



Services

Where can we take you?

South Korea



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South Korea's regulators have been exceptionally busy lately. After rolling out a series of investor-friendly reforms, the country is now on the verge of being added to FTSE Russell's flagship bond index. Marcello Topa, Head of Global Advocacy for Investor Services at Citi, joins Hyun-Hee Kim, South Korea Custody Head, in this fifth edition of our "Where Can We Take You" series, to talk about South Korea's sweeping transformation and its imminent bond market index inclusion.

Q Topa: South Korea's regulators have doubled down on their reform efforts. How are they making the market more accessible to foreign investors?

A Kim: Global investors have historically been underweight South Korean securities in their asset allocations, primarily because the market was not that easy to access or navigate. Local regulators have since tried to remedy this by introducing a number of positive measures, aimed at making the market less restrictive for foreign investors. To put the scale of South Korea's recent reform efforts into perspective, some of our clients are saying that the country has seen more regulatory change in the last two years than in the last two decades.

One of the biggest developments was the decision taken in 2023 by the local regulator, the Financial Services Commission (FSC), to abolish the foreign investors' registration requirement. This provision, which had been in place since 1992, obliged foreign investors to pre-register with the Financial Supervisory Service (FSS), a separate regulatory body, and obtain an Investment Registration Certificate (IRC) as part of the account opening process. Under the new regime, a foreign individual investor can open up an account at a local custodian or broker by providing just their passport number, or Legal Entity Identifier (LEI), in the case of a corporate investor.

Since the IRC submission provisions were scrapped, the number of new account openings by foreign investors has skyrocketed, and is currently averaging around 300 – 400 each month, a sharp increase from 2023, when that monthly average stood at just 105.¹

Q Topa: What else are regulators doing to make markets more accessible to foreign investors?

A Kim: The FSC has eased some of the reporting requirements for foreign investors with omnibus accounts. Instead of having to report information about transactions at the time of settlement, i.e. T+2, investors can now provide this information to the FSS on a monthly basis. This was something which Citi repeatedly advocated for during its conversations with regulators.

New corporate transparency standards are being adopted in the country too. It will now become mandatory for large KOSPI-listed companies to provide English language versions of any material disclosures which they make to the Korea Exchange. Previously, this information was only available in Korean, making it challenging for foreign investors.

Regulators have also made changes to boost foreign investor participation in the onshore FX market. In July 2024, the local FX market was opened to registered financial institutions (RFIs), i.e. foreign banks, allowing them to carry out deliverable interbank and USD/won

spot, forward and swap trades onshore.² In addition, the won's trading hours were extended from 0900HRS – 1530 HRS to 0900HRS-0200HRS the following day, giving overseas investors more time to trade onshore FX.

And finally, South Korea's short selling rules have been updated. The country has a long track record of imposing arbitrary short selling bans, usually in response to market volatility or concerns about naked short selling. The latest ban, introduced in November 2023, was lifted in March 2025 following the rollout of a Naked Short Selling Detecting System, a new mechanism designed to prevent naked short selling in real-time.³

Q **Topa:** How is Citi helping its clients manage the various changes in South Korea?

A Kim: We play a vital role in bridging the gap between clients and regulators in South Korea, sharing timely market developments with clients, whilst simultaneously communicating client feedback to the authorities, including the FSC, FSS and the Ministry of Economy and Finance, together with local financial market infrastructures (FMIs), on a regular basis. One of our main differentiators is the sheer size of our network, which gives us unparalleled insights into the best practices being adopted across different markets.

We have been active in helping our clients navigate the changes in South Korea. For example, at the point when foreign investors were no longer obliged to obtain an IRC, it became clear that a new account opening form would be required. Without a standardized registration form, investors would have been forced to submit a new form every time they open up an account at a different custodian or broker. Such an outcome would have led to all sorts of inefficiencies.

To prevent this from happening, Citi collaborated with the Korean Financial Investment Association (KOFIA), to create a standardized account opening form, which has made life easier for investors when accessing the market through multiple brokers or custodians.

Q **Topa:** The reforms have not gone unnoticed by index providers. How will index inclusion impact South Korea?

A Kim: Index providers are taking note of the changes in South Korea, and rightly so.

In 2024, FTSE Russell announced that South Korea would be added to its World Government Bond Index (WGBI), with inclusion being phased in over an eight month period in eight equal monthly tranches, between April 2026 and November 2026. South Korea is expected to be given a 2.05% weighting in the WGBI, making it the ninth largest weighting among the included countries, and putting it just behind Spain and the UK.⁴ WGBI inclusion will provide South Korea with a much-needed liquidity boost, with \$56 billion from foreign investors expected to enter the country as a result.⁵

Despite the WGBI inclusion, South Korea is still categorized as an Emerging Market by MSCI, and not a Developed Market even though the country has a lot of developed market characteristics. According to MSCI, the main reason for this was because of South Korea's short-selling ban, which has since ended. Whether or not MSCI upgrades South Korea to Developed Market status is yet to be seen.

As South Korea pushes through its ambitious reform agenda and index providers take notice of the country's potential, Citi is well positioned to support its clients every step of the way.

¹ FSC – June 21, 2024 – [Market access improved for foreign investors with abolishment of Investment Registration Certificates](#)

² FX Markets – December 19, 2023 – [Banks rush to register as Korean onshore FX market opens up](#)

³ S&P Global – April 24, 2025 – [From ban to boom: How South Korea learned to love short selling again](#)

⁴ Ministry of Economy and Finance – April 9, 2025 – [Korea's inclusion in the FTSE Russell World Government Bond Index is confirmed for full inclusion by November 2026](#)

⁵ Bloomberg – April 8, 2025 – [FTSE delays Korea inclusion in major bond gauge by 5 months](#)