

TEST OPERATION OF OMNIBUS ACCOUNT

The FSC/FSS and relevant agencies¹ will launch a test operation of 'omnibus account'² starting from May 25 with four standing proxies, two securities firms and one global financial investment company. The test run is (i) to have foreign investors engage in devising detailed procedures; and (ii) to prevent technical errors in electronic and settlement system in advance of a full operation of the omnibus account system in 2017.

The test operation will be proceeding in two stages:

- [stage 1] Mock Trading (May 25~Sept. 2016)
Participants will process a whole procedure of order, settlement and ex-post reporting through a mock trading system to check detailed operation process and stability of electronic system.
- [stage 2] Real Trading (Sept. 2016~before an official operation scheduled in 2017)
A limited number of participants including global investors who participated in mock trading will conduct real trading through an 'omnibus account.' The FSC/FSS will gather their suggestions in the process of the stage 2 and amend the system until the full operation in 2017.

The FSC/FSS will reflect suggestions gathered from global investors in the process of the test operation into detailed procedures of the omnibus account system; and help more global investors participate in each stage of the test run.

¹ KRX, KSD, KOSCOM

² FSC Press Release(Feb. 1, 2016) 「'Omnibus Account' for Foreign Investors To Be Introduced」

FREQUENTLY ASKED QUESTIONS ABOUT OMNIBUS ACCOUNT

< Test Operation of Omnibus Account >

1. Why are you conducting the test run through mock trading, not real trading?

- Given the nature of an 'omnibus account' which enables a consolidated processing of trading orders and settlements from multiple investors, detailed settlement procedures may differ according to each financial institution. If the omnibus account were tested in real trading from the beginning, it might incur losses to investors accruing from settlement errors.
- The test operation will be conducted through mock trading based on various scenarios to minimize any possibility of settlement errors. We are planning to shift the test run to real trading when all systems become stable and safe.

2. Why did it take more than four months to start a test operation since the FSC first announced in January its plan to introduce the omnibus account?

- It took time for us to decide who will carry out ex-post reporting and establish a system to facilitate the reporting procedure. In particular, standing proxies are to assume responsibility of reporting transaction details to the Foreign Investment Management System(FIMS), previously undertaken by securities firms, it took a considerable time to establish an electronic system that enables a timely reporting by standing proxies to FIMS.

3. Only one global investor applied for the test operation. Why are such a small number of global investors interested in the test operation?

- Although the application was open for global investors, only a small number of global investors applied as they felt some burden in participating in the early stage of the test operation. Tests in the early stage will be more focused on stability of settlement and electronic systems than various types of transactions by many investors; therefore, it does not necessarily require a large number of global investors.
- We believe more global investors will participate in time since experiencing the omnibus account system beforehand can act as a great advantage for those seeking to invest in Korea's stock markets.

4. What is the role of global investors in the test operation? What benefits will they have?

- By participating in the test run, global investors will make suggestions on various mock trading scenarios, process orders and settlements under the mock trading system, and provide feedbacks for improvement.
- The test operation will give global investors opportunities to run the omnibus account system in advance of other investors and make their suggestions and proposals in the process of devising detailed procedures. Global investment firms who actively participate in the test operation will be granted an omnibus account on a preferential basis when the omnibus account system is officially introduced in 2017.

5. How can a global investor apply for the test operation?

- The FSS will upload an application form on its website for each stage of the test operation; and conduct a brief review of applications to determine participants.

- We are trying to allow as many global investors as possible to participate in the test operation; however, the number of participants can be limited due to efficiency of the test operation.

< Full Operation of Omnibus Account>

1. Do you plan to introduce omnibus account in bond trading as well?

- For the time being, omnibus account will be introduced in stock trading only.
- We will introduce omnibus account in other securities in the future after omnibus account for stock trading is successfully implemented.

2. What is the reason for requiring standing proxy, not securities firms, to report trading records after settlement?

- Standing proxies are capable of reporting trading records of individual investors more accurately than securities firms because they are the ones who manage foreign investors' omnibus accounts, and process final stage settlements.

3. What are the qualifications for omnibus account holder?

- We are currently reviewing the range of global investment companies who can hold omnibus accounts.

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr