



Governor's Keynote Address at the FSS Speaks 2015

The following is the full text of the keynote address Governor Zhin Woong-Seob delivered at the FSS Speaks 2015, an annual meeting of FSS supervisors and executives of foreign financial firms, in Seoul on April 7, 2015.

Good morning, ladies and gentlemen!

Welcome to FSS Speaks 2015. It's great to be with you, and I thank you for joining us today. We have with us representatives not only from foreign financial firms, but also from foreign chambers of commerce, and foreign embassies. We very much appreciate your interest and thank you for coming.

If I may, I would also like to extend my special thanks to the honorable John Prasetio, Ambassador of the Republic of Indonesia to Korea, and the honorable William Paterson, Ambassador of the Commonwealth of Australia to Korea for graciously taking the time to join us today.

With your continued interest, FSS Speaks has now become an important forum for communication and dialogue between foreign financial firms and the FSS. This is our 7th meeting, and we took extra care this year to take you through changes in our supervision and what you can expect from us going forward. So, we take our meeting with you seriously. And we look forward to your continued partnership to make FSS Speaks a uniquely constructive forum for all of us.

This morning, I would like to speak to you about the positive changes we have made and will continue to make for foreign financial firms and our financial supervision in general. I will then close with some ideas on how doing business in Korea with a long-term perspective can benefit foreign financial firms.

Financial industries around the world face challenges on multiple fronts. In Korea, one major concern is that the growth of the financial industry has stalled with falling net interest margins and intensifying competition. Nevertheless, many also demand that markets do a better job of raising and allocating capital in support of real economic activities.

We recognize these challenges. And we are working on financial sector reform measures to overcome them and revitalize the industry. So we will certainly do our part in this critically important endeavor. One is maintaining open communication and dialogue with the market so that the reform measures we seek lead to real, practical changes in the marketplace.

Specifically, there are three areas of focus that I would like to discuss this morning.

First, we are going to bring significant changes to our examination and enforcement practices. With respect to examination, the focus will no longer be on uncovering violations or imposing sanctions. Instead, our primary motivation will be to help financial firms identify areas of vulnerability and come up with solutions. This will mean less frequent examinations and more intense ongoing monitoring of financial firms' safety and soundness.

With respect to enforcement, we are going to focus on significant rule violations and other grave breaches. Thus, we are going to moderate our enforcement action so that financial firms can deal with individual employees who commit minor rule violation. I can also tell you that we are right now working on detailed plans for examination and enforcement reform.

Second, we intend to work aggressively to remove supervision rules and practices that diminish financial firms' ability to innovate and create. The Financial Reform Inspection Team we launched just last week is a case in point. During the month of April, the inspection team expects to make onsite visits to about 40 financial firms including foreign firms. The intent of the visit is to obtain financial firms' candid views on the changes they would like to see in respect of financial regulation and supervision. The result then will be delivered to the Financial Reform Committee for future action.

Lastly, I want to stress our commitment to maintaining orderly market and protecting consumers. As you know, the public's confidence in the financial industry tumbled last year as a result of several incidents. I need not tell you that financial firms can neither grow nor last long with such loss of confidence.

With respect to consumer protection, it is true that many of financial industry's widespread misconduct and anti-consumer practices such as improper sales tactics have been banished. But we continue to see instances of financial firms failing to respect consumer rights and interests.

I want to make it clear that we will respect and protect financial firms' ability to operate their business as they see fit. But we will also make sure that they too respect and protect consumer rights and not engage in any conduct or activity that is contrary to an orderly market.

Ladies and gentlemen, I believe that the reform efforts I just outlined will open new growth opportunities to foreign financial firms in Korea. So I would like to ask you to join us in our reform drive to revitalize the financial industry with your know-how and your creative products and services. Many will say that there are growth opportunities to be found from combining your know-how and our Fintech or better matching your capital with our most promising technology companies.

I may also note that we are looking to significantly enhance the vitality of the capital markets with major deregulation of private equity funds and others. So I would like to encourage you to take interest in them and contribute to them where you can.

Lastly, I would like to ask you to pay greater attention to improving your internal controls. With enhanced internal audit, you can help the financial industry move toward a culture of ethics and compliance. For our part, we will continue to work to maintain more open communication and dialogue with you. We will also work to improve our one-stop service to help resolve obstacles that get in your way in Korea.

I want to add that the suggestions and proposals we receive from our meetings with the CEOs of foreign financial firms do receive our attention. And they are being reflected in our supervision in one way or another. For example, we clarified our rules to enable the employees of foreign bank branches to concurrently serve in another nonexecutive capacity at an affiliate company. We are also exploring ways to further ease regulations on IT outsourcing for foreign financial firms that operate in Korea.

So, all in all, we have reasons to be upbeat about the progress we are making to make Korea an attractive destination for foreign financial firms. One measure of our success comes from the Global Financial Center Index. According to the latest index, Seoul was ranked 7th and Busan 24th in terms of global competitiveness. Such rankings of course do not tell the whole story, and I have no doubt that you see many areas with much room for improvement. I would like to stress that I welcome your frank views and ideas on how we can fix the problems you see. Again, I want to say that we take your views seriously and will work to bring them into our supervision.

Ladies and gentlemen, spring is now in the air. East or west, spring is a season of awakening and renewal from winter retreat. So, in closing, let us join hands to give new energy and strength to your business and the financial services industry.

Once again, I thank you for joining us today. I am delighted to have a chance to talk to you this morning, and I very much look forward to meeting you again in the near future.

Thank you.
