FSB- G20 - MONITORING PROGRESS – Korea September 2011

#		G20/FSB RECOMMENDATIONS		DEADLINE	PROGRESS TO DATE	PLANNED NEXT STEPS
# in brackets are # from the 2010 template					*Explanatory notes:* *In addition to information on progress to date, specifying steps taken, please address the following questions:* *1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?* *2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?* *Also, please provide links to the relevant documents that are published.*	*Explanatory notes:* *Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)* *Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?* *What are the key challenges that your jurisdiction faces in implementing the recommendations?*
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Korea has adopted the Basel II capital framework in January 2008.	NA
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	Korea is currently reviewing overall status of the market risk framework to implement higher capital requirements for bank's trading books.	Korea is scheduled to revise enforcement regulations on revised market risk framework by the end of 2011.
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will	January 1, 2013 and fully phased in by January 1, 2019.	Korea is actively participating in BCBS discussions on developing internationally agreed rules to improve the quantity and quality of bank capital, to strengthen banks' liquidity risk management, and to discourage excessive leverage.	According to the outcome and schedule of the BCBS work, Korea will revise current capital regulation applied to domestic banks in line with the international standard with agreed by G20 leaders. Korea will implement the new standard

		standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.			with the aim of implementation after January 1, 2013. Also, according to the schedule of the BCBS accord, Korea will adopt new international liquidity regulation framework (Liquidity Coverage Ratio (LCR) by end-2014, Net Stable Funding Ratio (NSFR) by end-2017) and leverage ratio standard(by end-2012)
4 (4, 7, 9, 48)	(WAP) (FSF 2009) (FSF 2008)	Strengthening supervision and guidelines on banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. 1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement. II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve	Ongoing	Korea made the "Best practice for firm-wide stress testing in May 2010 as reflected in the BCBS principles for sound stress testing practices and supervision. The Financial Supervisory Service (FSS) is periodically reviewing the best practices for stress-testing. In 2011, Korea conducted stress tests regarding the possibility of household failure and the potential loss to the financial system along with the changes of macroeconomic variables such as interest rates and price index. Korea implemented BCBS liquidity management standards in Sept 2009, which required banks to devise liquidity contingency plans for each currency they carry and to strengthen the board's authority and roles on liquidity management. Most of the key objectives of the BCBS liquidity management standards are already reflected on the FSS regulations. The new enhanced supervision of medium-long term funding ratio in foreign currency was implemented in Jan 2010 and August	Korea will continue to use stress test as a major supervisory tool and develop detailed guidelines on implementing Pillar 2.The guidelines will be finalized by 2011. In addition, revisions of Risk Assessment and Dynamic Analysis System (RADARS) are underway to reflect Pillar 2 supervisory review process. Korea plans to review banks' implementation of the BCBS liquidity management guideline. ("Sound Principle") during 4th quarter 2011. According to the outcome and schedule of the BCBS work, Korea will revise the current liquidity regulation applied to domestic banks. The implementation status will be closely monitored by the supervisory authority continuously.

	(FSB 2009)		practices. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		2010. To address maturity mismatch between foreign assets and debts, banks are required to apply liquidity weights based on asset type in consideration of anticipated recovery rates by the July 2010. Banks are required to hold minimum safe foreign assets (government and corporate bonds) to cope with potential foreign liquidity shortages by the Jul 2010. The new measures are legislated on Dec 29, 2009 and June 13, 2010 in line with the objective of the Basel Committee. Korea has adopted Risk Assessment and Dynamic Analysis Rating System (RADARS) since 2006 to assess risks in 14 business areas. Korea has established a three-step plan for advancement of the comprehensive risk management system aimed at improving banks' risk management capacity. • Step 1 (Apr. 2000~Dec. 2002): Establishment of infrastructure for risk management • Step 2 (Mar. 2004~Dec. 2007): Advancement of risk management business • Step 3 (Mar. 2008~Present): Enhancement of the comprehensive risk management system	
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Systemically important financial institutions in Korea (e.g. Financial Holding Companies) are subject to consistent consolidated supervision.	The Financial Services Commission (FSC) will conduct in-depth study on the feasibility of adopting new supervisory regulation on domestic SIFIs. Meanwhile, Korea will contribute to setting up new standards by actively participating in FSB discussions.

6 (43, 44)	(Pitts) (Seoul) (Lon)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress. We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	End-2010 (for setting up crisis management groups) Ongoing	Korea will implement a in-depth study on its applicability to its domestic SIFIs and get ready to take necessary measures as soon as Recovery and Resolution Plans (RRPs) of G-SIFIs are completed,	Korea will continue to participate in Supervisory Colleges and Crisis Management Groups (CMGs) to implement RRP.
7 (45)	(Seoul) (Tor)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our	Ongoing	Korea already has laws which implement resolution regimes on financial institutions including the founding of Bridge Financial Company and asset transfers. International bankruptcy is protected under Korea's Bankruptcy Law.	Korea agrees to strengthen international cooperation for effective resolution regimes regarding large cross-border financial institutions. However, due to differences in laws and supervisory environments of each jurisdiction, it is difficult to apply a single

	(WAP) (FSF 2008)		domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.		Based on the Act on the Structural Improvement of the Financial Industry, FSC can designate failing financial institutions. The law enables the FSC to impose business suspension on the relevant institution when necessary.	regulation/law across different jurisdictions.
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	Korea is currently participating in 7 supervisory colleges.	Korea will participate in existing and any new supervisory colleges established by the home authorities of foreign banks
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	To comply with guidelines recommended by Standard Setting Bodies (SSBs), Korea has continually revised relevant legislations as part of efforts to address shortfalls as identified in the FSAP review. Korea has revised the Real Name Financial Transaction Act, which had previously hindered information exchange with supervisors, as well as MOUs with supervisory bodies around the world. FSC/FSS signed the MMOU of IOSCO in	Korea is committed to comply with the key principles developed by BCBS, IOSCO and IAIS.

					June 2010. And, FSC/FSS has signed the MOU with 29 financial supervisory bodies over 17 countries.	
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	FSC/FSS have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks	Korea is developing the methodologies for supervisory stress testing and implementing pillar 2 in the context of the stress test. Korean banks should conduct stress test at least semi-annually and the result should be reported to the FSS.
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	Korea is regularly reviewing regulation scope to keep pace with the changes in the financial system, and will review any detailed proposals made in the future at an international level. For example, Korea launched more enhanced regulation on credit card companies to curb expansionary use of credit card loans and thus effectively cope with household debt problem.	Korea will continue to monitor the progress of international discussion on regulatory framework to keep pace with developments in the financial system.
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	Korea has established several teams to effectively address risks associated with financial innovation. (BCBS team, risk examination team, derivatives monitoring team)	FSS will hire more experts to oversee the risks associated with financial innovation, and train its inspectors to update new risks to manage.
Hedge funds						
13 (33)	(Seoul)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, …	End-2009	Korea adopted regulations requiring hedge funds to be registered, report borrowing and derivatives trading status to FSC/FSS, and be subject to leverage limit (up to 400%).	As regulations in Korea mostly meet international principles or guidelines related to strengthening hedge fund regulation.

	(Lon)		Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.			
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	The supervisory authority operates a system which enables ongoing oversight of funds, thereby allowing collection of fund-related data on an ongoing basis. FSC/FSS signed the MMOU of IOSCO in June 2010 to share supervisory data with its members.	FSC is committed to implementing international cooperation principles on hedge funds.
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	FSC currently requires counterparty risk evaluation in capital adequacy (NCR) review. Since Dec 2009, FSC has strengthened counterparty risk levels on RAMS (Risk Analysis & Management System).	Additional measures to reduce counterparty's risks will be reviewed if necessary.
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	The Capital Market Act, currently under revision, imposes 400% leverage limit on hedge funds.	Instead of phasing out leverage ratios, FSC is considering mandating reports on financial lending and exposure related to hedge funds and their counterparties
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO	During 2010, supervisors and regulators will:	During 2010	FSS made an assessment of the impact of Basel III adoption to Korean banks. Korean	Korea is currently involved in discussions at the Basel Committee and regulation on

		measures for securitisation	• implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.		banks showed capital ratio well above Basel III requirements as of year 2010. FSC has completed QIS analysis in Aug '09 following the measures by Basel II to strengthen capital requirement of securitization and established domestic plans to implement IOSCO code of conduct in approval standards for External Credit Assessment Institutions in Aug 2009.	Basel 2.5 will be revised by the end of 2011.
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	Korea has set the requirements for due diligence of the underlying assets of securitization exposures in Sep. 2007.	Korea is currently involved in discussions at the Basel Committee and regulation on Basel 2.5 will be revised by the end of 2011.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	Currently there are no monoline insurers involved in structured credit in Korea.	NA
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	Korea already has a strong regulation (e.g. disclosure, registration, and reporting to supervisory authorities) with regard to structured financial products in the Asset-backed Securities Act.	NA
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	The Asset-backed Securitization Act in Korea mandates registration and disclosure on a relatively stronger legislative level than other countries. Regarding public disclosure on asset-backed securitization, companies are	National Assembly is currently seeking revision of Asset-Backed Securities Act.

					required to register detailed plans including the scope, type and management plan related to securitization to FSS and details of the registration is disclosed on DART (Data Analysis Retrieval and Transfer System) an electronic disclosure system run by the FSS. DART, which allows investors to view securitization information on-line, helps asset-backed securities issuance remain transparent. Moreover, the FSS monitors the issuance of high-risk securities by monitoring registered securitization plans, which provides stronger investor protection The FSC plans to revise Asset-Backed Securities Act to enhance disclosures to protect investors.	
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts) (Lon)	Reforming OTC derivative markets, including the standardisation of CDS markets (eg CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We will promote the standardization and resilience of	By end-2012 at the latest	In Nov 2009, domestic financial institutions held discussions on establishing "The Study Committee for OTC Derivatives Infrastructure Improvements" to set up infrastructure on OTC Derivatives. The Study Committee for OTC Derivatives Infrastructure Committee announced its recommendations regarding implementation of OTC infrastructure in Feb. 2010. To develop implementation plans for OTC derivatives infrastructure such as establishment of CCP, the government organized a task force team in cooperation with the academia, and related agencies. The government embarked on legislation process to adopt CCP in year 2011 (posted notification of pending legislation in July 2011)	The Study Committee will continue to conduct analysis on international trends and studies to build OTC derivatives infrastructure. Revision of the Financial Investment Services and Capital Market Act is underway to implement OTC derivatives reform.

			credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.			
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	FSC and FSS have right to supervise all financial institutions and instruments by the relevant laws. In order to limit the buildup of systemic risk, they regulate the banking sector not only based on international standards such as Basel II capital framework but also based on LTV and DTI for mortgage loans to maintain asset soundness of banks. In addition, National Assembly passed a bill to mandate Bank of Korea to conduct financial stability oversight in Sep 2011.	International discussion is underway on system risk-based macro-prudential tools and standards. Korea will adopt new supervisory tools proposed by the FSB or other international bodies if it is necessary.
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	Korea has been operating an integrated financial supervisory body since 1999. The FSC/FSS is responsible for collecting relevant information regarding all financial institutions, market and products. This information is used to monitor impacts on macro prudential conditions. We have also kept keen relationship with various foreign supervisory authorities by signing MOUs on information sharing.	Korea will keep the consistency across jurisdictions by adopting new standards agreed by international communities.
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use	End-2009 and ongoing	Korea, as a small and open economy, has been vulnerable to fluctuation of global economies and subsequent capital flows. Thus, the government reinforced macro-prudential measures to reduce capital flows volatility. In July 2011, the government	According to the outcome and schedule of the BCBS work, Korea will revise its capital regulation applied to domestic banks.

			quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.		imposed a cap on bank's forward position-to-capital ratio: 40% for domestic banks and 200% for foreign bank branches. In addition, Macro-prudential Stability Levy has been implemented since August 2011. In regard to non-depository foreign loans of banks, there will be differentiated macro-prudential stability levy imposed according to the maturity: less than a year 20 bp; more than a year 2bp. FSC also increased the margin requirement for forex margin trades from 2 to 5 percent, ultimately reducing the leverage of such trades (in Jul 2009).	
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The Ministry of Strategy and Finance and the FSC are closely monitoring the effects of asset price fluctuations on the financial market and macro-economy. The Bank of Korea also covers the impact of changes in stock and housing prices on the financial market and macro-economy in its half-yearly financial stability report. For example, the FSC has strengthened LTV and DTI regulations in 2009 in response to the herd behaviour of mortgage lending business which associated with systemic risks.	NA
27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	There are various consultation channels to discuss financial stability risks and to exchange information among financial authorities, including the FSC, the Ministry of Strategy and Finance and the Bank of Korea.	NA

VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	Korea is working to ensure that companies prepare IFRS-compliant annual financial statements in 2011, the first year of IFRS adoption, by analysing the quarterly financial statements and encouraging the companies to apply IFRS more rigorously. Korea Accounting Standards Board (KASB) continued to participate in the activities of AOSSG (Asia Oceania Standard Setters Group) which consists of standard-setters from many countries in Asia and Oceania region, in order to work toward consistent application of IFRSs and raise implementation issues to the IASB efficiently.	Korean government will continue to monitor the quality of financial statements in order to ensure that IFRS is applied consistently. Korea will continue to participate in the activities of AOSSG working groups.
29 (New	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011	N/A	N/A
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	The KASB submitted comment letters on exposure drafts of the IASB during the 2nd quarter of 2011, which include the following. - Financial Instruments: Impairment - Offsetting Financial Assets and Financial Liabilities In the comment letter for Supplementary Document 'Financial Instruments: Impairment', the KASB pointed out that there may be asymmetrical accounting treatments for the financial instruments depending on the loss occurrence patterns.	As for the IFRS 9 'Financial Instruments' issued by the IASB in Nov. 2009, the KASB is monitoring the progress of the other projects for financial instruments to adopt the IFRS 9 as Korean standards. The KASB will also monitor the progress of the convergence projects of the IASB and the FASB.

					The KASB held round-table meetings or forums to hear the opinions of Korean constituents.	
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (i) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	As for (i) and (ii), please refer to the comment for '30(12)' As for (iii) The IASB's plan for the replacement of IAS 39 consists of three main phases. As the last phase, the IASB issued ED (Exposure Draft) on hedge accounting last December 2010. The KASB analyzed it and submitted a comment letter to the IASB after collecting opinions from domestic constituents and has monitored the IASB's discussion for the final requirements. In the comment letter, the KASB generally supported the IASB's intention to align the hedge accounting with the risk management strategy.	As for (i) and (ii), please refer to the comment for '30(12)' As for (iii) The IASB has a plan to issue the new standards on general hedge accounting by the 4th quarter of this year (2011). The KASB is closely monitoring the discussions of the IASB for final decisions and preparing to adopt new hedge accounting requirements.
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the	Ongoing	Korea is committed to maintaining financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews. Korea has already undertaken an FSAP assessment from 2001 to 2003. Based on the assessment results, Korea has fully amended its relevant laws and regulations in line with international standards.	Korea decided to undertake a new FSAP assessment in 2012. (submitted the application to IMF in Mar 2011)

			transparent assessment of countries' national regulatory systems.			
Reforming compensation practices to support financial stability						
33 (15)	(Pitts) (Tor) (Seoul)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.	End-2010	Korea introduced best practices for each sector such as banks, financial investment firms, insurers and financial holding companies in January 2010. FSC performed consultation process with related financial associations and financial institutions, and issued administrative guidance to implement the new standards. The best practices reflect key highlights of the original FSB principles, including the establishment of an independent compensation committee, aligning compensation and risk with long-term performance, disclosing key compensation-related information. The new standards for compensations came into effect in 2010.	Korea will consider gradually expanding implementation scope or revise relevant guidelines following global discussions and domestic implementation progress.

34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	Korea will review financial institutions' status of implementation periodically. Any financial institution who does not follow the best practices will receive low CAMELS rating and corrective orders from FSC. Korea has a Prompt Corrective Action rule which allows FSC to issue an order to failing financial institutions to modify their compensation scheme.	Korea fully agrees with FSB's view on compensation scheme of financial institutions and is committed to implementing its principles.
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	FSC grants license of CRAs and conducts supervisory activities on a regular basis. The Credit Information Act, revised in Oct 2009, requires CRAs to establish and comply with internal controls.	NA
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.	End-2009	Korea completed the revision of CRA-related regulations which took effect in Oct 2009. The revised regulations make it mandatory for CRAs to establish internal process to ensure rating accuracy and prevent conflict of interest and irregularities. CRAs are obligated to disclose rating methodology and rating process on structured products as well as underlying assets which significantly impact credit rating. To maintain supervisory consistency on	NA

			The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.		CRAs, FSC pays close attention on international discussions and legislative developments in respective countries.	
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	Korea is committed to any requests for global cooperation.	NA
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	CRAs are required to disclose rating performance reports and data on rating developments and average accumulated default rates. FSC encourages investors to perform their own due diligence to prevent them from becoming overly dependent on credit ratings.	NA
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Korea called on banks to comply with the best practice for stress-testing as reflected in the BCBS principles for sound stress testing practices and supervision published in Apr. 2009. FSS frequently conducts a detailed level of	FSS is developing the methodologies for supervisory stress testing and implementing pillar 2 in the context of the stress test. Korean banks should conduct stress test at least semi-annually and the result

					stress tests in preparation of diverse situations that can adversely impact the financial system.	should be reported to the FSS.
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	The supervisory authority monitored banks' NPLs and purchased NPLs through the Restructuring Fund to bring down NPL ratios to less than 1%. Since the financial crisis, FSC has encouraged domestic banks to increase capital, which amounted to 29 trillion won in Aug 2008 to Dec 2009. As a result, BIS ratio and Tier 1 ratio of domestic banks rose from 10.86% and 8.33% in Sept 2008 to 14.21% and 10.80% respectively.	NA
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	For the Capital Market Risk, disclosure requirements were included in the "Unified Management Disclosure Standards" by Oct. 2009. Korea established a differentiated supervisory measure for vulnerable instruments by requiring financial institutions to add OTC derivatives-related valuation profit and loss of each counterparties to their business reports (Q2 2009). For insurance companies, FSS revised the business disclosure standards in Dec 2009 by including risk management in disclosure requirements. Risk management was included reflecting IAIS recommendations and international accounting standards. Losses at insurance companies are already disclosed through income statements.	Standards will be established to require financial institutions to disclose their annual compensation evaluations as required by the FSB Principles for Sound Compensation Practices.

Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	Korea abides by all 18 core principles developed by the IADI (International Association of Deposit Insurer) and BCBS.	International discussions are underway to strengthen deposit insurer capability in pre-emptively identifying financial institution delinquency to minimize risk. Korea will incorporate international developments to strengthen deposit insurer capability in preventing delinquency and improving resolution functions.
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	The Korean government discontinue its payment guarantee on the banks' foreign debt. From July 1, 2010, Korean government discontinue its credit guarantee expansion policy for SMEs which took effect on Feb. 2009 to go back to the pre-crisis condition. Credit guarantee rate on ordinary SMEs which rose to 95% according to expansion policies were brought down to the pre-crisis level of 85%, and guarantee rate of 100% in core areas were reduced to pre-crisis level of 90%.	The Capital Expansion Fund, which was created to support banking operations to the business sector, may or may not be suspended in light of future market conditions.

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)
Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)