

AMENDED 5 % RULE TAKES EFFECT FROM FEBRUARY 1, 2020

The amended 5% rule¹ will take effect from February 1, 2020 as a regulatory reform proposal to revise the Enforcement Decree of the Financial Investment Services and Capital Markets Act was approved at a Cabinet meeting on January 21, 2020.

The amendments are intended to better support the exercise of shareholder rights by institutional investors. The revised rules clarify the scope of shareholder activities to “exercise influence over the management” and apply differential reporting requirements according to shareholding purpose.

<Current >

Shareholding purpose	Intention to exercising influence over the management	No intention of exercising influence over the management
Shareholder activities	- activities to exercise ‘de-facto’ influence over the management (e.g. shareholder proposals to appoint or dismiss executive officers)	- Other activities
Reporting Requirements	- 5-day deadline - detailed reporting	- (general investors) monthly, simple reporting - (public pension funds) quarterly, simple reporting

grey area



<Amended >

Shareholding purpose	Intention to exercising influence over the management	No intention of exercising influence over the management	
		‘General’ investment	‘Simple’ investment
Shareholder activities	- activities to exercise ‘de-facto’ influence over the management (e.g. shareholder proposals to appoint or dismiss executive officers) - exemption: activities in regard with dividend policy and corporate governance	- active shareholder activities with ‘NO’ intention of exercising influence over the management (e.g. shareholder proposals in regard with executive pay, dividend payout)	- shareholder’s right guaranteed regardless of shareholding ratio (e.g. voting right, pre-emptive rights to acquire new shares issued by a company)
Reporting Requirements	- (general investors) 5 day-deadline, detailed reporting - (public pension funds) 5 day-deadline, simple reporting	- (general investors) 10 days, simple reporting - (public pension funds) monthly, simple reporting	- (general investors) monthly, simple reporting - (public pension funds) quarterly, simple reporting

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

¹ For further details, please refer to the press release titled “FSC Reforms Large Shareholding Reporting Rules” (September 5, 2019).