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Financial
Services
Commission

Press Release

December 17, 2015

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AMENDMENTS TO THE REGULATION ON SUPERVISION OF BANKING BUSINESS & THE SUPERVISORY REGULATION ON FINANCIAL HOLDING COMPANIES

The FSC approved on December 16, 2015 amendments to the Regulation on Supervision of Banking Business and the Supervisory Regulation on Financial Holding Companies. The amendments are intended to implement the Basel Committee recommendations such as domestic systematically important banks(D-SIBs) and countercyclical capital buffer and ease capital requirements for Internet-only banks in their early years.

KEY AMENDMENTS

1. The FSC should select domestic systematically important banks (D-SIBs)¹ considering their systemic importance to the financial system. Those identified as D-SIBs are to be required to set aside an additional capital of 1% if deemed necessary, by 0.25% per year in the next four years from 2016 to 2019.
** D-SIBs are set to be named by the FSC by the end of December 2015.*
2. Considering domestic economic conditions, the FSC should decide on a quarterly basis whether to impose a countercyclical capital buffer and, if so, levels of such capital requirements (ranged from 0% to 2.5%).
3. The FSC may require banks falling behind the evaluation of risk management by the FSS to hold an additional capital under the Basel II.
4. Internet-only banks are to be subject to the Basel I rules by 2019, while the Basel III rules are to be phase in for them from 2020 to full implementation in January 1, 2023. The liquidity coverage ratio(LCR) applied to Internet-only banks are to be raised by 10 percent points ever year from 70% for 2016 to 100% for 2019.

EFFECTIVE DATES

- additional capital requirements for D-SIBs, countercyclical capital buffer: *January 1, 2016*
- eased capital rules for Internet-only banks: *effective immediately*

1 For further details about D-SIBs, please refer to the FSS press release(June 4, 2015), 「The FSS Implements D-SIB Framework for the Domestic Banking Sector」 available at the FSS English website (<http://english.fss.or.kr>)