Roadmap for KRW Internationalization

I. Overview of KRW Internationalization

The Korea government establishes a KRW internationalization roadmap that reflects Korea's level of economic maturity while ensuring robust risk management.

- **(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.

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).[1]
- A highly liquid offshore NDF market is already well established.[2]
- Strong network effects and path dependency centered on the U.S. dollar continue to weigh on the use of KRW in current account transactions.[3]

III. Policy Priorities

With the goal of converting KRW from restricted currency to freely convertible currency, the policy has three strategies including ① building the infrastructure and regulatory framework for seamless KRW trading anytime and anywhere, ② expanding KRW demand across capital and current transactions and deepening KRW liquidity, and ③ developing a multi-layered risk management framework. The policy tasks will be implemented in a manner that balances transactional convenience and effective risk management, as outlined below.

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.[4]
- **(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.

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

[2] 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.

[3] 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.

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

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).[5]

- 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.

∘ **(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[6] for FX banks to engage in deliverable forward (DF) transactions, with a view to gradually shifting trading activity from NDFs to DFs. (Sep. 2026)

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)

[5] 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.

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

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[7]/ Non-resident</td><td>Resident/ Non-resident</td><td>Issuance of KRW-denominated securities</td><td>Report to MOFE[8]</td><td>Shift to ex-post reporting below a set threshold</td></tr>
</table>

◦ **(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.[9]

◦ **(Consolidating KRW account structures)** Consolidate the existing KRW account structure[10] and simplify the rules governing deposits and withdrawals for each account type.

◦ **(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)

[7] Where a resident intends to issue KRW-denominated securities abroad.

[8] 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)

[9] Currently, in third-party FX transactions, FX banks conduct real-name verification on a fund-by-fund basis. Following the revision, taking into account the substantive party to the transaction, real-name verification may be conducted at the level of the foreign financial institution.

[10] Currently, investment-dedicated KRW accounts (for securities investment), free KRW Accounts (for external payments), and non-resident KRW Accounts (for domestic use), etc.

◦ **(Cross-border digital payment and settlement)** Continue to participate as a full member in Project Agorá[11], an initiative to develop a blockchain- and CBDC-based cross-border payment and settlement platform.

- Share Korea's experience from Project Hangang[12], the BOK's blockchain-based wholesale CBDC[13] and deposit token infrastructure, in support of the development of international standards.
- 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[14] (from Jul 2026) and strengthen regular dialogue with foreign investors.
- 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[15] and consider expanding its scope of use.

[11] 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.

[12] 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.

[13] 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.

[14] Participation by major global asset managers, investment banks, and other key market participants.

[15] 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[16] between non-residents through International Central Securities Depositories (ICSDs).

∘ **(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[17]) 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).

∘ **(Promoting cross-border QR payments[18])** Expand cross-border QR payment interlinkages with key tourist destination countries to facilitate the use of KRW for overseas payments.[19]

∘ **(Multilateral payment networks)** Review participation in multilateral payment and settlement networks (e.g., Project Nexus[20]) to lay the foundation for small-value KRW settlement across Asia.

[16] Currently, sale, collateral, and repo. Following the revision, sale, collateral, repo, and securities lending and borrowing

[17] 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.

[18] 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.

[19] 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.

[20] 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)** Institutionalize arrangements that enable FX banks to provide KRW liquidity seamlessly to foreign financial institutions participating in the Offshore KRW Settlement System[21].

◦ **(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[22].

◦ **(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.

[21] Participation by major global asset managers, investment banks, and other key market participants.

[22] 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.

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[23].

◦ **(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.[24]

◦ **(Use of relending facilities[25])** When KEXIM extends relending facilities to overseas local banks, also provide KRW-denominated credit lines in addition to existing U.S. dollar credit lines.

- 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.

[23] 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.

[24] 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.

[25] 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.

◦ **(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[26].

[26] 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.