

# Market Abuse Rule in Korea, under New Presidency

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# Overview of Regulatory Framework and Case Spectrum

- ❑ Financial Investment Services and Capital Markets Act
- ❑ Market Abuse Rules and Penalties
- ✓ Insider Trading, Market Manipulation, Unfair Transaction:
  - Criminal Penalties** and Administrative Penalties (License, Personal, etc.)
- ✓ **Market Disturbance:** **Administrative Penalties\***
- ✓ Market Manipulation Requires **Intention\*** Unlike Market Disturbance

- ❑ Case Spectrum (2017~2021 / source – FSC. Sep.26, 2022)

<b>Insider Trading</b>	Market manipulation	Unfair trading	Market disturbance	Total (% / case)
43.4% / 119	23.4% / 64	29.6% / 81	3.6% / 10	100% / 274

- ❑ **Mostly Accusation or Notification to Prosecutor's Office: Why?\***

- ❑ New President – Former Prosecutor General + Strong Minister of Justice
- ❑ Closer Cooperation of FSS + Prosecutor's Office
  
- ❑ Retroaction of Investigation Power Adjustment (Split) between Prosecutor vs. Police
  - **Joint Investigation Squad:** Dispatch from FSS FSC KTO KRX
  - Special Unit or Control Tower. **'Yoido Grim Reaper'**
  - Fund Tracing, Information Collection and Analysis, Recovery of Criminal Proceeds
  - History
    - ✓ 2013.5. Established – Indicted 965, Arrested 346
    - ✓ 2020.1. Abolished
    - ✓ 2021.9. Revived as 'Cooperative' Unit w/o Investigation Power
    - ✓ **2022.5. Revived with Investigation Power**

- ❑ **Align with Global Standard and Enhance Corporate Governance – to Ensure a Sustainable Growth**
- ❑ **Structural Reform – Some may Prevent Market Abuse**
  - Shareholder Protection in Vertical Spin-off
  - Share M&A Premium with General Shareholders
  - Encourage Shareholder Engagement Activity
  - Improve Shareholder Return – Advance Disclosure of Dividend Amount
  - Require More English Disclosures
  - Control the Purchase of Treasury Shares
  - Prior Disclosure of Insider's Trading
- ❑ **Practice Correction**
  - Clearer Accounting – More Inspection and Interpretations
  - Listing and Delisting

- ❑ Cannot be Executive Officers of Listed Co\* if Committed Market Abuse
- ❑ Use of KRX-Insider Trading Alarm Service (**K-ITAS**) to Catch Information
- ❑ **Disclosure** of Persons Violating Unfair Trading Restrictions
  
- ❑ More Cooperation by FSC+FSS **Joint Inspection** System
- ❑ **Improve Process**
  
- ✓ Short Selling?

- ❑ Strengthening of Internal Control of Financial Companies
  - ✓ Trading Guideline for FI Officers and Employees (2023.1.18.)
  - ✓ Own Account / Own Name / Regular Report to Company
  - ✓ Funding to Other Person? Involved in Trades? Share Profit or Loss?