

Press Release

August 25, 2015

Creative Finance
Financial Inclusion
Solid Financial System

OPENING REMARKS BY FSC CHAIRMAN AT MARKET MONITORING MEETING OVER CURRENT STOCK MARKET CONDITIONS

The FSC Chairman Yim Jong-yong convened a meeting with the FSS, KRX, and KCIF at 7 a.m. on August 25 to monitor global and domestic financial market conditions and to discuss measures to weather through the current market turmoil.

**Please find in the following the summary of the Chairman's opening remarks at today's meeting.*

Korea's stock market is undergoing tough times with heightening concerns over external factors such as China's stock market plunge, the Chinese yuan devaluation and the prospect of Fed's rate hike. The KOSPI has sharply fallen to a year-low of 1,829.81 on August 24 from the year's high of 2,173.41 on April 23 2015, as global stock markets tumble. Foreign investors turned net sellers since June this year.¹

Korea's stock market, however, fell less than other major markets in the Asia region. Stock prices in Korea dropped 13.5% compared to the end of May this year, while 30.4% in China, 22.5% in Hong Kong and 23.6% in Taiwan. The amount of net sales by foreigners in Korean stock market is relatively small. Foreign investors sold 0.36% of market capitalization in Korean stock market from June to August, while 0.51% in Taiwan, 0.49% in Thailand, 0.51% in Malaysia over the same period.

These are evidence that market participants home and abroad see Korea's market fundamentals sound.

As external uncertainties seem to continue for some time, I would like to ask relevant institutions to join our efforts and take actions to reduce volatility in Korea's capital markets. To this end, we need to continue our efforts to restore market confidence and keep foreign investors informed accurately about Korea's economy and financial sector. In the longer term, it is important to make Korea's capital markets robust enough to withstand external shocks by pushing ahead structural reforms and strengthening competitiveness of our capital markets.

¹ Foreign investor's net purchase in Korean stock market: KRW 9.3 trillion (Jan.-May), - KRW 5.6 trillion (Jun-Aug)

I would like to ask heads of relevant institutions here today to join our efforts on the following fronts.

1. Closely monitor global financial market moves

As recent market turmoil mainly came from increasing volatility in global financial markets, I would like to urge the relevant organizations to closely monitor global financial market and economic trends, and effectively share relevant information.

We will hold regular meetings to review global financial market conditions for the time being with relevant financial organizations and market experts.

2. Prevent proliferation of wrong information and market confusion

I would like to ask relevant institutions to transparently disclose necessary information in a timely manner to prevent market confusion based on wrong information and misunderstanding. It is crucial to disclose correct data and, when necessary, provide accurate explanation on the current situation in case foreign media or institutions report false information and analysis about Korea's economic status and market condition.

3. Closing remarks

I firmly believe that Korea's stock market has plenty of potential to achieve long term growth despite recent external factors. Moreover, thanks to the agreements made by the two Koreas at the high-level talk, one of the risk factors to our stock market has been resolved, which also is expected to largely contribute to market stabilization.

Challenges we face now will act as an opportunity to globally promote competitiveness and resilience of Korea's financial markets if the government and relevant institutions come together to closely monitor and preemptively respond to external and internal risk factors.

#

For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr