

Korean Capital Market: Policy Shifts and Market Outlook

KOFIA

September 2025

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Introduction to KOFIA

Organizational Background

Trade association & SRO established in February 2009 through merger of three associations:

- Korea Securities Dealers Association (est. 1953)
- Asset Management Association of Korea (est. 1996)
- Korea Futures Association (est. 1996)

Membership: 580 financial institutions including 60 securities firms, 322 asset managers, 14 real estate trust firms, and 3 futures firms, as of now

KOFIA's Key Roles

1

Policy Advocacy & Industry Support

- Government and parliament engagement on financial reforms
- IB business restructuring and PF reform initiatives
- Streamlined foreign investor access (LEI, omnibus accounts)
- Promoted regulatory upgrades in asset management (e.g. mutual funds, PE, VC)

2

Global Engagement

- New Portfolio Korea (NPK) for overseas institution connections
- Representation in ICSA, ASF, IIFA
- Global networking via embassy outreach

3

Market Operation

- K-OTC platform for unlisted stock trading
- K-Bond OTC trading system management

4

Self-Regulation

- Sole SRO in Korean capital market
- Compliance and ethical standards oversight
- Self-Regulation Committee operation for rule-making and enforcement

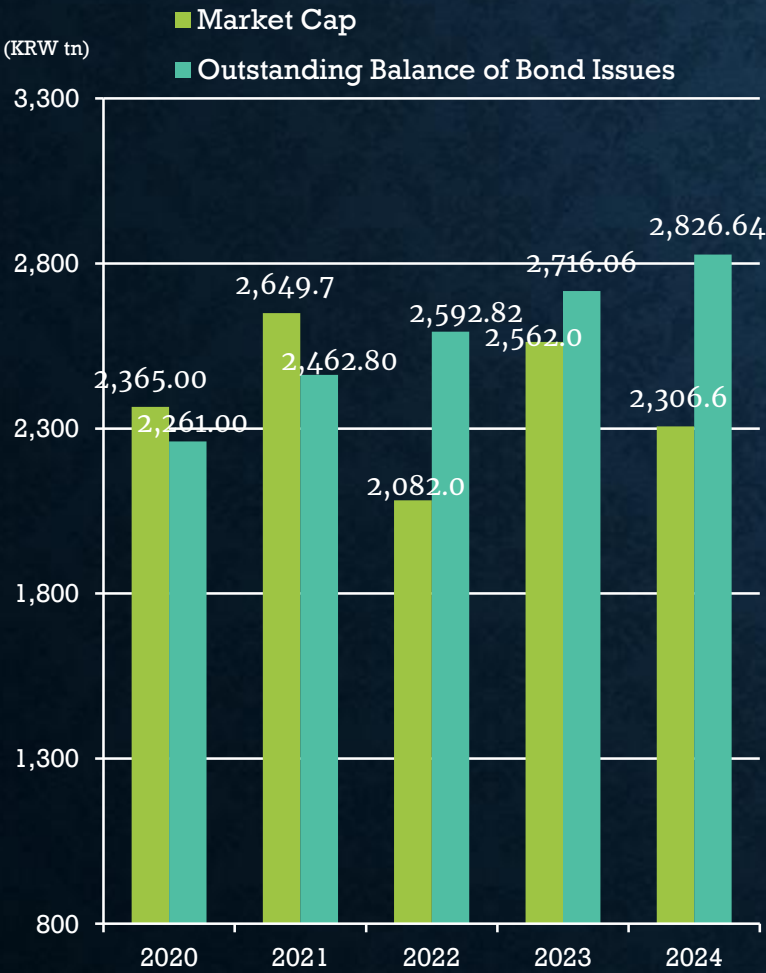
Korea's Capital Market Overview

The Korean capital market continues to demonstrate robust growth across multiple sectors:

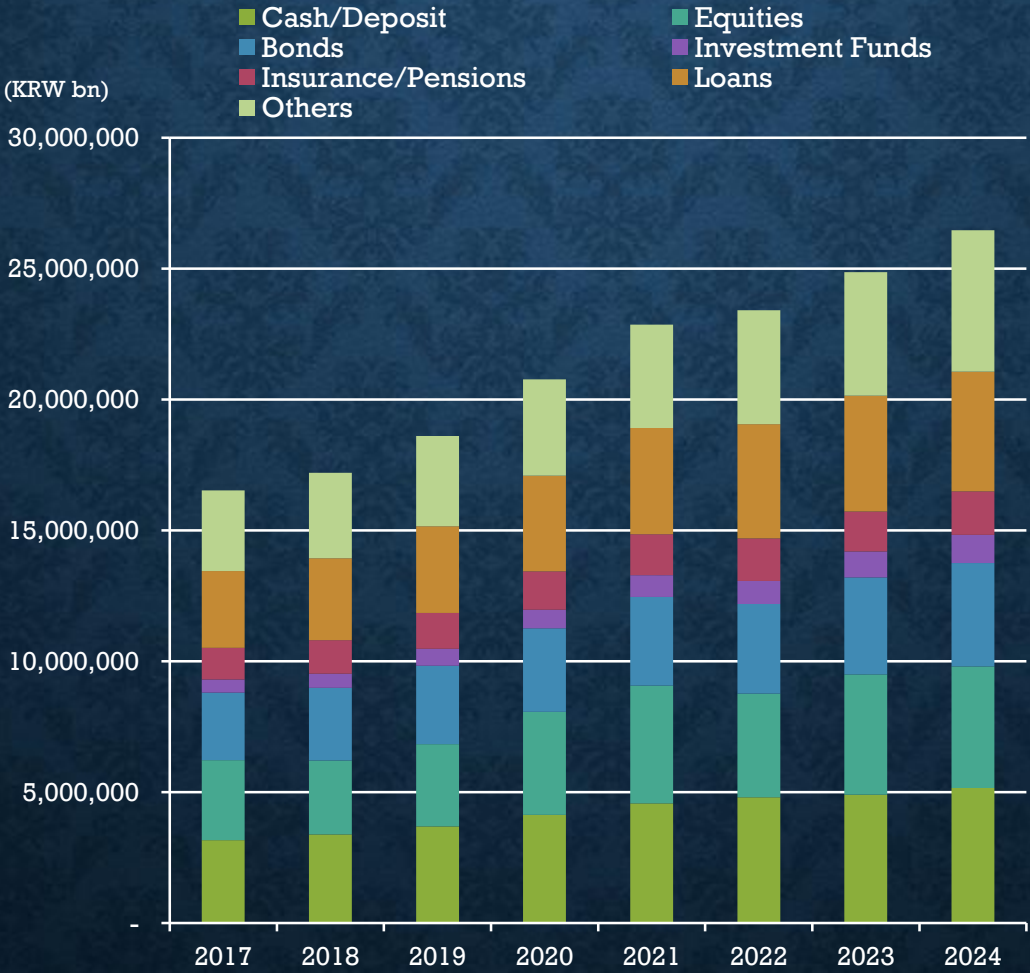
- Expanding financial asset volume
- Increasing corporate financing via capital markets
- Growing foreign investment in both stock and bond markets
- Rising exchange trading volumes across various bond types

Equity Market (as of end 2024)

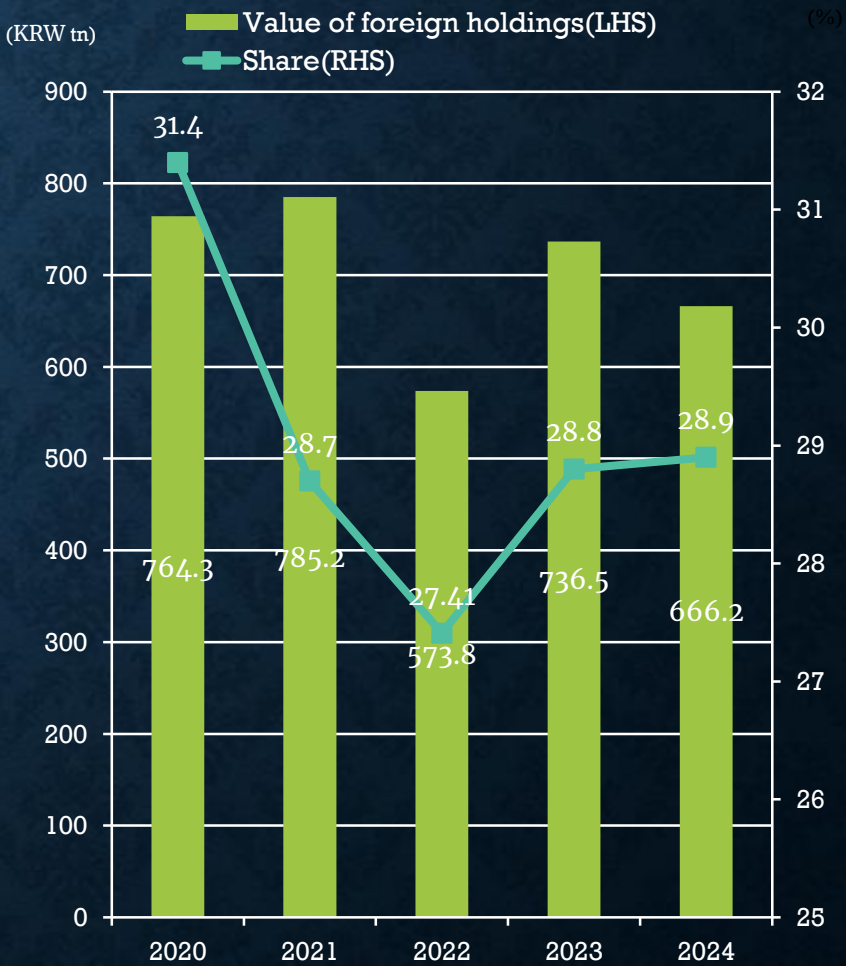
Size of the Capital Market



Annual Financial Asset Volume



Foreign Investment Trend

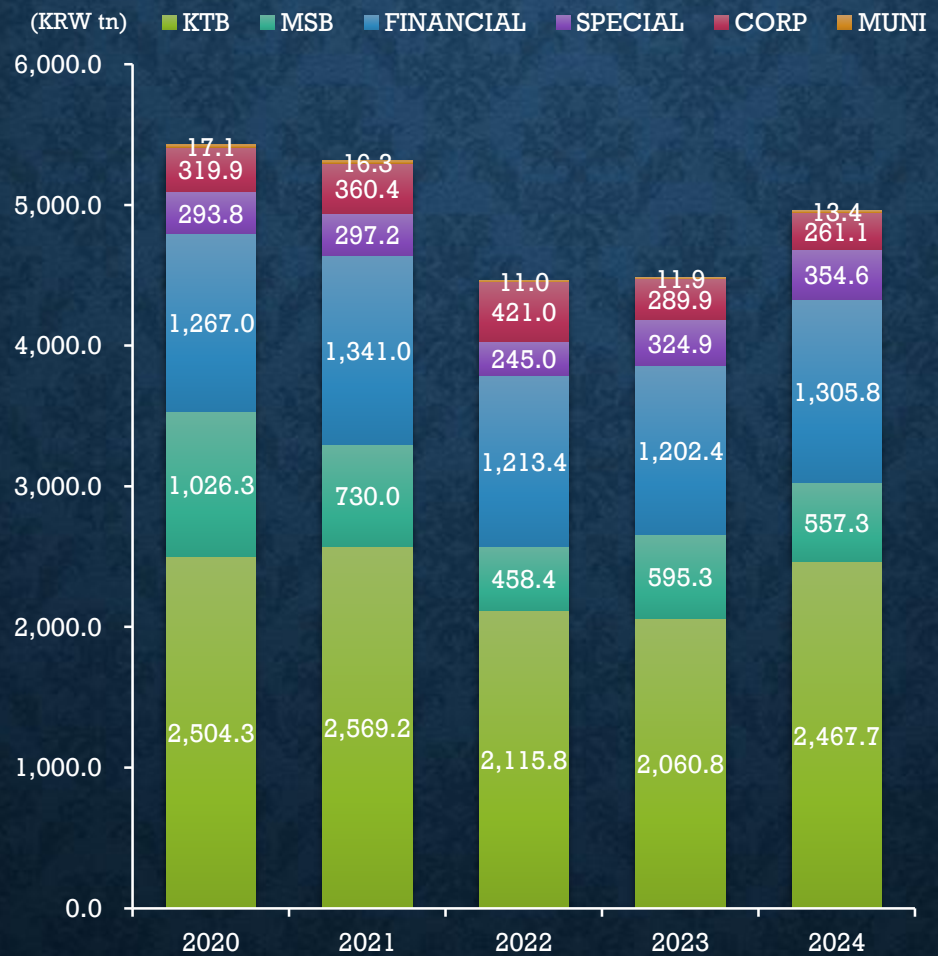


Bond market (as of end 2024)

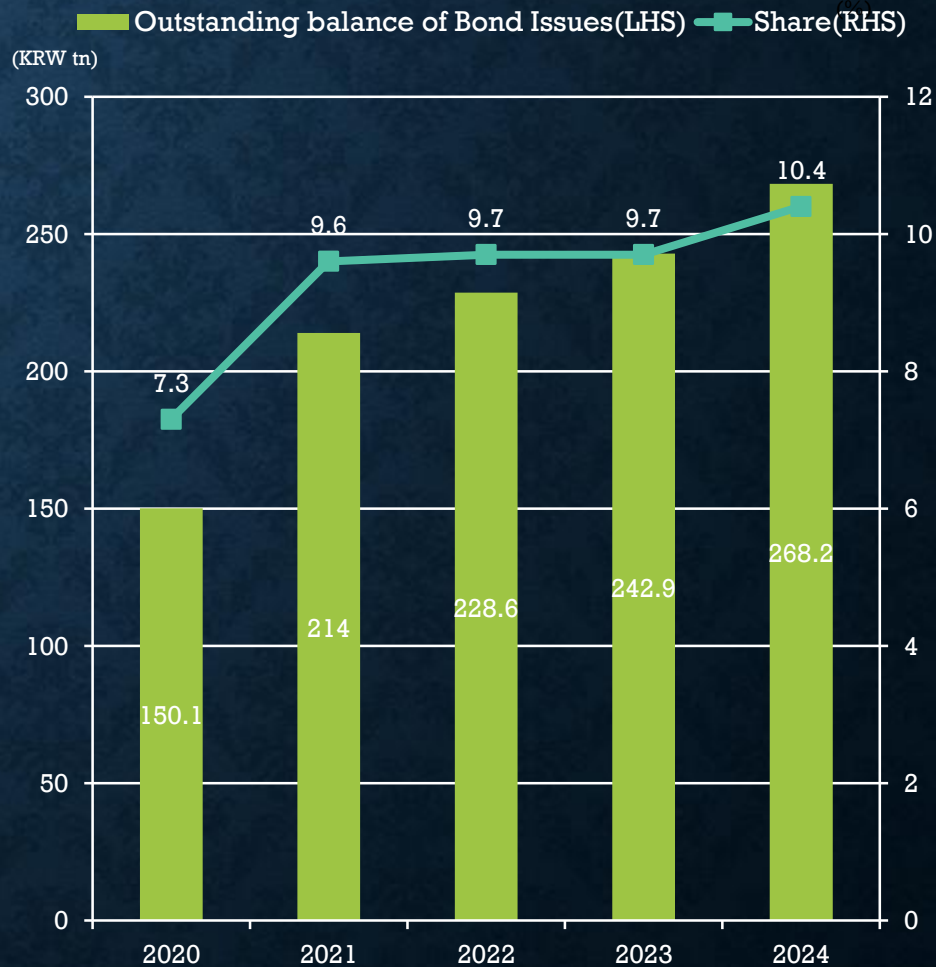
Annual OTC and Exchange Trading Volume



Annual OTC Trading Volume (notional) by Bond Type



Foreign Investment Trend



Key Issues – New Administration Reforms



Fair-Market & Innovative Finance

Government agenda focusing on market fairness and financial innovation



Commercial Act Amendments

Expanded director responsibilities and enhanced minority shareholder protection



Digital Asset Regulation

STO legislation discussions and spot Bitcoin ETF consideration



Tax reform under discussion

Ongoing discussions on separate taxation of dividend income and the criteria for major shareholder capital gains tax



Asset-Building Initiatives

ISA promotion and BDC introduction to strengthen national asset-building

Market Developments

(as of mid-August, 2025)

3,190	\$3B	2.8%	₩ 40T
KOSPI Points	Foreign Net Inflow	10-Year Bond Yield	ISA Balance
YTD growth of +33.2%	Increasing international investment	With expectations for additional rate cuts	With BDC framework newly introduced

Key Takeaways & Outlook

- Reforms boost market confidence, governance, and investment appeal
- Foreign inflows recovering with continued governance momentum
- Remote risk management remains essential
- H2 2025 outlook: sustained momentum with cautious optimism

Thank You

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