

PRESS RELEASE*FOR IMMEDIATE RELEASE*

December 4, 2024

Market Stabilization Measures for Financial and FX Markets

Korean financial and foreign exchange markets, which had become highly volatile after the declaration of martial law, have now become somewhat stabilized after the lifting of the declaration.

Given the underlying anxiety in financial and foreign exchange markets, the Monetary Policy Board held an emergency meeting. The Board decided to keep all options open and to actively take market stabilization measures until markets are fully stabilized.

(Attachment)

(Attachment)

As mentioned in the joint announcement with the government, the Bank of Korea will provide a sufficient amount of liquidity until financial and foreign exchange markets stabilize for a limited time.

1. Starting today (Dec. 4), the Bank of Korea will begin to conduct irregular RP purchases to expand the provision of short-term liquidity.

The Bank of Korea will also expand the range of securities (Annex 1) and institutions (Annex 2) eligible for RP transactions in order to ensure a smooth supply of Korean won liquidity.

The Bank of Korea will implement RP purchases in an unlimited amount, if needed. Regarding bond markets, the Bank will conduct outright purchases of Treasury bonds and repurchases of Monetary Stabilization Bonds in a sufficient amount.

2. Concerning loans in accordance with Articles 64 and 80 of the Bank of Korea Act, preparations will be made to ensure a swift response, if necessary, through a resolution from the Monetary Policy Board.

3. Foreign currency liquidity will be provided through foreign currency RP transactions, and stabilization measures will be taken in case of any rapid exchange rate fluctuations.

4. Measures have been taken to allow prompt increases in the net debit cap and collateral arrangements at financial institutions in order to ensure smooth payment and settlement operations.

With the solid fundamentals of the Korean economy and its robust external soundness, market sentiment is expected to gradually stabilize. Nevertheless, the Board decided to closely monitor changes in financial and foreign exchange market conditions, and will actively take additional measures as needed.

(Annex 1) Expansion to the range of securities for RP transactions

The following securities will be added to the current list of eligible securities for open market operations.

- KDB bonds, IBK bonds, KEXIM bonds, special bonds issued by nine public institutions, debentures issued by the National Agricultural Cooperative Federation and by Nonghyup Bank, debentures issued by the National Federation of Fisheries Cooperatives and by Suhyup Bank, and bank bonds under the Banking Act (Article 4 Paragraph 1).
- However, these will be limited to securities eligible for RP transactions only (Article 4, Paragraph 2).

The Bank of Korea will take the following measures to manage its credit risk.

- The newly eligible securities exclude self-issued bonds and bonds issued by related companies (Paragraph 3, Article 4).
- The Bank will introduce necessary measures to prevent the credit risk of newly eligible securities from overly weighing on the Bank (Article 6.2).

These measures will be implemented temporarily from December 4, 2024, to February 28, 2025.

(Annex 2) Expansion to the range of institutions for RP transactions

Financial institutions under Article 2, Paragraph 1, Subparagraph 1 of the Open Market Operations Regulations and investment dealers and brokers under Subparagraph 2 have been newly included as institutions eligible for RP transactions among those not currently eligible.

Additional Designation of Institutions Eligible for RP Transactions

		Before	After
Banks	Domestic banks	KB Kookmin Bank, NH Bank, National Federation of Fisheries Cooperatives, Shinhan, iM Bank, Woori Bank, Industrial Bank of Korea, Kakao Bank, Kbank, Toss Bank, Hana Bank, Korea Development Bank, Standard Chartered Bank Korea Limited, Citibank, BNK Kyongnam Bank, Kwangju Bank, Busan Bank	All domestic banks and foreign bank branches
	Foreign bank branches	Mizuho Bank, BNP Paribas, ING, Société Générale, JP Morgan Chase, ICBC, HSBC Korea	
Non-Banks	Asset management companies	Mirae Asset Global Investments, Samsung Asset Management, NH-Amundi Asset, KB Asset Management, Hana Asset Management, Korea Investment Management, Hanwha Asset Management	All investment dealers and brokers ¹⁾ , Korea Securities Finance Corporation
	Federations	National Agricultural Cooperative Federation (NACF), National Forestry Cooperative Federation (NFCF), Korea Federation of Savings Banks (KFSB), MG Community Credit Cooperatives, National Federation of Fisheries Cooperatives, Korean Federation of Community Credit Cooperatives	
	Securities companies	Meritz Securities, Co., LTD, Mirae Asset. Co., LTD, Shinhan Securities Co., LTD, NH Investment & Securities Co., LTD, Hana Securities Co., LTD, Korea Investment & Securities Co., LTD, Korea Securities Finance Corporation	

Notes: 1) Securities companies and futures companies

These measures will be implemented temporarily from December 4, 2024, to February 28, 2025.