



Financial Services Commission
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Press Release

April 20, 2010

IMPACTS OF THE GOLDMAN SACHS CASE ON FINANCIAL MARKETS

1. Impacts on domestic and overseas financial markets

In the wake of the civil action by the U.S. Securities and Exchange Commission (SEC) against Goldman Sachs on April 16, stock markets in the U.S. and Europe fell, and prices of the U.S. Treasury bonds and dollars rose.

*Dow Jones Index: (April 15) 11,145 →(April 16) 11,019 →(April 19) 11,092
FTSE Index: (April 15) 5,825 →(April 16) 5,744 →(April 19) 5,728
2-year Treasury yield: (April 15) 1.00 →(April 16) 0.95 →(April 19) 0.98
Dollar Index: (April 15) 80.48 →(April 16) 80.82 →(April 19) 80.91

Domestic markets were also affected by the Goldman Sachs case to a limited extent. The KOSPI dropped by 30bps. Foreign investors sold in the market, and the U.S dollar against the Korean won rose.

*KOSPI: (April 16)1,735 →(April 19)1,705
Foreign net purchase (100 million won): (April 16)1,843 →(April 19)△790
Exchange rate (USD/KRW): (April 16)1,110 →(April 19)1,118

As of end-2009, domestic financial institutions hold the outstanding securities of USD 350 million issued by Goldman Sachs. That accounts for only 1.8% of foreign securities held by domestic financial institutions (USD 19.04 billion) and does not include a synthetic CDO related to the case.

2. Implications

The Goldman Sachs case is expected to bring only a limited impact on Korean financial markets considering the fact that Korean financial institutions hold no CDO at issue and only a small amount of other securities issued by Goldman Sachs. Also, under Korea's *Asset-Backed Securitization Act*, it is virtually impossible for special purpose companies (SPCs) to issue synthetic CDOs, similar to the controversial product in question; therefore, it is unlikely that domestic financial institutions would expose investors to similar risks.

3. Policy responses

The FSC will closely monitor any possibility that similar lawsuits would be filed worldwide and domestic financial companies might be involved. At the same time, the FSC will continue



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to improve investor protection systems such as prior reviews* for OTC derivatives. Currently, amendments to the FSCMA enforcement decree are underway to enforce the prior review system for OTC derivatives in June 2010, and the Korea Financial Investment Association (KOFIA) is formulating rules of prior reviews.

*Prior reviews of OTC derivatives, introduced by the amended FSCMA in March 2010, are conducted by a review committee of the KOFIA. Products subject to a prior review include OTC derivatives whose underlying assets involve risks such as credit risk and OTC derivatives newly introduced to retail investors.

The FSC will thoroughly review global discussions among G20 countries to build trading infrastructures for OTC derivative such as a CCP and a trading info repository in order to enhance transparency in OTC derivatives trading and strengthen risk management.

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