



## 1. Korea Exchange Upgrades Market Surveillance System

To prevent the new types of unfair trading practices, the Market Oversight Commission of the Korea Exchange upgrades its market surveillance system.

Major features of the upgraded system include 1) improved unfair trading detection model, 2) automation of analysis of the accounts suspicious of being involved in unfair trading, and 3) adoption of various analytical tools such as the visual analysis system, which the surveillance officers may utilize in identification of abnormal trading patterns.

The upgraded surveillance system took into account the characteristics of time series analysis and enhanced the reliability of statistical model by eliminating unnecessary over-detection of abnormal trading during certain time of the day.

In detecting an unfair trading practice, the quantitative approach was taken. For this purpose, the detection criteria were subdivided based on the trading pattern and a score was assigned according to the degree of unfair trading practice per detection criterion. If the accumulated score reaches to a predetermined level, the concerned trade or account is identified as being associated with suspicious trading. To detect the new types of unfair trading practices, both the rule-based model and statistical model were enhanced by introducing the tools based on artificial intelligence.

The newly upgraded market surveillance system automates the analysis of accounts suspicious of involved in or associated with unfair trading and makes possible the visual analysis of quotes and matching processes. By developing the general screens for analysis, which are used by market surveillance officers, the accuracy of identifying unfair trading practices has been improved and the time spent for analysis is significantly reduced.

KRX expect the upgraded surveillance system introduced on January 3, 2011 would help to enhance the credibility of its markets and KRX's ability to protect the investors.



## 2. Trading Holidays For 2011

Under the relevant regulations on trading holidays<sup>i</sup>, KRX Markets (hereinafter including KOSPI Market, KOSDAQ Market and Derivatives Market) will be closed on following days in year 2011:

- Every Saturdays and Sundays,
- Feb. 2(Wed)~4(Fri) : Lunar calendar new year's day
- Mar. 1 (Tue) : Anniversary of the March 1st Independence Movement
- May 5 (Thu) : Children's day
- May 10(Tue) : Buddah's birthday
- Jun. 6(Mon) : Memorial day
- Aug. 15(Mon) : Independence day
- Sep. 12(Mon)~13(Tue) : Chusok (thanksgiving) holidays
- Oct. 3(Mon) : National Foundation day
- Dec. 30(Fri) : market closed for the last day of the year

*\* Lean-hog Futures will have additional market-closed days depending on the business days of domestic spot markets.*

*\* CME-Linked KOSPI 200 Futures Global market and EUREX-Linked KOSPI 200 Options market (which are open during non-trading hours of KRX) may also have varying holidays depending on the business days of the corresponding Exchanges.*

In addition, please note that market shall be closed when the Exchange deems necessary to close the market due to a sudden change in economic conditions or is expected to occur.

<sup>i</sup>Article 5 of the KOSPI Market Business Regulation, Article 5 of the KOSDAQ Market Business Regulation, Article 5 of the Derivatives Market Business Regulation.





### **3. Opening Of Laos Securities Exchange Established Jointly By The Government Of Laos And Korea Exchange**

On January 11, 2011, the Laos Securities Exchange (LSX) established jointly by the government of Laos and Korea Exchange was opened for trading at 09:00.

The KRX entered the MOU with the Bank of Laos, which is the central bank of the country in September 2007, stating their willingness to collaborate in the establishment of securities exchange in Laos. After 3 years of preparation, the LSX was incorporated on October 10, 2010 and opened for trading in January 2011. The LSX is the first overseas exchange that is modeled after the KRX.

The KRX has invested total of USD 9.8 million, including the cash contribution, provision of IT system, training of specialists and provision of consultation services for formulation of market laws and regulations, and holds 49% of equity of the LSX. The Bank of Laos has invested total of USD 10.2 million, including the cash contribution and provision of land and buildings, and holds 51% of equity of the LSX.

The board of directors of the LSX is composed of 3 members nominated by the Bank of Laos and 3 members nominated by the KRX. The Vice-chairman of LSX who is nominated by the KRX is accountable for the operation of 3 of 5 Departments that carry out the functions essential for the operation of the LSX.

Presently, 2 companies, EDL-Generation (EDL-Gen), which is controlled by the state-owned power company Electricite du Laos, and Banque Pour Le Commerce Exterieur Lao (BCEL), also a state-owned bank, are listed on the LSX. On the opening day, the orders were received from 08:30 and matched at 11:00 using the single price auction method. The order receiving hours of LSX is from 08:30 to 11:30 and the orders are matched at 10:00 and 11:30 using the single price auction method, while disregarding the time priority. In the future, the decision on the introduction of continuous auction method will be made by taking into consideration such factors as the growth of trading volume.



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## 4. Key Statistics Of KRX ETF Market In 2010

Net Asset Value (NAV) of KRX-listed ETFs at the end of 2010 was KRW 6,057.8 billion, showing an increase of 60% over KRW 3,779.8 billion in 2009. The number of listed ETFs grew to 64 in 2010 from 50 in 2009. Among 12 asset management companies that have listed ETFs, Samsung Asset Management, Woori Asset Management and Mirae Asset MAPS Global Investments topped in terms of NAV.

However, the average daily trading value of the ETFs in 2010 dropped slightly to KRW 110.3 billion from KRW 123.0 billion in 2009. This was because the volume of block trading of ETFs declined subsequent to the phasing-out of the exemption of transaction tax on public funds.

Four KRX-listed ETFs showed outstanding performance and their annual return swept No. 1 to 4 among local equity funds in 2010: KODEX Shipbuilding 100.5%, KODEX Energy&Chemicals 67.7% GIANT Hyundai Motor Group 66.1% and KODEX AUTOs 65.7%.





## 5. Special Constituent Change In KRX 100 And KRX Transportation

Korea Exchange will change the constituent in KRX 100 and KRX Transportation index on January 27, 2011.

KLC(A005880), which is designated as administrative issue, will be substituted by SUNG KWANG BEND CO., LTD.(A014620) in KRX 100 and HANSOL CSN (A009180) in KRX Transportation.

## 6. Special Constituent Change In KOSPI 200

As HankukElecGlas(A009720) is scheduled to be delisted on January 28, 2011, the KRX will replace the constituents of KOSPI 200 effective from January 31, 2011.

- Deletion : HankukElecGlas(A009720)
- Addition : YungjinPharm(A003520)
- \* Freefloat : YungjinPharm(45%)