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## **FX SOUNDNESS COUNCIL AND TF FOR KOREA’S INCLUSION IN THE MSCI DEVELOPED MARKETS INDEX MEETING**

On May 21, Second Vice Minister of Finance and Economy Huh Chang held the Foreign Exchange (FX) Soundness Council and Task Force (TF) for Korea’s Inclusion in the MSCI Developed Markets Index at the Korea Federation of Banks building.

The meeting was attended by representatives from the Ministry of Finance and Economy, the Bank of Korea, the Financial Services Commission, the Financial Supervisory Service, the Korea Exchange, and the Korea Securities Depository. Participants reviewed the implementation status of the “Comprehensive Roadmap for the FX and Capital Markets to Facilitate Korea’s Inclusion in the MSCI Developed Markets Index,” announced in January, and discussed future plans. Relevant institutions noted that, out of the 39 tasks across the eight key areas of the MSCI roadmap, 25 tasks (64%) have been completed to date. They also agreed to implement an additional three tasks by June, bringing the total number of completed tasks to 28, or more than 70% of the roadmap, within the first half of the year.

Since the review conducted through the TF in February, relevant institutions have sequentially implemented measures aimed at improving market accessibility in areas such as accounts and settlement systems, investor identification frameworks, English-language disclosures, and access to derivatives markets. For example, improvements to the Korea Securities Depository’s dedicated system have enabled fund-level settlement processing based on omnibus accounts\*. In addition, when opening accounts for foreign corporations, certificates of issuance for Legal Entity Identifiers (LEIs)\*\* are now accepted as valid identification documents, thereby reducing the burden of translation and notarization. Restrictions on trading hours for KOSPI futures on Eurex and FTSE have also been abolished.

\* *An account structure under which orders from multiple end investors are submitted collectively, while settlement is processed separately for each end investor.*

\*\* *An international standard identification code for legal entities.*

Furthermore, progress on ongoing initiatives, including the introduction of 24-hour trading in the domestic FX market and the establishment of an offshore won settlement network, was also reviewed. Preparations are underway for pilot trading in the 24-hour FX market on June 29, with full-scale trading scheduled to begin on July 6. The offshore won settlement network is also being pursued with the aim of conducting IT testing in June, launching a pilot operation in September, and commencing full operation in January 2027.

Vice Minister Huh noted that most of the roadmap tasks are being implemented as planned, and that relevant institutions have also worked together to promptly prepare supplementary measures addressing additional difficulties identified through meetings with investors and advisory committee

consultations, helping to elicit positive responses from investors. At the same time, he emphasized that overseas investors place significant importance on whether such institutional improvements function smoothly in actual trading and settlement processes. In this regard, he called for close monitoring of operational details to ensure that the reforms are successfully implemented in the market and that their effectiveness can be tangibly felt by market participants.

Meanwhile, at the meeting, measures to reform the Registered Foreign Institution (RFI) system – one of the roadmap tasks – were also finalized. The reform focuses on reducing registration and reporting burdens and enhancing the usability of business-purpose won accounts in order to support RFI's participant in the domestic FX market and expand trading during nighttime hours. The proposed changes are expected to be reflected through revisions to the “Guidelines on FX business of foreign financial institutions” within June.

First, registration procedures for global financial institutions utilizing a Centralized Booking Model (CBM)\* will be streamlined. Where transactions are conducted in the name and under the responsibility of the relevant Booking Entity (BE), the registration process for corporations or branches that merely execute transactions without engaging in proprietary trading will be simplified.\*\*

*\* An operational model under which a global bank conducts FX transactions in the name of the Booking Entity (BE), the entity to which transactions are ultimately booked.*

*\*\* Previously, separate RFI registration was required. Under the revised framework, the process will be simplified to the submission of confirmation that the transactions are booked to the relevant BE and that legal obligations and responsibilities, including verification and settlement, are borne by the BE.*

Second, reporting deadlines and reporting requirements related to sanctions applicable to RFI's will be rationalized. Under the current framework, RFI's are required to report within seven days when ground arise that could lead to the cancellation of RFI registration. However, in consideration of the practical time required for multinational financial institutions to compile and report relevant sanction-related information, the reporting deadline will be extended from seven days to 30 business days. Also, the scope of reportable matters will be clarified to include the revocation of financial business licenses or registrations, major business suspensions, and supervisory measures that have a significant impact on business operations.

Third, steps will be taken to enhance the usability of RFI's business-purpose won accounts. Where RFI's separately manage client funds, such as in the case of global custodian banks, business-purpose won accounts used for conducting FX business in Korea will also be permitted to function as investment-dedicated accounts. This will allow RFI's to hold client balances in such accounts, transfer settlement funds for securities investments, and utilize temporary won-denominated overdrafts.

Vice Minister Huh pointed out that, as the reform of the RFI system plays a key role in improving overseas investors' access to the FX market and facilitating securities investment settlement, continuous communication with the market and industry should be maintained and necessary operational details should be promptly refined so that the improvements can be tangibly felt in actual FX and settlement processes.

Moreover, participants discussed the proposed amendments to the FX Transactions Act aimed at monitoring cross-border transfers of virtual assets. The amendments, which passed the National Assembly plenary session on May 7, establish the legal basis for operating a monitoring system for cross-border inflows and outflows of virtual assets in response to the growing use of virtual assets in

illegal FX transactions. Under the revised framework, virtual asset service providers intending to conduct cross-border transfers of virtual assets will be required to register with the Minister of Finance and Economy and report transfer details through the Bank of Korea's FX data system. The collected information will also be shared with relevant authorities, including the National Tax Service, the Korea Customs Service, the Financial Supervisory Service, and the Financial Intelligence Unit (FIU). Vice Minister Huh emphasized the importance of communication with industry participants and close cooperation among relevant institutions, including the Bank of Korea, in the process of establishing the monitoring system.