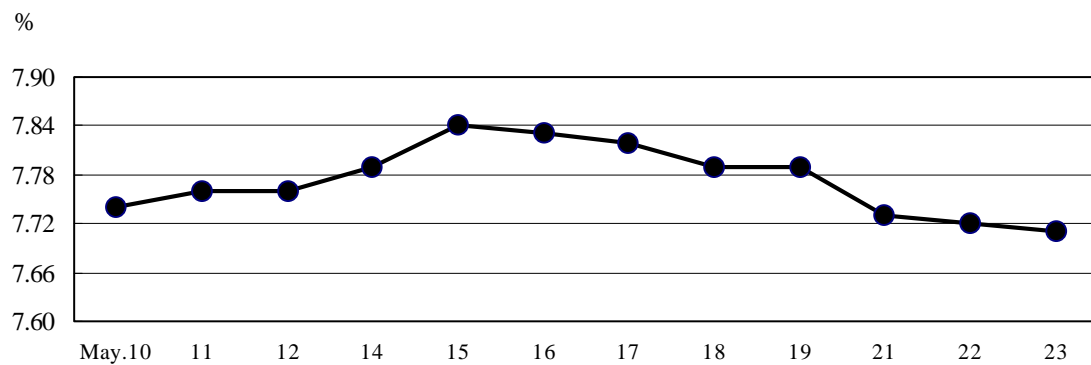
1) KOSPI



2) KOSDAQ Index

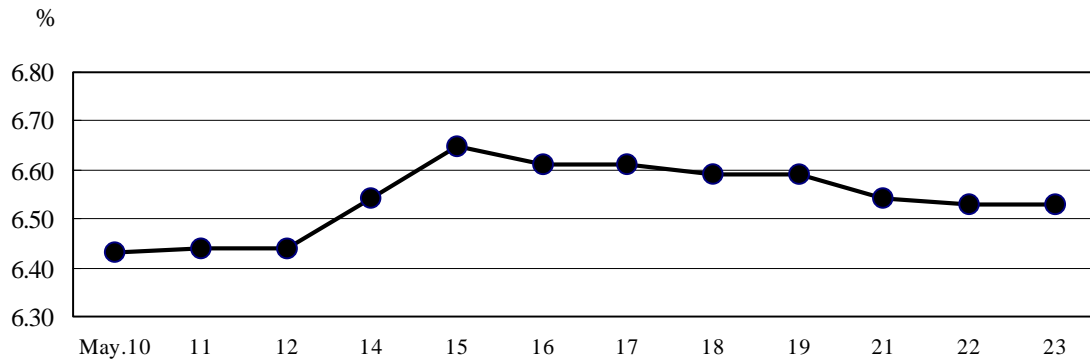


3) Yields on Corporate Bond (3 Years)

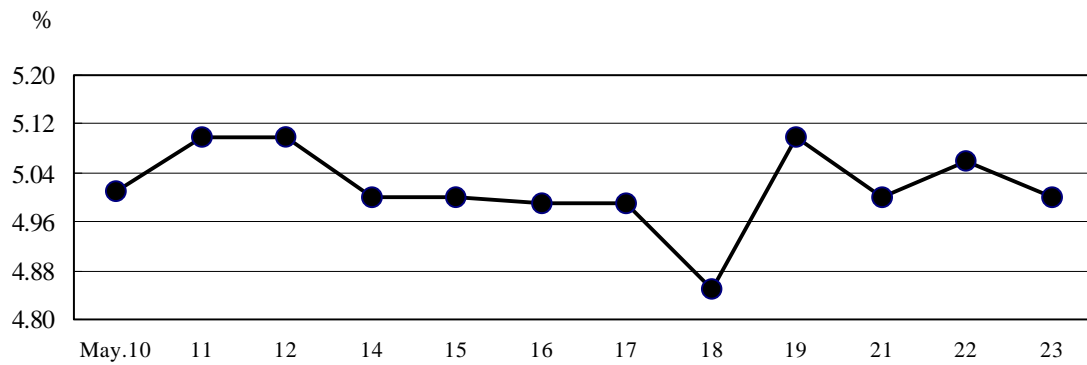




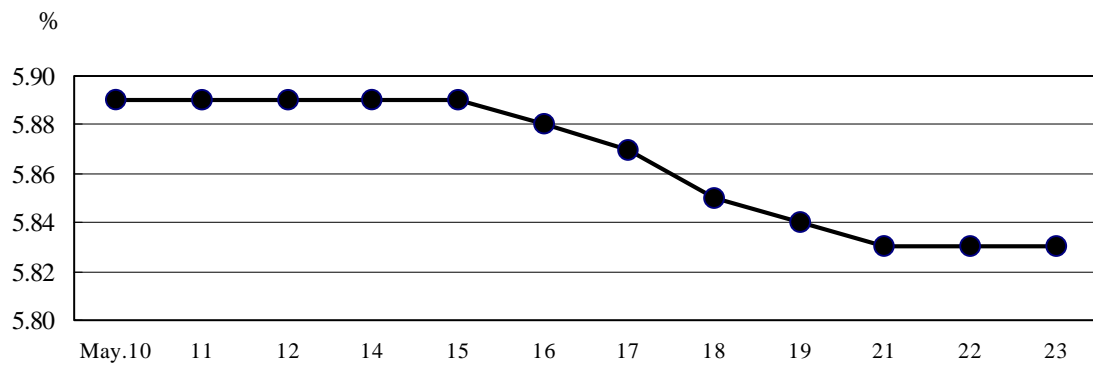
4) Yields on Government Bond (3 Years)



5) Call Rate (1 Day)

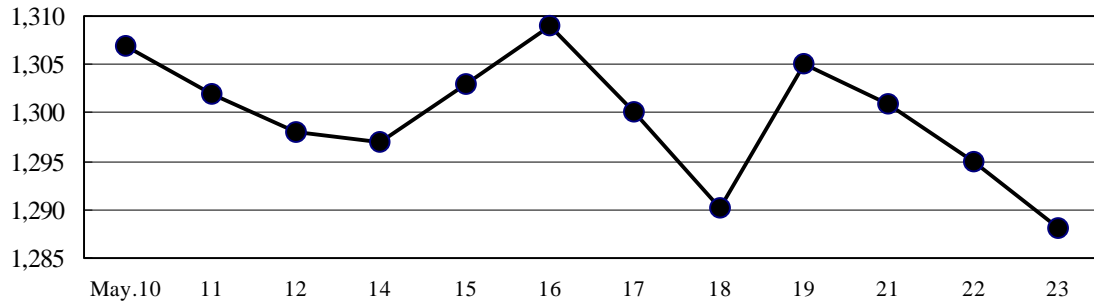


6) Yields on CD (91 Days)

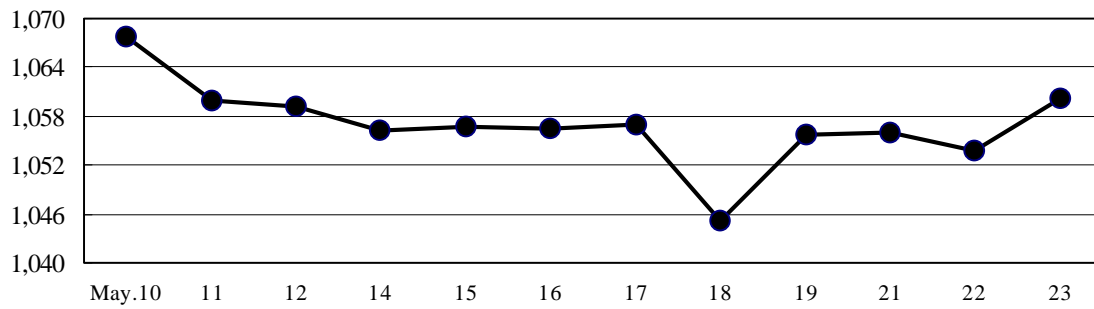




7) Won/US Dollar



8) Won/100 Japanese Yen





Financial Supervisory Service

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

Overseas Offices

New York

14th 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

London

3rd. 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

*** 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

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

*** Hong Kong Resident**

Rm 1208-9, Alexandra House 20 Chater Road, Central, Hong Kong
Tel : 852-2526-6508 Fax: 852-2868-5276
E-mail : 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