

SHORT SELLING AND DISCLOSURE RULES TO BE IMPROVED

The FSC outlined its plan to improve rules for short selling and disclosure to strengthen investor protection.

Short Selling Rules

1. Short sellers shorting during the period of paid-in capital increase¹ will be barred from buying the newly-issued stocks.
(Amendment proposal for the Financial Investment Services and Capital Markets Act will be submitted to the National Assembly in Q1 2017)
2. KRX will designate “overheated short-selling stocks”² at the close for stocks showing extraordinary increases in short selling and sharp falls in prices during the trading hours to prohibit short-selling for those stocks on the following day.
(The new rule will be implemented in early 2017 after KRX revised relevant regulations)
3. Sanctions against violation of short-selling rules will be strengthened.
 - ✓ Those who breached short-selling rules such as prohibition of uncovered short-selling or up-tick rules will be subject to heftier fines than those imposed on other violations. *(KRX will revise relevant regulation in Q1 2017)*
 - ✓ Price manipulative activities exploiting short-selling positions will be added to types of ‘Market Disruptive Activities’ under *the Financial Investment Services and Capital Markets Act*. *(Amendment proposal for the Financial Investment Services and Capital Markets Act will be submitted to the National Assembly in Q1 2017)*
4. The deadlines for reporting and disclosure of short positions in large amounts or by shares will be shortened from the current T+3 days to T+2 days.
(Relevant regulations to be implemented in Q4 2016)

¹ Between the date when the paid-in capital increase is publicly announced and the date when issue prices of stocks are decided

² KRX will set standards for designating “overheated short-selling stocks”

Disclosure Rules

1. Deadlines for disclosure of technology transfer will be shortened to provide investors with timely information. *(To be implemented Q4 2016)*
 - ✓ Corrections to information of voluntary disclosure should be made by 6pm on the same day of such changes, earlier than the current deadline of the following day 6pm.
 - ✓ Among information currently subject to voluntary disclosure, important information that could affect investors' decision such as *'technology transfer and introduction'*; *'partnership agreement'*; and *'acquisition or transfer of patent rights'* will be made subject to mandatory disclosure, which should be made on the same day of such event.
2. In case of long-term contracts, every crucial progress of the contract will be mandated to be disclosed. *(To be implemented in Q4 2016)*
3. Maximum penalties on violation of disclosure rules will be raised by 5 folds³ to hold companies more accountable for accurate and timely disclosure.
(To be implemented in Q4 2016)

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr

³ KOSPI: KRW 200 million → KRW 1 billion
KOSDAQ: KRW 100 million → KRW 500 million