



Non-Deliverable IRS

Regulatory:	No restrictions
Avg. ticket size:	USD 20 –50mn
Tenor:	6M – 20 years
Bid/ask spread:	1 - 2bps
Avg. daily vol:	USD 2-4bn
Ref. source:	Reuters page <IKRWIRS> <PYKRW>
Floating Leg:	91 Korean Local Banks CD rate (KWCDC Index)
Conventions:	Act/365, Act/365 (Fixed/Float), Quarterly Fixed versus 91D KRW CD

Non-Deliverable CCS

Regulatory:	No restrictions
Avg. ticket size:	USD 10mn
Tenor:	1 – 10 years
Bid/ask spread:	10 – 20bps
Avg. daily vol:	USD 10-20mn
Ref. source:	Reuters page <PYKRW> <IKRWIRS>
Floating Leg:	6M LIBOR
Conventions:	Semi-Annual KRW Fixed Act/365 versus 6M USD LIBOR Floating, Act/360

Clearing and settlement regulation

The Korea Securities Depository (KSD), the country's sole central securities depository, conducts the clearing and settlement of securities. KSD is under the supervision of the Ministry of Strategy and Finance, the Financial Supervisory Commission (FSC), and the Financial Supervisory Service (FSS). Foreign investors need to register with the FSS and obtain an Investment Registration Number/Certificate (IRC) prior to opening accounts. In addition, prior to placing an order, foreign investors must also appoint (1) a standing proxy who will file for the IRC and open a trading account with a local securities company, (2) a custodian bank who will facilitate domestic settlement, and (3) a foreign exchange bank. However, for a resident foreign individual or corporation, a standing proxy is not needed.

Securities purchases or sales by non-resident investors have to be settled physically at the KSD or at a custodian bank. The original order is placed with a local broker or standing proxy (<https://www.ksd.or.kr/eng/static/EB1305000000.home?menuNo=86>). Both exchange and OTC transactions typically settle T+1. However, when foreign investments are involved, T+3 settlement is common (<https://www.ksd.or.kr/eng/static/EB1006000000.home?menuNo=109>).

Taxation⁶

Effective January 2011, a withholding tax (WHT) of 14% on interest income plus 1.4% local tax (bringing total withholding tax to 15.4%, <http://english.mosf.go.kr/>) on non-resident investments in KTBs and MSBs was reintroduced. This WHT rate may be reduced by applicable double tax treaty. A 22% net capital gains tax (including the local surtax), or 11% on gross sale proceeds, whichever is lower, was also introduced. Income double tax treaties do provide an exemption from capital gain tax on disposal of KTBs and MSBs by non-residents. Deutsche Bank is not a qualified tax advisor. Tax information may vary. Kindly seek formal tax guidance for details.

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