

(PROPOSED) STANDARDS 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 (hereinafter referred to as the “Company”) 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 Business Conduct and Services of Financial Investment Companies」 and §51 of the 「Enforcement Rules for Regulations on 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 trade certain debt securities, such as government bonds and monetary stabilization bonds, etc., or certificates of deposit.

§3 Designation of Reporting Companies

(1) Every six months (first half of the year and second half of the year), the Association designates companies to report yields by type[bonds, certificates of deposit (hereinafter referred to as “CD”), commercial papers (hereinafter referred to as “CP”)], considering their performance. 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. (amended 8th January, 2013)

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

(3) Performance of bond trading shall be assessed by taking into account the volume of OTC bond trading (self-account trading 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 a 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 a higher trading volume of newly issued 91-Day CDs.

(5) When it comes to the assessment of CP-related performance, the trading volume of CPs (discounts and sales) 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 a higher trading volume of newly issued 91-Day CPs. (amended 8th January, 2013)

(6) A company designated as a yield 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 Obligations of Reporting Companies

(1) The Company designated as a yield reporting company shall report yields fairly and in good faith during the period in which it is so designated, and shall make efforts to maintain continuity and stability in relation to their reporting duties during the 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 ask prices, bond spreads, the Bank of Korea's benchmark interest rate and the bond market's trends, etc., shall be considered comprehensively 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 and the trends for short-term interest rates, etc. shall be considered comprehensively 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 and the trends for short-term interest rates, etc. shall be considered comprehensively when reporting is made.

§6 Bonds, etc., Subject to Yield Reporting

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

1. Government Bonds: Korea Treasury Bonds (1-year, 3-year, 5-year, 10-year, 20-year, 30-year), Type 1 National Housing Bonds (5-year) (amended October 25, 2013)
2. Monetary Stabilization Bonds: Monetary Stabilization Bonds (91-day, 1-year, 2-year)
3. Special Bonds: KEPCO Bonds (3-year) (amended October 25, 2013)
4. Bank Debentures: Industry Financial Bonds (1-year) (amended October 25, 2013)
5. Corporate Bonds (AA-, Non-guaranteed): Corporate Bonds (3-year) (amended October 25, 2013)
6. Corporate Bonds (BBB-, Non-guaranteed): Corporate Bonds (3-year) (amended October 25, 2013)

Provided, That in the case of corporate bonds (AA-, BBB-), among publicly offered corporate bonds, the representative ones selected 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 (91-day) (amended October 25, 2013)
2. <Deleted> (October 25, 2013)
3. <Deleted> (October 25, 2013)

§7 Change of Yield Reporting Companies during Designation Period

(1) Where it is acknowledged to be unreasonable, due to any of the circumstances set forth below, that a designated company is not fit to remain as a yield reporting company under §3, a company ranked second in performance may be designated as a yield 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 yield reporting company.

(2) Notwithstanding Paragraph 1, a reporting company may not be changed when it is deemed inappropriate to change the 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 replaced owing to the circumstances in Paragraph 2, the yield reported by the said company shall be supplanted by the mean value of other reported yields, for the sake of stability of the Association's yield disclosures.

ADDENDUM (December 14, 2012)

§1 (Effective Date)

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

ADDENDUM (January 8, 2013)

§1 (Effective Date)

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

ADDENDUM (October 25, 2013)

§1 (Effective Date)

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