



Monetary Policy and Central Banking in Korea

This study is among the first to examine the theory and practice of monetary policy in South Korea. Woosik Moon provides a detailed analysis of the central bank of South Korea, one of the most successful and important economies in Asia. He covers everything from monetary policy to inflation targeting and macroprudential regulation, explaining how these policy tools were used to deal with the aftermath of the 2008 global financial crisis. He then brings his study into our current moment, speculating as to how the use of these policies will change in order to deal with the fallout of the Covid-19 pandemic. This book offers in-depth investigations and the provision of the most up-to-date information about the Bank of Korea's monetary and financial actions, serving as essential reading for central bankers and professionals of financial markets around the world, as well as anyone interested in monetary policy-making.

WOOSIK MOON is Professor of Economics at the Graduate School of International Studies, Seoul National University. He was a member of the Monetary Policy Board of the Bank of Korea from 2012 to 2016.

Cambridge University Press
978-1-316-51498-6 — Monetary Policy and Central Banking in Korea
Woosik Moon
Frontmatter
[More Information](#)

Monetary Policy and Central Banking in Korea

WOOSIK MOON
Seoul National University



CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press
978-1-316-51498-6 — Monetary Policy and Central Banking in Korea
Woosik Moon
Frontmatter
[More Information](#)

CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom
One Liberty Plaza, 20th Floor, New York, NY 10006, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
314–321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre,
New Delhi – 110025, India
103 Penang Road, #05–06/07, Visioncrest Commercial, Singapore 238467

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

www.cambridge.org
Information on this title: www.cambridge.org/9781316514986
DOI: 10.1017/9781009091527

© Woosik Moon 2022

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2022

A catalogue record for this publication is available from the British Library.

Library of Congress Cataloging-in-Publication Data

Names: Moon, Woosik, 1960– author.

Title: Monetary policy and central banking in Korea / Woosik Moon, Seoul National University.

Description: Cambridge, United Kingdom ; New York, NY : Cambridge University Press, 2022. | Includes bibliographical references and index.

Identifiers: LCCN 2021051454 (print) | LCCN 2021051455 (ebook) | ISBN 9781316514986 (hardback) | ISBN 9781009094207 (paperback) | ISBN 9781009091527 (ebook)

Subjects: LCSH: Monetary policy – Korea (South) | Banks and banking, Central – Korea (South) | Korea (South) – Economic policy. | BISAC: BUSINESS & ECONOMICS / Economics / Macroeconomics

Classification: LCC HG1280.5 .M86 2022 (print) | LCC HG1280.5 (ebook) | DDC 339.5/309515–dc23/eng/20211020

LC record available at <https://lcn.loc.gov/2021051454>

LC ebook record available at <https://lcn.loc.gov/2021051455>

ISBN 978-1-316-51498-6 Hardback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

Cambridge University Press
978-1-316-51498-6 — Monetary Policy and Central Banking in Korea
Woosik Moon
Frontmatter
[More Information](#)

*To Christian de Boissieu, my teacher at the University of
Paris-I, who taught me money and banking.*

Contents

<i>List of Figures</i>	<i>page</i> x
<i>List of Tables</i>	xiv
<i>List of Boxes</i>	xvi
<i>Preface and Acknowledgements</i>	xvii
<i>List of Abbreviations</i>	xxi
Part I What Is the Goal of Korean Monetary Policy?	1
1 The Goals of Economic and Monetary Policy	3
1.1 The Evolving Goals of Economic Policy in the Korean Economy	3
1.2 Tools of Macroeconomic Stabilisation	11
1.3 The Goals of Monetary Policy	16
Part II How Does Money Affect the Korean Economy?	29
2 Money and the Evolution of Monetary Standards	31
2.1 Commodity Money Standard	31
2.2 Paper Money Standard	33
2.3 Development of Electronic Means of Payment	43
2.4 Measurement of Money in Korea	49
3 The Transmission Channels of Money and Credit	54
3.1 Money and Prices	54
3.2 Money and Real Output	61
3.3 The Relationship between Inflation and Output Fluctuation	74
Part III How Is Monetary Policy Conducted in Korea?	79
4 The Organisation and Functions of the Bank of Korea	81
4.1 A Short History of the Bank of Korea	81
4.2 The Roles and Functions of the Bank of Korea	88
	vii

4.3	The Structure and Quality of the Monetary Policy Board	97
4.4	Independence and Accountability	104
5	The Monetary Policy Strategies of the Bank of Korea	114
5.1	Monetary Policy Strategy prior to the Currency Crisis	114
5.2	Inflation Targeting Strategy	120
5.3	Determination of Monetary Policy Direction under Inflation Targeting	123
6	Inflation Targeting in Korea	138
6.1	Key Practical Issues for Targeting Inflation in Korea	138
6.2	Assessing Inflation Targeting in Korea	142
6.3	Low CPI Inflation and High-Rent Inflation	153
7	The Tools and Instruments of Monetary Policy	162
7.1	The Assets and Liabilities of the Bank of Korea	162
7.2	Credit Policy Tools	167
7.3	Monetary Policy Tools	171
7.4	Stand-by Lending and Deposit Facilities	182
8	Monetary Policy without Money	186
8.1	Equivalence between Reserve Targeting and Interest Rate Targeting	186
8.2	Decoupling under Interest Rate Targeting	192
8.3	The Operation of the Corridor System	197
8.4	Guiding Yield Curve	202
9	Foreign Exchange Market Intervention and Monetary Policy	211
9.1	Overview of Foreign Exchange Market Intervention in Korea	211
9.2	Intervention by the Bank of Korea and the Foreign Exchange Stabilisation Fund	224
9.3	Exchange Rate Adjustment through Monetary Policy	229
	Part IV How Is Financial Stability Pursued in Korea?	233
10	Financial Crisis and the Role of Government	235
10.1	A Brief Overview of the Currency and Financial Crises in Korea	235
10.2	The 1997 Currency Crisis and Government Failure	239
10.3	The 2008 and 2020 Crises and Policy Responses	257

<i>Contents</i>	ix
11 Macro-prudential Regulation and Supervision	261
11.1 Regulation and Supervision in Korea	261
11.2 Domestic Macro-prudential Policy	270
11.3 Global Macro-prudential Regulations	278
12 Crisis Management and Lender of Last Resort	286
12.1 Who Is Responsible as the Lender of Last Resort?	286
12.2 The Government as the Lender of Last Resort	290
12.3 The Bank of Korea as the Lender of Last Resort	294
Part V What Will Be the Challenge for Future Monetary Policy in Korea?	309
13 Monetary Policy under Low Growth	311
13.1 The Persistence of Low Growth	311
13.2 Securing a Channel of Influence on Long-term Interest Rates	316
13.3 Enhancing the Effectiveness of Credit Policy	324
13.4 Strengthening the Capacity to Mitigate International Spillover Effects	327
<i>References</i>	331
<i>Index</i>	348

Figures

1.1	The three objectives of economic policy	<i>page</i> 4
1.2	The share of exports and investments	5
1.3	Growth in per capita GDP (PPP base and US per capita income = 1)	6
1.4	Growth and inflation	8
1.5	Growth rates in real household income by income brackets during the period 1997–2016	10
1.6	Fiscal balance (general government balance as percentage of GDP)	15
1.7	Three pillars of monetary policy goals	17
1.8	Actual and potential GDP growth rate in Korea	21
1.9	Actual and natural unemployment rates in Korea	24
1.10	Real and natural interest rates in Korea	25
1.11	Short- and long-term loss of output during the 2008 global financial crisis	27
B1.1	General government's revenue and expenditure and income tax share	13
2.1	The evolution of instruments of payment	33
2.2	Base money and cash relative to narrow money M1 in Korea	36
2.3	Daily average use of cashier's cheques and credit cards	38
2.4	The evolution of the MMF market in Korea	41
2.5	The trend of inter-firm credits in Korea	42
2.6	Use of different payment instruments in Korea as of 2019	47
2.7	Composition of money stocks in Korea as of the end of 2019	50
B2.1	Growth rates of M2 and MCT	52
3.1	The relationship between the growth rate of money (M2) and the CPI inflation rate	55
3.2	CPI and import prices	56

<i>List of Figures</i>	xi
3.3 Money, credit, and real estate asset prices in Korea	59
3.4 The share of real estate assets, financial assets, and stocks held by households	66
3.5 Interest rate differential and exchange rate movement	68
3.6 Phillips curve represented by the inflation and output gap in Korea (1991–2019)	75
3.7 Flattened Phillips curve in Korea (2000–2019)	76
B3.1 Changes in the net balance of interest income with a 1 percentage point interest rate cut by income group and by net debt position in Korea	63
B3.2 Short- and long-term interest rates during the Taper Tantrum	74
5.1 Real effective exchange rate and current account balances	117
5.2 The Bank of Korea's actual and target monetary growth rates	119
5.3 Three elements of inflation targeting	121
5.4 Adjustment of the Bank of Korea's benchmark interest rate since 1999	135
B5.1 Gap between the growth rates of manufacturing GDP and IPI	125
B5.2 Actual and forecast growth rates compared	129
B5.3 Impact of temporary and permanent shocks	133
6.1 The CPI inflation rates and targets in Korea	143
6.2 Probability density of inflation rate and the setting of the inflation target	147
6.3 Movement of pure and hybrid <i>chonsei</i> prices	157
6.4 CPI inflation rates with the revised rent inflation (NEWCPI) and with the incorporation of OER (NEWCPIH)	158
B6.1 Target price and actual price trends in selected economies	153
7.1 Ceiling and interest rates of the BILSF	170
7.2 Mode and instruments of open market operations	176
7.3 Structural and fine-tuning adjustments by open market operations	181
8.1 Operating instruments and tools for monetary policy	189
8.2 The relationship between the reserves and call rate along the demand curve for reserves	191

8.3	The relationship between the reserves and call rate when the demand for reserves shifts upwards	192
8.4	The relationship between policy rate and demand for reserves in the call market	194
8.5	Base rate and call rate	196
8.6	The relation between call rate movement and reserves changes	197
8.7	Interest rate under a symmetric corridor system	200
8.8	Interest rate under the ceiling and floor systems	201
8.9	Reaction of yield curve in normal times	207
8.10	Reaction of yield curve with disconnected long- and short-term rates	208
8.11	Reaction of yield curve under the ‘Greenspan conundrum’	209
B8.1	Money multiplier in Korea	189
B8.2	Movement of the CD rate	204
9.1	FX net balances of the Korean authorities (US\$100 million)	217
9.2	The net purchases of NDF contracts by non-residents and the variation of the <i>won</i> –dollar exchange rate	219
9.3	Daily average turnover of foreign exchange transactions by type in the interbank market	220
9.4	Example of an arbitrage transaction by a foreign bank branch using an FX swap	221
9.5	Swap rate and interest rate differential after the global financial crisis	222
9.6	Total foreign reserves held by Korea (billion US\$)	223
9.7	Monetary stabilisation bonds outstanding and the BoK’s profit and loss	226
9.8	The size and profit and loss of the Foreign Exchange Stabilisation Fund	228
B9.1	Actual and optimal target <i>won</i> –dollar exchange rates	216
10.1	Inflows and outflows of foreign capital (US\$ billions)	236
10.2	Korean <i>won</i> exchange rate against the US dollar	237
10.3	The trajectory of Korean real GDP for the three economic crises	238
10.4	The trend of unemployment rates during the three crises in Korea	239

List of Figures

xiii

10.5	FX interventions and the <i>won</i> -dollar exchange rate: January–March and September–November 1997	242
10.6	Forward premium less interest rate differential: January–March and September–November 1997	244
10.7	Spot and forward exchange market interventions 1997	247
10.8	Monetary and fiscal policies during the 1997 currency crisis	253
10.9	Monetary and fiscal policies during the 2008 global financial crisis	259
11.1	Structure of the financial regulatory and supervisory system before the 1997 currency crisis	263
11.2	Structure of the current financial supervisory system	268
11.3	Household debt trend in Korea	272
B11.1	The number of bills approved in the Korean National Assembly	266
B11.2	The share of fixed-rate and amortised mortgage loans	276
12.1	Financial structure of SPV to purchase corporate bonds and CPs	303
12.2	Exchange rate movement at the time of the IMF rescue funding (US\$27 billion) and the Korea–US swap line (US\$30 billion)	306
12.3	Exchange rate and swap rate movement before and after the Korea–US swap line (US\$60 billion)	307
13.1	Long-term growth trend of the Korean economy (ten-year average growth rate)	312
13.2	Sectoral flow of funds in Korea and Japan	313
13.3	Comparison of two asset purchase programmes available in the event of a severe recession	318
13.4	The shares of government bonds held by major central banks	319
13.5	Long- and short-term interest rates and term spread	321
13.6	Risk premiums during the global financial crisis and the COVID-19 crisis	323
13.7	Long-term interest rate spread trend in Korea and the United States	328

Tables

2.1	Currency unit names in Korea, China, and Japan	<i>page</i> 32
2.2	The difference between the government notes and banknotes	34
3.1	Reasons for the concern of the members of the Monetary Policy Board about the trend of money and credit and their frequencies	61
3.2	Spillover from short-term policy rate cuts to long-term market interest rates	65
B3.1	Hypothetical model economy with a decline in population	58
B3.2	NPLs and loan-deposit margins (%)	71
B3.3	Interest rates and delinquency rates for households and corporations	71
4.1	Changes in the main features of the Bank of Korea	89
4.2	MPB members according to their background and their recommendation institution during the period 1998–2020	102
4.3	Employment status of the MPB external members (unit: number of persons)	108
B4.1	International comparison of the governance and monetary policymaking structure of central banks	95
B4.2	Consolidated balance sheet of central bank and government	106
B5.1	Forecast errors by time horizon for selected years	130
6.1	Evolution of the inflation targeting system in Korea	142
6.2	Short-run and long-run effects of anchoring in Korea	145
6.3	Inflation targeting under $\pi^T = 2$ per cent	147
6.4	Inflation targeting under $\pi^T = 3$ per cent	149
6.5	Impact of a cut in yield on deposit on pure and hybrid <i>chonsei</i> contracts (unit: million KRW)	156
7.1	Balance sheets of the BoK and FRS as of the end of 2007	163

List of Tables

xv

7.2	Balance sheets of the BoK and FRB as of the end of 2016	166
7.3	Ceiling and interest rates of the BILSF programmes, end of 2020 (Trillion KRW, %)	170
7.4	Major realignments of the monetary policy operation framework in March 2008	183
9.1	Changes in the <i>won</i> -dollar exchange rate after interest rate changes since 2010 (unit: KRW)	231
10.1	The trend of free foreign reserves 1997 (US\$ billions)	245
10.2	Foreign currency liquidity ratio (%)	249
10.3	Rollover ratios of short-term external debts	250
10.4	The trend in external debts of Korean banks (US\$ billions)	251
10.5	Financial restructuring in Korea (number of firms)	254
11.1	Principal macro-prudential policy instruments in Korea	270
11.2	Evolution of housing market-related macro-prudential policy	274
11.3	Korean bank resiliency as of the end of 2019	281
12.1	Changes in the balance sheet of a bad bank	288
12.2	Three types of government liquidity support	289
12.3	Injection of public funds as of the end of 1999 (unit: KRW trillions)	291
12.4	Loans of the Bank of Korea during the 1997 currency crisis	297
12.5	Supply of liquidity in respect of financial stability by the BoK during the 2008 global financial crisis	301
12.6	Supply of liquidity in respect of financial stability during the COVID-19 crisis	303
13.1	Treasury bonds purchased outright during 2020	322
13.2	Current currency swap arrangements of the BoK	329

Boxes

1.1	Co-ordination of Fiscal and Monetary Policies in Korea	<i>page</i> 12
2.1	Endogeneity of the Quantity of Money	51
3.1	Deflation and Population Decrease	57
3.2	Changes in Interest Rate and Income Distribution	62
3.3	Bank or Pawnshop?	70
3.4	Base Rate Adjustment and ‘Taper Tantrum’	73
4.1	Comparison of the Governing Board and Monetary Policy Committee	94
4.2	Quantitative Easing and Hidden Budgets	105
5.1	Industrial Production Index Versus Gross Domestic Product	125
5.2	Assessment of the Bank of Korea’s Economic Forecasting Capability	129
5.3	Temporary and Permanent Shocks: The Case of the MERS and COVID-19 Outbreaks	132
6.1	Inflation Targeting and Price Targeting	152
7.1	Government–BoK Compact on Open Market Operations	177
8.1	Money Multiplier in Korea	188
8.2	KORIBOR and COFIX as Reference Interest Rates	203
9.1	Optimal Exchange Rate that Minimises Exchange Rate Volatility	214
10.1	Corporate Restructuring and the Daewoo Bankruptcy	255
11.1	Rule of Law and Rule by Law	265
11.2	Are Household Debts in Korea Qualitatively Improved?	275
11.3	Who Should Lead Macro-Prudential Policy in Korea?	283

Preface and Acknowledgements

Since the outbreak of the global financial crisis in 2008, monetary policy all around the world has undergone tremendous changes, which have been accompanied by the emergence of new instruments and principles. Many unconventional principles that have emerged because of the unprecedented crisis in 2008 are being established as the new normal. The COVID-19 pandemic is again likely to accelerate this trend. Korea is no exception and thus requires new thinking on its monetary policymaking.

Despite an increasing interest in the topic, not just on the part of the Korean public, but also on the part of international readers, no serious academic work on monetary policy in Korea has been published to date. The only work available is a short brochure published by the Bank of Korea in 2016 under a similar title, ‘Monetary Policy in Korea’, which leaves out theoretical deliberations as well as topical policy issues and debates. In general, there seem to be very few studies available about the monetary policies of Asian central banks, let alone that of the Bank of Korea. This may be due to the relatively short history of ‘independent central banking’ in Asia. The market economy has yet to be firmly established in Korea and many parts of Asia. Policymaking in Korea has for a long time been nothing but a bureaucratic and discretionary practice, often lacking democratic principles and theoretical considerations. But, for an independent central bank, monetary policymaking can no longer continue to be formulated in this way. It requires transparent and independent decision-making based upon theoretical knowledge. This explains why there are so few studies on monetary policymaking, despite the strong interest expressed from both academia and professional financial circles.

In the face of this lacuna, it is the intention of this book to conduct a comprehensive examination of the current practice of monetary policymaking in Korea. More precisely, it aims at combining the real

practice implemented by the Bank of Korea with the new theoretical principles of monetary policy. And here it cannot be overemphasised that monetary policymaking in Korea has evolved, to a great extent, in tandem with the development of the market economy. The Bank of Korea should, therefore, be a guardian of the market economy against any arbitrary intervention or interference on the part of the government. Based upon this perspective, this book tries to analyse monetary policy and central banking in Korea.

Of necessity, the book also addresses Korean monetary policy and central banking from a comparative perspective. Above all, the Bank of Korea, as well as the Monetary Policy Board as its decision-making body, was modelled on the Federal Reserve System of the United States. Furthermore, many current policy tools and practices were indebted to the policymaking of major central banks such as the Federal Reserve System, the European Central Bank, and the Bank of Japan. The main content of the book will be as follows.

First of all, the volume begins by asking about the goals and objectives of economic and monetary policies in Korea. When it comes to monetary policy, in particular, it seems that many in the Korean public are not clear about its counter-cyclical nature of stabilisation, in that the goal is always to reduce volatility, whether it be inflation or output (employment).

Part II looks at how money and monetary policy affect the Korean economy. The evolution of different monetary and credit instruments is reviewed and the transmission channels through which monetary policy affects price and output in Korea are analysed.

Part III discusses the different aspects of central banking and monetary policy in Korea. As the most important and the longest part of this book, it evaluates and examines the organisation and structure of the Bank of Korea, the strategies and operating principles of its monetary policy, the inflation targeting and interest rate-setting process, as well as the tools and instruments of its monetary policy. This part argues that the traditional view that the interest rate is determined by money supply and demand is no longer valid. Under the current corridor system, the interest rate in Korea is determined by the announcement of the Bank of Korea, as in many other central banks, regardless of the amount of reserve money. Under the zero interest rate lower bound, furthermore, managing yield curves is emerging as a more important future monetary operation for the

Bank of Korea than its current short-term interest rate-setting operation.

Part IV deals with the issue of financial stability, especially macro-prudential policy. Korea was hit twice: first by the 1997 foreign exchange crisis, and then by the global financial crisis of 2008. These crises are not necessarily the result of market failure but are more often due to government failure. This part will examine the respective roles of the Korean government and Bank of Korea in the implementation of macro-prudential policy, given the latter's lack of sufficient policy tools. It will also cover the issue of the recent financial market stabilisation measures introduced to cope with the COVID-19 pandemic.

Finally, Part V briefly touches upon the possible future monetary policy operations and instruments available, given that the Korean economy is expected to record lacklustre economic growth accompanied by deflation. The outbreak of the 2008 global financial crisis and the spread of the COVID-19 virus will lead us to rethink the existing monetary policy framework. Against this backdrop, the Bank of Korea should strengthen its efforts to revamp its existing monetary policy tools and be prepared to manage the yield curve just like the Bank of Japan.

Given the dearth of comparable works on Korean monetary policy, it is my hope that this volume will provide anyone who is interested in monetary policymaking with a valuable in-depth analysis and the most up-to-date information on the Bank of Korea's monetary and financial policies.

This book is a direct development of my work as a member of the Monetary Policy Board. In this regard, I am very grateful to Lee Juyeol and Kim Choongsoo, governors of the Bank of Korea, with whom I had the great pleasure to work. I am also grateful to Jeong Heon Lee, Sunwoo Nam, and Yoonju Shin, who assisted me in accomplishing my work at the Bank of Korea successfully. Their support was essential for me to widen and deepen my knowledge of every task of the Korean central bank, and served as a catalyst for this book. For any and all mistakes and errors in this volume, I assume full responsibility. In closing, I would like to express my special thanks to Hongkee Kim, professor at Hannam University, Yeongseop Rhee, professor at Seoul National University, and Barry Eichengreen, professor at University of California – Berkeley, without whose encouragement I would never

have dared to embark upon writing this book. I also wish to thank Seonghoon Cho, professor at Yonsei University, for providing me with the data on the natural rates of interest in Korea. I must also extend my gratitude to my two English language advisors, Frank O’Callaghan and Chris Engert, for their excellent English editing and proofreading, and to Su Gyoung Park, my MA student, for her valuable editorial assistance. This work was supported by the Seoul National University Research Grant in 2021. I am grateful to Seoul National University. Finally, I wish to thank Ransoo Kim, my wife, and Heeyoon, my son, for their consistent support and encouragement.

Abbreviations

ACCL	aggregate credit ceiling loan
ASEAN+3	Brunei, Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam (ASEAN) + the People's Republic of China, Japan, and South Korea
B2B	business to business
B2C	business to consumer
BAI	Board of Audit and Inspection
BILSF	Bank Intermediated Lending Support Facility
BIS	Bank of International Settlements
BoE	Bank of England
BoJ	Bank of Japan
BoK	Bank of Korea
bp	basis points
B/S	balance sheet
CAMEL-R	Capital adequacy, Asset quality, Management, Earnings, Liquidity and Risk-management
CAMELS	Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risks
CBBLF	Corporate Bond-Backed Lending Facility
CBDC	central bank digital currency
CCyB	counter-cyclical capital buffer
CD	certificate of deposit
CESP	Comprehensive Economic Stabilisation Programme
CET	common equity tier
CIP	covered interest parity
CLS	continuous linked settlement system
CMA	cash management accounts
CMIM	Chiang Mai Initiative Multilateralisation
CNY	Chinese <i>Yuan</i>

COFIX	cost of funds index
DSGE	dynamic stochastic general equilibrium
D-SIB	domestic systemically important banks
D-SIFI	domestic systemically important financial institutions
DSR	debt service ratio
DTI	debt to income
ECB	European Central Bank
ECOS	economic statistics system
ELA	emergency liquidity assistance
EMS	European Monetary System
EONIA	Euro Overnight Index Average
EPB	Economic Planning Board
ETF	exchange-traded funds
EUR	Euro
FCL	flexible credit line
Fed	Federal Reserve
FEFF	Foreign Exchange Equalisation Fund
Fintech	financial technology
FLS	funding for lending scheme
FOMC	Federal Open Market Committee
FRED	Federal Reserve Economic Data
FRS	Federal Reserve System
FSC	Financial Services Commission
FSCMA	Financial Investment Services and Capital Markets Act
FSOC	Financial Services Oversight Committee
FSR	Financial Stability Report
FSS	Financial Supervisory Services
FTA	free trade agreement
FX	foreign exchange
G7	Group of Seven: the seven major advanced economies – Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States of America, plus the European Union
G20	Group of Twenty – comprising Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States, plus the European Union
GATT	General Agreement on Tariffs and Trade

List of Abbreviations

xxiii

GDP	gross domestic product
GHQ	General Headquarters
HCI	heavy-chemical industry
IMF	International Monetary Fund
IPI	Industrial Production Index
JGBs	Japanese Government Bonds
JPY	Japanese <i>Yen</i>
KAMCO	Korea Asset Management Corporation
KDIC	Korea Deposit Insurance Corporation
KFTC	Korea Financial Telecommunications and Clearings Institute
KORIBOR	Korea Inter-Bank Offered Rate
KRW	Korean <i>Won</i> (South Korea)
KTB	Korean Treasury Bonds
LCR	liquidity coverage ratio
LIBOR	London Inter-Bank Offered Rate
LOLR	lender of last resort
LTRO	longer-term refinancing operations
LTV	loan to value
MBS	mortgage-backed securities
MCT	M2 + Certificates of Deposit + Money-in-Trusts
MERS	Middle East respiratory syndrome
MFN	most favoured nation
MMDA	money market deposit accounts
MMF	money market fund
MOEF	Ministry of Economy and Finance
MOF	Ministry of Finance
MoFE	Ministry of Finance and Economy
MPB	Monetary Policy Board
MPC	Monetary Policy Committee
MRO	main refinancing operation
MSA	monetary stabilisation account
MSB	monetary stabilisation bond
MSL	macro-prudential stability levy
NDF	non-deliverable forward
NPL	non-performing loan
NSFR	net stable funding ratio
OECD	Organisation for Economic Co-operation and Development

OMO	open market operation
OMT	outright monetary transactions
P-CBOs	primary collateralised bond obligations
PCE	personal consumption expenditure
PF ABCP	project financing asset-backed commercial paper
PLL	precautionary and liquidity line
QE	quantitative easing
QQE	quantitative and qualitative easing
R&D	research and development
RP	re-purchase agreements
SAMP	Systemic Risk Assessment Model for Macro-prudential Policy
SME	small- and medium-sized enterprise
SNA	system of national accounts
SNS	social networking services
SPV	special purpose vehicle
TARP	Troubled Asset Relief Program
TLTRO	targeted longer-term refinancing operation
WTO	World Trade Organization