

Press Release

January 22, 2009

YOIDO, SEOUL AND MUNHYEON, BUSAN AS INTERNATIONAL FINANCIAL CENTERS

Summary of the Financial Center Promotion Committee Meeting

On January 21, 2009 the **Financial Center Promotion Committee*** meeting, chaired by the FSC Chairman, was held and deliberated the designation of international financial center(s). Based on the assessment report on **five candidate cities***, prepared by the Evaluation Panel, the Committee members discussed what city or cities to be designated to serve as an international financial center in the region.

**Financial Center Promotion Committee was convened on the basis of “Enforcement Decree of the Act on the Creation and Development of Financial Center.” The Committee has 25 members: 10 financial experts, 10 presidents of financial regulatory agencies, and 5 government officials (FSC and Ministry of Strategy and Finance).*

**Five candidate cities: Seoul (Yoido), Busan (Munhyeon, Bukhang), Incheon (Songdo), Gyeong-gi (Goyang), Jeju (Seoguipo)*

As a result of careful deliberation, the Committee has reached a consensus to designate Yoido, Seoul as the main Financial Center and Munhyeon, Busan as its specialized financial center. The decision will be submitted to the FSC Committee for its final approval.

Detailed plans will be made to develop these two cities as financial centers within a first half of this year through consultation with the related government ministries and regional governments. To facilitate the process, the Financial Center Promotion Committee will form a subcommittee.

Major Progresses

In December 2007 the government enacted legislation called “Enforcement Decree of the Act on the Creation and Development of Financial Center” with an aim to designate and develop a region as an international financial center.* Selection process was set off by operative direction initiatives made in March 2008 and deliberation by the Promotion Committee (convened in June 2008).

*According to the “Act on the Creation and Development of Financial Center” a financial center is defined as a region in which both domestic and international financial companies can easily conduct all types of financial transactions, including fund channeling, trading, and management.

On August 5, 2008, the Committee drafted the selection procedures and criteria and notified all mayors and provincial governors of the Financial Center Master Plan. As a result, five mayors/provincial governors of Seoul, Busan, Incheon, Gyeong-gi, and Jeju (in the order of inception into Municipality Law) expressed interest by submitting applications.

To review the applications, an evaluation panel was set up on December 13 with 16 experts from related fields to carry out neutral and fair evaluation.

Evaluation of Candidate Cities

Based upon the evaluation reports, the Committee has decided on Yoido, Seoul and Munhyeon, Busan as financial centers, which will become official with the FSC Commissioners’ approval (within January 2009).

The Committee members have concurred on the proposal to designate Yoido as a major financial center based on Yoido’s already well established reputation as a financial cluster and its advanced management infrastructures.

In addition, Busan is to serve as a supplementary financial center with a specialization in some specific areas of financial service. Two financial establishments are already operating in Busan--Securities and Futures Exchange and KIBO Technology Fund--while a number of other agencies* are expected to follow suit in a near future. Further, Munhyeon has been designated as Innovation District. Considering these facilities and growth potentials, the Committee has agreed to designate Busan beside Seoul.

*Korea Asset Management Corporation, Korea Housing Finance Corporation, Korea Securities Depository, Korea Housing Guarantee plan to relocate in Busan.

Decisions regarding other candidate cities, especially whether to designate them independently as specialized financial centers or to incorporate them into the Yoido scheme, will be made after further review.

Goyang, Gyeong-gi has been viewed as an appropriate venue to develop as backup office of Yoido, providing auxiliary services such as computer system and call centers. Goyang City government will consult other ministries in preparing detailed plans.

Songdo, Incheon has been regarded in a similar fashion to Goyang as an adjacent city to Seoul. Moreover, Incheon has been already designated as Free Economic Zone which should facilitate its role as supplementary financial district to the Yoido center. Specific ideas regarding Songdo, Incheon will be a subject for further discussion along with Goyang, Gyeong-gi.

It has been suggested to create, as a mid- to long-term plan, a “metropolitan financial belt” connecting all three areas, Yoido, Economic Free Zone (Incheon), and Goyang as the financial center representative of Korean financial industry in international financial community.

Jeju’s proposal to set up a financial offshore runs into a conflict with international standards, especially in regards to international taxation codes which discourage any jurisdictions from offering tax incentives competitively. Therefore, further policy review is required before reaching a final conclusion.

Follow-up Plans

The government will continue to discuss with Seoul and Busan City governments and the Financial Center Promotion Committee for specific plans to develop Seoul and Busan as international financial centers. Some concrete pictures should be prepared by sometime within the first half of 2009.

To facilitate the process, the Committee plans to set up a sub-committee through which the Committee can effectively monitor and provide practical supports at a working-level.

