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Press Release

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PLANS TO BUILD TRADING INFRASTRUCTURES FOR OTC DERIVATIVES

As the G20 leaders at the Pittsburg summit on September 9, 2009 reached a comprehensive and concrete agreement*to build trading infrastructures for over-the-counter (OTC) derivatives. In line with such effort, following plans have been devised for Korea's OTC derivatives market.

** Leaders' Statement at the Pittsburgh Summit:* All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.

Current OTC derivatives market infrastructures in Korea

As trading volume of OTC derivatives in Korea still remains insignificant, there are few market infrastructures such as a central counterparty clearing house (CCP) or an electronic trading platform in place. Currently, the Financial Supervisory Service (FSS) is running a derivatives monitoring system* which serves as a trading info repository and where all derivatives contracts must be reported to.

* FSS press release (Jan 21, 2010): "*Derivatives Monitoring System Up and Running*"

Future plans

The FSC's Capital Markets Division will form a task force (TF) with academic and related institutions to monitor global discussions and exemplary cases in advanced countries so that specific plans to introduce trading infrastructures for OTC derivatives and to revise related laws and regulations by 2010.**

**A service provider for the necessary infrastructure is expected to be selected in 2011 and become operational in 2012.

1. Creating trading infrastructures for OTC derivatives

The TF will conduct a thorough research on the possible effect of trading infrastructures for the OTC derivatives market to find out what method will be best suited for Korea.



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2. Providing legal grounds

Necessary revisions will be made to the Financial Investment Services and Capital Markets Act (FSCMA) to provide legal grounds for a CCP which specify a definition of “clearing”, conditions for establishing a CCP, and measures to secure public interest.

3. Standardizing OTC derivatives

For CCP clearing purposes, OTC derivatives such as IRS, CRS and CDS will have to be standardized.

4. Other OTC derivatives infrastructures

Further efforts will be made to enhance existing systems or to create a new trading info repository, a trading platform and other OTC market infrastructures, considering global trends.

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