Financial Services Commission

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Press Release

December 24, 2014

REVISION TO 「REGULATION ON SUPERVISION OF BANKING BUSINESS」

The FSC approved revisions to the Regulation on Supervision of Banking Business including introduction of Liquidity Coverage Ratio(LCR) and changes to calculation of the ratio of Korean-won denominated loans to deposits.

KEY REVISIONS

1. Introduction of Liquidity Coverage Ratio(LCR)[1]

The LCR rules will be implemented starting from January 1, 2015. The minimum ratio for commercial banks[2] will begin at 80%, which is higher than the Basel III requirement of 60%,[3] given the current liquidity ratio of domestic banks.[4] The ratio will be raised by 5%p per year over the next 4 years to meet 100% in 2019.

2. Revisions to calculation of Korean-won denominated loans-to-deposits(LTD) ratio

Policy loans[5] will be exempted from the total amount of loans in calculating loans-to-deposits ratio in order to enhance banks' capacity to lend and allow greater flexibility in banks' asset management.

Covered bonds with a 5-year maturity or longer will be included the total amount of deposits in order to encourage the issuance of covered bonds and structural soundness of household debt.

The revised LTD rule will take effect immediately.

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

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1 LCR = stock of high quality liquid assets/net cash outflows for a 30-day period

2 Specialized banks are required 60% of the minimum LCR ratio in 2015, which will be raised by 10%p per year over the next 4 years to meet 100% in 2019; Domestic branches of foreign banks will be applied the minimum LCR ratio of 20% in 2015, which will be raised by 10%p per year over the next 4 years to meet 60% in 2019.

3 Under the Basel III, the minimum LCR ratio starts at 60% in 2015 and will be raised by 10 percent points per year to meet 100% in 2019.

4 As of end-September 2014, domestic banks' liquidity ratio is 101%.

5 As of end-September 2014, policy loans total KRW 23.6 trillion.

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