

AUTHORITIES HOLD JOINT CONFERENCE AND PLEDGE TO STAMP OUT UNFAIR TRADING ACTIVITIES IN CAPITAL MARKETS

The FSC held a joint conference on May 23 with the Financial Supervisory Service, the Korea Exchange and Seoul Southern District Prosecutors' Office on the topic of stamping out unfair trading activities in capital markets. The conference was attended by experts from academia and research institutions. The heads of the FSC, FSS, KRX and the prosecutors' office all agreed to boost inter-agency cooperation and expressed strong willingness to root out unfair trading activities in capital markets. The conference featured presentations on (a) ways to diversify sanctions on unfair trading activities, (b) measures to strengthen early detection mechanisms, (c) the KRX's handling of recent stock price manipulation cases and ways to improve in the future and (d) an overview on the current status of unfair trading activities in capital markets and how to handle from a judicial perspective. The following is a summary of FSC Chairman Kim Joo-hyun's opening remarks.

SUMMARY OF FSC CHAIRMAN'S REMARKS

In the wake of the recently uncovered unfair trading activities in our capital market and their damaging effects, relevant authorities have come together today to collectively seek measures to strengthen our response to fraudulent activities in capital markets.

First, regarding the recent stock price manipulation cases, a joint investigation team made up of officials from the prosecutors' office, the FSC and the FSS has already been set up, and it has been expanding its scope of investigation to all areas of suspicion. By thoroughly investigating and identifying illegal activities, authorities will make sure that those suspected of breaking laws are brought to justice.

Second, authorities will promptly seek regulatory improvements in the current CFD (contract for difference) trading system on a separate track from the ongoing investigation. The improvement measures will include (a) providing more accurate investment information to investors, (b) resolving regulatory arbitrages vis-à-vis credit financing, (c) strengthening the application and confirmation process for qualified professional investors and (d) bolstering requirements for OTC transactions such as CFDs by qualified professional investors. Authorities plan to finalize the details of these measures and announce them within this month.

Third, authorities will strengthen punishment on unfair trading activities in capital markets. Currently, illicit activities are handled with criminal penalties, but they usually take a long time to reach a court decision and there are limits in collecting unfairly gained profits. A revision bill of the Financial Investment Services and Capital Markets Act (FSCMA) addressing these issues is currently under a committee review

at the National Assembly. The measures include imposing a penalty surcharge of up to twice the amount of unfairly gained profits, banning all capital market transactions for maximum ten years and prohibiting violators from serving as an executive of a listed company. In addition to this, authorities will also review ways to freeze suspicious accounts deemed to be involved in stock price manipulation.

Fourth, the FSC and the FSS will bolster coordination and cooperation and enhance our collective efforts to focus on eradicating unfair trading activities in this year. The FSC and the FSS will run joint investigations to facilitate seamless information sharing. Coordination and collaboration between financial and investigative authorities will take place in a more substantive and frequent way as the current consultative body being operated on a quarterly basis will begin to meet two or three times a month to more regularly check the overall response system.

FURTHER PLAN

Based on the discussions held at today's conference, authorities will make utmost efforts to root out unfair trading activities and help to restore fairness and trust in capital markets. Authorities will also actively review ways to improve the current response system for unfair trading activities in capital markets after gathering wide-ranging opinions from academia and relevant sectors.

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