

GOVERNMENT PREPARES MEASURES TO ADDRESS CROSS-BORDER PAYMENT ISSUES AMID RUSSIA SANCTIONS

The FSC announced on March 18 that the government and the banking industry have prepared measures to facilitate cross-border payments of businesses and help provide financing support to the families of expats living in Korea due to the impact of financial sanctions on Russia.

An emergency financial call center operated by the Financial Supervisory Service (FSS) received a total of 123 cases of inquiry as of March 17 and the payment issues for both companies and individuals were found to be the most prevalent topic of inquiry. After reviewing these issues, authorities found cases where delays or denials in payment transactions occurred even when dealing with a bank or an item not on the sanctions list as overseas intermediary banks avoid handling transactions related to Russia. Due to Russia placing its own sanctions, inbound wire transfers from Russia to Korea have become restricted, creating complications for expats to send money back home.

KEY MEASURES

(SUPPORT FOR SPEEDY PAYMENT PROCESS) The government plans to help set up a provisional payment arrangement using Korean banks' local subsidiaries¹ in Russia, thereby minimizing contact with intermediaries. When a local subsidiary conducts a payment transaction, it will first make a deposit to its own account at a headquarter office located in Korea and then the trade payments will be offset from this deposit, thereby minimizing the burden of going through intermediary banks and speeding up the process. However, this payment arrangement is valid only for transactions with non-sanctioned banks and/or items and the non-trade-related payments between individuals are not subject to this arrangement. It needs to be noted that a further tightening of sanctions may bring a halt to this payment arrangement as well. The financial authorities and the banking sector are expected to introduce this provisional payment arrangement at the end of March after reviewing relevant laws and preparing the system.

(FINANCING SUPPORT FOR EXPATS) The banking sector plans to draw up a guideline on the financial transactions of expatriates living abroad and provide emergency lending support for the families of corporate expats living in Korea. Thus far, some rules such as the verification of income documents for expats have not been sufficient for certain banks with expats experiencing difficulties in applying for a loan. To help resolve this issue and facilitate financial transactions of expats, the banking

¹ KEB Hana Bank, Woori Bank

sector will prepare a guideline on the verification of overseas income via apostille certification or embassy attestation and the verification of power of attorney to allow a family member of an expat to apply for a loan via either notarization through a video conferencing by the Ministry of Justice or embassy authentication. After preparing internal rules, banks plan to offer this service in late March or early April. Any inquiry about what documents are needed and when the service becomes available can be directed at individual banks.

The government will continue to work on minimizing inconvenience for both individuals and businesses. Any inquiry about issues regarding financial transactions can be directed at the emergency financial call center operated by the FSS.²

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