

## IMPROVEMENTS TO IPO LOCKUP RULES TO BE INTRODUCED

The FSC announced a plan to improve the IPO lockup rules which will require a minimum six-month lockup period on all insider holdings (company board members, etc.) and introduce a staggered lockup contracts system.

### KEY DETAILS

The IPO lockup rules under the listing regulation of the Korea Exchange are aimed at prohibiting sale of newly listed companies' stocks owned by company insiders for a certain period of time (usually six months) to protect investors from price volatility that may arise from a large scale stock sellout and to promote fair price discovery.

Under the current rules, the IPO lockup rules apply only to the shares acquired through stock options prior to IPO but not the shares acquired via exercising stock options after company has gone public. As such, the applicability of the lockup rules depends on the timing of exercising one's stock options (either pre-IPO or post-IPO) and there is a regulatory loophole for those intentionally choosing to acquire company stocks after IPO. To help close this loophole, the IPO lockup rules will be changed to apply to all insider holdings regardless of the timing of exercising their stock options.

Moreover, most newly listed firms have shown tendency of requiring a six-month lockup period on all insider holdings that are subject to the lockup rules even though the six-month holding period stipulated by the current regulation is the minimum requirement. This raises concern over the possibility of concentration of sell orders immediately after the end of the six-month period which may have impact on price volatility. To help address this problem, the authorities will work to introduce a staggered lockup contracts system through which newly listed companies may require different lockup periods (initial six months plus up to two years) on different stakeholders (CEO, board members, etc.) on a voluntary basis. Information about stakeholders subject to the lockup rules, their shareholding status and lockup periods will be disclosed via stock registration in IPOs.

### SCHEDULE

The improvements to the lockup rules will be enforced through revisions to the KRX's listing regulation and disclosure form. The changes in the IPO lockup rules will go into effect immediately after an approval from the SFC and the FSC in March 2022.

# # #

For press inquiry, please contact Foreign Media Relations at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr).