



LAWS TO CURB ‘MARKET DISRUPTIVE ACTIVITIES’ TO TAKE EFFECT FROM JULY 1, 2015

As of July 1, 2015, the Financial Investment Services and Capital Markets Act (“FSCMA”) was amended to regulate so-called “market disruptive activities”, a newly created category of unfair trading activities in addition to the traditional insider trading and market manipulation activities. Under the amended FSCMA, those who engage in market disruptive activities will face a monetary penalty up to 1.5 times the undue profit gained from such activities.

KEY PROVISIONS

1. Types of market disruptive activities

(1) Market Disruptive Activities using information

Monetary penalty will be imposed on anyone who uses material non-public information that he or she produced or acquired in relation to his or her job responsibilities, or acquired from insiders and first-level tippees (e.g., second and third-level tippees) or in an improper manner (e.g., computer hacking, stealing, blackmailing, etc.), for his or her trading in listed securities, listed derivatives or OTC derivatives with listed underliers.

(2) Market Disruptive Activities manipulating market prices

Monetary penalty will be imposed on anyone who engages in any of the following activities that affect or may affect market prices unfairly even in the absence of the specific intent:

- (i) Submitting a large number of quotations that are highly unlikely to be executed, or correcting or cancelling such quotations repeatedly after submission;
- (ii) ‘Wash sale’ without any real intent to transfer the rights;
- (iii) Matching orders aiming for the profit/loss transfer or tax evasion; and
- (iv) Spreading rumors or devising a scheme that could mislead others on the supply & demand or price of listed securities or listed derivatives, or distort their prices.

2. Calculation of Monetary Penalty

For the market disruptive activities, monetary penalty up to KRW 500 million may be imposed; *provided that* if undue profit gained from such activities exceeds KRW 500 million, 1.5 times the undue profit shall be the maximum monetary penalty to be imposed.

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