Roadmap for KRW Internationalization

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Jointly Prepared by Relevant Authorities

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Ⅰ. Overview of KRW Internationalization

□ **(Concept) KRW internationalization** refers to a state in which **non-residents can freely obtain** and **use KRW in offshore markets** without regulatory or operational constraints.

- **(Infrastructure and institutional framework)** A **comprehensive offshore trading** and **settlement infrastructure** for KRW should be established, with **no institutional restrictions** on KRW transactions.
- **(Demand and supply)** KRW should be **widely used in both current account and capital account transactions**, and non-residents should have **reliable access to KRW liquidity**.

□ **(Background)** Given the **advancement of Korea's economic fundamentals** and the **ongoing development of its capital markets**, promoting KRW internationalization has become an important policy priority.

- As the international use of the KRW becomes more established, it is expected to deliver meaningful **economic benefits**, including **deeper capital markets** and **lower transaction costs** for businesses.
  - **Improved access to Korea's capital markets for foreign investors** (demand side), together with **broader product offerings by domestic financial institutions** (supply side), will foster both the depth and sophistication of Korea's capital markets.
  - Businesses will benefit from **lower funding, currency conversion, and FX hedging costs**, while **the impact of exchange rate volatility on the real economy will also be mitigated**.

□ **(Considerations)** KRW internationalization may **expand the FX market** and **increase the scale and speed of cross-border capital flows,** both of which require **careful management.**

- A broader and deeper FX market can enhance **market resilience** by reducing the influence of individual market participants on overall market conditions.
- At the same time, closer integration between Korea's FX market and global financial markets may accelerate the transmission of **external shocks** and increase **market volatility**.

☞ **Establish a KRW Internationalization Roadmap** that reflects Korea's **level of economic maturity** while **ensuring robust risk management.**

Ⅱ. Constraints on KRW Internationalization

☐ **(Regulatory constraints)** There is currently **no offshore infrastructure** that enables **non-residents to freely obtain and settle KRW**, while **regulatory requirements**—such as prior reporting for capital transactions—continue to restrict offshore KRW transactions.

○ Until recently, **FX market operating hours** did not fully overlap with the business hours of major global financial centers. (The Korean FX market has operated on a 24-hour basis since July 6, 2026.)

○ Non-residents are required to **open a KRW account with an FX bank in Korea** in order to settle transactions in KRW.

○ **Prior reporting** is required for offshore KRW capital transactions conducted by foreign investors.

☐ **(Practical constraints)** Practical factors—including **time zone differences** with major international financial centers, the existence of a developed offshore **NDF market**, and the **dominant role of the U.S. dollar in international trade**—continue to limit broader international use of the KRW.

○ The **time-zone differences** between Korea and major financial centers such as New York and London constrain KRW trading during their local business hours (which correspond to nighttime in Korea).*

* Currencies other than the US dollar tend to experience a sharp decline in FX trading during the counterpart region's nighttime hours.

○ A **highly liquid offshore NDF market** is already well established.*

* Although physical delivery of KRW is not possible in the NDF market, abundant offshore liquidity enables efficient hedging and trading activities, potentially reducing incentives to develop offshore deliverable KRW transactions.

○ Strong **network effects and path dependency** centered on the U.S. dollar continue to weigh on the use of KRW in current account transactions.*

* While demand for KRW in capital-account transactions has increased alongside growing investor interest in KRW-denominated assets, demand for KRW in current account transactions remains limited due to the entrenched practice of settling international trade in U.S. dollars.

Ⅲ. Policy Priorities

Goal

Restricted Currency → Freely Convertible Currency

Strategy

- ✓ Build the infrastructure and regulatory framework for seamless KRW trading anytime, anywhere
- ✓ Expand KRW demand across capital and current transactions, and deepen KRW liquidity
- ✓ Develop a multi-layered risk management framework

Key Policy Tasks

1 (Infrastructure) Building Offshore KRW Infrastructure and Reforming FX Regulations Reform

① Establish a 24-hour FX market
② Establish the Offshore KRW Settlement System
③ Ease FX Transaction Regulations
④ Build Settlement Infrastructure for Digital Assets

2 (Demand) Expanding Demand for the KRW

① Broaden Foreign Investors' Access to Korea's Capital Markets
② Expand the Use of KRW-denominated Assets
③ Expand Incentives for KRW current account transactions
④ Expand Local Currency Transaction frameworks

3 (Supply) Deepening KRW Liquidity

① Build an Offshore Overnight Liquidity Framework
② Enhance KRW Liquidity for Securities Settlement
③ Strengthen Custodian Banks' Capabilities
④ Expand KRW Trade Finance

4 (Risk) Strengthening Risk Management

① Strengthen External Buffers ② Upgrade FX Market Stabilization Policies
③ Redesign the FX Prudential Framework ④ Enhance Policy Coordination

Balanced Approach

Transaction Convenience and Risk management

1. Building Offshore KRW Infrastructure and Reforming FX Regulations

Build the infrastructure for 24-hour KRW trading and offshore KRW settlement, and comprehensively **reform FX regulations and market practices**, so that non-residents can transact in KRW without time or location constraints.

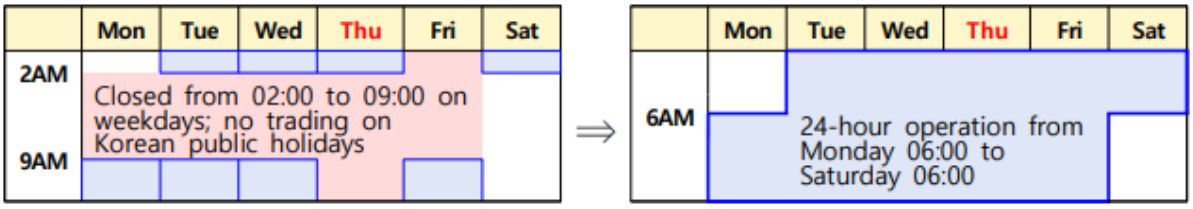
1 Establish a 24-Hour FX Market

❖ **Extend FX market operating hours** to fully overlap with the business hours of major global financial centers, including London and New York.

○ **(24-hour onshore FX trading) Extend the operating hours of the interbank spot and FX swap markets** from the current closing time of 2:00 a.m. to continuous **24-hour operation**.

- Brokerage platforms will operate on all business days except weekends and January 1, **providing uninterrupted service from 6:00 a.m. Monday to 6:00 a.m. Saturday** (KST) during U.S. daylight saving time.

  * During U.S. standard time, operating hours will be from 7:00 a.m. Monday to 7:00 a.m. Saturday (KST).



○ **(Enhancing market practices)** Revise **relevant rules and market practices** to enable **domestic banks to participate effectively in overnight trading.**

- Adopt **TWAP** (Time-Weighted Average Price) in place of MAR (Market Average Rate) as the methodology for calculating **Korea's reference exchange rate**. (Jan 2027).
- Issue **e-FX** (electronic trading) **guidelines** to facilitate automated overnight trading without requiring dedicated on-site personnel. (Aug 2026)

○ **(Pursuing WMR inclusion)** Pursue inclusion of the KRW in the WMR benchmark, a global reference exchange rate widely used by international investors for portfolio valuation.

2 Establish the Offshore KRW Settlement System

❖ **Enable non-residents to use KRW freely outside Korea** by **liberalizing offshore KRW transactions** and **establishing the Offshore KRW Settlement Network**.

○ **(Liberalizing offshore KRW trading)** Facilitate KRW transactions between non-residents through **Registered Financial Institutions for KRW services (hereafter, RFI-K)**.*

* RFI-K refers to financial institutions located outside of Korea that provide KRW-related services (deposits, loans, remittances, etc.) to non-residents overseas and are registered with the MOFE.

- **Non-residents will be able to conduct KRW transactions through KRW accounts** maintained with RFI-Ks, without opening accounts with domestic financial institutions in Korea.
- KRW capital transactions between non-residents conducted through RFI-Ks will generally be **exempt from prior-reporting** requirements, with streamlined bank verification.

※ KRW transactions conducted by non-residents without using an RFI-K remain subject to existing procedures under FX-law, including prior-reporting requirements and banks' verification obligations.

<Streamlined regulations through RFI-Ks>

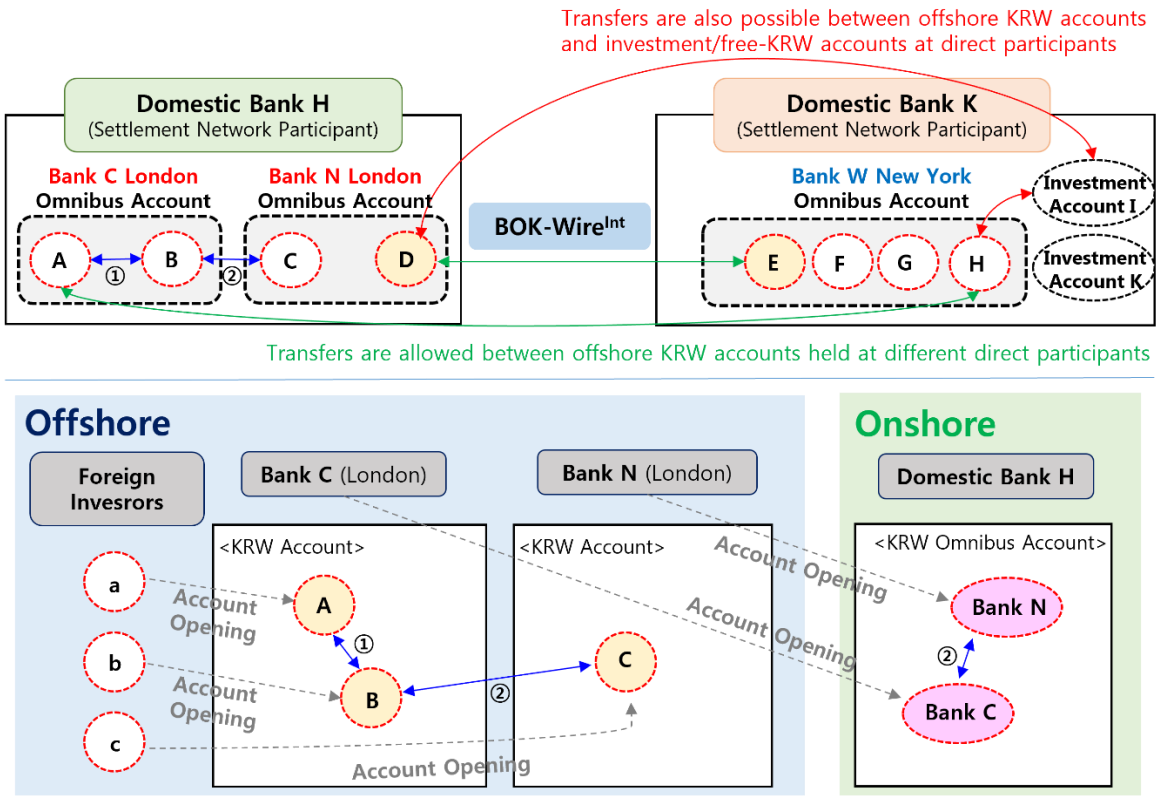
Regulation	Current	Improved
Prior reporting of capital transactions	In principle, must be reported to an FX bank, the Bank of Korea(BOK), or the Ministry of Finance and Economy(MOFE)	Exempt (except for real estate transactions in Korea between non-residents)
Banks' verification obligation	Banks must verify transaction information and completion of any required prior-reporting before transferring funds.	Banks need only verify minimal information, such as account details (The exact scope will be determined during implementation to enable real-time transfers.)

○ **(Establishing the KRW Settlement Network)** Establish the Offshore KRW Settlement Network (Officially named as BOK-Wire^{Int}) at the BOK to support the final settlement of KRW transactions between non-residents.

- Through the 24-hour Offshore KRW Settlement Network, non-residents will be able to **settle KRW transactions without time-zone constraints**.

※ Structure and operation of the Offshore KRW Settlement Network

- An RFI-K, acting on behalf of its foreign customers, opens a KRW Omnibus account in its own name at a domestic bank (limited to banks that directly participate in the BOK-Wire^{Int})
- When a foreign customer requests a KRW payment, the transaction is ultimately settled through the RFI-K's KRW Omnibus account at a domestic bank and the BOK-Wire^{Int}.



※ Examples of KRW transactions through the RFI-K

❶ (**Deposit/holding**) A U.S. asset manager opens a KRW account in its own name at a global bank in New York to manage funds earmarked for investment in Korean bonds, and deposits and holds the funds in the account.

❷ (**Payment/settlement**) A German auto-parts manufacturer buys parts from a Korean supplier and pays for them in KRW held at a bank in Germany.

❸ (**Funding/investment**) A UK-based global bank borrows KRW from another offshore financial institution to meet settlement needs, and lends its own surplus KRW to other foreign financial institutions on a short-term basis.

❹ (**Transfer/remittance**) A worker in Japan keeps KRW leftover from a trip to Korea in his own account at a bank in Tokyo, then later transfers it to his child's KRW account ahead of the child's trip to Korea.

○ **(Operational Support)** In light of **staffing constraints** at foreign bank branches in Korea, review **measures to facilitate overnight (KST) FX trading** and settlement operations.

○ **(Promoting deliverable forwards)** Develop measures to **strengthen incentives*** **for FX banks to engage in deliverable forward (DF) transactions**, with a view to **gradually shifting trading activity from NDFs to DFs**. (Sep. 2026)

* For example, provide preferential regulatory treatment for DF transactions relative to NDF transactions when calculating FX forward position limits and the FX Stability Levy.

3 Ease FX Transaction Regulations

❖ Substantially liberalize KRW transactions by **raising the thresholds** for prior reporting of capital transactions, including KRW lending to non-residents, and by **streamlining verification procedures for FX banks**.

○ (**Prior-reporting requirements**) **Raise the prior-reporting thresholds** for **capital transactions** under the Foreign Exchange Transactions Act and its subordinate statutes to **at least twice the current levels**. (H2 2026)

<Proposed Changes to Prior-Reporting Requirements under the Foreign Exchange Transactions Act and Related Regulations(Draft)>

<table>
<tr><th>Party</th><th>Counterparty</th><th>Transaction</th><th>Current</th><th>Proposed</th></tr>
<tr><td rowspan="2">FX bank</td><td rowspan="2">Non-resident</td><td>Foreign currency borrowing</td><td>Report to the MOFE if the amount exceeds USD 50 million and the maturity exceeds one year</td><td rowspan="4">Raise thresholds to at least twice the current levels</td></tr>
<tr><td>KRW lending</td><td>Report to an FX bank for amounts between KRW 1 billion and KRW 30 billion per borrower; report to the BOK for amounts exceeding KRW 30 billion</td></tr>
<tr><td>Resident</td><td>Non-resident</td><td>KRW borrowing</td><td>Report to the MOFE if the cumulative annual amount exceeds KRW 1 billion; report to an FX bank for KRW 1 billion or less</td></tr>
<tr><td>Domestic company / Foreign invested company</td><td>Overseas subsidiary / head office</td><td>Centralized cash management</td><td>Cap of USD 50 million</td></tr>
<tr><td>Resident*/ Non-resident</td><td>Resident/ Non-resident</td><td>Issuance of KRW-denominated securities</td><td>Report to MOFE**</td><td>Shift to ex-post reporting below a set threshold</td></tr>
</table>

* Where a resident intends to issue KRW-denominated securities abroad.

** Issuance by non-residents of KRW-linked foreign currency securities of USD 50 million or less has already been switched to ex-post reporting. (Mar. 2026)

○ **(Regulatory easing for financial institutions)** Rationalize the regulatory framework by easing restrictions on **offshore account management** and by allowing foreign financial institutions to act as counterparties in **third-party FX transactions**.

- Review **raising the discretionary limit on transfers from onshore to offshore accounts** (currently 10% of the average balance of offshore foreign currency assets) to facilitate FX banks' liquidity management.

- Amend the relevant regulations to allow **foreign financial institutions** (e.g., asset managers) to **act as counterparties in third-party FX transactions**.*

* (Current) In third-party FX transactions, FX banks conduct real-name verification on a fund-by-fund basis.

(Revised) Taking into account the substantive party to the transaction, real-name verification may be conducted at the level of the foreign financial institution.

○ **(Consolidating KRW account structures)** Consolidate the existing **KRW account structure*** and **simplify the rules governing deposits and withdrawals** for each account type.

* (Current) Investment-dedicated KRW accounts (for securities investment), Free KRW Accounts (for external payments), Non-resident KRW Accounts (for domestic use), etc.

○ **(Transition to ex-post reporting)** Conduct a comprehensive review of the capital transactions currently subject to prior reporting and consider a **phased transition to an ex-post reporting framework.**

4 Build Settlement Infrastructure for Digital Assets

❖ Establish a regulatory framework for **digital assets**, including KRW-denominated stablecoins, and play a leading role in developing **blockchain- and CBDC-based cross-border payment and settlement infrastructure**.

○ **(Establishing a legal framework for stablecoins)** Establish the **legal framework** governing the **issuance, distribution, and trading** of KRW-denominated stablecoins, and put in place a framework for their **cross-border use**.

- Pursue **amendments to the Foreign Exchange Transactions Act** and related legislation in line with the enactment of the Framework Act on Digital Assets. (2027)

○ **(Tokenization of government bonds)** Pursue a **proof-of-concept pilot project for the tokenization of government bonds** linked to the BOK's wholesale CBDC. (2027)

○ **(Cross-border digital payment and settlement)** Continue to participate as a **full member in Project Agorá**[*], an initiative to develop a blockchain- and CBDC-based cross-border payment and settlement platform.

* A BIS-led initiative involving eight central banks (the United States, EU, Japan, the United Kingdom, Switzerland, Korea, Mexico, and Canada), together with private-sector banks, to improve the efficiency of cross-border payments through the use of digital money.

- Share Korea's experience from Project Hangang[*], the BOK's **blockchain-based wholesale CBDC**[**] and **deposit token infrastructure**, in support of the development of international standards.

* The first phase of the live transaction pilot was completed in June 2025. The second phase is currently under way, and a pilot program for disbursing government funds using digital currency is also in progress.

** A payment structure in which deposit tokens issued by commercial banks are used for customer payments, while interbank settlement is conducted using wholesale CBDC issued by the BOK.

- **Support Korean financial institutions in capturing business opportunities** as Project Agorá moves toward commercialization.

2. Expanding Demand for the KRW

Expand demand for the KRW by **improving foreign investors' access to Korea's capital markets** and **strengthening incentives for KRW-denominated current account transactions**.

1 Broaden Foreign Investors' Access to Korea's Capital Markets

❖ Building on the 22 completed **MSCI Market Accessibility measures** (out of 25), further strengthen investor confidence and implement the remaining three measures as scheduled.

○ **(Completed measures – 22) Continue to monitor implementation** and **address practical issues** in completed reforms that have yet to **translate into tangible benefits for foreign investors**.

- Launch the **Global Core Investors Council*** (from Jul 2026) and strengthen **regular dialogue with foreign investors**.

  * Participation by major global asset managers, investment banks, and other key market participants.

- Continue operating the **MSCI Task Force** and **holding regular meetings with foreign investors** to identify operational bottlenecks and clarify regulatory issues.

○ **(Remaining measures – 3)** Implement the remaining three measures as scheduled: ❶ **Automated securities trading and settlement infrastructure,** ❷ **Improvements to the investor registration framework,** ❸ **Expansion of English-language corporate disclosures.**

- **Link the KSD** (Korea Securities Depository) **settlement system with global platforms** such as **CTM and ALERT** to automate securities trading and settlement, improving operational efficiency and accuracy. (2027)

- Upgrade financial institutions' systems to allow investor identification numbers to be converted from the **IRC to the LEI or passport number without closing and reopening accounts**. (H2 2026)

- Expand mandatory **English-language disclosure requirements to all KOSPI-listed companies** (currently limited to companies with assets of KRW 2 trillion or more). (Mar 2027)

2 Expand the Use of KRW-Denominated Assets

❖ **Expand the usability of KRW-denominated bonds** held by foreign investors and **broaden the range of investable KRW-denominated assets** to strengthen investment incentives.

○ **(Enhancing the usability of bonds)** Review measures to **expand the use of Korean Treasury Bonds** (KTBs) and **Monetary Stabilization Bonds** (MSBs).

- Publish **English-language guidelines** (Aug 2026) to facilitate **securities lending for collateral purposes*** and consider **expanding its scope of use**.

  * Securities lending in which securities are lent solely to provide collateral for the performance of obligations or derivatives transactions, with securities of the same type and quantity returned once the collateral purpose has been fulfilled.

- **Expand the permissible uses of KTBs and MSBs** by **allowing securities lending and borrowing* between non-residents** through International Central Securities Depositories (ICSDs).

  * (Current) Sale, collateral, and repo → (Revised) Sale, collateral, repo, and securities lending and borrowing

○ **(Short-term investment) Amend the FX Transactions Regulations** to allow non-residents to **invest their temporarily held KRW balances in short-term financial instruments**.

○ **(Facilitating investment by the foreign public sector)** Support **investment in Korean bonds by foreign central banks**, **international financial institutions**, and foreign **governments**.

- Allow **foreign public-sector investors** to participate in the **institutional repo market**.

- Review expanding the scope of the **BOK's standing proxy services** to cover **all types of bonds**.

3 Expand Incentives for KRW current account transactions

❖ **Promote the use of KRW in trade settlement** by providing incentives such as **preferential financing rates** and enhanced **trade insurance benefits** for domestic companies.

○ **(Providing preferential trade finance)** Review measures to **offer preferential financing rates** under policy lending programs and **preferential trade insurance treatment** for trade transactions settled in KRW.

▪ **(Preferential financing rates)** Offer **lower interest rates on export financing** for KRW-invoiced and KRW-settled trade transactions and apply **preferential discount rates** to KRW-denominated trade receivables.

▪ **(Preferential trade insurance)** Provide incentives such as **enhanced trade insurance coverage limits** for trade transactions settled in KRW.

○ **(Linkage with policy support)** Pursue measures to **recognize companies' KRW trade settlement records and plans to expand KRW settlement as preferential criteria** when selecting beneficiaries of government budget-supported programs, such as export support programs.

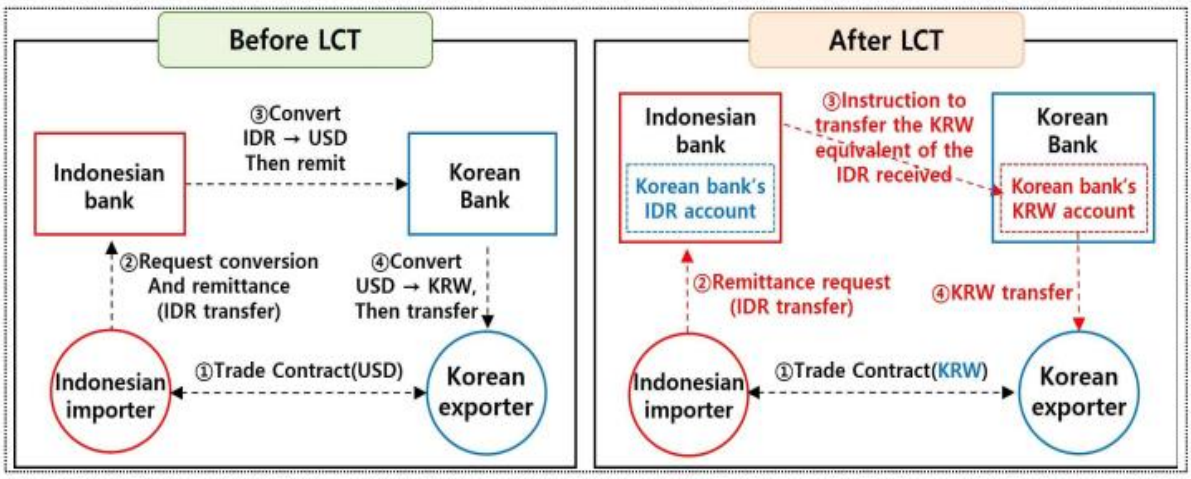
4 Expand Local Currency Transaction frameworks

❖ Expand Local Currency Transaction (LCT) frameworks to **reduce currency conversion costs** and **facilitate cross-border remittances and payments**.

○ **(Expanding LCT frameworks)** Pursue the establishment of Local Currency Transaction (LCT*) frameworks with major trading partners, under which **exports and imports are settled in the respective local currencies of the two countries** (e.g., Korea–Indonesia).

* Local Currency Transactions (LCTs) provide preferential treatment for trade settlement, remittances, lending, and related transactions through designated banks in the participating countries. → Under an LCT framework, exporters, importers, and other businesses settle transactions in the counterparty country's currency through designated banks, without converting into U.S. dollars.

<Comparison Before and After the Introduction of the LCT Framework>



* Example : An Indonesian company making a KRW payment to a Korean counterparty.

○ **(Promoting cross-border QR payments*) Expand cross-border QR payment interlinkages** with key tourist destination countries to facilitate the use of KRW for overseas payments.

* Nationals of either participating country can make instant payments using their domestic mobile payment applications without converting into U.S. dollars, reducing payment costs by approximately 2 percentage points compared with credit card transaction fees.

** The service was launched in Indonesia (1 Apr 2026), an MOU was signed with India (20 Apr 2026), and a main agreement was signed with Vietnam (23 Apr 2026). QR payment interlinkages will also be expanded to Singapore, Thailand, and other countries.

○ **(Multilateral payment networks)** Review **participation in multilateral payment and settlement networks** (e.g., Project Nexus*) to lay the foundation for small-value KRW settlement across Asia.

* Project Nexus is a global platform that interconnects participating countries' instant payment systems and is currently being prepared for live operation in 2027. Current participants include Singapore, India, Thailand, Malaysia, the Philippines, and Indonesia, while the European Central Bank's participation is under consideration.

3. Deepening KRW Liquidity

Build a **liquidity supply framework** for the Offshore KRW Settlement System and enhance KRW liquidity for securities settlement and trade transactions.

1 Build an Offshore Overnight Liquidity Framework

❖ **Establish a two-stage backstop for overnight offshore settlement liquidity**: (Stage 1) Private-sector liquidity, (Stage 2) Public-sector backstop

○ **(Stage 1: Private-sector liquidity)** Institutionalize arrangements that enable **FX banks to provide KRW liquidity seamlessly to foreign financial institutions** participating in the Offshore KRW Settlement System*.

* Establish rules allowing foreign financial institutions to obtain KRW overdrafts from FX banks, without restriction, for settlement and other purposes.

○ **(Stage 2: Public-sector backstop)** Review the provision of **additional BOK liquidity support** if private-sector liquidity proves insufficient.

▪ Also consider having the **Government** (Foreign Exchange Stabilization Fund) **provide liquidity** until the BOK's Offshore KRW Settlement Network has been fully established.

2 Enhance KRW Liquidity for Securities Settlement

❖ Develop measures, including **easing borrowing restrictions**, **to facilitate smooth settlement of KRW-denominated securities** by foreign financial institutions.

○ **(SPP reform) Ease the burden associated with Settlement Progress Payments** (SPP) by **aligning collateral management** with international standards and **providing advance payment estimates**.

○ **(Facilitating KRW Borrowing) Relax borrowing regulations** to enable **Korean subsidiaries and branches** of foreign financial institutions to **secure KRW liquidity smoothly from their headquarters** and other affiliated institutions.

- Develop policy measures that appropriately balance industry demand and risk considerations. (Sep 2026)

<Deregulation Measures for KRW Borrowing from Non-residents (Draft)>

Party	Current	Revised
FX Bank	No separate provision	Introduce specific provisions * KRW borrowing limits for FX banks to be classified separately and further expanded
Local subsidiary	Cumulative amount exceeding KRW 1 billion per year → report to the MOFE; within KRW 1 billion → report to the bank	Raise the reporting thresholds
Local Branch	Borrowing is restricted	Borrowing is permitted

3 Strengthen Custodian Banks' Capabilities

❖ **Expand domestic FX banks' participation in the custody business** to strengthen KRW liquidity services for foreign investors.

○ **(Institutionalizing custody services)** Expand the scope of permitted activities for foreign exchange business institutions to include custody services*.

* e.g., safekeeping, settlement, collateral management, and tax payment services for non-residents' KRW- or foreign currency-denominated financial assets, as well as related foreign exchange transactions.

○ **(Support framework)** Review the **designation of lead custodian banks** and **incentive schemes** to encourage domestic FX banks to enter the custody business.

○ **(Supporting partnerships)** Support new entrants in establishing their custody business through initiatives such as **joint roadshows with the Government and the BOK** and by **facilitating partnerships with global custodian banks**.

4 Expand KRW Trade Finance

❖ **Expand KRW liquidity** for current account transactions by promoting **trade finance supported by currency swaps** and **export financing for foreign government procurement contracts**.

○ **(Use of currency swaps)** Expand to additional countries a **trade finance mechanism modeled on the Korea–China currency swap arrangement**, under which trade finance is provided using funds made available through the swap*.

* e.g., ❶ The BOK provides KRW to the counterpart central bank through a currency swap arrangement → ❷ The counterpart central bank lends KRW to local banks → ❸ Local banks provide KRW trade finance to importers → ❹ Payment is made to Korean exporters in KRW.

○ **(Linkage with government contracts)** Review measures to **provide preferential export financing for KRW-denominated government procurement contracts** in sectors such as defense and nuclear power.

* Where the importing country's government enters into an agreement with the Export-Import Bank of Korea (KEXIM) or another Korean financial institution to settle a specified share of the contract amount in KRW, preferential financing rates and other incentives may be provided.

○ **(Use of relending facilities*)** When **KEXIM extends relending facilities** to overseas local banks, **also provide KRW-denominated credit lines** in addition to existing U.S. dollar credit lines.

* KEXIM establishes a credit line for a foreign bank → the foreign local bank borrows funds from KEXIM on preferential terms → the local bank extends loans to local companies with business relationships with Korean firms.

▪ Review measures to provide incentives, such as **preferential interest rates**, when **local companies borrow in KRW to finance imports of Korean products**.

4. Strengthening Risk Management

Manage risks through a multi-layered framework by strengthening external buffers, enhancing FX market stabilization policies, and improving policy coordination **in line with the progress of KRW internationalization**.

1 Strengthen External Buffers

❖ Strengthen external buffers in line with the progress of KRW internationalization to **reinforce confidence in the KRW**.

- **(Market stabilization capacity)** Gradually strengthen FX market stabilization capacity in a market-neutral manner.

- **(Public-sector FX liquidity)** Enable public-sector foreign currency assets to **serve as a contingent source of FX liquidity** (a "second line" of FX reserves).

- **(Financial safety nets)** Expand **bilateral and multilateral currency swap arrangements**.

- **(Maintaining external credibility)** Maintain external credibility by **preserving sound economic fundamentals** consistent with the progress of KRW internationalization and **strengthening communication with the international community**.

2 Upgrade FX Market Stabilization Policies

❖ **Strengthen the foundation for preemptive policy responses** through closer policy coordination and **enhanced FX market monitoring and response systems**.

- **(Preemptive response) Strengthen market resilience** through **closer policy coordination** and other measures, in line with the increasing size and volatility of the FX market.

○ **(Market response) Upgrade the monitoring and response framework** for Korea's FX market in line with the progress of KRW internationalization.

- Operate **overnight monitoring desks** at the MOFE and the BOK to **monitor key FX market indicators in real time**—including exchange rate volatility, bid-ask spreads, trading volumes, and exchange rate movements—during overnight hours (KST).

- **Maintain real-time communication with participants** in the Offshore KRW Settlement Network and **respond flexibly to changing market conditions** using an appropriate mix of policy tools.

3 Redesign the FX Prudential Framework

❖ **Phase in an FX prudential framework** that **incorporates the offshore KRW market** into monitoring, systemic risk management, and crisis response. **(Apply the framework flexibly** to avoid hindering the early-stage development of the offshore KRW market.)

○ **(Offshore KRW monitoring)** Introduce **new monitoring indicators** to enable continuous **monitoring of liquidity conditions** in the offshore KRW market.

- Monitor each RFI-K's available **KRW liquidity, funding capacity**, and **KRW-denominated asset-to-liability ratio** through domestic financial institutions.

○ **(Systemic risk management)** Develop a framework to **safeguard the soundness of domestic financial institutions** (FIs) **against liquidity risks** arising from the offshore KRW market and **institution-specific risks** associated with individual RFI-Ks.

- Consider **incorporating offshore KRW market conditions into domestic FIs' prudential ratios** and **stress testing**.

○ **(Crisis response framework) Establish** a **robust market stabilization framework** to prevent liquidity disruptions in the **offshore KRW market from spilling over into the domestic market** during periods of market stress.

4 Enhance Policy Coordination

❖ **Strengthen macroeconomic policy coordination in response to the growing influence of global financial markets**, while taking into account economic growth, inflation, the exchange rate, and the external balance.

○ **(Basic direction) Strengthen cross-policy coordination** to **address the increasing domestic impact of global financial markets** resulting from KRW internationalization.

○ **(Policy mix) Enhance policy effectiveness** through closer interagency coordination, including a **clear division of responsibilities**, **information sharing**, and **coordinated policy responses***.

* Clearly define the respective roles of monetary, fiscal, prudential, and foreign exchange policies in responding to capital inflows and outflows, as well as to domestic and external shocks.

[Appendix] Implementation Schedule for Key Tasks

Key Task	Agency	Schedule
1. Building Offshore KRW Infrastructure and Reforming FX Regulations		
1 Establish a 24-Hour FX Market		
▪ Transition FX brokerage services to 24-hour operation	MOFE, BOK, FSS	Jul. 2026
▪ Issue e-FX (electronic trading) guidelines for automated overnight trading		Aug. 2026
▪ Adopt TWAP in place of MAR as the methodology for calculating Korea's reference exchange rate	MOFE, BOK	Jan. 2027
▪ Pursue inclusion of the KRW in the WMR		Ongoing
2 Establish the Offshore KRW Settlement System		
▪ Permit KRW transactions between non-residents through RFI-K	MOFE, BOK	Aug. 2026
▪ Establish the Offshore KRW Settlement Network (BOK-Wire^{Int})		Pilot: Sep. 2026 / Full launch: 2027
▪ Develop measures to strengthen incentives for FX banks to engage in deliverable forward (DF) transactions		Sep. 2026
▪ Review measures to facilitate overnight (KST) FX trading and settlement operations	MOFE, etc.	H2 2026
3 Ease FX Transaction Regulations		
▪ Raise prior-reporting thresholds for capital transactions	MOFE, BOK	Sep. 2026
▪ Raise the discretionary cap on fund transfers to offshore accounts		H2 2026
▪ Allow foreign financial institutions to act as counterparties in third-party FX transactions	MOFE	Sep. 2026
▪ Consolidate and simplify the KRW account structure and deposit/withdrawal rules	MOFE, BOK	Measures to be announced in 2027
▪ Shift capital transactions toward an ex-post reporting framework		
4 Build Settlement Infrastructure for Digital Assets		
▪ Establish a legal framework for KRW-denominated stablecoins, including their cross-border use	MOFE, FSC	2027
▪ Pursue a proof-of-concept pilot for government bond tokenization	MOFE, BOK	2027
▪ Participate in Project Agorá	BOK	Ongoing

Key Task	Agency	Schedule
2. Expanding Demand for the KRW		
1 Broaden Foreign Investors' Access to Korea's Capital Markets		
▪ Launch the Global Core Investors Council	MOFE, BOK, FSC, FSS, KSD, KRX	Jul. 2026
▪ Link the KSD settlement system with global platforms (CTM, ALERT)	KSD	2027
▪ Upgrade financial institutions' systems for the IRC-to-LEI identification transition	FSC, FSS, banking and financial investment industry	H2 2026
▪ Expand mandatory English-language disclosure to all KOSPI-listed companies	FSC, KRX	Mar. 2027
2 Expand the Use of KRW-Denominated Assets		
▪ Publish English-language guidelines on collateral purpose securities lending	KSD	Aug. 2026
▪ Allow securities lending and borrowing of KTBs and MSBs within ICSDs	FSC, KSD	H2 2026
▪ Specify short-term financial instruments among permitted uses of investment-only KRW accounts	MOFE	H2 2026
▪ Allow foreign public-sector investors to join the institutional repo market	FSC, BOK	H2 2026
▪ Expand the scope of the Bank of Korea's standing proxy services		H2 2026
3 Expand Incentives for KRW current account transactions		
▪ Review measures to provide incentives for trade transactions settled in KRW	MOFE, MOTIE, KEXIM, K-SURE	Ongoing
▪ Review giving preferential weight to KRW settlement track records in export-support programs	MOFE, MOTIE, etc.	Ongoing
4 Expand Local Currency Transaction frameworks		
▪ Expand LCT arrangements with major trading partners and other countries	BOK, MOFE	Ongoing
▪ Expand cross-border QR payment interlinkages	FSC, KFTC	Ongoing
▪ Participate in multilateral payment and settlement networks (Project Nexus)	BOK, MOFE	Ongoing
3. Deepening KRW Liquidity		
1 Build an Offshore Overnight Liquidity Framework		
▪ Fully permit KRW overdrafts for offshore settlement	MOFE, BOK	H2 2026
▪ Supply overnight KRW liquidity	BOK, MOFE	2027

Key Task	Agency	Schedule
2 Enhance KRW Liquidity for Securities Settlement		
▪ Prepare measures to ease the burden of settlement-progress payments	KSD	H2 2026
▪ Prepare measures to ease borrowing restrictions for Korean subsidiaries and branches of foreign financial institutions	MOFE	Sep. 2026
3 Strengthen Custodian Banks' Capabilities		
▪ Add custody services to the scope of business of foreign-exchange business institutions	MOFE	2027
▪ Design the designation of lead custodian banks and related incentives		
▪ Support overseas partnerships through joint roadshows with the Government and the BOK and other activities	MOFE, BOK, KIC	
4 Expand KRW Trade Finance		
▪ Provide trade finance using currency-swap funds	MOFE, BOK	Ongoing
▪ Provide export-finance incentives for KRW-denominated government procurement contracts	MOFE, KEXIM	Ongoing
▪ Add a KRW credit option to relending facilities	MOFE, KEXIM	H2 2026
4. Strengthening Risk Management		
1 Strengthen External Buffers		
▪ Strengthen FX market stabilization capacity	MOFE, BOK	Ongoing
▪ Prepare measures for using public-sector assets to supply FX liquidity		H2 2026
▪ Expand bilateral and multilateral currency swaps		Ongoing
2 Upgrade FX Market Stabilization Policies		
▪ Build a monitoring and response framework suited to a 24-hour, offshore trading environment	MOFE, BOK	Jul. 2026
3 Redesign the FX Prudential Framework		
▪ Introduce new indicators for monitoring offshore KRW market liquidity	MOFE, BOK, FSC, FSS	2027
▪ Prepare measures for managing systemic risk in financial markets		H2 2026
▪ Build a stable market-management framework for offshore KRW market liquidity		H2 2026
4 Enhance Policy Coordination		
▪ Strengthen cooperation among agencies, including information sharing and joint responses	MOFE, BOK, FSC, FSS, etc.	Ongoing