

ENFORCEMENT DECREE OF THE KOREA SECURITIES AND FUTURES
EXCHANGE ACT

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Presidential Decree No. 18686, Jan. 27, 2005
Amended by Presidential Decree No. 18757, Mar. 28, 2005
Presidential Decree No. 19513, June 12, 2006
Presidential Decree No. 20653, Feb. 29, 2008

Article 1 (Purpose)

The purpose of this Decree is to provide for the matters delegated by the Korea Securities and Futures Exchange Act and the matters necessary for their enforcement.

Article 2 (Definition)

The definition of terms used in this Decree shall be as prescribed by the Korea Securities and Futures Exchange Act (hereinafter referred to as the "Act").

Article 3 (Securities subject to Trading in KOSDAQ Market)

The term "securities as prescribed by Presidential Decree" in Article 2 (2) of the Act means the securities of the following subparagraphs which are not listed on the securities market: <Amended by Presidential Decree No. 18757, Mar. 28, 2005>

1. Securities under Article 2 (1) 4 and 6 of the Securities and Exchange Act;
2. Securities (limited to securities characterized as certificates of stock) of Article 2 (1) 7 of the Securities and Exchange Act;
3. Securities (limited to securities issued based on those of subparagraph 2) of Article 2 (1) 8 of the Securities and Exchange Act;
4. Profit-making securities issued by an asset management company under the provisions of Article 137 (1) of the Indirect Investment Asset Management Act out of the profit-making securities the same Act; and
5. Securities under the provisions of Article 2-3 (1) 6 and 7 of the Enforcement Decree of the Securities and Exchange Act.

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Article 4 (Acts and subordinate Statutes related to Finance)

The term “Act as prescribed by Presidential Decree” in Article 2 (6) 13 of the Act means the Act falling under any of the following subparagraphs:

1. Bank of Korea Act;
2. Korea Development Bank Act;
3. Industrial Bank of Korea Act;
4. Long-Term Credit Bank Act;
5. Export-Import Bank of Korea Act;
6. Credit Unions Act;
7. Merchant Banks Act;
8. Mutual Saving Banks Act;
9. Credit Guarantee Fund Act;
10. Korea Technology Credit Guarantee Fund Act;
11. Community Credit Cooperatives Act;
12. Support for Small and Medium Enterprise Establishment Act;
13. Foreign Investment Promotion Act;
14. Asset-Backed Securitization Act;
15. Special Purpose Companies for Mortgage-Backed Bonds Act;
16. Secured Debentures Trust Act;
17. Financial Holding Companies Act;
18. Corporate Restructuring Investment Companies Act; and
19. Korea Housing Finance Corporation Act.

Article 5 (Extraordinary Trade)

The term “extraordinary trade as prescribed by Presidential Decree” in Article 6 (6) of the Act means the trade or acts falling under the standard as prescribed by the Korea Securities and Futures Exchange (hereinafter referred to as the “Exchange”) as cases falling under any of the following subparagraphs in the securities market, the KOSDAQ market (including cases of mediation of the trade of the securities under the provisions of Article 52-2 of the Securities and Exchange Act) or the futures market:

1. In cases where there is a remarkable fluctuation in price or in trading amount of securities or items of futures trading;
2. In cases where there is a public notice, a rumor or a report which may affect the price, etc. of securities or items of futures trading; and
3. In cases where it is apprehended that the regulations related to the business of the Exchange are violated, such as other trade, etc.

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apprehended to impair the fair trade order of the market.

Article 6 (Qualifications for Executives)

(1) The term “person who has experience and knowledge in finance as prescribed by Presidential Decree and is not apprehended to impair the sound management and fair trade order of the Exchange” in Articles 8 (3) and 17 (4) of the Act means a person meeting all the requirements of the following subparagraphs: <Amended by Presidential Decree No. 19513, June 12, 2006; Presidential Decree No. 20653, Feb. 29, 2008>

1. A person who has career experience falling under any of the following items:
 - (a) A person who has career experience having worked with a financially related institution at home or abroad for 15 years or longer;
 - (b) A person who has been a public official higher than second grade in the field of finance and economy or was a public official in general service belonging to a high ranking public official group;
 - (c) A person who has served as an associate professor or higher or has held office equivalent to that in a university or a research institute at home or abroad in the field of finance and economy 15 years or longer; and
 - (d) Any other person who is deemed to have experience and knowledge corresponding to items (a) through (c).
2. A person who has not been inflicted punishment heavier than the suspension from performing duties or reprimand in the latest three years from the Financial Services Commission or the governor of the Financial Supervisory Service established under the Act on the Establishment, etc. of Financial Services Commission.

(2) The provisions of Articles 84-18 and 84-19 (3) of the Enforcement Decree of the Securities and Exchange Act shall apply *mutatis mutandis* to members of the audit and inspection committee who are standing directors under the provisions of the latter part of Article 8 (5) of the Act.

Article 7 (Exception to Limitation of Trade, etc. of Executive, etc.)

The term “cases as prescribed by Presidential Decree” in Article 11 (2) 4 of the Act means cases falling under any of the following subparagraphs:

1. Cases falling under subparagraphs 1 through 3, 5 through 7 and 9 through 13 of Article 35 of the Enforcement Decree of the Securities and Exchange Act;

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2. Cases of paying a fixed rate of the remuneration for the securities savings under the provisions of Article 42 of the Securities and Exchange Act; and
3. Cases falling under Article 13 (1) 1 through 4 of the Enforcement Decree of the Futures Trading Act.

Article 8 (Members of Audit and Inspection Committee)

The provisions of Article 37-7 (2) of the Enforcement Decree of the Securities and Exchange Act shall apply *mutatis mutandis* to the members of the audit and inspection committee under the provisions of Article 13 (2) of the Act.

Article 9 (Members of Director-Nominee Recommendation Committee)

(1) The term “certificate of stock listed corporation as prescribed by Presidential Decree” in Article 14 (2) 4 of the Act means the corporation recommended by the organization established by and composed of the certificate of stock listed corporations as its members

(2) The term “KOSDAQ listed corporation as prescribed by Presidential Decree” in Article 14 (2) 5 of the Act means the corporation recommended by the organization established by and composed of KOSDAQ listed corporations as its members.

Article 10 (Restriction on Stock Holdings)

(1) The term “person in special relationship as prescribed by Presidential Decree” in Article 21 (2) 2 of the Act means a person in a relationship with the person himself/herself under the provisions of Article 10-3 (2) and (4) of the Enforcement Decree of the Securities and Exchange Act. In such cases, the provisions of Article 10-3 (3) of the Enforcement Decree of the same Act shall apply *mutatis mutandis* to whether he/she contributes a person in a special relationship.

(2) The term “case as prescribed by Presidential Decree” in Article 21 (2) 3 of the Act means the case falling under any of the subparagraphs of Article 10-4 of the Enforcement Decree of the Securities and Exchange Act.

Article 11 (Imposition and Collection of Charges for Compulsory Performance)

The provisions of Articles 92 and 93 of the Enforcement Decree of the Securities and Exchange Act shall apply *mutatis mutandis* to the imposition and collection of charges for compulsory performance under the provisions

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of Article 22 of the Act.

Article 12 (Objects of Deliberation of Market Efficiency Promotion Committee)

(1) The term “institution as prescribed by Presidential Decree” in Article 25 (2) of the Act means the corporation invested by the Exchange as a corporation entrusted with the development and operation, etc. of the computerized system for the management of the securities market, the KOSDAQ market or the futures market.

(2) The term “investment in computerization more than the amount as prescribed by Presidential Decree” in Article 25 (2) of the Act means the investment the expense of which required for development of the computerized system such as software, hardware, etc. and its supplementary installation for the management of the market or the improvement of the market infrastructure exceeds ten billion won.

Article 13 (Organization and Operation of Market Efficiency Promotion Committee)

(1) The market efficiency promotion committee (hereinafter referred to as the “committee”) shall be comprised of nine members or fewer commissioned by the Financial Services Commission under the provisions of Article 25 (3) of the Act and the members shall be commissioned out of the persons falling under the following: <Amended by Presidential Decree No. 20653, Feb. 29, 2008>

1. An executive of the Exchange;
2. An executive of the Korea Securities Dealers Association established under the provisions of Article 162 of the Securities and Exchange Act;
3. An executive of the Korea Futures Association established under the provisions of Article 75 of the Futures Trading Act;
4. An executive of the Korea Securities Depository established under the provisions of Article 173 of the Securities and Exchange Act;
5. An executive of a corporation under the provisions of Article 12 (1); and
6. Four private specialists or fewer in the fields of finance, law, accounting and computerization.

(2) The chairperson of the committee shall be elected from among the members of paragraph (1) 6 by themselves.

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(3) Other matters necessary for the operation and deliberation, etc. of the committee shall be determined by the committee.

Article 14 (Fine for Negligence)

The provisions of Article 94 of the Enforcement Decree of the Securities and Exchange Act shall apply *mutatis mutandis* to disposition of fines for negligence under the provisions of Article 29 (2) of the Act.

ADDENDUM <Presidential Decree No. 18686, Jan. 27, 2005>

This Decree shall enter into force on the date when the Exchange has registered its establishment under the provisions of Article 11 of Addenda to the Act.

ADDENDA <Presidential Decree No. 18757, Mar. 28, 2005>

Article 1 (Enforcement Date)

This Decree shall enter into force on March 29, 2005. <Proviso Omitted>

Articles 2 through 5 Omitted.

ADDENDA <Presidential Decree No. 19513, June 12, 2006>

Article 1 (Enforcement Date)

This Decree shall enter into force on July 1, 2006.

Articles 2 through 4 Omitted.

ADDENDA <Presidential Decree No. 20653, Feb. 29, 2008>

Article 1 (Enforcement Date)

This Decree shall enter into force on the date of its promulgation: *Provided*, That out of any Presidential Decree to be amended under Article 2 of Addenda, the amended part of a Presidential Decree promulgated prior to this Decree entering into force, but the date of its enforcement has not arrived, shall enter into force on the enforcement date of the relevant Presidential Decree respectively.

Article 2 Omitted.