

FSC STATEMENT ON RESULTS OF MSCI 2016 MARKET CLASSIFICATION REVIEW

FSC Vice Chairman Jeong Eun-bo held a meeting on June 15 with officials from relevant agencies to discuss the government's responses, following MSCI's announcement of 2016 Market Classification Review.

In its annual market review, MSCI announced that "Korea will not be included on the list for a potential reclassification to Developed status as part of the 2017 Review", citing the following reasons: "the recent changes announced by the Financial Services Commission in South Korea will not take effect until 2017 and the investment frictions related to the lack of convertibility of the Korean Won and restrictions imposed by the local stock exchange on the use of exchange data for the creation of financial products remain unaddressed."¹

The Korean government's stance on the MSCI requirements

There exist some gaps between the extent of improvements that the government could make under our economic and market circumstances and the level of MSCI's requirements, making it difficult for Korea to be included in the MSCI's developed market index in the near future.

Convertibility of the Korean Won²

MSCI has been asking the Korean government to allow offshore trading of the Korean won to address the lack of convertibility of the Korean won.

However, we consider that currency market stability is an issue of critical importance to Korea, a small and open economy which highly relies on international trade. The Korean government seeks the internationalization of the Korean won but will move gradually, taking possible impact of currency market volatility on the Korean economy into consideration. In particular, allowing offshore trading of the Korean won is an issue that we cannot address in the short term since it would involve fundamental changes to our current forex management system.

Use of KRX price data

MSCI demanded that KRX should abolish immediately the "anti-competitive" clauses that require a separate contract for the use of KRX data for the purpose of listing derivatives on overseas exchanges.

¹ MSCI Press Release(June 14, 2016), 「Results of MSCI 2016 Market Classification Review」

² For further inquiry about the convertibility issue, please contact the Ministry of Strategy and Finance (MOSF)
<http://english.mosf.go.kr>

The government and KRX explained that there is no 'accessibility' issue since anyone can use KRX price data upon a contract; therefore, the clauses cannot be deemed "anti-competitive."

Our continued policy efforts

The Korean government will continue our policy efforts for further improvements of Korea's capital markets and greater convenience of foreign investors, regardless of whether Korea will be included in the MSCI developed market index or not. We will make sure the introduction of the 'omnibus account' for foreign investors, now in the test operation starting from May 2016, will be fully implemented in 2017 as scheduled. We will continue to receive feedback from global investors to identify policy tasks for further improvements.

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr