



Progress on Capital Markets Advancement Initiatives and Plans for the Future

2025. 4. 14.



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 - The Short Selling Electronic Monitoring System -
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01

CHAPTER

Overview of Korean Capital Markets

Trends in Korean Capital Markets



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[Stocks] **KOSPI at 2,481pts**

Trapped inside a box ranging
from 2,400 to 2,800

👉 BOXPI

[Bonds] **10yr-KTB at 2.77%**

Korea-U.S. yield spread (-)
widening

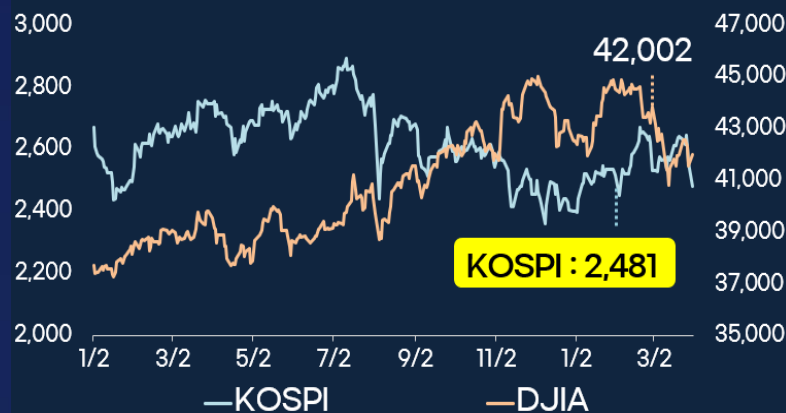
[FX] **USD/KRW at 1,472.6**

USD keeps getting stronger

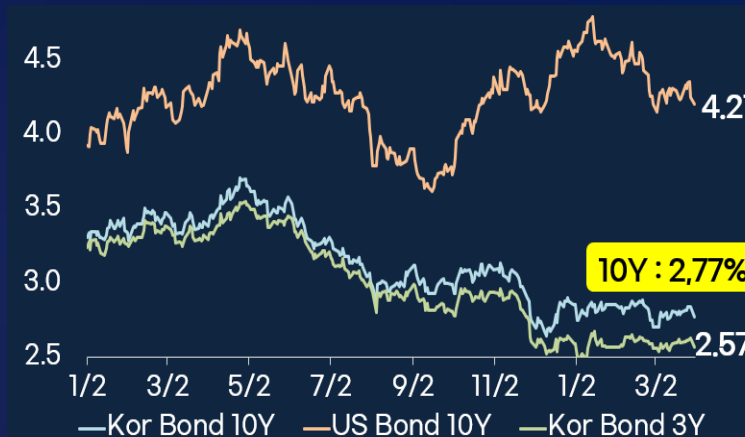


Stock / Bond / FX Markets

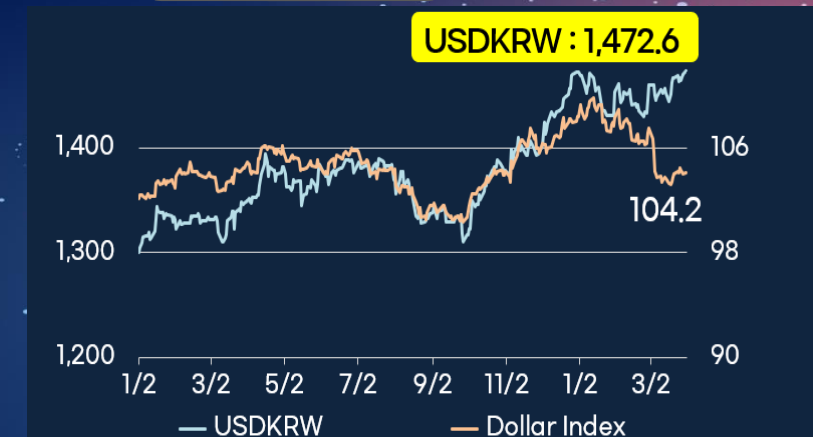
Stock Index



Bond Yields



FX Rate





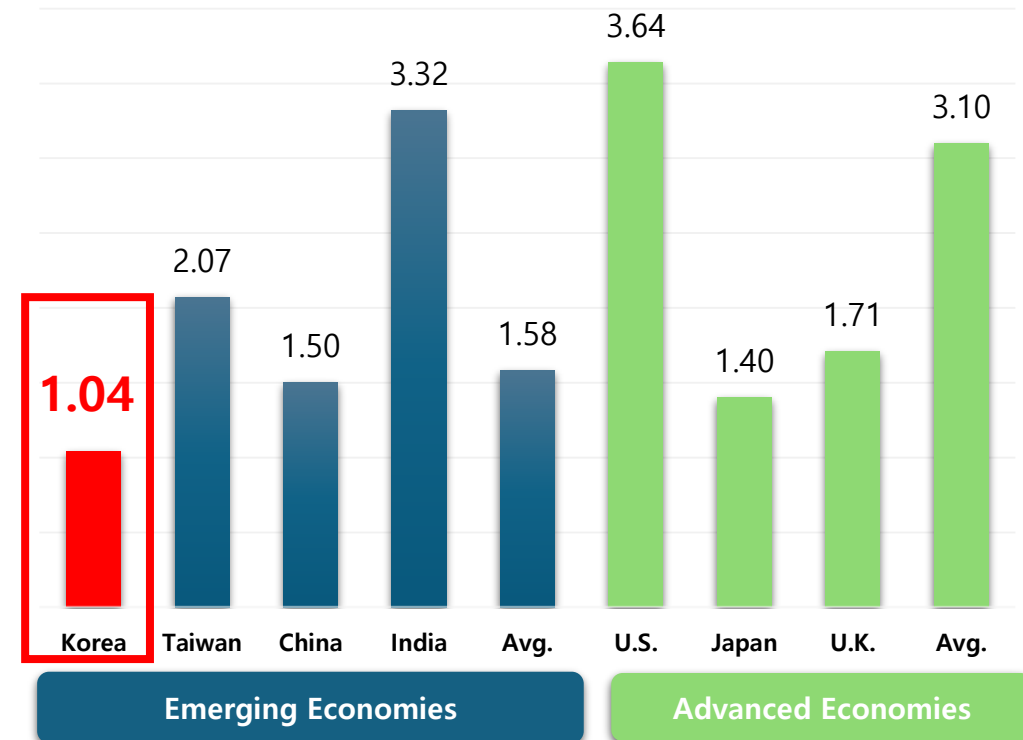
Stock Index & PBR by Country

Stock Indexes

(in points)	End-2023	End-2024	YoY Increase	
KOSPI	2,655	2,399	-9.6%	Negative
DJIA	37,690	43,445	15.3%	
Nikkei 225	33,464	39,894	19.2%	
SSEC	2,975	3,330	12.0%	
DAX	16,752	19,211	14.7%	
FTSE 100	7,733	8,064	4.3%	

PBR

(10-yr average, ratio)





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Net Sales of Stocks Continuing



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Trends in Stock & Bond Trading by Foreign Investors

Stocks: Net Sales Continuing

(in trillions of KRW)

'24	1Q	2Q	24.7	24.8	24.9	24.10	24.11	24.12	'25.1	'25.2
+3.3	+15.9	+7.0	+2.5	△2.5	△7.4	△4.4	△4.2	△3.6	△0.7	△2.8
Net Purchase Period				Longest Net Sales Period (7 months)						

Bonds: Switched to Net Purchase

(in trillions of KRW)

'24	1Q	2Q	24.7	24.8	24.9	24.10	24.11	24.12	'25.1	'25.2
17.4	△1.5	3.1	△0.4	8.0	3.6	5.5	1.5	△2.4	△1.7	5.6
Net Sales Period		Net Purchase Period		Net Sales Period		Net Purchase Period			Net Sales Period	

■ Net Purchase Period
■ Net Sales Period



- ✓ "What are the **root causes** for 'Korea Discount?'"
- ✓ Consulted widely with **experts** and **foreign investors**

Following **causes** mentioned **repeatedly**

1

✓ **Financial regulations** (e.g., short selling bans and resumptions) & **political tension**

Uncertainty ↑
Predictability ↓

✓ **Policy measures to boost stock market** have **not** been persistently carried out

- Need revisions to **Commercial and Tax laws**, and listing rules



Timeline of Policy Changes on Short Selling





2

✓ **Foreign retail investors:** “Despite growing need, **ways to invest** Korean stock markets are **limited** and **inconvenient**”

➔ Beside the **abolishment of foreign investor registration requirement** in 2023, **additional measures** to improve **foreign investors’** access to Korean markets are necessary



Request Made during Hong Kong IR in Nov 2024



✓ “Please allow **global investors** to **invest in** Korea via **global stock trading platforms**”



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1 History of Short Sale Bans

Market	① 16 Mar 2020 - 2 May 2021	② 3 May 2021 - 4 Nov 2023	③ 6 Nov 2023 - 30 Mar 2023
KOSPI200	Banned (14 months)	Allowed	Banned (17 months)
KOSDAQ150	Banned (14 months)	Allowed	Banned (17 months)
Rest	Banned (5 years)		

- ① Short sale of all listed stock banned during Covid 19
- ② Ban lifted for stocks included in KOSPI200 and KOSDAQ150
- ③ Short sale banned for public concern on illegal short sales

2 Designation Scheme for Overheated Stocks

	Market	Short Sale Payment Increase [Ⓐ]	Stock Price Decrease Ratio [Ⓑ]	Short Sale Payment Ratio [Ⓒ]
April	KOSPI	Twice	△3%	Daily ratio 30% → 20%
	KOSDAQ	5 Times → 3 Times	-	Average of over 5% for 40 business days
May	KOSPI	Twice	△3%	Daily ratio 30% → 25%
	KOSDAQ	5 Times → 4 Times	-	Average of over 5% for 40 business days

* All criteria for Ⓐ, Ⓑ and Ⓒ should be met for designation

1 Global Public Private Partnership

- Exemplary case of global public private partnership
- Surveillance framework against naked short selling
- Participation from onshore & offshore investors



First Attempt to Proactively Prevent and Detect Naked Short Selling Utilizing IT Infrastructure

Exemplary Case of Global Public Private Partnership

Public Private Partnership



Balance Management System



Short Selling Registration Number



Duty to Verify



Naked Short Selling Detecting System



Global Partnership

(Global IBs) 6 (7 more to participate)

(Domestic IBs) 8

(Domestic Broker-Dealers) 5

(Domestic Asset Managers) 2

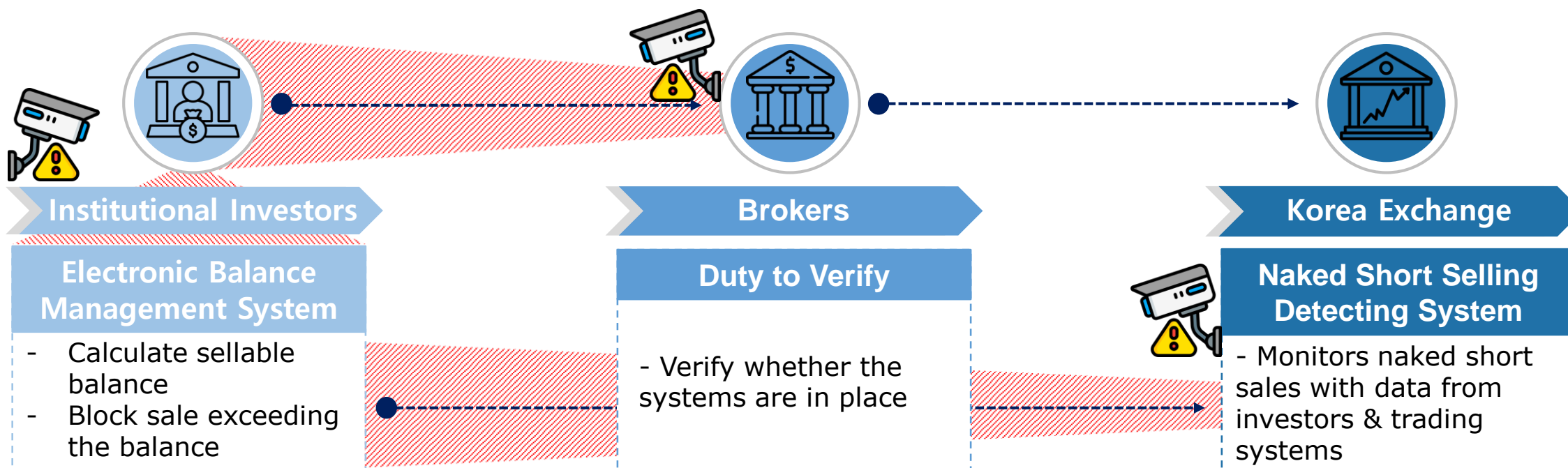
2

✓ Multi-layered Naked Short Selling Surveillance Framework

- Electronic Balance Management System (Institutional Investors)
- Duty to Verify (Brokers)
- Naked Short Selling Detecting System (Korea Exchange)

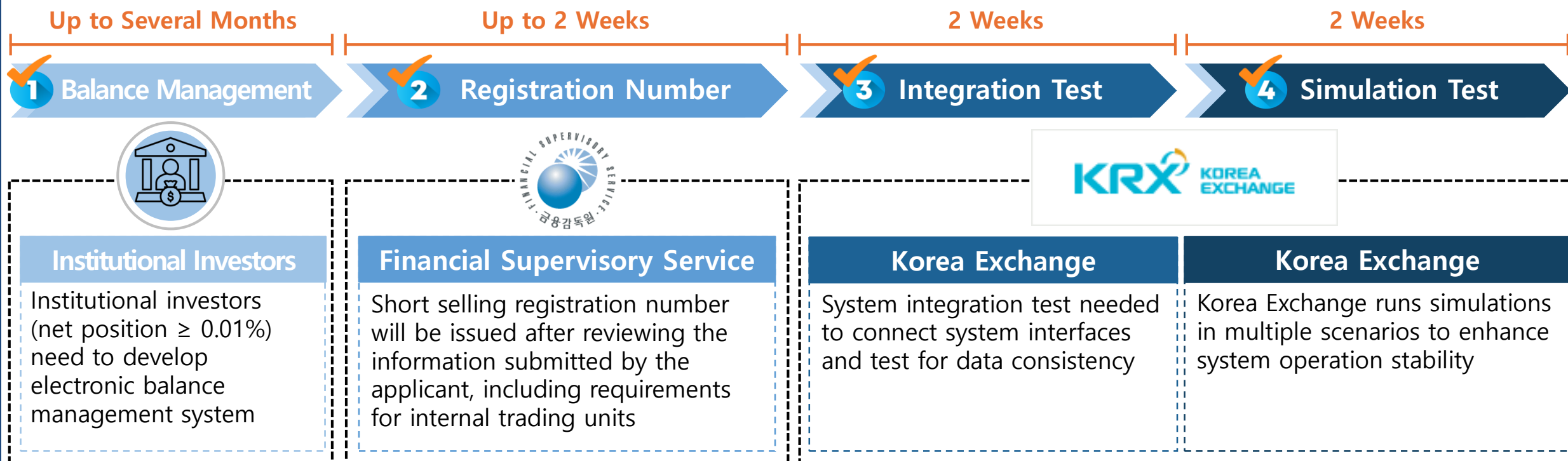
Designed to Effectively Prevent and Detect Naked Short Sales

Multi-layered Surveillance Framework



- ✓ Services required for system connection will continue to be provided to enhance accessibility of foreign investors to the Korean capital market

Becoming Part of the System



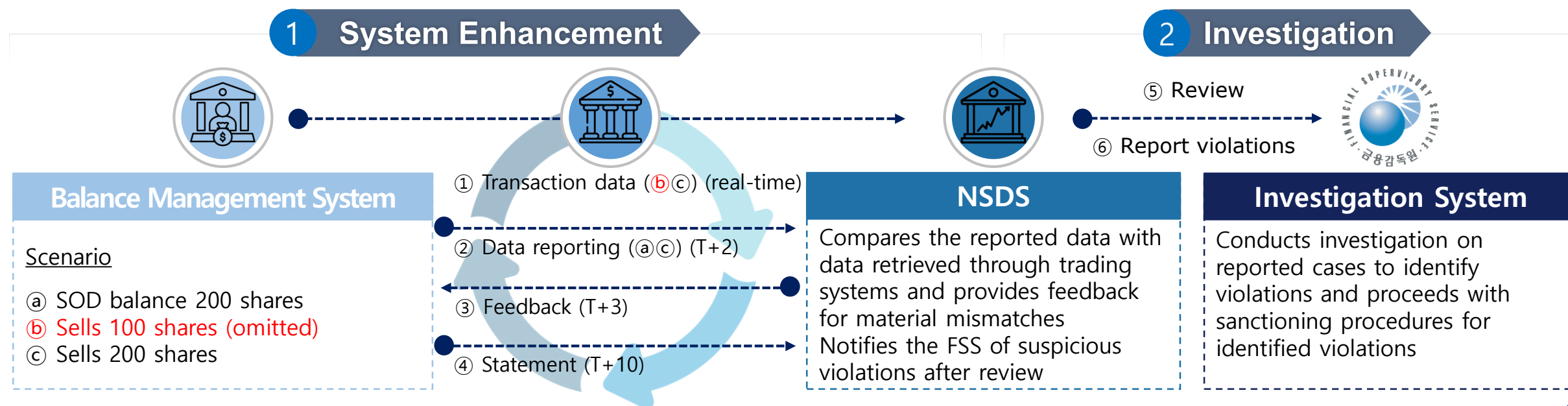
1 NSDS Operation

- **System enhancement** through data reporting and feedback process
- **Review and reporting of suspicious violations** through monitoring and detection

2 Investigation

- **Principle based approach** for violations identified during the investigation process
- **Reasonable approach** for mistakes or errors of entities with well-designed internal control system

System Enhancement and Investigation Process



✓ Enhancing accessibility of foreign investors by alleviating regulatory uncertainties

- Becoming part of the monitoring system will prevent naked short sales and reduce compliance risk
- Amendments to law provide regulatory clarity and the guidelines practical guidance for compliance

What We Expect



01 Electronic Monitoring System

Prevent naked short sales
Reduce compliance risk



02 Communication

Release of the guidelines
IRs with foreign investors



03 Guidelines

Practical guidance for
compliance



04 Amendments

Regulatory clarity
on short selling regulations

Alleviating
Regulatory
Uncertainty

Enhancing
Accessibility



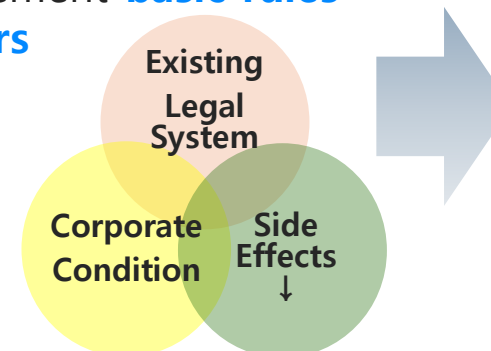
The Korean Government's Basic Stance

- ✓ **Protecting general shareholders** is an urgent matter ➡ **Efforts** to improve corporate governance have been ongoing **for more than two years**
- ✓ **Strong consensus** for **the need to establish core principles on shareholder protection** (nationwide consensus)

➡ Continued **public discussions** based on **social consensus**, **consistently** emphasizing the government's **strong commitment** to the market

Legislative Efforts to Better Protect Shareholders

- ✓ **The government** is actively engaging in **legislative actions** to implement **basic rules for protecting shareholders**
- ✓ **Seeking balanced and optimal solutions**
(**All policy efforts are aligned** to protect shareholders)



Will **firmly and consistently** make legislative progress

Reform Plan for Delisting Rules

Ensures **timely removal** of **underperforming companies**



1 Strengthening Delisting Requirements

- ① **[Financial]** Market cap and revenue will be raised to stay listed
 - ▶ **Starting from 2026**
- ② **[Non financial]** Audit opinion requirements will be more strictly applied

2 Streamlining Delisting Procedures

- ① **[Review procedure]** Number of review steps reduced
- ② **[Improvement period]** Time span of improvement periods shortened
- ③ **[Operational efficiency]** Technical and substantive reviews proceed in parallel



3 Strengthening Investor Protection

- ① **[Disclosure]** Expanding information during delisting reviews
- ② **[System]** K-OTC utilized to support trading of delisted stocks



✓ Omnibus accounts for trading KTBs & stocks to be in line with global standards

KTBs	Overseas financial institutions can not process their clients' orders on a consolidated basis
Stocks	<Request raised during the previous HK IR> Challenges for overseas FIs in opening omnibus accounts in Korea, unlike the U.S. and other jurisdictions



Introduction of omnibus trading accounts allows overseas FIs to consolidate their clients' orders, enhancing foreign investors' access to KTBs

<Reflecting the request>
Easing requirements to open omnibus accounts
(Affiliates of domestic financial investment firms
→ **All foreign financial investment firms**)

Key Details of Omnibus Accounts

- ✓ **Easing requirements to open omnibus accounts**
(Currently available through innovative financial services, plans to be legislated in the first half of the year)
- ✓ **Guidelines for omnibus accounts are scheduled to be distributed**



Press Release on Omnibus Accounts

Press Release

For release on April 2, 2025

Financial Authorities Enable Foreign Investors to Trade Korean Stocks with Account Opened with Local Securities Firms Overseas with Greater Ease
Financial Authorities to Improve Omnibus Account System



THANK YOU