

Regulations on Operation of K-OTC Market

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CHAPTER I. GENERAL PROVISIONS

§1. Purpose

The purpose of these Regulations is to prescribe the matters necessary for the Korea Financial Investment Association (hereinafter referred to as “KOFIA”) to conduct businesses regarding the over-the-counter (OTC) trading of stock certificates that are not listed on the securities market in accordance with Subparagraph 5 of [§286(1)] of the Financial Investment Services and Capital Markets Act (hereinafter referred to as the “Act”), [§178(1)] and Subparagraph 6 of [§307(2)] of the Enforcement Decree of the Financial Investment Services and Capital Markets Act (hereinafter referred to as the “Decree”) and [§5-2] through [§5-2(2)] of the Regulations on Financial Investment Business of the Financial Services Commission.

§2. Definitions

(1) Terms used in these Regulations are defined as follows:

1. The term “K-OTC Market” is defined as the financial investment product market operated by KOFIA for the OTC trading of stock certificates that are not listed on the securities market.
- 1.2. The term “electronic registration” is defined as the entering of information on the creation, modification or lapse of a right to stocks in the electronic register through an electronic method pursuant to the Act on Electronic Registration of Stocks, Bonds, etc. (hereinafter referred to as the “Electronic Securities Act”). <Newly inserted on September 9, 2019>
2. The term “registered corporation” is defined as a corporation that has issued a stock certificate (hereinafter referred to as a “registered issue”) registered under the registered corporation division as prescribed in these Regulations.
3. The term “designated corporation” is defined as a corporation that has issued a stock certificate (hereinafter referred to as a “designated issue”) designated under the designated corporation division as prescribed in these Regulations.
4. The term “new registration” is defined as the registration of stock certificates issued by a corporation other than a registered corporation or a designated corporation under the registered corporation division.
5. The term “new designation” is defined as the designation of stock certificates issued by a corporation other than a registered corporation or a designated corporation under the designated corporation division.
6. The term “company applying for registration” is defined as a company that applies to KOFIA for new registration.

7. The term “venture business” is defined as a company which falls under [§2-2(1)] of the Act on Special Measures for the Promotion of Venture Businesses (hereinafter referred to as “Act on Venture Businesses”). <Amended on October 20, 2020>
8. The term “small and medium enterprise” is defined as small and medium enterprises which falls under [§2] of the Framework Act on Small and Medium Enterprises. <Newly inserted on February 8, 2018>
9. The term “middle-standing enterprise” is defined as middle-standing enterprises which falls under [§6-4(1)] of the Enforcement Decree of the Restriction of Special Taxation Act. <Amended on March 11, 2020> <Amended on October 18, 2022>
10. The term “full capital impairment” is defined as the state when a company’s equity capital becomes either zero or negative.
11. The term “common stock” is defined as issued stocks excluding class stocks (hereinafter referred to as “class stocks”) pursuant to [§344] of the Commercial Act.
12. The term “minority shareholder” is defined as a person who holds less than 1/100 of the total issued stocks.
13. The term “quotation” is defined as the expression of the intention to sell or buy stocks made by financial investment companies (limited to financial investment business entities authorized by the Financial Services Commission to run an investment trading business or an investment brokerage business pursuant to [§12(1)] of the Act; the same hereinafter), after meeting specified requirements including issue (includes both registered issue and designated issue; the same hereinafter), quantity, and price, etc. for trading on the K-OTC Market.
14. The term “quotation brokerage” is defined as KOFIA’s brokerage of the quotations received from financial investment companies and execution of the trading.
15. The term “business day” is defined as a day that does not fall under any Subparagraph of [§19(1)].
16. The term “quotation brokerage system” is defined as an IT system installed by KOFIA for the purpose of performing brokerage business on the K-OTC Market.
17. The term “annual periodic disclosure document” is defined as the periodic disclosure document (In the case of designated corporations, it refers to annual reports including an audit report to be submitted to the Financial Services Commission pursuant to [§159(1)] of the Act) which is required to be submitted to KOFIA following the end of a business year pursuant to [§46].
18. The term “semi-annual periodic disclosure document” is defined as the periodic disclosure document (In the case of designated corporations, it refers to semi-annual reports including the semi-annual review reports to be submitted to the Financial Services Commission pursuant to [§160] of the Act) which is required to be submitted to KOFIA following the end of a business year pursuant to [§46].
19. The term “inquired disclosure” is defined as the reporting on disclosure of corporate information by registered corporations to KOFIA at KOFIA’s request.
20. The term “crowdfunding company” is defined as a company that issues securities by the

method of crowdfunding brokerage prescribed in [§9(27)] of the Act with the exception of the Subparagraphs (hereinafter referred to as “crowdfunding”). <Newly inserted on October 20, 2020>

- (2) Other terms that are not defined in these Regulations shall be subject to the relevant laws and regulations.

§3. Application

- (1) The audit report that is applicable to these Regulations refers to the audit report audited by an auditor (hereinafter referred to as “auditor”) under [§2(7)] of the Act on External Audit of Stock Companies (hereinafter referred to as “Act on External Audit.”) <Amended on December 11, 2018>
- (2) The financial information that is applicable to these Regulations refers to the financial statement attached to the audit report pursuant to Paragraph (1) (refers to the financial statement set forth in [§2(2)] of the Act on External Audit) and in the case there are corrections made to the audit report, the corrected financial statement shall apply. <Amended on December 11, 2018>

§4. Market Division

- (1) KOFIA shall operate the K-OTC Market by dividing corporations into the following divisions:
 1. Registered corporation division: Division that registered corporations belong to. <Amended on October 20, 2020>
 2. Designated corporation division: Division that designated corporations belong to. <Amended on October 20, 2020>
- (2) The rules from [§5] to [§7] shall apply mutatis mutandis when a designated corporation intends to change to the registered corporation division. <Amended on October 20, 2020>

CHAPTER II. REGISTRATION AND DESIGNATION

SECTION 1. REGISTRATION AND CANCELLATION OF REGISTRATION

§5. Requirements for New Registration

A corporation which wishes to apply to KOFIA for new registration shall satisfy all of the following requirements:

1. The corporation shall not be subject to full capital impairment (taking into account the amount that will be transferred into capital following capital increase by public offering and asset revaluation, from the end of the latest business year to the date of registration application) at the end of the latest business year;
2. The corporation shall post revenue (revenue from the sale of goods and provision of services; the same hereinafter) of KRW 500 million or more for the latest business year. Provided, That a crowdfunding company with the amount of stock certificates (referring to stock certificates of common stocks (including class stocks that were converted to common stocks before the application for new registration)) that are issued by the method of crowdfunding (hereinafter referred to as “amount raised by crowdfunding”) worth two hundred million (200,000,000) Korean won or more as of the date of the application for new registration that is recommended to apply for registration at the K-OTC market by a crowdfunding broker pursuant to [§9(27)] of the Act with the exception of the Subparagraphs (hereinafter referred to as “crowdfunding broker”) shall post revenue of three hundred million (300,000,000) Korean won or more for the latest business year; <Amended on October 20, 2020>
3. The corporation shall receive an opinion of being “qualified” from the auditor on the financial statements of the latest business year;
4. The corporation’s stock certificates shall be the stock certificates pursuant to the Regulations on Handling of Securities, etc., formulated pursuant to [§322] of the Act by the Korea Securities Depository (hereinafter referred to as the “KSD”) established pursuant to [§294] of the Act, or the corporation’s stocks shall be electronically registered stocks; <Amended on September 9, 2019>
5. The corporation shall have executed an agreement for transfer agent services with a transfer agent pursuant to [§365] of the Act;
6. The Articles of Association, etc., shall not impose any limitations on stock transfers. Provided, That this provision shall not apply to cases where such limitations are imposed by other laws and are not deemed to harm trading on the K-OTC Market; and
7. The corporation shall not be subject to any causes for cancellation of registration set forth in [§9(1)1], [§9(1)2], from [§9(1)6] to [§9(1)9], and [§17]. <Newly inserted on December 11, 2018> <Amended on October 18, 2022>
8. The corporation shall not fall under the case determined by the Chairman of KOFIA where a new registration results in the trading of equity securities of a listed corporation that has been suspended with transaction due to de-listing from the market. <Newly inserted on October 18, 2022>
9. The registration of stock certificates of the corporation concerned shall not be subject to any

cause that is deemed inadequate in terms of the soundness of the K-OTC market and investor protection. <Newly inserted on October 18, 2022>

§6. Application for New Registration

(1) A corporation wishes to apply to KOFIA for new registration shall submit each of the following documents to KOFIA. In this case, such corporation may make such registration application through a financial investment company that conducts an equity securities (excluding collective investment securities) underwriting business.

1. Two (2) copies of the registration application form (the format shall be determined by the Chairman of KOFIA);
2. Two (2) copies of the Articles of Incorporation;
3. Two (2) copies of certification of the corporation registration;
4. Two (2) copies of any of the following documents related to the revenue of stock certificates in the K-OTC Market:
 - a. A registration statement, in the case where the company applying for registration is required to submit such statement to the Financial Services Commission pursuant to [§119] of the Act;
 - b. Documents submitted to the Financial Services Commission, in the case where the company applying for registration is required to submit such documents pursuant to [§130] of the Act and [§137(1)1] of the Decree; or
 - c. Disclosure documents, in the case where the company applying for registration is required to make disclosure through the method determined and announced by the Financial Services Commission pursuant to [§130] of the Act and [§137(3)3] of the Decree;
5. Two (2) copies of an audit report on the latest business year prepared by an auditor (in the case a semi-annual closing day has passed since the latest business year, a semi-annual review report shall be included);
6. Two (2) copies of issued stock certificate specimen for each type or any documents issued by a transfer agent (in the case of electronically registered stocks, an electronic registry such as the KSD) to prove the issuance of stock certificates; <Amended on September 9, 2019>
7. Two (2) copies of documents confirming that an agreement for transfer agent services has been executed;
8. Two (2) copies of the letter of confirmation for venture business (hereinafter referred to as the “letter of confirmation for venture business”) pursuant to [§25] of the Act on Venture Businesses, in the case where the corporation is a venture business; and <Amended on October 20, 2020>

9. In the case of a crowdfunding company pursuant to the proviso of Subparagraph 3 of [§5], documents in the following items:
 - a. Two (2) copies of documents issued by the Central Record Keeping Agency pursuant to [§117-13(1)] that confirm the amount raised by crowdfunding; and
 - b. Two (2) copies of a recommendation letter for K-OTC market registration (in the form decided by the Chairman of KOFIA) issued by a crowdfunding broker.

<Article newly inserted on October 20, 2020>

10. Any other documents that the Chairman of KOFIA deems necessary. <Amended on October 20, 2020>
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- (2) The company applying for registration shall apply for the registration of all of the stocks already issued, and is not permitted to apply for only a part thereof. Provided, That for class stocks, the company may choose not to register the stocks by issue. <Amended on October 20, 2020>

§7. Decision on Registration, etc.

- (1) When a company applies for new registration, KOFIA shall make a decision thereon within ten (10) business days from the registration application date and notify the company applying for registration of the result in writing. Provided, That such decision may be postponed in the cases where the submitted documents need correction or supplementation or where any other inevitable events occur and the reason for postponement shall be notified to the company concerned in written form. <Amended on December 11, 2018>
- (2) When KOFIA decides to register the company, it shall enter the required information on the register of issues, promptly notify the KSD and the registered corporation (including the financial investment company specified in the latter part of [§6(1)] excluding any of the Subparagraphs thereof), and disclose such fact on the K-OTC Market.

§7-2. Request for Review

- (1) When a company wishes to request for review on the results of new registration application pursuant to [§7] above, the company that applied for registration may request for review within seven (7) days from the day it was notified by KOFIA. <Newly inserted on December 11, 2018>
- (2) The company that applied for registration shall submit the following documents when requesting for review: <Newly inserted on December 11, 2018>

1. A letter of appeal and applicable evidential documents against KOFIA's decision; and
2. Other documents that KOFIA deems necessary regarding the request for review.

(3) When there is a request for review, KOFIA shall make decision on the request through the deliberation of the K-OTC market committee in accordance with [§54(2)] within thirty (30) days from the application, and the decision shall be notified to the company concerned in written form. <Newly inserted on December 11, 2018>

§8. Revision and Addition to Registration

(1) When there is any revision or addition to the class, whether the stock is a par value stock or a non-par value stock, face value, issue, or quantity of the designated issue, a registered corporation shall submit to KOFIA each of the following documents within one (1) month after such event takes place. In such case, [§6(2)] shall apply mutatis mutandis.

1. Two (2) copies of the application form for revision (or addition) to registration (the format shall be determined by the Chairman of KOFIA);
2. Two (2) copies of the certified copy of corporation registration;
3. Two (2) copies of issued stock certificate specimen for each type or any documents issued by a transfer agent (in the case of electronically registered stocks, an electronic registry such as the KSD) to prove the issuance of stock certificates; and <Amended on September 9, 2019>
4. Other documents that KOFIA deems necessary.

(2) When a company applies for revision (or addition) of registration pursuant to Paragraph (1), KOFIA shall process it through mutatis mutandis application of [§7]. Provided, That in such case, the ten (10) business days in [§7(1)] shall be deemed to be five (5) business days. <Amended on October 20, 2020>

§9. Cancellation of Registration

(1) In the case where a registered corporation falls under any of the following Subparagraphs, KOFIA shall cancel the registration thereof. Provided, That in applying the proviso of Subparagraph 3 and Subparagraph 10, in the case where KOFIA recognizes that it is impossible to submit annual period disclosure documents before the deadline due to natural disasters or any other inevitable causes similar thereto, the registration cancellation may be suspended for a certain period designated by KOFIA. <Amended on March 11, 2020>

1. In cases where a false statement or omission of important material facts in the registration application form and other accompanying documents is deemed important for investor protection;
2. The bills or checks issued are confirmed to be dishonored by a correspondent bank, or the transactions with a correspondent bank are suspended;
3. The company's capital was fully impaired as of the latest business year. Provided, That the company shall be exempt from cancellation if the company is able to confirm the resolution of such state according to the method that the Chairman of KOFIA deems appropriate by the deadline for submitting the annual periodic disclosure document;
4. The company posted revenue of less than KRW 100 million for the latest business year or less than KRW 500 million (KRW 300 million in the case of a crowdfunding company registered in accordance with the proviso of Subparagraph 2 of [§5]) for the last two consecutive business years; <Amended on December 11, 2018> <Amended on October 20, 2020>
5. The company receives an audit opinion of "adverse" or "disclaimer of opinion" for the financial statement of the latest business year, or a "qualified" opinion for the last two consecutive business years due to the limitation on the audit's scope;
6. The company is unable to continue substantial operation only with the remaining business divisions due to suspension of its main business activities for six (6) months or more, or the entire business has been transferred; <Amended on December 11, 2018>
7. Cases where there was dismissal of an application for commencement of rehabilitation procedures, cancellation of decision to commence rehabilitation procedures, disapproval of a rehabilitation plan or decision to abolish rehabilitation procedures by the court pursuant to the Debtor Rehabilitation and Bankruptcy Act. Provided, That this provision shall not apply to cases where rehabilitation procedures were abolished pursuant to [§287] of the Debtor Rehabilitation and Bankruptcy Act;
8. The designated corporation is merged into another corporation;
9. Any reason for statutory dissolution occurs;
10. When one of the following item applies with respect to submission of the periodic disclosure document:
 - a. The corporation has not submitted the annual periodic disclosure document by the deadline, and still fails to submit the same within thirty (30) days after the day following the deadline; or
 - b. The corporation that did not submit a semi-annual periodic disclosure document one (1) or more times during the last four (4) business years fails again to submit the document by the deadline for the latest half-year, and then fails to submit the same within fifteen (15) days from the day following the deadline;
11. The corporation is designated as a corporation which has made unfaithful disclosure pursuant to [§49(1)] and such designation has been made six (6) times or more during the two (2)

years preceding the date of designation;

12. Cases of failing to meet any of the following stock distribution standards at the end of the latest business year [in case the shareholders' register is closed after the end of the latest fiscal year, it shall be based on the shareholders' register at the time of closing and the register of beneficial shareholders (in the case of electronically registered stocks, register of holders pursuant to [§37(1)] of Electronic Securities Act. The aforementioned register of beneficial shareholders and register of holders shall be hereinafter referred to as "beneficial shareholders' register, etc.") pursuant to [§316(1)] of the Act, but it shall be limited to the case where the concerned documents are submitted to KOFIA pursuant to Paragraph (2)]. In such case, it shall apply from the business year following the year in which the new registration (or the date of change of division if the division has been changed pursuant to [§4(2)]) takes place: <Amended on September 9, 2019>
 - a. The number of minority shareholders of common stocks is less than fifty (50); or
 - b. The total number of common stocks owned by the minority shareholders is less than 1/100 of the total number of issued common stocks;
 13. In the case where the registered corporation applies for cancellation of registration of the concerned corporation or class stocks; <Amended on March 11, 2020>
 14. The corporation is listed on the securities market;
 15. The corporation fails to meet the conditions from [§5(4)] through [§5(6)];
 16. An accusation of embezzlement and breach of trust against employees and/or executive, etc. (including resigned or retired employees and executives; hereinafter the same shall apply) is confirmed by litigation disclosure, etc. Provided, That such case is limited to the amount of embezzlement and breach of trust that is determined by the Chairman of KOFIA; or <Newly inserted on October 18, 2022>
 17. Other cases where KOFIA deems it necessary for maintaining corporation continuity, soundness of K-OTC market or protecting investors as set forth in each subparagraphs of Paragraph (1). Provided, That when the corporation wishes to invoke a request for review, it may request for review regarding causes of de-registration within seven (7) days from the day it was notified and such request shall be processed through mutatis mutandis application of [§7(2)2] and [§7(2)3]. <Amended December 13, 2016 and December 11, 2018>
- (2) In applying Subparagraph 12 of Paragraph (1), the registered corporation shall submit a summarized register of shareholders of common stocks (the format shall be determined by the Chairman of KOFIA), a beneficial shareholders' register, etc. (including computer files), and other documents that KOFIA deems necessary (hereinafter referred to as "summarized register of shareholders, etc.") within five (5) business days following the day after the deadline for submitting annual periodic disclosure documents. In such case, KOFIA shall make a decision whether to cancel the registered corporation within fifteen (15) business days following the day after the deadline for submitting annual periodic disclosure documents. Provided, That the deadline for making the cancellation decision may be extended in the case where the registered corporation submits the summarized register of shareholders, etc., after the deadline for submission, where it is necessary to correct or supplement the summarized register of

shareholders, etc., submitted by the registered corporation, or where other unavoidable events occur. <Amended on September 9, 2019>

- (3) Cases where the registered corporation fails to submit the summarized register of shareholders, etc., within thirty (30) days following the day after the deadline for submitting annual periodic disclosure documents will be deemed to fall under [§9(1)12]. Provided, That in the case where it is deemed impossible by KOFIA to submit annual period disclosure documents before the deadline due to natural disasters or any other inevitable causes similar thereto, the registration cancellation may be suspended for a certain period designated by KOFIA. <Amended on March 11, 2020>
- (4) When KOFIA has decided to cancel a registration pursuant to Paragraph (1), KOFIA shall remove the issue concerned from the register of issues, and shall proceed with notification of cancellation, etc. through mutatis mutandis application of [§7(2)].

§10. Application for Registration Cancellation

- (1) When intending to apply for registration cancellation of registered issue, the registered corporation shall submit to KOFIA each of the following documents: <Amended on October 20, 2020>
 1. Two (2) copies of the application for registration cancellation (the format shall be determined by the Chairman of KOFIA);
 2. Two (2) copies of the minutes of the general shareholders' meeting where the registration cancellation has been resolved (In the case where the corporation wishes to cancel only certain class stocks, the minutes of the general shareholders' meeting on such class stocks); and
 3. Other documents that KOFIA deems necessary.
- (2) Notwithstanding Paragraph (1), KOFIA shall reserve the right to refuse registration cancellation when deemed necessary for investor protection. <Amended on October 20, 2020>

§11. Allowing the Trading of Cancelled Stock Certificates

KOFIA may allow trading of the stock certificates, which has been de-registered pursuant to [§9], for a specific period of no more than ten (10) business days.

§12. Restriction on New Registration of Cancelled Stock Certificates, etc.

A corporation, of which registration or designation has been cancelled pursuant to Subparagraphs 10 through 13 of [§9(1)] (including cases where [§9(1)10] is applied mutatis mutandis to [§16(1)]), shall not apply for new registration of its stock certificates unless one (1) year has passed from the date of the cancellation concerned.

§13. Filing of Status of Small and Medium Enterprises and/or Middle-Standing Enterprises

- (1) A registered corporation shall make a filing every business year to KOFIA to notify whether it falls under the definition of small and medium enterprises or middle-standing enterprises.
- (2) The details of filing deadline and documents to be submitted, etc. pursuant to Paragraph (1) shall be prescribed by the Chairman of KOFIA. <Amended on February 8,2018>

SECTION 2 DESIGNATION AND CANCELLATION OF DESIGNATION

§14. New Designation

- (1) KOFIA may designate a stock certificate issued by a corporation which satisfies all of the following requirements. In such case, KOFIA shall check whether each of the following requirements is satisfied through disclosure information on the FSS DART (Data Analysis, Retrieval and Transfer) System, and stock information announced by the KSD, etc.
 1. The corporation subject to submission of annual reports pursuant to [§159(1)] shall have submitted the annual report of the latest business year (including the semi-annual report of the latest semi-annual period in the case where six (6) months have passed after the commencement date of the business year) to the Financial Services Commission to be disclosed;
 2. In relation to the applicable stock certificates, the corporation shall fall under any of the following Items:
 - a. The corporation shall have a record of conducting an invitation of offers and public sales;
 - b. The corporation shall have submitted to the Financial Services Commission securities registration pursuant to [§119] of the Act, or documents pursuant to [§130] of the Act and [§137(1)1] of the Decree; or

- c. The corporation has submitted a letter of agreement on K-OTC market designation to KOFIA (the format of such letter shall be determined by the Chairman of KOFIA).
<Newly inserted December 16, 2014>
 3. <Deleted on October 20, 2020>All of the requirements from Subparagraphs 1 through 6 of [§5] shall be met. In such case, the “date of registration application” shall be deemed as “ten (10) business days before the date of designation decision.”
- (2) Notwithstanding Paragraph (1), KOFIA may not designate a stock certificate of the corporation concerned when deemed necessary for investor protection. <Amended on October 20, 2020>
 - (3) When the designation decision is made, KOFIA shall enter the required information on the register of issues, promptly notify the KSD, and disclose such fact to the K-OTC Market.

§15. Revision and Addition to Designation

- (1) When there is any revision or addition to the class regarding whether the stock is a par value stock or a non-par value stock, face value, issue, or quantity of the designated issue, KOFIA may make a revision (or an addition) to designation. In such case, KOFIA shall confirm if there has been any revision (or addition) to the designated issues, by referring to the information described in the latter part of [§14(1)] excluding Subparagraphs thereof.
- (2) KOFIA shall apply [§14(3)] mutatis mutandis when making a revision (or an addition) to designation pursuant to Paragraph (1).

§16. Cancellation of Designation

- (1) KOFIA shall cancel the designation in the case where a designated issue falls under any of the following Subparagraphs; <Amended on March 11, 2020> <Amended on October 18, 2022>
 1. The designated issue fails to meet the requirements for new designation after correcting a false statement or omission of important facts in the annual reports of the designated corporation as the important facts were falsely stated or omitted in the annual reports and accompanying documents that were used as the basis for new designation. <Newly inserted October 18, 2022>
 2. The designated issue falls under any of the requirements under Subparagraphs 2 through 10, 14, 15 and 17 of [§9(1)]. Provided, That in applying the proviso of Subparagraph 3 and Subparagraph 10 of [§9(1)], in the case where it is deemed impossible to submit annual

period disclosure documents before the deadline set by KOFIA due to natural disasters or any other inevitable causes equivalent thereto, the cancellation of designation may be suspended for a certain period determined by KOFIA. <Newly inserted October 18, 2022>

3. The designated issue falls under the proviso of [§159(1)] of the Act. <Newly inserted October 18, 2022>
- (2) In applying Paragraph (1), the “latest four (4) business years” shall be deemed as the “latest four (4) business years (applied from the business year in which the date of new designation falls)” and “registration” shall be deemed as “designation”. <Newly inserted on March 11, 2020>
- (3) KOFIA shall confirm if the requirements of Paragraph (1) are met by checking disclosure information through the FSS DART System, securities information announced by the KSD, court announcements, information on suspension of current account transactions, etc. announced by an institution designated as a clearing house under [§38] of the Bills of Exchange and Promissory Notes Act and [§31] of the Check Act, etc.
- (4) When having made a decision to cancel a designation pursuant to Paragraph (1), KOFIA shall remove the issue concerned from the register of issue, and shall proceed with notification of cancellation, etc. through mutatis mutandis application of [§14(3)].

§16-2. Allowing the Trading of Cancelled Stock Certificates

KOFIA shall, with regard to stock certificates of which designation is to be cancelled pursuant to [§16], allow trading of such stock certificates for a specific period not exceeding ten (10) business days. <Newly inserted on March 11, 2020>

§17. Restriction on New Designation of Cancelled Stock Certificates, etc.

In the case where a registration or designation of a corporation has been cancelled pursuant to Subparagraphs 10 through 13 of [§9(1)] (including cases where [§9(1)10] is applied mutatis mutandis in [§16(1)]), KOFIA may not allow new designation of the stock certificate concerned, unless one (1) year has passed from the date of the cancellation concerned.

CHAPTER III TRADING

SECTION 1 OPERATION OF K-OTC MARKET

§18. Trading Hours

- (1) Trading hours of the K-OTC Market shall be from 09:00 am to 3:30 pm. <Amended on June 21, 2016>
- (2) KOFIA may arbitrarily change the trading hours specified in Paragraph (1) in any of the following cases:
 1. Failure of the quotation brokerage system;
 2. On the opening day at the beginning of the year or on the closing day at the end of the year;
and
 3. Other cases where such change in trading hours is deemed necessary by KOFIA.

§19. Closing of the Market

- (1) KOFIA shall close the K-OTC Market on any of the following days:
 1. Saturdays;
 2. Holidays pursuant to the Regulations on Holidays of Government Offices;
 3. Labor day specified in the Designation of Workers' Day Act;
 4. One (1) day at the end of the year (Saturdays and Sundays excluded); and
 5. Other days deemed necessary by KOFIA.
- (2) Notwithstanding Paragraph (1), KOFIA may open the K-OTC Market when deemed necessary for the public interest and investor protection.

§20. Brokerage of Trading

KOFIA shall be in charge of intermediating the trading among financial investment companies on the K-OTC Market.

SECTION 2 ENTRUSTMENT OF TRADING

§21. Opening an Account, etc.

- (1) When processing an order (referring to customer's expression of the intention to sell or buy; the same hereinafter) placed by a customer on an issue, a financial investment company shall have such customer open a trading account. Provided, That in the case the customer already has an account, the order may be processed through such existing account.
- (2) In the case a customer wishes to open a trading account, the financial investment company shall record and keep each of the following information, after confirmation has been made by the customer concerned:
 1. Name or title, and information with which identification can be made such as resident registration number, business registration number, tax payment number, or foreigner investment registration number in the case of foreigners (passport number, business registration number or tax payment number in the case of foreigners treated as citizens pursuant to the Regulations on Financial Investment Business of the Financial Services Commission);
 2. Address (including e-mail address) and phone number;
 3. Password;
 4. Type of account (self-account or brokerage account), in the case the financial investment company which does not have access to the quotation brokerage system;
 5. In the case of foreigners, their nationality (or permanent residency), whether they reside in Korea, and whether they possess a foreign investment registration number pursuant to the Regulations on Financial Investment Business of the Financial Services Commission;
 6. Investor classification code (subject to the decision of the Chairman of KOFIA); and
 7. In the case where an agent is appointed, the name (title) of such agent, relationship with the customer, address, scope of agency, and numbers that can identify such an agent, such as resident registration number or business registration number.
- (3) A financial investment company shall, before executing an agreement for opening a trading account, thoroughly explain the following matters to the customer who wishes to open an account pursuant to Paragraph (1):
 1. Matters on ordering methods;

2. Matters on payment of customer margin;
 3. Matters on commissions; and
 4. Matters on material contents of the agreement for opening a trading account, etc.
- (4) A financial investment company may open a joint account only in unavoidable cases such as when a customer demands to open an account simply to dispose of the securities he/she holds.

§22. Announcement of Matters Requiring Investors' Attention

Prior to receiving the first trading order from the customer (excluding professional investors pursuant to [§9(5)] of the Act), a financial investment company shall notify, and receive confirmation thereon from, the investors of matters determined by the Chairman of KOFIA, such as characteristics of the K-OTC Market system, investment risks involved with unlisted stocks, etc., through any of the methods under any Subparagraph of [§24(1)].

§23. Matters to Record when Receiving Orders

A financial investment company shall prepare an order slip including each of the following information when receiving trading orders from customers:

1. Name of the issue;
2. In the case of order processing, the following classification:
 - a. New order;
 - b. Correction of an order which has been submitted; or
 - c. Cancellation of an order which has been submitted;
3. Specification of sale or purchase;
4. Quantity and price; and
5. Time of order receipt.

§24. Methods of Receiving Orders

- (1) A financial investment company may receive trading orders from customers through any of the following methods:

1. Written documents;
2. Telephone, telegram, fax, etc.; or
3. Computer or similar electronic communication means.

(2) In the case a trading order by a customer is executed, a financial investment company shall promptly notify the customer of the details of such trading, including the name of the issue, execution date, quantity and price, specification of sale or purchase, etc., through any of the following methods:

1. Method pursuant to Subparagraph 2 or 3 of Paragraph (1); or
2. Postal service, delivery of trading report, etc.

§25. Refusal to Accept Orders

If a customer's order is deemed to fall under any of the following Subparagraphs, a financial investment company shall refuse to accept such an order. In such case, it shall write the reason on the order slip and inform the same to the customer:

1. Cases where the company has recognized that the entrusted trading violates or may violate [§178] of the Act; or
2. Orders deemed necessary to refuse in order to promote public interest, investor protection, and maintain stability in sound trading practices in the K-OTC Market.

§26. Customer Margin

Upon receiving an order from a customer, a financial investment company shall charge as customer margin the total purchase price in the case of purchase and the entire securities sold in the case of sale. Provided, That this shall not apply where a financial investment company submits a letter of commitment that the financial investment company will be liable in the case of settlement failure of the trading concerned. <Amended on February 22, 2022>

§27. Matters to Be Included on Accounts

A financial investment company shall record on the trading account the information on trading, such as income, deposit, return, delivery, payment, etc., of customer margin, purchase price, and target securities, etc.

§28. Commission

In the case the buy or sell order by a customer is executed, the financial investment company may charge the customer concerned at the time of settlement with the commission set by the financial investment company.

SECTION 3 QUOTATION AND TRADING METHODS

§29. Trading Commencement Date

The trading of a registered issue and a designated issue shall commence on the second business day from the day after the date of approval of new registration (date of decision of new designation) or of revision (addition) to registration. Provided, That KOFIA may otherwise decide the commencement date when change occurs to any share issuance schedule such as change of delivery date of newly issued stocks, etc. <Amended on December 16, 2014>

§30. Submission of Quotation, etc.

- (1) When intending to trade on the K-OTC Market, a financial investment company shall submit a quotation within the specified time pursuant to [§18].
- (2) A financial investment company shall include the following Subparagraphs when submitting a quotation pursuant to Paragraph (1):
 1. Name or number of the financial investment company;
 2. Issue;
 3. Price;
 4. Quantity;
 5. Specification of sale or purchase;
 6. Specification of brokerage trading or self-account trading;

7. Name or number of the branch;
8. Classification of processing (normal, correction, or cancellation);
9. Order number (Original order number, in the case of correction or cancellation);
10. Account number;
11. Investor classification code;
12. In the case of foreigners, specification of whether they reside in Korea, and whether they possess a foreign investment registration number pursuant to Subparagraph 5 of [§21(2)];
13. Information on the following items that can be used to identify the order-input device:
 - a. IP address and MAC address in the cases of using the Home Trading System or the Internet;
 - b. Mobile phone number and ID number of the device in the cases of using a personal mobile device and wireless Internet phone;
 - c. ID number of the device in the case of using an exclusive stock order input device;
 - d. Private IP address and MAC address in the cases of using the internal communication network of the financial investment company or KOSCOM; and
 - e. Other information through which the customer's order input device can be identified.

- (3) A financial investment company may submit an ask price when buying the stocks and a bid price when selling the stocks for which the trading agreement has been executed before settlement.

§31. Effect of Quotation, etc.

- (1) A quotation pursuant to [§30(1)] shall be effective from the time the quotation is received until the time when the trading is executed. Provided, That in the case trading is suspended pursuant to [§18(2)], the quotation entered during such suspended period (excluding cancellation quotations) shall not be deemed effective.
- (2) Correction and cancellation of a quotation pursuant to [§30(1)] shall be limited to the cases where trading has not been executed, and shall be processed under time priority basis that such correction and cancellation are received.

§32. Price Fluctuation Limit on Quotation

- (1) Quotation of an issue shall not be higher than the base price plus the price fluctuation limit or be lower than the base price minus the price fluctuation limit.
- (2) The price fluctuation limit mentioned in Paragraph (1) shall be calculated by multiplying 30/100 with the base price set by the Chairman of KOFIA, and matters concerning the price fluctuation limit shall be determined by the Chairman of KOFIA.
- (3) Notwithstanding Paragraph (2), the Chairman of KOFIA may set the price fluctuation limit differently on the trading commencement date of any issue determined by the Chairman of KOFIA.

§33. Quotation Unit

The quotation quantity unit for an issue shall be one (1) share, and the quotation price unit shall be determined by the Chairman of KOFIA.

§34. Submission of Quotation

- (1) KOFIA shall receive quotations through the quotation brokerage system.
- (2) KOFIA may refuse to accept the quotation falling under any of the following:
 1. An ask price that is lower than the highest bid price at the time of submission beyond the quotation price unit set by the Chairman of KOFIA; and
 2. A bid price that is higher than the lowest ask price at the time of submission beyond the quotation price unit set by the Chairman of KOFIA.

§35. Trading Methods

- (1) Trading on the K-OTC Market shall be concluded at the price where the ask price and the bid price coincide.
- (2) In the case a trade is concluded pursuant to Paragraph (1), the quotation that has been received first has precedence over the one received later.

§36. Notification and Confirmation of Trading

- (1) In the case a trade is concluded, KOFIA shall promptly notify the financial investment company of such fact through the quotation brokerage system. The financial investment company is deemed to have confirmed such fact when notified thereof.
- (2) The following Subparagraphs shall be included in the confirmation information of trading pursuant to Paragraph (1):
 1. Specification of sale or purchase;
 2. Name of the issue;
 3. Price and quantity;
 4. Specification of brokerage trading or self-account trading; and
 5. Name or number of the financial investment company.

§37. Suspension and Resumption of Trading

- (1) Upon confirming that an issue falls under any of the following Subparagraphs, KOFIA may suspend the trading of the issue concerned. Provided, That in applying Subparagraphs 1 through 3, in the case where it is deemed impossible to submit annual period disclosure documents before the deadline by KOFIA due to natural disasters or any other inevitable causes similar thereto, the suspension of transaction may be postponed for a certain period specified by KOFIA. <Amended on March 11, 2020> <Amended on October 20, 2020>
 1. Unfaithful disclosure prescribed in [§49] takes place or a designated corporation fails to submit a semi-annual report within the statutory deadline for submission (excluding the cases prescribed in Paragraph (2) and (3)): for one (1) business day;
 2. In relation to the submission of periodic disclosure documents, any of following cases:
 - a. Annual periodic disclosure document is not submitted by the deadline: from the day following the deadline until the day the document is submitted; or
 - b. A registered or designated corporation, which fails to submit a semi-annual periodic disclosure document by the deadline one or more times during the latest four (4) business years (applied from the business year in which the date of new designation falls, in the

case of a designated corporation), fails again to submit a semi-annual periodic disclosure document by the deadline for the latest half-year: from the day following the deadline until the day the document is submitted;

3. The occurrence of any cause for registration cancellation (excluding the case of [§9(1)8] and [§9(1)14]) or designation cancellation (excluding the case where [§9(1)8] and [§9(1)14] is applied mutatis mutandis to [§16(1)]): from the day the cause concerned is confirmed until the following three (3) business days. Provided, That in the case of [§9(1)3] (including the mutatis mutandis application to [§16(1)]), from the day full capital impairment is confirmed from the annual periodic disclosure document until the third business day after the deadline for the submission of the annual periodic disclosure document has passed (the day of confirmation, in the case where it is confirmed that the state of full capital impairment is resolved by the deadline for submission of the annual periodic disclosure document); <Amended on December 13, 2016>
- 3.2. Notwithstanding the Subparagraph 3 above, in the case a cause of de-registration set forth in [§9(1)1] occurs: by the next business day of the confirmed date; <Newly inserted on December 13, 2016>
4. In the case where the reason for registration cancellation is requested to be disclosed to the registered corporation: from the day the request was made until the day on which the result of such inquired disclosure is disclosed;
5. In relation to the rehabilitation procedures pursuant to the Debtor Rehabilitation and Bankruptcy Act, any of following cases:
 - a. Application is submitted for commencement of rehabilitation procedures: from the day the cause concerned is recognized until the day the court decision for the commencement of rehabilitation procedures is confirmed;
 - b. Meeting of interested parties is convened for resolution of draft rehabilitation plan: from two (2) business days prior to the date of the meeting of interested parties, until the day the result of the meeting is confirmed. Provided, That in the case a written resolution is made pursuant to [§240] of the Debtor Rehabilitation and Bankruptcy Act, from the day following the date that the court decision to opt for a written resolution is confirmed until the day that the result of the written resolution is confirmed; and
 - c. Notwithstanding Items a and b, KOFIA may extend the period of suspension, if deemed necessary for investor protection and market management.
6. When submission of stock certificates is demanded for the purpose of stock split, stock consolidation or conversion of par value stock to non-par value stock or vice versa: until the reason for suspension of trading is deemed to have been resolved;
7. When there is a possibility of failure of the entire quotation brokerage system due to unavoidable events such as massive influx of quotations: until the reason for suspension of trading is deemed to have been resolved;
8. When accusations specified in Subparagraph 17 of [§45(1)] are confirmed by disclosure: for the day the accusations are confirmed and the next business day; <Newly inserted on October 18, 2022>

9. When violations of the accounting standards (referring to the accounting standards prescribed in [§5(3)] of the Act on External Audit of Stock Companies; hereinafter the same shall apply) pursuant to Subparagraph 18 of [§45(1)] is confirmed by disclosure: from the day the violations are confirmed until the day an audit report that has an auditor's opinion of being "qualified" is submitted; <Newly inserted on October 18, 2022>
 10. Other cases where suspension of trading is deemed necessary to protect the investors: for one (1) business day.
- (2) Notwithstanding each Subparagraph of Paragraph (1), KOFIA may extend the period of suspension if deemed necessary for smooth operation of the K-OTC Market and for investor protection.
 - (3) KOFIA shall confirm whether the designated issue falls under any of the Subparagraphs of Paragraph 1 according to the information, etc. pursuant to [§16(3)].

§38. Correction of Mistakes in Trading

- (1) If there have been any mistakes in the process of submitting quotations to the K-OTC Market or confirming the results of trading agreement, the financial investment company may correct the content of the trading agreement by submitting to KOFIA an application (the format shall be determined by the Chairman of KOFIA) for the correction of mistakes.
- (2) Such correction of mistakes in trading pursuant to Paragraph (1) shall be made in cash or the marketable securities of the financial investment company concerned.

SECTION 4 SETTLEMENT OF TRADING

§39. Institution for Settlement

- (1) The institution undertaking settlement on the K-OTC Market shall be the KSD.
- (2) Trading shall be settled through the institution specified in Paragraph (1).

§40. Settlement Methods

- (1) When trading is executed, KOFIA shall promptly notify the KSD of the content of such trading through the quotation brokerage system.
- (2) The trading on the K-OTC Market shall be settled on the third (3) business day from the date when the trading is executed.

§41. Prohibition on Settlement by Proxy

A financial investment company shall not commission a third party to settle the trading pursuant to [§39].

§42. Settlement-Related Regulations

- (1) The KSD shall determine matters related to settlement such as notification and correction of trading records, preparation of settlement documents and other information necessary for settlement, etc.
- (2) The KSD shall notify KOFIA when it has formulated, amended, or repealed the regulations set forth in Paragraph (1).

CHAPTER IV DISCLOSURE OF REGISTERED CORPORATIONS

§43. Scope of Application

This chapter shall be applied only to registered corporations.

§44. Compliance with Disclosure Obligations and Responsibility

- (1) A registered corporation shall voluntarily and faithfully disclose the matters required to be disclosed in accordance to these Regulations, and other corporate matters that may influence stock prices.
- (2) A registered corporation shall make sure that such corporate matters are not divulged or

distributed through rumor or press release, etc. before the disclosure thereof pursuant to Paragraph (1).

- (3) A registered corporation shall take responsibility for any matters resulting from its violation of Paragraphs (1) or (2).

§45. Report of Major Management Matters

- (1) A registered corporation shall, for the matters falling under any of the following, promptly report the details of such fact or decision to KOFIA in writing, electronic document or through fax, etc. (hereinafter referred to as “electronic documents, etc.”): <Amended on October 18, 2022>

1. Checks or bills issued are dishonored, transactions with banks are suspended or banned, or transactions with banks are resumed;
2. Main business activities of the corporation have been suspended;
3. A court decision is issued or facts are confirmed with regard to any of the following pursuant to the Debtor Rehabilitation and Bankruptcy Act:
 - a. Application for commencement of rehabilitation procedures, dismissal of such application, decision on commencement, or cancellation of the decision on commencement;
 - b. Convening of a meeting of interested parties for the resolution of the draft rehabilitation plan and the result of such meeting;
 - c. Approval or disapproval of the rehabilitation plan;
 - d. Application for conclusion of rehabilitation procedures, decision on conclusion, application for abolition, or decision on abolition; or
 - e. Application for bankruptcy, dismissal of such application, or declaration of bankruptcy.
4. Location of main office, CEO (referring to the chief executive officer, in the case of a company which established the executive officer system), name of the corporation, or business purpose has been changed;
5. A board resolution or decision is made on a merger with another corporation, transfer or acquisition of material business, or corporate spin-off or consolidation;
6. Any cause for dissolution pursuant to the relevant laws and regulations occurs;
7. A decision is made on capital increase or capital decrease;
8. A decision is made on stock split, stock consolidation or conversion of par value stock to non-par value stock or vice versa;

9. A decision is made on issuance of bonds (including convertible bonds, bonds with warrant, etc.);
 10. A decision is made on the acquisition, transfer or acquisition of a patent on new material or technology, which may have material impact on management asset, etc. of the registered corporation;
 11. A decision is made on an application for registration cancellation pursuant to [§10(1)];
 12. A board resolution is passed on stock dividend distribution;
 13. A board resolution is passed on interim stock dividend distribution;
 14. A board resolution is passed on convening of a general shareholders' meeting and such meeting is concluded;
 15. The largest shareholder [referring to the largest shareholder pursuant to item a of Subparagraph 6 of [§2] of the Act on Corporate Governance of Financial Companies. In this case, a "financial company" shall be deemed a "corporation," and "outstanding shares (or equities; hereafter the same shall apply)" shall be deemed "issued shares"] has been changed; <Amended on December 11, 2018>
 16. Any matter, determined by the Chairman of KOFIA, occurs regarding acquisition, loss, etc. of status of small and medium enterprises or middle-standing enterprises; <Amended on February 8, 2018>
 17. An accusation of embezzlement and breach of trust against executives and/or employees is confirmed, repayment (including drop of charge) of embezzlement and breach of trust, etc. by executives and/or employees is confirmed, or an accusation of embezzlement and breach of trust is verified as true or not. Provided, That in the case of an employee other than an executive, this shall be limited to the amount of embezzlement and breach of trust determined by the Chairman of KOFIA; <Newly inserted on October 18, 2022>
 18. The fact that in accordance with the Regulations on External Auditing and Accounting, etc. of the Financial Services Commission, the registered corporation or the executive and employees thereof (including resigned or retired executives and employees) are charged or reported to the prosecution by the Securities and Futures Commission, etc. or are prosecuted for violation of the accounting standards, or the result of the prosecution is confirmed; and <Newly inserted on October 18, 2022>
 19. The occurrence or decision of any other matters equivalent to provisions of Subparagraphs 1 through 18, which may have material impact on investors' investment decisions. <Amended on December 16, 2014> <Amended on October 18, 2022>
- (2) The detailed methods of disclosure, such as the timing, content, documents, etc. for disclosure reporting set forth in each Subparagraph of Paragraph (1) shall be determined by the Chairman of KOFIA.

§46. Submission of Periodic Disclosure Documents

A registered corporation shall submit to KOFIA two (2) copies of the documents containing information on the issuer pursuant to Subparagraph 1 of [§2-18(1)] of the Regulation on Issuance, Disclosure, etc. of Securities prescribed by the Financial Services Commission within ninety (90) days following the close of each business year and within forty five (45) days following the close of a semi-annual period. In such case, audit reports and semi-annual review reports shall be attached thereto.

§47. Inquired Disclosure

- (1) KOFIA may demand inquired disclosure from a registered corporation in cases that fall under any of the following Subparagraphs:
 1. Cases where there is a need to verify rumors and news with regard to the matters prescribed in [§45(1)] or the matters equivalent thereto; or
 2. Cases where there is a need to confirm the existence of material information because the stock price, etc. of the registered issue falls under the criteria separately established by KOFIA.
- (2) KOFIA shall demand inquired disclosure pursuant to Paragraph (1) via electronic documents, etc., and announce such demand and the content thereof through the quotation brokerage system. <Amended on October 18, 2022>
- (3) The registered corporation, upon receipt of such demand for inquired disclosure pursuant to Paragraph (1), shall prepare and report the disclosure matters via electronic documents, etc. to KOFIA within one (1) day following such demand. <Amended on October 18, 2022>

§48. Calculation of Disclosure Period, etc.

- (1) The period related to disclosure shall be calculated pursuant to the following Subparagraphs:
 1. The first day of the period shall not be included;
 2. The disclosure period specified in [§45] and [§47] shall be counted in business days (including the days where the markets are closed pursuant to Subparagraph 4 of [19(1)]; the same hereinafter in this Article);
 3. The disclosure period specified in [§46] shall include the days when markets are closed

pursuant to [19(1)]. In this case, if the last day of the disclosure period falls on a Saturday or a holiday, the period shall terminate on the following day.

- (2) Disclosures shall be submitted from 9:00 am (from the beginning of trading hours, in the case trading hours have been changed pursuant to [§18(2)]) until 6:00 pm on a business day.
- (3) Notwithstanding Paragraph (2), the deadline for reporting the disclosure may be extended in the case KOFIA accepts that the circumstance is unavoidable given the time for processing disclosures, etc.

§49. Designation as a Corporation which has Made Unfaithful Disclosure, etc.

- (1) In the case where a registered corporation does not report disclosure matters pursuant to [§45] through [§47] by the deadline, changes the disclosure content, or makes a false disclosure, KOFIA shall designate such corporation as a corporation which has made unfaithful disclosure.
- (2) When designating a registered corporation as a corporation which has made unfaithful disclosure, KOFIA shall publish the relevant fact and notify the corporation concerned thereof.
- (3) Notwithstanding Paragraph (1), KOFIA shall not designate a corporation as a corporation which has made unfaithful disclosure in any of the following cases:
 1. Unavoidable cases due to other laws and regulations;
 2. Cases of natural disaster, any abrupt change in economic conditions, and other similar cases;
 3. Cases deemed necessary for the public interest or investor protection; or
 4. Any other cases where the registered corporation concerned proves that it is not liable or cases deemed minor by KOFIA as not having material impact on the stock prices.

§50. Disclosure by KOFIA, etc.

- (1) KOFIA shall keep the applications for registration and the attached documents at a specific location, and make such documents available for public access for three (3) years after receiving the documents.

- (2) KOFIA shall keep the documents pursuant to [§46] at a specific location, and make such documents available for public access for three (3) years after receiving the documents.

§51. Report by Officer in Charge of Disclosure

- (1) The officer in charge of disclosure at the registered corporation concerned shall undertake the disclosure responsibilities prescribed in these Regulations.
- (2) One (1) supervisor and one (1) staff shall be designated by a registered corporation to be in charge of disclosure matters and they shall report (the format shall be determined by the Chairman of KOFIA) to KOFIA. The same provision shall apply to the cases of any change therein.

CHAPTER V OPERATION OF K-OTC MARKET

§52. Publication of Market Prices

- (1) KOFIA shall publish through the quotation brokerage system the market prices, etc., that are deemed necessary for the trading of issue, such as the traded price, quotation, etc. on the K-OTC Market.
- (2) The publication of market prices pursuant to Paragraph (1) shall include any of the following:
1. Base price of the day;
 2. Trading price of the day [current price, net change (current price compared to base price), high price, low price, and volume weighted average price];
 3. Trading volume and value; or
 4. Quotation and quotation volume of an issue.
- (3) KOFIA may officially publish information that investors may refer to for investment decisions for investor protection.

§53. Announcement of Matters to be Attended

(1) KOFIA shall promptly announce any of the following through the quotation brokerage system:

1. Change in market divisions;
2. Matters related to new registration (or designation), revision (or addition) to registration (or designation), or registration (or designation) cancellation of an issue, and trading suspension or resumption pursuant to [§37];
3. Temporary closing, temporary suspension of the market, and changes in trading hours;
4. In the case where it is deemed impossible to submit annual period disclosure documents before the deadline by KOFIA due to natural disasters or any other inevitable causes similar thereto, the concerned issue, details and reasons of delay and other matters; or <Amended on March 11, 2020>
5. Any other matters that are deemed necessary by KOFIA.

(2) Upon confirming that a registered or designated corporation falls under any of the following Subparagraphs, KOFIA shall announce such fact as a matter requiring attention of the investors through the quotation brokerage system. Provided, That in applying Subparagraph 5, in the case where it is deemed impossible to submit annual period disclosure documents before the deadline by KOFIA due to natural disasters or any other inevitable causes similar thereto, the announcement may be postponed for a certain period specified by KOFIA. <Amended on March 11, 2020>

1. Capital impairment (referring to the situation where the amount after subtracting capital stock from equity capital is negative) as of the end of the latest business year;
2. Revenue of the latest business year is less than KRW 500 million (KRW 300 million in the case of a crowdfunding company registered in accordance with the proviso of Subparagraph 2 of [§5]);
3. An auditor's audit opinion on the financial statement of the latest business year is an "adverse opinion" or "disclaimer of opinion", or "scope limitation"; <Amended on October 18, 2022>
4. An application for the commencement of rehabilitation procedures has been submitted to the court pursuant to the Debtor Rehabilitation and Bankruptcy Act, when a rehabilitation case has been pending, or an event that falls under the main text of Subparagraph 7 of [§9(1)] occurs;
5. In relation to the periodic disclosure documents, any of the following cases:
 - a. The annual periodic disclosure document for the latest business year was not submitted by the deadline; or
 - b. The semi-annual periodic disclosure document has not been submitted one (1) or more times by the deadline during the latest four (4) business years (applicable from the business year in which the date for new designation falls, in the case of a designated

corporation);

6. The registered corporation has been designated four (4) times or more as a corporation which has made unfaithful disclosure during the last two (2) years;
 7. The registered corporation falls under Subparagraph 12 of [§9(1)] (applied to the period including the end of the business year in which the new registration or change of division took place) and fails to meet the stock distribution requirements. In such case, KOFIA shall apply Paragraphs (2) and (3) of [§9] and announce the matter as a matter requiring attention of the investors;
 8. The accusations specified in Subparagraph 17 of [§45(1)] are confirmed through disclosure of the registered corporation. In such case, KOFIA shall announce the matter as a matter requiring attention of the investors through litigation disclosure, etc. until whether the accusations concerned are verified; or <Newly inserted on October 18, 2022>
 9. Other cases that KOFIA deems necessary for investor protection.
- (3) KOFIA shall confirm whether the designated corporation falls under any of the Subparagraphs of Paragraph 2 according to the information, etc. pursuant to [§16(3)]. <Newly inserted on March 11, 2020>

§54. Treatment of Ex-Rights

- (1) When it is confirmed necessary to take measures on ex-rights resulting from the trading of a registered issue, it shall be treated on one of the following days:
 1. The trading day immediately preceding the record date. Provided, That in the case the record date is a day when the market is closed or the transfer service is suspended, the trading day immediately preceding the first day of such market closure or the transfer suspension; and <Amended on October 20, 2020>
 2. In the case the record date falls within the trading suspension period (excluding the first day of trading suspension), the day when such trading suspension is lifted. <Amended on October 20, 2020>
- (2) Notwithstanding Paragraph (1), KOFIA may choose another day for taking such measures when deemed necessary for the management of the K-OTC Market.

§54-2. Establishment of K-OTC Market Committee

KOFIA shall establish the “K-OTC market committee” (hereinafter referred to as the “committee” in this Chapter) for public interest, investor protection and fair trading orders in the K-OTC Market. <Newly inserted on December 11, 2018>

§54-3. Composition of the Committee, Etc.

- (1) The committee shall be composed of five (5) or less members including one (1) chairman. The committee chairman and members shall be entrusted among professionals in the K-OTC market by the Chairman of KOFIA. <Newly inserted on December 11, 2018>
- (2) The chairman shall represent the committee and chair the committee meeting. Provided, That when the chairman is unable to fulfill his/her duties due to unavoidable reasons, one of members set forth in Paragraph (1) above shall act as a proxy as designated by the chairman. <Newly inserted on December 11, 2018>
- (3) Members of the committee shall be appointed for a term of two (2) years and may be reappointed. Provided, That if a member vacates a position that a new member becomes entrusted, such member’s term shall be the same as the remaining term of his/her predecessor. <Newly inserted on December 11, 2018>
- (4) The secretary of the committee shall be the head of the K-OTC division of KOFIA. <Newly inserted on December 11, 2018>

§54-4. Deliberation of the Committee, Etc.

- (1) KOFIA shall determine registration or de-registration after the committee deliberates on the following matters: <Newly inserted on December 11, 2018>
 1. Request for review pursuant to [§7(2)]; and
 2. Request for review pursuant to the condition set forth in Subparagraph 17 of [§9(1)]. <Amended on October 18, 2022>
- (2) KOFIA may, receive advice from the committee, if necessary, for public interest, investor protection, sound operation of the K-OTC market and maintenance of fair trading orders, etc. <Newly inserted on December 11, 2018>

§54-5. Convocation of the Committee, Etc.

- (1) A meeting of the committee shall be convened upon request of a committee member or KOFIA, or if the committee chairman deems necessary. <Newly inserted on December 11, 2018>
- (2) In cases of unavoidable circumstances, urgent matters with regards to [§54(4)] or any matter which the committee chairman deems simple, the committee may deliberate or advise in written form. <Newly inserted on December 11, 2018>
- (3) KOFIA may pay allowances and any other necessary expenses to members of the committee as much as determined by the Chairman of KOFIA. <Newly inserted on December 11, 2018>
- (4) The secretary shall need to prepare minutes of the committee meetings. <Newly inserted on December 11, 2018> <Amended on October 20, 2020>

CHAPTER VI SUPPLEMENTARY REGULATIONS

§55. Prevention of Unfair Trading, etc.

- (1) In the case where it is deemed necessary in order to prevent unfair trading, etc., which may compromise fair trading order within the K-OTC Market, KOFIA may demand a financial investment company, which is related to an account possibly involved in unfair trading to take preventive measures. The financial investment company, upon receiving such demand, shall carry out appropriate measures to prevent unfair trading, etc., such as issuing a warning to the customers concerned, or refusing to receive entrustment of orders, etc.
- (2) In the case where preventive measures on unfair trading have been carried out upon the request of KOFIA pursuant to Paragraph (1) or upon following internal regulations regarding prevention of unfair trading, etc., the financial investment company shall notify KOFIA the result thereof by the 10th day of the next month following the end of each quarter. Provided, That in the case where the financial investment company refuses to receive entrustment of orders from a customer, it shall notify KOFIA of such fact by the next business day (including the days when the markets are closed pursuant to Subparagraph 4 of [§19(1)]) following the date of the refusal.
- (3) KOFIA shall separately prepare detailed guidelines related to the prevention of unfair trading, etc.,

such as criteria for identification of the accounts that may possibly be involved in unfair trading, etc., and criteria and procedures for demanding preventive measures, etc., pursuant to Paragraphs (1) and (2).

§56. Qualifications for Trading, etc.

- (1) The persons qualified to participate in trading on the K-OTC Market shall be the financial investment companies which are members of KOFIA.
- (2) A financial investment company pursuant to Paragraph (1) shall notify KOFIA in advance in the case where it wishes to newly join or suspend the transactions on the K-OTC Market.

§56-2. Electronic Documents

- (1) In the case where a registered corporation submits disclosures and any other documents required to submit or report to KOFIA in accordance with these Regulations (hereinafter referred to as “documents, etc.”) in a form of electronic document, it shall be deemed as satisfying the number of copies prescribed in these Regulations.
- (2) KOFIA may reject to accept documents, etc. submitted or reported by a registered corporation in the cases where the submitted documents need correction or supplementation or where any other inevitable events occur.

§57. Operation of the Quotation Bulletin Board

- (1) KOFIA may publicize the quotation and trading prices upon request by a financial investment company, in the case that the company wants to intermediate the OTC trading of stock certificates pursuant to the methods prescribed in [§177] of the Decree.
- (2) Detailed matters on the publication of quotation, trading price, etc., of the OTC trading pursuant to Paragraph (1) shall be determined by the Chairman of KOFIA.

§57-2. Operation of K-OTC PRO

- (1) KOFIA may, in the case where a person falling under any of Subparagraphs of [§11(2)] of the Decree such as professional investors, etc. or anyone approved by KOFIA (hereinafter referred to as a “K-OTC PRO Member”) wishes to make OTC transactions of stock certificates, etc. through methods prescribed in Subparagraph 2 of [§178(1)] of the Decree or [§5-2(2)] of the Regulations on Financial Investment Business of the Financial Services Commission, separately operate an IT system (hereinafter referred to as the “K-OTC PRO System”) for publishing quotation and trading price, etc., as requested by the K-OTC PRO Members.
- (2) Detailed matters of the K-OTC PRO system operation such as entitlements of K-OTC PRO Members, announcement of quotation and trading price, etc. pursuant to Paragraph (1) shall be determined by the Chairman of KOFIA. <Amended on June 20, 2017>

§58. Trading Commission

- (1) When a financial investment company executes trading on the K-OTC Market or through the quotation bulletin board pursuant to [§57(1)], KOFIA may charge the financial investment company concerned a trading commission up to 10/10,000 of the agreed trading price.
- (2) Detailed matters on the collection of trading commissions pursuant to Paragraph (1) shall be determined by the Chairman of KOFIA.

§59. Detailed Matters

Detailed matters and necessary formats, etc. for the enforcement of these Regulations shall be determined by the Chairman of KOFIA.

ADDENDA (June 17, 2014)

§1. Effective Date

These Regulations shall become effective on a date in 2014 determined by the Chairman of KOFIA.

§2. Amendment and Repeal of Other Regulations

- (1) “The Regulations on Quotation Brokerage of OTC Stocks” set forth in Subparagraph 2 of [§5(2)] of the Regulations on Operation of Board Meeting shall be amended to “Regulations on Operation of K-OTC Market”.
- (2) The Regulations on Quotation Brokerage of OTC Stocks (hereinafter referred to as “previous regulations”) shall be repealed.

§3. Applicable Examples of New Registration

- (1) The Article [§5] shall apply to the corporation applying for new registration for the first time following enforcement of these Regulations.
- (2) Corporations which have applied for new designation pursuant to the previous regulations at the time of enforcement of these Regulations shall be deemed to have applied for new registration pursuant to [§6]. Provided, That in such case, the registration decision shall be made based on the requirements prescribed in [§3] of the previous regulations.

§4. Applicable Examples of Registration Cancellation, etc.

- (1) With respect to the designated corporations according to the previous regulations and registered corporations according to [§3(2)] of the Addendum (hereinafter referred to as “existing corporations”) at the time of enforcement of these Regulations, Subparagraphs 3 through 5, the latter part of Subparagraph 6 (excluding the matters on semi-annual revenue), and Subparagraph 12 of [§9(1)] shall apply, starting from the business year of 2016 (referring to the business year to which December 31, 2016 belongs) of the corporation concerned.

- (2) With respect to existing corporations, matters related to semi-annual revenue in the latter part of Subparagraph 6 of [§9(1)], Item b of Subparagraph 10 of [§9(1)], and Item b of Subparagraph 2 of [§37(1)] shall apply, from the semi-annual period of the business year following the business year of 2016.
- (3) Prior to applying Subparagraph 5 of [§9(1)] pursuant to Paragraph (1), requirements according to Subparagraph 5 of [§7(1)] of the previous regulations shall apply to existing corporations.

§5. Applicable Examples of Investment Alerts

With respect to existing corporations, Item a of Subparagraph 5 of [§53(2)] and Subparagraph 7 of [§53(2)] shall apply from the business year to which the effective date of these Regulations belongs, and Item b of Subparagraph 5 of [§53(2)] shall apply from the first semi-annual period after the enforcement of these Regulations.

§6. Applicable Examples of Levying Trading Commissions

Matters on trading commissions pursuant to [§58] shall apply from the transactions executed through the K-OTC Market or a quotation brokerage bulletin board according to [§57(1)], following the enforcement of these Regulations.

§7. General Interim Measures

Any acts, etc., which have followed the previous regulations at the time of enforcement of these Regulations shall be deemed as acts pursuant to these Regulations.

§8. Interim Measures for Designated Issue Pursuant to Previous Regulations

Stock certificates designated by the previous regulations at the time of enforcement of these Regulations shall be deemed as issue registered under these Regulations.

§9. Interim Measures for Market Division

The market division of designated corporations pursuant to the previous regulations at the time of

enforcement of these Regulations shall change to the registered corporation division pursuant to Subparagraph 1 of [§4(1)] as of the enforcement date of these Regulations.

§10. Interim Measures for Participation in Trading

A financial investment company which have been participating in trading at the Freeboard pursuant to the previous regulations at the time of enforcement of these Regulations shall be deemed to be participating in the trading on the K-OTC Market pursuant to [§56].

ADDENDA (June 21, 2016)

These Regulations shall become effective on June 21, 2016.

ADDENDA (December 13, 2016)

These Regulations shall become effective on December 13, 2016.

ADDENDA (April 18, 2017)

These Regulations shall become effective on April 18, 2017.

ADDENDA (June 20, 2017)

These Regulations shall become effective on June 20, 2017.

ADDENDA (February 8, 2018)

These Regulations shall become effective on February 8, 2018.

ADDENDA (December 11, 2018)

These Regulations shall become effective on December 11, 2018. Provided, That amended regulations in [§5] shall apply to a company applying for new registration for the first time following enforcement of these Regulations.

ADDENDA (June 11, 2019)

These Regulations shall become effective on the date that the Partial Amendment of the Enforcement Decree of the Financial Investment Services and Capital Markets Act, of which legislation has been pre-announced (the Financial Services Commission Public Notice No. 2018-302), and the partial Amendment of the Regulations on Financial Investment Business, of which regulation change has been pre-announced (the Financial Services Commission Public Notice No. 2018-304), enter into force.

ADDENDA (September 9, 2019)

These Regulations shall become effective on September 16, 2019, which is the date when the Act on Electronic Registration of Stocks, Bonds, etc. (referring to what is established as the Act No. 14096, March 22, 2016) enters into force.

ADDENDA (March 11, 2020)

These Regulations shall become effective on March 12, 2020.

ADDENDA (October 20, 2020)

These Regulations shall become effective on October 20, 2020.

ADDENDA (February 22, 2022)

These Regulations shall become effective on February 22, 2022. Provided, That the amended regulation of the proviso of [§26] shall remain effective for the period designated by the Chairman of KOFIA. <Amended on May 18, 2022>

ADDENDA (May 18, 2022)

These Regulations shall become effective on May 19, 2022.

ADDENDA (October 18, 2022)

These Regulations shall become effective on October 19, 2022. Provided, That the amended regulations of [§5], [§9(1)], [§16(1)], [§37(1)], Subparagraph 17, 18 and 19 of [§45(1)], [§53(2)], and Subparagraph 2 of [§54-4(1)] shall become effective on January 19, 2023.