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The FSS appreciates all the news broadcasting companies and online news agencies for not releasing the content of this press release before noon today. For any inquiries, please contact Foreign Spokesperson, Jiho Kim, at +822-3771-5234 (fax: -5190// gkim@fsc.go.kr).

Press Release

August 13, 2002

Investigation Findings and Disciplinary Action against UBS Warburg and Merrill Lynch Seoul Branch Offices

The FSS conducted partial on-site examinations of the local branches of Merrill Lynch from April 19 to May 10 and UBS Warburg from May 21 to June 17 to investigate allegations of improper disclosures by analysts at these two branches.

After a thorough review of the findings, on August 13, 2002, the FSS decided to take following disciplinary action against the subject firms and analysts for a number of violations that have been found through the investigation. These measures will be officially enforced after the FSC approval on Friday, the 16th.

<Sanctions against Institutions>

- The Seoul Branch of UBS Warburg will receive a “severe disciplinary warning,” which means, in case of a repeated violation, the company can be subject to a business suspension.
- The Seoul Branch of Merrill Lynch will receive a “disciplinary warning,” one step below the “severe disciplinary warning.”

<Sanctions against Staff>

- UBS Warburg: 15 employees in total, will be penalized, one of whom will

receive a severe disciplinary warning, one a suspension of business activity for a limited period of time, four a salary reduction, and the remaining nine a censure.

- Merrill Lynch: 6 employees will be penalized; one will receive a suspension of business activity, one a salary reduction, and the remaining four a censure.

** This is the first time since its foundation that the FSS has imposed sanctions against branch offices of foreign securities firms and their individual staff of measures above a salary reduction.*

The FSS will continue to carry out investigations on both domestic and foreign securities firms for any possible unlawful business conduct in order to reinforce market discipline.

Major Findings

<UBS Warburg>

The Seoul branch of UBS Warburg and 15 of its employees will be sanctioned for 6 violations.

1. The FSS examination showed that the UBS branch divulged major contents of January –May reports on eleven publicly traded domestic companies (including Samsung Electronics) to its clients and the branch staff, but failed to disclose the divulging of the research report when it was made public. The failure to disclose the divulging of the report to third parties prior to the release of the search report when the report is released to the public is a violation of Paragraph 3-4 of Article 36 of Enforcement Decree of the Securities and Exchange Act and Paragraph 2 of Article 4-7 of the Regulation on Supervision of Securities Business.
2. During the period of March 15, 2000 to May 20, 2002, the branch provided information to 36 foreign and 21 domestic clients through telephone and email about orders placed by its clients. Relevant regulations prohibit such leakage of information on individual accounts and securities

transactions to third parties.

3. From June 2001 to May 20, 2002, UBS Warburg allowed 8 members of the UBS AG Hong Kong branch access to information on the Seoul branch clients' securities transactions through its own computer system, APEX.

As of June 3, 2002, the branch has shared with 196 non-staff members in 13 countries information on its foreign clients' transactions by authorizing them access to the electronic securities orders delivery system, called OASIS.

- This is a violation of the Act on Real Name Financial Transaction & Guarantee of Secrecy, which restricts financial institutions from releasing information about individual clients. The Securities Exchange Act and Regulations on Supervision of Securities Business also stipulate that the staff of a branch office cannot share information with its foreign offices about individual clients' securities trading without the client's consent.
4. Two employees violated self-account trading rules and committed front-running in which a securities company takes a position to capitalize on advance knowledge of a large upcoming transaction expected to influence the market price. They have traded securities with their own accounts, which is forbidden under the Securities Exchange Act and enforcement decree. In addition, one analyst executed front-running on over 7 different occasions, including shares of Hyundai Motors, based on his access to the information on his foreign clients' securities trading activities.
 5. Unauthorized account transfer in connection with correction of erroneous orders
 6. The firm failed to follow the internal guidelines against offering improper benefits to asset managers. (Regulation on Supervision of Securities Business)

<Merrill Lynch>

The Seoul branch and its 6 employees will receive sanctions on four accounts of violation.

1. ML failed to disclose the fact that the main contents of its research reports had been shared with third parties before the official release. On two occasions, January 7 and March 26, 2002, the firm released its research reports about two companies, including LG Electronics, to selected clients 34 and 10 hours in advance, respectively, before the report was officially released.
2. Between June 15, 2000 and April 19, 2002, the firm released its foreign clients' orders before the completion of the transaction to 45 institutional investors and fund managers.
3. One employee traded securities with his own account (violation of Securities Exchange Act).
4. The firm inadequately followed the internal guidelines against offering improper benefits to asset managers. (Regulation on Supervision of Securities Business)

The FSS will notify the London Head office (UBS Warburg Securities Limited U.K.) and its financial regulator, the Financial Services Authority of the investigation results.