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Press Release

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FSC Proposes to Merge Korea Exchange's Dual Futures Trading Systems into Single Trading System

The Financial Supervisory Commission announced a proposal to integrate the dual futures trading systems of Korea Exchange into a single integrated trading system in order to facilitate trading in futures and improve market efficiency. Currently, two different futures trading systems—KOSPI futures trading system and Korea Treasury Bond (KTB) futures trading system—that were used by Korea Stock Exchange (KSE) and Korea Futures Exchange (KOFEX) before they were brought under the Korea Exchange are in use. Because of its dual nature, the current trading system is said to inflate transaction cost to investors and create system inefficiencies.

Futures & Options Traded at the Korea Exchange

KTB Futures Trading	KOSPI Futures Trading
<ul style="list-style-type: none"> • KTB futures (3-year / 5-year) • Options on KTB futures (3-year) • CD interest rate futures, MSB futures • Currency futures (USD, Yen, Euro) • USD options • Gold futures 	<ul style="list-style-type: none"> • KOSPI200 futures • KOSPI200 options • Star index futures • Stock options

Under the FSC proposal, tentatively set to be implemented by end-June this year, the KOSPI futures trading system is to be adopted at the Korea Exchange for all futures and options trading as it already effectively handles nearly all of futures and options trading, including KOSPI200 futures, KOSPI200 options, Star index futures, and stock options. The KOSPI futures trading system also has the advantages of familiarity to investors, significant cost-effectiveness compared to the KOFEX system, and locally developed technologies.

When the integration is completed, investors and traders are expected to benefit from simpler and more consistent trading rules (e.g., buying and selling of futures and options with a single trading account), while the Korea Exchange is expected to save KRW2.2 billion in system maintenance cost a year.

Attached: Table of key Changes under Integrated Futures Trading at the Korea Exchange



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Key changes under Integrated Futures Trading at the Korea Exchange

	Current Trading System		Proposed Integrated Trading System
	Korea Treasury Bond Futures Trading	KOSPI Futures Trading	
Trading hours	<ul style="list-style-type: none"> 9:00 a.m.-3:00 p.m. 	<ul style="list-style-type: none"> 9:00 a.m.-3:15 p.m. 	<ul style="list-style-type: none"> 9:00 a.m.-3:15 p.m.
Types of orders	<ul style="list-style-type: none"> Limit order Market order 	<ul style="list-style-type: none"> Limit order Market order Conditional limit order Best limit order 	<ul style="list-style-type: none"> Limit order Market order Conditional limit order Best limit order
Closing / Settlement prices	<ul style="list-style-type: none"> Continuous auction for closing price Weighted average (for the last one minute before market closing) for settlement price 	<ul style="list-style-type: none"> Periodic call auction 	<ul style="list-style-type: none"> Periodic call auction
Margin requirement	<ul style="list-style-type: none"> Fixed amount (per contract) 	<ul style="list-style-type: none"> Fixed percent (per contract) 	<ul style="list-style-type: none"> Fixed percent (per contract)
Initial margin requirement	<ul style="list-style-type: none"> No initial margin required 	<ul style="list-style-type: none"> Initial margin required 	<ul style="list-style-type: none"> Initial margin to be required for all futures and options products <i>Temporary exemption to be given to trading accounts for KTB futures, options on KTB futures, interest rate futures, currency futures & options, and gold futures</i>

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