



The following is the full text of the address that Governor Choi Soohyun delivered at the General Membership Meeting of the American Chamber of Commerce in Korea (AMCHM) on Wednesday, December 4, 2013.

Challenges and the Way Forward: Financial Supervisor's Perspective

Thank you for the kind introduction.

Ladies and gentlemen, I am delighted to join you this afternoon. I want to begin with my thanks to Chairman Pat Gaines and President Amy Jackson for their gracious invitation to speak at today's membership meeting. I very much appreciate it, especially because of the long list of distinguished speakers who addressed the general membership meeting before me.

I read somewhere on Monday that AMCHAM elected a new chairman, Mr. James Kim, head of Microsoft Korea, for 2014. So, my congratulations to Mr. Kim. I wish him great success. I also want to acknowledge Chairman Pat Gaines. I have been told on more than one occasion that he is an active member of the U.S. business community here in Korea. He even served as a member of the Presidential Council on National Competitiveness that reports to the President. So I take this opportunity to thank him for his service to Korea and wish him continued success.

Ladies and gentlemen,

I need not tell you the critically important role that AMCHAM has carried on for the past 60 years in promoting trade and investment between the U.S. and Korea. Over the years, AMCHAM has also been instrumental in bringing policy makers and businesses together to help set many constructive agenda for the future. So, as we celebrate 60 years of partnership, I thank you for your dedication and commitment to Korea.

The success AMCHAM has achieved over the years is truly remarkable in many ways. It is a success that produces real positive impact on our markets. It is also a success that I, as Korea's financial supervisor, understand and appreciate.

As we are getting close to the end of the year, I thought this may be a good time to take a look back at what I have dealt with. I am sure 2013 was a tough year for many of you. In many aspects, however, the past nine months were exceptionally difficult and trying times for me and for the FSS. As you know, financial markets were under constant pressure from the euro-zone crisis and uncertain global market outlook. Financial firms faced similar pressure from slower-than-expected recovery and heightened risk of poorly performing businesses.

Against this backdrop, I set upon four specific areas for action: enhanced preemptive supervision; sharing of supervision information with the public; consumer protection, and organizational reform of the FSS.

First, we took some important lessons from problems with mutual savings banks. One is that it is simply too late when we react to a stress or a failure or a wrongdoing after it already happened. By then, consumer and investor losses would begin to mount. What we needed was well-coordinated supervision that enables us to act on a problem beforehand, not react to it afterward. After all, as the old saying goes, prevention is better than cure.

Second, I made it clear that we must share more information about our supervision with the general public. The reason was simple. With more information from us, the public becomes better informed and better able to evaluate our performance and help us improve our supervision. The bottom line for me was that transparency contributes to more effective supervision.

The third is consumer protection. In the past, consumer protection usually meant trying to reduce the number of complaints that consumers file against financial firms. I wanted to change this. That is, I wanted to deal with not only the number of complaints, but also with the underlying causes of the complaints.

To be sure, it has been a difficult challenge. But, with many bold steps I have taken, I believe we are on the right track and making steady progress. One example is a new system we introduced in May that enables consumers to petition the FSS for examination of a financial firm. We also set up Consumer Protection Review Committee to help us formulate our examination and supervision policies in the interest of consumers. We have reasons to believe that these measures are working. As an example, I can tell you that the number of complaints filed in October dropped by 28% from April. Insurance complaints in particular fell by more than 60% during the same period.

Fourth, I made it clear that I was deeply committed to reforming the FSS to transform it into a truly effective, respected supervisory authority. It is of course a work in progress. Whether it is examination, or investigation of unfair trading, or audit inspection, I made sure we look at everything and see if there is room for improvement. Our commitment to organizational reform very much remains same, and I intend to work hard to bring about changes that we need.

Let me also quickly comment on a couple of events I had to deal with recently. Just as we turned the corner on dealing with troubled mutual savings banks, we were met by troubles at Tong Yang Group. So, just about everyone at the FSS has had to work nearly nonstop to deal with it.

As the head of the FSS, I find many things about Tong Yang deeply regrettable and troubling. But I can tell you that we are doing our utmost to minimize investor losses. We have already met more than 20 times with investors who suffered losses on possible course of legal action going forward. We are also constantly

communicating with them, and we have sent a large number of staff examiners to Tong Yang to ensure a thorough examination. Investigation of misconduct and illegal activity is ongoing as well.

And I wish to add that we are also putting into effect strong regulatory and supervisory measures to make sure we never see another Tong Yang again. I will say the same about recent revelations of grave internal control failures and wrongdoing at KB. We are closely examining what went wrong at KB, and I expect to see stern actions after our findings. And we are going to hold persons who commit wrongdoing accountable to the full extent of the law.

Let me now share with you our standpoint on foreign financial firms. Foreign firms have contributed to Korea's economic and financial market development over the years and helped domestic financial firms globalize. So I do understand and appreciate the vital role they carry on in our markets.

Since I came to the FSS, I have tried to expand our engagement with foreign financial firms with the belief that we must do a better job of communicating with them. As many of you know, I now hold biannual meetings with the CEOs of foreign financial firms. And since March, I have had at least two or three meetings a week with foreign regulators and the CEOs of foreign financial firms.

I also made sure that we hold the FSS Speaks early on each year to share our examination and supervision plans and goals with foreign financial firms and receive their feedback. We are going to continue our engagement with foreign financial firms and work to improve the regulatory environment for them.

The FSS is currently working on examination and supervision policy and agenda for next year. As before, my greatest interest is how we should go about reinforcing the rule of law and promoting a culture of accountability. I say this because the failures and wrongdoing at Tong Yang Group and Kookmin Bank tell us we have more work to do in instilling respect for rule of law and ethical conduct.

Needless to say, we expect financial firm employees to follow the law and conform to the highest ethical standards. We expect this because they are the ones who are supposed to look after the savings and investment of financial consumers. So we simply cannot tolerate anyone who breaks the law for selfish gains at the expense of others. We must act firmly and sternly against anyone who does.

Going forward, our disciplinary and enforcement actions against misconduct will not stop at those directly responsible for it. From now on, our actions will extend to the compliance officers and the senior management. After all, these are the people who must bear the ultimate responsibility for financial firm's misconduct or wrongdoing. Moreover, we will not hesitate to act when we see disorderly conduct or activity that harms consumers or investors.

In short, what I am speaking of is a genuine culture of zero tolerance in our markets for any behavior or conduct that is contrary to law. These are the principles that will drive our examination and supervision plans and goals for next year. I am sure we will have an opportunity to tell you more about this at the FSS SPEAKS we are going to hold early next year.

As many of you know, this year marks the 60th anniversary of U.S. – Korea alliance. During the 60 years, Korea surged forward from an under-developed, agriculture-driven economy to become the world's 8th largest trading economy. Many deserve credit for the success we have had. One that should not be overlooked is the strong investment and trade partnership that has brought U.S. and Korean businesses together over the years.

Now, Korea is looking forward to another 60 years of dynamic economic success under the new growth paradigm of “creative economy.” A revitalized, globally competitive, and growing financial industry has to be a key part of this. However, it must be said that this remains a goal to be achieved down the road, not the reality right now. So I would like to see more global financial firms taking an active interest in creative economy.

In closing, let me stress that we are deeply committed to creating a positive investment climate for U.S. and other foreign financial firms. AMCHAM can play a positive role in this by helping us open new lines of communication with U.S. regulators and financial firms. I am sure we can all benefit from more active engagement and dialogue with each other. I am a believer in sharing ideas and making progress through engagement and dialogue.

I again thank AMCHAM for inviting me to speak before such a special audience today. I join you in celebrating AMCHAM's 60 years of enormously vital and successful partnership. And I wish you continued success for many years to come.

The year-end holidays and New Year celebrations are just around the corner. I hope you enjoy it and wish you and your loved ones great health and prosperity.

Thank you.