

Press Release

May 20, 2009

SHORT SELLING PERMITTED ON NON-FINANCIAL STOCKS

The Financial Services Commission made a decision today to start allowing short selling transactions of non-financial company stocks beginning June 1.

However, for the time being, the ban on short selling for financial stocks will continue to be in effect due to volatility still lingering in the market. These stocks include stocks of banks, securities companies, and insurance companies that are traded in the Kospi and the Kosdaq markets.

Furthermore, as stipulated in the Financial Investment Services and Capital Markets Act (FSCMA), naked short selling will not be permitted, but only covered short selling will be permitted.

To effectively monitor and supervise the short selling activities, a Short Selling Confirmation System will be placed, as well as Short Selling Execution Guidelines.

< Systemic Enhancements relating to Short Selling >

1. Disclosure of short selling and stock borrowing information in the stock market through the Korea Exchange (KRX) and the Korea Financial Investment Association (KOFIA).
2. Establishment of Short Selling Confirmation System (March 2009) to effectively enforce short selling regulations. Under this system, an investment broker is required to verify whether he or she has followed the short selling regulations correctly.
3. The Execution Guidelines for Short Selling (May 2009) have been drawn up to introduce a concept of 'net short position' in order to set a clear standard of what is considered short selling and what is not.

The ban on short selling of non-financial stocks will be lifted on June 1, 2009, to give ample time for investors and financial investment companies to conduct preparations.

Only the financial investment companies that have completed their preparations according to the guideline measures will be allowed to start placing short sell orders and conduct brokerage transactions for clients.

The FSC intends on removing the ban also on short selling of financial stocks given further signs of improvements in the markets.

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