



Financial Services Commission
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Press Release

December 14, 2010

2011 FINANCIAL POLICY AGENDA

The Financial Services Commission (FSC) has made a publicly open presentation of its policy objectives for 2011 to President Lee Myung-Bak on December 14 at the Blue House.

FSC Chairman Chin Dong-Soo unveiled the FSC's 2011 policy agenda and had in-depth discussion with financial companies for low-income households, the general public, experts, and government officials on how to improve the practical effectiveness of financial support for low-income households.

Six Key Objectives for 2011

I. Preemptive Actions against Market Risks

1. Taking preemptive measures to address problems in household debts and PF loans
 - Properly manage the pace of household debt growth not to increase exceedingly and eliminate systemic vulnerabilities of household debts by extending loans at longer-term, fixed rates or allowing borrowers to pay off principal in installments.
 - Prevent PF loans from being insolvent by conducting a more thorough review of business feasibility and reforming construction companies' practices that have been recklessly providing payment guarantees; and encourage banks to write off bad PF loans as early as possible.
 - Expand financial restructuring funds by creating a common account for deposit insurance jointly held by individual financial sectors; raising deposit insurance premiums (from 0.35% to 0.40% for savings banks); securing restructuring funds, and strengthening the supervision of the Korea Deposit Insurance Corporation (KDIC).
2. Strengthening measures to respond to internal and external risks and conducting a year-round corporate restructuring program
 - The FSC will strengthen its monitoring of financial markets and measures to enhance Korea's foreign exchange soundness and to prevent the tipping of capital liquidity into one market. We will also review our contingency plans to counter



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crises such as Europe's fiscal crisis or geopolitical risks on the Korean Peninsula.

- Continue to conduct a year-round corporate restructuring program led by a group of creditors and supplement the current system to reflect the interest of companies under restructuring.

II. Strengthened Support to the Real Economy

1. Expanding financial support for core industries for the future

- Closely work with other related institutions to facilitate financial support for overseas projects such as building nuclear power plants or high-speed railways.
- Revise the green finance support system so that the beneficiaries of green finance could be enlarged to include companies in demand for green facilities, and attract more private investment into the green finance sector by making government agencies share investment risks (e.g. P-CBO) and requiring companies to mandatorily post their progress in green management.

2. Strengthening financial support for SMEs and job creation

- Provide SMEs with a total of KRW 92.3 trillion, larger than the pre-crisis level, and increase our support particularly for promising SMEs with high growth potential.
- Extend the Fast Track Program by another year to provide financial support to companies with growth potential.
- Help the KODIT and the KIBO establish an intermediary system under which SMEs could get guaranteed loans best suit their needs.
- Expand financial support for start-ups and the industries with high job creation effect.

3. Facilitating corporate funding through capital markets

- Diversify the types of corporate bonds that listed companies can issue and encourage companies to issue bonds with long-term maturities by easing their burden of bond issue fees.
- Relax the requirements for the new-growth, green industries to be listed on the KOSDAQ, and further develop the Free Board market by introducing a system of designated advisory companies.



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4. Creating a financial safety net for an aging society with low birth rates

- Ease regulations on private pensions such as individual and corporate pensions and encourage the development of various financial products that would boost birth rates and help retirees financially well prepared.

III. Establishment of Fair Financial System

1. Strengthening protection of financial services consumers

- Plan to submit the Financial Consumer Protection Act to the National Assembly in 2011 to provide financial services consumers with strengthened protection.
- Revise auto insurance-related regulations to cut sales costs, prevent excessive car repairs or medical treatments, adjusting insurance premiums according to individuals' risk for accidents.

2. Establishing fair market practices and regulations

- Bring needed reforms to prevent financial transactions through illegal accounts open under false name by enhancing the effectiveness of customer due diligence and reviewing best practices.
- Strengthen regulations against unfair trading, violation of posting regulations, and accounting fraud.

3. Setting a new model of financial supervision to proceed with the G20 financial regulatory reform

- Create a new clause in the FSCMA to prevent the financial authorities from abusing their rights to investigate an act of unfair trading; and establish clear standards for internal reporting in regard with on-site investigations.

IV. Settlement of Support for Low-Income Households

1. Settlement of previously implemented support measures

- For 'Miso Microcredit Banks', expand the number of one-man-branches and drop-by-visits to enhance accessibility as well as cost effectiveness and review possible interest rate reductions for faithful borrowers.
- For 'Sunshine Loans', more capital will be injected and measures to prevent moral hazards will be strengthened as well as the financial institutions' application screening capacity.



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- For 'Transfer Loans' for low-credit holders, expand its network from just 24 KAMCO branches to all branches of six national banks (approx. 5,400 branches).
- Enhance information sharing between supporting financial institutions to prevent moral hazards such as overlapping loan acquisitions.
- Expand repayment schedules and grace periods to match with the income level of the borrowers and strengthen credit recovery support for individuals and small enterprises.

2. Alleviating debt repayment burden and preventing financial fraud

- Lower the legal ceiling on interest charges by private loan companies from 44% to 39% and reduce credit card serving charges for merchants.
- Arrange a special process for victims of 'voice-phishing' to recollect their money without filing a lawsuit.

V. Advancement in Financial System

1. Successfully implementing the G20 financial reform initiatives

- A joint private/public task force will be formed to tackle on the agreements made on financial reform by the G20, and make specific action plans to start revising relevant laws.
- Actively participate on the global financial reform discussions and lead the discussion on macro-prudential measures and reforms geared towards emerging countries' standpoint that we have proposed.

2. Taking the G20 Summit as an opportunity to set up financial infrastructure

- Push ahead with the reform for corporate governance of financial institutions including strengthening supervision over board of directors, risk management, internal compliance, and eligibility of board members.
- Enhance regulation on post-margins for derivatives, position limits, and reporting of large position holdings to alleviate settlement risks and extreme volatilities in the stock markets.
- Enhance regulation on mutual savings banks through bolstering classification criteria for asset soundness and reducing excessive loan limits for higher-grade savings banks.



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VI. Enhanced Global Competitiveness

1. Promoting internally sound growth in the financial industry

- Banks are encouraged to first build up their capacity on new businesses such as private banking and retirement planning, and then look towards strategies to expand overseas.
- To promote specialization and diversity in earnings for financial institutions, regulation on 'prime broker' will be reorganized and its entry requirements will partially be eased.
- Insurance companies will be required to increase disclosure on insurance products and improve on the sales commission structure.

2. Devising up a blueprint to become a powerhouse in accounting industry

- Establish a special committee on how to develop the accounting industry so that the Korean accounting firms will be able to and expand business overseas as well as send experts into soon-to-be-adopting IFRS countries in Asia.

3. Continuing efforts on creating a regional financial hub

- Promote awareness on Korean financial markets through hosting more investor relations and create incentives for financial institutions through improving social infrastructure.

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