

# Appendix 1

## Group of Thirty Compliance

The Group of Thirty recommendations were originally conceived as the group's Standards on Securities Settlement Systems in 1989, detailing, in a first-of-its-kind report, nine recommendations for efficient and effective securities markets covering legal, structural and settlement process areas. The recommendations were subsequently reviewed and updated in 2001 under the leadership of the Bank for International Settlements and through the efforts of a joint task force of the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions. Compliance with the Group of Thirty recommendations in individual markets is often an integral part in securities industry participants' and intermediaries' due diligence process.

**Table A1: Group of Thirty Recommendations—Compliance for the Republic of Korea**

Recommendation		Implemented
1	Eliminate paper and automate communication, data capture, and enrichment.	No
2	Harmonize messaging standards and communication protocols.	No
3	Develop and implement reference data standards.	No
4	Synchronize timing between different clearing and settlement systems and associated payment and foreign exchange systems.	Yes
5	Automate and standardize institutional trade matching.	Yes
6	Expand the use of central counterparties.	No
7	Permit securities lending and borrowing to expedite settlement.	Yes
8	Automate and standardize asset servicing processes, including corporate actions, tax relief arrangements, and restrictions on foreign ownership.	No
9	Ensure the financial integrity of providers of clearing and settlement services.	No
10	Reinforce the risk management practices of users of clearing and settlement service providers.	No
11	Ensure finals, simultaneous transfer and availability of assets.	Yes

Recommendation		Implemented
12	Ensure effective business continuity and disaster recovery planning.	No
13	Address the possibility of failure of a systematically important institution.	No
14	Strengthen assessment of the enforceability of contracts.	No
15	Advance legal certainty over rights to securities, cash, or collateral.	Yes
16	Recognize and support improved valuation methodologies and closeout netting arrangements.	No
17	Ensure appointment of appropriately experienced and senior board members (of the boards of securities clearing and settlement infrastructure providers).	Yes
18	Promote fair access to securities clearing and settlement networks.	Yes
19	Ensure equitable and effective attention to stakeholder interests.	No
20	Encourage consistent regulation and oversight of securities clearing and settlement service providers.	Yes

Source: Group of Thirty. *Global Clearing and Settlement—A Plan of Action*.  
<http://newsite.group30.org/publications/detail/123>

## Appendix 2

# Practical References

For easy access to further information about the market features described in the Korea Bond Market Guide—including information on the policy bodies, regulatory authorities, and securities market-related institutions—interested parties are encouraged to utilize the following links (all websites available in English):

*AsianBondsOnline* (Asian Development Bank)  
<https://asianbondsonline.adb.org/korea.php>

Bank of Korea  
<http://www.bok.or.kr/eng/engMain.action>

Financial Hub Korea  
[http://www.fnhubkorea.kr/fhk\\_eng/laws/securities/list.jsp](http://www.fnhubkorea.kr/fhk_eng/laws/securities/list.jsp)

Financial Supervisory Service  
<http://english.fss.or.kr/fss/eng/main.jsp>

Korea Capital Market Institute  
<http://www.kcmi.re.kr/eng/main/main.asp>

Regulations on KOSPI Market:  
<https://global.krx.co.kr/contents/GLB/06/0601/0601000000/GLB0601000000.jsp>

Korea Exchange  
<https://global.krx.co.kr/main/main.jsp>

Korea Financial Investment Association  
<http://eng.kofia.or.kr/index.do>  
KOFIA Regulations: [http://eng.kofia.or.kr/brd/m\\_15/list.do](http://eng.kofia.or.kr/brd/m_15/list.do)

Korea Securities Depository  
<https://www.ksd.or.kr/eng/index.home>  
KSD Regulations: <http://www.ksd.or.kr/eng/bbs/bbsList.home>

Ministry of Strategy and Finance  
<http://english.mosf.go.kr/>

National Law Information Center  
<http://www.law.go.kr/eng/engLsSc.do?menuId=1&query=financial+services+and&x=42&y=34#liBgcolor13> / <http://www.law.go.kr/eng/engMain.do>

# Appendix 3

## List of the Regulations and Rules Issued by KOFIA, KRX, and KSD

**Table A3.1: Overview of Major Regulations and Standards issued by the Korea Financial Investment Association**

<b>Regulation, Bylaw, or Agreement</b>
Articles of Association
Regulations on Business Conduct and Services of Financial Investment Companies (
Enforcement Bylaws of the Regulations on the Business Conduct and Services of Financial Investment Companies
Regulations on Management and Sanctions of Self-Regulation Committee
Regulations on Management of Agreements of Financial Investment Companies Agreement on Opening of Trading Accounts Agreement on Opening of Foreign Currency Securities Trading Accounts Agreement on Loan Transactions of Securities Agreement on Repo with Customers Agreement on Repo between Institutions Agreement on Commercial Paper Trading Agreement on Using Electronic Financial Transactions
Regulations on Securities Underwriting Business, etc.
Regulations on Investment Professionals and Qualifying Examinations
Enforcement Bylaws of Regulations on Investment Professionals and Qualifying Examinations
Regulations on Dispute Resolution
Regulations on Credit Rating Agency Assessment
Working Rules on Investment Recommendations
Standards for Internal Control of Financial Investment Companies
Standard Code of Ethics

Note: Information as of 10 October 2016.

Source: Korea Financial Investment Association. [http://eng.kofia.or.kr/brd/m\\_15/list.do](http://eng.kofia.or.kr/brd/m_15/list.do)

**Table A3.2: Selection of Other Regulations, Rules, and Codes by Korea Financial Investment Association**

<b>Regulation, Bylaw, Code of Best Practices, Agreement</b>
Standard Criteria for Book-Building of Non-Guaranteed Bonds
Guidelines on Non Face-To-Face Financial Investment Business
K-OTC Market Regulations
Standard Regarding Yield Reporting for Disclosure of Last Quoted Yield
Standards on Yield Reporting for Disclosure of Last Quoted Yield
Standard Working Rules of Ethics of Financial Investment Companies
Operation Rules for the Trading System of Qualified Institutional Investors
Deliberation Standards of Exclusive Rights on New Products
Standard Criteria for Book-Building of Non-Guaranteed Bonds
Working Rules on Investment Recommendations
Regulations on the Trading System for Qualified Institutional Investors
Regulations on Registration and Management of QIB Market-eligible Securities
Regulations on financial investment professionals and certification
Standards for Internal Control of Financial Investment Companies

OTC = over-the-counter, QIB = Qualified Institutional Buyer.

Note: Information as of 10 October 2016. Not all regulations may always be available as latest versions in English.

Source: Korea Financial Investment Association. [http://eng.kofia.or.kr/brd/m\\_15/list.do](http://eng.kofia.or.kr/brd/m_15/list.do)

Table A3.3: Overview of Korea Exchange Regulations

Type of Regulation	Title of Regulation
General Regulations	Articles of Incorporation Membership Regulation Enforcement Rules of Membership Regulation Regulation on Operation of the Broker–Dealers Guideline on Connection to Member System Criteria for Member Admission
Regulations on KOSPI Market	KOSPI Market Business Regulation Enforcement Rules of KOSPI Market Business Regulation KOSPI Market Disclosure Regulation Enforcement Rules of KOSPI Market Disclosure Regulation KOSPI Market Operational Guidelines on Fair Disclosure KOSPI Market Listing Regulation Enforcement Rules of KOSPI Market Listing Regulation
Regulations on KOSDAQ Market	KOSDAQ Market Business Regulation Enforcement Rules of KOSDAQ Market Business Regulation KOSDAQ Market Disclosure Regulation Enforcement Rules of KOSDAQ Market Disclosure Regulation KOSDAQ Market Listing Regulation Enforcement Rules of KOSDAQ Market Listing Regulation KOSDAQ Market Operational Guidelines on Fair Disclosure
Regulations on Derivatives Market	Derivatives Market Business Regulation Enforcement Rules of Derivatives Market Business Regulation Petroleum E-Trading Business Regulation Guideline for Recommending Quota Tariff for Imported Petroleum Products OTC Derivatives Clearing Business Regulation Enforcement Rules of OTC Derivatives Clearing Business Regulation
Regulations on Market Oversight	Market Oversight Regulation Enforcement Rules of Market Oversight Regulation Dispute Mediation Regulation Enforcement Rules of Dispute Mediation Regulation

OTC = over-the-counter.

Note: Information as at 10 October 2016.

Source: Korea Exchange. <https://global.krx.co.kr/contents/GLB/06/0601/0601000000/GLB0601000000.jsp>

**Table A3.4: Overview of Korea Securities Depository Regulations**

<b>Regulation Title</b>
Regulation on Clearing Services
Enforcement Rule on Clearing Services
KSD SLB Regulation
Detailed Enforcement Rules for SLB Transaction
Regulation on Settlement Service for Securities
Detailed Enforcement Rules for the Regulations on Settlement Service for Securities
Regulation on Management of Beneficiary's List
Delegation Agreement on Management of Beneficiary's List
Regulation on Deposit and Settlement of Foreign Securities
Detailed Enforcement Rules for the Regulation on Deposit and Settlement of Foreign Securities
Regulation on Deposit Service for Securities
Detailed Enforcement Rules for the Regulation on Deposit Service for Securities
Regulation on Collateral Management of Securities
Detailed Enforcement Rules for the Regulation on Collateral Management of Securities
Regulation on Bond Registration Business
Detailed Enforcement Rules for the Regulation on Bond Registration Business
Regulation on Issuance of Depository Receipt
Agreement on Intermediation of SLB Transaction
Eligible Collateral and Evaluated Rates

KSD = Korea Securities Depository, SLB = securities lending and borrowing.

Note: Information as of the time of compilation of this Bond Market Guide. Not all regulations may always be available as latest versions in English.

Source: KSD. <http://www.ksd.or.kr/eng/bbs/bbsList.home?menuNo=48>

# Appendix 4

## Glossary of Technical Terms

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Account Management Institution	Participant at KSD, effectively a custodian for securities on behalf of customers or own holdings
allocated contribution	Term used for the fee levied by the FSS for the submission and review of an SRS
Alternative Bond Scheme	Denotes <i>sukuk</i> arrangements as an alternative to conventional bonds and notes (in most recent legislation)
authorization	licensing from the relevant regulator
Authorized Institutions	Licensed banks, restricted license banks, and deposit-taking companies as defined in the Banking Ordinance
BOK-Wire	National high-value payment system operated by Bank of Korea
filing	Action of submitting documentation
financial investment business	Summary term for entities carrying out activities in the capital market under authorization by and oversight of the FSC
FreeBond	Original OTC bond trading platform developed by KOFIA, upgraded to K-Bond in 2016
Information Memorandum	Synonymous with Offering Memorandum; term typically used for key documentation for a private placement mainly to professional investors
investment brokerage business	Term used in law and regulations to describe a secondary bond market participant authorized to buy and sell securities
investment trading business	Term used in law and regulations to describe an authorized participant in the primary market; activities include issuing, underwriting, and offering debt securities
K-Bond	OTC bond trading supporting platform operated by KOFIA; updated version of original FreeBond system
listing	Typically, action of submitting a bond issue or other securities to an exchange for the purpose of trading, price finding, disclosure, or profiling
Offering Memorandum	Synonymous with Information Memorandum; term typically used for key documentation for a private placement mainly to professional investors



managing company	Term used in the Korean market for the lead manager of a bond or note offer; the offer may involve more than one managing companies
Monetary Stabilization Bond	Key instrument in BOK's open market operations to steer market liquidity
Qualified Institutional Buyer	Professional investor concept in the Korean bond market
QIB Market	Bond market where the bonds and note issued by private placement are traded among QIBs
QIB Market-debt securities	Bonds and notes that are eligible to trade on the QIB Market
registration	Refers to the act of registering a bond with KOFIA as a prerequisite to be tradeable in the OTC market
registration application form	Form requires to be submitted for the registration of bonds to the QIB Market; in contrast to Securities Registration Statement which is required for publicly offered securities
Securities Registration Statement	Format to be submitted to the FSS as key disclosure document in the case of a public offering of debt securities
short-term electronic bonds	Financial instrument that is only issued, registered, and traded an in electronic form (in contrast to other debt securities which may be issued in physical form)
<i>sukuk</i>	Islamic bond or note
uncertified securities (regime)	describes the movement toward a dematerialized market

Source: ADB consultants for SF1.