

Voting Support Service "voSS"

21st ACG Cross-Training Seminar

March. 6. 2019, Woo-Kyung Ha



KSD  Korea Securities
Depository

 FundNet



Adopting **Stewardship Code**



- NPS** (National Pension Service)
- Top institutional investor
 - The world's 3rd largest
 - \$560 billion in asset
 - Holds 5%a ↑ stakes(297local firms)



The NPS has taken active step **toward applying the code** to raise expectation of **enhanced rights for shareholders**

Abolition of **Mirror Voting** (Shadow Voting)

- Abolish in 2015.1
- Exceptional delay bill-2017.12

Shareholder's rights



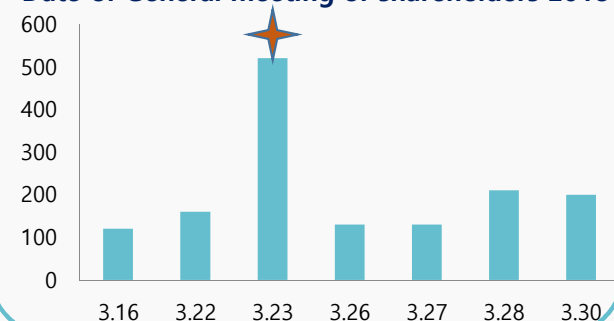
Opening of **K-eVote & VoSS**



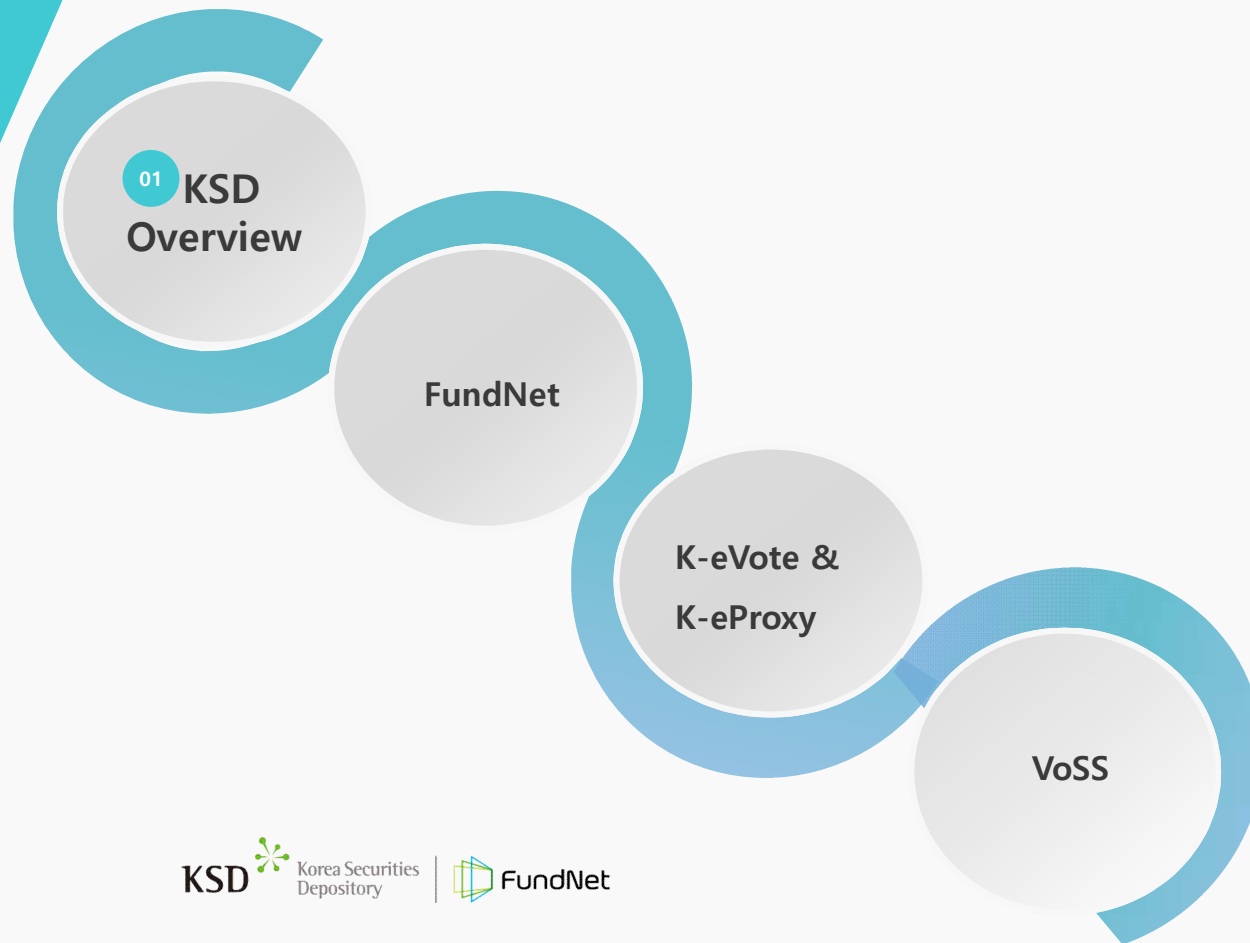
General meeting of shareholders "**Super Day**"?

- A number of listed companies holding shareholders' meetings **on the same day!!**
- **Shareholders' meeting on the same day** (2014)
 - o Korea - 73%
 - o USA -10.3%
 - o British - 6.4%

Date of General meeting of shareholders 2018



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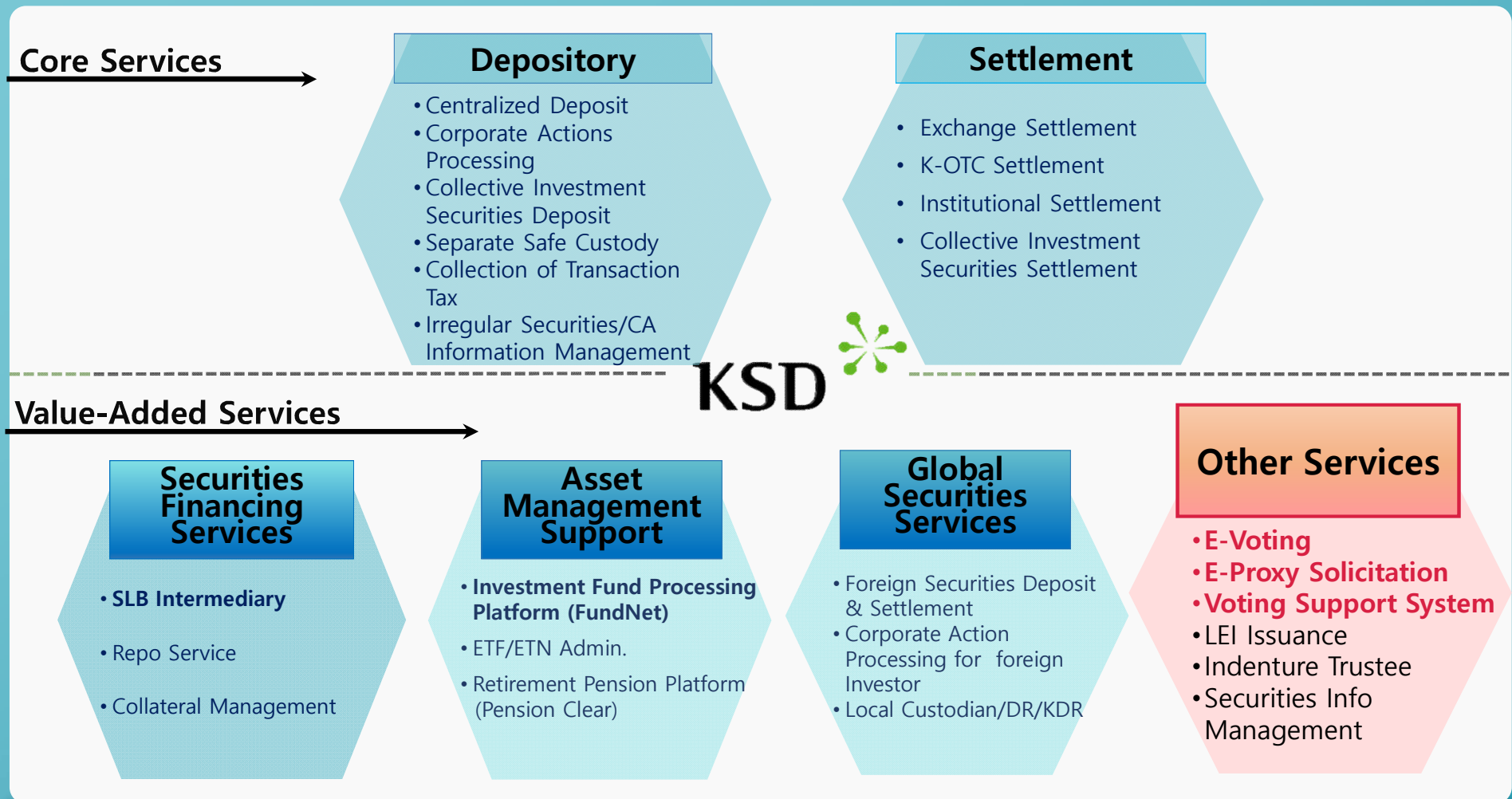
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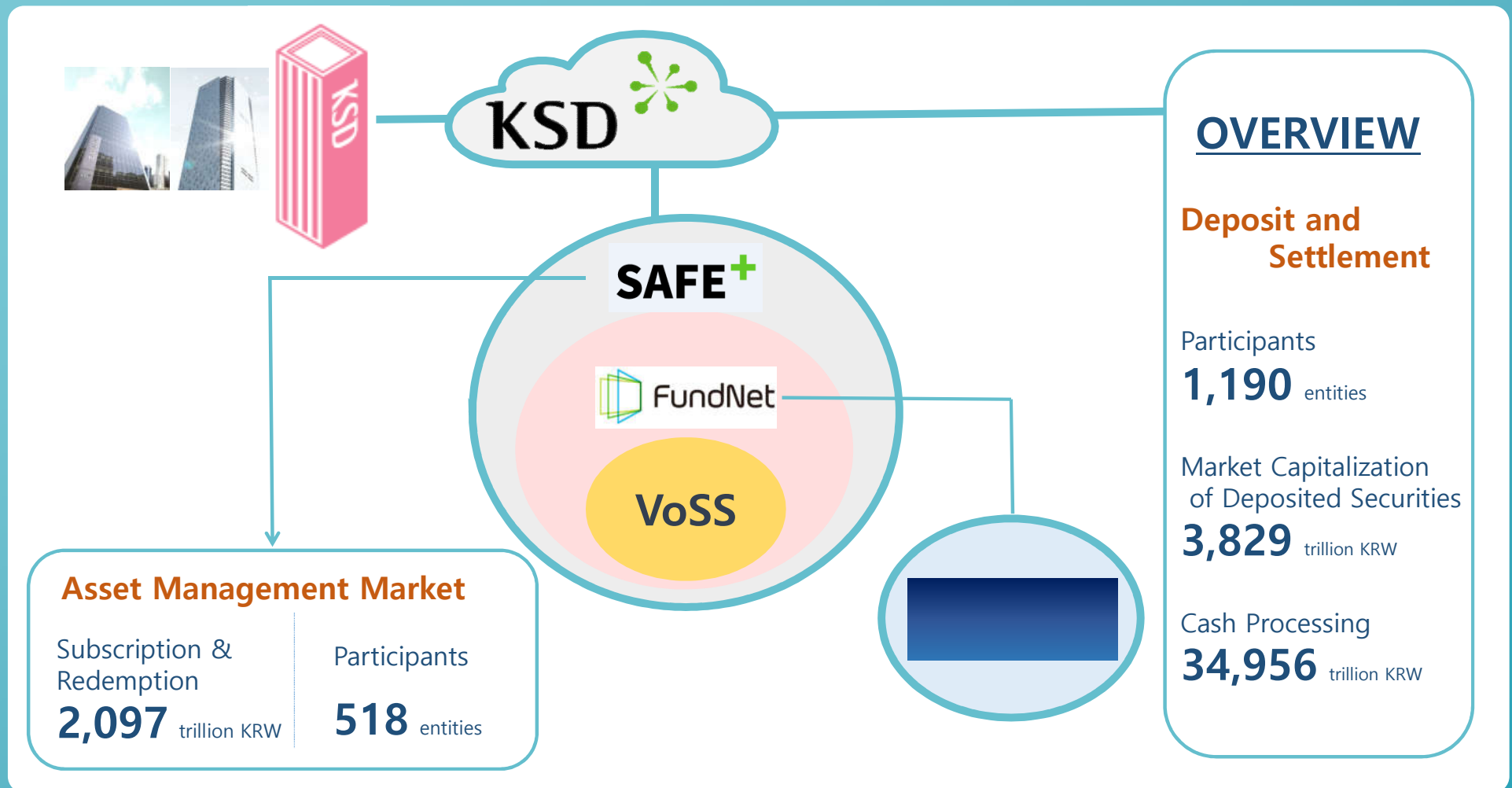
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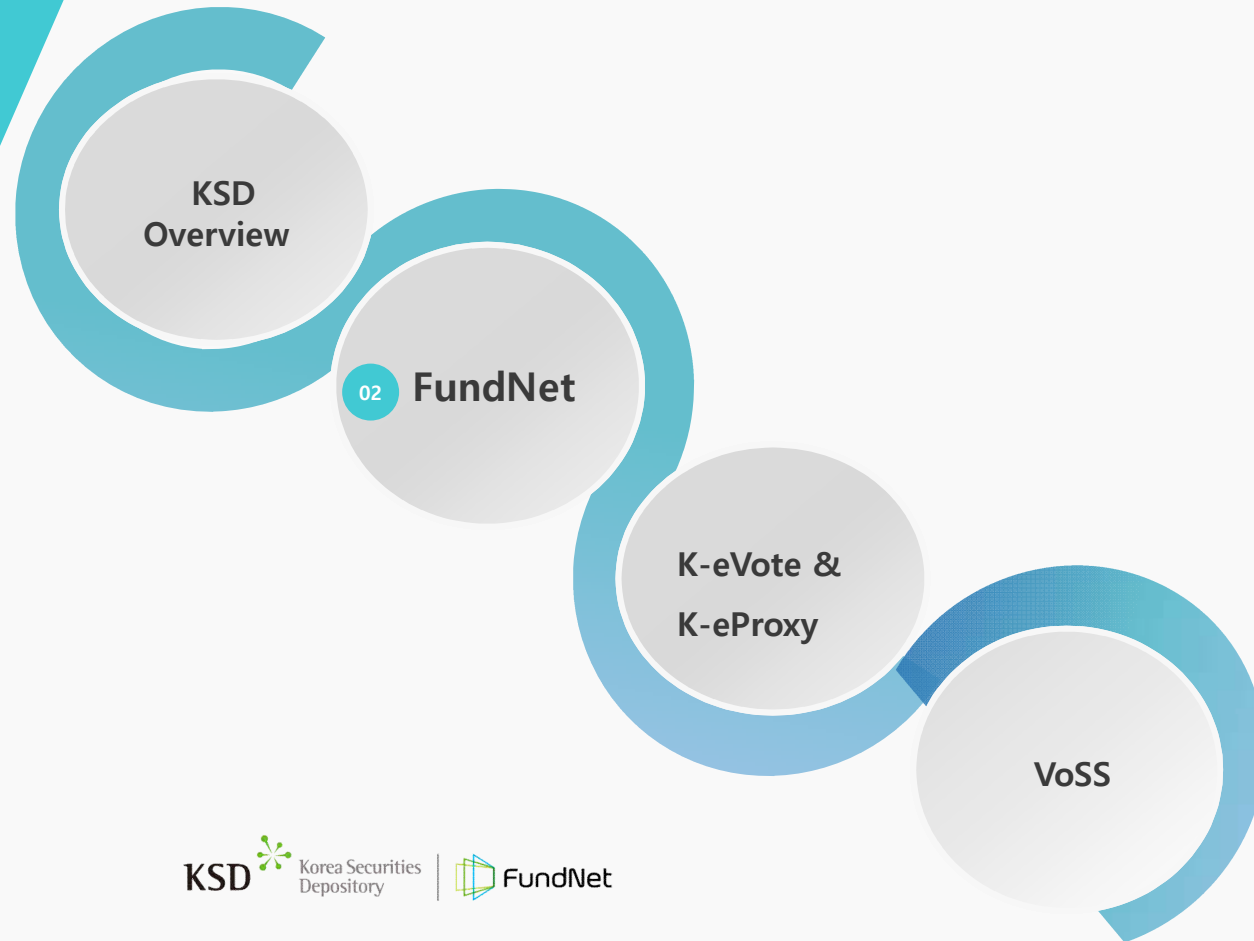
KSD Overview : KSD Profile & Service Structure



KSD Overview : KSD Profile & Service Structure



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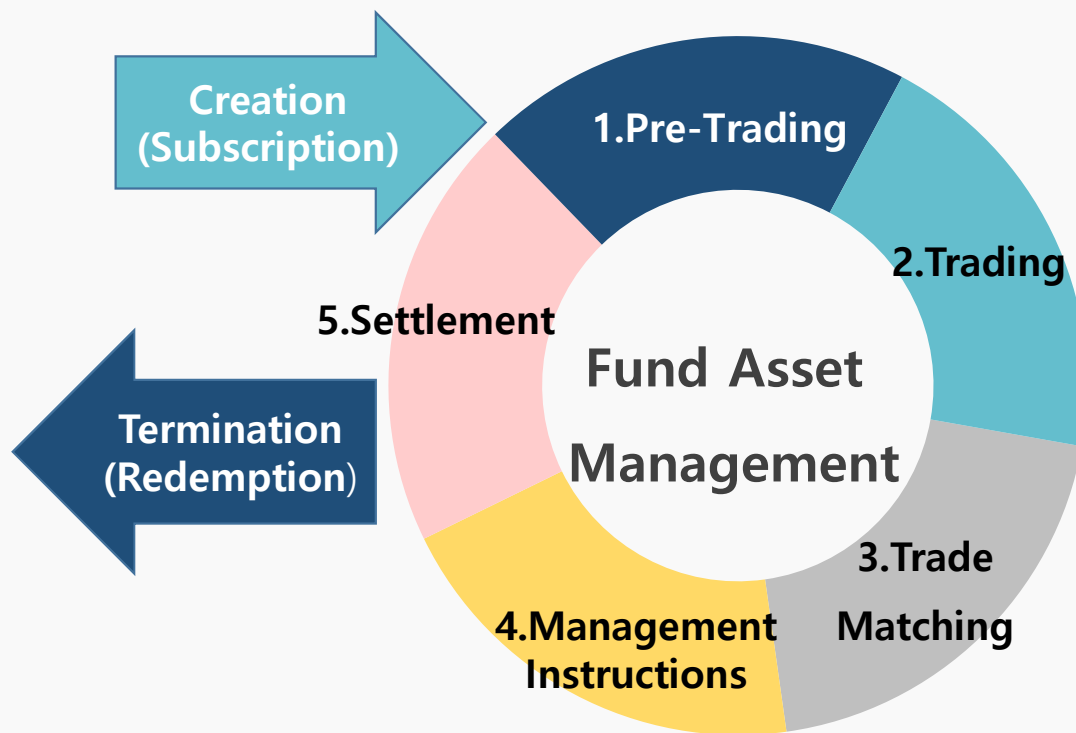


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Fundnet : Fund Life Cycle and FundNet Scope

- FundNet is an asset management industry platform providing automated processing of all fund operations via standard messaging among market participants

"FundNet is a one-stop gate to service supporting the entire life cycle of Funds"

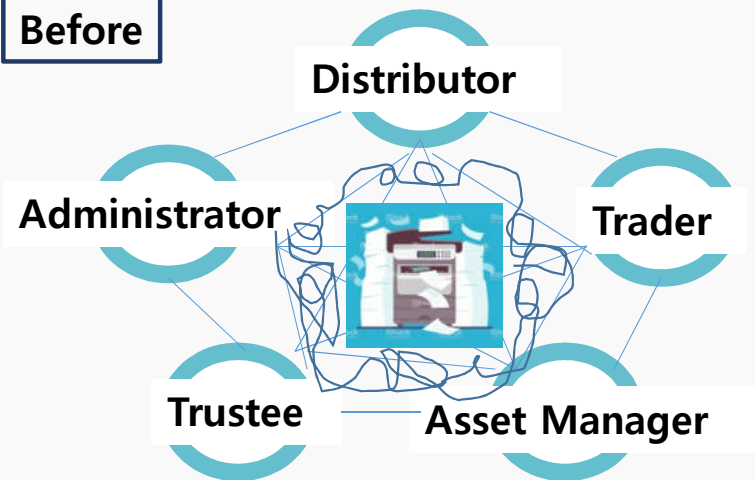


A fund is created (subscription) by the investors' decision, grows through the trading and settlement of its assets by the asset manager, and is finally terminated (redemption) depending on its objectives

KSD's FundNet supports all back-office processes in the entire life cycle of funds through a single platform

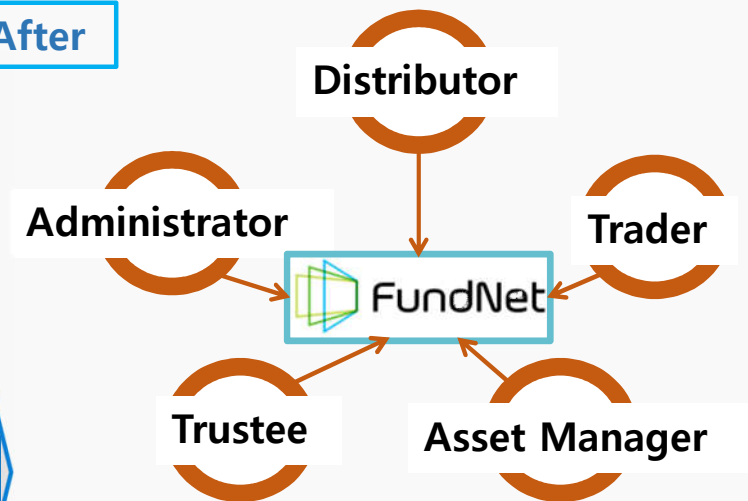
FundNet : Before and After FundNet

Before



- Low Reliability
- High Operational Risk
- Low Transparency
- High Cost, Low Efficiency

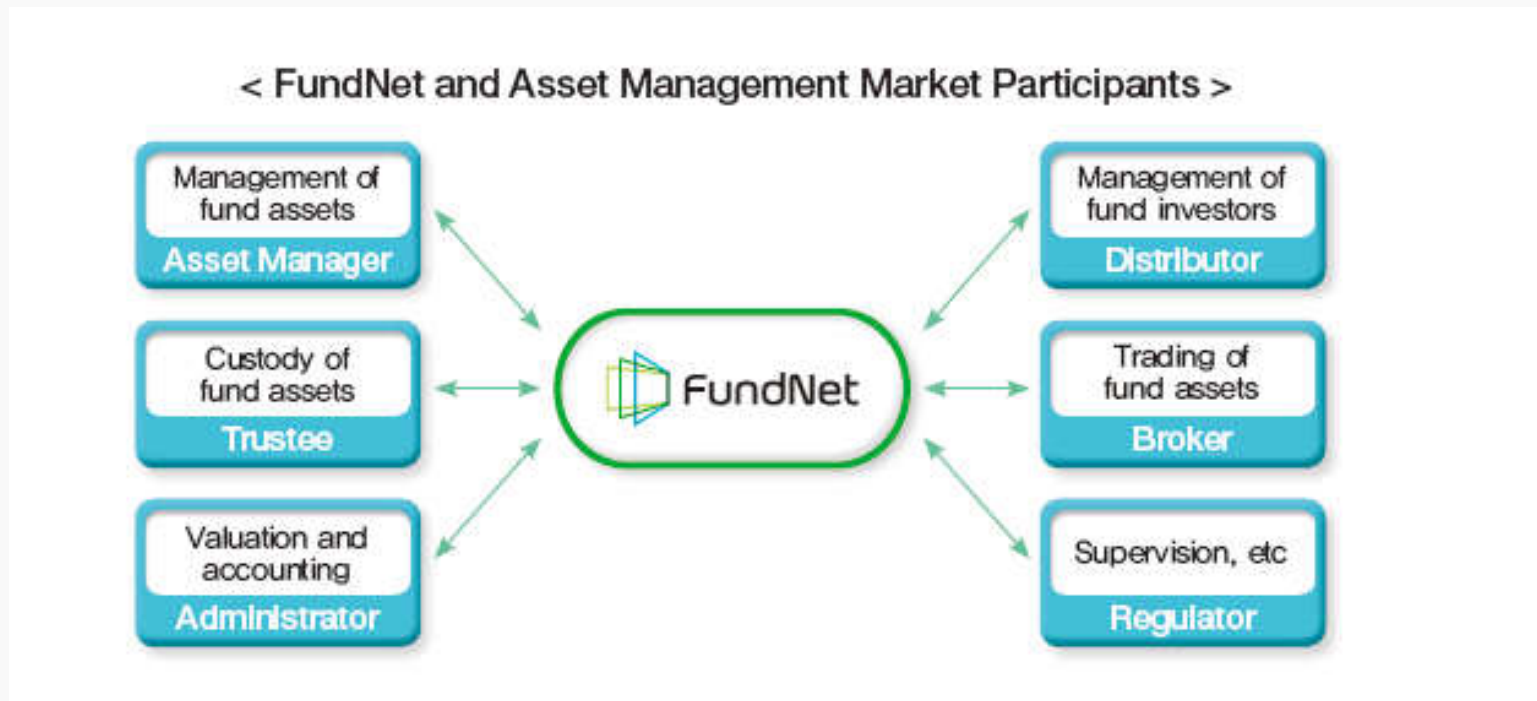
After



- High Reliability
- Low Operational Risk
- High Transparency
- Low Cost, High Efficiency

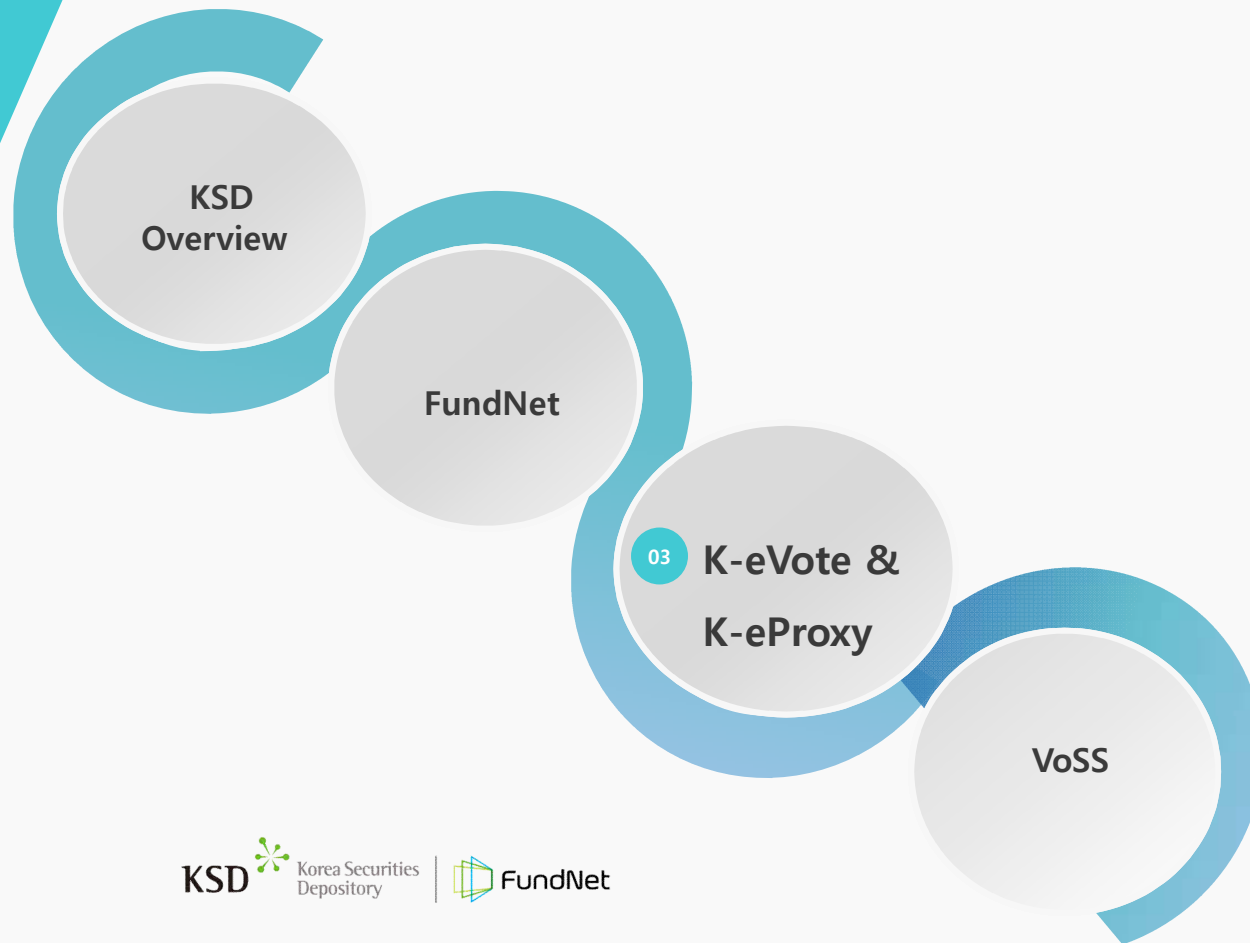
FundNet : Asset Management Market Participants

"FundNet connects all asset management market participants"



As a central hub linking these fund market players, FundNet facilitates smooth communication among participants.

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K-eVoting and K-eProxy

- **K-eVoting**

Shareholders exercise voting rights online without attending the general meeting of shareholders

Voting by Electronic Means (Commercial Act : Article 368-4)

A company may determine that a shareholder may exercise an **absentee vote by electronic means**, through a **resolution of the board of directors**

- **K-eProxy**

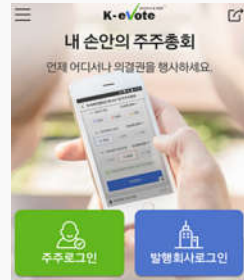
Shareholders can grant proxies online to proxy solicitors

Method of Delivering Proxy Forms(Enforcement of Capital Market Act : Article 160)

Making use of website



K-eVoting and K-eProxy : History



'17.12 Opening of mobile K-eVoting



'15.1 Opening of K-eProxy
'15.1 Abolition of Shadow Voting

'14.10-12 Development of K-eProxy System

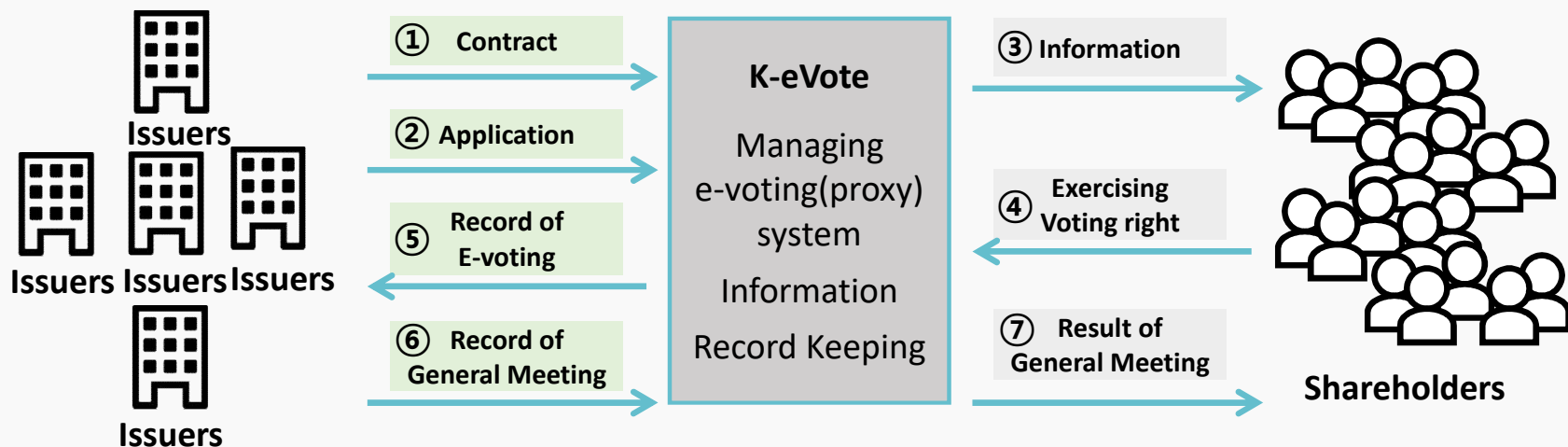


'10.8 Opening of K-eVote



'10.1-7 Development of K-evoting System

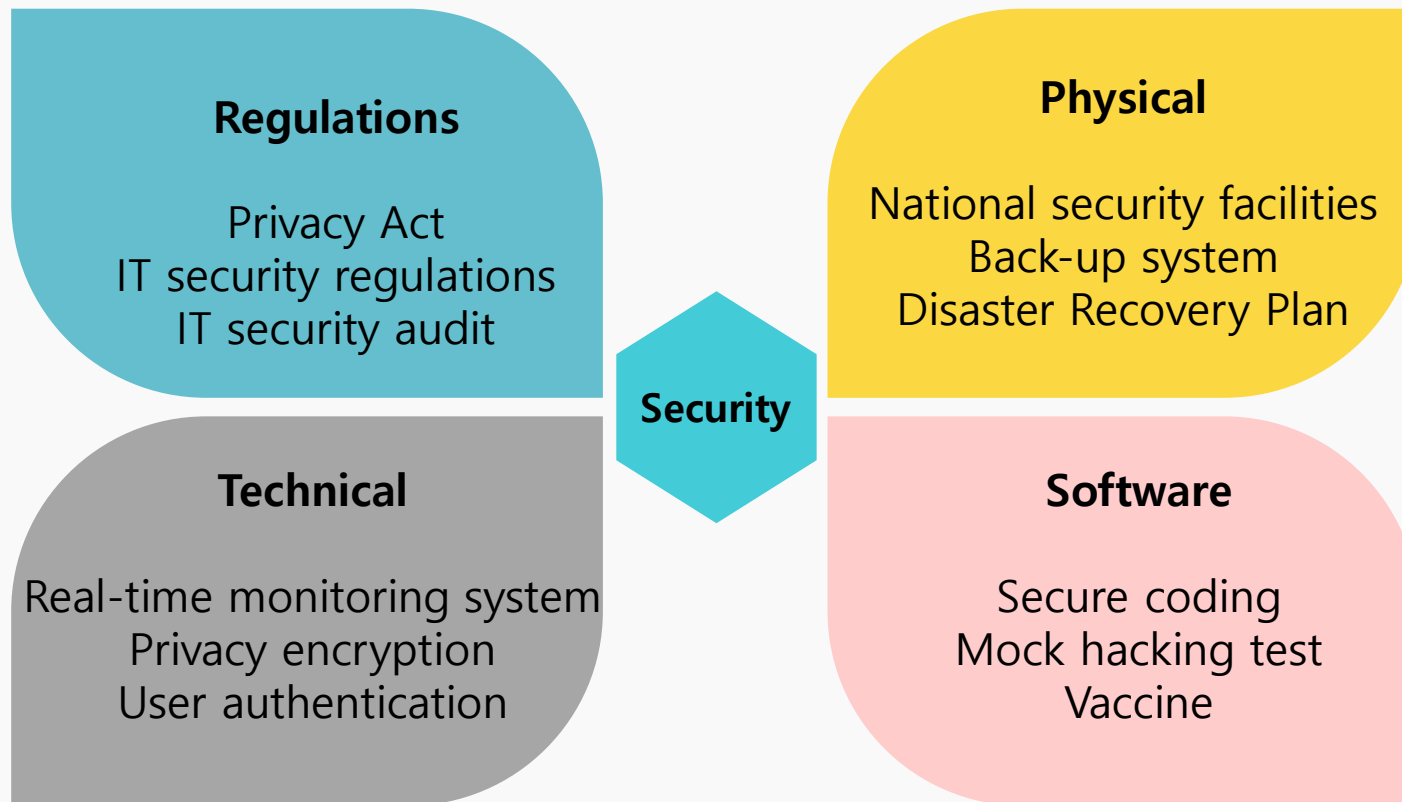
e-Voting & e-Proxy



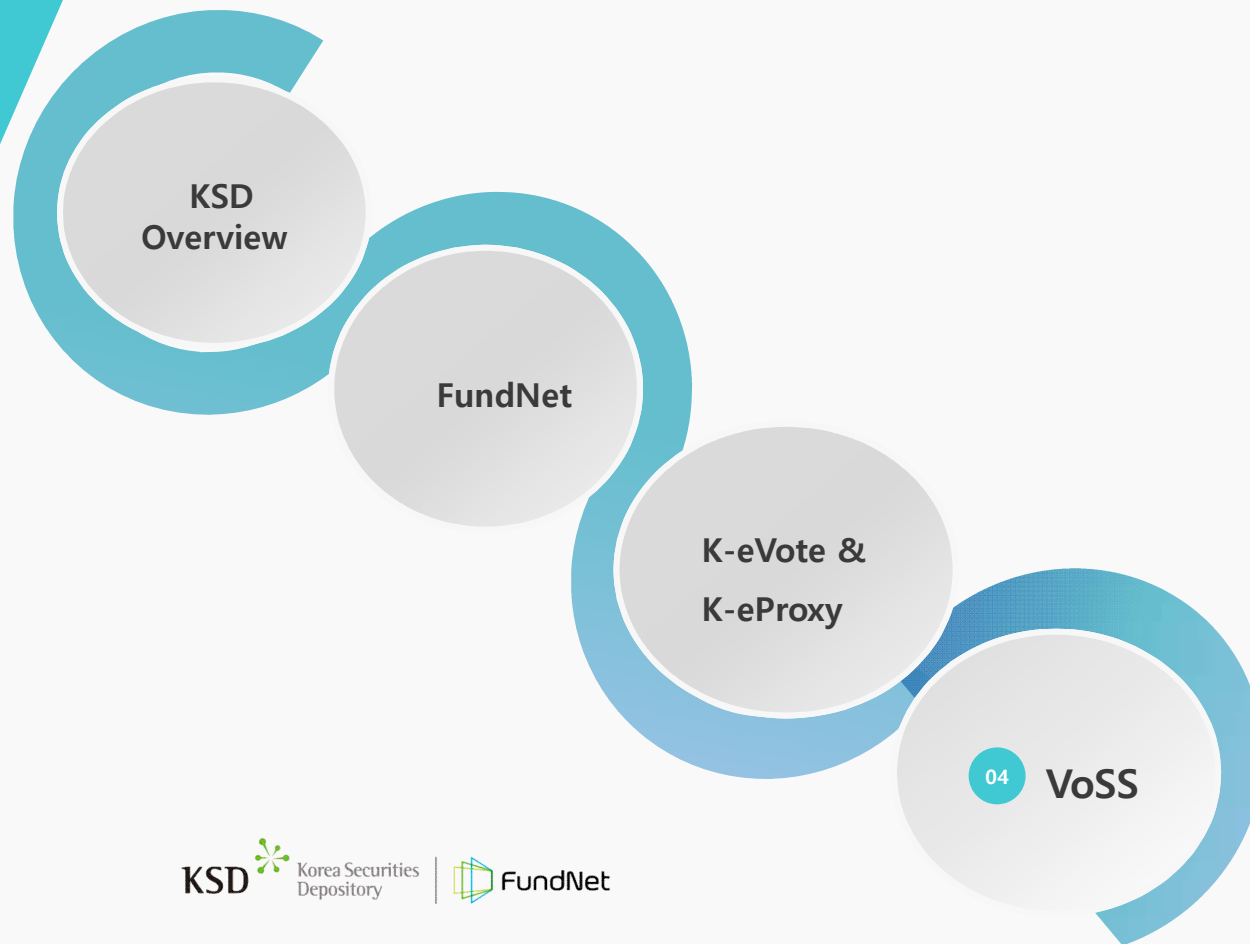
Foreigners can't vote through K-eVote, since the Enforcement of Commercial Act stipulates that shareholders shall use their official digital signature to exercise voting rights by electronic means

Service fees are charged to corporations on the basis of capital and number of shareholders

"Best quality of security in E-voting system"



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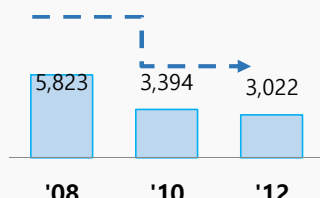
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- Lack of will
- Insufficiency of working environment

Step3. Exercising Voting Rights "Still passive"

- Decrease of asset management company's voting right exercising



Step1. Global Issue

- Responsibilities of Institutional Investor
"Stewardship Code"



Step 4. Enforcement Decree 'Duty to be faithful'

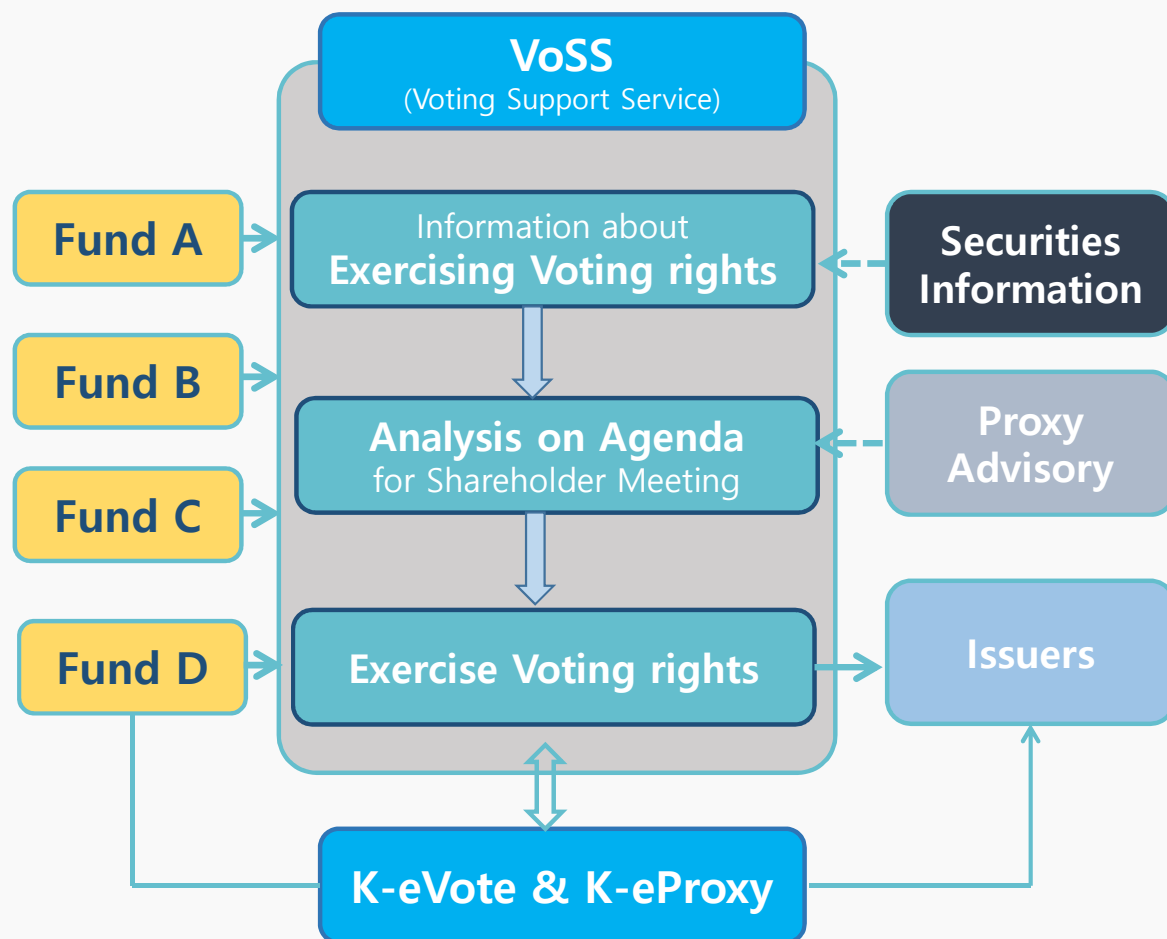
- Korean Stewardship Code Plan('14.11)
 - Explicit definition by the Law to protect the Investor's benefit

Step2. Declare Guideline for Asset Management Company

- Korea Financial Service Commission :
'Guideline for Asset Management Company'
 - Feb. '08, In order to enhance the duty of report for institutional investor's voting rights



VoSS : Structure



- **FundNet (VoSS)** provides the quantity of the '**Voting rights**' and the **Shareholder's Meeting Schedule** via fund ledger and securities information
- **The Proxy Advisory** can upload the analysis on the general meeting agenda items reports on the **Voss**

- 6 Proxy Advisories in Korea

"Goal" To support the exercising of electronic voting rights via FundNet

Synchronization

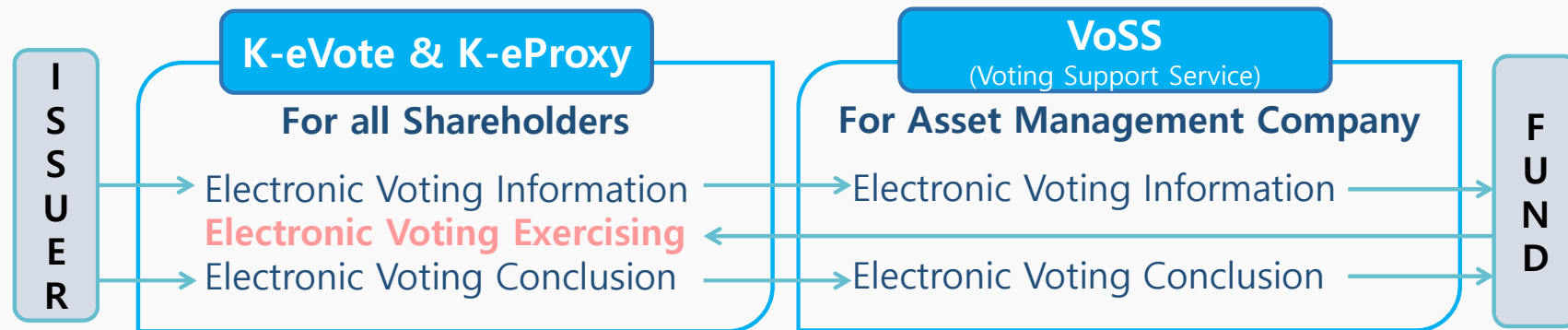
Providing same environment as individual shareholders

Customization

Providing customized service to each asset management company

Clarification

Establish the responsibility and the function between FundNet and K-eVote



Expectation

Convenience of Exercising Voting Rights

Vitalizing Electronic Voting

Increase Social Benefit
(Improve corporate governance)

Future...



Market

- ◆ For Issuers,
Function improvement
Consulting on general meetings
- ◆ For shareholders,
Easy access, Useful information



Institution

- ◆ E-voting as a mandatory method of
general meetings
- ◆ Amendment of E-voting record
during the period



Global

- ◆ Vote through K-eVote
- ◆ Cooperate with foreign agency



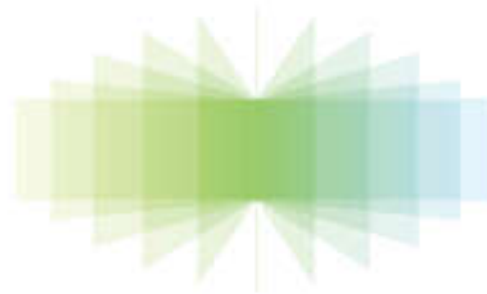
Technology

- ◆ Mobile -friendly system
- ◆ Advanced user authentication
- ◆ Block-chain technology

Q & A

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FundNet - Bringing New Ideas And Perspectives

Thank You

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