

Press Release

August 25, 2008



FSC'S POLICY EFFORTS FOR FINANCIAL SYSTEM ADVANCEMENT AND FUTURE TASKS

Since the establishment of FSC, instability in the external environment has aggravated due to the sub-prime mortgage related global stock market shock, global investment banks' fragility, anxiety of stagflation due to combined factors of increased oil price and economic recession. Internally, there have been difficulties in the construction and SME sectors due to the domestic recession. Under such challenging circumstances, FSC has not only provided support to stabilize the domestic financial market, but also to perform an essential role as a growth engine to drive the Korean economy. In particular, FSC is focusing on policies to further develop the financial industry, offer financial support to create a sharing society, and construct a global financial network, among others.

1. Policies implemented since the establishment of FSC

- **Exert various policy efforts to stabilize the financial market**

FSC has closely examined the money flow at home and abroad by constructing a market monitoring system with the Financial Supervisory Service (FSS) and other financial institutions in order to manage the financial market volatility caused by the global credit crunch.

FSC has mitigated the market anxiety through active information notification and strengthened supervision. For example, FSC attempted to intercept the spreading anxiety by notifying the public of correct government information on the domestic banks' foreign currency liquidity status and the rumor about the September crisis. In addition, FSC has not only strengthened supervision on risk factors such as marketable demand deposits in the banking industry, project finance loans, foreign currency liquidity, possibilities of unfair transactions, including market price control, but also expanded the foundation to detect and respond to risks at an early stage by applying the Early Warning System in the financial sector.

- **Promote political tasks to develop the financial industry**

FSC has triggered innovation in the financial regulations in order to accelerate growth in the financial industry by maximizing autonomous market control and

creativity, and encourage the public (the financial consumers) to actively participate in financial regulation reform.

- ※ From April to July 2008, FSC composed the Financial Regulation Reformation Review Committee and reviewed all 1,400 regulations including unclear statements. FSC found around 300 statements in need of reform and will perform necessary actions such as enactment and/or review of regulations in the future.

In order to strengthen global competitiveness by nurturing a global player by reorganizing the financial industry and grouping and integrating functions, FSC will improve financial holding company regulations and ease ownership regulations, and transform Korea Development Bank into a globally competitive investment bank.

- ※ “Plan for privatization of KDB and establishment of KDF” was announced on 3 June 2008

In addition, FSC is in the process of upgrading Korea’s capital market infrastructure to that of the developed countries by forming a competitive environment through new approval and permission of securities companies (8) and asset management companies (13), and by enacting the Capital Market Consolidation Act.

- **Turn attention to the financially distressed**

In order to turn the existing government-centered financial administration to a serving-oriented one, financial authorities have changed their attitude and the way of work, i.e., in order to improve civil petitioners’ convenience, FSC has employed the on-line one-stop civil petition system (1 July 2008)

FSC established a micro financial foundation (27 March 2008) to support the financially estranged and erased credit recovery support record (2 June 2008) for those who earnestly fulfill their obligation. In the future, FSC is planning to establish a financial foundation by setting a credit recovery fund and constructing an integrated self-support aid network for financial estrangers so that the financial distressed can self recover.

- **Expand global financial network through financial diplomacy**

FSC has strengthened cooperation with financial authorities in major countries such as the U.S. or the U.K. and played an important role in international financial organizations so that the Korean financial industry’s global status can be greatly improved.

- ※ ① FSC took place as the Chairman of the Asia Pacific Regional Committee (APRC) of the International Organization of Securities Commissions (IOSCO).
- ② FSC agreed on the investment in Korea by Chinese overseas investment

grade banks and approved Korean institutional investors' Chinese domestic stock market investment qualification. (On 1 August 2008, authorization to Mirae Asset Management was issued and the result of review on Samsung Investment Trust is expected to be announced in late August.)

- ③ After discussion between FSC and the Chinese Insurance Regulatory Commission (CIRC), LIG property and casualty insurance company was approved to open a subsidiary in Nanjing which had been delayed for 18 months (30 June 2008).

FSC will play a key role through financial diplomacy in order to improve the status of Korea's finance and actively support Korean financial institutions' expansion into the global financial market.

2. Plan for major policy promotion in the future

FSC will complete the policies that have been performed in the last six months. The tasks that are still in process with related agencies, experts and interest party will be concluded. And, the final plan will be set for review and/or enactment of 21 regulations during the regular session of the National Assembly.

- **Deregulate the financial industry ownership structure**

In order to strengthen the competitiveness of the financial industry, FSC will resolve the systemic barriers when securities companies and/or insurance companies are run under a holding company system. Regulations related to the industrial capital ownership of banks will be eased accordingly.

- **Lay a foundation to reshape the financial service industry and market**

FSC is planning to improve customers' convenience through enhanced banking industry competitiveness by introducing Internet-specialized banks and employing financial wholesale business. Also, FSC will venture into a new market by expanding financial companies' business areas such as allowing settlement operations by insurance companies and integrated credit cards between securities companies and credit card companies.

- **Improve SME finance support**

In order to build an efficient policy finance system to support SMEs, Korea Development Fund (KDF) will be established and a credit guarantee system will be reorganized based on their functions. FSC is preparing "A Plan for a Comprehensive Financial Support System for SMEs," which includes policy banks, KDF, policy funds and guarantees with Small and Medium Business Administration (SMBA), which is expected to be released in October.

- **Build a finance center**

FSC will accelerate the establishment of a finance center in order to turn the financial industry into a new growth engine. The plan is to support overseas financial institutions wanting to enter the Korean market in September and to designate the financial center (financial cluster) by the end of the year.

Contact Person:

Lee Hyung-Ju
Senior Deputy Director
Financial Policy Division
Financial Services Commission

Tel: +82-2-2156-9711

Fax: +82-2-2156-9709

E-mail: hyungju2@fsc.go.kr