



## FINANCIAL SERVICES COMMISSION

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Good afternoon, ladies and gentlemen.

It's great to be here with you, and I thank you for coming. I would also like to thank Seoul Foreign Correspondents' Club for helping us arrange today's meeting. I know I am speaking before one of the toughest audiences I have in Korea. And I was forewarned that some of you may take your gloves off when I am done and grill me with questions that will make me sweat. Well, sweat or no sweat, I still want to say I am really glad I finally got a chance to talk to you.

I've been hoping to do this for some time since I became Chairman of the Financial Services Commission on March 6. But as you can imagine, the workload has been rather heavy with the new administration in office. At the FSC, I also had to hit the ground running for the first few weeks in office as the head of a newly created financial policy and supervision commission. And earlier this month, I accompanied the President in his first official visit to the U.S. and kept a tight schedule meeting with senior policymakers, business executives, and investors.

So, for the past month and half, it seemed as if even my usual seven to ten or eleven work hours weren't enough. But I am thrilled that we are embarking on an ambitious agenda for the future of Korea's financial services industry at the FSC. It is a forward-looking, pro-market, pro-growth agenda that breaks away from the past, and I am delighted that I am here with you to talk about it. After my talk, I will be happy to respond to any questions you may have.

### Reorganization of FSC/FSS

Let me begin with what the creation of the FSC means for financial policy and supervision in Korea. As you know, the FSC was created to bring financial policy and supervision under one roof so as to ensure more efficient and effective government policy and oversight for the financial 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 finance services the new engine of growth.

The FSC is given three main missions: financial policy formulation, financial institution and market oversight, and anti-money laundering. And the law gives the FSC broad statutory authority to draft and amend financial laws and regulations and set the prudential standards for financial firms and the financial system as a whole. FSC is also expected to help ensure the financial market stability in close cooperation with other concerned government branches.

Korea Financial Intelligence Unit, which was also integrated into the FSC, leads the government's effort on anti-money laundering and counter-terrorism financing.

As the executive body for the FSC, the Financial Supervisory Service will continue to carry out examination of financial institutions and other on-site oversight activities as directed or charged by the FSC.

### Policy & Supervision Agenda

Let me now outline the agenda we are setting for the future of Korea's financial services industry and the market as a whole.

Our agenda is driven by one overriding goal: creating a dynamic global financial market backed by world-class financial service companies at home and from abroad.

A decade earlier, Korea's financial services industry faced enormous challenges in the wake of a devastating financial crisis. To its credit, the industry, along with regulators, learned the lessons, made the difficult choices, and has since made steady gains in business sophistication, competitiveness, and balance sheet strength.

But Korea's financial sector still very much pales in comparison with what we see in the advanced countries such as the U.S. and the U.K. For example, domestic financial services industry's share of GDP growth was estimated at only about 8 percent which is much below comparable figures at advanced economies such as US and UK.

But I must stress that Korea already has a versatile economy with huge growth potential. As the world's 11th largest economy with a large, highly educated pool of workers, and now a government in power with strong pro-market, pro-growth economic agenda, Korea's potential to grow into a one of the world's top financial markets is stronger than ever. So the potential is there, and we must aim high.

We believe the time has now come to set a new, more ambitious benchmark: transforming domestic financial institutions into global players and domestic market into a market where financial firms and investors from worldwide come to do business, manage assets, and invest. It is now time to move to the next level.

This is the backdrop from which we came up with four priorities that we believe we must tackle first: deregulation, privatization, effective regulatory environment, and service to customers

I would like to quickly go through each and shed some light on what we hope to accomplish.

## **Deregulation**

We see deregulation as crucial to the success of the government's economic agenda. It is also of paramount importance to financial market growth.

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.

I can also tell you that the deregulation initiative will not be a go-alone enterprise by the regulators. In fact, we intend to make sure that the financial industry representatives and market participants take the lead so that their voices are heard.

I must stress that the deregulation we are after should be not confused with under-regulation. I say this because what really counts in the marketplace is better regulation, not blind deregulation. This is especially true when we consider the rapid pace of innovations coming to the market.

So 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.

I would also stress that financial globalization and market integration is also very much a fact of life. So regulators across markets nowadays simply must work together to ensure effective oversight of cross-border financial activities. We understand this and have formed close partnership with 19 regulators in 13 countries. And we intend to step up our cooperation with foreign regulators going forward to provide sound international market oversight.

## **Privatization**

Privatization is the second priority I see. Here, I am speaking of minimizing government presence in the marketplace and creating the right market settings that promote healthy competition.

This is what will drive our plan to ease the separation between commerce and banking and privatize the Korea Development Bank and other state-owned financial institutions.

What would like to see for KDB is a soundly restructured financial holding company on the way to becoming a leading investment bank from Korea. We expect to see the incorporation of KDB holding company by the year's end. We will then start looking for potential buyers immediately thereafter. We should be able to announce within a week or so our plans for the privatization of KDB.

And we do look forward to active participation of foreign investors in our bank privatization efforts. Let me also add that this will be an open, competitive process, and there will be a level playing field for all, domestic and foreign.

### **Effective Regulatory Environment**

Third, we are going to cultivate an effective regulatory environment. What we will strive for is responsive, market-friendly regulatory approach that does not get in the way of innovation, competition or business growth in the marketplace.

Just to give you some examples, we are currently working on streamlining the regulatory processes to provide on-line and one-stop services for authorization and compliance matters. Others, such as business registration and requests for official interpretation of rules and regulations, will also be covered in the streamlined process.

The new process will be faster and more transparent as well. Currently, we have nine (9) foreign companies awaiting licenses to set up securities and asset management businesses in Korea. We will handle the applications without undue delay and with the utmost transparency.

Again, all these efforts are geared toward one thing, and that is to create a truly market-friendly environment where businesses can operate at minimum cost and without unnecessary regulatory hurdle or intrusion.

Let me also quickly mention other efforts under way to support the growth of the financial services industry. As many of you may know already, the government plans to announce "financial clusters," specially designated areas where financial service firms can establish businesses and take advantage of attractive business infrastructure. What we hope to see in these clusters is a good mix of top-notch local and global financial service companies pooling their business resources and capabilities together to become an integral part of Korea's financial business center.

### **Service to Customers**

Lastly, I will touch on what I would call our "Service to Customers." By this, I mean that we will re-orient our dealings with market participants as equal partners.

We may have different ways of saying this. But, I believe regulators have a fundamental responsibility to provide value-added service to the market; that is, a responsibility not only to assure the market integrity, but also to play a supporting role and lend a helping hand. After all, regulators are public servants.

So, let me say that we are for change; that is, change in our mindset, customs, and culture with only one goal in mind: service to financial institutions, investors, and consumers.

Last week, the FSS announced a major internal reorganization that will sharply reduce or eliminate all together redundant compliance burden on financial institutions, in line with FSC's main policy priorities announced last month.

This is but one of many changes you can expect from us in the future.

### Closing

I will finish my remark by telling you that I have spent a great deal of my professional career abroad in international organizations. So I developed a fairly keen sense of what the general media coverage is like and what market perceptions are on Korea from outside.

As the head of Korea's chief financial authority, I would like to make sure that we talk to each other and share our common interests from time to time.

I strongly believe we are charting the right course for the future of Korea's financial industry and the markets. There are many positive developments to look forward to, and I will be more than happy to share them with you.

Thank you.