

## FSC TO CONTINUE TO WORK ON IMPROVING RETAIL INVESTORS' ACCESS TO STOCK SHORT SELLING

The FSC announced the latest trends in retail investors' short selling activities as stock short selling became available for KOSPI 200 and KOSDAQ 150 from May 3 this year.

### KEY DETAILS

**(SHORT SELLING ACTIVITIES)** Between May 3 and September 17 this year, the daily average short selling volume dropped about 12 percent compared to the period between January 2 and March 13 in the previous year.<sup>1</sup> Given a large increase in the overall volume of stock market transactions, the proportion of short selling in relation to the total trading amount remains about a half the previous level.

The short selling transaction volume by foreigners and retail investors increased while that by institutional investors declined. The daily average short selling volume by foreigners rose about 21 percent compared to the previous year, but the proportion of short selling vis-à-vis the total trading amount by foreigners dropped.<sup>2</sup> The daily average short selling volume by institutional investors fell by more than a half from KRW286.0 billion to KRW126.4 billion as the revised rules on market makers began to take effect from April this year.<sup>3</sup>

**(TRENDS OF RETAIL INVESTORS)** Since the partial resumption of short selling began in May, the daily average short selling volume by retail investors stands at about KRW11.0 billion, which is an increase of about 41 percent compared to the previous year. The weight of retail investors in the total short selling volume rose to 1.9 percent in 2021 from 1.2 percent in the previous year. The top ten stock items that were mostly targeted by retail investors for short selling appeared to be similar to those targeted by overall short sellers including foreigners and institutions. The authorities found no meaningful correlation between the amount of short selling and individual share prices. Nor was there any meaningful relationship between the proportion of short selling and the performance of stock prices in the market.

As of September 2021, the number of securities firms offering stock lending services

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<sup>1</sup> KRW524.8 billion (2018) → KRW420.7 billion (2019) → KRW654.2 billion (2020) → KRW573.0 billion (from May to September 17, 2021)

<sup>2</sup> 13.0% (from January 2 to March 13, 2020) → 10.5% (from May 3 to September 17, 2021)

<sup>3</sup> Please click [here](#) to see details from the press release dated December 21, 2020.

Daily average short selling volume by market makers: KRW104.5 billion (from 2019 to March 13, 2020) → KRW40.3 billion (from May 3 to September 17, 2021)

to retail investors increased from six to 19 with about KRW2.4 trillion worth of stocks from KOSPI 200 and KOSDAQ 150 available for borrowing. The balance of stock lending rose continuously at the beginning and remains at about KRW44.8 billion as of September 17. About 75 percent of retail investors were found to have returned the borrowed shares within 9.0 days on average, which is much less time compared to institutions (64.8 days) and foreign investors (75.1 days).

## **ASSESSMENT & FURTHER PLANS**

With growing interest by retail investors, short selling is more widely considered and accepted as part of retail investors' investment strategies. The number of retail investors who have completed the required learning program on short selling rose from 22,000 on May 3 to 42,000 as of September 17. About 5,000 of them have gained an upgraded short seller status as they gained more hands-on experience in short selling.<sup>4</sup>

The financial authorities will continue to work on improving rules to enhance retail investors' access to stock short selling. The securities lending services currently available from 19 securities firms will be offered by all 28 securities companies that issue credit loans to customers within this year. Setting up a real-time integrated information system for stock lending transactions this year will improve efficiency in this regard.

In addition, the authorities will expand the current stock loan period of 60 days (nonrenewable) to 90 days (renewable) starting with stocks borrowed on November 1 this year.

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<sup>4</sup> The maximum investment amount allowed for short selling varies from KRW30 million for novice investors to unlimited amounts for experienced and professional investors. Please click [here](#) to see details.