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Press Release

January 14, 2005

FSS Announces Major Organization & Workforce Changes

The FSS announced the results of the organization and workforce innovation initiative that was launched in October of 2004 to renew and reinvigorate the FSS as an efficient and effective supervisory organization backed by a highly specialized workforce capable of meeting the ever-growing demands and challenges of the marketplace.

The organization and workforce innovation initiative, prompted and driven by the growing market demand for highly efficient and specialized supervisory services, brings about a number of major changes to the current examination structure, seeks greater synergy from the integrated supervision, creates a macro-supervision department to help formulate forward-looking supervisory policies, and institutes workforce changes that stress performance-based personnel management and pay. To provide independent perspectives and expertise in implementing the organization and workforce initiative, A.T. Kearney participated in the initiative as an outside consultant.

SUMMARY OF ORGANIZATIONAL INNOVATION

1. Reorganization of the examination structure

The examination staff and departments are restructured with the goal of enhancing the ability of the examiners to conduct onsite examinations “whenever necessary, to the extent necessary, and with the examiners necessary” on the basis of the continuous surveillance of financial institutions and to minimize the burden financial institutions face in complying with FSS examinations. The examination teams, which are divided into offsite surveillance and onsite examination teams, are merged together to enable the examiners to carry out both offsite surveillance and onsite examination simultaneously. With the transition to the “relationship manager” system, each examination team is to be assigned specific financial institutions to monitor and examine. An examination support department, staffed by examiners with technical expertise in risk management, IT and other specialized areas, is also newly created to support the surveillance and examination of specific financial institutions.



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2. Merger of the planning and coordination departments

The Supervision Planning & Coordination Department and the Examination Planning & Coordination Department are merged together into Supervision/Examination Planning & Coordination Department to improve planning and coordination between supervision and examination. A new office with oversight of financial holding companies, IT, derivatives products and retirement pension plans is created within the newly created Supervision/Examination Planning & Coordination Department.

3. A new macro-supervision department

The Research Department and the Supervision Information Office of the Supervision Planning & Coordination Department are merged together to create a macro-supervision department to conduct research and analyses on important financial and supervisory issues as well as support the formulation of supervisory policies. The primary functions of the newly created department include (1) analyses of the impact of macroeconomic variables on the soundness of financial institutions & macro-prudential supervision, (2) development and management of early-warning models for financial distress, (3) monitoring of economic and financial market developments at home and abroad, foreign exchange markets and capital flows, and (4) preparation and analyses of key financial statistics.

4. Organizational streamlining and raising the efficiency of the organizational structure

A number of steps are taken to eliminate or streamline redundant or overlapping work processes. The number of departments and offices was reduced to 28 from 30 and the number of teams to 216 from 241. On the other hand, the number of staff dedicated to examination rose by 55 to 472 from 417. The overall FSS staffing level was frozen at the current level of 1,545.

5. Posts for two new Assistant Governors

The post of Assistant Governor with the dual responsibilities of bank and non-bank supervision is split into two separate posts in response to the rapidly growing workload associated with non-bank supervision. The post of Assistant Governor for International Affairs is also newly created to facilitate exchange of information and cooperation with foreign and international supervisory authorities. The new Assistant Governor for International Affairs will also lead the FSS efforts on the Northeast Asia Financial Hub Initiative and manage relations with foreign investors and financial services companies in Korea.



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SUMMARY OF WORKFORCE INNOVATION

1. More aggressive hiring of outside specialists

A total of ten management positions that require specialized expertise and skills are to be made open to non-FSS outside candidates and filled on a competitive basis. The FSS also plans to raise hiring of outside specialists and professionals up to 50% of new hiring after 2010 from the current level of 32%.

2. More competitive personnel management & performance-based pay

The personnel management will apply more rigorous standards for work performance. Employees who do not meet the expected performance are to be penalized with pay, promotions and the positions they may be transferred to. Performance-based pay is also to be expanded.

3. Greater synergy from integrated supervision

As a way to achieve greater organizational and personnel synergy from within, staff rotation among banking, insurance and securities supervision and examination is to be gradually expanded. Staff rotation between supervision and examination departments is also to be expanded, and the examination departments are to be given a priority in staff assignment.

4. More flexible work hours

The beginning of the regular work hours is to be made flexible so that it can begin earlier than 9:00 a.m. in the morning to better accommodate the needs of investors, financial institutions and the market.

Please forward questions or comments regarding this press release to the Human Resources Management Team, General Affairs Department (Tel: +82-2-3771-5256), Financial Supervisory Service.