

**Embargo:**

**Release Date:** January 21, 2025

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## THE ISSUANCE OF KRW FX FUND BONDS COMMENCES IN JANUARY 2025

Starting January 2025, the Ministry of Economy and Finance (MOEF) will commence issuing Won-Denominated Foreign Exchange Equalization Fund Bonds (KRW FX Fund Bonds), funded by the FX Equalization Fund. KRW FX Fund Bonds, which have not been issued since 2003, have been reintroduced to enable the flexible operation and financial improvement of the FX Equalization Fund by securing low-interest, short-term won-denominated funding. On December 10, the National Assembly approved the relevant legislation\* and budget, allowing the issuance of KRW FX Fund Bonds. The first competitive bidding for KRW FX Fund Bonds is scheduled to take place on Thursday, January 23<sup>rd</sup>, 2025.

*\* Act on Electronic Registration of Stocks, Bonds, ETC.*

The total issuance limit for KRW FX Fund Bonds by the FX Equalization Fund in 2025 is set at 20 trillion won. MOEF has devised the 2025 issuance plan for these bonds after going through consultations with related institutions, including the Bank of Korea, and market participants. During the initial phase of the issuance, given the need to establish the market and the concentration of Korea Treasury Bonds (KTB) and Monetary Stabilization Bonds (MSB) issuances in the first half of the year, 12-15% of the annual volume will be issued in the first quarter, and 40-45% in the first half of the year. The total issuance volume may be adjusted depending on bond and FX market conditions in the future. In 2025, all KRW FX Fund Bonds will be issued as 1-year bonds and will be regularly issued on a monthly basis through competitive bidding without fungible issue\*. In addition, the issuance will generally follow the method used for Korea Treasury Bonds, and in 2025, a simplified approach will be employed to ensure the stable establishment of KRW FX Fund Bonds.

*\* Fungible issue system: A system in which the issuance conditions, such as maturity and coupon rate, are made identical for bonds issued within a specific period, and the bonds issued during that period are regarded as a single issue.*

It is expected that the introduction of KRW FX Fund Bonds will result in an interest savings effect of approximately 100 billion won annually, which will contribute to easing the national fiscal burden and enhance the ability of the FX Equalization Fund to respond to fluctuations in the FX market.

*\* Funding rates by maturity (% based on the average over the past 10 years):*

- 1 year, Monetary Stabilization Bond: 1.72
- 3 years, Korea Treasury Bond: 2.10
- 10 years, Korea Treasury Bond: 2.45

Meanwhile, MOEF will issue 800 billion worth of 1-year KRW FX Fund Bonds through a competitive bidding process in January 2025. Participants in the competitive bidding will include KTB primary dealers (PDs), preliminary primary dealers (PPDs), and institutions eligible for MSBs competitive bidding. Whether the non-competitive subscription will be conducted in January 2025

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will be announced separately, taking into account market conditions and other relevant factors.

The detailed matters concerning the issuance and operation of the KRW FX Fund Bonds are provided in the “Regulations on the Issuance and Operation of Won-Denominated Foreign Exchange Fund Bonds” (MOEF notification), which came into effect on December 31<sup>st</sup> last year along with the legislation. The auction date, method, and other details will be publicly announced three days before the auction date.

<Appendix 1>: 2025 Won-Denominated FX Fund Bonds Issuance Plan

<Appendix 2>: 2025 January Won-Denominated FX Fund Bonds Competitive Auction Issuance Plan

## <Appendix 1>

### 2025 Won-Denominated FX Fund Bonds Issuance Plan

1. **(Overview)** The KRW FX Fund Bond is a type of government bond, which is funded by the FX Equalization Fund.
    - It is issued based on Article 13, Paragraphs 2 and 7 of the Foreign Exchange Transactions Act, with the purpose of securing won-denominated resources for the FX Equalization Fund.
  2. **(Issuance Limit)** The issuance limit for KRW FX Fund Bonds in 2025 is set at a total of 20 trillion won.
  3. **(Issuance Period)** In the light of the issuance volume of KTBs and MSBs, as well as the need for initial market formation, the issuance volume will be concentrated in the second half of the year (55-60%).
    - 12-15% will be issued in the first quarter, and 40-45% will be issued in the first half of the year. However, the issuance volume can be adjusted based on the bond and FX market conditions.
    - The monthly issuance will gradually increase in the initial phase, and once stabilized, it will aim for an even monthly issuance to enhance market predictability.
  4. **(Maturity)** The entire 2025 KRW FX Fund Bonds will be issued as 1-year bonds.
  5. **(Issuance Method)** The issuance method will generally follow the approach used for Korea Treasury Bonds, but in 2025, it will be conducted using the simplest method possible.
    - The bonds will be issued through competitive bidding every month, and there will be no fungible issue.
    - The competitive bidding will be conducted using Dutch auction method, with a review of potential changes depending on future market conditions.
    - Bidders will be broadly accepted, including existing KTB PDs, PPDs, and institutions eligible for the MSB bidding (a total of 32 institutions).
- ※ The detailed information is included in the “Regulations on the Issuance and Operation of Won-Denominated Foreign Exchange Fund Bonds” (MOEF notification), which was announced on December 31<sup>st</sup>, 2024.

## <Appendix 2> 2025 January Won-Denominated FX Fund Bonds Competitive Auctions Issuance Plan

In January 2025, a competitive bidding for the issuance of KRW FX Fund Bonds will be held, with a scale of approximately 800 billion won.

The KRW FX Fund bonds will be issued on a monthly basis without fungible issue. The regular competitive auctions will take place on the third Friday of each month (with adjustments possible in case of holidays), with the issuance date being the 10<sup>th</sup> of the month.

*\* In January 2025, considering delays in KTB auctions due to the Lunar New Year holiday and temporary public holiday, the auction will be held on January 23<sup>rd</sup> (Thursday) instead of January 17<sup>th</sup> (Friday).*

1-year KRW FX Fund Bonds worth 800 billion won, scheduled for settlement on January 24<sup>th</sup> (Friday), will be newly issued under the name “FXB 00000-2601” following the auction on January 23<sup>rd</sup> (Thursday).

### Won-Denominated FX Fund Bonds Issuance Plan, January 2025

(100 million won)

Name		Auction Notice	Auction Date	Settlement Date	Issue Date	Amount
<b>1Y FXB</b>	FXB 00000-2601	Jan 20 <sup>th</sup> (Mon)	Jan 23 <sup>rd</sup> (Thu)	Jan 24 <sup>th</sup> (Fri)	Jan 20 <sup>th</sup> , 2025	8,000

The decision on whether to conduct the non-competitive subscription will be made based on market conditions and the results of competitive bidding.

*\* If the subscription is implemented, a separate announcement regarding the issuance plan will be made later.*