



FSC CHAIRMAN'S REMARKS ON FINANCIAL MARKET CONDITIONS AMID CONCERNS OVER JAPAN'S EXPORT CURBS

FSC Chairman Choi Jong-ku briefed the press on recent financial market conditions amid rising concerns over any possible effect of Japan's export curbs on Korea's financial market. The briefing came as some local media reports voiced concerns that Japan's export restrictions may escalate into retaliatory measures in the financial sector.

Chairman Choi reaffirmed that even if such a scenario became a reality, albeit highly unlikely, the effect would be limited, citing the following reasons:

(i) Japan does not represent a significant share of foreign capital in Korea's financial market.

– Japan accounts for 2.3% (KRW13 trillion) and 1.3% (KRW1.6 trillion) of foreign capital in Korea's equity and bond markets respectively, as of end-June 2019.

(ii) Korean banks are maintaining good credit standings so that they are capable of financing from other alternative sources in international financial markets.

– Korean banks' borrowings from Japan amount to USD9.26 billion (KRW10.6 trillion), which accounts for 6.6% of total foreign currency borrowings (as of end-June 2019).

– Korean banks' FX liquidity coverage ratio (LCR) is 111.2% as of June 2019, well above the minimum regulatory requirement of 80%.

– Foreign currency surplus amounts to USD29.2 billion, which is higher than the amount of foreign currency borrowings (USD25.5 billion) maturing in three months.

(iii) Korea's foreign currency amounts to USD402 billion, which is the 9th biggest in the world (as of May 2019).

The government will keep closely monitoring ongoing situations and remain vigilant with contingency plans in place against any possible scenario.

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