

KEYNOTE SPEECH

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Thank you so much. I would like to thank Chairman Yoon for his kind words and I am really delighted to be here in Seoul. I would like to welcome all of you on behalf of the IMF and I wish in particular to thank the senior officials and all the staff of the Financial Supervisory Commission and the Financial Supervisory Service for all the hard work they have put in organizing this event.

The issues that we are going to discuss today and tomorrow are of great importance to all of us. Macroprudential supervision and financial stability are, surprisingly enough, fairly new fields in many aspects. It is true that supervision has been with us for many years, but the dimension of looking at the system as a whole and its links to the rest of the economy is much newer, at least the systematic way in which we are trying to do it.

One important point is that we are all interdependent. This fact, to large extent, explains why the IMF, the World Bank, and other international organizations, like the Financial Stability Forum, are so interested in macroprudential issues. There is perhaps no other field of economic activity where you can see globalization so closely and so intensely as it is in the financial sector. What happens in one country quickly affects others, particularly when we are talking of countries, like Korea, that are major financial players.

Whatever views people may hold about globalization, the world is becoming smaller, in the sense that distance is no longer a determining factor in who you transact with, particularly for financial operations.

Sitting at a computer, you can carry out a financial transaction with someone thousand of miles away, involving institutions subject to totally different regulatory supervisory regimes. So we are all in this together, and we should see this as an area of opportunities. We have opportunities now for asset diversification, and allocation of capital transmission of capital flows across the world, that were hard to imagine even a few years ago. There is also a lot of innovation taking place in the financial world; we are always trying to catch up with what is going on in the financial markets. But with all the benefits that these opportunities and innovation create, there are also risks, one of which I was referring to before, namely the possibilities of contagion, which are more important perhaps than they were even a few years ago. And the fact that we have so many new financial institutions coming on board means that we have to keep on top of this. Thus, I believe we all have a role to play, starting of course with the market participants and the national supervisors but at the IMF, we also feel that international institutions should also try to assist as much as possible in this process because national borders are rapidly losing relevance for financial flows, but not yet for aspects like regulation, supervision, and legislation. This makes it particularly important to exchange views and share experiences among countries and institutions across the world, to learn from each other and improve coordination. For all these reasons, we are very pleased to be able to co-sponsor this meeting with the Korean authorities.

I consider Seoul an ideal place to do this. I hope you forgive my reminiscing a little bit here, but in a few days it is going to be nine years since I came to Korea for the first time in totally different circumstances. I am talking of 1997, when the country was starting to be affected by a major crisis. Dealing with that crisis was a successful case of cooperation between the Korean authorities and the IMF, but I am very pleased that now our cooperation takes place in totally different circumstances. Korea's situation today is quite different from what it was nine years ago. The country has been at the forefront of change and has regained its place as one of the major powerhouses in Asia and in the world.

I am looking forward to what I will be learning these days; I am sure we will all learn quite a bit during these intense two days of discussion. Thank you so much.