

FSS Investor Roundtable in Hong Kong

Opening Remarks

Monday, April 14, 2025

JW Marriott Hotel Hong Kong

Financial Supervisory Service

Governor Lee Bokhyun

I Greetings

Good morning, ladies and gentlemen.

I would like to thank all of you from 12 leading global investment banks, as well as ASIFMA and PASLA for taking the time to join us today.

The FSS has had numerous occasions, including IR meetings with global investors, to communicate Korea's financial policies and seek their views and suggestions.

And we are here today to share with you about progress made in advancing our capital markets and very much look forward to an open, constructive dialogue with you.

II Observations on Korea's Economy and Financial Markets

Before getting started, let me briefly make a couple of observations on the fundamentals of Korea's politics, economy, and financial markets.

Despite the impeachments of two of our presidents in recent years, the rule of the Constitution and the democratic processes remained intact, and stability quickly returned.

Also, in the wake of the global economic and financial crises back in 1997 and 2008, Korea demonstrated its resilience.

Now, in the face of economic shocks from shifts in U.S. trade policies, I would say that Korea is again more than ready to deal with such trade issues, as it has a number of globally competitive businesses.

As you know, Korea is the largest manufacturer of memory chips, which are an integral part of the global AI ecosystem, and the largest shipbuilder in the high-value-added segment.

And the government is also doing its part on all fronts with a government-wide task force.

In addition, at a time when the global financial markets were more volatile than ever before, Korea became more sound in terms of its fiscal health and financial stability.

The ratio of public and private debt to GDP fell 6 percentage points, and the number for household debt also fell 3.5 percentage points.

III Korea's Capital Market Initiative: Progress and the Way Forward

Based on such solid fundamentals and strong resilience, Korea's financial authorities will persistently carry out our ongoing policy priorities for the capital markets.

First, we are working to build a more predictable capital market that can win investors' trust.

In November 2023, Korea's financial authorities made a hard decision to ban short selling, as we had concluded that restoring investors' confidence in our markets was our top priority.

Soon after in June the next year, we announced a roadmap to resume short selling.

And, finally on March 31 this year, we resumed short selling on all stocks for the first time in about five years, as we had promised to market participants.

Notably, even amid greater stock market volatility after the resumption of short selling, as well as recent developments and risks abroad, our decision to resume short selling remained unchanged, with a strong confidence in our economy.

This represents Korea's financial authorities' firm commitment to market predictability and investor confidence, and I can assure you that it will stay this way going forward.

We do understand that some global investors are concerned over more rigorous penalties and sanctions against illegal short sale trades under the new regime.

But what I can tell you is that, as long as investors have the new IT system and internal controls well in place, we expect that this would effectively deter intentional naked short selling and subsequent criminal liability.

Next, we will step up our efforts to enhance corporate value and protect shareholders' interest.

So far, we have worked hard to enhance shareholders' interest and corporate value, as a key priority under our capital market initiative.

Such efforts include improving the dividend payment procedures; introducing new legal safeguards to better protect shareholders; and fine-tuning the de-listing rules.

In particular, in Korea, efforts to lay a more effective legal basis and framework for better protecting shareholders' interest are under way in earnest, which often gives rise to intense discussions.

Yet, such controversy tells us that no one would disagree it is time to do something to increase shareholder value, and this should be read as a sign of positive change.

And, when we reach a broad consensus on what needs to be done specifically, we expect to see tangible progress on this issue soon.

Finally, we will continue to work to improve foreign investors' access to our capital markets.

In a bid to further develop our capital markets by attracting global financial institutions, we recently allowed global asset managers to distribute their funds via their Korean affiliates.

Also, Korea's financial authorities are making consistent efforts to help global investors find it easy to invest in Korea.

These efforts include abolishing the registration requirement for foreign investors at the end of 2023 and making it mandatory for listed firms to file disclosures in English from 2024.

Furthermore, earlier this month, we decided to allow foreign investors to trade Korean stocks using their local securities firm's omnibus account.

VI Concluding Remarks

As I mentioned in the beginning, we hope this roundtable serves as an opportunity for us to have candid discussions about Korea's financial policies.

We look forward to your thoughts and will make sure that we could cover all the questions you might have.

Again, thank you all for joining us.