Financial Services Commission

# Press Release

April 3, 2023

# CALL OPTION AND REFIXING RULES TO BE APPLIED ON CONVERTIBLE PREFERENCE SHARES

The FSC announced that the same call option and refixing rules currently applied on convertible bonds (CBs) will begin to apply on (redeemable) convertible preference shares issued by listed companies from May 1.[1]

As a follow-up to the previously introduced plan to improve the rules on the convertible bond market announced in September last year, the FSC completed revising the regulation on securities issuance and disclosures on March 29.

The revised regulation deals with the rules regarding call option and refixing. First, it places a limit on exercising call options by largest shareholders within the level of their initial shareholding proportion at the time of the issuance of (redeemable) convertible preference shares. Also, when a call option is exercised by a third party, the issuing company will be required to disclose that information. Second, the revised regulation contains refixing rules for (redeemable) convertible preference shares issued through private offering by listed companies. This makes it mandatory to set an upward adjustment of convertible price if share prices rise after a downward adjustment of convertible price following a drop in share prices.

Along with the previously introduced (Dec. 2021) regulatory improvements on CBs, this regulatory change on (redeemable) convertible preference shares is expected to help prevent cases where these bonds and stocks are utilized as an expedient way for largest shareholders to expand their shareholding status.

This regulatory change will take effect from May 1, applicable for (redeemable) convertible preference shares decided to be issued by company boards from then on. The FSC and the FSS will continue to closely examine market situations and seek additional measures to improve the rules on the convertible bond and (redeemable) convertible preference share market.

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

[1] For details, please see the press release dated September 7, 2022.