



FACULTY OF LAW

Centre for Commercial Law Studies

Credit Derivatives and Credit Default Swap

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Banking Supervision – Korean perspectives

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**3 FEBRUARY 2012, FRIDAY, 2.30PM - 5.30PM
LEE SHERIDAN CONFERENCE ROOM, EU TONG SEN BUILDING**

Credit Derivatives and Credit Default Swap

Credit default swap (CDS) is a contract by which a lender protects against the risk of default by paying premiums to a third party who agrees to make the lender whole in the event of default by the underlying borrower. The lender buying credit protection looks much like an insured, and the party selling credit protection looks much like an insurer. According to the Korean Commercial Act, CDS looks like a guarantee insurance whereby one, for a consideration, agrees to indemnify another against losses arising from the want of integrity or fidelity of employees and persons holding position of trust, or embezzlements by them, or against the insolvency of debtors, losses in trade, losses by non-payment of notes or against breaches of contract. There are similar arguments in the US that a credit default swap is an insurance contract, but the industry has been rather careful not to call it as such - if it were insurance, it would be regulated, or that credit derivatives should be regulated as insurance under the auspices of the state's insurance department. This seminar looks into the concept and characteristics of credit derivatives, including CDS, and contrast it with insurance from the viewpoint of risk-sharing or transfer. And this article introduces the arguments of regulating credit derivatives as insurance, and how far the Insurance Business Act can cover credit derivatives.

Professor Gyung-Young Jung is the Vice President of the Korean Commercial Law Association, Korean Financial Law Association, Korean Payment and Settlement Association. He is also the Commissioner of Electronic Negotiable Instrument Dispute Settlement Council of the Ministry of Justice, and Advisory Consultant for Financial Dispute Settlement Committee, and a Member of Special Committee for Corporate Law. In the recent past, he was a Member of Legislative Committee for Special Act of Commercial Law, and a Member of Amendment Committee for Civil Law.

Banking Supervision

In the recent past, many banks in Korea have expanded the size of their loans to the public as well as their project financing, which are all related to real estate. However, due to the declining financial value of real estate, banks now carry more non-performing loans than ever before. The supervisory authority now perceives that there are pressing problems within the current system. As more changes are expected in the financial market, closer bank supervision will take place. This seminar examines the problems at hand, and the tasks in the near future.

Dr. Dong-Jun Choi has over 30 years of professional career in the Korean financial sector. He has worked for the Bank of Korea, the central bank, and the Financial Supervisory Service, the financial supervisory authority of Korea. He is the In-House-Auditor of KB Real Estate Trust, and the Executive Vice Chairman of the Korean Financial Law Association.

Registration

There is no registration fee for this seminar but seats are limited. To register, please click [here](#)
For enquiries, please contact Ms Khai at tel: 6516 3102 or email her at lawcccls@nus.edu.sg
Directions to the law school may be found at http://law.nus.edu.sg/about_us/location.html