

CSDs: KSD (Korea (South))

Date: 18 May 2010

SMI Markets: Korea (South)

CMIRR Markets: Korea (South)

Local Banks to Be Permitted to Lend Funds for Securities Investments - Update

Further to our previous market newsflash, the amendment to the Banking Act was officially promulgated on 17 May 2010 and will take effect from 18 November 2010. The revised Act abolishes restrictions on banks providing loans to foreign investors for securities investment purposes. Moreover, in accordance with the Foreign Exchange Transaction Regulation, foreign investors will be subject to the following reporting requirements:

- Borrowing up to KRW 1 billion: no reporting requirement
- Borrowing over KRW 1 billion and up to KRW 30 billion: prior reporting to the local bank required
- Borrowing over KRW 30 billion: prior reporting to the Bank of Korea required

CSD Risk Impact

KSD (Korea (South))

CSD Rating: A+

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA-

Flash Impact = Positive

The removal of restrictions on cash loans to foreign investors by local banks will provide foreign investors an additional funding option for securities settlement. This is expected to help mitigate settlement fails in the market due to cash shortage. Therefore, the impact on Liquidity risk is 'Positive'.

Market Information Impact

Korea (South)

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

Infrastructure Risk Ratings Impact

Korea (South)

Market Rating: A+

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = Positive

The removal of restrictions on cash loans to foreign investors by local banks will provide foreign investors an additional funding option for

securities settlement. This is expected to help mitigate settlement fails in the market due to cash shortage. Therefore, the impact on Liquidity risk is 'Positive'.

Related Flash: [Local Banks to Be Permitted to Lend Funds for Securities Investments - Update, 11/05/2010 \(click to view\)](#)

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