Financial Services Commission

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Press Release

August 26, 2014

INTRODUCTION OF LIQUIDITY COVERAGE RATIO(LCR) UNDER BASEL III

Under the Basel III, Liquidity Coverage Ratio(LCR)* is set to be globally introduced starting from January 2015. The minimum ratio begins at 60% in 2015 and will rise by 10%p per year to meet 100% in 2019.

$$* \text{ LCR } = \frac{\text{stock of high quality liquid assets(HQLA)}}{\text{net cash outflows for a 30-day period}}$$

The FSC announced its plan to introduce LCR to banks operating in Korea.

IMPLEMENTATION PLAN

- **(Domestic banks)** Domestic banks are required to meet the minimum ratio[1] of 100% starting from January 2015.[2]

- **(Domestic branches of foreign banks)** Domestic branches of foreign banks are also subject to the introduction of LCR to prepare for sudden liquidity outflows. The minimum ratio starts at 20% in 2015 and will gradually increase by 10% p a year to become 60% in 2019.

- **(Specialized banks/policy banks)** The minimum ratio begins at 60% in 2015 and will rise 10% p a year to meet 100% in 2019.

  Banks will be allowed to maintain LCR below the minimum requirement when deemed necessary by the FSC such as a sudden liquidity crisis.

SCHEDULE

Preliminary announcement on the revision to the Regulation on Supervision of Banking Business will be made from August 27 to October 6, 2014. Revisions to the regulation will take into force after the approval of the Regulatory Reform Committee and FSC.

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr

[1] The minimum ration under the Basel 60%, EU/China 70%, US 80%, Australia/Canada 100%
[2] As of March 2014, an average of domestic banks' LCR is 122.2%.

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