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Press Release

February 1, 2007

New Disclosure Measures for Foreign Securities Issuers

The Financial Supervisory Service announced several new measures it plans to adopt in order to fine-tune disclosure regulations on foreign securities issuers toward global standards amid growing interest among foreign companies to make public offerings or list in Korea. The FSS also plans to issue a new publication entitled “Guide to Stock Offering and Listing by Foreign Issuers” that explains the stock offering and listing processes and related regulations (in Korean).

Regulations on public offering and listing by foreign issuers have been continually amended and fine-tuned to global standards since 2005. They include primary listing of foreign companies and foreign holding companies along with globally accepted listing standards (Dec. 23, 2005), exemption from mandatory IPO allotment (20%) to employee stock ownership plan (Feb. 15, 2006), mandatory designation of domestic agent for investor protection (Sept. 13, 2006), and simplified reporting format for foreign issuers (Jan. 24, 2007).

New Disclosure Measures for Foreign Issuers

The FSS is planning to adopt several globally accepted investor protection measures in response to public stock offering plans by foreign entities that are incorporated as holding companies offshore in places such as Bermuda and Cayman islands.

- Disclosure on subsidiary units

Financial and non-financial disclosures are to be provided on a consolidated basis for the subsidiary units of offshore holding companies in order to ensure appropriate disclosures on the business activities of subsidiary units that effectively represent the activities of the holding company.

Financial disclosures include financial statements and audit opinion from an independent external auditor. Non-financial disclosures include disclosures on key business activities, board of directors, affiliated companies, management makeup, and transactions with related parties.



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- Disclosure on corporate governance structure

Disclosures on the corporate governance structure of offshore holding companies (including applicable laws and key provisions of the articles of incorporation), differences with local governance systems and practices, and major activities of the board of directors of the subsidiary units and related information are to be provided to investors.

- Disclosure on legal risks

Explanations on key legal and regulatory provisions relating to the places of the incorporation of offshore holding companies and the subsidiary units along with legal risks the companies face are to be disclosed. These disclosures are to be accompanied by separate legal opinions from licensed local and offshore attorneys as to the accuracy of the disclosures and the legality and the suitability of securities issuance in Korea.

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