

PRESS RELEASE

Leading Global Association of Investors and Financial Institutions Highlights Key Areas of Focus for New Presidential Administration as Korea Seeks Developed Market Classification and Inflows

Financial Industry Group Praises Significant Developments in Korea's Capital Markets, But Identifies Key Areas of Concern Holding Back the Country

7 March, 2022 (Hong Kong) - The [Asia Securities Industry & Financial Markets Association](#) (ASIFMA), the region's leading financial industry group representing over 160 global banks and asset managers advocating for better and more transparent capital markets in the Asia Pacific, is greatly supportive of the many significant developments in Korea's capital markets to date. However, on the eve of this historic Presidential election and the shifting landscape amidst a new geopolitical order, in order to enable developed market classification and inflows there still remain fundamental areas of concern. Regardless of whichever individual and party wins, ASIFMA is pleased to share the key areas holding back Korea's financial industry that need to be addressed under new leadership.

Specifically What Key Areas of Focus Still Need To Be Achieved in Korea's Capital Markets:

- Greater regulatory transparency and predictability throughout the legislation, enforcement and sanction process
- A complete lift of the shortsale ban for greater efficiency and liquidity in the market
- Continued liberalization of foreign exchange controls for the Korean Won to facilitate needs of global investors
- Further relaxation of the requirements under the Work Hours Reduction Act to allow flexibility given the global nature of the financial services industry

ASIFMA's Korea Capital Markets White Paper and Advocacy

In April 2020, ASIFMA developed a Korea Capital Markets White Paper which was shared with the FSC and FSS, but owing to Covid-19, was not able to meet with regulators to discuss the proposed measures. Given the unexpectedly long suspension of global travel, the content now is being refreshed and ASIFMA is currently working with members aiming to publish the updated paper in the near future. However, given recent keen interest in Korea on globalizing its financial markets, ASIFMA is sharing the summarized perspective of global investors as it does across key markets in the Asia Pacific region.

The most important message from the original white paper was the need for greater regulatory transparency so that foreign investors can trade more actively with confidence not to be in breach of any relevant laws and regulations, including but not limited to abnormal trading regulations. The recent investigation of market makers for alleged unfair trading activity is an example of lack of regulatory transparency and predictability which have given investors pause from becoming more active in the Korean market. The largest-ever, combined fine in Korean history of 48 billion won for disturbing market order through 'unsuitable' bids and offers for as yet unsubstantiated rule violations remains without resolution leaving the market without market makers for almost 6 months by now. The regulatory opacity

in Korea for trading activities which are mature and normal in other developed markets has left businesses in limbo and causes foreign investors to stay on the sidelines rather than participate more actively.

Also, further relaxation in capital controls may help MSCI consider upgrading Korea's market classification from emerging to developed market status. The industry applauds the recent expansion of the FX trading window as a positive step in the right direction, and ASIFMA members stand ready to partner with Korean regulators to explore helpful market reforms to attract more global capital to Korea. The shifting landscape amidst a new geopolitical order has intensified the competition by many exchanges in the region to position themselves as an attractive international financial center. Korea is also required to strengthen its competitiveness in order not to fall behind in the global competition.

ASIFMA looks forward to formally launching its updated white paper to offer constructive recommendations for how to attract more global investment into Korea.

For more information about ASIFMA and its advocacy: www.asifma.org.

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About ASIFMA

[ASIFMA](http://www.asifma.org) is an independent, regional trade association with over 160 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](http://www.gfma.org) alliance with [SIFMA](http://www.sifma.org) in the United States and [AFME](http://www.afme.eu) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: www.asifma.org.