

## Notice on Placing CFD-related Orders

This is to notify you of an amendment of the KRX Business Regulation to enhance transparency of the trading activities related to the Contract for Difference<sup>1</sup> (“CFD”) offered by Korean licensed broker-dealers (“**Korean CFD**”).

Under the amended KRX Business Regulation, Citigroup Global Markets Korea Securities Limited, as a member of KRX, is required to tag additional information to the orders upon submission for execution including, but not limited to: (i) whether the order is related to a Korean CFD; and (ii) information relating to the classification of the end investor if the order is indeed Korean CFD-related (the “**Requirement**”).

In order for us to comply with the Requirement, we require you to notify us in writing (x) if any of your order to trade Korea securities or derivatives relating to Korea securities<sup>2</sup> is related to a Korean CFD and if so, (y) information relating to the classification of the end investor of such Korean CFD-related order.

For this purpose, your order is considered as “Korean CFD-related” if it is used to hedge Korean CFD either directly or indirectly, and in making this determination, you shall look through your trade beyond your direct contractual counterparty to the extent possible. For example, your order is considered as Korean CFD-related if (x) your direct counterparty enters into a Korean CFD; or (y) your direct counterparty is providing back-to-back hedging for another party who enters into a Korean CFD and, in either case of (x) and (y), you are providing back-to-back hedging for your direct counterparty. In case your order is indirectly related to a Korean CFD, you shall provide the above-mentioned information to the best of your knowledge.

Please note that unless and until you notify us in writing that your order is Korean CFD-related and provide the relevant information, we will not treat your order as Korean CFD-related for the purpose of the Requirement. If you become aware that your order may be Korea CFD-related, please discuss the requirements in advance with your Citi sales coverage to set up for the enhanced tagging in order to comply with the Requirement.

Further detailed information of this new requirement can be found in the amended KRX regulations which are available on the KRX website<sup>3</sup>.

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<sup>1</sup> CFD (Contract for Difference) means an OTC derivatives transaction which meets all of below requirements (Regulations on Financial Investment Business Article 5-49-2)

- (1) An agreement to exchange money, etc. computed on the basis of the underlying asset, the price of the underlying asset, interest rate, an indicator, a unit, or an index based on any of the aforesaid factors during a certain period in the future at a predetermined price;
- (2) Which is cash settled for the difference of the price determined at the time of execution and the price to liquidate position determined under the agreement linked to the price change of the underlier e.g. stock, index, currency (including foreign currency), commodity, etc.;
- (3) Linked to a certain scale factor of a price change of the underlier (including a negative scale factor); and
- (4) The counterparty is a professional investor under Article 10 paragraph (3) item 16 or 17 of the Enforcement Decree of Financial Investment Services and Capital Markets Act

<sup>2</sup> For the avoidance of doubt, it includes derivatives referencing an index with Korea security components.

<sup>3</sup> KRX Website: <https://global.krx.co.kr/contents/GLB/06/0601/0601000000/GLB0601000000.jsp>

Enforcement Rules of KOSPI Market Business Regulation Article 12, 14, 104 and Article 108

Enforcement Rules of KOSDAQ Market Business Regulation Article 7, 38 and 40