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Press Release

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FSC/FSS Announces “Roadmap for Advanced Financial Supervision” Aimed at Taking Korea’s Financial Supervision to the Next Level

The Financial Supervisory Commission and the Financial Supervisory Service announced the formation of Committee for Advanced Financial Supervision jointly headed by Chairman/Governor Kim Yong-Duk and Vice President Choi Woon-Youl of Sogang University and the release of “Roadmap for Advanced Financial Supervision” following the Committee’s first meeting on October 22. The roadmap is a product of a public-private sector collaboration involving the FSC/FSS and 30 private sector representatives and experts from the academia, research institutes, the financial services industry, and civic organizations.

The roadmap was initiated with the acknowledgement that the supervisory system—including the traditional approaches and practices—as well as the supervisory authorities’ organizational structure and human resources management has not satisfactorily kept up with the demands of the rapidly evolving market and is thus in need of change. The announcement of the roadmap, which coincides with the tenth anniversary of the creation of the FSS as a fully integrated financial supervisory authority, also comes amid a growing recognition that next three years may well prove pivotal for Korea’s prospect for emergence as Northeast Asia’s financial hub.

Key Objectives under the Roadmap

The roadmap consists of five key policy objectives with 100 tasks (grouped into 12 areas) to be completed within the next three years as well as 30 performance measurement indices. The five key policy objectives outlined in the roadmap are (1) a fundamental shift in financial supervision, (2) responsive supervision, (3) support for business autonomy and innovation of financial institutions, (4) consumer and investor protection, and (5) confidence and trust in financial supervisory authorities.

1. A Fundamental Shift in Financial Supervision

A fundamental shift and reorientation of financial supervision will be pursued. Currently, financial supervision takes a highly specific, rule-based approach, but going forward the rule-based supervision will be gradually shifted to more principle-based supervision that puts a greater emphasis on self-discipline and self-compliance of financial institutions. In particular, principle-based supervision will begin with and expand from financial firms’ business activities that can best thrive under a flexible and accommodating regulatory environment.



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For example, investment cap on an individual asset is to be replaced by rules on the total level of risk arising from investment/asset management activities. Existing regulations aimed at consumer/investor protection and market enforcement will be maintained.

In light of growing financial diversification and wide-ranging changes expected from the Financial Investment Services and Capital Market Act (set to take effect in Feb., 2009), the FSC/FSS will conduct an assessment of the organizational structures (from Sept. to Dec., 2007) with a view to bringing effective organizational changes and facilitating the transition to function-oriented supervision.

The focus of the customary examinations and general oversight activities is to be shifted from regulatory compliance to supervisory guidance and advisory/consultation on financial institutions' risk management and areas of weakness.

2. Responsive Financial Supervision

Responsive supervision that respects and accommodates the needs of financial institutions will be aggressively pursued in respect of examination and regulatory authorization. Where appropriate, the customarily extensive onsite general examination of financial institutions will be replaced by limited, partial offsite examinations that primarily focus on risk areas. A single document contact desk will be created for financial institutions applying for regulatory registration and authorization in order to effectively reduce the document compliance burden of financial institutions.

A new online service that lets registration/authorization applicants monitor the status of their application is also planned. Along with this, a coordination committee made up of senior managers is to be created to facilitate prompt review of and response to regulatory authorization applications and consumer grievances. The FSC/FSS also expects to come up with specific processing-time targets for authorization applications after a review of the current situation is completed.

3. Support for Business Autonomy and Innovation of Financial Institutions

Regulations that restrict expansion or diversification into new business areas or hinder new product development are to be repealed. Regulatory review processes for business expansion and new product development are to be sharply streamlined and simplified as well to promote market competition. A plan is also under consideration to remake FSS overseas offices into support centers for financial institutions looking to expansion in overseas markets.



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With respect to compliance and enforcement, the supervisory focus will shift to the internal controls of individual financial institutions. The management in turn will be strictly held accountable for unsatisfactory compliance; disciplinary actions for employees of financial institutions will be left to the management so as to better utilize the limited supervisory resources. More effective investigation of unfair trading and other unlawful conduct will be sought with fewer summons, visitations, and face-to-face interviews as well as expanded online fact-finding and probe.

Cooperation with foreign supervisors will also be stepped along with efforts to create regulatory and business environment more receptive to foreign investors. In line with this endeavor, the FSC/FSS will create new specialist desks for foreign financial firms in need of assistance with regulatory matters.

4. Consumer and Investor Protection

The FSC/FSS will continue to look for ways to strengthen consumer and investor protection. As the asset management needs of investors increasingly become diversified, particularly among the aging population, the FSC/FSS will step up investigation and enforcement on false advertising and expand the consumer and investor protection network with “best advice” rules and other similar protection measures.

New measures are also planned to shorten the processing time for consumer complaints brought before the FSS and replace employees of financial institutions temporarily assigned to the FSS consumer protection center with dedicated specialists so as to avoid any appearance of conflict of interest. In addition, anti-abuse measures against private lenders will be strengthened, and new initiatives will be taken to encourage low-income borrowers’ credit access from banks and other established lending institutions.

5. Confidence and Trust in Financial Supervisory Authorities

The FSC/FSS will renew itself as a respected and trusted supervisory organization. Performance-based pay and promotion along with open and aggressive personnel management will be pursued to enhance supervisory capacity and staff specialization so that the FSC/FSS can renew itself as a trusted supervisory organization capable of providing effective advisory/consulting service to financial firms under its oversight. As part of this endeavor, the FSC/FSS will regularly survey financial institutions on their level of satisfaction with the performance of the FSC/FSS and incorporate the survey results on staff work performance evaluation. The issue of senior managers and staff supervisors joining the private sector after working at the FSC/FSS will



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also be closely scrutinized with a view to drastically improving the current practice. Greater participation of financial firms and independent outside experts in the FSC/FSS budgeting process will be strongly encouraged as well to improve transparency and public confidence.

Future Plans

The Committee for Advanced Financial Supervision will closely monitor progress of the implementation of the five key objectives on a semiannual basis using 30 performance measures, terminate the completed tasks, and push for improvement in new and ongoing tasks and objectives. In particular, since the success of the roadmap will be measured, to a significant degree, by the level of confidence and support from the general public, the Committee plans to come up with four “customer satisfaction indices” and systematically monitor and take appropriate follow-up steps. The FSC/FSS sees these efforts as crucial to Korea’s future success as Northeast Asia’s financial hub and becoming one of the world’s top ten global financial powerhouses.

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