

KRX on CME Globex

Frequently Asked Questions

TOPICS

<i>General</i>	<u>1</u>
<i>Connectivity</i>	<u>2</u>
<i>Registration & Clearing KRX Futures</i>	<u>3</u>
<i>Front End Trading Applications (Order and Market Routing)</i>	<u>5</u>
<i>Market Assistance & Support</i>	<u>7</u>

GENERAL

1) Who is KRX?

KRX, Korea Exchange Inc., established in January 2005 through the merger of the Korea Stock Exchange (KSE), the Korea Futures Exchange (KOFEX), the KOSDAQ Market, and the KOSDAQ Committee, is the sole exchange in the Republic of Korea. The KRX operates the centralized securities and derivatives markets where stocks, bonds and derivatives are traded on a common platform. To best serve its clients, the KRX provides its customers with the full access to both cash and derivatives markets, and clears and settles all transactions on its markets as one-stop service.

2) What KRX Products are listed on CME Globex?

Two KRX products are currently listed on CME Globex. These are KOSPI 200 Futures and USD/KRW Futures and available during KRX overnight trading hours.

Contract Specifications can be found at:

KOSPI 200 Futures http://global.krx.co.kr/eng/m1/m1_4/UHPEGLB01004.html (hyper link required)

KRW/USD Futures http://global.krx.co.kr/eng/m1/m1_7/UHPEGLB01007.html (hyper link required)

5) What is USG?

USG stands for Unified System for Global trading, which is the common KRX member system for KRX off-hours trading of KOSPI200 Futures and USD/KRW Futures on CME Globex

6) What is QII?

QII, Qualified Institutional Investor, status is determined solely by the KRX Clearing Member firm, and is based on the guidelines provided by the Derivatives Market Business Regulations of the KRX. To verify if you are eligible for QII status, please contact the KRX Clearing Member firm. A list of KRX Clearing Member firm can be found at http://eng.krx.co.kr/m9/m9_1/m9_1_8/m9_1_8_2/BHPENG09001_08_02.jsp (hyper link required)

7) What is HTS?

HTS stands for Home Trading System, is the front-end application of the USG.

9) Will my KRX Futures orders be available over drop copy?

No, currently drop copy service is not available for KRX on Globex.

CONNECTIVITY

1) What is the KRX approval process to access the Globex site?

Customers are required to have a clearing relationship with KRX member firms. The Globex access mechanism needs to be approved by the KRX clearing firms and limited to the connection of USG participants.

2) What is the impact of existing KRX access with the introduction of USG access?

As USG is limited to the nighttime trading, there is no impact to existing access to the daytime market.

3) Do the current KRX member firms need to migrate from the existing KRX access to USG?

All KRX member firms need to migrate from existing KRX access to USG. As USG is limited to the nighttime trading, there is no impact to existing access to the daytime market.

4) Will KRX charge any fees for KRX USG application and connectivity?

As the USG is developed by the KRX and regarded as Member firm system through entrust engagement, it will impose limited amount of fees to its clearing members. Since USG is a member system owned by the KRX clearing members, customers who are interested in USG system will need to contact KRX clearing members.

REGISTRATION & CLEARING KOSPI 200 FUTURES

1) As a CME Group firm, how can my customers trade KRX Futures on Globex?

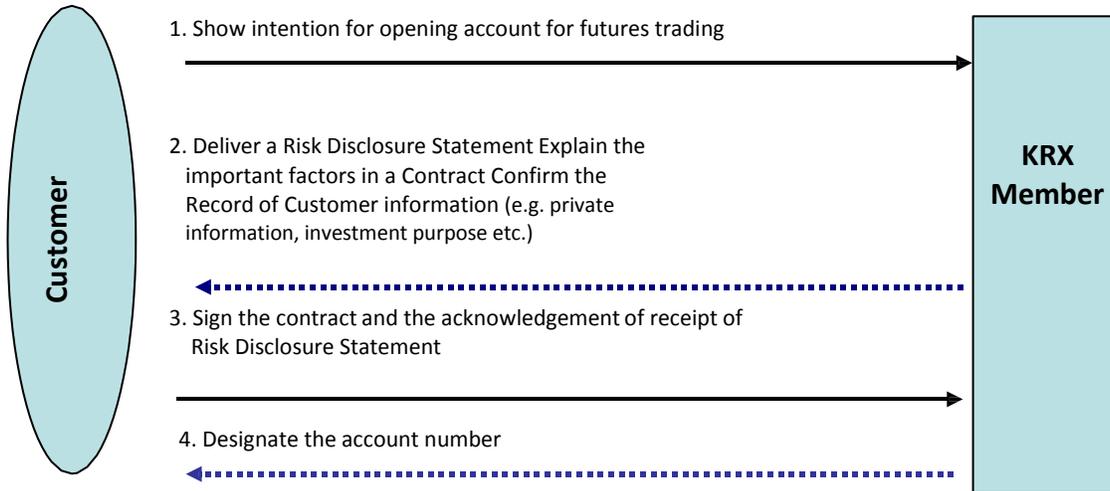
All customers must have an independent non-omnibus clearing account with a KRX clearing firm. Customers can use their existing direct relationship with KRX clearing firms. Alternatively, CME Group firms may direct customers to establish a relationship with a KRX clearing firm independently to obtain USG access. CME Group customers that would like to trade KRX products on Globex will need to do so through the USG component.

2) What are the steps for new customers to establish a clearing relationship with KRX member firms?

First of all, any investors who want to trade KRX products on Globex, need to contact their KRX clearing firm. They can open a trading and clearing account at the clearing firm. It is recommended that a foreign investor designate a custodian bank. The custodian bank helps to open the accounts with a KRX member firm and with a bank offering foreign exchange

services. On behalf of its customer, the custodian bank deposits and withdraws investors' money and overseas investors' assets. A foreign investor should also designate a bank for the purpose of exchanging foreign currency and transferring funds. Most banks that provide foreign exchange services are able to act as a custodian bank.

Below is a diagram illustrating customer account opening procedures.



3) What documentation can we provide to customers to guide them in the process of setting up the clearing relationship with KRX member firms?

Customers are required to contact one of the KRX member firms listed at http://eng.krx.co.kr/m9/m9_1/m9_1_8/m9_1_8_2/BHPENG09001_08_02.jsp (hyper link required)

4) How does margin and collateral product work with trading KRX products on Globex?

The customer margin rates would be applied to the trades of KRX on Globex. There is no change with the calculation method of margin from daytime market. The SPAN of CME is not applied. The COMS of KRX will be applied. If you have further questions, please visit its website at http://eng.krx.co.kr/m3/m3_7/m3_7_1/UHPENG03007_01.html (hyper link required)

5) What can customers use as collateral or variation payment?

They can use cash in Korean Won (KRW) or collaterals such as stocks, bonds and foreign currency including US dollar (USD). The variation payment should only be paid with cash in Korean Won (KRW).

If you have further questions, please visit its website at http://eng.krx.co.kr/m3/m3_7/m3_7_1/UHPENG03007_01.html (hyper link required)

6) How can customers find the KRX Clearing member firms info?

The KRX will post the contact information of each clearing firms by November 6, 2009.

If you have further questions, please visit its website at

http://eng.krx.co.kr/m9/m9_1/m9_1_8/m9_1_8_2/BHPENG09001_08_02.jsp (hyper link required) or contact krxops@krx.co.kr or gam@cmegroup.com

7) What are the fees to trade KRX Futures on Globex?

The rate of KRX trading and clearing fee for the nighttime trading may be slightly different from the daytime market and also subject to change. If you have further questions, please visit its website at <http://eng.krx.co.kr/>, or contact krxops@krx.co.kr or gam@cmegroup.com

8) How does KRX Futures on Globex settle each day?

As there is only one clearing and settlement session during whole day, KRX puts both the daytime trades and the nighttime trades of the previous day into one settlement process.

9) Can I use excess collateral posted at CME Clearing to satisfy requirements at KRX?

No, all collateral must be posted directly with KRX Clearinghouse.

10) Do existing customers need special accounts set up to trade KRX Futures?

No, there are no special accounts for the nighttime trading for KRX products listed overnight on Globex.

11) What is the non-omnibus structure as defined by the Korean regulations and at what level do these non-omnibus regulations apply?

Any investor who wants to trade KRX Futures should open an account at his/her own name. Only firms which have an intermediary license from the FSC such as securities companies or futures companies can open accounts for its customers. In this case, all accounts should be matched to their account holders.

12) Why omnibus account is not allowed in Korea?

The term "omnibus account" is not defined expressly in the law and regulations by Financial Services Commission (FSC). They, however, identifies the case when an account such as omnibus account in practice in other countries might be needed. In the current regulatory system, such case is when an entity acts as an intermediary between a customer and a broking futures company (futures commission merchant) for the customer. In that case the law, that is Capital Market Act, views that the acting as an intermediary is one of the financial investment business activity, and prescribes that such activity should be done by a financial investment company (securities company or futures company) that has acquired a financial investment business license. It implies that only a futures company can do any business activity related to



customers.

The FSC's regulations' prescription is more specific and more detailed. Regulation on Financial Investment Business of the FSC specifies that such case of a futures company's acting as an intermediary occurs when a non-exchange member

futures company takes customers' orders and delivers them to an exchange member futures company for executing them at the exchange. It prescribes that even in such case, the non-exchange member under its name should open each account for each customer with a sign which can distinguish the customers one from another.

In sum, the principle in handling customer accounts under the current regulatory system is that, (1) only a futures company is qualified to deal with customer accounts, and that (2) one account should correspond to each customer.

In order to allow omnibus accounts, revision in the Capital Market Law and Regulation on Financial Investment Business has to be made.

13) How do KRX member firms cover the margin deficit for foreign non-QII investors on pre-margining requirement?

Any non-QII customers including foreign investors are required to deposit the up-front margin. They can place their orders to the amount which is calculated by the up-front margin deposit. As the orders for the offsetting the current open interests are not checked by the pre-trade margin system, some margin deficit can be happened. In this case, the clearing firms will check this after daily Mark-to-market process and impose the margin call to this customer.

14) Does KRX allow give-up trades?

No, Give-up trades are not allowed with the KRX futures.

15) Do I need to complete any CME Globex schedules to trade KRX Futures via USG?

Generally, no additional schedules are needed.

FRONT END TRADING APPLICATIONS (ORDER AND MARKET ROUTING) & MARKET DATA

1) How can I view market data and current quotes for KRX Futures?

KRX Futures will be available through the KRX USG platform. For data vendors who would like to subscribe for the night time KOSPI 200 Futures and/or USD/KRW Futures, proper license agreements with KRX will be needed. If you have further questions, please contact your CME Global Account Manager or gam@cmegroup.com.

2) For non-QII customers, what they would have to do to get set up in USG for pre-trade credit checks and at what level those credit checks are?

KRX clearing firms are entirely responsible for setting the pre-margin credit at the individual account level.

4) What does KRX expects from their clearing firms' risk control?

The KRX clearing firms are expected to manage the same level of risk control from the daytime trading to the nighttime. The KRX suggests to its clearing firms designating nighttime staffs who support their customers' trading.

5) How does KRX communicate the night time trading changes, pre-trade credit control process and requirements to customers?

When customers need assistance, they are requested to contact their respective KRX clearing firms first.

6) How does KRX Credit Control work?

The KRX provides both pre-trade and post-trade risk managing tools to its clearing firms. As for the pre-trade tools, clearing firms impose up-front margin and position limit. They can also leverage Firmsoft and the assistance from the GCC for the purpose of pre-trade risk management.

8) What are the qualification details for QII, and non-QII (if any) and the application process?

In the CMA (Capital Market Act) and KRX Rules, there is only guideline about the QII. It is the sole discretion of KRX clearing firms to assign a QII statue to their customers, after the screening of their creditability. Therefore, all the process and assignment is relied on KRX clearing firms. KRX will facilitate the contact information of KRX clearing firm. It is expected that this release on website would be done soon.
(SEE ATTACHMENT 1)

9) What is the relationship between Investment Registration Certificate (IRC) and QII application?

In business practice, the clearing firm may require an IRC (Investment Registration Certificate) from the FSS (Financial Supervisory Services) to open a derivatives account. However, it is the sole discretion of KRX clearing firms to assign a QII status to their customers, after the screening of their creditability. For your reference, the IRC is required by FSS to open a stock or cash account; the IRC is optional for customers who want to open a derivatives account.

10) Does QII application require the IRC?

In business practice, the clearing firm may require an IRC (Investment Registration Certificate) from the FSS (Financial Supervisory Services) to open a derivatives account.

11) Is IRC the correct term for the access ID to trade KRX products? Will it be a requirement that each investor/trader accessing the nighttime market via Globex to have an individual IRC that is not shared?

In business practice, the clearing firm requires an IRC (Investment Registration Certificate) from the FSS (Financial Supervisory Services) to open an account. Generally, the IRC is not required to the sole the derivatives trading and is not directly used for the access ID.

12) Will there be any trading limits apply to QII or non-QII status in relation to omnibus or non-omnibus account?

The omnibus account is not allowed to the trades of KRX Futures on Globex. The existing position limits for KOSPI 200 Futures and USD/KRW Futures are available at http://eng.krx.co.kr/m3/m3_3/m3_3_1/m3_3_1_1/UHPENG03003_01_01.html (hyper line required) and http://eng.krx.co.kr/m3/m3_3/m3_3_4/m3_3_4_1/UHPENG03003_04_01.html (hyper line required), respectively. Currently, position limit is only applied to KOSPI 200 Futures and there is no position limit for USD/KRW Futures, which is subject to change on an as needed basis.

13) What are the KRX USG on-boarding procedures?

Customers contact one of KRX clearing firm and open a trading and clearing account at KRX clearing firm. In business practice, the clearing firm requires an IRC (Investment Registration Certificate) from the FSS (Financial Supervisory Services) to open an account. In this case, if they designate any Korean Bank (or some of Securities companies) as a standing proxy in Korea, it will help to issue the IRC and open an account at KRX clearing firm. A Korean bank is also needed to deposit foreign currency. It is needed to obtain public user certification from the SignKorea which is an independent third-party agency. After Customer downloads the USG program from the website of KRX clearing member firm, it installs the USG program and is ready to trade KRX futures on CME Globex.

14) How does KRX enforce position limit and margin limit?

The KRX clearing firms monitor and check the position limit and margin limit. These limits are not checked by the exchange matching engine.

15) Why KRX member firms cannot use their existing front-end to trade KOSPI 200 Futures on Globex during off hour?

For the time being, the USG will play a role of common member systems on behalf of all KRX clearing firms.

16) Can the KRX firms choose to use other risk management tools to perform the pre-trade margin credit control for trading Futures during the night hours?

As for the USG, which is a common member system of all KRX clearing firms, it is not possible to apply customized margin credit control.

MARKET ASSISTANCE & SUPPORT

1) What are the hours that I can trade KRX Futures over CME Globex?

The trading hours of the KRX Futures on Globex are from 18:00 – 05:00 (KST, GMT+9).

2) Are there any holidays in Korea or U.S. that will prevent me from trading KRX Futures?

KRX futures will not be available on CME Globex when CME Globex is closed, nor will it be available for trading on CME Globex on Korean holidays.

A list of CME holidays can be found at:

<http://www.cmegroup.com/tools-information/holiday-calendar/>

The KRX holidays can also found at:

http://www.krx.co.kr/m6/m6_2/m6_2_3/m6_2_3_5/JHPKOR06002_03_05.jsp (hyper link required)

3) How do I register users as contacts with the CME Group GCC?

Only KRX member firm will become GCC registered contacts as a member firm administrator. Member firms will need to fill out a CME Group Authorized Contacts Request Form to become contacts. The form is located at:

<http://cmegroup.com/connectionagreement>

4) How and why do I contact CME Group GCC?

The GCC (Global Command Center) can be reached at +1 800 438 8616 in the U.S., +44 800 898 013 in Europe or +65 6532 5010 in Asia from Sunday 14:00 Central Time (CT) to Friday 16:45 CT. The GCC can assist registered customers, member firm administrators in particular who are the only GCC registered contacts for the KRX market, with critical assistance (order status and cancellation, confirmation of executions,), market assistance (product specific questions such as scheduling, tick values, price limit) and technical assistance (connectivity issues, investigation of customer order latency reports, and questions regarding CME Group trading support tools).

5) What information do I need to know when I call the CME Group GCC?

Only GCC registered contacts can get GCC customer services by calling and the information you need to know when calling is as follows. CME Trader ID (sometimes referred to as User ID), nature of inquiry, trade order number (TON), account number, session ID, buy/sell, quantity, instrument, order entry platform.

For more information on these parameters, please go to:
<http://www.cmegroup.com/globex/resources>

6) How do customers register as contact at KRX Control Center to support its participants on trading systems, order status and cancellation, technical assistance, products and markets?

There is no public process for the end customers to designate them as registered contact in KRX as end clients are not able to access directly the KRX products on Globex. KRX Control Center supports on market data, market operation status, trading system and technical assistance and will escalate to member firms if member firms are appropriate for the issues, for example, login certification error. However, it does not service order status and order cancellation. Please contact your CME Global Account Manager or gam@cmegroup.com for further assistance.

7) How do customers contact KRX Control Center?

When customers need assistance, they are requested to contact their respective KRX clearing firm first. The KRX operates its Control Center for the technical assistance of the USG to its clearing firms.

8) How does KRX coordinate the activities with CME Global Command Center in terms of market operation?

KRX co-works with GCC with market operation and customer support. KRX counterpart on the market operation can be reached at krxops@krx.co.kr.

9) How will customers trading KRX Futures on Globex be notified of market events?

KRX informs the market, through notices, about market events and changes in trading hours to its customers through customer's HTS and its website at <http://eng.krx.co.kr>

10) Can I use CME Group FirmSoft to status/cancel my KRX Futures orders and trades?

Only KRX member firm administrators who are the only GCC registered contacts for the KRX market can use Firmsoft to status/cancel orders traded via USG.

11) How does KRX handle the open interest after receiving the data from CME and how they communicate that open interest info to the customers?



KRX informs market data including open interests to its customers through its website at http://eng.krx.co.kr/m3/m3_4/m3_4_8/JHPENG03004_08.jsp, (hyper link required) USG front-end application and market information vendors.

12) Will KRX provide any monitoring interface and settlement access to firms during night-time trading?

The KRX provides execution messages both real-time and batch base to the member system

13) During the nighttime market, will firms be able to choose either (1) operate Powerbase overnight to receive execution messages in the same way they receive them during the day, or (2) allow execution messages to build in a queue overnight and then process them all in the morning?

The KRX provides execution messages both real-time and batch base to the KRX member systems during night hours. Currently, the USG solution does not support the Powerbase which was developed and maintained by KOSCOM during the regular day trading session on behalf of KRX clearing members. If you have further questions about KOSCOM and its PowerBase, please visit its website at <http://english.koscom.co.kr/index.jsp>

14) How does daylight savings time affect trading KRX Futures on Globex?

Daylight savings may impact trading in two different ways. It changes the time difference between Chicago and Seoul. For example, during winter (Northern Hemisphere) the time difference will be fourteen hours and during the summer (Northern Hemisphere) the time difference will be fifteen hours.

(Attachment 1) Rules and Regulations about the QII

Enforcement Rules of the Derivatives market Business Regulation

§132. Scope of Qualified Institutional Investors

The “institutional investors stipulated in the Enforcement Rules” noted in [§133(1)] of the Regulation shall refer to the institutional investor corresponding to any of the following items:

1. Professional investors pursuant to [§9(5)1-3] of the Act (excluding investment advisory business entities pursuant to [8(5)] of the Act);
2. Professional investors pursuant to [§10(3)] (excluding §10(3)5 through 8, 15 through 17, 18d);
3. Overseas corporations or organizations, which have equivalent status as those specified in Items 2.

CAPITAL MARKET AND FINANCIAL INVESTMENT BUSINESS ACT

Article 9 (Other Definitions)

(5) The term “professional investor” in this Act means an investor who has an ability to take risks accompanying the investment in light of the expertise that it possesses in connection with financial investment instruments, the scale of assets owned by it, etc., and who falls under any of the following subparagraphs: Provided, That a financial investment business entity shall give consent to a professional investor when the investor notifies the financial investment business entity in writing of its willingness to be treated as an ordinary investor, unless there is a justifiable ground otherwise, and such investor shall be treated as an ordinary investor when the financial investment business entity gives such consent:

1. State;
2. The Bank of Korea;
3. Financial institutions specified by Presidential Decree;
4. Stock-listed corporations; and
5. Other persons specified by Presidential Decree.

The Enforcement Decree of the Financial Investment Services and Capital Market Act

Article 10 (Scope of Professional Investor)

(1) The term “professional investor designated by the Presidential Decree” under the provision of Article 9 (5) of the Act other than each subparagraph shall mean a professional investor who does not fall under any of the following subparagraphs:

1. Government;
 2. The Bank of Korea;
 3. Any person falling under subparagraphs 1 through 17 of paragraph (2);
 4. Any person falling under subparagraphs 1 through 11 of paragraph (3);
 5. Any person falling under items (a) through (c) of subparagraph 18 of paragraph (3); or
 6. Any foreigner equivalent to those under subparagraphs 3 and 4;
- (2) The term “financial institutions designated by the Presidential Decree” under Article 9 (5) 3 of the Act shall mean a financial institution falling under each of the following subparagraphs:
1. Financial institutions under the Banking Act;
 2. The Korea Development Bank under the Korea Development Bank Act;
 3. The Industrial Bank of Korea under the Industrial Bank of Korea Act;
 4. The Export-Import Bank of Korea under the Export-Import Bank of Korea Act;
 5. The National Agricultural Cooperative Federation under the Agricultural Cooperatives Act;

6. The National Federation of Fisheries Cooperatives under the Fisheries Cooperatives Act;
 7. Insurance companies (hereinafter referred to as "insurance company") under the Insurance Business Act;
 8. Financial investment firms [excluding integrated financial investment firms (hereinafter referred to as "integrated financial investment firm") under Article 22 of the Act];
 9. Securities finance companies that obtain an authorization (hereinafter referred to as "securities finance company") in accordance with Article 324 (1) of the Act;
 10. Merchant banks;
 11. Fund brokerage companies that obtain an authorization (hereinafter referred to as "fund brokerage company") in accordance with Article 355 (1) of the Act;
 12. Financial holding companies under the Financial Holding Companies Act;
 13. Specialized financial business companies under the Specialized Financial Business Act;
 14. Mutual savings banks and the National Federation thereof under the Mutual Savings Banks Act;
 15. The National Forestry Cooperatives Federation under the Forestry Cooperatives Act;
 16. The National Community Credit Federation under the Community Credit Cooperatives Act;
 17. The National Credit Union Federation of Korea under the Credit Union Cooperatives Act; and
 18. Foreign financial institutions equivalent to the institutions under subparagraphs 1 through 17.
- (3) The term "others prescribed by the Presidential Decree" under Article 9 (5) 5 of the Act shall mean a person falling under each of the following subparagraphs;
1. The Korea Deposit Insurance Corporation and financial resolution institutions under the Depositor Protection Act;
 2. The Korea Asset Management Corporation under the Act on the Efficient Disposal of Non-performing Assets, etc. of Financial Institutions and the Establishment of Korea Asset Management Corporation;
 3. The Korea Housing Finance Corporation under the Korea Housing Finance Corporation Act;
 4. The Korea Investment Corporation under the Korea Investment Corporation Act;
 5. The Association;
 6. The Korea Securities Depository (hereinafter referred to as "the Depository") established in accordance with Article 294 of the Act;
The Enforcement Decree of the Financial Investment Services and Capital Market Act
 7. The Exchange (hereinafter referred to as "the Exchange") established in accordance with Article 373 of the Act;
 8. The Financial Supervisory Service (hereinafter referred to as "the Financial Supervisory Service") under the Act on the Establishment, etc. of Financial Services Commission;
 9. Collective investment schemes (excluding those prescribed and publicized by the Financial Services Commission);
 10. Credit guarantee funds under the Credit Guarantee Fund Act;
 11. Korea technology credit guarantee funds under the Korea Technology Credit Guarantee Fund Act;
 12. Funds established in accordance with the Acts (excluding those under subparagraphs 10 and 11); and corporations operating and managing the funds;
 13. Corporations carrying on mutual aid projects in accordance with the Acts;
 14. Municipal governments;
 15. Local corporations issuing stock certificates listed on foreign securities markets;
 16. Corporations or groups (excluding foreign corporations or foreign groups) meeting all the requirements falling under each of the following items:
 - (a) Filing with the Financial Services Commission relevant materials to prove fulfillment of the requirements under item (b);
 - (b) Maintaining not less than ten billion won in their balance of financial investment products on the date preceding the day when the relevant materials are filed; and
 - (c) Two years having yet to pass from the date on which the relevant materials are filed;
 17. Individuals (excluding foreigners who are individuals) meeting all the requirements falling under each of the following items:

- (a) Filing with the Financial Services Commission relevant materials to prove fulfillment of all the requirements under items (b) and (c);
 - (b) Maintaining not less than five billion won in their balance of financial investment products on the date preceding the day when the relevant materials are filed;
 - (c) One year having passed from the date on which the accounts of a financial investment firm is opened; and
 - (d) Two years having yet to pass from the date on which the relevant materials are filed; and
18. Foreigners falling under any of the following items:
- (a) Foreign governments;
 - (b) International organizations established in accordance with treaties;
 - (c) Central banks of foreign countries; or
 - (d) Foreigners equivalent to those under subparagraphs 1 through 17.