

SHORT SALE BAN EXTENDED UNTIL MARCH 30, 2025

- Current ban on short sale to be enforced until March 30, 2025 to prepare for development of electronic short sale processing and monitoring systems intended to prevent naked short selling and to alleviate concerns about potential disruption in market's fair pricing function.

※ Covered short selling by market makers and liquidity providers will continue to be allowed.

The Financial Services Commission held an extraordinary session on June 13 and decided to extend the period of enforcing short sale ban currently set to expire at the end of this month until March 30, 2025. However, covered short selling by market makers and liquidity providers will continue to be allowed in the same way as before.

On November 5, 2023, the FSC decided to ban short selling in domestic stock markets against the backdrop of growing market uncertainties and the uncovering of large-scale illegal short sale activities carried out by global investment banks, leading to concerns about disruption in fair pricing function and undermining trust in the capital market.

Since then, the government and related authorities carried out investigations into the situation and found out cases of naked short sale activities amounting to some KRW211.2 billion. At the same time, the authorities have worked to seek fundamental solutions to overhaul the system to prevent illegal short sale activities.

To this end, until the end of March 2025, the authorities plan to set up a completely electronic short sale processing system that can prevent naked short selling. First, the Financial Supervisory Service (FSS) will provide relevant guidelines to ensure that institutional investors can set up their own internal short position balance management system within this year. The Korea Exchange (KRX) plans to finish up developing the Naked Short-selling Detection System (NSDS) by the end of March 2025, which will function as a central monitoring system allowing authorities to compare and scrutinize the balance and over-the-counter (OTC) transactions information of institutional investors.

The FSC expects that resuming short selling activities without the establishment of such electronic processing and monitoring systems risks the recurrence of illegal short sale activities in large scale. Therefore, to establish the electronic short sale processing and monitoring systems that can help to alleviate concerns about the potential disruption in market's fair pricing function, the FSC decided to extend the current short sale ban until March 30, 2025.

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