

AUTHORITIES TO TEMPORARILY EASE REGULATION ON BOND ISSUANCE PROCEDURE FOR BANKS

The FSC and the FSS will temporarily ease a rule on the bond issuance procedure from October 28 to help banks more flexibly correct their already filed total amount of bonds to be issued.

Pursuant to the Financial Investment Services and Capital Markets Act (FSCMA), banks are issuing their bonds after filing advance registration statements with the FSC that include total amount of bonds to be issued for certain periods in the future (from two months to two years each).¹ Under the FSCMA, when a bank wants to correct the total amount of bonds to be issued written on an already filed registration statement, the amount can only be reduced up to 2+0 percent from the predetermined amount. This rule restricts banks from making reduction to the predetermined issue amount of bonds on their registration statement by more than 20 percent when they need to take steps in reaction to market uncertainty or take measures to help stabilize the bond market.

Responding to this, authorities will not impose penalties on banks that fail to issue bonds according to their previously submitted registration statements. The penalty exemption will apply to bank bonds already determined to be issued until December 31, 2022 on the statements. Authorities will consider the need for extending the period of penalty exemption in the future after taking into account market situations.

This exemption will relieve banks from a duty to issue bonds just to comply with their previously submitted registration statements and thereby alleviate potential worries in the bond market that bank bond issuance may drive out the demand for corporate bonds. With the issuance of a no-action letter, this penalty exemption will take effect immediately on October 28.

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

¹ Universal shelf registration statement