

AUTHORITIES PLAN TO DISCLOSE IDENTITY OF ENTITIES COMMITTING UNFAIR TRADING PRACTICES

As a way to bolster prevention of unfair trading practices in capital markets, the FSC plans to disclose the identity (corporate name, etc.) of those who violate capital market regulations such as restriction of short sales and prohibition of market disturbances and receive a disposition of a penalty surcharge or an administrative fine for that violation. This measure shall apply to the violators receiving sanctions at the 22nd regular meeting of the Securities and Futures Commission ('SFC') scheduled to be held in December 2022. Their identities will be announced through the FSC website in February 2023.

BACKGROUND

The FSC has gradually extended the scope and details—stock items, dates and penalties—of disclosure of the SFC resolutions on sanctions that are made available for unfair trading practices in capital markets. However, the identity of violators is not being disclosed currently due to the potential misuse of their corporate or individual financial transaction information by a third party.

Nonetheless, there is a growing need to secure effectiveness of sanctions measures imposed on unfair trading activities in capital markets such as illegal short sales. Therefore, after a careful consideration, the FSC decided to expand the scope and details of disclosure of sanctions by unveiling the identity of violators.

DISCLOSURE OF IDENTITY OF ENTITIES VIOLATING CAPITAL MARKET REGULATIONS

If an investigation led by financial authorities ends up with sanctions¹ of imposing a penalty surcharge or an administrative fine, the identity (corporate name, etc.) of the violator will be unveiled. Although the violators that become subject to sanctions are mostly corporate entities, in some cases, individuals also become subject to sanctions when they commit unfair trading practices such as activities of disturbing market order.

If unfair trading activities in capital markets under the investigation led by financial authorities are subject to criminal punishment,² in consideration of the potential impact of disclosure on the prosecutor-led investigation and criminal trial, the identity of violator and details of violation, including stock items, will not be disclosed. Even in

¹ Violation of disclosure duty (Article 429 of the Financial Investment Services and Capital Markets Act (FSCMA), violation of prohibition on market disturbing activities (Article 429-2 of FSCMA), violation of short selling regulation (Article 429-3 of FSCMA)

² Violation of prohibition on the use of nonpublic material information (Article 174 of FSCMA), violation of prohibition on price manipulation (Article 176 of FSCMA), violation of prohibition on illegal trading activities (Article 178 of FSCMA)

cases where authorities impose a penalty surcharge or an administrative fine but also bring a criminal charge or notify to investigative authorities, the identity of violator and details of violation will not be disclosed. However, for the cases being charged or notified to investigative authorities, the FSC plans to review ways to make the identity of violators public later after consultation with the investigative authorities, etc. in the future.

ANTICIPATED EFFECT AND FURTHER PLAN

With this plan of disclosure on the identity of violators, the details of penalties and the corporate name under sanction will be unveiled even when the violator subject to sanction is a foreign financial investment business who violated capital market regulations such as restriction of short sales. Authorities expect that the disclosure of the identity of those who violated short sales restrictions and other relevant capital market regulations will bring some deterrence effect to help lower illegal activities in capital markets.

This measure will begin to apply for sanctions decisions made at the 22nd meeting of the SFC, scheduled for December 14, 2022. The identity of those who become subject to sanctions at the 22nd SFC meeting will be posted on the FSC website in February 2023.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.