

PRESS RELEASE**March 26, 2020**

Ease of FX market stability rules

The Ministry of Economy and Finance, the Financial Services Commission, the Bank of Korea, and the Financial Supervisory Service have decided to ease the country's FX market stability rules as uncertainties in capital flows continue to grow amid fears over the spread of COVID-19. The rules were first introduced after the 2008 global financial crisis to control excessive capital movements and short-term borrowings, and then have been applied flexibly according to the changes in market conditions.

Changes in the rules are as follows:

- 1) Forex futures trading limited to be raised by 25 percent¹: Up from 40 percent to 50 percent for local banks and from 200 percent to 250 percent of foreign bank branches in Korea, as a result
- 2) The levy on financial institutions' non-deposit FX liabilities² to be temporarily lifted for three months from April to June, as well as installment payment plans to be expanded for payments due this year
- 3) Low FX liquidity coverage ratio (LCR)³ of 70 percent, down from 80 percent, for a limited period until May, which will be applied as soon as approved by the Financial Services Commission (FSC)

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¹ The new limit was applied from March 19.

² A 0.1 percent tax on non-deposit FX liabilities which will mature within a year

³ The ratio of high-quality liquid foreign assets to projected net cash outflows over 30 days