



Financial Services Commission
www.fsc.go.kr

Press Release

March 12, 2012

REPORTING SYSTEM OF HIGH-VOLUME SHORT SALES

BACKGROUND

Since the global financial crisis, major economies have adopted a reporting regime for high-volume short sales in line with global discussions* to enhance transparency of short selling.

<IOSCO Objectives of Reporting of Short Selling>

**Principles for Short Selling Regulation* proposed by the International Organization of Securities Commission (IOSCO) on June 2009.

- Provide ready access to information on short selling to improve insight into market dynamics;
- Deter market abuse;
- Mitigate the potential disorderly market effects of aggressive short selling;
- Provide early warning signs of a build-up of large short positions and alerts to prompt investigation into suspicious activities that may be potentially abusive or disruptive to the orderly functioning or stability of the markets; and
- Provide evidentiary proof that aids in post-event investigation and disciplinary action.

By introducing a reporting regime for large short positions, Korea will also join the global effort to expand a pool of information for market supervision and maintain the orderly functioning or stability of the markets.

We will continue to reflect global discussions and advanced markets' regulatory reforms in domestic regulations on short selling in order to make them more compatible with global principles.

KEY CONTENT

It will become mandatory for investors to report short positions that exceed a certain threshold to both market authorities and KRX.

*The Enforcement Decree of the Financial Investment Services and Capital Markets Act (FSCMA)** will be revised to lay a legal foundation for mandatory reporting of large short positions

**Article 180 of the FSCMA prohibits short sales in principle and exceptionally allows covered short selling in a manner prescribed by the Enforcement Decree.*



Financial Services Commission
www.fsc.go.kr

Further details such as the trigger level, frequency, and timing of reporting will be reflected in *Regulation on Financial Investment Business* to be implemented within the third quarter of this year.

Emkay Kim
Foreign Press Spokesperson
Financial Services Commission

tel: + 82-2-2156-9582
fax: +82-2-2156-9538
e-mail: emkaykim@korea.kr