

# Guidelines for Trading in Korean Capital Market

This guidelines introduce registration and investment procedures for foreign investors who wish to make direct investment in the Korean markets, and also provide information for indirect investment without going through registration procedures, such as investing in ETFs listed in overseas markets.

## Institutional Investor

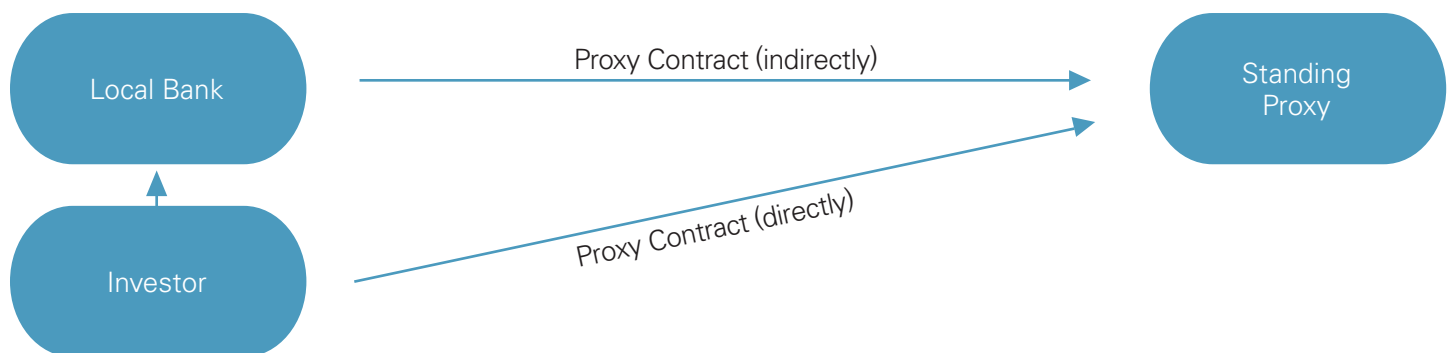
A foreign institutional investor can directly invest in the Korean stock market through standing proxies and brokerage firms in Korea.

### • STEP 1: Appoint Standing Proxy

A foreign institutional investor who wants to invest directly in the Korean stock market may contact a global bank offering custodian, FX, security settlement, and other proxy services in Korea.

Global banks which provide custodian services include Citibank, HSBC Bank, Deutsche Bank, Standard Chartered Bank, BNY Mellon, etc.

The investor may either directly contact those banks or access through a brokerage firm (mostly a global bank) in the local area



### • STEP 2: Register for Investor Registration Certificate (IRC)

A foreign institutional investor who wants to invest in securities listed in the Korean markets, or acquire for the first time securities that are placed for public offering to be listed on the stock market, or dispose of such securities should register its personal information in advance.

It may apply for IRC directly or through a standing proxy to the Financial Supervisory Service, and trade in the stock market by presenting IRC to an investment trading business or brokerage business entity (one to two days are required for issuing IRC).



\*For more details of the registration process and required documents, please visit the website of the Financial Supervisory Service (<http://english.fss.or.kr>).

• **STEP 3: Open a Stock Trading Account and Korean Won(KRW) Bank Account**

Using an IRC code, the investor may open a stock trading account at a licensed securities company holding Korea Exchange Membership.

Domestic	<b>Mirae Asset Daewoo, Kiwoom Securities, Samsung Securities, Korea Investment &amp; Securities, NH Investment &amp; Securities</b>
Overseas	<b>Morgan Stanley, CS securities, Merrill Lynch, Goldman Sachs, UBS</b>

\*Top 5 securities firms in terms of trading value of KOSPI200 issues over the recent three years (2015–2017)

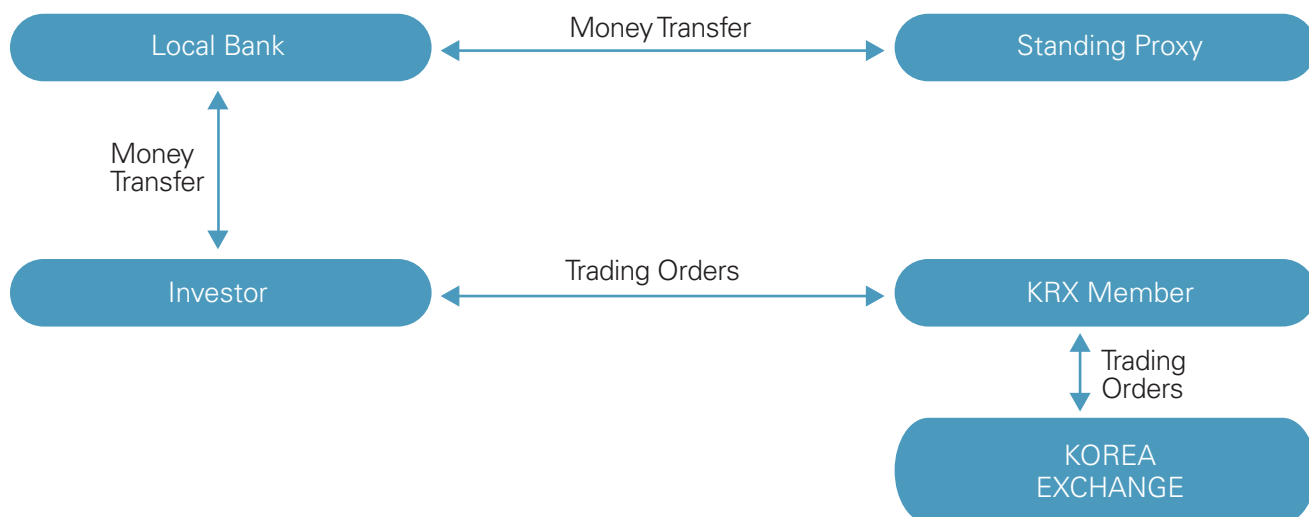
The investor may also open a Korean Won (KRW) bank account at a custodian bank.



• **STEP 4: Transfer Funds & Trade Shares**

The investor may transfer funds to a designated custodian bank through a local bank

It may trade shares via on-line trading system, phone, or any other methods allowed in the account.



**Individual Investor**

A foreign individual investor can invest directly in the Korean stock market after undergoing registration procedures as same as foreign institutional investors. Moreover, he/she can participate in the Korean markets by trading overseas market listed products which invest in the Korean markets.

## 〈Direct Investment〉

### • STEP 1

A foreign individual investor may contact a licensed brokerage company holding Korea Exchange Membership

### • STEP 2

The investor may check if the company offers proxy services including custodian, FX, and IRC registration\*, etc.

\* In order to invest in the Korean markets directly, the investor should acquire Investor Registration Certificate (IRC).  
For the details of the registration process and required documents, visit FSS website (<http://english.fss.or.kr>)

### • STEP 3

The investor may enter into a proxy contract with the brokerage company. Then, the investor opens an account at the company and deposits funds into the account.

### • STEP 4

The investor may start trading using a method allowed in the account.

## 〈Indirect Investment〉

A foreign individual investor can indirectly invest in the Korean stock market through diverse investment vehicles available in the market including mutual funds and ETFs. The list of ETFs having exposure to the Korean stock market is as follows:

### • ETFs Allocating 95% or more of its assets to Korean Stocks

Domicile	Exchange	Ticker	Name
Australia	ASE	IKO AU Equity	ISHARES MSCI SOUTH KOREA ETF
France	Euronext Paris	KRW FP Equity	LYXOR MSCI KOREA-C-EUR
France	Euronext Paris	PKRW FP Equity	LYXOR PEA MSCI KOREA
Hong Kong	Hong Kong	3041 HK Equity	VALUE KOREA ETF
Hong Kong	Hong Kong	9170 HK Equity	ISHARES CORE KOSPI20 ETF-USD
Ireland	London	HKOR LN Equity	HSBC MSCI KOREA UCITS ETF
Ireland	London	IKOR LN Equity	ISHARES MSCI KOREA
Ireland	SIX Swiss Ex	CSKR SW Equity	ISHARES MSCI KOREA USD ACC
Luxembourg	Xetra ETF	XMKO GR Equity	X MSCI KOREA
Taiwan	Taiwan	00667 TT Equity	YUANTA KOSPI 200 ETF
United States	NASDAQ GM	FKO US Equity	FIRST TRUST SOUTH KOREA
United States	NYSE Arca	DBKO US Equity	XTRACKERS MSCI SOUTH KOREA H
United States	NYSE Arca	EWY US Equity	ISHARES MSCI SOUTH KOREA ETF
United States	NYSE Arca	FLKR US Equity	FRANKLIN FTSE SOUTH KOREA
United States	NYSE Arca	HEWY US Equity	ISHARES CUR HDG MSCI S KOREA

\* Source: Bloomberg

• ETFs Allocating 20% or more of its assets to Korean Stocks

Domicile	Exchange	Ticker	Name
Australia	ASE	ASIA AU Equity	BETASHARES ASIA TECH TIGERS
Australia	ASE	IAA AU Equity	ISHARES ASIA 50/AUS
France	Euronext Paris	LEMO FP Equity	LYXOR MSCI SELECT OECD EM
Ireland	London	HMFD LN Equity	HSBC MSCI EM FAR EAST UCITS
Ireland	London	ISDE LN Equity	ISHARES MSCI EM ISLAMIC
Ireland	London	ISFE LN Equity	ISHARES MSCI AC FE X-JP SML
Ireland	London	VDPX LN Equity	VANGUARD FTSE ASIA PAC EX JP
Ireland	Xetra ETF	UIQI GR Equity	UBS ETF MSCI AC ASIA EX JPN
Taiwan	Taiwan	00735 TT Equity	CATHAY KR/TW IT PREMIER ETF
United States	CBOE BZX	REEM US Equity	OPPENHEIMER EMERGING MARKETS
United States	NASDAQ GM	AIA US Equity	ISHARES ASIA 50 ETF
United States	NASDAQ GM	BICK US Equity	FIRST TRUST BICK INDEX FUND
United States	NASDAQ GM	EMXC US Equity	ISHARES MSCI EMR MRK EX CHNA
United States	NASDAQ GM	FPA US Equity	FIRST TRUST ASIA PAC EX-JAPN
United States	NYSE Arca	KEMQ US Equity	KRANESHARES EMERGING MARKETS
United States	NYSE Arca	KMED US Equity	KRANESHARES EMERGING MARKETS
United States	NYSE Arca	KORU US Equity	DIREXION DAILY SK BULL 3X
United States	NYSE Arca	PAF US Equity	INVESCO FTSE RAFI ASIA PACIF
United States	NYSE Arca	UEVM US Equity	USAA MSCI EM MKT VAL MOM ETF

\* Source: Bloomberg

✧ Investor Registration Certificate and Foreign Ownership Limit

Korea sets Foreign Ownership Limit (FOL) for companies that perform businesses affecting the national economy greatly, including national infrastructure industries.

The list of issues with FOL in accordance with the Financial Services and Capital Markets Act etc. is shown as below, and for more detailed information on limit reaching status by issue, please refer to the website of KRX (<http://global.krx.co.kr> → (81006) Foreign Ownership for Each stock)

Governing Law	FOL		KOSPI Market	KOSDAQ Market
	Total	Person		
FSCMA	40%	3%	KEPCO	-
TBA	49%	-	KT, LG Uplus, SKTelecom	EYESVISION, GREEN CROSS CELL, KRTnet, SEJONG TELECOM
IPA	30%	15%	Kogas	-
	0%	-	SBS	KNN, SBS Contents Hub, TBC
	10%	-	-	YTN
Broad-casting Act	49%	-	CJ Hello, Hyundai HCN, HYUNDAI HOMESHOP, KT Skylife	CCS, CJ ENM, DChosun, GSHS, InfoBank, KMH, KTH, WOW
PNA	30%	-	-	ASIA BUSINESS DAILY, Jcontentree, Sports Seoul
Aviation Act	49.99%	-	Asiana Airlines, JEJU AIR, JIN AIR, KAL, KAL(1P), Twayair	-

- FSCMA : Financial Investment Services and Capital Markets Act
- TBA : Telecommunications Business Act
- IPA : Act on The Improvement of Managerial Structure and Privatization of Public Enterprises
- PNA : Act on the Promotion of Newspapers, etc.