

Press release

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FSB completes peer review of Korea

The Financial Stability Board (FSB) published today its [peer review of Korea](#).

The peer review examined two topics relevant for financial stability in Korea: the crisis management and resolution framework, and the regulation and supervision of non-bank depository institutions (NBDIs).¹ The review focused on the steps taken by the Korean authorities to implement reforms in these areas, including by following up on relevant International Monetary Fund (IMF)-World Bank Financial Sector Assessment Program (FSAP) recommendations and FSB commitments.

The peer review finds that good progress has been made in recent years on both topics. The resolution framework already includes a number of the resolution powers set out in the FSB [Key Attributes of Effective Resolution Regimes for Financial Institutions](#) (*Key Attributes*) and has been tested in previous crises, while reforms are underway to strengthen it further. The authorities have also taken steps to strengthen and more closely align prudential standards in the NBDI sector to those of banks, and to enhance regulatory cooperation on mutual credit cooperative (MCC) issues through the establishment of the MCC Policy Council in 2013. Recent measures relating to household debt indicate the authorities' proactive stance in identifying emerging risks and enhancing regulation and supervision to address them.

Notwithstanding this progress, the review concludes that there is additional work to be done:

- On crisis management and resolution:
 - implementing, on a timely basis, planned resolution reforms to close the gaps vis-à-vis the *Key Attributes* with respect to recovery and resolution planning requirements as well as bail-in and temporary stay powers;
 - developing triggers that facilitate early entry into resolution and permit the use of the full range of resolution tools under the framework; and
 - further strengthening crisis preparedness arrangements.
- On the regulation and supervision of NBDIs:
 - strengthening the role of the Financial Services Commission and the Financial Supervisory Service in the regulation and supervision of MCCs;
 - enhancing MCC and mutual savings bank (MSB) prudential requirements;

¹ The main NBDI types are mutual savings banks and mutual credit cooperatives, both of which have traditionally offered basic deposit services and small-scale credit to individual borrowers and small to medium-sized enterprises, particularly for local communities and lower-income households. NBDIs made up 13% of financial system assets (equivalent to 43% of gross domestic product) and almost 30% of deposits as at end-2016.

- increasing the focus on MCC federations, in terms of regulatory and supervisory oversight and systemic risk analysis;² and
- developing measures to proactively manage the orderly consolidation of the MCC/MSB sectors.

The peer review report includes recommendations to the Korean authorities in order to address these issues.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The peer review of Korea is the twenty-second country peer review conducted by the FSB. The review was based on the objectives and guidelines in the March 2015 version of the [Handbook for FSB Peer Reviews](#). FSB member jurisdictions have committed to undergo an IMF-World Bank assessment under the FSAP every five years and, to complement that cycle, an FSB peer review two to three years following an FSAP. As part of this commitment, Korea volunteered to undergo this peer review in 2017. The [schedule of country peer reviews](#), as well as [all completed peer review reports](#), is available on the FSB website.

Country peer reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector standards and policies agreed by the FSB, as well as their effectiveness in achieving desired outcomes. They examine the steps taken or planned by national authorities to address IMF-World Bank FSAP and Report on the Observance of Standards and Codes recommendations on financial regulation and supervision as well as on institutional and market infrastructure that are deemed most important and relevant to the FSB's core mandate of promoting financial stability. Country reviews can also focus on regulatory, supervisory or other financial sector policy issues not covered in the FSAP that are timely and topical for the jurisdiction itself and for the broader FSB membership. Unlike the FSAP, a peer review does not comprehensively analyse a jurisdiction's financial system structure or policies, or its compliance with international financial standards.

The report published today describes the findings and recommendations of the peer review of Korea. The draft report was prepared by a team of experts from FSB member institutions led by Olaf Sleijpen, Division Director for Supervision Policy in the De Nederlandsche Bank. The review benefited from dialogue with the Korean authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.

² Each MCC entity type has a national federation that promotes common goals, provides deposit insurance and liquidity management, and is involved in examinations of the credit business of its member cooperatives.