

STANDARDS (PROPOSAL) ON YIELD REPORTING FOR DISCLOSURE OF LAST QUOTED YIELD

Formulated on December 14, 2012

Amended on October 8, 2013

Amended on October 25, 2013

§1 Purpose

These Standards are to prescribe the necessary matters for the financial investment companies designated by the Korea Financial Association (hereinafter referred to as the “Association”) to report yields on the bonds, etc., that are subject to yield reporting and for the Association to compute and disclose the last quoted yield, in accordance with §5-8(3) and §5-9(2) of the 「Regulations on Financial Investment Business」, §7-8 and §7-16 of the 「Regulations on the Business Conduct and Services of Financial Investment Companies」 and §51 of the 「Enforcement Bylaws of Regulations on the Business Conduct and Services of Financial Investment Companies」.

§2 Definitions

“Last quoted yield” refers to the final trading yield or the arithmetic mean of the quoted yields, at which the companies designated by the Association to report yields (hereinafter referred to as the “Reporting Companies”) trade certain debt securities, including government bonds and monetary stabilization bonds, etc., or certificates of deposit.

§3 Designation of Reporting Companies

(1) Every six months (the first half year and the second half year), the Association designates companies to report yields on each type of bonds [bonds, certificates of deposit (hereinafter referred to as “CD”), commercial papers (hereinafter referred to as “CP”)] by considering their performance in the areas of bond trading and bond underwriting. The top ten (10) performing companies are designated for reporting yields on bonds and CDs, whereas two (2) banks concurrently engaged in comprehensive financial investment business and the top six (6) performing companies are designated for reporting yields on CPs.

(2) The performance assessment shall be conducted from June through November of the immediately preceding year in the case of the first half year, whereas it shall be conducted from December of the immediately preceding year through May of the current year in the case of the second half year.

(3) Performance shall be assessed by taking into account the volume of OTC bond trading

(dealing and brokerage trading) and the volume of underwriting (publicly placed) debentures in the ratio of 70% to 30% respectively. If there are same results on the performance assessment, priority is given to a company with higher trading volume. If there are same results with the same volume of trading and underwriting, priority is given to a company with a higher number of transactions.

(4) When it comes to the assessment of CD-related performance, the trading volume of CDs shall be used. If there are same results on the performance assessment, priority is given to a company with a higher number of transactions. If there are same results with the same number of transactions and the same trading volume, priority is given to a company with the higher trading volume of newly issued 91-Day CDs.

(5) When it comes to the assessment of CP-related performance, the trading volume (discounts and sales) of CPs shall be used. If there are same results on the performance assessment, priority is given to a company with a higher number of transactions. If there are same results with the same number of transactions and the same trading volume, priority is given to a company with the higher trading volume of newly issued 91-Day CPs.

(6) A company designated as a Reporting Company may not reject the designation, unless the company is expected to halt its business related to the applicable debt securities or CDs within one (1) month from the time when the designation was made.

§4 Reporting Companies' Obligation

(1) The Reporting Companies shall report yields fairly and in good faith during the period when they are serving as the Reporting Companies (hereinafter referred to as the "Designation Period"), and shall make efforts to maintain the continuity and stability of their reporting duties during the Designation Period.

(2) The Reporting Companies shall establish a management system in relation to their reporting duties, including supervision and instructions on the relevant manager's duties, etc.

§5 Basic Principles for Yield Reporting

(1) In the case of bonds, the trading details of the applicable bonds on the relevant day, bid and offer prices, bond spreads, the Bank of Korea's benchmark interest rate, the bond market's trends, etc., shall be comprehensively considered when reporting is made.

(2) In the case of CDs, the details of issuance and trading of CDs on the relevant day, yields on similar bonds such as bank bonds, etc., the Bank of Korea's benchmark interest rate, trends for short-term interest rates, etc., shall be comprehensively considered when reporting is made.

(3) In the case of CPs, the details of issuance and trading of CPs on the relevant day, the Bank of Korea's benchmark interest rate, trends for short-term interest rates, etc., shall be comprehensively considered when reporting is made.

§6 Bonds, etc., Subject to Yield Reporting

(1) Bonds subject to yield reporting are listed as follows:

1. Government Bond: Korea Treasury Bonds (1Y, 3Y, 5Y, 10Y, 20Y, 30Y), Type 1 National Housing Bond (5Y)
2. Monetary Stabilization Bond: Monetary Stabilization Bond (91D, 1Y, 2Y)
3. Special Bond: KEPCO bonds (3Y)
4. Financial Bonds: Industry Financial Bonds (1Y)
5. Corporate Bonds (AA-, Non-guaranteed): Debentures (3Y)
6. Debentures (BBB-, Non-guaranteed) : Debentures (3Y)

However, in the case of corporate bonds (AA-, BBB-), among publicly offered corporate bonds, the representative type of issues presented by the Association shall be considered.

(2) CDs subject to yield reporting are listed as follows:

1. CDs issued by commercial banks: 91-Day CDs with the credit rating of AAA, issued by commercial banks
2. CDs issued by specialized banks: 91-Day CDs issued by the Korea Development Bank and the Industrial Bank of Korea.

(3) CPs subject to yield reporting are listed as follows:

1. CPs with the credit rating of A1: CPs (91D)
2. <Deleted> (October 25, 2013)
3. <Deleted> (October 25, 2013)

§7 Change of Reporting Companies during the Designation Period

(1) Where it is acknowledged to be unreasonable, due to any of the circumstances set forth below, that a company designated as a Reporting Company in accordance with §3 continues to exist as a Reporting Company, a company ranked second on performance may be designated as a Reporting Company.

1. Where it is difficult to make a normal reporting on yields due to business suspension or unexpected suspension of the related work and duties, etc.
2. Where yields that are obviously unfair in light of the market situations are reported.
3. Where yield reporting is omitted three times or more in a month or when the time limit for entering yield rates is exceeded.
4. Other cases where it is deemed inappropriate to become a Reporting Company.

(2) Notwithstanding Paragraph 1, a Reporting Company may not be changed when it is deemed inappropriate to change a Reporting Company as the remaining reporting period is less than one (1) month or due to other circumstances.

(3) Where there is a company that has become unable to report yields due to the reasons set forth in Paragraph 1 but has not been changed owing to the circumstances in Paragraph 2, the yield reported by the said company shall be supplanted by the mean value of the other reported yields, for the sake of the stability of the Association's yield disclosures.

ADDENDA (December 14, 2012)

§1 (Effective Date)

These Standards shall be effective as of December 14, 2012.

ADDENDA (January 8, 2013)

§1 (Effective Date)

These Standards shall be effective as of January 14, 2013.

ADDENDA (October 25, 2013)

§1 (Effective Date)

These Standards shall be effective as of October 28, 2013.