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Press Release

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FOLLOW-UP MEASURES FOR NOVEMBER 11 STOCK MARKET PLUNGE

The financial regulators are investigating alleged acts of unfair trading and risk management status of financial investment companies in relation to the selloff on November 11, 2010 that sparked the stock market plunge.

Drawing on the consensus that Korea's capital market should be operated to benefit all market participants, the regulators are now working with affiliated institutions and others for a long term plan to reform the current system while encouraging the industry's own efforts to stabilize the market.

Following are the measures under consideration by the regulators to draft amendments to the current rules or develop guidelines after gathering opinions from the market and industry.

Stringent settlement risk management

1) Tightening the margin rule

The regulator will consider evaluating the settlement risk of a qualified institutional investor and determine the grade to impose margin requirements on the investor prior to trading when it fails to meet certain grade requirements.

Currently, qualified institutional investors are allowed to deposit margins on a post facto basis.

2) Setting a daily order limit for each qualified institutional investor

The regulator will consider setting a daily order limit for each qualified institutional investor based on total margin amount.

Reform of trading system

1) Implementing the random end rule for single price trading

If the gap between the expected matching price at 14:50 (currently at 14:55) and the tentative market price (closing price) is 5% or more, the deadline for submitting quotations will be extended within 5 minutes to prevent sharp price movements.

Industrialized countries such as Germany, the UK and France already introduced such a rule to mitigate steep fluctuations in matching prices.

Sound derivative markets

1) Setting derivative position limits

The regulator will consider setting limits for the maximum positions that may be taken for derivatives including option contracts through a thorough analysis of global practices.

Currently, the regulation only sets forth how many contracts a speculative investor may hold for futures (5,000 contracts for an individual investor and 7,500 contracts for an institutional investor) in Korea, but US and Hong Kong implemented position limits for both futures and option contracts.

2) Reporting large holdings

The regulator will consider a reporting duty for large holdings of derivatives.

Currently, holders of commodity derivatives (based on gold and pork) are required to report on large holdings and change in holdings above certain volume. In the US and Hong Kong, reporting for large holdings of option contracts is mandatory.

Future plans

The regulators will ensure the investigation and system implementation is conducted in a thorough and comprehensive manner without delay.

The task force consisting of experts, relevant institutions and the industry will discuss system reforms currently under consideration to ensure sound derivatives market.

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