

Current Events and Announcements

(February–April 1995)

Ceilings on CD Issuance Raised

With effect from March 1, the Bank of Korea raised ceiling limits on the issuance of negotiable certificates of deposit (CDs) for deposit money banks. The ceilings were increased from 100 percent to 150 percent of net worth for nation-wide commercial banks and local banks, and from 300 percent to 400 percent of net worth for specialized banks. But in the case of Kookmin Bank, which had converted to a nation-wide commercial bank, the previous ceiling, 300 percent of net worth, was unchanged.

The ceiling for foreign bank branches, which had been set at the greater of 25 billion won or 300 percent of net worth, was raised to the greater of 35 billion won or 400 percent of net worth.

A System of Aggregate Ceiling on Large Credit Exposures Introduced

On April 6, 1995, the Bank of Korea decided that it would implement with effect from June 1 a system of aggregate ceilings on large credit exposures to lessen banks' credit risk arising from the heavy extension of loans to specific persons or enterprises.

Large credits refer to loans or payment guarantees offered to the same individual, company or business group in excess of 15 percent of the lending institutions' net worth. The combined total of large credits provided by financial institutions should not exceed five times their net worth.

In a new system, loans extended from banks' trust accounts will be included in calculating the total subject to the ceiling. Banks having large loans that breach the ceiling will be given five years to dispose of the excess.