



RCAP jurisdictional assessments: self-reporting monitoring template for RCAP follow-up actions

Jurisdiction: Korea

Status as of: 31 December 2018

With reference to RCAP report: Assessment of Basel III regulations and LCR regulations – Korea (September 2016)

Part A¹

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
The Basel Supplemental Pillar 2 Guidance paragraphs 84–94	Sound compensation practices are implemented into Korean law through Guidelines on Governance Structure for Financial Companies (GGSFC), chapter V. The GGSFC is not part of the Banking Act, Enforcement Decree or other Korean regulation. Thus, the legal bindingness and enforceability of the GGSFC are questionable.	Act on Governance Structure of Financial Companies (AGSFC) article 22 Enforcement Decree of the Act on Governance Structure of Financial Companies (EDAGSFC) article 17	Sound compensation practices have been legally binding since the AGSFC replaced the GGSFC in August 2016.

¹ To be completed only for those findings where action has been initiated/taken. Any plans for addressing other findings may be indicated in Part B.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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Pillar 3 disclosure requirements for remuneration	The disclosure requirements for remuneration are implemented through the GGSFC, chapter VI, which are provided by the Financial Services Commission (FSC) and the "Criteria for Drafting Annual Corporate Governance Reports", which are provided by the Korea Federation of Banks (KFB). The legal bindingness and enforceability of the GGSFC and the "Criteria for Drafting Annual Corporate Governance Reports" are questionable, as there is no legal act or enforcement decree that authorises the FSC or the KFB, respectively, to publish these documents.	AGSFC Article 22 EDAGSFC Article 17 Regulation of Governance Structure of Financial Companies (RGSFC) Article 5 and Article 9	Detailed remuneration disclosures are set by the FSC in accordance with the AGSFC and the EDAGSFC. Specific remuneration requirements are stipulated in the RGSFC.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to liquidity coverage ratio standards (RCAP-LCR)

Table B

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
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Part B

RCAP-Capital

The FSS has been working to expedite the de-recognition of capital instruments that have been issued without PONV requirements after 1 January 2013 as part of an effort to minimise their impact on domestic banks' capital ratios.

For AT1 instruments with a 30-year maturity, The FSS is currently encouraging issuers to expedite the redemption of the remaining instruments at the earliest possible date.

There are three potentially important deviations that have been pointed out: i) the treatment of commercial real estates in the standardised approach for credit risk; ii) the criteria for residential mortgage exposure in the standardised approach for credit risk; and iii) the criteria for residential mortgage exposure in the IRB approach for credit risk. However, no immediate rule changes are expected because of consistencies observed between the finalised Basel III and Korea's existing laws and regulations. Other rule changes that are needed under the new standards are to be implemented before the agreed timeframe of 1 January 2022.