

Several issues
from the Corp *and*
banking industry

Cooperate side

Corp side	KOR	CHI	JAP	Hedge	Market
Reporting Currency	KRW	CNY	JPY	NA	NA
Foreign Currency USD	USD			required	developed
Non-USD	JPY, EURO, GBP, AUD, CAD, SGD, HKD etc			required	LQ
Trade currency	CNY, CNH			required	LQ, AC etc

- CNY, CNH → We need something

Several Issues

Unstable
CNH
funding

- MDE → Increase offshore CNY supply
- Negative → decrease offshore CNY supply
increase synthetic off shore funding

Hedge?

- Repayment dim sum bond?
- Unmatched AR, AP
→ open position at maturity
- Hedge (SWAP, FWD, OPTIONS etc)
→ LQ, Pricing issue still remain

Asset	Liability
ALM	
	EQ

Several Issues

Accounting Issue

- IFRS → fair market pricing issue
- Accounting at reporting currency
 - valuation issue / benchmark issue
 - hedging cost / unmatched position

Asset	Liability
valuation	valuation
	EQ

Counter-party Issue

- CNH, CNY → OTC market
- Market player → commercial bank only
 - No Treasury activity involve
- Open to counter party risk
- Increase instability at financial crisis

Several Issues

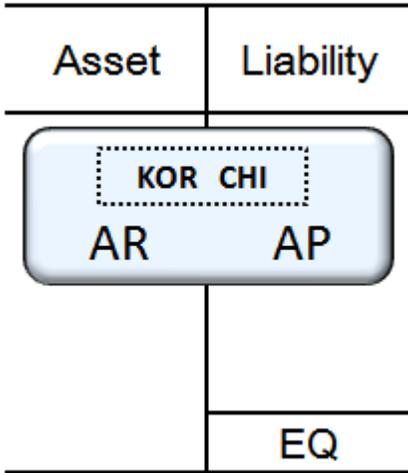


Regulation
Issues

- **Still regulated currency**
 - MDE → Negative system (positive sign)
 - Still regulated trade linked derivatives transactions, such as CNY SWAP, OPTIONS, FORWARD etc
- **Interbank CNY settlement**
 - Separation int'l CNY from local CNY
 - Only client request → Idle money Issue
- **More investment window for CNY holder**
 - PRC bond market → QII cap limit

One way...

Corp side	KOR	CHI	JAP	Hedge	Market
Reporting Currency	KRW	CNY	JPY	NA	NA
Foreign Currency USD	USD			required	developed
Non-USD	JPY, EURO, GBP, AUD, CAD, SGD, HKD etc			required	LQ
Trade currency	CNY, CNH			required	LQ, AC etc

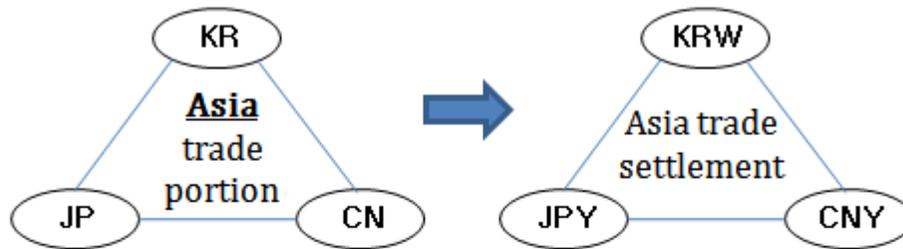


matching

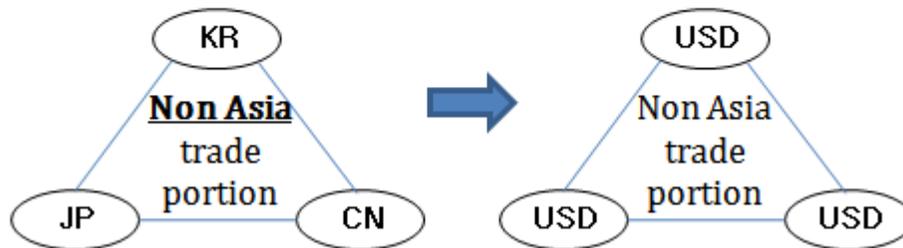
One way...

Some-
thing?

- Corp B/S and financing activities are closely linked.
- We may develop primary & secondary loan/bond market.. If we,
 - pay trade settlement by local currency
 - find local currency position taker
 - utilize currency SWAP contract subject to agree on the fair pricing logic
- Asian trade settlement → Asian financing market → Increase stability



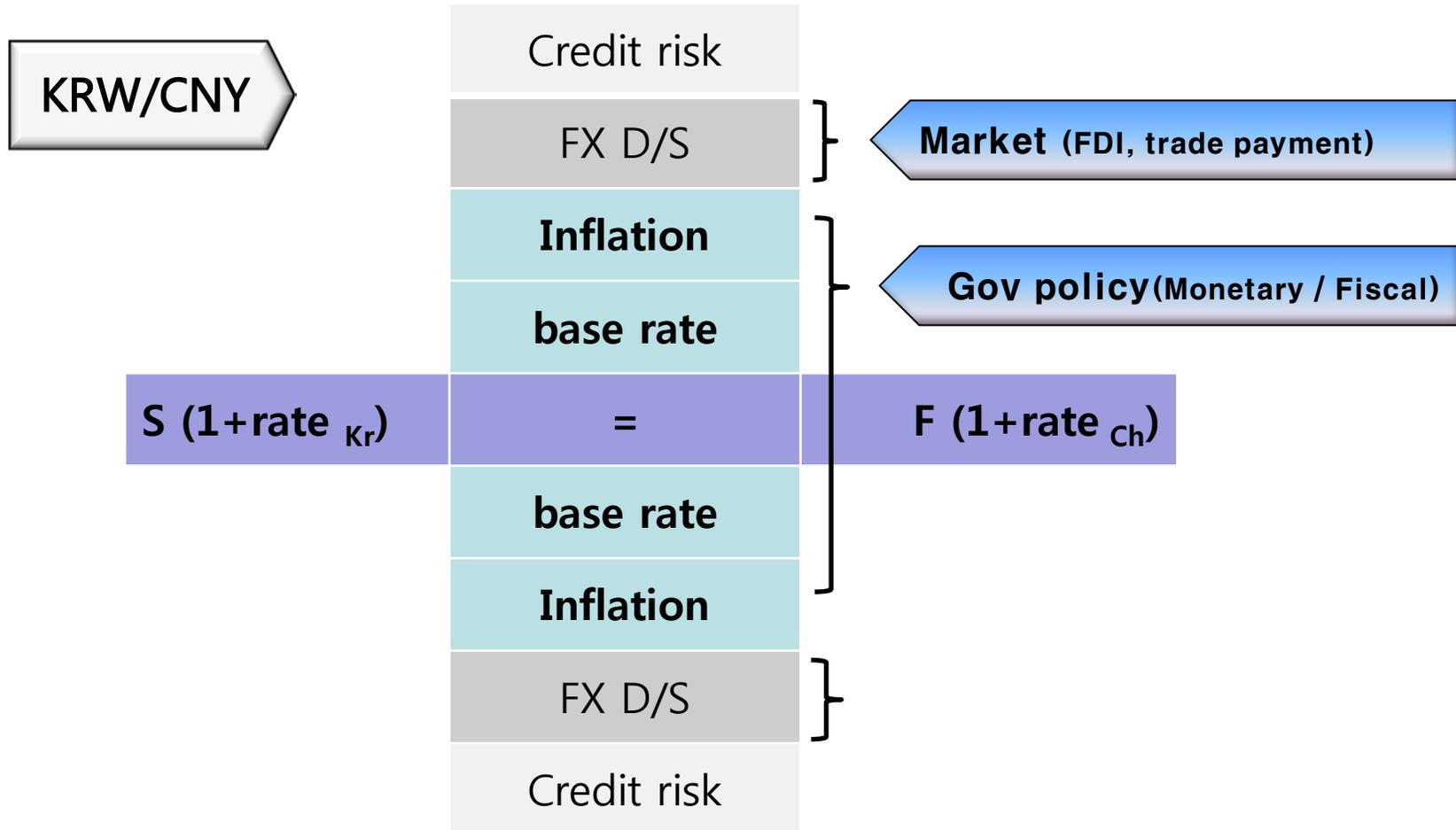
- KR → (+) CNY (-) JPY
- JP → (+) CNY (+) KRW
- CH → (-) CNY (-) CNY



- KR → USD vs KRW
- JP → USD vs JPY
- CH → USD vs CNY

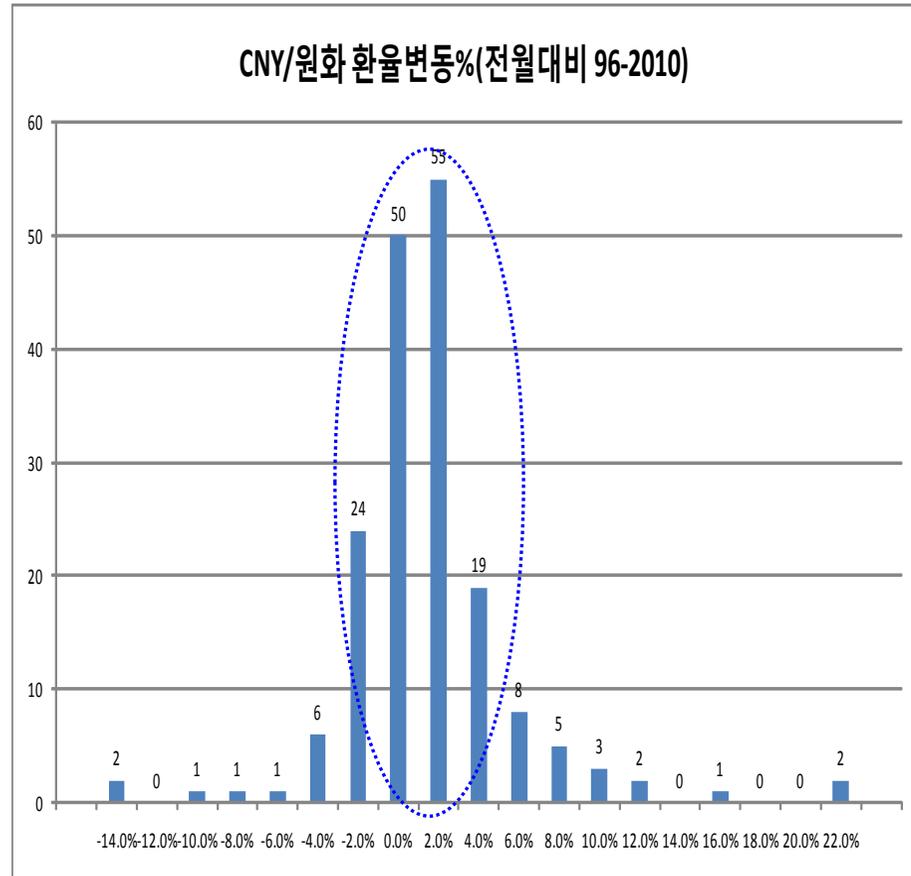
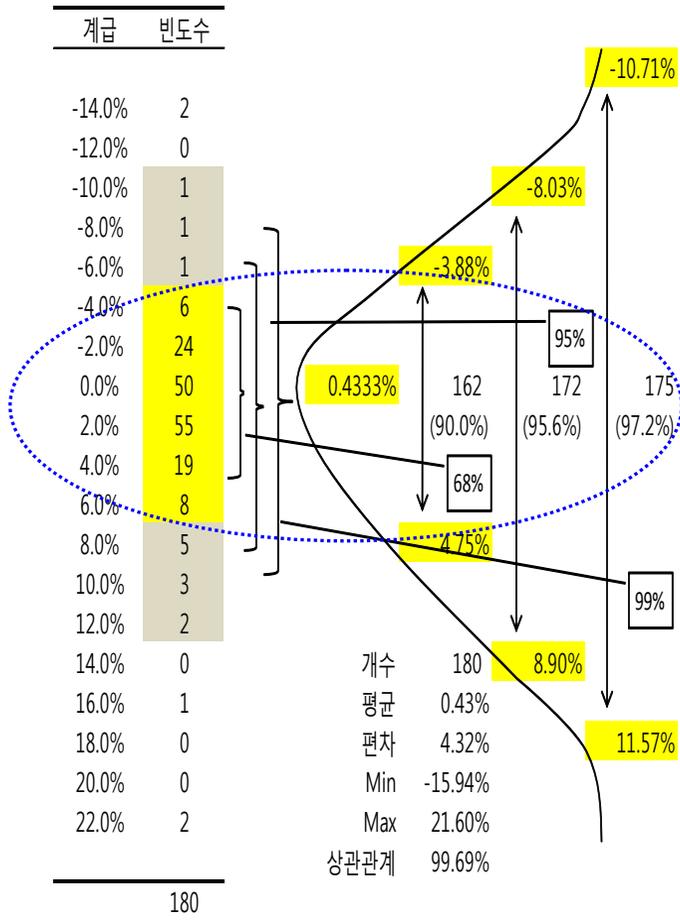
One way...

Key factors → Exchange rate



KRW/CNY

▪ KRW/CNY monthly % change (1996~2010)



KRW / CNY

KRW/CNY

■ KRW/CNY monthly % change (1996~2010)

