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Press Release

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New Amendments to Regulation on Supervision of Securities Business to Ease Securities Trading Rules for Foreign Investors

The FSC/FSS adopted amendments to Regulation on Supervision of Securities Business on April 22 that will ease rules on bulk transactions and allow the use of “special nominee accounts” for foreign investors. The following is a summary of the newly amended regulation.

Use of special nominee accounts for foreign investors

The FSC/FSS adopted the use of “umbrella accounts” for foreign investors in January 2002 that allows a group of registered foreign investors run by the same entity (foreign investor group) to execute securities trading on a bulk transaction basis under a single designated investor account and distribute the executed trades individually. Under the amended regulation, securities companies may open and manage special nominee accounts to execute aggregated trading orders from foreign investor groups on a bulk transaction basis and distribute them individually. Thus, foreign investor groups may now utilize both umbrella accounts and special nominee accounts to meet their trading needs.

More specific provisions on distribution of bulk transactions

The amended regulation specifically provides that securities companies may distribute a bulk transaction executed to the individual accounts of a foreign investor group at a price which is determined using methods (e.g., a volume weighted average price) agreed in advance.

Simplified reporting for foreign investor groups

The amended regulation removes provisions that required foreign investor groups to file a report with the FSC/FSS before acting collectively as an investor group. Under the amendments, foreign investor groups only need to inform securities companies of the individual investors of the group before trading collectively.



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Expanded OTC securities trading for foreign investors

Foreign investors may now engage in OTC (outside the stock exchange) securities trading under open, competitive bidding in Korea as well as OTC acquisition of securities with warrants.

New safeguards on distribution of securities companies' research reports

Because of the exemption of companies affiliated with securities companies from a 24-hour blackout period during which they may not engage in proprietary trading after the public announcement of a research report they took a direct or indirect part in preparing, there was a potential for investor harm. Under the amended regulation, securities companies must take steps to ensure that their affiliated companies adhere to the 24-hour blackout period or exclude them from preparation of future research reports if the blackout period is not observed.

Please forward questions or comments regarding this press release to the FSC Securities Supervision Policy Division (Tel: +82-2-3771-5049) or the FSS Securities Supervision Team (Tel: +82-2-3786-8342, 8273).