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Press Release

March 31, 2005

Correction to March 31 Financial Times Article “Seoul’s new rules anger overseas investors” by Anna Fifield

The FSC/FSS and the Ministry of Finance and Economy hereby issue a correction to March 31 Financial Times article entitled “Seoul’s new rules anger overseas investors.” The article misinterprets the recently amended “5% rule,” labeling it a “draconian” requirement and a move designed to tighten controls on foreign investors. In particular, the article stretches the 5% rule to suggest that it was connected to the equity investment in SK Corp. by Sovereign Asset Management and the gains recently achieved by Newbridge Capital after selling its stakes in Korea First Bank.

The 5% rule was first established with an amendment to the Securities and Exchange Act in 1991. The newly amended 5% rule was passed by the National Assembly on December 31, 2004, promulgated on January 17, 2005, and took effect on March 29, 2005.

It is important to note that the 5% rule is widely adopted and enforced in many countries—particularly stringently in the U.S.—and Korea’s 5% rule is modest with respect to the kinds of disclosure compliance it requires from investors. Thus, the assertion made in the FT article that Korea’s 5% rule is “draconian” is a hyperbole and a mischaracterization that can only be expected from uninformed or misinformed observers.

Moreover, as the FSC/FSS has pointed out on numerous occasions, the changes adopted to the 5% rule were intended only to replace broadly worded provisions with more specific and unequivocal rules. It was never intended to control the “pernicious” effects of foreign capital as the article falsely asserted.

The FSC/FSS and the Ministry of Finance and Economy further note that the amended 5% rule is part of the ongoing effort to raise Korea’s corporate governance to the highest global standards. It is not related in any way to particular foreign investors and is applied equally and fairly to all investors, domestic and foreign. It is certainly not intended to tighten controls on foreign investors.

The FSC/FSS and the Ministry of Finance and Economy would like to take this opportunity to reiterate and reaffirm Korea’s commitment to a level playing field and an equal treatment for all investors.

Attached: Summary of the Newly Amended 5% rule
Comparison with Japan and the U.S.



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Summary of the Newly Amended 5% Rule

The following is a summary of the newly amended 5% rule that took effect on March 29. The 5% rule requires an investor who acquires 5% or more of a publicly traded company's total outstanding shares or changes his share ownership by 1% or more thereafter to disclose it within five days from the date of the transaction.

Re-filing of disclosures for investors subject to the 5% rule

Under the amended provisions, an investor who previously filed a disclosure under the 5% rule with "Exercising Influence on the Management" of the investee company as the intended purpose of the investment must re-file a disclosure on the share ownership and the intended investment purpose within five days after the new reporting requirements take effect on March 29.

That is, an investor who holds 5% or more of the investee company's shares with Exercising Influence on the Management as the intended investment purpose as of the effective date must file a new disclosure using a new reporting format between March 29 and April 2 even if one were filed prior to March 29 and no change in share ownership had occurred since.

Thus, the new reporting rule is applicable to investors who, as of the effective date, stated Exercising Influence on the Management as the investment purpose as well as investors who, as of the effective date, changed the investment purpose to Exercising Influence on the Management after a previous filing. Investors who disclosed the investment purpose as "Investment Only" are excluded from the new reporting requirements.

Investment Purpose and Reporting Requirements (As of the effective date of March 29, 2005)

Current Investment Purpose	Investment Purpose As of the Effective Date	Compliance with the New Disclosure
Exercising Influence on the Management	Exercising Influence on the Management	Yes
Investment Only	Exercising Influence on the Management	Yes
Investment Only	Investment Only	Excluded



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Five-day “cooling-off period” after reporting Exercising Influence on the Management as the intended investment purpose

The amended 5% rule also mandates a five-day “cooling-off” period during which investors who declared Exercising Influence on the Management as the investment purpose are barred from acquiring any additional interests in the investee company or exercising any voting rights in the affairs of the investee company.

Thus, investors are advised to take into account the timing of the investee company’s general shareholders’ meeting in deciding when to file the disclosure under the amended rules to avoid the restrictions imposed during the cooling-off period.

Reporting of a change in investment purpose

Under the old rule, reporting of a change in investment purpose was required as supplementary information when a change in share ownership occurs; i.e., no reporting was required for a change in investment purpose if no change in share ownership occurred. Under the amended 5% rule, investors are required to not only disclose the specific purpose of the investment in the investee company—either for Investment Only or for Exercising Influence on the Management—but also report a change of investment purpose within five days from the date of the change even if no change in share ownership had occurred.

Thus, a change in investment purpose triggers mandatory filing of the change with the FSC/FSS. Investors are advised that a change in investment purpose to Exercising Influence on the Management also triggers the five-day cooling-off period after the filing and that they are barred from acquiring additional shares or exercising voting rights in the investee company.

More specific disclosures on the reporting entity and the source of investment capital

If the reporting entity is a business entity, disclosures are to be made on the legal form of the business entity, its officers, and its largest shareholder. If the purpose of the investment is Exercising Influence on the Management, disclosures are to be made on the investment purpose and how the investment capital was formed (not required if the investment purpose is Investment Only).



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Comparison with Japan and the U.S.

	Korea	Japan	U.S.
Related Law	Article 200 - 2 of the Securities and Exchange Act	Article 27 - 33 of the Securities Exchange Act	Section 13 (d) of the Securities Exchange Act of 1934
Applicable Investors	Any person who holds 5% or more together with the specially related person	Any person who holds 5% or more together with the specially related person	Any person who acquired 5% or more either directly or indirectly
Amendment Reports	<ul style="list-style-type: none"> - Change in holding amount by 1% or more - Change in investment purpose (effective as of March 2005) 	<ul style="list-style-type: none"> - Change in holding amount by 1% or more - Any material change (e.g., change in address, investment purpose, contract) 	<ul style="list-style-type: none"> - Any material change (e.g., change in holding amount by 1% or more, change in investment purpose)
Reporting Deadlines	<ul style="list-style-type: none"> - Original report: within 5 days - Amendments: within 5 days - <u>Institutional investors</u>: by the tenth of the following month (in case the investment purpose is not for management participation or control) 	<ul style="list-style-type: none"> - Original report: within 5 days - Amendments: within 5 days - <u>Institutional investors</u>: by the 15th of the third month from the date of acquisition or amendment 	<ul style="list-style-type: none"> - Original report: within 10 days - Amendments: promptly (without a delay; in general, within 10 days) - <u>Institutional investors</u> <ul style="list-style-type: none"> (i) without management purpose: by the 45th day of the following year from the date of acquisition or amendment (ii) with management purpose: within 10 days from the date of acquisition, by the 45th day of the following year from the date of amendment
Penalties	<ul style="list-style-type: none"> - Imprisonment for a period of 1 year or below or fine not more than KRW5 million (Regulations on the penalties for false statement on material facts or omission of facts have been effectuated as of the March 2005.) - Restriction on exercise of voting rights/ order for sales of voting shares - Warning or caution 	<ul style="list-style-type: none"> - Violation on the report, materially false statement : imprisonment for a period under three years or fine not more than 3million Yen - None - None 	<ul style="list-style-type: none"> - Willful violation : imprisonment for a period under 20 years or fine not more than \$5 million (Penalty Section of the Securities Exchange Act of 1934) - None - Cease-and-Desist Order (similar to warning, caution issued by the Korean authority)

Please forward questions or comments regarding this press release to the Equity Disclosure Team, Disclosure Supervision Department (Tel: +82-2-3786-8423), Financial



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