To Whom It May Concern,

We refer to your consultative documents released on 17 December, 2009, titled “Strengthening the resilience of the banking sector” and “International framework for liquidity risk measurement, standards and monitoring,” and hereby submit our opinions on them.

1. Regarding "Raising the quality, consistency and transparency of the capital base"

- Minority interests related to the common stock which meets the common stock criteria of the issuing entity should be recognized as "the common equity" not "other tier1 capital," since the minority interests can absorb the loss borne by the subsidiary at stake.

- As for investments in certain banking, financial and/or insurance entities which are outside the regulatory scope of consolidation, we believe discretion should be given to each nation, instead of applying the proposed 10+% guideline uniformly. In Korea, the current regulation has 15% as the ceiling.

- We would prefer it if other deduction elements are allowed to be consistent with the national accounting principles, for such classifications as deferred tax assets according to the future profitability, and goodwill and intangible assets according to the possibility of outright sales – classifications that are very complicated and open to subjective interpretation.

2. "Leverage ratio"

- We believe the CCF of the Basel II standardized approach should be applied when calculating the ratio for off-balance sheet items. This will help improve international comparability and better reflect the characteristics of contingent liabilities.
3. "Liquidity ratio"

- We request that you allow us to classify the retail portion of the SMIF bonds as retail deposits.

- IBK is the only financial institution that is allowed to issue the Small and Medium Industry Finance Bonds or SMIF bonds.
- IBK can issue the SMIF bonds up to 20 times the sum of our paid-in capital and reserves.
- The SMIF bonds are implicitly guaranteed by the government under the Article 43 of the IBK Act.
- During the recent financial crisis, the SMIF bonds had a low early redemption rate and high demands driven by flight to safe assets.

Therefore, we request that the SMIF bonds held by general retail customers (as opposed to institutional investors in the wholesale market) are given a 7.5% or 15% run-off rate, not 100% in LCR calculation.

4. "Asset Backed Securities"

- Specific conditions for due diligence appears lacking. It will be very helpful for us if the BCBS could present a detailed guideline and concrete examples.

5. Others

- If all the strengthened proposals are to take effect together, it may have negative impacts on a recovering global economy. Therefore, grandfathering should be granted for bonds issued beforehand, especially those from developing countries.
Please accept our request for anonymity for the above comments, and feel free to contact us (shinryu@ibk.co.kr) for any support you may need. We hope that our comments would help you to fine-tune the proposals, and would like to express our sincere appreciation for your hard work for the development of the financial industry.

Sincerely yours,

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