



Financial Supervisory Commission
www.fsc.go.kr



Financial Supervisory Service
www.fss.or.kr

Press Release

December 28, 2007

Newly Amended Securities Trading Regulations for Foreign Investors to Take Effect January 1, 2008

The Financial Supervisory Commission adopted on December 21 amendments to Regulation on Supervision of Securities Business that are specifically aimed at facilitating exchange and off-exchange securities trading and bond investment by foreign investors. The newly amended regulations, which will take effect January 1, 2008, are part of the ongoing effort by the FSC/FSS to continually improve Korea's investment and regulatory climate for foreign investors. In addition to the newly amended regulations, the FSC/FSS plans to significantly simplify trading reporting requirements and further relax trading restrictions for foreign investors in the near future. Below is a summary of the newly amended regulations.

Expanded off-exchange trading

Trading of securities by foreign investors is generally restricted to exchange-listed securities unless the transaction falls into one of the 16 exemptions currently provided for off-exchange trading.

The newly amended trading rules expand the exemptions and allow off-exchange securities trading where (1) a foreign investor trades dual-listed shares—at Korea Exchange and an overseas exchange—through an overseas exchange; (2) a foreign fund manager transacts at a fair market price securities between different funds he or she manages; (3) a foreign investor transacts listed bonds with another foreign investor through an omnibus account of an international central securities depository (Euroclear and Clearstream). (Regulation on Supervision of Securities Business, amended §7-8)

Exemption from custody under Korea Securities Depository

Under the current securities depository rule, a foreign securities depository that acquires securities of a Korean company listed in multiple exchanges overseas must place the securities under the custody of Korea Securities Depository (KSD).

The amended rule exempts foreign securities depositories from the KSD custodian rule so that foreign securities depositories will no longer be required to place under the KSD custody the securities of overseas-listed Korean companies. (Regulation on Supervision of Securities Business, amended §7-15)



Financial Supervisory Commission
www.fsc.go.kr



Financial Supervisory Service
www.fss.or.kr

Timing of foreign equity cap determination in restricted domestic companies

For listed domestic companies with a cap on foreign share acquisition, the determination of whether a foreign investor's share acquisition has reached the cap is made at the time of a bid for a buy order and at the time of execution for a sell order.¹ Thus, trading of the shares of the restricted companies that have already reached the foreign acquisition cap is all but closed to foreign investors in the exchange because of the determination of the foreign acquisition cap at the time of the bid.

The amended trading rule for foreign investors provides that, for a block trade on the exchange between foreign investors, the determination of whether foreign share acquisition has reached the cap is to be made at the time of the execution of the order. (Regulation on Supervision of Securities Business, amended §7-1)

Registration exemption for Korean government bond investors

Trading through an omnibus account of an international central securities depository has not been available to foreign investors in Korea because of the foreign investor registration requirement under the name of the individual investor.

Under the amended regulations, foreign investors who invest in Korean Treasury Bonds or Monetary Stabilization Bonds through an omnibus account of an international central securities depository are exempt from the foreign investor registration requirement. (Regulation on Supervision of Securities Business, amended §7-10)

Contact Persons:

Kim Hyun-Yul
Head of Capital Market Supervision Team
Securities Supervision Department
Financial Supervisory Service
(02) 3786-8342

Douglas Kim
Foreign Spokesperson
Financial Supervisory Commission
Financial Supervisory Service
(02) 3786-7915

¹ Currently, foreign investors are subject to a share acquisition cap on 24 KRX-listed companies.