

FSC TO WORK ON ENHANCING TRANSPARENCY IN FINANCIAL REGULATORY ENVIRONMENT

FSC Chairman Eun Sung-soo presided over the 43rd financial hubs establishment committee meeting on July 16, and discussed ways to reassess the government's financial hub policy following recent changes in market environments at home and abroad.

The following is a summary of Chairman Eun's remarks.

The competition over the status of regional financial center in Asia has been accelerating. The Korean government has been pursuing its financial hub policy since it first unveiled the strategy in 2003 to turn Korea into a financial hub in Northeast Asia. However, due to increasing uncertainties in the global financial markets, financial companies have been reducing the number of overseas branches, and it has become more difficult to attract foreign based financial companies in Korea.

Despite difficulties, it is important to regroup strategies based on the strength of our financial industry and renew our efforts. In this regard, the rising demand for asset management and growth in foreign investment continue to accelerate the globalization of the asset management industry. In addition, the rising demand for development finance in neighboring countries provides new opportunities for Korea through the government's new northern and southern economic cooperation initiatives.

Compared to other major financial centers in Asia, high corporate and income tax rates, lack of flexibility in labor markets and that of transparency in financial regulations have been pointed out as obstacles for Korea in becoming a major financial center in the region. From the perspective of macroeconomic management, the government's capacity to change its tax or employment rules just for the purpose of advancing its financial hub policy will be limited. In the meantime, the government will work to enhance transparency in our regulatory environment and find innovative ways to improve competitiveness of our financial industry.

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