Financial Services Commission

Press Release

May 21, 2024

AUTHORITIES MEET TO DISCUSS PROGRESS AND PLAN FOR TEMPORARILY EASED FINANCIAL REGULATORY MEASURES

- A meeting was held to go over the prudential management and liquidity situations of financial sectors and to discuss additionally extending the availability of some of the eased regulatory measures.
- Temporarily eased liquidity coverage ratio in the banking sector will begin to roll back in stages (95% → 97.5%), while the eased regulatory measures on financial investment companies, specialized credit finance businesses, and savings banks will be extended for another six months.

The Financial Services Commission held a meeting with related authorities and industry associations to check progress and discuss further plans for the temporarily eased financial regulatory measures on May 21. At today's meeting, authorities reviewed the prudential management and liquidity situation in each sector—banks, financial investment companies, specialized credit finance businesses, and savings banks—and discussed further plans for extending the availability of eased regulatory measures that are scheduled to expire at the end of June this year.

At the meeting, participants assessed that considering current market conditions showing signs of stability and financial sectors' response capacity, financial companies are expected to be able to maintain regulatory ratios even with the termination of the eased regulatory measures. However, given the potential of growing uncertainties in the future, participants agreed that some of the eased regulatory measures need to be made available on an extended basis.

In this regard, first, the authorities discussed the need to gradually roll back the easing of liquidity coverage ratio (LCR) in the banking sector, which was first introduced in April 2020 in the wake of the COVID-19 pandemic, by raising banks' LCR requirement from the current level of 95 percent to 97.5 percent for the second half of 2024. Most banks are currently operating with their LCRs exceeding 100 percent. Although the level of bank bonds issuance has been rising somewhat, considering bond market conditions and expectations for future demand for funds, the recent rise in bank bonds issuance is not expected to have a significant impact on the flow of funds. The banks' LCR requirement, in this regard, is scheduled to be raised by 2.5 percentage points every six months, while the authorities will need to review market conditions in the fourth quarter of 2024 to decide further plans from January 2025 and thereafter.

Second, the authorities discussed and decided to additionally extend the availability of temporarily eased regulatory measures currently in place for savings banks (loan-to-deposit ratio), specialized credit finance businesses (KRW liquidity ratio and real estate PF exposure ratio), and financial investment companies (postponement on downsizing the cap on the amount of bonds that can be included when hedging risks and easing of net capital ratio risk weight when purchasing PF-ABCPs guaranteed by own company) until the end of this year.

<Plans for Temporarily Eased Regulatory Measures>

Sector	Temporarily eased regulatory measure	Expiration Extended
Banks	Gradual rollback of LCR (95% → 97.5%)	From Jun 2024 → End-2024
Savings banks	Easing of loan-to-deposit ratio (100% → 110%): Extended	From Jun 2024 → End-2024
Specialized credit finance businesses	Easing of currency (KRW) liquidity ratio (100% → 90%): Extended	From Jun 2024 → End-2024
	Easing of the creditable assets to real estate PF exposure ratio (30% → 40%): Extended	
Financial investment businesses	Postponement on downsizing (12% → 8%) the cap on the amount of bonds that can be included when hedging risks associated with equity-linked securities: Extended	From Jun 2024 → End-2024
	Easing of net capital ratio risk weight (32%) when purchasing PF-ABCPs guaranteed by own company: Extended	

In the fourth quarter of this year, the FSC will look at market situations and consider the prudential market and liquidity conditions of financial sectors in a comprehensive manner to decide whether to grant further extension in the availability of eased regulatory measures.

# # #

For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.