



Financial Services Commission  
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## Press Release

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August 9, 2011

### TEMPORARY BAN ON SHORT SELLING

The Korean stock market has declined for six consecutive days since August 2, amid growing concerns over the possibility of U.S. economic recession and spreading of the European fiscal crisis.

\*KOSPI: 2172.31p (Aug. 1) → 1801.35p (Aug. 9), Δ370.96p (Δ 17.1%)

In particular, over two days from August 8 to 9, the KOSPI has dropped 142.4 points, or 7.44 % as the aftershock of the downgrade of the U.S. sovereign rating significantly increased volatility in the market.

\*There were the 5-minute suspensions of trading in the KOSPI market ("sidecars") and the 20-minute suspensions of the Kosdaq market ("circuit breakers") for two consecutive days.

Short sales are significantly increasing in the falling markets, spreading market anxiety. The amount of short sales, which was KRW100 billion per day on average in the first half of this year, has recently surged over KRW 400 billion, exceeding the previous record high of KRW 234.6 billion since September 2008. Short sellers are mostly foreigners and institutions. From August 2 to 5, they sold an average of KRW 314.7 billion per day in short selling, accounting for 96.7% of the total short-selling transactions.

Against this backdrop, the FSC has decided to temporarily ban short selling of all listed stocks in the Korea Exchange and Kosdaq markets for three months from August 10 to November 9.

\*In response to the global financial crisis in 2008, the FSC banned short selling of all listed stocks, starting October 1, 2008; and lifted the ban on non-financial stocks from June 1, 2009, while keeping the ban on financial stocks.

During the same period of the three months, the FSC will temporarily ease restrictions on the amount of equities that securities issuers can buy back their own.

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