

# Defense Against Capital Market Investigations and Sanctions

Cases of unfair trading under the Financial Investment Services and Capital Markets Act, such as market manipulation, the use of undisclosed material information (i.e., insider trading), and fraudulent transactions, as well as violations of disclosure obligations, such as failing to submit a securities registration statement, may result in administrative sanctions and criminal penalties. Therefore, investors and companies operating in the capital markets must carefully assess their legal risks.

In Korea, investigations into unfair trading practices are conducted through a coordinated framework involving the Financial Services Commission (FSC), the Financial Supervisory Service (FSS), and the Korea Exchange (KRX). Typically, these investigations begin with market surveillance activities by the KRX and the FSS, followed by a KRX review process and then formal investigations by the FSC and the FSS. Upon completion of the investigation—including interviews of relevant individuals—administrative sanctions may be determined by the Capital Market Investigation Review Committee and the Securities and Futures Commission. The case may thereafter be referred to investigative authorities, potentially leading to criminal proceedings. Therefore, failure to provide timely and effective responses at each stage carries a high risk of resulting in sanctions that are disproportionate to the nature of the alleged violation. Furthermore, once a matter progresses to the criminal stage, it can entail significant time, cost, and exposure. Proactive and strategic engagement throughout the investigation and sanction phases is therefore critical.

At Shin & Kim, our group of lawyers, advisors, and experts includes professionals with firsthand experience conducting investigations into unfair trading and disclosure violations at the FSS and KRX. Leveraging this experience, we manage the full lifecycle of a response—from initial investigation strategy and document submissions to witness interviews and post-investigation sanction proceedings—providing comprehensive, timely, and practical advice. In addition, we work in close coordination with our Criminal Defense Practice Group from the outset, ensuring a consistent and seamless strategy should the matter escalate to criminal prosecution, thereby maximizing the prospects of a favorable outcome.

Moreover, Shin & Kim draws on its extensive network of senior advisors, many of whom formerly held high-ranking positions at the FSC and FSS. Through this network, we facilitate effective and appropriate communication with regulatory authorities, enabling issues to be addressed efficiently and in full compliance with applicable laws and regulations.

## Key Services

Our services for capital market investigations and sanctions include:

- Advising on and preparing for investigations and review proceedings conducted by the FSC, FSS, and KRX, including document production and interview responses
- Representing clients in sanction proceedings before the Capital Market Investigation Review Committee and the Securities and Futures Commission
- Attending hearings and providing representation, including presentation of arguments and witness testimony, before the relevant committees

## Experience

- Representation in an FSS investigation regarding the use of undisclosed information relating to Company A's stock on the KOSPI
- Representation in a criminal case involving the use of undisclosed information in connection with Company B's stock on the KOSPI
- Representation in a criminal case involving the use of undisclosed information regarding Company C's stock on the KOSDAQ
- Representation in an investigation involving market manipulation of Company D's stock on the KOSDAQ
- Representation in a criminal case involving market manipulation of politically themed stocks
- Representation in a criminal case involving market manipulation of Company E's stock on the KOSDAQ
- Representation in a civil case involving market manipulation and the coordinated manipulation of spot prices
- Representation in a criminal case involving the provision of dedicated trading lines to equity-linked warrant scalpers
- Representation in a criminal case involving unfair trading practices by KOSDAQ-listed Company F
- Representation in an investigation case involving oversight of accounting firms
- Representation in both investigative and criminal proceedings involving the accounting oversight of KOSPI-listed Company G
- Representation in an investigation case involving the accounting oversight of KOSPI-listed Company H
- Conducted research project commissioned by the FSS on "Calculation of Illicit Gains from Unfair Trading," which included a study of regulatory frameworks and gain calculation methods in developed countries and a proposal for improvements to the current calculation methods under the Financial Investment Services and Capital Markets Act

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