Guidelines on Trading Derivatives on the Exchange*

* Please note that these guidelines make particular references to the trading of derivatives in the market established by the Korea Exchange, among the exchange-traded derivatives stipulated in [§ 5(2)] of the Financial Investment Services and Capital Markets Act.

Korea Financial Investment Association

※ These guidelines, which also contain risk disclosure statements, are distributed by financial investment companies to investors, prior to their engagement in derivatives trading on the exchange, in order to notify them of the possible risks of exchange-traded derivatives, pursuant to the Financial Investment Services and Capital Markets Act and relevant regulations.

Table of Contents

Ⅰ. Risk Disclosure Statements Regarding Exchange-traded Derivatives Trading

Exchange-traded derivatives trading carries a substantially higher risk relative to trading of financial assets such as stocks, bonds, etc., potentially subjecting the investor to great amounts of losses over a short period of time. Therefore, investors who wish to engage in derivatives trading on the exchange are advised to do so with extreme discretion, upon considering the transaction structure of such trading and the risks entailed, as well as their personal investment purposes, size of capital and investment experience.

<Matters to note regarding exchange-traded derivatives trading>

√ Are you making investments in consideration of **your investment experience, investment purposes, fiscal status**, etc.?

√ Are you **financially able to, or willing to bear losses** that are equivalent to, or exceed the total amount of your investment?

√ Do you understand the inherent structure of Exchange-traded derivatives trading, and **the obligations you bear** upon conducting transactions?

√ Do you **fully understand the risks, etc.**, that you may encounter by thoroughly examining the guidelines on exchange-traded derivatives provided to you by a derivatives investment advisor at the relevant company?

√ Are you aware of **any person or institution, etc., to consult with** regarding any questions or problems that may arise in the process of trading derivatives on the exchange?

1. Losses that may arise from exchange-traded derivatives trading are not limited to customer margin. **Therefore, investors may lose the full amount of customer margin, or suffer losses in excess of the deposited amount.**

2. When the amount of losses increases as a result of fluctuations in the prices of contracts traded on the Korea Exchange (hereinafter referred to as the "Exchange"), or **when a shortfall occurs in a deposited customer margin** as a result of fluctuations in the substitute prices of substitute securities, etc., or **when the required customer margin amount is raised, an additional deposit shall be posted,** as requested by the financial investment company (hereinafter

referred to as "Company"), **in the manner and by the deadline prescribed by the Company.**

3. **Where a customer margin or settlement price is not deposited within the specified time limit,** or where the qualified institutional investor fails to deposit ex-post customer margin, **the Company shall close out the entire or partial amount of the open interests**, or dispose of the entire or partial amount of **substitute securities, foreign currencies or foreign securities** deposited as customer margin (confined to the customer margin stipulated in [§88(3)] of the Exchange's Derivatives Market Business Regulations; hereinafter the same), **in order to pay for the customer margin or settlement price. Losses** resulting from such appropriation **shall be borne by the investor.**

4. Discretion is required in the case where **additional intraday customer deposits are imposed to your account**, as **entrustment of new orders or orders that require an increase in the amount of customer margin may be refused if the additional customer margin is not deposited, or the reason for the additional imposition was left unaddressed.**

5. **Laws and regulations may be amended** in accordance with the situations in the exchange-traded derivatives market. For example, the amount of customer margin may be raised and position limits may be imposed, etc. Where trading limits are imposed pursuant to relevant laws and regulations, you shall abide by them.

6. **Depending on market situations,** such as sharp rises and falls in prices in the exchange-traded derivatives market, **or market measures adopted by the Exchange, etc., the transactions that you wish to execute may fall through, or settle at a price you find unfavorable.** For example, when it comes to certain derivatives trades, it may be difficult to execute new orders or close out open interests in cases where prices fluctuate close to the daily or real-time price limit, when prices are quoted by relative price auction, or when no orders are placed.

   ※ Transaction-related matters, such as the price limit range and price change rate, etc., shall be subject to the Exchange's Regulations.

7. When the Company executes a trade, you shall be notified of the transaction details in a manner prescribed by the Company. **Please make sure to check**

the informed details (outstanding balance, open interests, etc.).

8. With respect to the property deposited for the purpose of exchange-traded derivatives trading, requests for the return of such deposits shall only be made to the Company entrusted with the property, and **the entrusted property shall not be subject to the protection prescribed in the Depositor Protection Act.**

9. Extreme discretion is required in selecting a company, **as the entire or partial amount of your property may be lost or its return may be delayed** at no direct fault of your own, in cases where **the Company fails to settle transactions or goes bankrupt, etc.**

10. The purchaser and seller of an option shall be fully aware of the following rights and obligations that arise from options trading, and when the option is exercised at the time of expiration, the purchaser and the seller will pay and receive the exercise difference.

-The purchaser of a call option : The right to purchase an underlying asset
-The seller of a call option : The obligation to sell an underlying asset
-The purchaser of a put option : The right to sell an underlying asset
-The seller of a put option : The obligation to purchase an underlying asset

11. **An option purchaser may lose the entire purchase price of the option within a short period of time.** In other words, the purchased option may have no value upon expiration.

12. The purchaser of an option may reduce losses or realize profits by selling the said option before expiration. **However, depending on market conditions, it may be impossible for the option purchaser to sell the said option in the options market prior to the date of expiration.**

13. **Within a short period of time, the seller of an option may incur losses larger than the premium received in return for selling the option.** In other words, if the price of the underlying security at the time of expiration is contrary to expectations, the option seller may sustain a loss and the **amount of losses may be unlimited.**

14. The seller of an option may reduce losses or realize profits by purchasing the said option before expiration. **However, depending on market conditions,**

it may be impossible for the option seller to purchase the said option in the options market prior to the date of expiration.

15. Generally, the price of an option (premium) is higher when the option has more intrinsic value (in-the-money option), and lower when the option has less intrinsic value (out-of-the-money option). You must be aware that, if you purchase options less likely to be exercised, simply because of the low price, it is highly likely that you may lose the entire amount of your premium and transaction costs.

16. KOSPI 200 Volatility Index Futures (hereinafter referred to as "V-KOSPI 200 Futures") have inherent characteristics distinct from that of other futures, such as difficulty in calculating the theoretical price and the possibility of fluctuation regardless of the volatility index at a given time. Therefore, you must have a clear understanding of the transaction structure and characteristics of V-KOSPI 200 Futures before initiating investments.

17. Actual derivatives trading taking place on the exchange may show stark differences in market conditions, rate of return, etc. in comparison to mock trading. Therefore, although it is important to develop experience through mock trading, caution is required not to execute actual investments based solely on mock trading outcomes.

☞ The aforementioned matters are simply a brief explanation of the relevant laws and regulations regarding exchange-traded derivatives trading, the entailed risks therefrom and information to be mindful of in relation thereto; they do NOT contain all of the important matters and explanations about every risk that could possibly arise from your exchange-traded derivatives trading. Therefore, you should consult with the relevant financial investment company to confirm specific details.

☞ Please note that these statements do not prevail the relevant laws and regulations regarding exchange-traded derivatives trading or the provisions of the Agreement to Open Account for Exchange-traded Derivatives Trading, etc.

II. Overview of Exchange-traded Derivatives Trading

1. Definition and Characteristics of Exchange-traded Derivatives Trading

Changes may occur to the exchange-traded derivatives trading system explained herein in accordance with amendments to the laws and regulations regarding exchange-traded derivatives trading. Please be mindful of updates to the relevant laws and regulations and make sure to confirm specific details by inquiring to the Company or referring to the Korea Exchange website when necessary.

(1) Definition

▶ A derivative is a contract that derives its value from the performance of an underlying asset such as equity · fixed income · currency, etc.

▶ Exchange-traded derivatives are derivatives with standardized contracts, with exchange-traded derivatives trading referring to trading taking place on the derivatives market established by the Korea Exchange. Exchange-traded derivatives include futures, futures spread and options.

※ OTC Derivatives : Derivatives other than exchange-traded products such as forwards, swaps, OTC options, etc.

(2) Terminology

▶ <u>Underlying asset</u> : Exchange-traded derivatives are categorized based on the underlying asset. Examples of underlying assets include stock indices (KOSPI 200), bonds (KTB), major currencies (USD, Euro, etc.), and commodities (gold, lean hog, etc.).

<Types of Exchange-traded Derivatives>

Category	Products
Stock Index Products	KOSPI 200 Futures, KOSPI 200 Options, KOSPI 200 Sector Index Futures, KOSDAQ 150 Futures, etc.
Other Index Products	V-KOSPI 200 Futures, etc.
Individual Equity Products	Single Stock Futures, Single Stock Options
Bond/Interest Rate Products	3-Year, 5-Year, 10-Year KTB Futures
Currency Products	US Dollar Futures, US Dollar Options, Japanese Yen · Euro Futures, etc.
Commodity Products	Gold Futures, Lean Hog Futures

▶ Trading unit : Exchange-traded derivatives are traded with **one (1) contract as the basic trading unit**, the price of which is calculated by taking into account **the price and trading volume of each product.**

▶ Price quotation : **Prices are generally quoted based on the price quotation method in spot markets.** Methods vary depending on the product as follows: **index points (KOSPI 200 Futures), par value of KRW 100 (KTB Futures), KRW per USD 1 (US Dollar Futures).**

▶ Delivery month and last trading day : The Exchange prescribes **the delivery month, in which derivatives contracts expire and settlement or delivery is made,** for each product. Depending on the product, the delivery month may vary from **every month to quarterly months (March, June, September, December).** Moreover, each delivery month has **a last trading day, or the expiration date of the derivatives contract,** which also differs by product type.

▶ Daily price limit : The Exchange sets a different daily price limit for each product, referring to **the maximum range within which prices of derivatives may fluctuate on a given day,** while trading. **For equity derivatives, a 3-phase price limit system is applied.**

<3-Phase Price Limit System for Equity Derivatives>

Equity Derivatives		Sequential Expansion		
		1st Phase	2nd Phase	3rd Phase
Index Products	KOSPI 200 Futures·KOSDAQ 150 Futures·KOSPI 200 Sector Index Futures	±8%	±15%	±20%
	KOSPI 200 Options			
	V-KOSPI 200 Futures	±30%	±45%	±60%
Equity Products	Single Stock Futures	±10%	±20%	±30%
	Single Stock Options			

※ A fixed price limit is applied to derivatives other than the aforementioned equity derivatives. For details on the price limit for other products, please inquire to relevant employees or refer to regulations and laws.

① Sharp fluctuations in the price of the base contract : The price limit rate for the trading of concerned futures shall sequentially be expanded to the next phase** 5 minutes after the execution price of the base contract* for stock futures reaches the upper or lower limit.

* The delivery month contract with the largest execution quantity during regular trading hours of the previous day, among futures contracts with the same

underlying asset (contracts with the previous day or the current day as the last trading day excluded)

** In the case where the price limit rate for KOSPI 200 Futures is expanded, the limit for KOSPI 200 Options and V-KOSPI 200 Futures shall also be expanded accordingly, and where the price limit rate for stock futures is adjusted, the limit for stock options with the same underlying asset shall also be expanded accordingly (in view of product type, the adjustment shall be made in either a plus or minus direction for options, and to both directions for V-KOSPI 200 Futures)

② Operation of single-stock circuit breakers : **In the case where trading is resumed after circuit breakers were triggered and trading subsequently halted, the price limit rate for the trading of concerned derivatives shall be expanded** to the relevant phase* depending on the drop witnessed in the stock market**. (however, in the case where price limit rate of the lower limit for trading of the concerned stock index futures was previously expanded to the relevant phase pursuant to ①, the limit shall not be adjusted again)

* The 2nd phase shall be applied when the stock market weakens by more than 8% ~ less than 15%, and the 3rd phase, when the market plunges by 15% or more

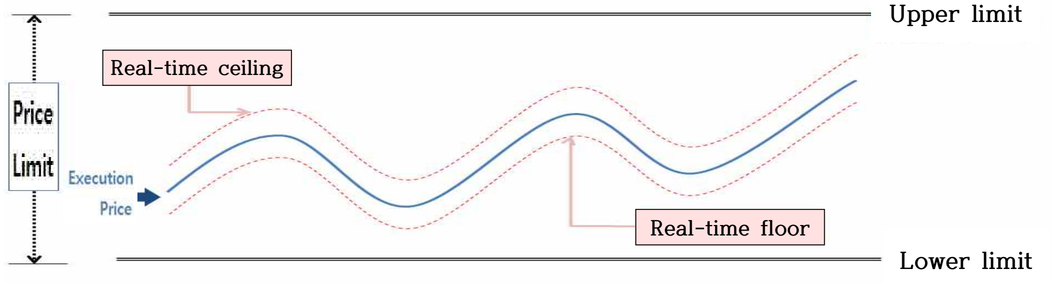
** Expanded to the minus direction for KOSPI 200 Futures (KOSDAQ 150 Futures) and KOSPI 200 Call Options, to the plus direction for KOSPI 200 Put Options, and both directions for V-KOSPI 200 Futures

<Ex> Expansion of Equity Derivatives' Price Limit

- Sharp fluctuations in price : In the case where the price of the base contract reached the ceiling at 13:05:00, and the price limit was consequently set to be expanded at 13:10:00, but a compulsory suspension of trading (due to circuit breakers, etc.) started at 13:09:00 and single-price trades were resumed at 13:29 ⇒ **The price limit shall be expanded immediately prior to the resumption of single-price trading**
- Operation of single-stock circuit breakers : In the case where the price of KOSPI 200 Futures fell by 8%, and 2 minutes later the KOSPI index plunged by 17%, triggering circuit breakers ⇒ **Expanded to 20% upon resumption of periodic call auction** after 20 minutes of market suspension (17% drop in index → price limit for derivatives -20%)

▶ The Exchange also prescribes **the smallest price unit at which a quotation may be placed, or tick,** and operates the **real-time price limit system** (only applied to the 1st phase price limit in the case of equity derivatives), which denies in real-time erroneous orders that exceed a certain range from the most recent execution price during market hours.

<Ref> Real-time Price Limit System



☞ During continuous call auction, the Exchange sets real-time upper and lower price limits (most recent execution price± α) based on the execution price every time a trade is executed, and denies quotations of bid prices above the real-time upper limit and ask prices below the real-time lower limit

- Applied products : KOSPI 200 Futures, KOSPI 200 Options, Stock Futures (inquire to the Company or refer to the KRX website to confirm products that are excluded) 3-Year and 10-Year KTB Futures, Currency Futures

- As for equity derivatives, the system is only applied within the 1st phase of the price limit, and the real-time price limit for a product is lifted once the price limit for the concerned product is expanded

- Refer to page 14 of the provided guidelines for real-time price limits on major derivatives

<Ex> Details on KOSPI 200 Futures

※ In case where the price of a KOSPI 200 Futures contract is 250.00:

- Trading unit : 250.00 (price)×KRW 500,000 (multiplier)=KRW 125mn
- Price quotation : 250.00 points (price quotation method for KOSPI 200 Index)
- Delivery month : March, June, September, December (listed delivery months : 7 delivery months within 3 years)
  - * Listed months as of 11.30 : December (current year), March · June · September · December (following year), June · December (year after the following year)
- Last trading day : 2nd Thursday of each delivery month
- Tick size : 0.05 points (tick value : 0.05×KRW 500,000=KRW 25,000)
- 1st phase price limit : In the case where the base price is 250, the upper limit price and lower limit price shall be 270 and 230, respectively (± 8% from the base price).

[3] Characteristics of Exchange-traded Derivatives Trading

▶ For exchange-traded derivatives trading, ① **general terms and conditions of trade are standardized** (traded product, trading unit, delivery month, price quotation method, tick size, price limit, etc.), ② **the Korea Exchange serves as the Central Counterparty** (CCP), and ③ **covering, daily marking-to-market and margin policies** are put in place in order to prevent failure of settlement.

2. Exchange-traded Derivatives Trading System

2-1. Qualified Retail Investors

(1) Overview

▶ The qualified retail investor system for exchange-traded derivatives trading refers to **extending gradual permission for entrance into the derivatives market to qualified retail investors* with practical investment capabilities.**

* Retail investors : Ordinary investors (aside from individual investors designated by KOFIA as professional investors) as prescribed by the Financial Investment Services and Capital Markets Act, excluding corporations, organizations and foreigners

(2) Permission for Exchange-traded Derivatives Trading

▶ **[Stage 1] Investors may be eligible for trading of relatively simple futures contracts provided that they have completed the training course and mock trading course, and have posted a certain amount of basic deposit**

※ However, investors will be exempted from the obligation to complete the training course and mock trading course provided that they fall under either of the following: Ⓐ Existing investors with an account opened prior to the system's enforcement date ('14.12.29) who meet the requirements prescribed by the KRX; or Ⓑ who meet the requirements prescribed by KOFIA (those with a pass on qualification exams or industry professionals, etc.)

(☞ For detailed requirements for exceptions or the scope of exemption, please inquire to the relevant company or refer to regulations.)

▶ **[Stage 2] Investors may be eligible for trading of options and other futures provided that they have more than one (1) year of experience in stage 1 trading, held open interests in futures trading for 10 trading days or more in the immediately preceding (1) year from a given trading day, and have posted the basic deposit.**

<table>
<tr><th colspan="2"></th><th>Futures</th><th>Options and Other Futures</th></tr>
<tr><td rowspan="2">Criteria for Evaluation of Investment Capabilities</td><td>Background Knowledge and Investment Experience</td><td>① Training course (30 hours, KOFIA) and
② Mock trading course (50 hours or more, KRX)</td><td>① Held a derivatives account for more than a year, and;
② Held open interests in futures trading for 10 trading days or more</td></tr>
<tr><td>Risk Tolerance (Basic Deposit)</td><td>1st phase : KRW 20mn~30mn
2nd phase*: KRW 30mn~50mn
3rd phase : KRW 50mn or higher</td><td>1st phase : KRW 30mn~50mn
2nd phase*: KRW 50mn~100mn
3rd phase : KRW 100mn or higher</td></tr>
<tr><td colspan="2">Investable Products</td><td>Futures other than V-KOSPI 200 Futures</td><td>Options and V-KOSPI 200 Futures</td></tr>
</table>

* When newly initiating trade of a certain product, the basic deposit shall be that of 2nd phase or higher (however, if an investor was applied the 1st phase at another securities company, the same shall be applied)
** KRW 500,000 for Mini-gold Futures and Lean Hog Futures

* The applicable company autonomously determines the different amount of basic deposit for each investor in view of the Exchange's regulations.

2-2. Order Entrustment and Trading

(1) Orders

▶ Orders are categorized into **limit orders, market orders, limit-to-market-on-close orders, and immediately executable limit orders**, depending on whether there is a specified limit price. Also, **conditions (Immediate-or-Cancel or Fill-or-Kill) may be attached to the execution of orders.**

▶ Where the market price quotation for **equity derivatives is inevitably placed at the ceiling or floor** due to the daily price limit, and **the price limit subsequently comes to be expanded, the previously received market price quotation shall be re-adjusted** prior to being processed.

<Ex> Readjustment of market price quotation upon expansion of price limit

- **Where a bid market price quotation is received with the bid limit quotation placed at '1st phase ceiling,'** the concerned market price bid should theoretically be placed at '1st phase ceiling+1 tick,' but is inevitably deemed to be equivalent to '1st phase ceiling' due to the daily price limit
  ⇒ If the **price limit comes to be expanded to the 2nd phase** under these circumstances, the bid market price quotation will be **readjusted to a "bid immediately executable limit quotation (ceiling prior to limit expansion)+1 tick,"** and processed
- **Where a bid market price quotation has been received** and placed at the **most recent execution price, which is '1st phase ceiling,'** and there are no bid immediately executable limit quotations received
  ⇒ **The bid market price quotation will be retained, placed at the most recent execution price,** regardless of whether the price limit is expanded to the 2nd phase

▶ **Input of certain orders may be restricted**, depending on the type of order or trade in order to ensure investor protection and prevent risks.

① **Restriction of market orders, limit-to-market-on-close orders, and immediately executable limit orders (in other words, only limit orders are permitted) for** trading of contracts with low liquidity (farther month contracts, futures spread trading, stock futures and options trading, lean hog futures) or those not subject to the real-time price limit*

* Restriction of market orders and immediately executable limit orders for contracts not subject to the real-time price limit upon discretion (including equity derivatives with their price limit expanded to the next phase)

② Restriction of immediately executable limit orders and futures spread orders during quotation receiving hours for periodic call auction

③ Restriction of limit-to-market-on-close orders during quotation receiving hours for periodic call auction to determine the closing price, and on the last trading day

(2) Execution of Trade

▶ In the derivatives market, orders are executed by way of individual auction (periodic call auction*, continuous all auction) where trades are individually executed through auction of quotations submitted to the Exchange.

* Periodic call auction : ① Opening execution price (for 60 minutes before the opening of regular session), ② The first execution price upon trade resumption after a market suspension or trading halt ③ The closing execution price (for 10 minutes immediately prior to the closing of trades)

▶ However, with regards to negotiated block trading, EFP trading (trade of Exchange of Futures for Physical), and USD FLEX Futures trading, the negotiated trading system is applied, allowing concerned parties to select a counterparty, negotiate the quantity and price, and execute the trade by submitting the agreed details to the Exchange.

(3) Trading Hours

▶ Trading hours of regular session are determined as follows:

① Contracts for which the last trading day has not arrived : 9:00 ~ 15:45 (Lean Hog Futures 10:15 ~ 15:45)

② Contracts on the last trading day : 9:00~15:20 in the case of equity derivatives and Gold Futures, 9:00~11:30 in the case of interest rate derivatives and currency derivatives (9:00~15:35 in the case of V-KOSPI 200 Futures, 9:00~15:30 in the case of US Dollar Options, 10:15~15:45 in the case of Lean Hog Futures) *[Enforced as of August 1, 2016]*

※ For more details regarding trading hours of other contracts, please inquire to relevant employees at the Company or refer to the Korea Exchange website.

▶ Trading hours of KOSPI 200 Futures and US Dollar Futures on **CME Globex** shall be from **18:00 hour of the day to 05:00 hour of the following day** (however, trading shall not take place if the day of the opening of global trading hours is a market holiday for CME Globex or Korea Exchange)

(4) Suspension of Trading

▶ The Exchange may **halt the trading of all or certain contracts** where continued trading is deemed difficult due to **system disruptions, other errors in the trade procedure** or concerns over potential disruptions or errors.

▶ The Exchange has in place a **Circuit Breaker system***, in order to encourage investors to make more rational investment decisions by providing them with a certain cooling-off period in times of **extreme stock market fluctuations.** When circuit breakers are triggered in a stock market, **trading of all equity derivatives (spread trading included) with their underlying stock listed on the concerned market will also be halted sequentially**, and **resumed immediately** upon resumption of trading in the stock market.

* A system where trading of all contracts in the stock market, etc. is suspended, and subsequently resumed or closed. Circuit breakers in the stock market are triggered in 3 phases: 1st phase (drop of 8% or more · for over 1 minute · 20 minute halt · resumed with 10-minute periodic call auction), 2nd phase (drop of 15% or more · for over 1 minute · 20 minute halt · resumed with 10-minute periodic call auction), and 3rd phase (drop of 20% or more · for over 1 minute · halt or closing)

▶ The Exchange also operates **the Side Car system to manage Program Trading orders** in a way that promotes stability in the spot market, and minimizes the impact of the futures market in times of **sharp fluctuations in the futures market.**

* Side-car is triggered when the price of futures changes by more than 5% (6% in the KOSDAQ market) from the futures' closing price on the previous day for 1 minute or more. When triggered, the validity of all program ask and bid orders in the stock market is suspended for 5 minutes

2-3. Customer Margin

(1) Basic Deposit

▶ Refers to the amount that shall be paid in advance to the Company that **opens the account for entrustment of derivatives** when a customer who holds no open interests in futures or options trading places new orders. The customer shall submit **cash, substituted securities, foreign currency or foreign securities** to the Company as basic deposit.

(2) Deposit of Customer Margin

▶ **When entrusting an order for derivatives trading to the Company, the customer shall deposit customer margin to each exchange-traded derivatives account for the concerned order.** The customer margin may be deposited in the form of **cash, substitute securities, foreign currency or foreign securities.**

▶ Customer margin is categorized into the customer margin collected before accepting the entrustment of order, or the **upfront initial customer margin**, and that collected after closing of the Market, or the **ex-post customer margin.**

① **Upfront initial customer margin** : The customer margin that must be deposited prior to order

② **Ex-post customer margin** : The customer margin that may be deposited on the day following the day of trade execution; applicable only to those deemed sufficiently capable of performing settlement (qualified institutional investors)

(3) Payment and Appropriation of Customer Margin

▶ In case where the total amount deposited by the customer* exceeds the amount of customer margin or where the cash deposit exceeds the cash deposit requirement, **the Company may reimburse to the customer an amount not more than the excess amount, or appropriate the concerned excess amount for the customer margin to be collected from the customer.** However, in relation to the global trade, the Company may not payback the cash, substitute securities, foreign currency or foreign securities to the customer who participates in global trade.

* Referring to the sum of the amount of the cash deposit, the substitute amount of the substitute securities and the valuation amount of foreign currency and foreign securities

(4) Additional Deposit of Customer Margin

▶ Additional deposits of customer margin shall be required when **the margin amount posted upfront** in order to guarantee execution of the contract and secure bonds in futures and options trading **drops below the amount of maintenance customer margin due to fluctuations in the price of futures or options, to bring the amount up to par with the originally required amount.**

▶ Additional deposits of customer margin are divided into either **daily additional deposits** or **additional deposits during market hours, depending on when it was deemed necessary that additional deposits should be imposed.**

[4-1] Daily Deposit of Additional Customer Margin

▶ In the case where, as of the market closing, the total amount of customer deposit drops below the amount of maintenance customer margin or where the cash deposit drops below the amount of maintenance cash deposit requirement, the customer shall post additional deposits of customer margin.

▶ The daily payment deadline of customer margin shall be 12:00 noon of the trading day following the day when the shortage has occurred. However, when there is a possibility that the customer may fail to fulfill the settlement obligation in view of such factors as the customer's investment purpose and experience, asset and income level, credit standing and quantity of open interests held and market condition, the deposit deadline of additional customer margin may be moved forward.

[4-2] Additional Deposit of Customer Margin During Market Hours

▶ Where the KOSPI 200 changes by 80% or more of the maintenance customer margin rate against the closing price of the previous day at every exact hour (9:01, 10:00~14:00, 15:00 excluded) during regular session, customers with a total amount of deposit falling short of the required amount of intraday maintenance customer margin must deposit additional amounts of customer margin.

* The requirement for additional deposits of intraday customer margin applies to all customer accounts for derivatives trading

▶ The payment deadline for additional deposits of customer margin during market hours is (a time prescribed by the Company)* of the day when the shortage has occurred. However, the Company may extend the deadline to before the opening of quotation receiving hours of the following trading day in view of customer circumstances.

* The time of day shall be prescribed by each Company in its regulations.

▶ Where a customer fails to deposit the additional amount of intraday customer margin, and is constantly required of additional deposits, the Company shall refuse to receive new orders or orders that require an increase in customer margin, and may cancel previously submitted unexecuted orders at their discretion.

* The Company holds the right to refuse the entrustment of new orders by customers failing to post additional deposits. Therefore, in the case where a necessity for additional deposits arises, and the customer entrusts new orders before being notified by the Company of its obligation to deposit additional customer margin, the concerned orders may be refused by the Company.

▶ However, where **the total amount of customer deposit is adjusted to meet the required amount of upfront initial customer margin or maintenance intraday customer margin** due to **closure of open interests or changes in market conditions,** after the customer was notified of its additional payment obligation by the Company, **the imposition may be released.**

<Ex> Additional Deposits of Intraday Customer Margin

※ Where the maintenance customer margin rate for KOSPI 200 is 6%,

- (Scenario A) The KOSPI 200 has changed by −3.5% compared to the closing price of the previous day as of 9:01 : Does not meet the requirement for additional deposit of intraday customer margin → Additional deposits not imposed
- (Scenario B) The KOSPI 200 has changed by ±4.8% (=6%*0.8) or more compared to the closing price of the previous day as of 10:00, meeting the requirement for imposition of additional intraday customer margin

- A customer account **will be imposed additional intraday customer margin** if the **total amount of customer deposit falls short of the amount of maintenance intraday customer margin**
- **The amount (shortfall) equivalent to the total amount of customer deposit subtracted from the intraday customer margin amount or more shall be deposited additionally** by the time of day (prior to the opening of quotation receiving hours during regular session of the current or following day) prescribed by the Company
- **If additional deposits are not made during market hours, new orders and orders that require an increase in margin amount shall be refused**
- If an account **required additional deposits of customer margin after market closing on the previous day, and required additional deposits of intraday customer margin at 10:00 on the current day,** but did not become subject to additional imposition of intraday customer margin **as the Company closed out open interests through covering at 12:00, the imposition of intraday additional customer margin may be released** for the concerned account

<Example of required additional deposit when KOSPI 200 changes by more than 80% of maintenance customer margin rate against previous day's closing price>

Category	Margin	Note
9:00	Total amount of customer deposit KRW 25mn	No requirements
9:01*	Customer deposit KRW 45mn, amount of maintenance intraday customer margin KRW 30mn	Notification of imposition of additional customer margin of KRW 20mn
9:30	KRW 5mn deposit made by the customer, total amount of customer deposit KRW 30mn	No requirements
10:00*	Customer deposit KRW 40mn, amount of maintenance intraday customer margin KRW 28mn	Additional imposition may be released

* The base hour at which the imposition of additional deposits of intraday customer margin is determined (every exact hour; except 9:01 instead of 9:00)

(5) Failure to Comply with Deposit Obligations

▶ In case where the customer **fails to make additional deposits of customer margin or to deposit the ex-post customer margin,** the company may, **without a letter of urge or notice, conduct the purchase or sale that closes out the open interests held by the concerned customer or sell the substitute securities, foreign currency or foreign securities** deposited as the customer margin, under their fiduciary duty. As such, **the customer must deposit additional amounts of customer margin by the payment deadline.**

2-4. Marking-to-Market, Settlement, Delivery and Receipt

(1) Settlement Method of Futures Trade

(1-1) Daily Marking-to-Market

▶ **At the market closing time of each trading day, the Company shall settle each of the traded futures contracts with the customer, using the settlement price.** In this case, the contracts traded during the trading hours on CME Globex shall be settled by including them in the regular session opened after the closing of trading hours on CME Globex.

▶ The Company and customer shall receive and deliver **the settlement difference for today's trade*** and **the settlement difference for previous day's open interests** as the settlement amount.**

* Referring to the amount calculated by multiplying the difference between the execution price of the day and the settlement price of the day by the execution quantity and multiplier

** Referring to the amount calculated by multiplying the difference between the settlement price of the previous day and the settlement price of today's trade by the quantity of open interests as of the market closing time of the previous day and multiplier

(1-2) Final Settlement

▶ **The final settlement of exchange-traded derivatives shall be accomplished by way of paying and receiving the cash or the underlying asset with respect to the final settlement quantity** in cases where **the open interests are maintained until the final trading day.**

① **Where cash is received** : The final settlement difference* is received

② **Where the underlying asset is received** : The concerned underlying asset and the final settlement amount are received (for details, please refer to Regulations of the Korea Exchange)

* Referring to the amount calculated by multiplying the difference between the settlement price on the last trading day and the final settlement price (spot price) by the final settlement quantity and multiplier

(2) Settlement Method of Options Trade

(2-1) Payment and Receipt of Option Premium

▶ The Company and customer shall **pay and receive the option premium*** for each option traded.

* Referring to the amount calculated by multiplying the execution price by the execution quantity and multiplier

(2-2) Reporting of Options Exercise

▶ When intending to exercise options, the customer **shall report its intention within thirty (30) minutes from the market closing** on the option exercise day.

▶ Even if the customer does not exercise options by the deadline for reporting of options exercise on the last trading day, **contracts that incur profit when exercised, after subtracting the brokerage commission and other costs entailed to the option exercise, are deemed to have been reported for exercise even if the actual report has not been made.**

▶ The Company and customer shall **conduct the option exercise settlement by paying and receiving cash with respect to the exercise settlement quantity.** The option exercise settlement of option trades involving payment and receipt of cash will be accomplished by way of paying and receiving the exercise difference*.

* Referring to the amount obtained by multiplying the difference between the exercise price and the base price for exercise settlement by the exercise settlement quantity and multiplier

(3) Settlement Deadline

▶ **The deadline for payment and receipt of the net cash balance* and net underlying asset balance**** between the Company and customer **shall be 12:00 noon on the delivery day.** However, in the case of **currency futures trading, the deadline shall be an hour prescribed by the Company, which is any time before 12:00 noon on the final settlement day.**

* Determined by netting the total amount of payables and total amount of receivables for the settlement difference for the day's trade, settlement difference for the previous day's open interests, option premium, final settlement difference, final settlement amount, and exercise difference, for which the delivery date and deadlines are the same

** Determined by netting the total quantity of underlying asset to be delivered and total quantity of underlying asset to be received, for which the delivery date and deadlines are the same

▶ Notwithstanding the deadlines set forth above, the Company **may advance the delivery deadline for the net cash balance and the underlying asset balance of certain customers who are deemed to potentially fail to fulfill their settlement obligation**

3. Main Details of Traded Products

※ The exchange-traded derivatives contract information set out below is prescribed by the Korea Exchange. For further details, please refer to the Korea Exchange website, etc.

<Details on Major Exchange-Traded Derivatives Contracts>

Category	KOSPI 200 Futures	KOSPI 200 Options	KTB Futures	US Dollar Futures	Stock Futures
Trading Unit	Futures price × KRW 500,000	Options price × KRW 500,000	Par value KRW 100mn	USD 10,000	Futures price × KRW 10
Delivery Month and Trading Period	March, June, September, December (maximum 3 years, 7 delivery months)	Every month (maximum 3 years, 11 delivery months)	Quarterly months (Maximum June, 2 delivery months)	▪ Delivery contracts 1 year or shorter: every month ▪ Delivery contracts longer than 1 year: March, June, September, December (maximum 3 years, 20 delivery months)	March, June, September, December and 2 non-quarterly months (maximum 3 years, 9 delivery months)
Last Trading Day	2nd Thursday of the delivery month	2nd Thursday of the delivery month	3rd Tuesday of the delivery month	3rd Monday of the delivery month	2nd Thursday of the delivery month
Price Quotation	KOSPI 200 Futures data (Points)	Premium (Points)	Par value of KRW 100 (percentage)	KRW per USD 1 (KRW/USD)	Stock Futures price (KRW)
Tick size	0.05 points	▪ 0.05 points (premium 10 or higher) ▪ 0.01 points (premium below 10)	0.01 points	KRW 0.1	KRW 1~1,000 * varies by the listed market of underlying stock, and the level of price quotation
Tick Value	KRW 25,000 (0.05× KRW 500,000)	▪ KRW 25,000 (0.05×KRW 500,000) ▪ KRW 5,000 (0.01×KRW 500,000)	KRW 10,000 (0.01×0.01×KRW 100mn)	KRW 1,000 (KRW 0.1/USD 1 × USD 10,000)	KRW 10~10,000 ('KRW 1~1,000' × KRW 10)
Daily Price Limit (plus/minus base price)	±8%→±15% →±20% (regular session) *±5% for global trading	±8%→±15% →±20%	±1.5%(3-year contracts), ±1.8%(5-year contracts), ±2.7%(10-year contracts)	±4.5%	±10%→±20% →±30%
Price Fluctuation Rate of Real-time Price Limit	±1%	±2%	±0.5%(3-year contracts), ±0.9%(10-year contracts) * not applied to 5-year contracts	±1%	±3% or ±5% * varies by underlying stock, refer to KRX regulations

* Real-time price limit range : Most recent execution price±price change rate
(☞ The price change rate shall be calculated in view of the price fluctuation rate of each product, refer to KRX regulations for calculation details)