

VICE CHAIRMAN CALLS FOR ENHANCED MONITORING OF CORPORATE BOND MARKETS BY FSB

FSC Vice Chairman Sohn Byungdoo participated in the Financial Stability Board's steering committee meeting via conference call on April 21. At the meeting, the members agreed that the early signs of widespread anxieties in the financial markets have diminished due to policy responses from each country. Meanwhile, they raised concerns about the potential rise in solvency risk due to continuing uncertainty.

At the meeting, Vice Chairman Sohn stated that the volatility in the financial markets appears to have stabilized in April. In order to prepare for the possibility of a further economic downturn, the FSB needs to strengthen monitoring of the corporate bond markets and derivatives markets.

In addition, banks should implement more flexible lending rules on a par with the governments' efforts at regulatory flexibility. However, lowering regulatory standards risks regulatory fragmentation across jurisdictions, which raises the possibility of regulatory arbitrage and threatens financial stability. In this regard, Vice Chairman Sohn suggested that the FSB and the international standard setting institutions should provide guidelines on the appropriate levels of regulatory flexibility.

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