

PRESS RELEASE

March 29, 2020

Bank of Korea to Provide US Dollar Funding Using the Proceeds of Swap Transactions with US Federal Reserve

The Bank of Korea plans to conduct competitive US dollar loan facility auctions using the proceeds of swap transactions with the US Federal Reserve. The details are set forth in the Attachment.

<Attachment> Conduct of competitive US dollar loan facility auctions using the proceeds of swap transactions with the Fed.

For further auction-related notices, please refer to the BOK website under Financial Stability – FX & Int'l Relations - [FX Auction](#).

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<Attachment>

Conduct of competitive US dollar loan facility auctions using the proceeds of swap transactions with the Fed

- The Bank of Korea plans to conduct the first competitive auction of its US dollar loan facilities* using the proceeds of swap transactions with the US Federal Reserve. The details are as follows.

* Please see the Annex for the main details of the facility.

- Date and time of auction : Tues. March 31, 2020, 10:00-10:30 am
- Auction type : Variable-rate auction
- Offering amount : USD 12 billion (7-day tenor: USD 2 billion,
84-day tenor: USD 10 billion)
- Value date : Thurs. April 2, 2020
- Maturity date : April 9 (7-day), June 25 (84-day)
- Minimum bid amount : USD 1 million
- Maximum bid amount : USD 0.3 billion (7-day),
USD 1.5 billion (84-day)
- Minimum bid rate* : to be announced** on Mon. March 30

* Overnight Index Swap (OIS) plus 25 basis points

** Around 16:00 on the BOK website ("[FX Auction](#)")

- In the future the Bank of Korea may conduct additional auctions in consideration of US dollar funding conditions.

<Annex>

1. Introduction

Main details of competitive US dollar loan facility auctions using the proceeds of swap transactions with the Fed

The Bank of Korea (BOK) plans to conduct competitive auctions of its US dollar loan facilities using the proceeds of swap transactions with the Fed. In 2008, the BOK provided US dollar funding in the same way.

2. Key details

(1) Timing and volume of auctions and loan periods

- The timing and volume of auctions will be determined on an as-needed basis, depending upon domestic US dollar funding conditions.
- All loans will have a maximum duration of 88 days.*

* The swap arrangement with the Fed will terminate on September 30, 2020.

(2) Eligible counterparties

- All banks including Korean branches of foreign banks as stipulated in the Banking Act, Korea Development Bank, Industrial Bank of Korea, and the Export-Import Bank of Korea can participate in the auctions

(3) Auction type

- The interest rates for loans to successful bidders will be determined based upon competitive auctions, which will be set in each instance as either a Dutch auction or variable rate auction in consideration of domestic US dollar funding conditions.

- Single-rate auction (Dutch basis): all accepted bids are filled at the lowest rate among successful bidders (stop-out rate)
- Multiple-rate auction (Variable rate basis): each accepted bid is filled at the submitted rate.

(4) Minimum and maximum bid amounts

- The minimum bid amount is equal to USD 1 million. Bids exceeding this amount must be expressed as multiples of USD 1 million. The maximum bid amount will be determined by the BOK for each operation at less than or equal to 20% of the offering amount.

(5) Submitted bid rate

- Banks should submit 4-digit bid rates. In the event that a bank's bid is less than the minimum bid rate* announced by the BOK around 16:00 on the day before the auction, the submission will be invalid.

* USD Overnight Index Swap (OIS) plus 25 basis points

(6) Collateral

- For protection against non-redemption risk, BOK must be provided with initial KRW-denominated collateral amounting to 110% of the KRW value of the USD loan to the banks. The initial collateral position is subject to weekly revaluation due to exchange-rate and interest-rate movements. In the event that the revalued collateral is less than 105% of the KRW value of the USD loan, the bank is obliged to provide an add-on margin such that KRW-denominated collateral amounts to no less than 110% of the KRW value of the USD loan. Eligible collateral is restricted to KRW-denominated government bonds, government-guaranteed bonds, and Monetary Stabilization Bonds among the securities for the BOK's RP transactions. In the event of a shortage of these bonds, cash and other securities* for RP transactions pursuant to Article 4 of the *Open Market Operations Regulations* can be accepted as eligible collateral at the discretion of the BOK.

* Mortgage-backed securities issued by Korea Housing-Financing Corporation, debentures issued by banking institutions, etc.

(7) Public announcements before and after auction

- The BOK shall disclose the following no later than one day before each auction:

- 1) The provision of USD through the reciprocal arrangement with the Fed
- 2) Auction date and time
- 3) Auction type
- 4) Offering amount
- 5) Value date and maturity date
- 6) Minimum bid amount
- 7) Maximum bid amount
- 8) Minimum bid rate

- The BOK shall disclose the following after each auction is completed:

- 1) Total USD amount offered
- 2) Total USD amount allocated
- 3) Total USD amount demanded
- 4) Average bid rate of successful bidders (for variable rate auction only)
- 5) Stop-out rate
- 6) Total number of bidding institutions