

January 8, 2024

PRIOR DISCLOSURE OF STOCK TRADING (BLOCK DEAL) BY MAJOR SHAREHOLDERS AND OFFICERS OF A LISTED COMPANY TO BE REQUIRED (EXPECTED TO BE EFFECTIVE FROM JULY 2024)

Insiders, such as major shareholders, directors and officers, of a company listed on the Korea Exchange ("**Listed Company**") will be obligated to publicly disclose *in advance* any expected trading of any large quantity of shares in such listed company pursuant to certain amendments to the Financial Investment Services and Capital Markets Act (the "**FISCMA**") that will become effective six months (expected to be effective around July 2024) after promulgation, as the Korean National Assembly recently passed the relevant amendment bill to the FISCMA on December 28, 2023. Relevant amendments to the enforcement decree of the FISCMA and relevant regulations containing more specific details are currently being prepared and expected to be promulgated before the effectiveness of these new amendments to the FISCMA.

I. RELEVANT AMENDMENTS TO THE FISCMA

A. *Stock Trades Subject to Prior Public Disclosure Obligation*

According to the relevant proposed amendments to the FISCMA, in the event an insider such as a major shareholder or an officer expects to trade (including purchase and sale, but excluding trades due to certain unavoidable circumstances to be set forth in the enforcement decree, such as inheritance and stock dividend) in stocks, etc. (including equity securities (including preferred stocks), convertible bonds, bonds with warrants, and depositary receipts) in excess of a certain threshold size, such person or entity will be required to publicly disclose information relating thereto, such as the purpose of trade, price, quantity and transaction period (collectively, "**Trading Plan**"), prior (within a period 30 days or above but 90 days or below, to be set forth in the enforcement decree) to the expected trade date.

1. A major shareholder (generally referring to a holder of 10% or more of the total equity securities with voting rights in a company or a person who has *de facto* influence over major matters relating to the management and business of the company, such as appointment of directors and officers) of a Listed Company; or
2. An officer, etc. (including a director, statutory auditor and *de facto* officer, such as an executive officer) of the Listed Company.

For purposes of determining the quantity and price of the trade(s) to be subject to the above mentioned prior public disclosure obligation, trade quantities and prices in the previous six months period shall be aggregated to prevent, for example, attempts to circumvent this requirement by so-called piece-by-piece stock sales.

Reporting repetitive plans for overlapping trading periods shall be prohibited, and the relevant reporting entity or person shall be obligated to perform the trade in accordance with the Trading Plan that has been publicly disclosed; provided, however, that such Trading Plan may be withdrawn upon occurrence of certain unavoidable circumstances, such as death or bankruptcy.

To the extent required in consideration of market conditions, etc. as at the time of the actual trade(s), the actual conduct of such trade may be varied from the Trading Plan within a percentage ratio (to be set forth in the enforcement decree but which shall be not more than 30%) range of the disclosed transaction amount in the pre-disclosed Trading Plan.

B. Penalty for Non-compliance

In the event of violation of the above, such as failure to publicly disclose the Trading Plan in advance, or failure to perform the trade in accordance with the publicly disclosed Trading Plan, the person or entity in violation may be subject to the following:

1. penalty surcharge up to an amount not exceeding the lower of (a) 0.02% of the total fair market value and (b) KRW 2,000,000,000; and/or
2. criminal sanction of imprisonment with labor not exceeding one year or a fine not exceeding KRW 30,000,000.

II. AMENDMENTS TO THE ENFORCEMENT DECREE OF FISCMA AND RELEVANT REGULATIONS TO BE FORTHCOMING

Relevant amendments to the enforcement decree of the FISCMA and relevant regulations containing more specific details have not been released yet but are currently being prepared and are expected to be promulgated before the effectiveness of these new amendments to the FISCMA.

Specific details regarding the stock, etc. trades subject to the above prior disclosure obligation, individuals or entities exempt from the above prior disclosure obligation, due date for such prior disclosure, and other details are expected to be set forth in the relevant amendments to the enforcement decree and/or subordinate regulations, but the Financial Services Commission provided the following examples in its press release dated December 28, 2023:

- Trade size subject to prior disclosure: 1% of total issued and outstanding shares, or trade with aggregate trade price exceeding KRW 5,000,000,000.
- Insider exempt from disclosure obligation: Certain Korean or non-Korean financial investors, including the Korean National Pension Fund.
- Due date for disclosure: 30 days prior to the expected trade date.

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For any inquiry or questions regarding the content of this newsletter, please contact us.

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