



### ELECTRONIC SECURITIES SYSTEM LAUNCHED

Korea's electronic securities system was launched on September 16, 2019.<sup>1</sup> Under the new system, securities of listed stocks and bonds are required to be issued and circulated electronically.

"It will open a new era for digitization of securities, making a historic transition to a paperless system in 45 years since the securities depository system was adopted in 1974," FSC Chairman Eun Sung-soo said at an event celebrating the official launch of the electronic securities system.

Korea's stock and bond markets have been growing with the development of the Korean economy. The daily transaction of listed stocks amounts to KRW11 trillion, or 1.4 billion shares, while the amount of bond trading is KRW8 trillion per day.<sup>2</sup> The current securities depository system facilitated the circulation of securities, contributing to the growth of securities transaction and the development of Korea's capital markets. However, the current system fell short of eliminating inefficiencies in the issuance of securities and the exercise of rights as it still requires the presence of physical securities.

The Electronic Securities Act was established in 2016 to eliminate such inefficiencies and promote transparency in securities transaction. The electronic securities system will shorten procedures for the issuance of securities, making it easier for companies to raise funds in capital markets. It will also help investors exercise their rights, better informed of distribution of dividend or capital increase. The electronic system will make it possible to build up big data on the issuance and circulation of securities, enabling fintech innovation using such data. Transparency in capital markets will be enhanced. Under the electronic securities system, information about the ownership and transfer of securities rights will be recorded electronically, which will eliminate risks of counterfeit or theft of securities or prevent tax evasion.

Chairman Eun asked the Korea Securities Depository (KSD) and financial institutions to support security holders to make a smooth transition to the electronic securities system. He also asked them to ensure the safety of IT system and data security in the transition to digitization of securities.

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<sup>1</sup> Press release (June 18, 2019) 「Electronic Securities System To Be Introduced」

<sup>2</sup> Korea Stock Exchange (as of September 5, 2019)