March 10, 2025

MINISTRY OF ECONOMY AND FINANCE ANNOUNCES AMENDMENTS TO THE FOREIGN EXCHANGE TRANSACTIONS REGULATIONS

I. OVERVIEW

On February 10, 2025, the Ministry of Economy and Finance announced that the Foreign Exchange Transaction regulations are amended in part and implemented effective as of February 10, 2025 (Ministry of Economy and Finance Notice No. 2025-4).

II. KEY AMENDMENTS

1. Overhaul and simplification of payment procedures

The procedures for transfer of overseas relocation expenses and overseas Koreans' wealth overseas, which were separately regulated, have now been integrated into the payment procedures for residents, non-residents, or foreign residents, as applicable. Provisions relating to the procedures for the transfer of overseas relocation expenses and the export of domestic property by overseas Koreans have also been accordingly amended (Articles 1-2, 2-3, 4-3, 4-4, 4-6, 4-7, 5-11, 7-8, 7-9, 9-5, 9-43, and 10-11).

2. Obligation to declare payment proceeds for export/import of goods

The requirement to declare payment proceeds for the exportation or importation of goods with the Bank of Korea has been relaxed. Under the new regulation, the reporting requirement is imposed only with respect to transactions whereby the contractual value of goods being exported or imported exceeds USD 100,000 and payment is made more than one year prior to the shipment of goods. Any industrial facilities under the Foreign Trade Act, such as ships and railroads, are now exempted from the obligation to declare, and the obligation to perform corresponding imports or exports no longer applies (Articles 5-8, 5-9).

3. Relaxed procedures for reporting and follow-up management of foreign direct investment

The threshold for foreign direct investments eligible for ex-post reporting within a year has increased from USD 50,000 to USD 100,000, and such direct investment is now managed through the "designated foreign exchange bank" system. For investments of USD 3 million or less, regardless of business type, the submission of annual business performance reports is no longer required. Additionally, reporting obligations related to the incorporation of subsidiaries, changes in investment amounts, or the liquidation of local companies have been removed from the foreign direct investment report. (Articles 9-1, 9-5, 9-9, and 9-39).

4. **Improvements to establishment, operation and follow-up management of overseas branches**

   Overseas branches and offices may now be freely established, but remittances to overseas branches and offices will be monitored and managed through designated foreign exchange banks. In addition, there will be no distinction between a non-self-supporting accounting system and a self-supporting accounting system for overseas branches, and overseas branch offices are no longer required to submit financial statements and accompanying documents (Articles 7-14-2, 9-16, 9-18, 9-19, 9-20, 9-23, 9-25)

5. **Expansion of the scope of domestic import usance, addition of exceptions to the offset declaration**

   Borrowings related to the import acquisition financing of banks are now included in domestic import usance and no longer subject to the foreign exchange soundness charges. Borrowings related to banks' import acquisition financing are now classified as domestic import usance and are no longer subject to foreign exchange soundness charges. Additionally, if a domestic shipping agent offsets ordinary operating expenses against charges collected on behalf of a foreign shipping company, such transactions are no longer required to be declared as an offset. (Articles 1-2, 2-1-2, 2-11-2, 4-8, 5-4, 5-6, and 7-34).

III. IMPLICATIONS

With changes to overpayment periods, as well as major reporting and notification obligations for overseas direct investment and foreign branches, businesses are encouraged to review the amended regulations to ensure compliance with their reporting and notification requirements..

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