

Introduction of competitive auction swap facility

- The Bank of Korea (BOK) will introduce a competitive auction swap facility, starting from October 20, 2008, to enhance the predictability and effectiveness of foreign currency supply and to promote stability in the foreign currency funding market.

- The first auction will be held on October 21, 2008 (Tues.).
 - o The auction details (amount, method, time and place) will be posted on the website of the Bank of Korea (<http://www.bok.or.kr>) at 16:00 pm on October 20, 2008 (Mon.).

 - o The BOK will hold a session to explain the new facility to foreign exchange banks at 16:00 pm on October 17 (Fri.).

- The Bank of Korea (BOK) will introduce a competitive auction swap facility, starting from October 20, 2008.
 - The existing swap market participation facility will continue to operate, but the amounts involved will be gradually reduced.

- The purpose of this new facility is to enhance the predictability and effectiveness of foreign currency supply and to promote stability in the foreign currency funding market.
 - Market stability will be pursued by supplying foreign currency funds in more effective ways to domestic foreign exchange banks, which have had difficulties raising funds from abroad amid the worsening global credit crunch.

- Unlike the existing swap market participation facility, the new competitive auction swap facility will be open to all foreign exchange banks in Korea. Under this program, the BOK will conduct FX sell & buy swaps or currency swaps (pay) with banks at trade terms (amounts and interest rates) decided through competitive auction.
 - Under the swap market participation facility, introduced in September 2007, the BOK trades with agent banks first, and then the agents trade with other FX banks.
 - The new facility is different, in that every FX bank engages directly in swap trades with the BOK.

- The BOK's expectation is that this new facility will help to ease the recent foreign currency funding market strains.