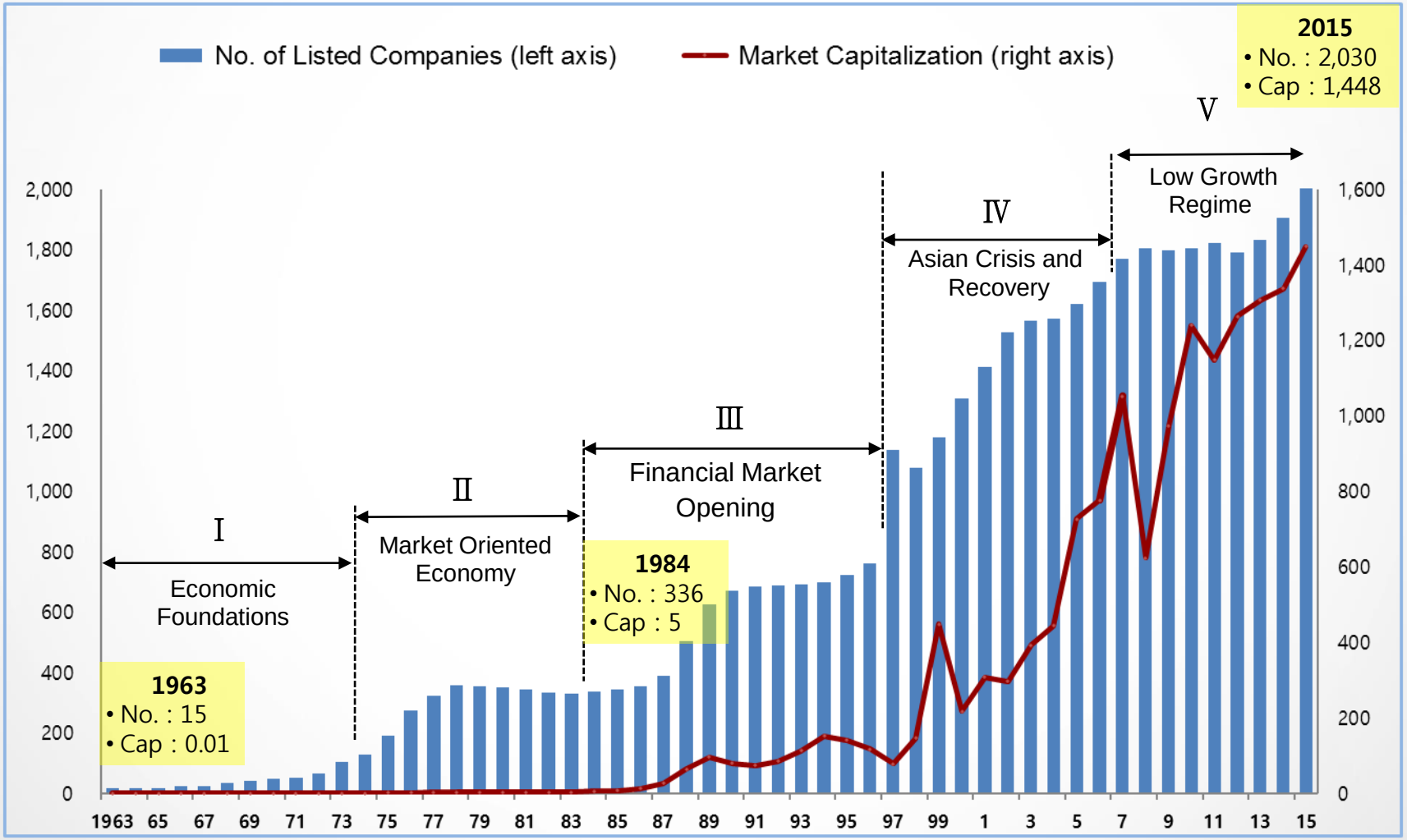
Korean Financial Market and the Role of KSD

8 September 2016

Jaehoon Yoo
Chairman & CEO
Korea Securities Depository

Development of the Korean Financial Market

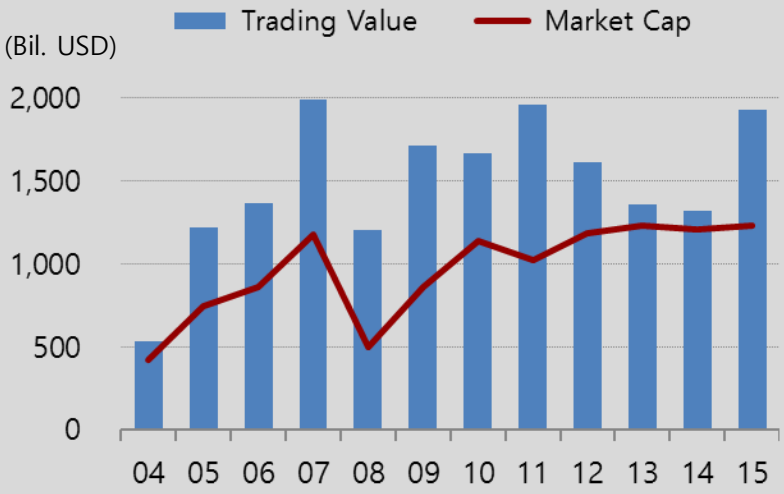
Tril. KRW

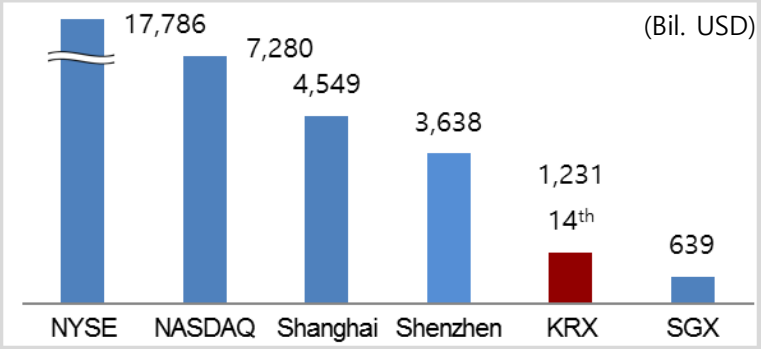


(Source: Korea Exchange)

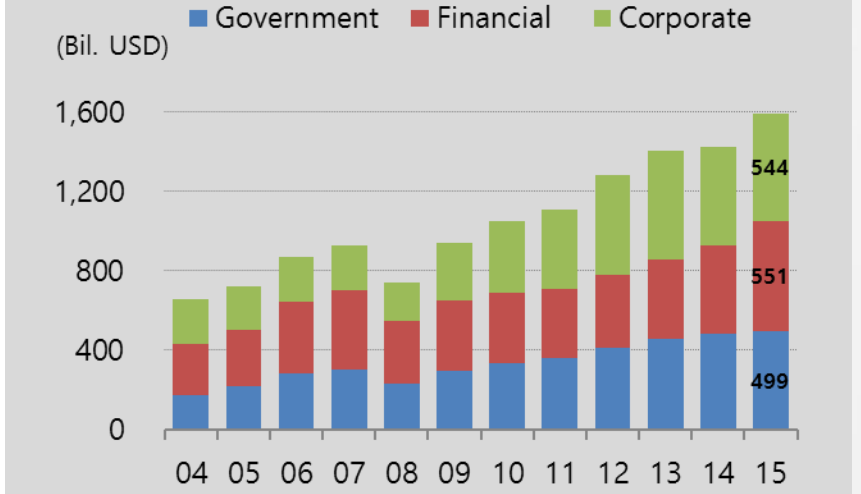
Market Size

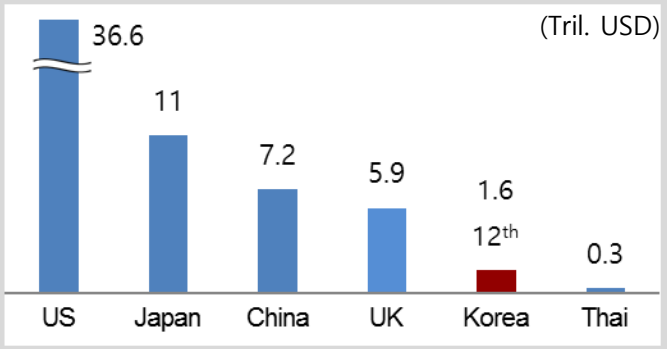
(Equity) Steady Growth but High Volatility in Secondary Market





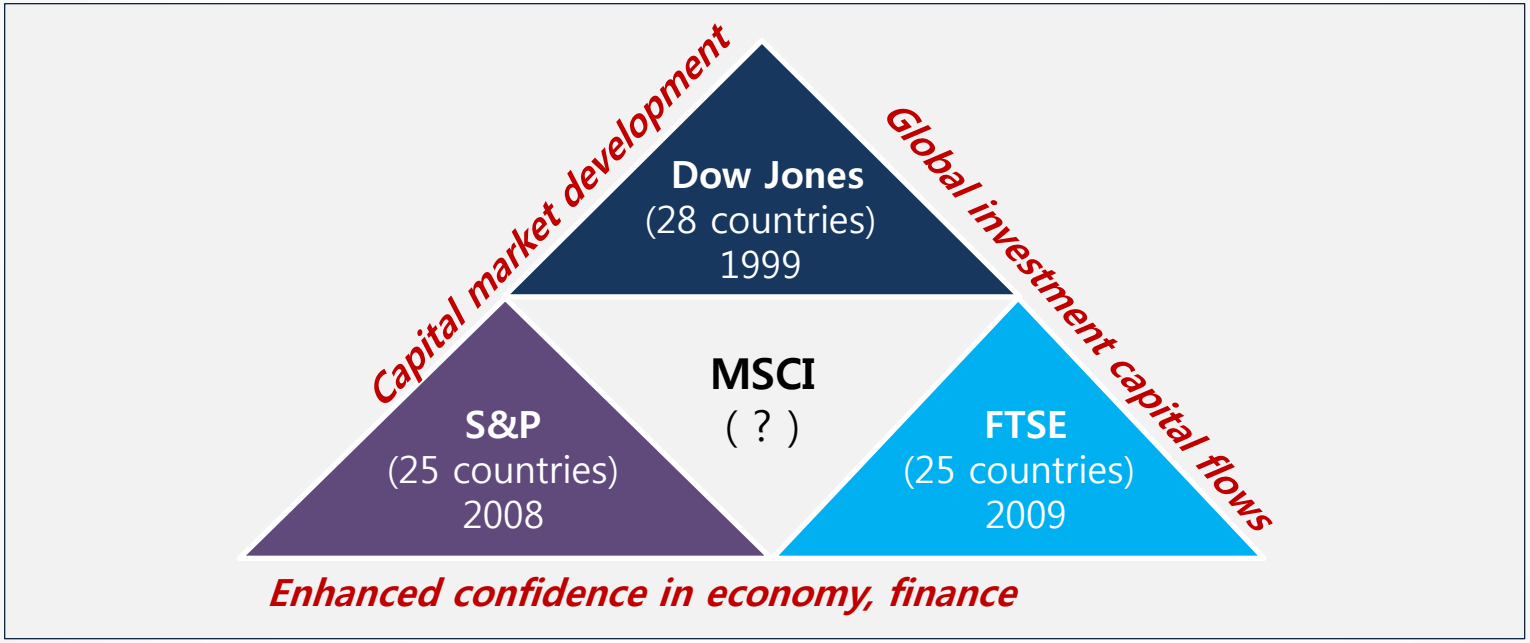
(Bonds) Considerable Growth over the Last 10 Years





Market Quality

(Equity) Stock market included in developed market indices



(Bonds) Attractive and competitive bond market

- ✓ Lowest bid-offer spread and lowest fees among Asian markets

KSD in the Korean Market

Gateway to the Korean Capital Market

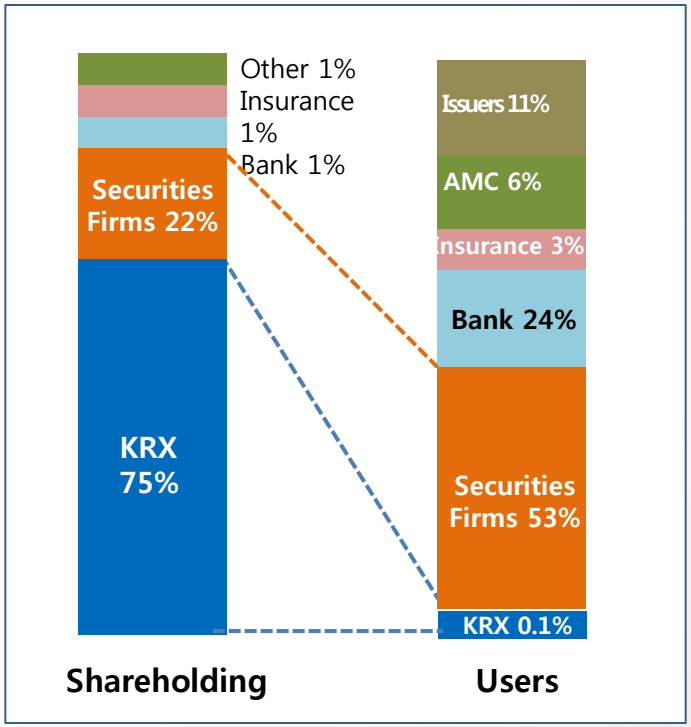
- ✓ Custody of $3 trillion worth of wealth
- ✓ Platform for 1,200 institutions and 6 million investors
- ✓ Handles $15 trillion of market funds yearly
- ✓ Links with multiple trading venues (KRX, K-OTC, OTC bond market)
- ✓ Supports cross-border investment
- ✓ Offers diverse back-office services for more than the exchange

KSD in the Korean Market

Restructuring KSD's Ownership and Governance

- ✓ KSD will become a separate entity from the KRX holding company structure (Government announcement in July 2015)
- ✓ Transition from KRX subsidiary and public entity into multi-ownership, market-oriented structure by reducing KRX's stake and introducing competition to the CSD industry
- ✓ KSD, as a systemically important FMI, will continue to be regulated and supervised by the government

Current Ownership and Users



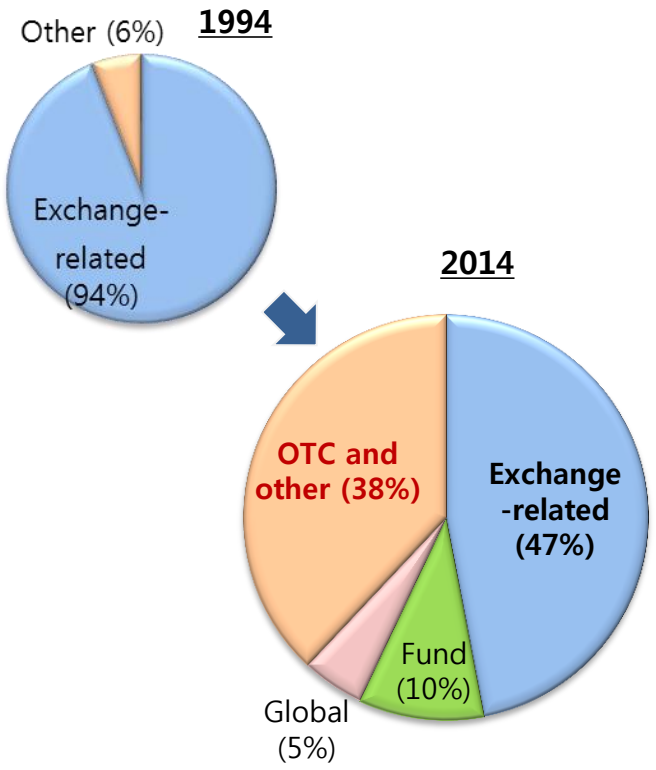
KSD in the Korean Market

KSD's Business Diversification

Diversification of Service Scope

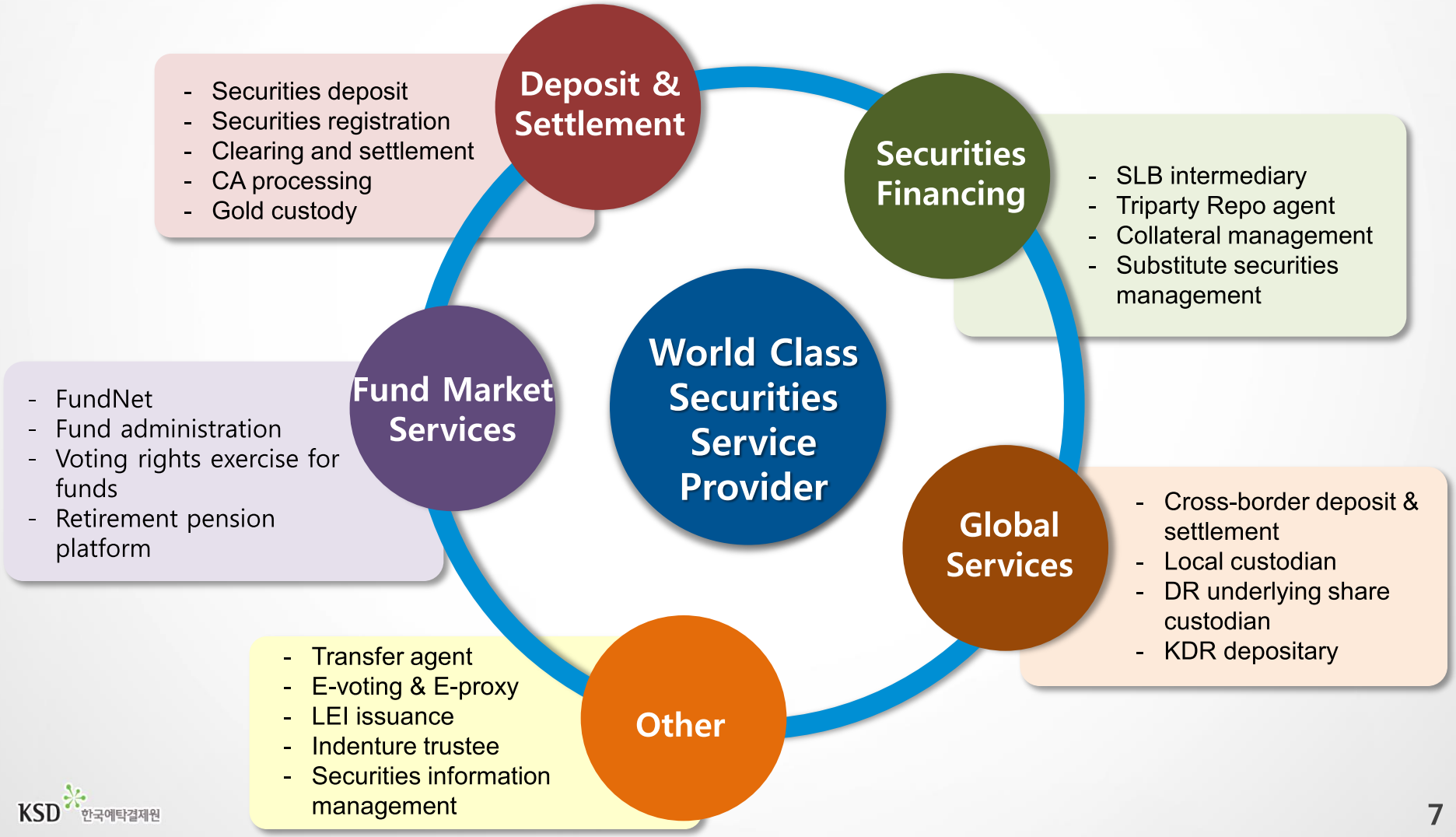
	Past	Present (Additions)
Function	Deposit Settlement Transfer agent	• Global custody service • Securities financing • Collateral and asset servicing
Product	Listed securities	• Unlisted securities • Foreign securities • Fund securities • Derivatives-linked • Commodities
Market	Exchange market Local market	• Off-exchange market • Overseas securities markets • Pension/fund market
User	Securities companies	• Pensions • Insurance companies • Asset managers

Change in Revenue Structure



KSD in the Korean Market

KSD's Business Portfolio



3 Challenges of the CSD Industry

Reliance on Conventional CSD Business

- ✓ Stagnated capital market transactions since the global financial crises dampened the growth of CSDs who remain dependent on conventional business (securities deposit and settlement)

Focus on Domestic Market

- ✓ Since most CSDs serve only the domestic market, the added-value and business opportunities of cross-border transactions are carried out by ICSDs and global banks

Risk of Disruptive Technology

- ✓ Disruptive innovations like FinTech and blockchain threaten traditional CSD business models originating from centralized ledger system

KSD's Response to Challenges

Diversifying Business Portfolio

- ✓ SLB, Triparty repo, Collateral, Securities data and analytics
- ✓ Fund, Pension, Insurance
- ✓ Crowdfunding, LEI, IR support, E-voting

Globalizing CSD Services

- ✓ Outbound and inbound cross-border securities services
- ✓ Technical assistance to emerging markets
- ✓ CSD direct linkages with Iran and China

Undertaking Research and Business Development

- ✓ Joined Hyperledger's global blockchain project (July 2016)
- ✓ Conducting complete survey and research on big data business opportunities
- ✓ Set up an Open API for FinTech companies in capital market

Conclusion

KSD, a Leading Asian CSD and Securities Service Provider

- ✓ Advanced corporate governance and ownership structure
- ✓ Diversified and globalized business portfolio
- ✓ Leading innovative technology in CSD industry

KSD, a Reliable Global Partner to Capital Market Players

- ✓ Cooperation with ACG and AECSD member CSDs through mutual information exchanges and regional initiatives
- ✓ Share its expertise and hands-on experience with capital market players in developing countries

Thank you!

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