



Financial Services Commission
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Press Release

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CONTINGENCY PLANS FOR SOUTHERN EUROPE'S FINANCIAL CRISIS

Despite the EU-IMF rescue package* for Greece, financial markets faltered amid fears that southern European countries' debt crisis could spread. Stock markets in the U.S. and Europe fell, and the KOSPI Index on May 6 fell 2% as well. The values of the US dollar and the yen against the Korean won surged. The US dollar against the Korean won on May 6 rose by KRW 25.8, and the yield of 3-year government bonds went up by 0.08%p.

*At the eurozone summit on May 2, eurozone leaders agreed upon the Greek bail-out plan that the EU and the IMF will provide 110 billion euros over the next three years.

However, southern Europe's debt crisis is expected to have only a limited impact on the Korean financial market because the domestic financial institutions' exposure to the region is insignificant. As of end-2009, Korean financial companies' exposure to southern European countries – Greece, Spain, Italy, and Portugal – is USD 640 million, just 1.2% of the USD 52.8 billion total external exposure. The total borrowings of Korean banks from those countries are only USD 390 million.

As market concerns over southern Europe's debt crisis and its contagion to Europe as a whole might persist for a while, the FSC plans to strengthen its monitoring on financial markets and European capital flows. To this end, the FSC and the FSS will closely monitor capital inflows and outflows and thoroughly examine domestic banks' foreign liquidity soundness and external borrowing conditions.

The FSC will utilize hot-lines and other communications channels with domestic banks to promptly detect and preemptively address market problems. We will also examine and complement individual banks' contingency plans to raise their capital.

Furthermore, in order to ease concerns in financial markets, the FSC will closely work together with the Ministry of Strategy and Finance (MOSF) and the Bank of Korea (BOK).

At a global level, the Financial Stability Board (FSB) is expected to closely monitor the future developments of the Greek rescue package and promote global coordination through sharing information on each country's fiscal and economic conditions.



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