

FSC IDENTIFIES D-SIBS FOR 2018

The FSC identified on June 28, 2017, four bank holding companies and one bank as domestic systemically important banks (D-SIBs) for 2018: **Shinhan Financial Group, Hana Financial Group, KB Financial Group, NH Financial Group** and **Woori Bank**.

Under the D-SIB framework of the Basel Committee on Banking Supervision (BCBS), the D-SIB higher loss absorbency requirement is phased in by 0.25% per year from 2016 to 2019. Therefore, those identified as D-SIBs for 2018 are required to set aside an additional common equity capital of 0.75%, and the higher loss absorbency requirement will take effect on January 1, 2018.

The BIS ratio for the identified D-SIBs at the end of March 2017 exceeds the minimum capital adequacy ratio¹. Therefore, there is no actual burden at present for the identified D-SIBs to set aside additional capital.

The FSC will identify D-SIBs every year in accordance with assessment criteria recommended by the BCBS.

D-SIB Assessment Criteria

Criteria	Indicator	Weighting
Size (20%)	Total exposure	20%
	Intra-financial system assets	6.7%
Interconnectedness (20%)	Intra-financial system liabilities	6.7%
	Securities outstanding	6.7%
Substitutability (20%)	Payments activity in KRW	6.7%
	Payments activity in foreign currencies	6.7%
	Assets under custody	6.7%
Complexity (20%)	Notional amount of OTC derivatives	10%
	Trading and available-for-sale securities	10%
Country-specific factors (20%)	Foreign currency-denominated debt	10%
	Household loans	10%
Total		100%

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¹ When countercyclical capital buffer (CCyB) is excluded, the minimum capital adequacy ratio for D-SIBs is 10.625%. At present, the CCyB ratio stands at 0%.