KOREA EXCHANGE

KOREA EXCHANGE

ENGLISH

KOREA EXCHANGE

RENEW

RENEW

Over the course of the last 59 years, KRX has grown hand-in-hand with the Korean economy, keeping abreast of market trends and fulfilling customer needs. Today, KRX has reached a strong level of competitiveness that allows it to export its advanced knowledge to overseas markets. Going forward, KRX will take a step further helping to create Korea's creative economy, in addition to stimulating the market and pursuing innovation. It will carry in its heart, at all times, its vision of becoming the "global premier exchange pioneering creative finance and market innovation."

KOREA EXCHANGE
www.krx.co.kr
Corporate Brochure

KOREA EXCHANGE

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RENEW

KRX IS PLANTING THE SEEDS OF 'CREATIVE FINANCE' IN THE ECONOMY OF KOREA. IT PURSUES TO PROVIDE DYNAMISM TO THE CAPITAL MARKET AND SERVE INVESTORS AND COMPANIES BETTER IN AN INNOVATIVE WAY.

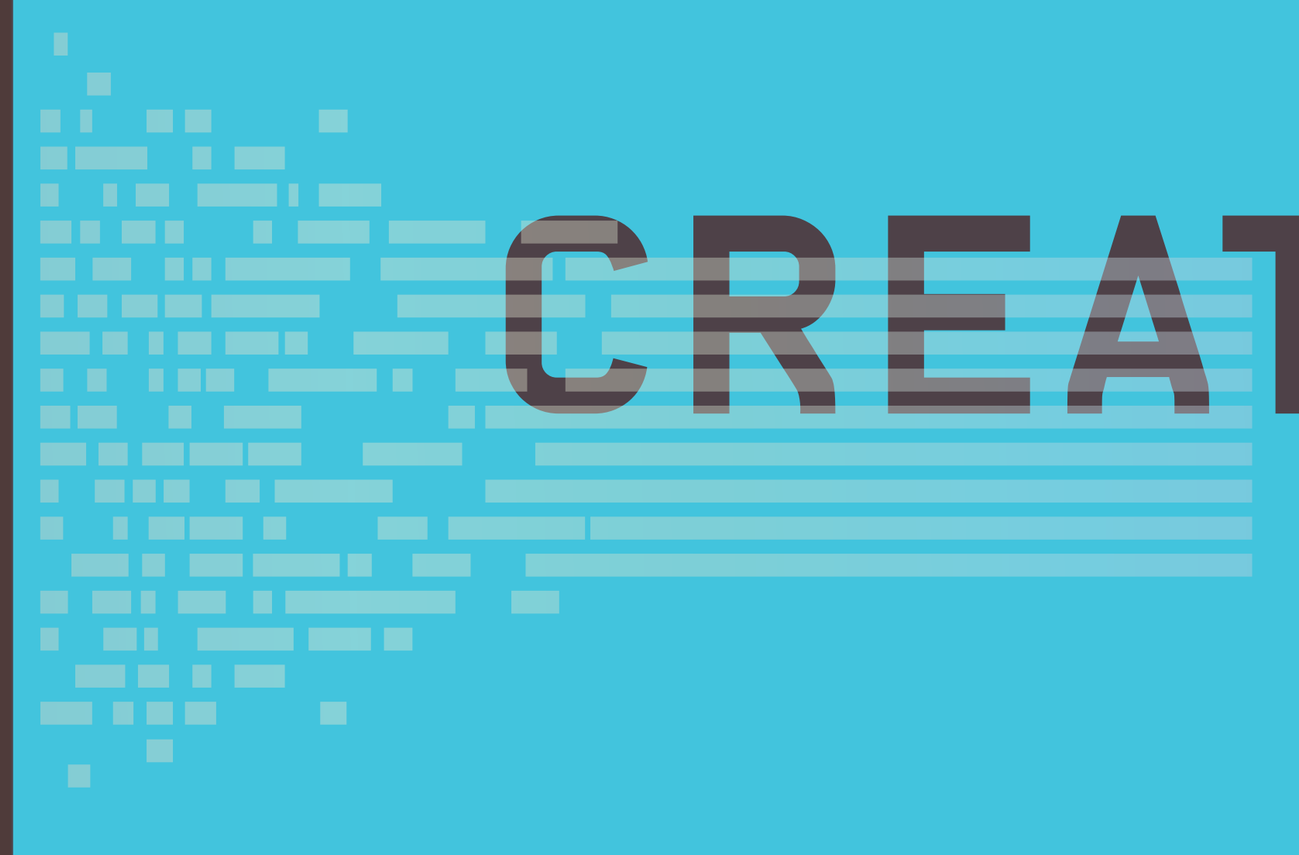
TO ACHIEVE THE VISION OF GLOBAL PREMIER EXCHANGE PIONEERING CREATIVE ECONOMY AND MARKET INNOVATION AS WELL AS TO MEET THE INCREASING EXPECTATIONS FROM THE MARKET, KRX DECLARED THE 'RENEW' STRATEGIES IN 2014 AND IS FULLY DEDICATED TO RENEW ITSELF.

WATCH AND STAY WITH US CLOSELY AS KRX RENEWAL IS ABOUT TO BEGIN.

WHY DO WE PURSUE TO RENEW?
HOW WILL WE RENEW OURSELVES?

CREATE

THROUGH CLOSE COOPERATION AND MUTUAL ASSISTANCE WITH INVESTORS, LISTED COMPANIES, GLOBAL PARTNERS, FINANCIAL INDUSTRIES AND REGULATORS, KRX IS BUILDING A SOLID FOUNDATION FOR CREATIVE FINANCE.



REVITAL

TE

REVITALIZE

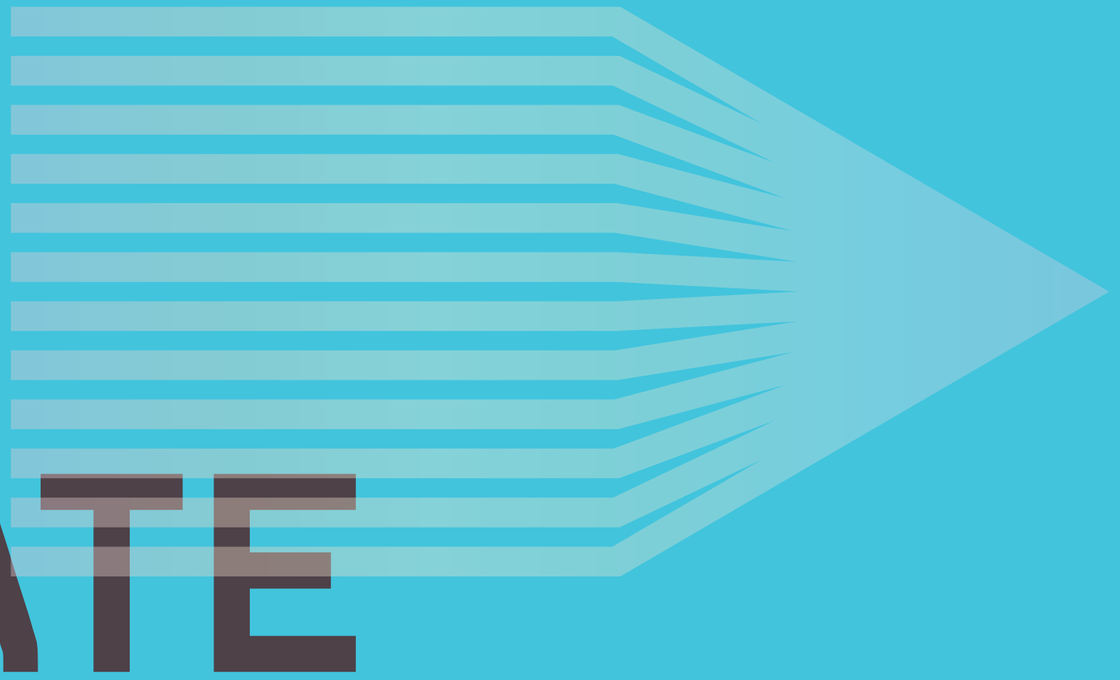
KRX DEVOTES ITSELF TO ATTRACT PROMINENT GLOBAL COMPANIES AND BOOST MARKET TRANSACTIONS TO BRING DYNAMISM TO THE CAPITAL MARKET AND ENABLE INVESTORS AND COMPANIES TO SUCCEED AND WIN TOGETHER.

LIZE

INNOVATE

KRX NEVER CEASES TO RENEW ITSELF TO BUILD A WORLD-CLASS MARKET THROUGH INNOVATIVE DRIVES IN FULL RANGE OF BUSINESS AREAS.

INNOVA



BASED ON ITS TIME-TESTED EXPERTISE, PRODUCT DIVERSITIES AND RENEWED DRIVES, KRX IS ADAPTING TO CHANGE IN THE RAPIDLY CHANGING GLOBAL ENVIRONMENT AND EMBRACING EVOLVING INVESTOR AND MARKET EXPECTATIONS.

NOW IS THE TIME FOR KRX TO TAKE A QUANTUM LEAP FORWARD TO STAND FIRM AS A WORLD-CLASS MARKET. KEEP AN EYE ON KRX'S RENEWAL AND FUTURE, AS IT STARTS TO **INNOVATE** AND **REVITALIZE** THE MARKET IN ORDER TO SERVE AS A VIBRANT VEIN FOR GLOBAL CAPITAL FLOW THAT WILL GIVE RISE TO KOREA'S **CREATIVE** ECONOMY.

KRX IS FOCUSING ON DEVELOPING NEW GROWTH ENGINES FOR THE FUTURE WHILE SOLIDIFYING ITS FOUNDATION AND REINFORCING ITS CORE COMPETITIVENESS IN ORDER TO PRESENT ITSELF AS A GLOBAL PREMIER EXCHANGE.

WHETHER DEVELOPING A CUTTING-EDGE IT INFRASTRUCTURE, BROADENING ITS GLOBAL HORIZON, OR IMPLEMENTING INNOVATIVE INITIATIVES AND IMPROVING TRADING ENVIRONMENT, KRX WILL CONTINUE TO RENEW ITSELF UNTIL IT STANDS FIRM AS A GLOBAL PREMIER EXCHANGE WHERE COMPANIES AND INVESTORS FROM AROUND THE WORLD MEET AND SHARE SUCCESS.

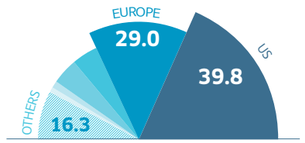
RENEW
COMPETITIVENESS



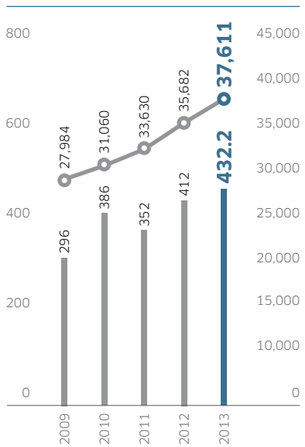
GLOBAL KRX

A TOTAL PREMIUM MARKET WITH BLUE CHIP COMPANIES AND INVESTORS FROM ALL OVER THE WORLD.

GLOBAL INVESTORS FROM ALL OVER THE WORLD [%]



- Over 68% of foreign investment comes from US and Europe.
- Among European countries, UK, Norway and France are major investors in Korean equities.
- Investment from Middle East has steadily increased from 5.9% in 2009 to 6.7% in 2012.



■ Shareholding by global investors [Units: in KRW Tril.]
○ No. of Global Investors

A TOTAL MARKET WITH A COMPREHENSIVE PRODUCT LINEUP INCLUDING STOCKS, BONDS, DERIVATIVES, STRUCTURED PRODUCTS AND COMMODITIES

KRX features an extensive product line-up so that investors can trade stocks, bonds, derivatives, ETFs, ELWs and commodities (gold, petroleum, etc.) on a single platform. This allow investors to minimize their transaction costs and hedge investment risks and provides them with efficient means to manage assets.

A PREMIUM MARKET FAVORED BY PROMINENT GLOBAL COMPANIES AND INVESTORS FROM DIVERSE ORIGINS

As a premium exchange on which many global blue-chip companies are listed, KRX has an extensive sector coverage that spans from traditional blue-chip industries such as electronics, machinery, automobile and oil refining to high growth and future-oriented industries such as IT, semiconductors, biotechnology and entertainment.

KRX enjoys growing global prominence with steady growth of foreign investor holdings up to KRW 432.2 trillion by the end of 2013 and continuous increase in terms of the absolute number of global investors as well as the diversity of their nationalities.

STEADY LISTING OF FOREIGN COMPANIES

KRX is making efforts to attract outstanding global companies to promote synergy between companies and investors. Following the listing of the first foreign company in 2007, 15 foreign companies are listed on KRX as of August 2014. As a result of growing interest, the number of global companies listed on KRX is expected to continue to grow.

SAMSUNG · HYUNDAI · SK hynix · KEPCO · POSCO
NAVER · KIA · SM ENTERTAINMENT · daumkakao · CELLTRION
WDK · ACCESSBIO



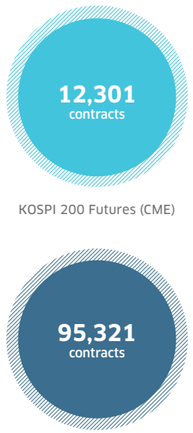
ADVANCED MARKET

STANDING AT THE HEART OF THE GLOBAL CAPITAL MARKET THROUGH BUSINESS COOPERATION WITH LEADING GLOBAL EXCHANGES AND INDEX PROVIDERS

FTSE

S&P DOW JONES INDICES

GLOBAL KOSPI200 MARKET: AVERAGE DAILY TRADING VOLUME



ADVANCED CAPITAL MARKET ACKNOWLEDGED BY FTSE AND S&P

FTSE'S CLASSIFICATION OF KOREA AS A DEVELOPED MARKET ACKNOWLEDGES KRX'S ADVANCED MARKET POLICIES AND TRADING ENVIRONMENT.

Korea has been acknowledged as a developed market by FTSE's country classification (September 2009) and this indicates that KRX has not only matured in terms of the market size, but also that its market institutions and trading environment have developed to the global top-tiered level of advanced countries.

S&P'S GLOBAL MARKETING OF KRX INDICES.

KRX publishes over 130 indices, including Korea's representative blue chip stock index, KOSPI 200. Index funds and structured products based on KOSPI 200 have a market capitalization value equivalent to KRW 60 trillion. Together with S&P, KRX is pursuing the joint marketing of its indices to investors worldwide. By leveraging S&P's know-how and network in marketing and sales, diverse products based on KRX's indices can be created to facilitate overseas investments into KRX.

GLOBAL MARKET OF KOSPI200 FUTURES AND OPTIONS LINKED WITH CME AND EUREX

By linking KOSPI 200 Futures with CME Globex and KOSPI 200 Options with Eurex, KRX created a global market that allows for 24-hour trading of KOSPI 200 derivatives. The market has shown steady growth since its establishment, and as of August 2014 in particular, the trading of KOSPI 200 Futures by foreign investors has shown a rapid growth in terms of weight and volume.

EXCHANGE LINKS	CME	EUREX
Product	KOSPI 200 Futures (same product as the regular market)	KOSPI 200 Options (in the form of a future with 1-day expiration)
Matching	CME Globex	Eurex
Clearing and settlement	KRX	Eurex: Clearing KRX: Settlement (transfer of asset)
Trading hours (Korea time)	18:00 ~ 05:00 (+1)	17:00 ~ 05:00 (+1)* * 04:00 during summer time
Date of establishment	November 2009	August 2010



KRX EXTURE+ expand the future with us

INNOVATIVE IT INFRA

KRX BOASTS WORLD-CLASS SPEED, CAPACITY AND RELIABILITY WITH EXTURE+.

TRADING

ADVANTAGES OF EXTURE+ TRADING

- All in a single platform (stocks, bonds, futures, options etc.)
- Memory-based solutions and open source architecture
- Parameter based system (Reference data system)
- Capable of DMA, Non-exchange trading venues (Dark pool, ECN), Algo, HFT etc.

SUPERIOR PERFORMANCE

20,000 TPS
THROUGHPUT

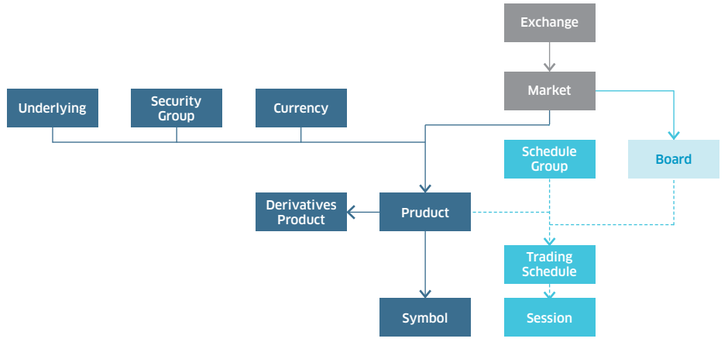
~100 Micro Seconds
LATENCY (AVG)

ENVIRONMENT

INFRA	**x86 Linux Server**
TECHNOLOGY	**Memory-based Order Book Layered / Tiered Architecture**
ACCESS	**FIX / FAST Standard protocol**

EXTURE+ TRADING, THE STATE-OF-THE-ART TECHNOLOGY OF KRX, IS AT PAR WITH GLOBAL COMPETITIVE TRADING PLATFORMS

PRODUCT HIERARCHY



FUNCTIONALITIES

INSTRUMENTS	Stocks	Common / preferred stocks, Mutual funds, ETFs, Warrants, Rights, DRs
	Securitized derivatives	ELWs
	Bonds	
	REPOs	
	Derivatives	Futures, Call / Put Options (stock index, currency, interest, metal, agriculture etc.)
MARKET STRUCTURE	Multi-Market	Operations of multi and different markets in one exchange
	Multi-Board	Odd-Lot Board, Buy-In Board. Negotiation Board and others
		Pre-Open, Main and Post-Closing depending on the trading hours
TRADING METHOD	Individual Auction	Single Price Auction, Continuous Matching. Allocation Matching. One-Side Auction
	Negotiation	
ORDER		Limit Order
		ATO / ATC, Market Order
		Stop Limit / Market Order, Iceberg Order
		Same Side Best Order. Opposite Side Best Order
		FAS / FAK / FOK
		GTC
OTHER	Trading rules and many other rich functionalities (market maker, DMA etc.) are provided by parameters.	

CLEARING & SETTLEMENT

KRX HAS DEVELOPED THE WORLD-CLASS, RISK-CONTROLLED AND TRUST-WORTHY CS SYSTEM OFFERING GLOBAL CLIENTS WITH STABLE CLEARING AND SETTLEMENT SERVICES IN THEIR MARKETS.

YOU TRADE, KRX CS SYSTEM CLEARS

METICULOUS FUNCTIONALITIES

KRX CS SYSTEM IS AN INTEGRATED SOLUTION TO COVER BOTH CASH AND DERIV-TIVES PRODUCTS. KRX HAS REALIZED PLENTY OF CS FUNCTIONALITIES:

- Utilization of SPAN, VaR, Stress Testing methodologies
- Allocation (give-up, take-up), real-time display on current position movement
- Calculation on settlement obligation, fees, rebates
- Physical deliveries, parametric arrangement
- RDS set-ups for multi-market, currencies
- Collateral in many currencies
- Warning on intraday margin breaks
- Approval process on many critical decisions of the Clearing House

STANDARD AND UP-TO-DATE TECHNOLOGIES

KRX SUPPLIES GLOBAL CUSTOMERS WITH USER-ORIENTED, TRENDY TECHNICAL FEATURES.

- Reports based on what you see in XLS, PDF
- Developed in web-based programs and workable in various browsers
- Connect to CME GLOBEX using FIX / FAST
- Communication by FIX to members
- Utilizing XML to talk to CME SPAN and members

POSITION MANAGEMENT	SETTLEMENT CALCULATION	REFERENCE DATA MANAGEMENT
Trade Registration	Settlement Price	CP / Account
Give-up / Take-up	Settlement Amount	Product / Series
Position Transfer	Fee / Rebate / Charge	Parameters

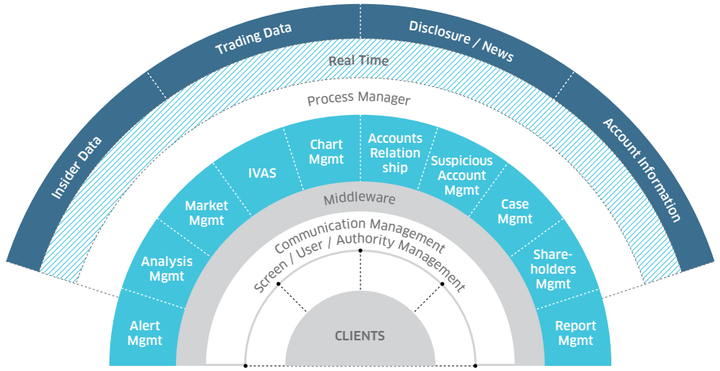
RISK MANAGEMENT	COLLATERAL MANAGEMENT	FINANCIAL MANAGEMENT
Margin Calculation	Deposit / Withdrawal	Cash In / Out
Intraday Margin	Allocation	Interest / Investement
Clearing Fund	Valuation	Posting Codes

SURVEILLANCE

KRX EXTURE+ SURVEILLANCE SYSTEM, THE PROVEN SOLUTION FOR THE WORLD'S MOST ACTIVELY TRADED DERIVATIVES MARKET, IS NOW AVAILABLE TO OVERSEE ANY SECURITIES, DERIVATIVES AND INTER-LINKED MARKETS IN THE WORLD.

KEY FEATURES

- **Powerful Rule Engine**
  More than 500 parameters
  Complex detection rules can be configured easily
- **Variable Charts and Visual Representations**
  Easily identifiable suspicious accounts in all graphs and spreadsheets
- **Pattern Recognition algorithms and tools**
- **Market Replay**
  Limitless-depth order book, single/dual price column view, easy zoom in/out
- **User-defined Reports**



DISCLOSURE

ESTABLISHING A FAST AND CONVENIENT DISCLOSURE CHANNEL TO THE PUBLIC IS MORE THAN IMPORTANT.

KEY FEATURES

EASY SUBMISSION	Provides easy-to-use web-based interfaces to facilitate submis-sion of disclosures in the form of user-created templates.
INTEGRATED WORKFLOWS	Designed to accommodate a wide range of workflow for global customers.
EASY FORM CREATION	The user can easily create and change XML templates or edit Microsoft Word and upload templates to the system.
INCREASED DATA USABILITY	Disclosure data is automatically extracted and stored for value-added data products.
TRENDY WITH ALL TYPES OF BROWSERS AND MOBILE SERVICES	Supports various types of browsers and both Android and iPhone for mobile service.



KRX

TOTAL MARKET WITH COMPREHENSIVE PRODUCT LINE-UP

EQUITY

STOCKS

DEPOSITARY RECEIPTS (DR)

SPECIAL PURPOSE ACQUISITION COMPANIES (SPAC)

REAL ESTATE INVESTMENT TRUSTS (REITS)

BENEFICIARY CERTIFICATES



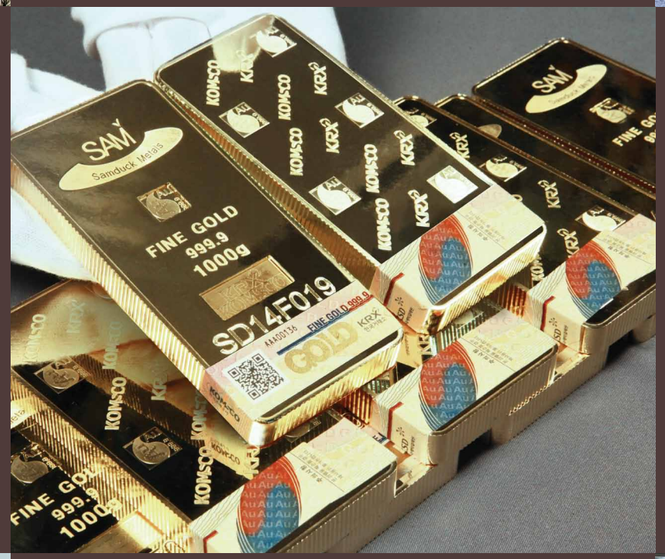
SECURITIZED PRODUCTS

ETFs

PHYSICAL ETFs
LEVERAGED ETFs
INVERSE ETFs
SYNTHETIC ETFs

ELWs

ETNs



BONDS

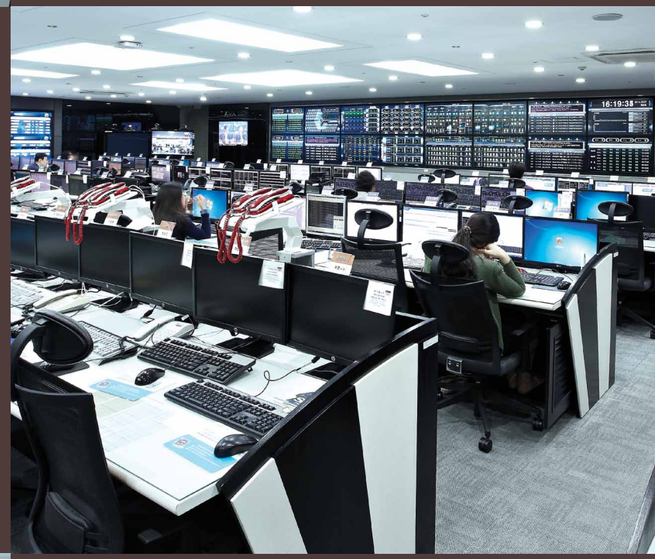
GOVERNMENT BONDS

MUNICIPAL BONDS

CORPORATE BONDS

SPECIAL BONDS
(ISSUED IN ACCORDANCE WITH SPECIAL LAWS)

MONETARY STABILIZATION BOND
SPECIAL BONDS FROM FINANCIAL AND NON-FINANCIAL INSTITUTIONS.
LOCAL PUBLIC COMPANY BONDS (TYPE A)





DERIVATIVES

STOCK INDICES
KOSPI 200 FUTURES / OPTIONS

SINGLE STOCK FUTURES / OPTIONS

BONDS / INTEREST RATES (3 / 5 / 10 - YEAR)

CURRENCIES
USD FUTURES / OPTIONS
JPY/EUR FUTURES

COMMODITIES
GOLD / MINI-GOLD FUTURES
LEAN HOG FUTURES



COMMODITIES

GOLD

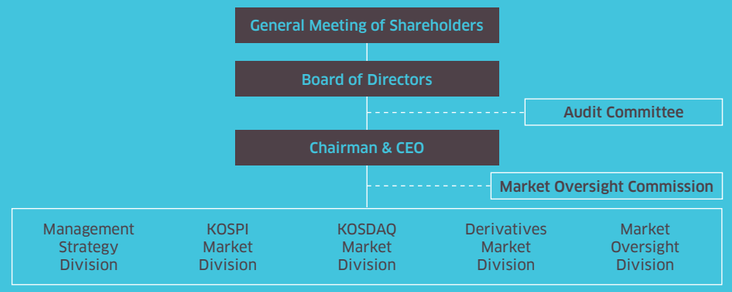
PETROLEUM

EMISSIONS

WE WILL CLIMB HIGHER THROUGH NEW CHALLENGES AND ACHIEVEMENTS

ORGANIZATION

KRX's board of directors consists of 15 members, including the Chairman, a standing auditor from the Audit Committee and the Chairman of the Market Oversight Commission. Eight outside directors comprise the majority. The company has 5 divisions that enhance work efficiency: the Management Strategy Division, 3 market divisions (KOSPI, KOSDAQ and Derivatives) and the Market Oversight Division.



1956

FEB. 11, 1956
Daehan Stock Exchange (DSE) established

MAR. 3, 1956
Opening of the securities market

JAN. 15, 1962
Securities and Exchange Act enacted

APR. 1, 1962
DSE reorganized into a joint stock corporation

MAY. 3, 1963
Korea Stock Exchange (KSE) reorganized into a government-run, non-profit corporation

NOV. 22, 1968
Law on cultivating the capital market proclaimed

FEB. 1, 1969
Clearing transactions abolished with the launch of regular transactions

1970

OCT. 1, 1971
KSE introduces its Post Trading System (order-book trading system)

JAN. 4, 1972
Price-weighted Korea Composite Stock Price Index (similar to Dow) introduced

DEC. 6, 1974
Korea Securities Depository established as a subsidiary of KSE

JAN. 4, 1975
Call trading in the securities exchange abolished in lieu of post trading

SEP. 20, 1977
Korea Securities Computer Corporation incorporated as another KSE subsidiary

JUL. 2, 1979
KSE relocated from Myungdong to Yoido

SEP. 24, 1979
KSE gains membership to the International Federation of Stock Exchanges (FIBV), currently known as the World Federation of Exchanges (WFE)

1980

JAN. 4, 1983
Composite stock price index calculation changed from a price-weighted method to a market-capitalization-weighted method

FEB. 29, 1988
KSE management changed from public administration to private membership

MAR. 1, 1988
KSE privatized and incorporated as a membership organization

MAR. 3, 1988
KSE launches its Automated Trading System (KATS)

MAR. 31, 1989
KOSPI breaks the 1,000 point mark (1,003.31 points)

1990

JAN. 3, 1992
Foreigners are allowed to make direct stock investments

OCT. 10, 1994
KSE hosts the 34th FIBV general assembly

MAY. 3, 1996
KSE launches the Stock Index Futures Market

JUL. 1, 1996
KOSDAQ stock market established

JUL. 7, 1997
KSE launches the Stock Index Options Market

SEP. 1, 1997
Complete computerization of the trading system

MAY. 25, 1998
Foreign investment ceilings eliminated for the majority of companies

OCT. 12, 1998
KOSDAQ committee established

MAR. 29, 1999
KSE launches inter-dealer market for government bonds

APR. 23, 1999
Korea Futures Exchange (KOFEX) launched

2000

JAN. 28, 2002
KSE launches the Single Stock Options Market

FEB. 25, 2002
KSE launches the Inter-Dealer Repo Market

OCT. 14, 2002
KSE launches the Exchange Traded Fund (ETFs) Market

NOV. 1, 2002
KSE introduces a fair disclosure system

JAN. 29, 2004
Korea Securities & Futures Exchange Act enacted

JAN. 27, 2005
KSE, KOSDAQ and KOFEX consolidated as the Korea Exchange (KRX)

JUN. 1, 2005
KRX begins to publish the KRX 100 Index

NOV. 7, 2005
KRX launches KOSTAR Futures

DEC. 1, 2005
KRX launches the Equity Warrant Market

AUG. 20, 2007
KRX launches the Retail Bond Market

MAY. 6, 2008
KRX launches the Single Stock Futures Market

JUL. 21, 2008
KRX launches the Lean Hog Futures Market

2009-15

FEB. 4, 2009
Company name changed to "Korea Exchange"

JULY 29, 2009
KRX launches ETF tracking of 3-year KTBs

SEP. 21, 2009
KRX reclassified into FTSE's index for developed markets

NOV. 16, 2009
KRX launches nighttime trading of KOSPI 200 Futures on CME Globex

FEB. 23, 2010
Cambodia Securities Exchange (45% equity stake) is incorporated

AUG. 30, 2010
KRX launches nighttime trading of KOSPI 200 Options on Eurex

SEP. 13, 2010
Opening of the Mini Gold Futures market

OCT. 10, 2010
Lao Securities Exchange (49% equity stake) is incorporated

JAN. 1, 2011
Lao stock market begins trading

MAR. 30, 2012
KSE launches online petroleum spot trading

APR. 18, 2012
Cambodian stock market begins trading

MAR. 30, 2012
Launch of online petroleum spot trading

APR. 18, 2012
Opening of the securities market in Cambodia

JUL. 1, 2013
Launch of KONEX

MAR. 3, 2014
Launch of the EXTURE+ system

MAR. 24, 2014
Launch of the KRX Gold Market

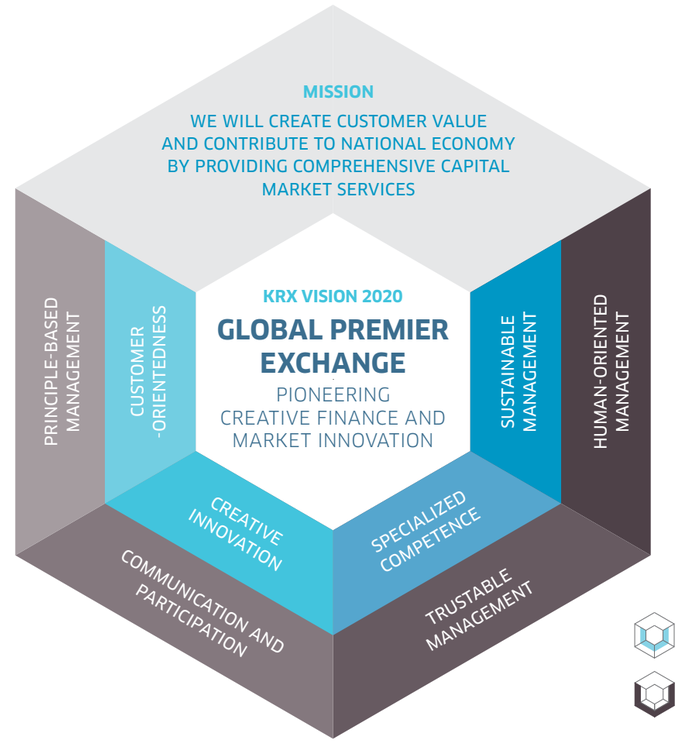
NOV. 17, 2014
Launch of the exchange-traded notes (ETN) market

JAN. 2015
Launch of the emissions trading market

THROUGH RENEWAL, KRX WILL ACHIEVE ITS VISION AND CREATE ADDED VALUE THAT WILL BENEFIT KOREA AND THE WORLD

WITH A NEW VISION AND INITIATIVES TO ACHIEVE IT,
KRX WILL CONTRIBUTE TO THE ADVANCEMENT OF THE
CAPITAL MARKET OF KOREA AND GLOBAL ECONOMY.



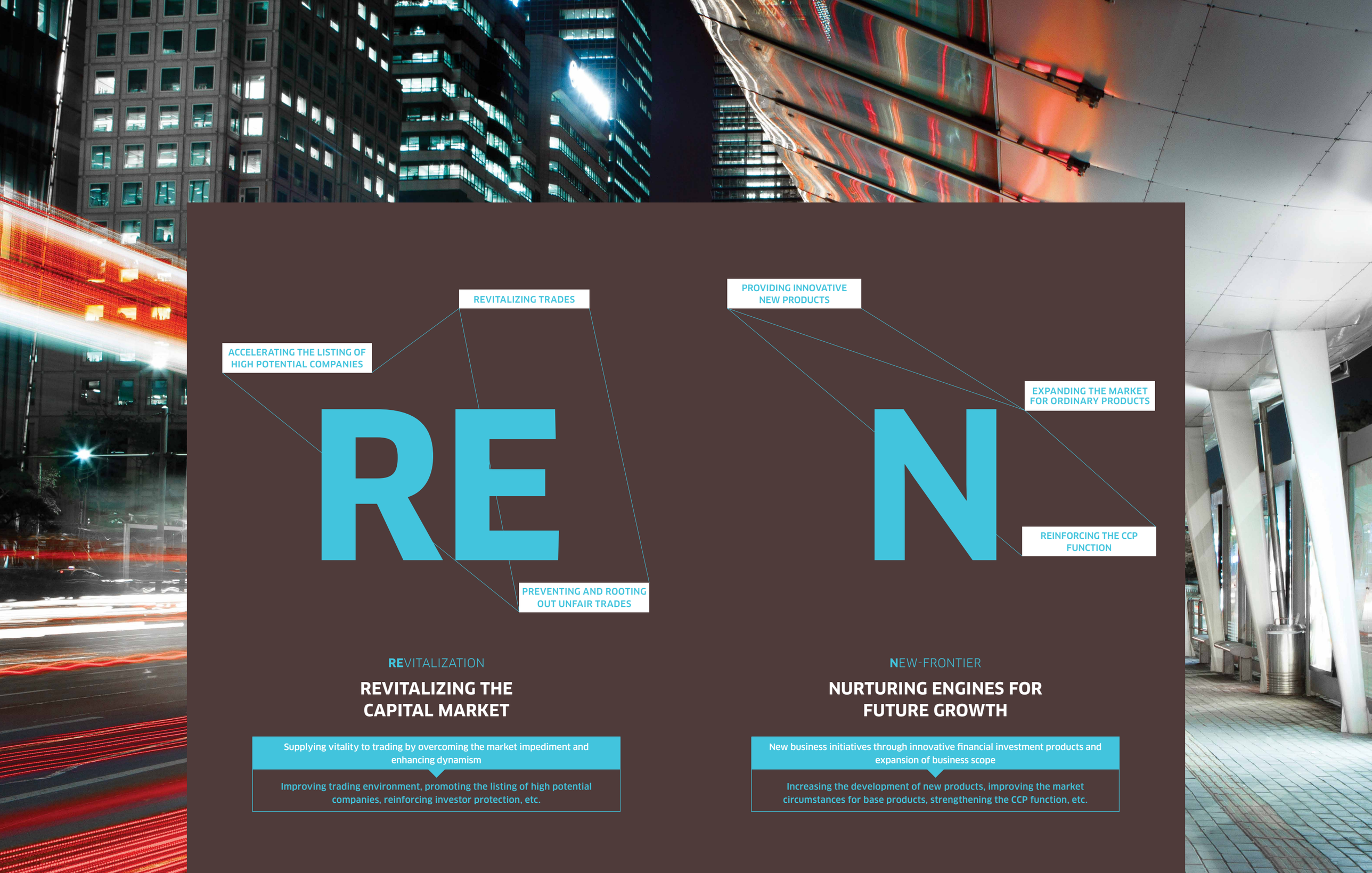


RE	N	E	W
REVITALIZATION	**N**EW-FRONTIER	**E**XPANSION	**W**ELL-MANAGED COMPANY
STRATEGIC DIRECTIVES			
REVITALIZING THE CAPITAL MARKET	NURTURING ENGINES FOR FUTURE GROWTH	EXPANDING GLOBAL HORIZON	ESTABLISHING A SUSTAINABLE MANAGEMENT STRUCTURE
STRATEGIC INITIATIVES			
Revitalizing trades • Accelerating the listing of high potential companies • Preventing and rooting out unfair trades	Providing innovative new products • Expanding the market for ordinary products • Reinforcing the CCP function	Exporting market system • Expanding global partnerships • Reinforcing competitiveness in the IT and information service businesses	Implementing an advanced governance • Improving management efficiency • Reinforcing socially responsible management

RENEW

REVITALIZATION
NEW-FRONTIER
EXPANSION
WELL-MANAGED COMPANY

KRX'S RENEWAL STRATEGIES FOR KOREA'S CAPITAL MARKET CONSIST OF 4 AXES AND CORRESPONDING SOLUTIONS THAT WILL GENERATE GREAT SYNERGY.



REVITALIZING TRADES

ACCELERATING THE LISTING OF HIGH POTENTIAL COMPANIES

RE

PREVENTING AND ROOTING OUT UNFAIR TRADES

PROVIDING INNOVATIVE NEW PRODUCTS

EXPANDING THE MARKET FOR ORDINARY PRODUCTS

N

REINFORCING THE CCP FUNCTION

REVITALIZATION

REVITALIZING THE CAPITAL MARKET

Supplying vitality to trading by overcoming the market impediment and enhancing dynamism

Improving trading environment, promoting the listing of high potential companies, reinforcing investor protection, etc.

NEW-FRONTIER

NURTURING ENGINES FOR FUTURE GROWTH

New business initiatives through innovative financial investment products and expansion of business scope

Increasing the development of new products, improving the market circumstances for base products, strengthening the CCP function, etc.



EXPANSION

EXPANDING GLOBAL HORIZON

Creating a “Korean Wave” in finance by overcoming the limitations of a local player and developing overseas markets

Exporting capital markets, expanding global partnership and implementing a better governance system

WELL-MANAGED COMPANY

ESTABLISHING A SUSTAINABLE MANAGEMENT STRUCTURE

Establishing an effective management system through management efficiency and organizational innovation

Enhancement of KRX's business capabilities, organizational and workforce innovation and mutual growth management

KRX'S RENEWAL STRATEGY BECOMES CLEARER WITH THE IMPLEMENTATION AND COMPLETION OF ITS KEY BUSINESS INITIATIVES. WATCH KRX AS ITS PLANS FOR NEW PRODUCTS, KONEX AND OTC CLEARING SERVICE SERVICES FOR OTC DERIVATIVES BECOME A REALITY.

NEW PRODUCTS

KRX CAPTURES CUSTOMER NEEDS AND MARKET TRENDS ACCURATELY IN DIVERSE NEW PRODUCTS

GOLD MARKET

THE KRX GOLD MARKET WAS ESTABLISHED TO PROVIDE TRANSPARENCY TO THE LOCAL GOLD MARKET AND CREATE THE FOUNDATION FOR A DOMESTIC PRECIOUS METALS INDUSTRY.

As the nation's only gold spot market opened in March 2014, the KRX Gold Market offers investors new investment opportunities and opens a new market to gold traders, by making it possible to trade high quality gold at a fair price with the same ease and convenience of trading stocks.

BENEFITS OF KRX GOLD MARKET

- Tax benefits, such as VAT and customs duty exemption
- Low commissions
- Secure storage of gold and quality assurance
- Possibility for retail investors to participate

KRX GOLD MARKET TRADING SCHEME

PRODUCT	1 kg gold bar (Purity 99.99%)
TRANSACTION UNITS	1 g
TRANSACTION HOURS (SUBMISSION OF BIDS)	10:00~15:00 (09:00~15:00)
DAILY PRICE FLUCTUATION LIMIT	±10% of the base price

ETN (EXCHANGE TRADED NOTE)

KRX LAUNCHES THE ETN MARKET IN NOVEMBER 2014 IN RESPONSE TO DEMANDS FOR NEW INVESTMENT VEHICLES.

ETN (EXCHANGE TRADED NOTE)

An exchange-traded note is a securitized product that guarantees a specific rate of return of an index over a specific maturity period. It is issued by a securities company and backed by the company's credit. It is traded on the exchange like stocks.

KEY DIFFERENCES BETWEEN ETN AND ETF

- ETNs have no limits on assets that are managed.
- Investments can be made on diverse assets (foreign indices, spreads, etc.)
- The issuer guarantees a specific rate of return. (However, the investor must bear the credit risk of the issuer.)

THE EMISSIONS MARKET

WITH THE LAUNCH OF THE EMISSIONS MARKET IN JANUARY 2015, KRX WILL SUPPORT THE REDUCTION OF GREENHOUSE GASES AND INVESTMENT IN GREEN TECHNOLOGIES.

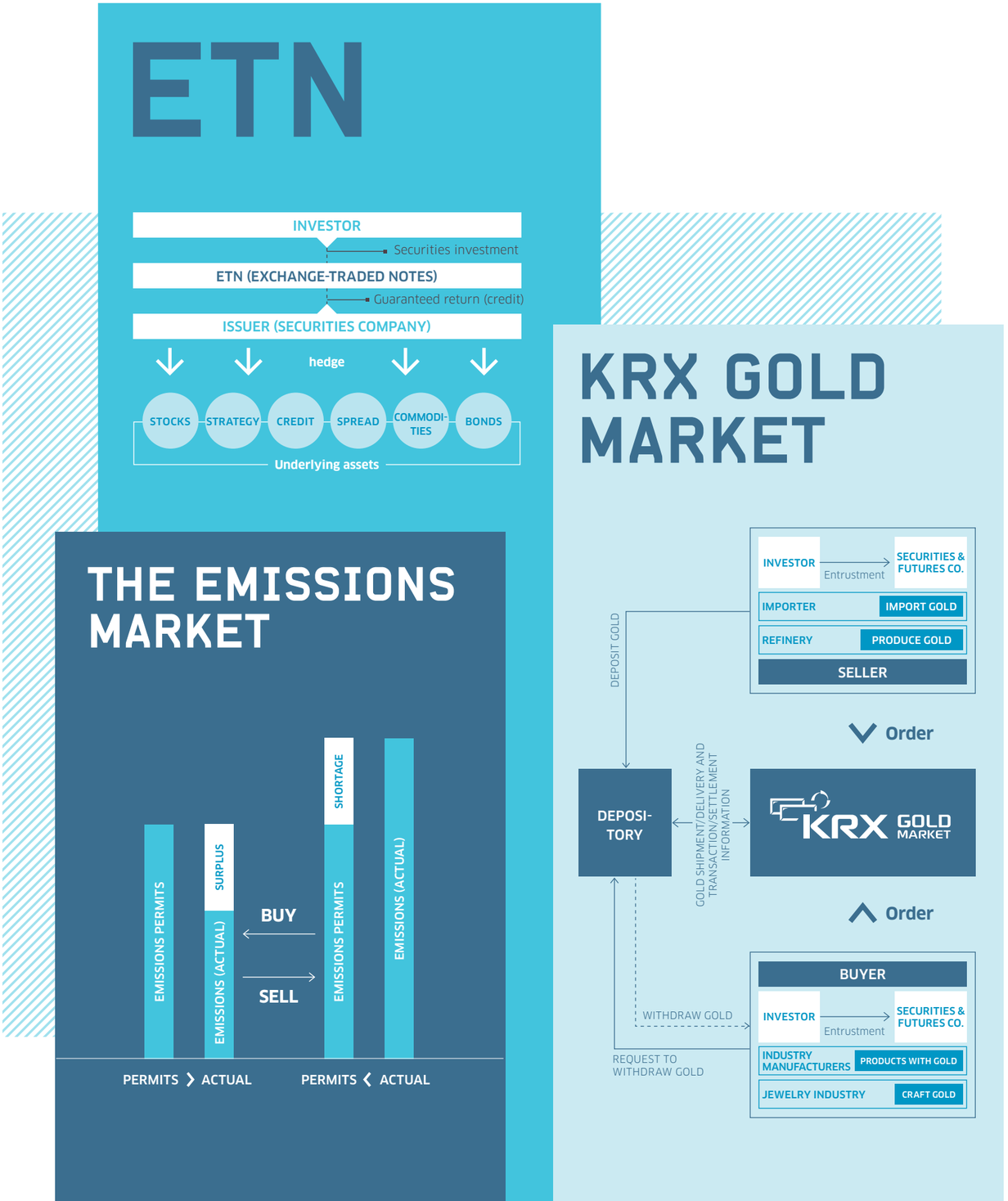
Companies that exceed their permits allocated by government buy emission permits in the market from companies that have the surplus.

KRX supplies the system and platform for companies to trade emission permits with the same case and convenience as stocks. Eventually, the market will grow and enable individuals as well as financial investment companies to participate.

The emissions market will help to set the stage for investment in green technologies. In addition to creating new markets and jobs based on creative ideas generated by related parties. It is expected to contribute to the creative economy by generating added value.

THE KRX EMISSIONS MARKET SCHEME

PRODUCT	KAU(Korean Allowance units) KAU(Korean Credit units)
TRANSACTION UNITS	1 unit (1 ton)
TRANSACTION HOURS (SUBMISSION OF BIDS)	10:30~12:00 (10:00~12:00)
DAILY PRICE FLUCTUATION LIMIT	±10% of the base price



KONEX MARKET

KONEX PROMOTES THE FORMATION OF A CREATIVE ECONOMY BY SUPPORTING THE GROWTH OF HIGH POTENTIAL VENTURE COMPANIES

HELPS TO SET THE STAGE FOR THE REALIZATION OF A CREATIVE ECONOMY

KONEX WAS CREATED TO SUPPORT THE CREATIVE ECONOMY BY ENABLING SMALL AND MEDIUM VENTURE COMPANIES TO RAISE CAPITAL IN THEIR INFANT STAGES. A CAPITAL MARKET STRUCTURE STARTING FROM KONEX TO KOSDAQ AND FINALLY KOSPI IS COMPLETED, WHICH IS DESIGNED TO BETTER MEET COMPANIES' NEEDS WITH SPECIALIZED SERVICES THAT ARE TAILORED TO EACH STAGE OF DEVELOPMENT.

TAILORED MARKET FOR SMEs	Minimal listing and listing-maintenance requirements (entry, disclosure, governance, etc.)
VIRTUOUS CYCLE OF VENTURE CAPITAL	Smooth payback and reinvestment of venture capital by opening participation to venture capital firms and angel investors
FACILITATION OF CORPORATE RESTRUCTURING	More relaxed requirements for mergers and introduction of block trading and one-way auction to facilitate corporate restructuring

PROVIDES HIGH POTENTIAL VENTURE COMPANIES WITH DIVERSE OPPORTUNITIES TO GO PUBLIC

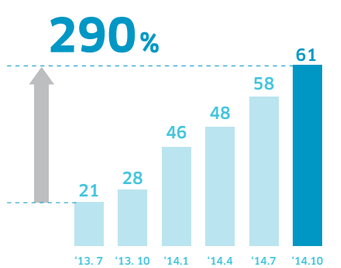
KONEX, WHICH DEMONSTRATED ITS TREMENDOUS POTENTIAL THROUGH ITS REMARKABLE GROWTH IN ITS FIRST YEAR, WILL BECOME A DEPENDABLE SUPPORTER OF NEW, SMALL AND-MEDIUM-SIZED VENTURE COMPANIES THROUGH ITS DIVERSE EFFORTS TO STIMULATE GROWTH AND PROMOTE EFFICIENCY.

FAST TRACK FOR KOSDAQ LISTING	Listing procedures to KOSDAQ can be accelerated through a less stringent, fast-track program
DIVERSIFIED MEANS OF CAPITAL RAISING	Provides access to diverse fund-raising options available to listed companies (paid-in capital increase, issuance of convertible bonds and exchangeable bonds, etc.)
EASED LISTING-MAINTENANCE REQUIREMENTS	Lighter burden to keep a company listed compared to KOSPI and KOSDAQ markets through application of lessened disclosure requirements
ENHANCED COMPANY PR AND CREDIBILITY	Easier access to high-quality employees as a result of improved corporate image and credibility

ACHIEVEMENTS DURING THE FIRST YEAR OF KONEX

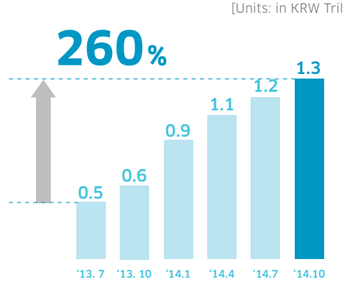
In only its first year, KONEX built its reputation as an incubator that faithfully fulfills its role of helping high potential small and medium venture companies to raise capital and grow. In the future, KONEX will continue to promote the listing of new businesses and the scale of investment demand.

NO. OF LISTED COMPANIES

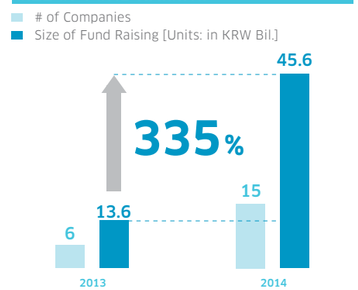


MARKET CAPITALIZATION

[Units: in KRW Tril.]



SIZE OF FUND RAISING



OTHER KEY FACTS OF KONEX (as of Oct. 2014)

Stock Price Increase Rate	161%
Average Trading Value (KRW)	350 mil./Day
Average Trading Volume (shares)	51,000/Day

TRANSFER OF LISTING TO KOSDAQ

Transferred (Completed)	2	AJINEXTEK, '14.7.24 / MEDIANA, '14.10.7
Public Offering	1	Terrasem
Under the Examination of listing eligibility	3	Hironic, ITCEN, LabGenomics

KONEX MARKET VISION

TO CREATE VIRTUOUS CYCLE IN CAPITAL MARKET SYSTEM FOR SMEs

KONEX will become the new market to create a successful ecosystem-based creative economy by leaping one step further than the current activated by a variety of efforts.

Investment in Start-ups (Public / VC) ▶ **Listing on KONEX** ▶ **EXIT** (re-investment); **Raising Capital** ▶ **Listing on KOSDAQ**

OTC CLEARING SERVICE

INCREASING THE MARKET STABILITY, EFFICIENCY, TRANSPARENCY AND CREDIBILITY OF KRX IN THE GLOBAL MARKET

SIGNIFICANT IMPROVEMENT IN THE STABILITY, EFFICIENCY AND TRANSPARENCY OF SETTLEMENTS OF OTC DERIVATIVES

In accordance with the agreements reached at the G20 Summit in Pittsburgh in September 2009 requiring standardized OTC derivatives clearing through a CCP*, KRX launched clearing services for KRW denominated interest rate swaps** in March 2014.

* CCP: A central counterparty that guarantees the completion of payments related to a transaction by performing the role of the seller for the buyer and the role of the buyer for the seller.

** Interest rate swap (IRS): An OTC derivative contract which allows trading parties to periodically pay and receive the spread between fixed-rate and floating-rate interest payments for a specific principal denominated in KRW.

CCP CLEARING OF KRW IRS

KRX provides clearing services for KRX IRS. To manage the credit, liguidity and settlement risks, KRX has implemented risk management measures that comply with international standards, PFMIs.

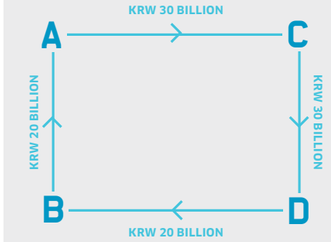
BENEFITS OF CLEARING OTC DERIVATIVES THROUGH A CCP

- Reduction of systemic risk: Prevention of chain default in the event of a default by a certain firm as payments and delivery are guaranteed by the CCP.
- Improved clearing & settlement efficiency: Reduction of settlement risk and workload as a result of netting.
- Eased capital requirements for financial institutions: Application of a lower risk factor (2%*) in BIS calculations.

* A high, 20% to 100% weight factor is used when settlements are not cleared through a CCP.

OTC TRADING

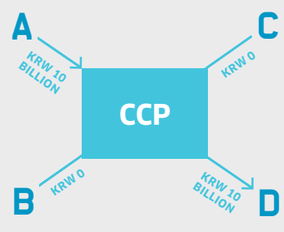
KRW 100 billion



VS

CCP CLEARING

KRW 20 billion



OVERVIEW OF KRW DENOMINATED IRS CLEARING SERVICES

PARTICIPANTS

FINANCIAL INVESTMENT FIRMS

53 financial companies (banks, securities companies) are participating as OTC clearing members.*

* 12 domestic banks, 17 branches of foreign banks, 24 securities companies

ELIGIBLE PRODUCTS

Type: Fixed / Float IRS
Floating Rate: 91-days CD rate
Maturity: Up to 10 years
Notional Amount: KRX 1 billion
1 trillion

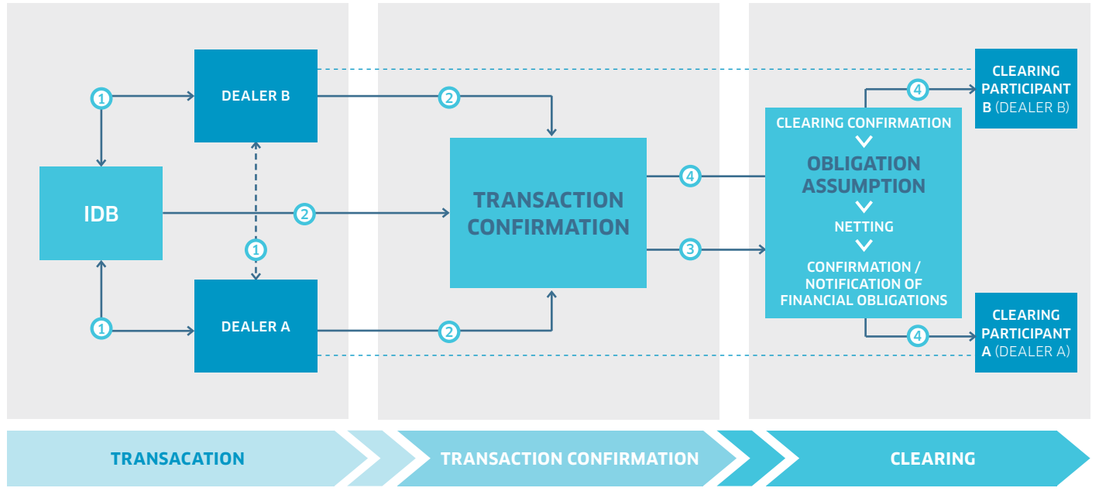
SERVICE FLOW

- Transacation: Trading parties carry out transaction directly or through inter-dealer brokers (IDB).
- Transaction confirmation: Confirmation received through an automated confirmation system supplied by KRX or a designated company like Markit Wire by MarkitSERV Inc.
- Clearing: KRX conducts clearing procedures by eligibility check of clearing conditions (product specifications, position limits, margins, etc.) followed by clearing confirmation and confirmation / notification of financial obligations and payment details.

RISK MANAGEMENT

- Implementation of risk management measures in line with PFMI*, etc.

* Principles for Financial Market Infrastructures: International guidelines for financial infrastructure, such as CCPs.



OVERSEAS BUSINESS

BUILDING A GLOBAL PREMIER EXCHANGE BY FORGING PARTNERSHIPS WITH INTERNATIONAL EXCHANGES AND EXPORT OF KOREAN CAPITAL MARKET SYSTEM

BUILDING KRX'S GLOBAL CLOUT THROUGH DIVERSE INTERNATIONAL PARTNERSHIPS

AMIDST GLOBAL CAPITAL MARKET TRENDS TO INTEGRATE AND RESTRUCTURE, KRX IS PURSUING DIVERSE GLOBAL PARTNERSHIPS TO EMERGE AS A LEADING GLOBAL EXCHANGE.

- Building ties with international exchanges to improve accessibility and convenience.
- Exporting securities exchange IT system and capital market infrastructure to countries such as Malaysia, Thailand and the Philippines.
- Pursuing the export of Korea's capital market system to regions such as Eastern Europe, Africa and South America.

EXPORT OF IT SYSTEM

EXPORT COMPLETED
MALAYSIA / PHILIPPINES / THAILAND / UZBEKISTAN / VIETNAM

IN PROGRESS
AZERBAIJAN / KAZAKHSTAN / UNITED ARAB EMIRATES ETC.

8 Locations

JOINT MARKET OPERATION

CAMBODIA / LAOS

2 Locations

● MOUs SIGNED FOR OVERSEAS BUSINESS

(25 countries, 51 exchanges; as of Sep. 2014)

North & South America

NYSE Euronext
Chicago Mercantile Exchange (CME)
Chicago Board Options Exchange (CBOE)
National Futures Association (NFA)
Standard & Poor's (S&P)
Chicago Climate Exchange (CCX)
Lima Stock Exchange (BVL)

Europe

London Stock Exchange (LSE)
The European Bank for Reconstruction & Development (EBRD)
Istanbul Stock Exchange (Borsa Istanbul)
The Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)
Deutsche Börse - Eurex
BME Spanish Exchanges (BME)
St. Petersburg International Mercantile Exchange
Belarusian Ministry of Finance
Athens Exchange (ATHEX)

Asia

Bursa Malaysia
Singapore Exchange (SGX)
Australian Securities Exchange (ASX)
Tehran Stock Exchange (TSE)
Jakarta Futures Exchange (JFX)
Philippine Stock Exchange (PSE)
State Property Committee of the Republic of Uzbekistan (SPC)
Tashkent Stock Exchange (RSE)
Stock Exchange of Thailand (SET)
Kazakhstan Stock Exchange (KASE)
The Nepal Stock Exchange (NEPSE)
Abu Dhabi Securities Exchange (ADX)

Japan

Tokyo Stock Exchange (TSE)
Osaka Securities Exchange (OSE)
Tokyo Commodity Exchange (TOCOM)

Taiwan

Taiwan Stock Exchange (TWSE)
Taiwan Futures Exchange (TAIFEX)
GreTai Securities Market (GTSM)

Vietnam

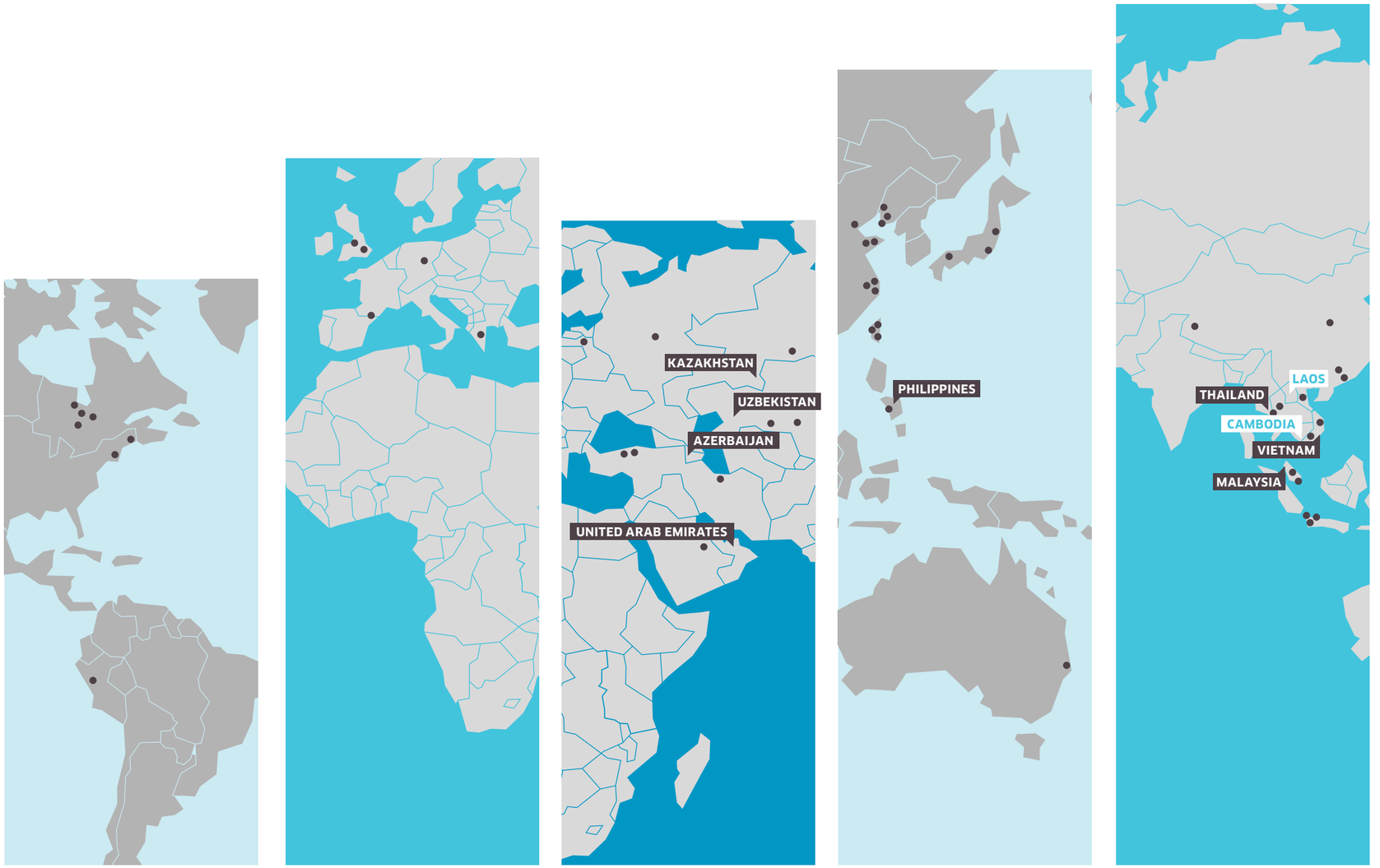
State Securities Commission of Vietnam
Hochiminh Stock Exchange (HOSE)
Hanoi Stock Exchange (HNX)

Indonesia

Indonesia Stock Exchange (IDX)
Indonesia Commodity & Derivatives Exchange (ICDX)

China

Shanghai Stock Exchange (SSE)
Shenzhen Stock Exchange (SZSE)
Shanghai Futures Exchange (SHFE)
China Securities Index
Hong Kong Exchanges and Clearing (HKEx)
Qingdao Municipal Government
Finance Office Of Hubei Province
The People's Government of Hebei Province
The People's Government of Shandong Province
Liaoning Province Small and Medium Enterprise Bureau
Dalian Commodity Exchange (DCE)
Finance Office Of Dalian Municipal Government



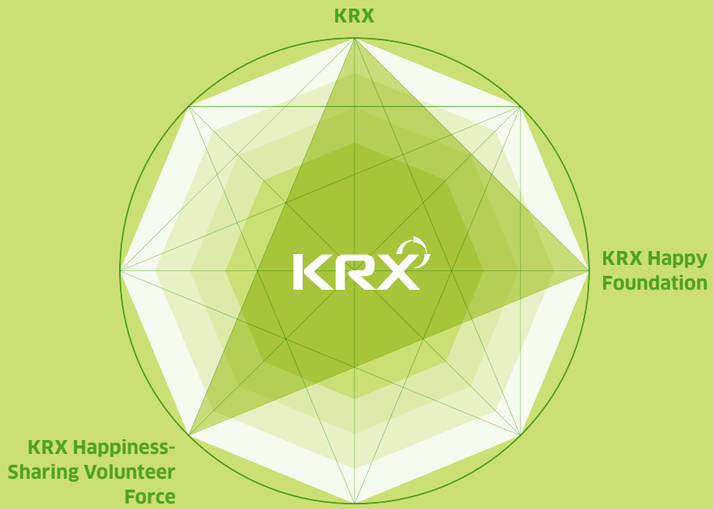
RENEW
TOMORROW

KRX ESTABLISHED THE KRX HAPPY FOUNDATION TO PERFORM SOCIAL CONTRIBUTION ACTIVITIES MORE SYSTEMATICALLY AND CONTINUOUSLY AND THE KRX HAPPY DREAMERS FORCE TO REFLECT KRX EMPLOYEES' ENTHUSIASM TO VOLUNTEER AND PARTICIPATE IN THESE EFFORTS.

IN THE TRIANGULAR COLLABORATION WITH THESE TWO PILLARS, KRX IS PERFORMING DIVERSE SOCIAL CONTRIBUTION ACTIVITIES, RANGING FROM FINANCIAL EDUCATION AND VOLUNTEER SERVICES FOR THE BENEFIT OF OUR NEIGHBORS AND COMMUNITIES TO SUPPORT PROGRAM FOR PARTNER COUNTRIES. KRX IS RENEWING FOR ITS FUTURE BY PRACTICING LOVE AND SHARING.

SOCIAL RESPONSIBILITY OF KRX

SOCIAL CONTRIBUTION SCHEME



MISSION

To actively practice “sharing” as a corporate citizen and contribute to the building of a Korea where all the citizens live together in happiness and abundance.

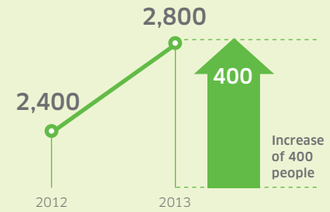
VISION

A happiness-sharing exchange that elevates Korea’s happiness index

GLOBAL SOCIAL CONTRIBUTION ACTIVITIES

DIVERSE GLOBAL CONTRIBUTION ACTIVITIES OF KRX ARE RECEIVING FAVORABLE AND WELCOMING RESPONSES FROM THE LOCAL COMMUNITIES OF DEVELOPING COUNTRIES THAT HAVE FINANCIAL PARTNERSHIP WITH KRX.

BENEFICIARIES FROM GLOBAL SOCIAL CONTRIBUTIONS PROGRAMS [Units: people]



KRX IT TRAINING CENTER IN CAMBODIA

KRX opened the KRX IT Training Center in Phnom Penh, Cambodia, in October 2012. It provides professional IT training and placement support, as well as Korean and English language education, to 2,000 students every year

ABROAD VOLUNTEER PROGRAM OF THE KRX HAPPY-ARI FORCE

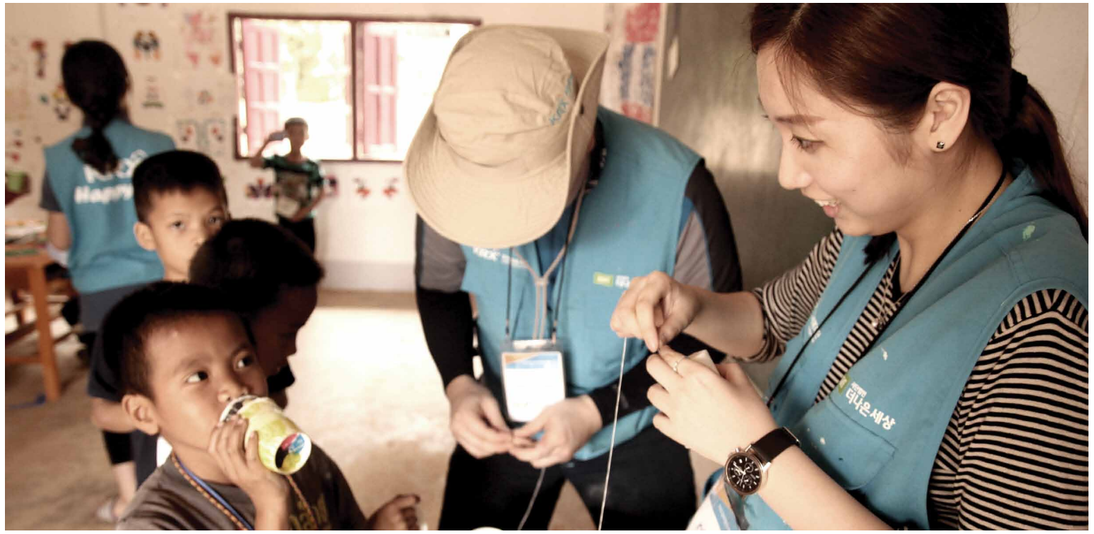
KRX sends its collegiate KRX Happy-Ari Volunteer Force abroad to conduct diverse volunteer activities in close-cooperation with local communities and to perform cultural activities



MEDICAL OUTREACH PROGRAMS

KRX dispatches Dong-A University Medical Center staff and KRX volunteers to provide comprehensive health care services in 10 treatment areas to local residents of Laos, a financial cooperation partner





DOMESTIC SOCIAL CONTRIBUTION ACTIVITIES

CONVEYING THE WARMTH OF KRX AS A "SHARING EXCHANGE" TO KOREA AND OVERSEAS PARTNER COUNTRIES

FINANCIAL EDUCATION

KRX is promoting financial literacy and grooming the next generation of capital market leaders by seeking out neighbors who lack educational opportunities.

FINANCIAL EDUCATION FOR YOUTH AT LOCAL CHILDREN'S CENTERS

Dispatching college volunteers to local children's care centers to provide financial education and tutoring students who lack educational benefits

HAPPY CARE FINANCIAL EDUCATION CLASS FOR ELEMENTARY SCHOOL CHILDREN

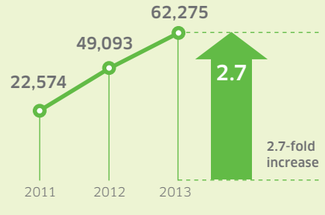
Increasing financial education support and conducting hands-on financial education classes through classroom visits and supporting bulletin boards at schools

FINANCIAL EDUCATION FOR MIDDLE & HIGH SCHOOL STUDENTS

Dispatching professional instructors to educate youth about financial literacy and to provide career counseling in finance



INCREASE IN THE NUMBER OF BENEFICIARIES FROM ECONOMIC AND FINANCIAL EDUCATION [Units: people]



FINANCIAL EDUCATION FOR COLLEGE STUDENTS

Systematic and professional education of college students through workshops on economy and finance, as well as financial planning presentation contests. Counseling on personal financial planning and careers in finance

TOURS AND FINANCIAL EDUCATION AT THE KRX VISITORS CENTER

Financial education through board games, mock investment simulation games and lectures on securities that are customized for diverse age groups

SECURITIES AND DERIVATIVES MARKET TRAINING FOR TEACHERS

Supporting economics and financial education in schools by reinforcing the knowledge and understanding of basic finance among elementary and secondary school teachers



SUPPORT FOR MULTICULTURAL FAMILIES

991

people

SUPPORT FOR MULTI-CULTURAL FAMILIES

Supporting multicultural families to better understand and communicate with the local communities and maintain happy, stable families

MEDICAL SUPPORT FOR MULTICULTURAL FAMILIES

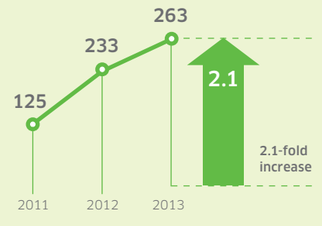
Free health examinations and vaccinations, as well as financial support for the treatment of liver disease and other serious illnesses

EDUCATIONAL SUPPORT FOR MULTICULTURAL FAMILIES

Integrated educational support that includes home visits by dedicated private tutors to teach Korean writing and reading



KRX DREAM SCHOLARSHIPS [Units: people]



HUMAN RESOURCE DEVELOPMENT

Providing educational opportunities to low income and socially disadvantaged families through KRX DREAM Scholarship Funds to discover and support new talent

SCHOLARSHIPS FOR MIDDLE & HIGH SCHOOLERS AND COLLEGE STUDENTS FROM MULTICULTURAL · MULTICHILD · LOW-INCOME FAMILIES

Expanding educational opportunities and providing financial aid through "KRX DREAM Scholarship for Multicultural and Multichild Families"

SCHOLARSHIPS FOR SPECIALIZED HIGH SCHOOLS

Encouraging future professionals by selecting and supporting scholars from specialized high schools

KRX-SNU NEXT GENERATION ECONOMY AND FINANCE LEADERS FORUM

Fostering next generation economic and financial leaders by instilling sound economic views and creative passion in collaboration with Seoul National University





SOCIAL WORK

KRX is in the forefront sharing love with our neighbors in need of help and supporting cultural activities for harmonious local communities.

SUPPORT TO UPGRADE LOCAL CHILD CARE CENTERS

Donating all proceeds from the Bulls Race (a marathon race among the financial industry) toward the improvement of local child care centers

SELF-SUPPORT PROGRAM FOR YOUTH TO BE DISCHARGED FROM YOUTH CARE FACILITIES

Supporting the social adaptation of youth in youth care centers by enabling them to experience independence before being discharged

SUPPORT FOR CHILDREN FROM SKIPPEDGENERATION FAMILIES

Sponsoring children through donations collected through its Sharing Fund (donations of small change and Happy Money), matching funds and non-smoking/health funds

SHARING HAPPINESS THROUGH SPORTS

Providing a venue for the community to come together in Pusan with its "Sharing Happiness through Sports" program

SHARING PRACTICES BY KRX EMPLOYEES

Actively conducting social contribution programs such as the KRX Sharing Week, sisterhood program with agricultural villages and year-end kimchi / heating briquette donation program



RENEW
MARKET

KRX MARKETS HAVE GROWN RAPIDLY IN TERMS OF THEIR SCALES AND COMPETENCES. BY LISTENING MORE CAREFULLY TO THE NEEDS OF OUR LISTED COMPANIES AND INVESTORS, KRX WILL CONTINUE TO DEVELOP NEW MARKET OPPORTUNITIES AND RENEW ITSELF AS A GLOBAL MARKET TRUSTED BY THE ENTIRE WORLD.

EQUITY MARKET

DIVERSE COMPANIES GROW TOGETHER WITHIN KRX FROM GLOBAL COMPANIES TO SMALL AND MEDIUM VENTURE COMPANIES IN THEIR INFANT STAGES.

KOSPI MARKET

Since its opening in 1956, KRX KOSPI market has shared its history with that of Korean economy and now has global prominent companies such as Samsung Electronics, Hyundai Motor, POSCO and LG Electronics as its listed companies. As a result of the steady growth of Korean economy and blue-chip companies, KOSPI market maintains a market capitalization value of KRW 1,150 trillion.

KOSDAQ MARKET

As a new market established in 1996 to provide growth opportunities to promising small and medium enterprises in industries such as IT and biotechnology (BT), KOSDAQ has grown into one of the most successful new markets with an annual turnover of over KRW 500 trillion and more than 1,010 listed companies.

KONEX MARKET

KONEX was created in 2013 to build the foundation for a creative economy by supplying fund to small- and medium-sized venture companies in their early stages. It completes the KONEX → KOSDAQ → KOSPI capital market structure that is designed to serve companies at each stage of growth and supports the virtuous cycle between the capital market and the real economy.

STOCK MARKET TRADING SCHEME

MARKET OPERATION

MARKET SESSION	ORDER RECEIVING HOURS	TRADING HOURS
REGULAR SESSION	08:00 ~ 15:00 (7 hours)	09:00 ~ 15:00 (6 hours)
PRE-HOURS* SESSION	07:30 ~ 09:00 (1.5 hours)	07:30 ~ 09:00 (1.5 hours)
AFTER-HOURS SESSION	15:00 ~ 18:00 (3 hours)	15:10 ~ 18:00 (2 hours 50 minutes)

* Pre-hours closing price trading and auction-based block trading only from 7:30 to 8:30 (1 hour)

TRADING UNITS

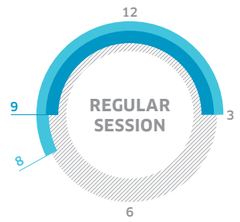
Trading unit for all listed shares is 1 share.

PRICE QUOTE UNITS

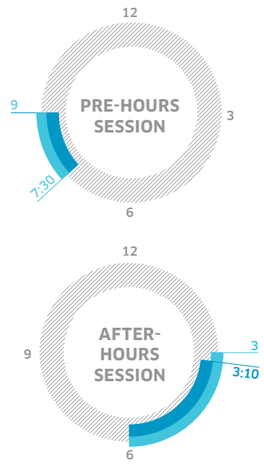
KRW 1-1,000 for KOSPI stocks and KRW 1-100 for KOSDAQ and KONEX stocks according to stock price level.

MARKET OPERATION

TRADING HOURS - REGULAR SESSION



TRADING HOURS - OFF-HOURS SESSION



1,379
MARKET CAPITALIZATION
(as of Aug. 2014) [Units: in KRW Tril.]

1,364
YEARLY TRADING VALUE
(as of Aug. 2014) [Units: in KRW Tril.]

1,848
NO. OF LISTED COMPANIES
(as of Aug. 2014)

PRICE STABILIZATION MEASURES

KRX is operating a variety of price stabilization measures applied to abrupt price movement whether it is an issue, a market in total or inter-market between spot and derivatives to improve market stability and price discovery function by providing investors with relevant information.

PRICE LIMITATIONS

- Daily price fluctuations (usually in comparison to the previous trading day's closing) are limited to +/- 15% (except for stocks to be delisted, ELWs, etc.)

CIRCUIT BREAKERS

- Give investors the opportunity to make rational investment decisions in the event of an abrupt drop of the market.
- In the case where the market (KOSPI or KOSDAQ indices) drops more than 10% from the previous day's closing price for more than 1 minute, trading is suspended for 20 minutes.
- Trading resumes through single price auction for 10 minutes.

VOLATILITY INTERRUPTION

- Applies to short-term volatility in stock prices within the daily price limitation range
- If the potential price divulges from the previous price by 2% - 6%, then a 2-minute cooling period takes effect.
- Trading is resumed through single price auction.

SIDECAR

- Mitigates the shock on the equity market due to inter-market transaction
- If the price of KOSPI 200 futures changes more than by 5% (or KOSTAR futures prices drop more than by 6% on KOSDAQ) versus the previous day's closing for more than 1 minute, program trading orders are suspended for 10 minutes.

DERIVATIVES MARKET

KRX LEADS THE GLOBAL DERIVATIVES MARKET WITH A VARIETY OF PRODUCTS AND EFFICIENT RISK MANAGEMENT

2,681,097

AVERAGE DAILY TRADING VOLUME
(as of Aug. 2014) [Units: in contracts]

35.87

AVERAGE DAILY TRADING VALUE
(as of Aug. 2014) [Units: in KRW Tril.]

15

Stock futures / options, KTB futures, USD futures, gold futures, lean hog futures, etc.

NO. OF DERIVATIVES PRODUCT CATEGORY
(as of Aug. 2014)

GLOBALLY ACKNOWLEDGED KOSPI 200 FUTURES AND OPTIONS

The derivatives market was established together with the launch of KOSPI 200 index futures in 1996. It has grown rapidly over the past 18 years and taken on a global scale. 15 derivative products, including KOSPI 200 index futures and options, are listed to provide effective means to control risk and to satisfy the demand for a wider range of investment opportunities through new products and arbitrage.

TIRELESS DEVELOPMENT OF NEW BUSINESS SCOPES

After strengthening global competitiveness through partnerships with CME in 2009 and Eurex in 2010, KRX continues to explore new opportunities, establishing the world's first auction-style online petroleum spot market in 2012 and launching CCP services for the OTC derivatives in 2013.

PRODUCTS LISTED IN THE DERIVATIVES MARKET

PRODUCT CATEGORY	PRODUCT CATEGORY
STOCK INDEX	KOSPI 200 Futures
	KOSPI 200 Options
	Star Index Futures
EQUITY	Stock Futures
	Stock Options
COMMODITY	Gold and Mini-gold Futures
	Lean hog Futures
	Petroleum (online trading)*
	Physical Gold*

PRODUCT CATEGORY	PRODUCT CATEGORY
INTEREST RATE AND CURRENCY	3-year KTB Futures
	5-year KTB Futures
	10-year KTB Futures
	USD futures / Options
	JPY Futures
	EUR Futures

* The online petroleum spot market and the gold market are for the trade of spot commodities but are operated by the Derivatives Market Division.

To protect investors, KRX improves settlement stability by expanding joint compensation fund and building settlement risk management system and makes efforts to prevent unfair trading in advance through the monitoring system for the derivatives market and linked transactions between spot and derivatives market.

KRX DERIVATIVE PRODUCTS



- Stock index
- Equity
- Commodity
- Interest rate and currency

KEY FACTORS FOR SUCCESS OF THE KRX DERIVATIVES MARKET

SEVERAL POSITIVE FACTORS CONTRIBUTE TO THE IMPRESSIVE GROWTH OF THE DERIVATIVES MARKET:

First / Sharing of information between the spot and derivative markets and lowering of transaction costs by leveraging experience and know-how accumulated while operating and managing the spot market.

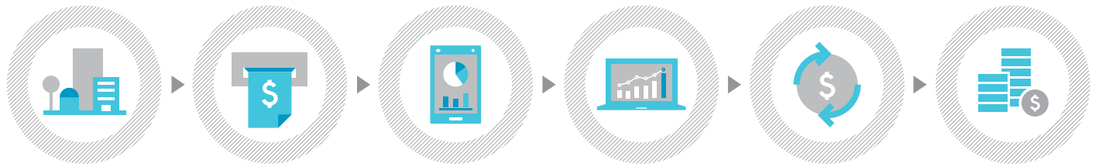
Second / The ability to take swift and reliable emergency measures to cope with sudden market fluctuations through market stabilization schemes such as circuit breakers, sidecar and daily price fluctuation limits.

Third / Establishment of reliable settlement mechanisms such as an advanced margin calculation system, substantial settlement reserve and joint compensation fund.

Fourth / Improvement of market transparency through the operation of an integrated surveillance system that prevents unfair trading in connection to the stock and future markets.

Fifth / Reduction of transaction costs such as bid-ask spread costs, market impact costs and data searching costs through the development of an advanced, in-house IT system that leverages KRX's experience managing the equity market.

TRADING PROCEDURES OF KRX DERIVATIVES



ACCOUNT OPENING
AN ACCOUNT MUST BE OPENED WITH A MEMBER SECURITIES AND FUTURES FIRM AND A RELATED BANK

DEPOSIT OF MARGINS
CUSTOMER MARGIN PER PRODUCT MUST BE DEPOSITED

ORDER PLACEMENT
ORDERS CAN BE PLACED BY VISITING THE MEMBER FIRM OR BY TELEPHONE OR HTS

CONFIRMATION OF TRADE EXECUTION
TRADING DETAILS MAY BE CONFIRMED BY VISITING THE MEMBER FIRM OR BY TELEPHONE OR HTS

DAILY SETTLEMENT OR REVERSE TRADING
DAILY MARKING TO MARKET AND EARLY LIQUIDATION

FINAL SETTLEMENT
ON THE DAY AFTER THE LAST TRADING DAY OF THE CONTRACT, THE TRADE IS SETTLED BY CASH PAYMENT AND / OR PHYSICAL DELIVERY

BOND MARKET

WITH PRODUCTS RANGING FROM GOVERNMENT BONDS TO REPURCHASE AGREEMENT, THE KRX BOND MARKET IS THE WORLD'S FIFTH LARGEST BOND MARKET WHERE THE MAJORITY OF KOREA'S BONDS ARE LISTED.

11,660

NUMBER OF LISTED BONDS (as of Aug. 2014)

1,449

AMOUNT OF BONDS LISTED (as of Aug. 2014) [Units: in KRW Tril.]

NUMBER OF LISTED BONDS

Leveraging an innovative Exture+ trading platform, KRX bond market is the world's fifth largest with more than 11,660 listed products at the end of August 2014.

[as of end Aug. 2014, Units: Listed bonds, %]

TYPE OF BOND	GOVERNMENT	MUNICIPAL	SPECIAL LAWS	CORPORATE	TOTAL
NO. OF LISTED BONDS	206	1,240	3,672	6,542	11,660
LISTED AMOUNT(%)	32.4	1.3	41.5	24.8	100.0

* Excludes foreign bonds

AMOUNT OF BONDS LISTED

At the end of August 2014, the scale of the market had grown steadily with new listings valued at KRW 373.6 trillion and market capitalization of KRW 1,449 trillion.

[Units: in KRW Tril.]

PERIOD	2009	2010	2011	2012	2013	AUG. 2014
NEW LISTINGS	698.4	574.8	541.2	570.2	564.0	373.6
TOTAL	1,014.2	1,118.6	1,203.0	1,291.2	1,396.1	1,449.0

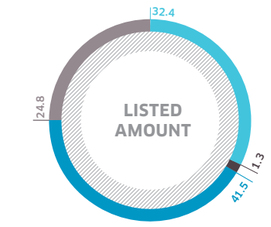
ANNUAL BOND TRADING VALUE

With annual turnover of KRW 1,308 trillion in 2013, KRX's bond market accounts for about 30% of all domestic bond trades and boasts the world's fourth largest turnover.

[Units: in KRW Tril.]

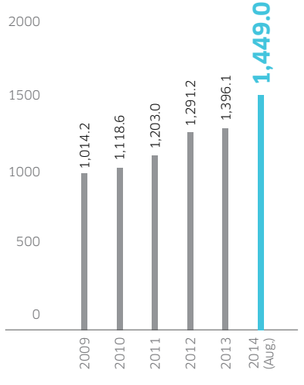
PERIOD	2009	2010	2011	2012	2013	AUG. 2014
KRX	504.4	584.2	815.1	1,351.2	1,308.0	850.0
OTC	2,073.6	2,785.8	2,883.4	2,930.4	3,035.1	1,728.0
TOTAL	2,578.0	3,370.0	3,698.6	4,281.6	4,343.0	2,577.9
% KRX	19.6%	17.3%	22.0%	31.6%	30.1%	33.0%

LISTED AMOUNT (%)



Government	32.4%
Municipal	1.3%
Special Laws	41.5%
Corporate	24.8%

KRX BOND MARKET SCALE (LISTED AMOUNT) [Units: in KRW Tril.]



STRUCTURE OF THE KRX BOND MARKET

KRX bond market consists of the wholesale market that includes the government bond market and the repurchase agreement market and the retail market that includes the ordinary bond market and the fractional bond market.

WHOLESALE MARKETS

KTS MARKET

- A market established in March 1999 under a primary dealer system to promote the issuance and distribution of government bonds.
- A highly transparent market on an electronic trading platform (Exture+) that enables all participants to monitor orders in real-time.

REPO MARKET

- A repurchase agreement is a dual agreement under which the seller agrees to buy the bond back from the buyer at a specific price on a specified date.
- Trade structures conform to the Global Master Repurchase Agreement (GMRA), the world standard for REPO transactions.

RETAIL MARKETS

ORDINARY BOND MARKET

- Market where all of the bonds listed in KRX are traded, such as corporate bonds, equity-linked bonds and national housing bonds.
- Listed convertible bonds can only be traded on KRX and KRX has contributed significantly to their liquidity.
- Trading units are face value KRW 1,000, enabling small scale, individual investors to invest directly.

SMALL-LOT PUBLIC BONDS MARKET

- Established to improve liquidity of government and municipal bonds that were purchased to fulfill requirements to obtain diverse permits and to register properties
- KRX designates small-lot public bond dealers for liquid trading.

SECURITIZED PRODUCT MARKET

A MARKET FOR COMPREHENSIVE ASSET MANAGEMENT
FOR ETF, ETN AND ELW INVESTORS

700

ETF DAILY TRADING VALUE [Units: in KRW Bil.]

18,206

ETF MARKET CAPITALIZATION [Units: in KRW Bil.]

862

ELW DAILY TRADING VOLUME [Units: in million warrants]

ETF MARKET

EXCHANGE TRADED FUND (ETF)
A fund of which profitability is linked to a listed fund index or designated asset price, that is listed and traded like a stock on the exchange.

With the global surge in indirect investments, ETFs, which incur significantly smaller investment costs and facilitate diversification of investments, have become highly popular. KRX's ETF market has grown steadily since its establishment in October 2002 and features 163 listed products at the end of August 2014. It has become the fourth largest global market in terms of net assets and trading value, with capitalization of KRW 18 trillion and listing of diverse ETFs with diverse underlying assets including domestic and foreign stock indices, bonds, commodities as well as synthetic ETFs such as leveraged and inverse ETFs.

TYPES OF LISTED ETFs

[as of Aug. 2014, Units: in no. of products, %]

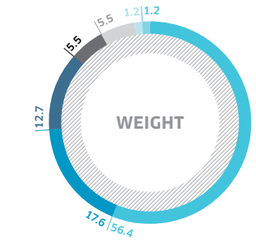
TYPE	DOMESTIC STOCKS	FOREIGN INDICES	BONDS	DERIVATIVES	COMMODITIES	CURRENCY	REAL ESTATE	TOTAL
PRODUCTS	93	27	21	9	9	2	2	163
WEIGHT	56.4	17.6	12.7	5.5	5.5	1.2	1.2	100.0

DAILY TRADING VALUE AND MARKET CAPITALIZATION OF KRX ETFs

[Unit: in KRW Bil.]

YEAR	2009	2010	2011	2012	2013	AUG. 2014
CAPITALIZATION	3,789	6,058	9,907	14,718	19,422	18,206
TRADING VALUE	124	110	490	544	793	700

ETF PRODUCTS LISTED BY TYPE



Domestic stocks	56.4%
Foreign indices	17.6%
Bonds	12.7%
Derivatives	5.5%
Commodities	5.5%
Currency	1.2%
Real estate	1.2%

KRX's securitized product market provides comprehensive asset management means including diverse products, such as exchange-traded funds (ETFs) and securitized derivatives (ETNs, ELWs). By offering a diverse product line-up, it is keeping abreast with the evolving demands of investors.

ELW MARKET

EQUITY LINKED WARRANT (ELW)
A securities product with a call option or put option that can be traded like a stock. It comes with the right to trade an asset such as stocks or an index in the future at a pre-agreed price and maturity date.

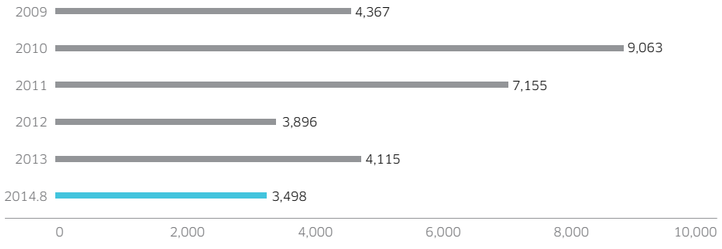
Although the market grew astronomically after its establishment in 2005, trading volume has been curtailed as a result of quotation restrictions on liquidity providers that were implemented in 2012 by regulatory authority to prevent overheating of the market and protect investors.

TREND OF KRX ELW TRADING (DAILY AVERAGE)

[Units: in million shares, KRW Bil.]

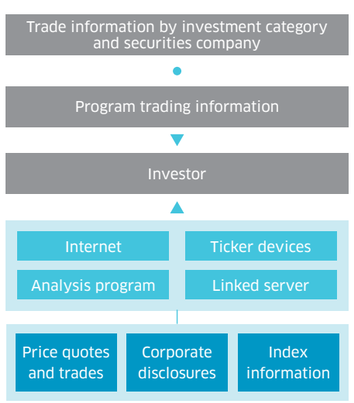
YEAR	2009	2010	2011	2012	2013	AUG. 2014
TRADING VOLUME	1,818	4,648	4,893	1,321	1,125	862
TRADING VALUE	852	1637	1286	242	117	84.4

LISTED ELW PRODUCTS



FAIR & TRANSPARENT MARKET

FAIRNESS AND TRANSPARENCY ARE FUNDAMENTAL AND GREATEST SOURCE OF THE COMPETITIVENESS OF KRX



FAIR AND CREDIBLE MARKET IN WHICH INVESTORS CAN PARTICIPATE WITH TRUST

KRX Market Oversight Commission is a frontline, self-regulatory organization that uncovers and sanctions diverse and complex unfair trade practices to safeguard fairness and the market integrity.

KRX detects unfair trade practices at early stages with a state-of-the-art surveillance system and trading analysis methods that monitor the market in real-time. It conducts various preventive measures that include education, as well as issuing market and investor alerts.

REINFORCING THE REDEMPTION OF INVESTOR DAMAGE THROUGH DISPUTE RESOLUTION

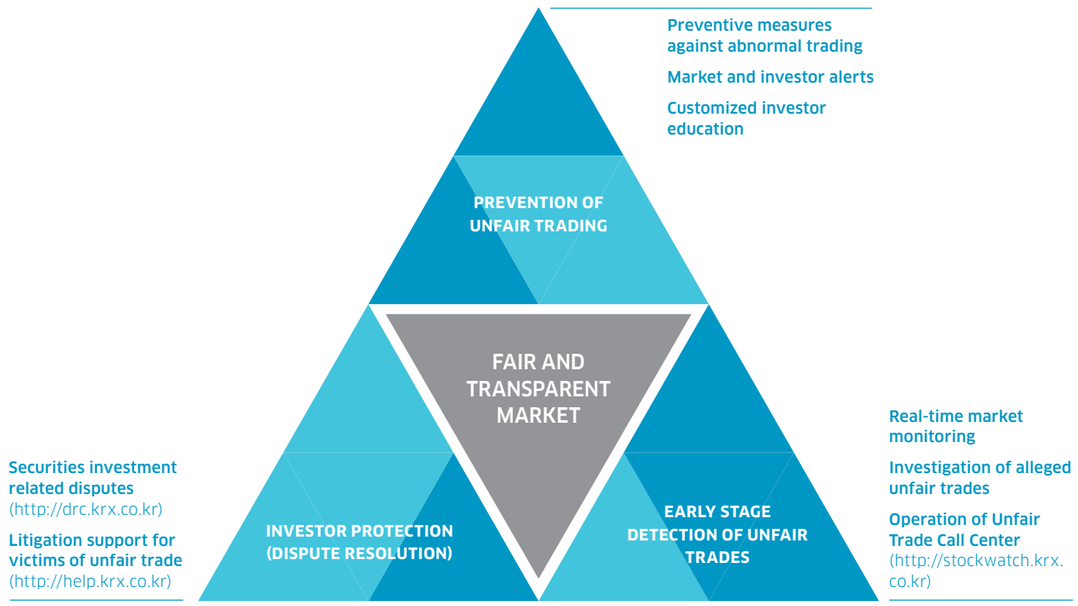
KRX actively engages in investor outreach programs, such as providing professional dispute resolution services and supporting litigation procedures for victims of unfair trades, to help investors in difficulties.

It leverages its expertise and market know-how to provide loss appraisal services and reduce the burden of time- and money-consuming litigation on investors. It is expanding its dispute resolution and legal counseling services by reinforcing cooperation with the courts and bar associations.

PROVIDING ACCURATE INFORMATION TIMELY FOR INVESTMENT DECISION

KRX is making diverse efforts to protect investors, such as disclosing corporate information in a timely manner, issuing market alerts for risky stock investments and providing education for listed companies as well as investors. It prevents investor damage by inducing listed companies to dispel false information or rumors quickly and issues market alerts when it detects unusual fluctuations in the price of individual or thematic stocks.

SURVEILLANCE SCHEME OF KRX MARKET OVERSIGHT COMMISSION



LISTING GUIDE

LISTING AT KRX OPENS THE DOOR TO OPPORTUNITIES
THAT LEAD TO A BETTER TOMORROW

IPO TIMELINE



LISTING PROCEDURES

Planning and Preparation
- Pre-consultation with KRX
- Appoint a lead manager(s)
- Conduct due diligence

▼

Listing eligibility review
- Application for listing eligibility review
- Review by KRX

▼

Public offering
- Filing of the securities registration statement with FSC
- Investor relations meetings
- Book building & pricing
- Subscription and allotment

▼

Listing
- Application for listing
- Listing approval & trading

WHY KRX

1. AMPLE LIQUIDITY

KRX is one of the most dynamic and liquid market around the world. Thanks to its active local retail investors and solid investment from foreign institutions, KRX continue to be ranked in the top-tier exchanges in terms of share turnover. KRX's year-to-date trading value in 2012 was USD 1.5 trillion, which is the 4th largest volume in Asian region.

2. FULL SPECTRUM OF LISTED COMPANIES

Unlike other markets in the region focusing on specific fields of industries, KRX provides wider range of industries covering established industries such as automotives, retails, logistics chemicals and ship-building, to state-of-the art technologies including mobile phones, semi-conductors and other IT devices.

Korean investors and analysts have deep understanding and experience on a wide variety of industries which means higher valuation and more investment potential in your company stocks.

3. COMPETITIVE LISTING FEES

When selecting an overseas venue for listing, the listing-related fee is one of the major considerations and may be a financial burden to listed companies. To minimize the would-be listed companies' financial burden, KRX maintains its listing fees lower than any other exchanges around the world.

4. TRUSTED AND SOUND REGULATORY REGIME

Korean financial market has established a stringent but market-friendly and flexible regulatory regime. KRX has its listed companies adopt the corporate governance system on par with those systems in developed markets and KRX continues to adopt the global best practice in corporate governance and corporate accounting system. Listing on KRX would be the best chance to upgrade your company's corporate governance and accounting system to the level of global companies.

LISTING REQUIREMENTS

The KRX uses two sets of listing requirements: one for the KOSPI Market where established large companies are listed and another one for the KOSDAQ Market where small and medium sized venture companies are listed.

	KOSPI	KOSDAQ
YEARS OF OPERATION	• At least 3 years	
CORPORATE SIZE	• No. of shares to be listed: at least 1 mil. and • Shareholder's Equity: At least USD 30 mil.	• Shareholder's Equity: at least USD 3 mil. or Market Cap.: At least USD 9 mil.
FINANCIAL PERFORMANCE (CHOOSE ONE OF THE OPTIONS) * Profit : The smallest one among operating profit, income before tax and net profit.	**Option 1.** 1) Revenue: USD 100 mil.(recent year) and USD 70mil.(3 yr average) 2) - Profit*: USD 3 mil. (recent year) and USD 6 mil. (3 years sum) or - ROE : 5%(recent yr) and 10% (3 yrs sum) or - 3% ROE or USD 5 mil. profit(only for the company with USD 100 mil. of shareholders' equity and positive operating cash flow) **Option 2.** Mkt. Cap. USD 400 mil. & Revenue USD 200 mil. (recent year)	**Option 1.** Income: ROE 10% (recent year) **Option 2.** Net profit: USD 2 mil. (recent year) **Option 3.** Market Cap. USD 30 mil. & Revenue USD 10 mil. (recent year) ❖ KOSDAQ applicant shall not have its capital impaired for the recent year.
PUBLIC FLOAT	• General shareholders: at least 25% - At least 1,000 Korean shareholders in case of secondary listing (25% public float is not required.)	• Minority shareholders: at least 25% - At least 500 Korean shareholders and 300,000 shares in case of secondary listing (25% public float is not required.)
AUDITING	• Unqualified (recent yr) and unqualified / qualified (2 years before recent year) • Audited by Big 4 accounting firms (PWC, KPMG, Ernst & Young, Deloitte) - exempted in case of secondary listing • IFRS or U.S. GAAP for consolidated financial statements	• Unqualified (recent year) • Audited by Big 4 accounting firms (PWC, KPMG, Ernst & Young, Deloitte) - exempted in case of secondary listing • IFRS or U.S. GAAP for consolidated financial statements
LARGEST SHAREHOLDER	• Qualitative review: Change of the largest shareholder is accepted if it does not affect management right	
SHARE TRANSFER	• Freely transferable	
OUTSIDE DIRECTORS	• Companies on KRX designated market for 3 years - Home country governance rules recognized - Appointment of an outside director • Others: at least a quarter of board members - If asset is larger than USD 2 bil., at least 3 outside directors required & majority - If asset is below USD 2 bil. a quarter of board members should be outside directors.	
FULL TIME STATUTORY AUDITOR	• Companies listed on KRX designated market for over 3 years - An auditor or an audit committee - Composition of audit committee: at least 3 directors, majority outside directors and accounting or financial experts with an outside director appointed as representative • Others: If aggregated asset value is at least USD 100 mil. one statutory auditor is required. - If asset is larger than USD 2 bil. audit committee is required (2/3 outside directors)	
LOCK-UP PERIOD	• Largest shareholder: 6 months after listing - exempted in case of secondary listing	

“WHY DO WE PURSUE TO RENEW? HOW WILL WE RENEW OURSELVES?” FINDING THE ANSWER TO THESE QUESTIONS WAS AN EYE-OPENING PROCESS THAT ENABLED KRX TO SET ITS VISION AND DEVELOP SPECIFIC STRATEGIES. IT REINFORCED ASPIRATIONS TO BUILD A GLOBAL PREMIER EXCHANGE THAT WOULD BENEFIT OUR CUSTOMERS AND THE GLOBAL ECONOMY.

KRX WILL RENEW ITSELF TO BECOME THE “GLOBAL PREMIER EXCHANGE PIONEERING CREATIVE FINANCE AND MARKET INNOVATION.” WITH YOUR CONTINUED INTEREST AND SUPPORT, IT WILL RECIPROCATE WITH BIGGER OPPORTUNITIES, GREATER VALUE AND TRUST.

Hi! We are **Tau** and **Cally**



KRX’S Symbolic Characters, Tau and Cally

In 2010, KRX created characters that matched the global image of the Exchange and named them Tau and Cally. These are names for the bull and bear that are symbolic of the stock market and were derived from Taurus and Cally in Greek mythology. The names capture KRX’s desire that stock prices always continue to rise. In the future, KRX employees hope to come closer to customers from all over the world in a more familiar and passionate manner like Tau and Cally.

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Designed by Killing mario

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