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## Press Release

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### THE 3<sup>RD</sup> FSB PLENARY MEETING REPORT

The FSC Chairman Chin Dong-Soo attended the 3rd FSB Plenary Meeting in Basel, Switzerland, on Saturday January 9. Chairman Chin checked how financial reform recommendations the G20 leaders mandated the FSB to make have been implemented and reaffirmed future directions and implementation schedules for financial reforms that will be taken by the FSB in 2010. In regard with the financial crisis, he assessed that as many related issues have been addressed and financial institutions have now easier access to liquidity and capital, thus many financial support programs have been stalled or curtailed. He, however, pointed out that despite the overall recovery from the crisis across the globe, the gap among various markets and individual financial institutions has been widening; therefore, he agreed that financial support for SMEs and other vulnerable sectors necessary to support the real economy should be sustained.

#### Proposals to Stabilize the Foreign Exchange Markets in Emerging Economies

With respect to the “Proposals to Stabilize the Foreign Exchange Market in Emerging Economies,” endorsed at the G20 summit in Pittsburgh in September and the G20 finance ministers meeting in November, the FSC, prior to the meeting, distributed to the FSB members the report on the detailed background of the proposals and specific plans to implement. At the plenary meeting, the Korean government shared with the FSB members the background and policies that the Korean government introduced to enhance the soundness of foreign currency market and strengthen related regulations with the aim to reduce foreign currency liquidity risk.

The report reasserted the need for international coordination to build a global financial safety net to protect emerging economies vulnerable to foreign currency liquidity risk. The report also emphasized that as the FSB members at the Paris meeting in September 2009 agreed to help emerging economies reduce foreign liquidity risk by creating a global financial safety net based on specific plans set out by the Committee on Global Financial System (CGFS).\*

\*At the Paris meeting, the FSB members decided to work with financial supervisory authorities of each government and international organizations and conduct a study on the creation of global financial safety net through the CGFS within in the Bank for International Settlement (BIS).

The report made contribution to calling for the FSB members’ cooperation and agreement to have more specific discussions on the issue at the G20 vice finance ministerial meeting scheduled for the end of February 2010.



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### Expected Results of Building the Global Financial Safety Net

If a global financial safety net is created through international coordination, it is expected to prevent foreign exchange liquidity risk caused by external factors rather than internal factors from recurring in Korea and other emerging economies. It is also expected to contribute to turning the so-called “Korea discount” into “Korea premium” in the global financial market, helping the upgrade of the Korean economy’s global standing.

As the international community expects Korea as the host of the G20 summit to bridge the gap between advanced and emerging economies, Korea will be able to meet the growing expectation of the international community by creating the financial safety net and successfully play the role of chair of the G20 summit.

### The 4<sup>th</sup> FSB Plenary Meeting Decided To Be Held in Korea

The FSB is the top international decision-making body in regard with financial regulatory reform. Its membership covers international standard setting bodies such as the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and 24 countries, which account for more than 80% of the global GDP.

Since the years of the FSF, the FSB’s predecessor, Korea has become the first emerging economy to hold the plenary meeting. It shows Korea’s advanced global standing as the host of the G20 summit this year. The decision for Korea to hold the 4<sup>th</sup> plenary meeting was made possible mainly by the FSB members’ expectation that Korea will play an active role in international efforts to coordinate financial policies by representing emerging economies and at the same time by bridging the gap in perspectives between advanced and emerging economies.

### Expected Results of Holding the FSB Plenary Meeting in Korea

As Korea holds the FSB plenary meeting right before the G20 finance ministers meeting, the Korean government expects to play a leading role in pursuing financial reform and setting international standards so that the country can be more actively engaged in setting international economic and financial order. The Korean government also expects the G20 summit in Seoul to be an opportunity for the country to become a genuinely advanced country.

### Overview of the Agenda Discussed at the 3<sup>rd</sup> FSB Plenary Meeting

The FSB members discussed the following issues:

- (1) Improving the Basel Committee’s regulation on capital and liquidity
- (2) Reducing moral hazard of systemically important financial institutions (SIFIs)
- (3) Assessing the improvement of compensation practices
- (4) Discussing future plans and schedules and monitoring the progress on implementing



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international standards and strengthening financial cooperation

The FSC Chairman Chin, explaining financial reform agenda which will be discussed at the G20 summit in Seoul, emphasized that the FSB members should complete major financial reforms within the timeline given by the G20 leaders to ensure that the G20 summit of 2010 can keep the momentum for financial regulatory reform and maintain trust in the G20 process. In this regard, he said the Korean government expects the G20 leaders at the November summit in Seoul would agree upon major issues including specific levels of minimum capital requirement, capital buffer, leverage, and liquidity ratio, a specific definition of systemically important financial institutions (SIFIs), and additional regulations to promote the soundness of SIFIs. He delivered that the Korean government expects that international standard setting bodies including the FSB would accelerate their discussions to make financial institutions sound, and specific results would be set out as late as October. The FSB members agreed to come up with comprehensive measures in regard with SIFIs by the end of October this year.

The Basel Committee on Bank Supervision (BCBS) has made the following proposals:

- (i) Foster the quality of Tier 1 bank capital and enhance the consistency and transparency
- (ii) Incorporate counter-cyclical capital buffer requirement in addition to the existing minimum capital requirement
- (iii) Introduce “the leverage ratio system” as a complementary measure to the Basel II risk centric supervisory system after proper review.

In regard with accounting standards, the FSB members agreed to make significant progress by the end of 2010 in achieving a single set of high quality, global accounting standards, which the G20 leaders at the Pittsburgh summit had agreed to complete by June 2010.

The FSB members also agreed to complete the assessment of compensation system as scheduled by March 2010 and start to assess the compliance with international standards in February 2010 and make proposals by the end of this year in regard with promoting implementation including revealing non-compliance member countries.

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