



Dear Client,

In accordance with the revision to the "Financial Investment Services and Capital Markets Act (FSCMA)" and the Enforcement Decree of the Same Act in Korea, short sellers shall keep their Securities Borrowing and Lending (SBL) agreements including **information on stock items, number of shares, transaction dates, counterparties, lending periods, fee rates, etc. for 5 years** to be presented promptly to the relevant authorities upon request.

The revised FSCMA also requires the maintenance of transactions data stored in an electronic transaction processing platform or other format that is not susceptible for alteration:

- To store the SBL information in an electronic processing platform,
- To set up facilities or systems that can prevent forgery or damage of SBL information, and
- To establish procedures and standards to prevent illegal access to SBL information.

We would like to inform you that you shall keep the SBL transaction information as prescribed by FSCMA Article 180-5 above, and establish an internal review process for record keeping on SBL agreements.

Please note that we will request you to provide with the internal review result or **the confirmation (as Attachment) of record keeping on SBL agreements at least once a year. If not provided, we will have to reject any orders from you for us to comply with local regulations.**

In addition to the record keeping requirement on SBL agreements, the revised FSCMA restricts short sellers from participating in a company's capital increase via issuing new shares once the company has made such a plan public except in certain cases. As such, the Enforcement Decree will be revised to determine a specific time period wherein the short seller's participation in capital increase is restricted as well as specific cases for exception as specified below. **If an investor has shorted a company's stocks during the restriction period, the investor cannot participate in the company's capital increase**, except for the cases where the short selling is deemed to have no unjust effects on the issuing price as stated below.

- RESTRICTION PERIOD: From one day after the disclosure of the company's capital increase plan until the determination of the issuing price
- EXCEPTIONAL CASES: (i) Purchase of new shares exceeding the amount of short positions between the time of the last short sale and the determination of the issuing price, (ii) participation in capital increase by trading units within a firm that operates separate trading units pursuant to the standards specified by the FSC that have no records of short selling the company's stocks and (iii) short selling for market making or liquidity provision purposes

Also, please be noticed that the revised FSCMA created the imposition of penalty surcharges on illegal short sale activities. Specific amounts for monetary sanctions will be determined through comprehensive consideration of the total amount of short orders and profits gained from the illegal short sale activity.

Should you need any questions regarding the Korea short sell regulations, please feel free to contact Compliance-Korea@clsa.com.

Thank you.

Best regard,

[Company Letterhead]

Dear CLSA Securities Korea Ltd,

I confirm that [the name of company] keeps the Securities Borrowing and Lending (SBL) transaction information as prescribed by Financial Investment Services and Capital Markets Act (FSCMA) Article 180-5 when entering into a SBL agreements for the purpose of Covered Short Sell.

Date:

Name of Company:

Signature:
