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KDIC What We Do: Risk Management

Korea Deposit Insurance Corporation (KDIC)

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What We Do

What We Do	Risk Management
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01

Ongoing Risk Surveillance

The KDIC has made efforts to strengthen the risk surveillance of insured financial institutions to enable early detection of risks and prevent the occurrence of an insurance contingency.

The KDIC has the Ongoing Risk Surveillance Council in place, which is responsible for overseeing, coordinating and assessing risk monitoring activities.

In order to adequately monitor the risk profile of insured financial institutions, the KDIC has designated staff to different financial sectors or insured institutions to conduct risk surveillance on an on-going basis. From information gathered from these activities, risk indicators for each sector or institutions were developed. Regular review meetings were held to identify risk factors in the financial market and the routes of risk contagion.

For financial institutions that have been found to be in financial trouble as a result of the ongoing risk surveillance or risk model analysis, the KDIC conducts examinations jointly with the Financial Supervisory Service. The targets for the examinations are selected through a careful analysis of major financial indicators. After conducting joint examinations with the Financial Supervisory Service, the KDIC urges the management of the concerned financial institutions to improve their management practices.

To enhance cooperation among relevant agencies and reduce the administrative burden on financial institutions, a revised Memorandum of Understanding (MOU) on the Sharing of Financial Information were signed by five public agencies - the Ministry of Economy and Finance, Financial Services Commission, Bank of Korea, Financial Supervisory Service and the KDIC - on September 15, 2009. Under the revised MOU, the scope of information to be shared with the Bank of Korea and the Financial Supervisory Service was further expanded.

02

Management of MOUs

The KDIC has made strong efforts to recover public funds provided to financial institutions in assistance for financial restructuring and enhancing their corporate value. As part of such efforts, the KDIC has entered into MOUs of Business Normalization with 14 assistance recipient companies since 1999. Since April 2002, twelve MOUs, including one with Woori Financial Group, have been terminated. As of the end of 2019, the KDIC still has MOUs in place with two financial institutions - Seoul Guarantee Insurance Corporation and Suhyup Bank.

The KDIC is committed to ensuring the MOUs' implementation. To this end, the KDIC is continuously monitoring the progress in achieving MOU targets by identifying problems in business management and, in case of failure to meet the targets, holding those responsible accountable for the failure.

What is the MOU on Business Normalization?

The MOU is composed of the main text, a business normalization plan and attached documents. The main text contains detailed requirements such as the responsibility to implement the business normalization plan and the implementation schedule. The business normalization plan includes the plan to improve the balance sheet and measures to improve other financial and non-financial indicators. Attached documents are: a pledge to implement the MOU and an agreement signed by management and staff.

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