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Contact Information: Kim, Hee-jae (044-215-4710 / International Finance Division)

INVESTOR OUTREACH IN HONG KONG AND SINGAPORE ON KOREA'S FX AND CAPITAL MARKET REFORMS

2nd Vice Minister of Finance and Economy Huh Chang visited Hong Kong and Singapore from April 28 to 29, 2026, where he held individual meetings with senior executives of major investment institutions¹ and hosted investor roundtables with foreign exchange (FX) and financial market associations². The visit was conducted as part of the government's recent intensive outreach and consultations with foreign securities investors³, with the aim of explaining the progress of FX and capital market advancement measures and listening to suggestions on areas requiring further improvement. Over the two-day visit, officials from the Ministry of Finance and Economy, the Financial Services Commission, the Bank of Korea, the Korea Exchange, and the Korea Securities Depository (KSD) jointly participated in the meetings to introduce and discuss institutional improvements related to stock trading and settlement, including FX market operations, omnibus accounts, and settlement facilitation collateral.

During the meetings, 2nd VM Huh explained that the Korean economy had continued its recovery momentum despite external uncertainties, supported by strong performance in key industries such as semiconductors and first-quarter GDP growth of 1.7% quarter-on-quarter. He also emphasized that the government was moving swiftly to improve the convenience of investment, FX transactions, and settlement services so that Korea's capital markets could provide greater investment opportunities in areas such as AI and high-tech industries. He also encouraged overseas investors to expand their investment and cooperation in Korean, noting that the accessibility and operational efficiency of Korea's financial markets continued to improve and that the market's potential deserved greater attention.

The relevant authorities provided overseas investors with detailed explanations on supplementary measures introduced in response to difficulties and concerns that had recently been raised.

First, with regard to FX market advancement measures, the authorities explained the progress made in implementing 24-hour market trading and establishing an offshore Korean won settlement system. Pilot operations for 24-hour FX market trading, originally scheduled to begin in July this year, will be brought forward to late June. In line with global FX market practices, the market will operate continuously from 6:00 a.m. Monday to 6:00 a.m. Saturday (or from 7:00 a.m. Monday to 7:00 a.m. Saturday during U.S. standard time period from early November to early March). They also noted that the offshore Korean won settlement system, scheduled for full operation in 2027, was being

¹ Blackrock, Northern Trust, State Street, Amundi, etc.

² Asia Securities Industry & Financial Markets Association (ASIFMA), Asian Corporate Governance Association (ACGA), and Global Foreign Exchange Committee (GFXC)

³ Meetings with overseas investors conducted by the Deputy Minister for International Economic Affairs in early April and three sessions of the Foreign Securities Investment Promotion Advisory Committee.

implemented smoothly, with IT system testing by the Bank of Korea set to begin in June.

Second, the authorities explained that, following the completion of upgrades to the KSD's Computer-to-Computer Facility (CCF) system, investors had been able to utilize a securities settlement structure based on omnibus accounts in line with global standards since April 27. They also encouraged investors to actively utilize the Special Nominee Account system, noting that the burden of account-opening documentation had been significantly eased, as identity verification and KYC procedures – previously required separately for each fund in the process of opening settlement accounts – could now be conducted collectively under the name of a global custodian bank.

Third, measures were introduced to reduce the KSD's settlement facilitation collateral⁴ burden for foreign securities firms in order to ease their liquidity constraints. As stock trading volumes have increased this year, settlement facilitation collateral requirements have also risen, placing greater pressure on some foreign securities firms with relatively limited funding capacity. In response, the authorities explained that the burden of posting settlement facilitation collateral could be reduced by more than 30% by lowering the settlement processing unit from KRW 5 billion to KRW 1 billion (effective April 27) and advancing the start time for institutional stock settlement operations from 9:00 a.m. to 7:00 a.m. (effective March 30).

Fourth, measures were also introduced to rationalize the margin requirement system for market warning-designated stocks. Previously, stocks designated as market warning or market risk stocks were subject to a 100% margin requirement, which created difficulties for overseas investors in responding in a timely manner to funding and FX needs due to time zone differences. To address this issue, the mandatory margin requirement for such stocks will be abolished to improve trading convenience for overseas investors. Advance notice of amendments to the Korea Exchange regulations was completed on April 23, with implementation targeted for May.

Overseas investors and financial institutions commended the Korean government for its ability to respond effectively to issue by promptly reflecting investor feedback and preparing concrete follow-up measures. They also positively assessed the active and coordinated response efforts undertaken by relevant authorities. In particular, foreign investors expressed expectations that the additional measures introduced this time would significantly ease burdens related to account opening and settlement funding in the course of investing in Korean equities. They further noted that, as it is important for the Korean government's institutional reforms to take root across the broader financial market ecosystem – including investors, custodians, and brokerage firms – the industry would continue to communicate closely and cooperate actively with the government.

2nd VM Huh emphasized that the tangible success of the FX and capital market advancement measures would depend on whether the institutional reforms become firmly established in the market and whether investors are able to perceive the changes in practice. He also stated that close communication and exchanges of views were becoming increasingly important as overseas investors' interest in the Korean market continued to grow. Going forward, the government plans to continue joint efforts with relevant FX and capital market authorities and institutions to promptly address inconveniences experienced by overseas investors during the investment process through regular virtual meetings, the distribution of FAQs, and other outreach measures, while further enhancing the global alignment of Korea's FX and capital markets.

⁴ Cash collateral deposited with the KSD by securities firms and banks in order to receive securities in advance of settlement.