

Guidelines for Centralised Booking Model

1. Concept of Centralised Booking Model

- A Centralised Booking Model (hereinafter referred to as “CBM”) refers to a system in which a branch or legal entity* of a global bank executes FX transactions in the name of the Booking Entity (hereinafter referred to as “BE”).

* Applicable to various relations recognized as the same group by foreign exchange authorities, such as headquarters-local subsidiaries, between local subsidiaries, headquarters-affiliates in addition to headquarters-branch relations.

- Under the CBM, the Trading Entity or branch (hereinafter referred to as “TE”) exclusively conducts FX transactions with the counterparty of the BE, acting on behalf of the BE (“TE’s BE transactions”).

* All transactions that do not fall under the “TE’s BE transactions” are hereinafter referred to simply as “TE transactions”.

- The overall procedure of FX transactions from a deal booking, deal confirmation to settlements and etc. is all carried out under the name of the BE.
- The Sales Entity or branch (hereinafter referred to as “SE”) conducts simple sales activities (i.e. customer transactions) only without involving booking, deal-confirmation, settlement, and interbank transactions.

2. Coverage of CBM (See Reference 1)

(1) Unit of RFI registration

- Under the CBM, even if the branch or legal entity executes transactions on BE books, it is still required to register by branch to engage in overseas foreign exchange business and business activities of unregistered branches are the subject to disciplinary action as an unauthorized act.
- However, SEs are exempted from additional registration obligations, provided that they report* the list of the involved branches and entities to the authorities in advance when the BE applies for or changes the RFI registration.

* Attach a list of all SEs when the BE applies for or modifies the RFI registration

< Role of Each Entity in CBM >

	BE	TE	SE
Booking	Available under its own name	X	X
Trading	Available under its own name	Available under BE's name	X
Sales	Available under its own name	BE bookkeeping only	BE bookkeeping only
RFI registration	By each branch and legal entity		Conditional exemption

(2) Credit line agreement

- Under the CBM, for conducting the TE's BE transactions, the TE is allowed to use a credit line that is established in the name of the BE.

(3) Booking and confirmation

- Under the CBM, when conducting the TE's BE transactions, it is allowed to book a deal and confirm a deal in the name of the BE.
- It only applies to a case when the TE trades with the counterparty of the BE and the booking is entered immediately in the name of the BE.
- Please note that if the booking is recorded in the name of a customer, TE or SE, then pass this position to the BE's book in a back-to-back arrangement, it can be a violation of the Guidelines on Foreign Exchange Affairs of Foreign Financial Institutions.

(4) Settlement

- Under the CBM, when conducting the TE's BE transactions, it is permitted to settle through a business foreign currency account and business won account in the name of the BE.
- When registering a TE that only conducts the TE's BE transactions, it is unnecessary to open a separate business won account under its own name.
- For TE's own transactions, the TE must settle the transactions through a separate business won account in its own name only and violating this may result in disciplinary actions that include revocation of RFI registration, along with warning, correction orders and other administrative measures.

* If a TE wishes to trade under its own name, it is necessary to change its registration by fulfilling all the requirements for BEs, including opening an individual business account, etc.

(5) Reporting

- Under the CBM, the TE's BE transactions must be reported in the name of the BE under the responsibility of the BE, and the delegation of reporting duty to TEs and substitutional institutions is also permissible.

* For example, a foreign investor trades in the name of a Booking Entity in London through a Sales Entity in Bangkok, and the Trading Entity in Singapore trades the resulting position in the interbank market under the name of the Booking Entity in London.

⇒ Both the reporting entity of customer transactions and interbank transactions and the dealing branch must be reported as the "London Branch".

(6) Unit of contract with a foreign exchange brokerage

It can vary depending on the scope of CBM operation.

- For branches that only conduct the TE's BE transactions, no separate contract is required at the branch level besides the contract with a foreign exchange brokerage at the BE level. Also, the trade must be carried out in the name of the BE in the interbank market.
- For TE's own transactions, aside from the BE's contract with a foreign exchange broker, a separate contract must be signed with a foreign exchange broker at the branch level (though consolidated contract at the group level is possible). Also, the trade must be carried out in the name of the TE in the interbank market.

3. CBM Coverage for Domestic Foreign Exchange Banks

(1) Local subsidiaries and branches of domestic foreign exchange banks (hereinafter referred to as “Seoul Headquarters”) are not permitted* to directly conduct customer transactions with residents or interbank transactions related to customer transactions on the books of the Seoul Headquarters.

* For example, it is not allowed for a London branch of a domestic foreign exchange bank A to directly trade the volumes of a domestic company B or give a price to the company.

- However, it is possible for a dealer* who can operate the books of the Seoul Headquarters from a local subsidiary or branch that has registered as an RFI to trade positions on the books of the Seoul Headquarters, or to cover customer transactions in non-KRW currency pairs (e.g. Euro-Dollar).

* In this case, the dealer must operate only the books of either the Seoul Headquarters or one of its local subsidiaries or branches.

Also, it is permissible for the local subsidiaries or branches to engage in customer transactions with non-residents on the books of the Seoul Headquarters.

(2) If the Seoul Headquarters and the local subsidiaries or branches registered as an RFI use separate books, direct transactions with each other without going through a foreign exchange brokerage are allowed.

For example, if the Seoul Headquarters complete customer transactions themselves, trading with local subsidiaries and branches for the purpose of position management is allowed for the Seoul Headquarters.

4. Transactions of Non-CBM Introducing Institutions

(1) RFIs that do not adopt a CBM must open and operate a business won account for each RFI with a substitutional institution (SI) when registering as an RFI, regardless of whether they are in the same group or not.

(2) ① Transactions between RFIs and SIs and ② transactions between RFIs in the same group may be conducted directly without going through a foreign exchange brokerage, provided that all institutions (excluding SIs) have opened business won accounts.

① Direct transactions between RFIs and SIs are possible, but if the Seoul branch is not registered as an RFI, direct transactions are not allowed even if they are in the same group.

② Direct KRW transactions are allowed between the London Branch (or legal entity) and New York Branch (or legal entity) of 'A' Bank that have registered as an RFI and opened business won accounts respectively.

5. RFI Registration Procedure for CBM Recognition

(1) The branches or legal entities under the CBM are required to provide detailed description* on the CBM in their registration application and business plan.

* In accordance with amendment and repeal of Article 2-3 of the Guidelines on Foreign Exchange Affairs of Foreign Financial Institutions, the Booking Entity is also required to provide documentation for any addition, changes or deletion of TEs.

- **RFI Registration Application:** State the intention to utilize a CBM in ‘⑤ the details of foreign exchange affairs’ and specify the BE and the scope* of transactions conducted under its name.

* ① TE’s BE transactions ② TE transactions

- **Business Plan:** Describe TE’s CBM in detail and complete and submit the CBM Check List (See Reference 2) additionally. Be sure to include the range of branches and legal entities covered by the CBM, detailed transaction, execution, and settlement procedures, etc.

(2) When registering, modifying, or deleting an SE, the BE must also fill out and submit a list of SEs in ‘⑤ the details of foreign exchange affairs’ of the registration application form.

- The list must include each SE’s branch/corporate name, country of domicile, address, and identification number (domestic business ID number, LEI, etc.).
- If necessary, the list can be prepared as an attachment (Please indicate “see attached” in the registration application).

Reference 1

CBM Coverage Guidelines

	TE's BE Transactions	TE Transactions
RFI registration unit	Registration required by branch or legal entity (excluding sales entities)	Registration required by branch
Transactions with a customer	Available in the name of the BE	Trade only with TEs or SE customers pre-registered
Deal booking and confirmation	Available in the name of the BE	Perform in the name of the BE
Settlement in foreign currency	Can be settled with a foreign currency account under the name of the BE	Settle with a business foreign currency account under the name of the TE (It is also possible with an integrated account in the name of the BE at the group level.)
Settlement in Korean Won	Can be settled with a business won account under the name of the BE	Settle with a business won account in the name of the TE
Reporting to BOK's FEIS	The BE is required to report; but it can delegate this reporting obligation to the TE and SI	The TE is required to report itself; but it can delegate this reporting obligation to the SI.
Foreign exchange broker contracts and interbank transactions	Contracts for each branch other than a BE level contract is not necessary, and transactions must be made in the name of the BE in the interbank market.	Apart from the BE level contract, contracts for each branch are necessary, and transactions must be made in the name of the TE in the interbank market. * Consolidated contract at the group level is permitted.

(Attachment) CBM Recognition Checklist

1. Trading Entity: *(Fill it out yourself)*

2. Booking Entity: *(Fill it out yourself)*

3. Sales Entity: *(Fill it out yourself)*

4. Checklist

Question	Answer
1. Is all information on the transaction confirmation (e.g. MT300) with the customer, and the interbank market participating institution recorded in the name of the Booking Entity?	Y
2. Is all information on the payment order (e.g. MT202) with the customer and the interbank market participating institution recorded in the name of the Booking Entity?	Y
3. Does the Trading Entity share the credit line of the Booking Entity?	Y
4. Did the customer and the interbank market participating institution complete onboarding at the Booking Entity or do they plan to be onboarding at the Booking Entity?	Y
5. After trading with the customer and the interbank market participating institution, is it booked directly in the name of the Booking Entity without engaging in a back-to-back arrangement?	Y
6. Is there a case in which the Trading Entity becomes a direct counterparty to contract or legal liability in the course of the overall transaction?	N
7. Are you aware that if a Trading Entity registered in recognition of the CBM trades under the name of the Trading Entity, overall procedure, such as trade, booking, confirmation, settlement, and reporting, must be carried out in the name of the Trading Entity in accordance with the Guidelines for Centralised Booking Model?	Y
8. Are you also aware that if you violate item 7 above, not only administrative measures such as warning and correction orders, but also disciplinary actions such as revocation of RFI registration may be imposed in case of serious and egregious violations?	Y
9. If necessary, do you agree to provide the information required by the Korean authorities to verify the facts of item 7 above?	Y
* It includes trading location, trader name/location, notional, direction, product type, settlement information, client information (Only if the client agrees).	

[Date]

Applicant (Representative)

(Sign)