

VICE CHAIRMAN HOLDS MEETING ON SUPERVISION OF FINANCIAL CONGLOMERATES

FSC Vice Chairman Sohn Byungdoo convened a consultative meeting on the supervision of financial conglomerates¹ on May 19, and discussed specific plans for their group-wide risk assessment, disclosure and internal risk control systems.

VICE CHAIRMAN'S REMARKS

Vice Chairman Sohn started out by stressing the significance of the consultative meeting, adding that the financial authorities should closely monitor recent volatility in the financial markets to prevent risk spillover to financial groups.

On April 21, the IMF's Financial Sector Assessment Program recommended that legislation on the supervision of financial groups is necessary to provide effective supervision on non-holding financial groups that are systemically important in Korea.

With regard to the implementation of the measures to improve the supervision of financial conglomerates announced on February 24, the authorities will closely communicate with different stakeholders and experts to come up with appropriate indexing system that takes into account diverse risk factors for their group-wide risk assessment.

IMPLEMENTATION PLANS

(GROUP-WIDE RISK ASSESSMENT) Introduce within this year a group-wide risk assessment system which combines the currently distinct 'risk concentration' and 'risk transfer' categories into a single comprehensive framework for assessing capital adequacy requirements

(GROUP-WIDE DISCLOSURE) Begin an integrated group-wide disclosure in September this year through which the six financial conglomerates will gather required information from their subsidiaries and provide group-wide disclosure of information on 8 sections and 25 categories, including ownership & governance structure, internal risk management procedures, financial soundness, etc.

(INTERNAL CONTROL SYSTEM) Work to introduce a group-wide internal control system in the second half of this year by having the six financial conglomerates establish and

¹ Kyobo, Mirae Asset, Samsung, Hanwha, Hyundai Motor and DB ('Dongbu')

operate their own internal control councils and standards by the end of the third quarter this year

As it was noted by the IMF's FSAP on April 21, it is necessary to establish a legal foundation for the supervision of non-holding financial groups. The FSC will continue to push for the enactment of a legislation concerning the supervision of financial conglomerates.

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