



Financial Services Commission
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Press Release

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AMENDMENTS TO FINANCIAL INVESTMENT REGULATION TO STRENGTHEN RISK MANAGEMENT OF FOREIGN CURRENCY DERIVATIVE PRODUCTS

The Financial Services Commission (FSC) made amendments to financial investment regulations to strengthen financial investment companies' risk management of foreign currency derivative products. Under the amended regulation, starting from April 12, financial investment companies and universal financial companies are required to set and implement their own guidelines on risk management of foreign currency derivative products.

As banks do since January 1, financial investment companies and universal financial companies subject to the amended regulation are required to set counter party deal limits and verify counter parties' risk hedge purpose when they trade foreign currency derivative products with corporate investors.

The amendments mandate financial investment companies and universal financial companies engaged in foreign currency services to set and implement their own guidelines on risk management of foreign currency derivative products. The guidelines need to include the followings:

1. When trading foreign currency derivative products (currency forwards, currency options, etc) with corporate investors,* financial investment companies are required to verify whether the transaction is for risk hedging.

*Professional investors defined by the Financial Investment Services and Capital Markets Act (FSCMA), excluding countries, the Bank of Korea (BOK) and financial companies

2. Financial investment companies are required to set counter party deal limits,*considering the remaining balance of foreign currency derivatives contracts they already had with banks and other financial services companies.

*Guidelines set by the Financial Supervisory Service's Governor will limit a ceiling of risk hedge ratio at 125%.



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For further inquiries:

Lee, J. Ernst
Foreign Press Spokesperson
Foreign Press & Relations Office
Financial Services Commission

Tel: +82-2-2156-9582

Fax: +82-2-2156-9589

E-mail: happyhero@korea.kr