



FINANCIAL SERVICES COMMISSION

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Distinguished guests, and
Ladies and gentlemen,

I am very pleased to join you today for the 2008 Samsung Global Investors Conference. Let me quickly take a moment to thank the organizers of the conference. This is a unique opportunity to showcase many promising Korean companies to foreign investors. And I very much hope that you will return home with fresh enthusiasm about investing in Korea.

You know, I told my wife this morning that I was giving a pre-luncheon speech before a very important group of people today. She said, "Remember that the axiom "the shorter the better" always reigns supreme in pre-luncheon speeches." Now, I've heard of this axiom before. But, sensing my reluctance to acknowledge her piece of wisdom, she quickly added a dry twist to the axiom: "Especially if the speaker happens to be a government regulator." So, ladies and gentlemen, consider yourselves lucky today. Thanks to my wife, the speech you hear will not be a long one.

But I do wish to share with you some of the key initiatives we are undertaking to press Korea's pro-market, pro-growth agenda and improve its investment climate. I strongly believe that they are steps in the right direction for Korea, and I am excited that I am taking a part in them.

I say this as the head of the FSC, the new supervisory authority created to bring financial policy and supervision under one roof so as to ensure more efficient and effective government policy and oversight for the capital markets.

We see the integration as a major step forward that will help us better respond to the changes taking place in the market and cultivate a more predictable regulatory environment. The integration also reflects the new government's philosophy of "Small Government and Big Market," as well as its vision to make financial sector the new engine of growth.

Global Environment and Korean Markets

The subprime mortgage crisis is casting a dark shadow across markets. And many financial institutions and investors are anxiously pondering the extent of fallout

from the crisis. We did see a few hiccups here and there and some fluctuations in sync with markets elsewhere. But, throughout the turmoil, there has been no seriously negative shift to speak of in terms of either the fundamental soundness of Korea's financial institutions or investor confidence about Korea's growth prospect.

If anything, the balance is unmistakably shifting toward optimism about market deregulation, privatization of state-owned financial institutions, and other pro-market, pro-competition measures on the way. The relatively upbeat market sentiment attests to the underlying strength and resilience of Korean markets. And I am confident that you will come to share the same optimism.

New Administration Policies

Let me briefly speak about what investors can expect from the new administration and the FSC in terms of policy objectives going forward.

I must say at the outset that the government is resolute on its commitment to helping the economy regain its vitality and deliver strong growth. So what the government will strive for is an open, free market for business and investors. It will also be a marketplace that rewards creators, innovators, and entrepreneurs. For the FSC, this means getting rid of red tape and giving financial institutions the freedom to compete and go after growth opportunities.

Let me share with you some of the specific steps we are working on in support of this goal.

The first is deregulation. As I just noted, improving regulatory regime will give financial institutions much needed freedom and at the same time promote competition in the marketplace. So, we are going to take a thorough look at the existing rules and regulations and how effective they are. The review will extend to implicit regulations that many market participants criticized in the past as either inconsistent, unpredictable, or lacking in transparency.

We are of course mindful of risks that ill-conceived deregulation can bring to the market. And we all know that, in today's highly complex market activities, risk is a fact of life, something to be managed and controlled, not something to be avoided at all cost. We will make sure that we take a sensible, balanced approach to our deregulation for better regulation that encourages sound and effective risk control both at the individual firm-level and at the systemic level. So we see deregulation as crucial to the long-term vitality of Korea's financial markets, and we intend to make sure it proceeds at a robust pace going forward.

The second is lowering the barriers between banking and commerce. To date, industrial companies have mostly been barred from holding a significant investment in banking organizations. The same has been true for private equity funds and others that are deemed "industrial capital." The time now has come to cut short the barriers

and let, for example, industrial companies invest in banks through private equity funds, stimulate competition, and encourage greater market discipline. The privatization of government-owned banks is very much in line with this. And we expect to carry it out in earnest in the near future.

Let me now say a few words about hedge funds, an issue of much interest among foreign investors. In 2004, the government introduced private equity funds as way to let investors pool capital and facilitate business restructuring. We are now looking at introducing hedge funds in 2009 to give investors a wider range of investment opportunities and a chance to benefit from broader investor base and risk diversification. I do add that the introduction of hedge funds will have to come with strong safeguard measures on investor protection, transparency, and market conduct.

Continued capital market development is another key priority for us, and we are planning a package of concrete measures to facilitate the right market infrastructure and environment. Some of the measures in the works include more flexible listing requirements for a wider group of securities issuers, electronic securities that will sharply cut the issuance and distribution cost, and high-yield bond market to give promising SMEs easier access to capital.

Before closing, I would add a few words about the ongoing discussion on bank privatization in Korea.

When the government announced its bank privatization plan, it sparked considerable interest not only in Korea but from abroad as well. We are looking to announce this month how the privatization of Korea Development Bank will proceed. Under the outline we have, KDB is to be turned into a financial holding company by the end of the year and will start to be sold next year.

I should add that privatization is not limited to banking organizations. There are many others as well. As some of you may know already, KPS, a subsidiary of KEPCO, became listed in our stock exchange. And the plan is to continue to push for market listing of government-owned enterprises down the road.

Privatization of government-run companies will no doubt create new, exciting investment opportunities in Korea. And I for one would strongly encourage you to take note of them. Let me also take a moment to reaffirm our commitment to a level playing field for all investors.

Closing

Ladies and gentlemen,

A decade earlier, Korea faced enormous challenges in the wake of a devastating financial crisis. But, today, Korea is a confident, dynamic economy—more open and more globalized than ever before.

Korea is breaking away from the past and setting its sight on creating a truly global economy with a marketplace that invites you and welcomes you. With a new government that respects the market and draws no distinction between domestic and foreign, this is an exciting time to invest and do business in Korea. I hope you will join us in our journey to even better Korea and take advantage of it.

Thank you.