

ELECTRONIC SECURITIES SYSTEM TO BE INTRODUCED

Securities certificates of listed stocks and bonds will be issued electronically only, not in physical form, starting from September 16, 2019.

Korea will introduce an electronic securities system as the 「Act on Electronic Registration of Stocks, Bonds, etc.」 (hereinafter referred to as 'Electronic Securities Act') and its subordinate decree will take effect on September 16.

Under the new system, securities certificates of listed stocks and bonds are required to be recorded on an electronic register, allowing investors to acquire, transfer and exercise subsequent rights electronically. Most of securities, except those that have effect only in written form (e.g. commercial papers), will be subject to mandatory electronic registration. Once registered electronically, securities issued in physical form shall not have effect. Unlisted stocks, not subject to mandatory electronic registration, may be registered electronically upon the issuer's application.

The Korea Securities Depository (KSD) will act as an electronic registry under the Electronic Securities Act, ensuring a smooth transition to the paperless system. It will be in charge of electronic registration of securities, management of rights to electronically registered securities, operation of relevant IT infrastructure, and disclosure of issuance of electronic securities, etc.

The introduction of electronic securities system is expected to save cost of issuing securities, reduce risks in securities circulation, and enhance transparency in corporate governance and securities transaction.