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# Press Release

July 22, 2005

## **Securities and Futures Commission to File Criminal Complaints against Two Individuals and an Investment Fund for Illegal Securities Trading**

The Securities and Futures Commission announced on July 22 that it had completed deliberations on the findings of the investigation of trading of a listed company's shares by an investment fund ("H")\* and decided to file criminal complaints with the Supreme Prosecutors' Office against H, its former director of emerging markets ("R"), and a broker at an overseas subsidiary of a local securities company ("K"). The complaints will allege that R and K engaged in a scheme to manipulate trading of shares of a listed company ("S") and that H, as R's principal, was liable for his illegal activities.

### Findings of Investigation by Financial Supervisory Service

The investigation by the Financial Supervisory Service found that R acquired 7,772,000 common shares (5%) of S through H's account between November, 2003, and March, 2004, and 8,300 preferred shares of S on his own personal account on March 3, 2004, and conspired with K to manipulate trading of S shares by repeatedly portraying the company as a potential takeover target through the news media. R also repeatedly urged S publicly to buy back its preferred shares and retire them.

After S publicly made a share buyback offer for its common and preferred shares on November 26, 2004, R raised the prospect for hostile takeover bids for the company and expressed his support for such attempts in an interview he arranged with a widely circulated local newspaper on November 29, 2004. R also expressed his support for retirement of S's preferred shares in the interview. The interview, which was published on December 1, 2004, prompted heavy trading and bidding up of S's shares among investors and effectively provided artificial support for price and trading volume R sought to unload H's substantial holdings in S two days later.

On December 3, 2004, R sold off all of H's holdings in S and realized gains totaling KRW29.2 billion (US\$28.0 million). On the same day, R also sold off all of his own preferred shares in S at a profit of KRW54 million (US\$51,813).



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The SFC therefore concluded that R and K engaged in a scheme to intentionally disseminate false and misleading information and manipulate market trading of shares of a publicly-held company in violation of §188-4-4 of the Securities and Exchange Act that explicitly prohibits intentional dissemination of false or misleading information or use of deceptive schemes in securities trading. The SFC also concluded that H was liable for the illegal trading activities of R because of the principal-agent relationship between the two, as provided for under §215 of the Securities and Exchange Act.

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*\*The names of the companies and individuals involved in the investigation the SFC announced today are not fully disclosed in the press release because the findings of the investigation are not final and will be handed over to the Supreme Prosecutors' Office. As a rule, the FSC/FSS does not publicly disclose the names of companies or individuals involved in investigations that are ongoing in order to avoid unfairly tarnishing their character, integrity or reputation.*

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