

KRX DERIVATIVES MARKET TO OPEN 15 MINUTES EARLY STARTING FROM JULY 31

Financial authorities announced that the derivatives market, which currently opens at the same hour as stock markets, will open fifteen minutes early at 8:45 am beginning on July 31. The Financial Services Commission, the Financial Supervisory Service and the Korea Exchange announced the plan at a seminar held on the topic of strengthening the global competitiveness of financial investment business on June 8. The need and the plan for early opening was discussed at the second such seminar held in April this year. At that time, FSC Vice Chairman Kim So-young said that the derivatives market's early opening will help ease price volatility in stock market at opening hours and improve global consistency.

Since its launch in 1996, the opening hour for derivatives market has remained the same as the opening hour of stock markets. Prices determined in the derivatives market reflect various expectations from market participants about the future prices of underlying assets (price discovery function). However, unlike in overseas markets, Korea has the same opening hour for both the spot market and futures market, which has made it difficult for stock investors to discover prices of derivatives products during the early hours of stock trading sessions. Also, due to the same opening hour, price volatility has been high in stock market especially at the time of market opening (for about fifteen minutes) as adjustments needed to take place in the futures market prior to the stock market opening are directly reflected in stock prices.

In this regard, to help ease stock market's early-hour price volatility, financial authorities and the KRX plan to move up the derivatives market's opening hour fifteen minutes from 9:00 am currently to 8:45 am in line with international standards. Thus, the normal trading hours will be extended by fifteen minutes (from 9:00~15:45 currently to 8:45~15:45) and the single-price auction hours will be reduced by fifteen minutes (from 8:30~9:00 currently to 8:30~8:45). In order to prevent excessive price volatility in the derivatives market that may be caused by early opening, derivatives products will be subject to the price band of eight percent between 8:45 and 9:00 prior to the opening of stock markets. The early opening for derivatives products will first begin for KOSPI200 futures and options and the scope of derivatives products eligible for early trading will be expanded after assessing market demand.

The KRX will put up a revision proposal on relevant rules from June 8 to June 13 for public comment and after an approval from the FSC, the early opening of the derivatives market will begin on July 31, 2023. After monitoring its operation, authorities plan to seek other ways to extend the trading hours such as opening an overnight trading session.

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