

CSDs: KSD (Korea (South))

Date: 02 Dec 2009

SMI Markets: Korea (South)

CMIRR Markets: Korea (South)

Proposed Changes to the Securities Settlement System

The Financial Services Commission (FSC), Korea Exchange (KRX), Korea Securities Depository (KSD) and Bank of Korea (BOK) have proposed to revamp the securities settlement system. The proposed changes include the earlier settlement of securities, changes to the settlement model, the introduction of Continuous Net Settlement (CNS), the designation of BOK as settlement bank, and the provision of intraday liquidity for settlement of government bonds.

1. Settlement timing and model

	Current	Proposed
Equities settlement between members	<ul style="list-style-type: none"> Market deadline is 4.00pm 	<ul style="list-style-type: none"> Change the market deadline to an earlier time (3.00pm is being considered).
Equities settlement between member and custodian	<ul style="list-style-type: none"> Securities and cash are settled on a net basis 	<ul style="list-style-type: none"> Securities to be settled on gross basis (trade by trade) and cash to be settled on a net basis
Settlement of exchange-traded government bonds and repo between members	<ul style="list-style-type: none"> Market settlement deadline is 4.00pm. Securities and cash are settled on a net basis. 	<ul style="list-style-type: none"> Change the market deadline to an earlier time. (3.00pm is being considered.) <u>Government bonds</u>: securities and cash are settled on gross basis. <u>Repo</u>: securities and cash are settled on gross basis.
Settlement of government bonds and repo between member and custodian	<ul style="list-style-type: none"> Securities and cash are settled on a net basis. 	<ul style="list-style-type: none"> No change

2. CNS for equities settlement between members: Part of shares available by 4.00pm on settlement date will be settled and the outstanding shares will be settled on the following business day.

3. Change of cash settlement bank: BOK will settle cash related equities transactions between members. Currently, commercial banks are used for such cash settlement.

4. Intraday liquidity for settlement of government bonds: BOK will provide intraday liquidity to members and KRX, if necessary.

The earlier settlement deadline is expected to take effect in July 2010; other changes will be implemented in July 2011.

CSD Risk Impact

KSD (Korea (South))

CSD Rating: A+
CSD Flash Impact: Stable

The proposed plans are expected to have impacts on Liquidity and Counterparty risks. However, these are subject to change; hence, the assessment will only be made once concrete developments are announced.

Market Information Impact

Korea (South)

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Korea (South)

Market Rating: A+
Market Flash Impact: Stable

The proposed plans are expected to have impacts on Liquidity and Counterparty risks. However, these are subject to change; hence, the assessment will only be made once concrete developments are announced.

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