

Major Policy Initiatives

First, promoting the 5-year TB as a major benchmark bond

- Although 10-year TBs would be ideally suited as a benchmark for long-term bond market improvement, insufficient issuances and liquidity for long-term treasury bonds require that 5-year TB issuances be increased from 30% to 40% of the total and 3-year TB issuances reduced from 40% to 30%.
- In addition, the issuance dates for new 5-year TB issuance will be changed from March/September to June/December so payment and maturity dates are spread evenly throughout the year

Second, enhancing 10-year TB liquidity and promoting an active secondary market

New 10-year TBs, previously issued in March and September, will now be issued in September (since the reopening period will be extended from 6 months to 1 year) as well as other periods to increase outstanding volume by matching the terms and conditions of new issuances to those already in existence.

- The minimum trading requirement for primary dealers to trade benchmark bonds in the Korea Trading System will be raised from 40% to 50% of trade volume
- For the performance evaluation of primary dealers, trading amount of 10-year TBs will be weighted twice as much as that of 3-year TBs in point scoring system.

Third, increasing the marketability of treasury bonds and simplifying settlement procedures so that TB coupon payment dates will be March 10, June 10, September 10 and December 10.

In accordance with the above-mentioned policies, the issuance date for new treasury bonds will be changed as follows: interest payment dates for 5-year

TBs issued June this year will be 10 June and 10 December, and the maturity date will be 10 June 2009, five years after issuance.

***Treasury Bond Issuance Dates and Coupon Payments**

Maturity	Current TB issuance date	Changed TB issuance date
3-year TB	Every First Wednesday of March and September	10 March and 10 September
5-year TB	Every Second Wednesday of March and September	10 June and 10 December
10-year TB	Every Third Wednesday of March and September	10 September*

**Due to the reopening period extension (from the current 6 months to 1 year) new issuances will only occur once a year (10 September) and interest payments made twice a year (10 September and 10 March)*

Fourth, for a more efficient TB trading system, bonds will now be denoted by coupon rates and maturity dates, in accordance with global standards.

<Examples of new denotation>

3-year TB with coupon rate of 4.00%, issued in March 2004

Current
Treasury 2004-1 Issuance year—Order of Issuance

Changed
Treasury 0400-0703 Coupon rate- Maturity(Y/M)

Fifth, to encourage TB market participation on auction day, the bid schedule will be changed from 13:20-14:00 to 10:40-11:00.

Transaction settlement dates for the primary market has also been changed from the previous [T+2] to the first business day after the auction [T+1], based on KSE bond market practices.

- When the payment date falls on a public holiday or last day of the maintenance period, however, interest payments can be made the following business day, allowing primary dealers to mitigate the burden of financing.