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(Introduction)

Chairman Santos, Secretary General Richard, representatives from IOSCO member countries, distinguished guests, ladies and gentlemen:

Let me start by welcoming you all to our beautiful city of Seoul, and to this important event.

Let me also take this opportunity to thank the Executive Committee of IOSCO, the Financial Supervisory Committee, and the Financial Supervisory Service, for their superb organization of this event.

(Importance and Characteristics of Capital Markets)

Ladies and Gentlemen,

Capital markets represent the purest form of capitalism.

And liquid, efficient capital markets are a necessity for achieving sustained development and growth, for achieving advanced economy status.

This is because capital markets provide many channels through which to facilitate financial intermediation between businesses and households.

And by offering real-time information on stock prices and interest rates, efficient capital markets enable optimal savings and investment decisions.

For these reasons, especially after the Asian financial crisis, countries that have overly depended on the banking system for their financing needs have turned their attention to developing capital markets.

Their efforts have focused on liberalizing capital account transactions and attracting foreign investors, developing an institutional investor base, and

promoting the supply of blue-chip stocks.

But, as the Asian financial crisis showed, capital markets must be treated with great care. Capital markets are always balancing greed and fear, or risk and return, and can sometimes become unstable.

Instability can be exacerbated by those trying to manipulate the market for personal gains.

And instability can be multiplied by herd behavior. When fear is heightened by a lack of information, investors often fight to get out of the door first, causing a stampede.

This is why capital markets must be regulated and supervised by the appropriate authorities. Small-scale investors with less access to information must be protected.

And a proper regulatory and supervisory system must be in place to mitigate market instability and contagion to other markets.

(Recent Trends and Policies)

Ladies and gentlemen:

Capital markets that we regulators presently face are undergoing rapid change in an era of increasing information-orientation and globalization. Finance and other capital market-related industries are undergoing rapid change too.

With the advent of global capital markets, there is ever-increasing integration and correlation between individual national markets.

There has also been a wave of competition and innovation in the securities and investment trust businesses.

I believe all of you are familiar with these ongoing changes. I'm sure you, as regulators, have had to respond to these changes.

Nevertheless, from the bursting of the IT bubble and the recent corporate accounting scandals, we are reminded that the traditional answers still ring true. As the saying goes, the more things change, the more they stay the same.

At the end of the day, regulators must establish an environment, in which players in capital markets must respect the rights of investors as owners.

Specifically, corporate governance and corporate accounting must be improved to ensure adequate transparency of stock- or bond-issuing companies.

Second, there must be proper supervision of accounting firms and credit rating agencies, to ensure the credibility of the information provided by these gatekeepers to capital markets.

Lastly, there must be proper enforcement of laws and controls designed to prevent conflicts of interest within securities companies, as they intermediate between issuers and investors.

I think it is very appropriate, therefore, that these issues will be addressed at this conference, under the heading of "New Challenges for the Securities Market and Regulators."

I hope this conference will prove fruitful in promoting business transparency and the development of sound capital markets.

(Korea's effort)

Ladies and gentlemen,

Let me turn briefly to the efforts that Korea has been making in this area.

We have long believed that liquid, efficient capital markets are the foundation for growth and development. Our policies have therefore aimed at developing deep capital markets in Korea.

Stimulated by the Asian financial crisis, the openness of Korea's securities market has now reached a point where foreign ownership in our stock market has reached almost 40%. This is very high by any international comparison.

Further, to increase the role of pension and other kinds of funds in the securities market, the government is working to change how these funds manage their assets and to implement a retirement pension scheme.

We have also introduced different ways of investing funds, such as Exchange Traded Funds (ETF), discretionary wrap accounts, and Equity Linked Securities (ELS).

In addition, we are actively growing the local bond market by increasing the volume of government bonds, including through the introduction of fungible issues.

At the same time, we have worked to significantly raise corporate transparency and governance.

Specifically, we improved corporate decision-making structure by introducing outside directors, de facto directors, and auditing committees.

We have also taken measures to protect the rights of minority shareholders, by making it easier for them to exercise their rights. We are easing requirements for derivative suits, and implementing a cumulative voting system.

Additionally, we have moved to bring our accounting system in line with international best practices. We have reinforced the fair disclosure system and adopted a quarterly reporting system.

And to deter false disclosure and illegal trading, we have tightened supervision and significantly increased relevant penalties.

Ladies and gentlemen:

In an important effort to raise the efficiency of our capital markets more directly, we are in the midst of integrating three of our exchanges: the Korea Stock Exchange, KOSDAQ, and futures markets.

And for added convenience and stability of securities transactions, we are planning to improve the infrastructure related to stock deposits, settlement and liquidation.

As you can see, tremendous strides have already been made in raising the standard of Korea's stock markets.

If this progress continues, and the government has every intention for this to happen, I believe Korea could eventually develop into an Asian hub for international capital markets.

(Conclusion)

In closing, ladies and gentlemen:

We now live in an era of massive capital flows and the closest integration of the world's capital markets. This definitely has a plus side, but the role of financial regulators like us are made more difficult by the increased volatility and risk of

further financial crises.

I very much hope that the discussions held during this conference will bear much fruit in promoting capital market growth, soundness, and stability.

Thank you.