

# The Role of Korean Retail Investors in Overcoming “Korea Discount”

**Asian Capital Markets Roundtable 2026**

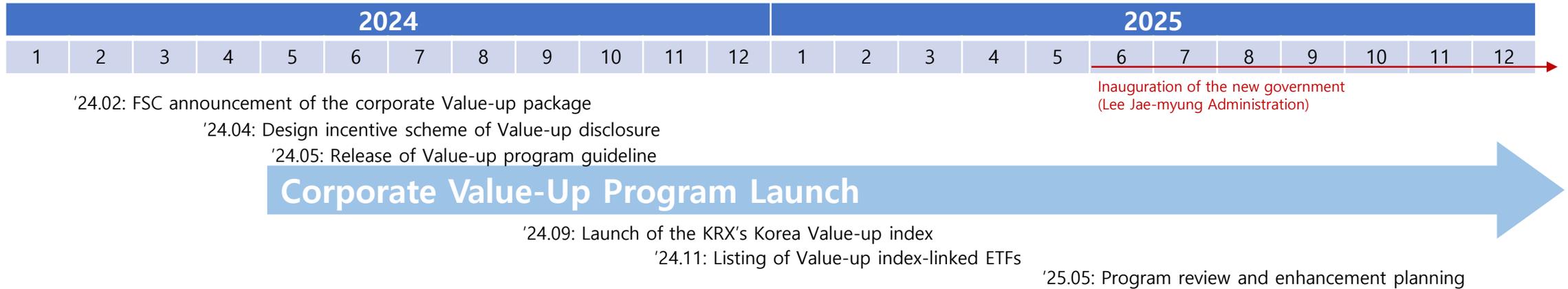
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# Corporate Governance/Structural Reform in Korea

- ❖ Korea has pursued sustained policy efforts to enhance corporate value since 2024
  - In 2024, KRX & FSC launch Value-up Program
  - Under the new administration in 2025, the government has continued corporate governance reforms through amendments to the Commercial Act



## Corporate Value-Up Program Launch

### Key Contents of the Commercial Act Amendment

		(Effective Date)
1 <sup>st</sup> (Jul. '25)	Directors' fiduciary duty to "shareholders" (not "corporation")	'25.07
	Rename 'outside' directors → 'independent' directors	'26.07
	Strengthening the minimum independent director ratio (1/4 → 1/3)	'26.07
	Tightening the 3% voting cap for audit committee elections	'26.07
	Introducing/mandating virtual AGMs (virtual/hybrid)	'27.01
2 <sup>nd</sup> (Aug. '25)	Expanding separate election of audit committee members	'26.09
	Prohibiting charter-based opt-outs from cumulative voting	'26.09
3 <sup>rd</sup> ~	Mandating cancellation of treasury stocks ( <i>under discussion</i> )	

## Corporate Governance Reform: Legal Amendment

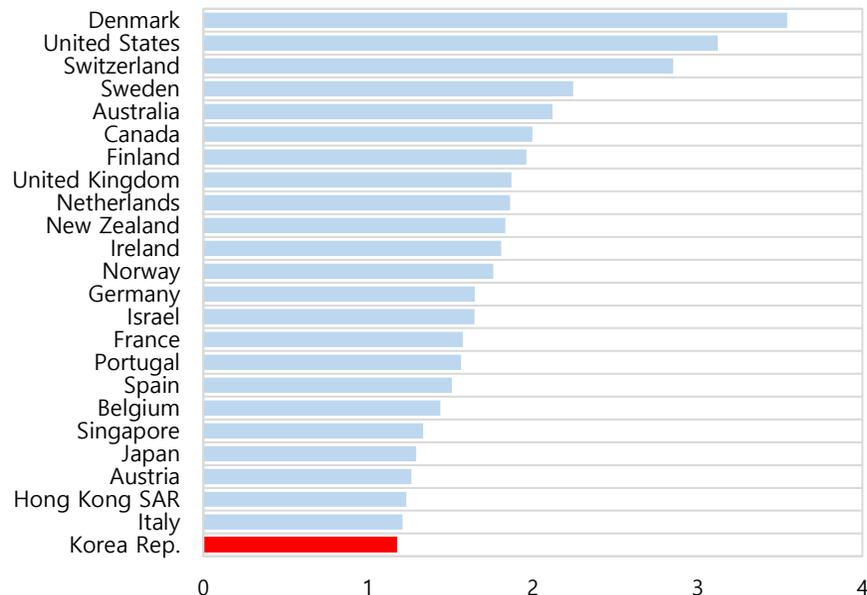


Source: KCM I (Hwang, 2025)

# What is "Korea Discount"?

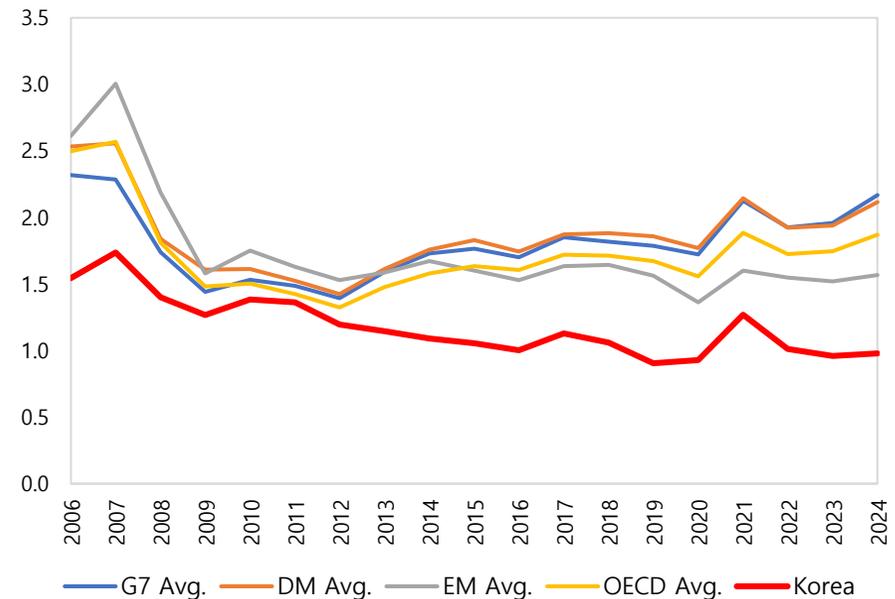
- ❖ **"Korea Discount"** refers to the long-standing undervaluation of Korean listed firms
  - Historically, the Korean stock markets' aggregate Price-to-Book Ratio (PBR) has been low
  - PBR gap versus major markets has widened persistently since the GFC

Average Stock Market PBR: 2006~2024



Note : Time-series avg. of PRB for major stock indices  
Source: KCMI

Annual PBR: 2006~2024

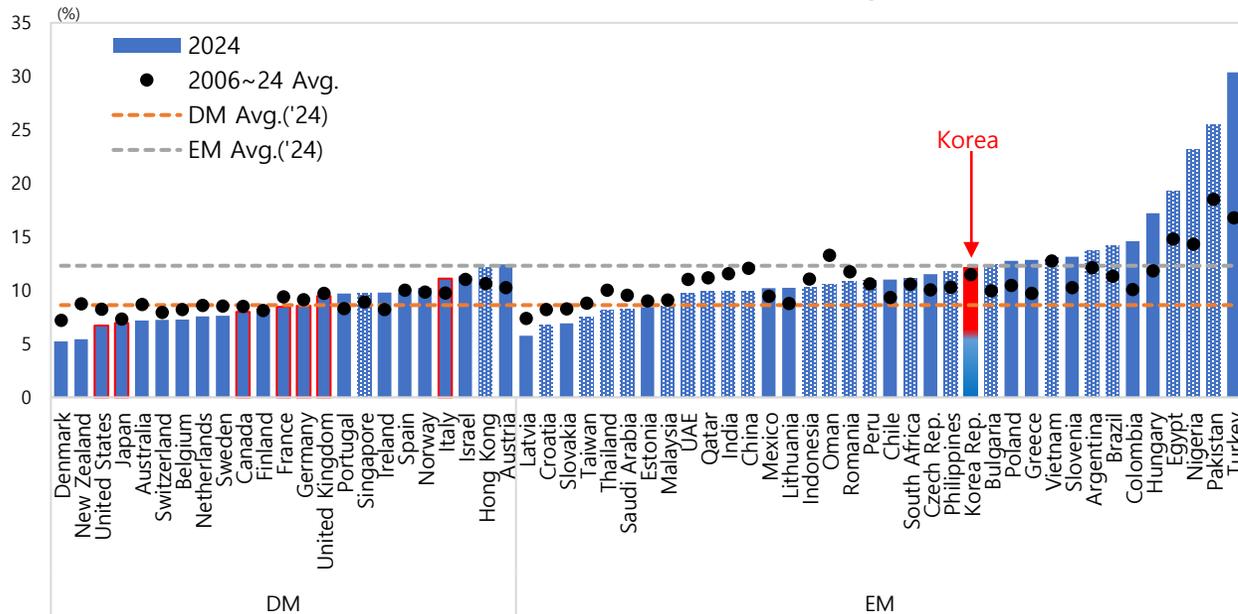


Note : 1) OECD, EM average excluding Korea Rep.  
2) DM, EM, & OECD includes 23, 35, 34 countries, respectively  
Source: KCMI (Kim & Lee, 2025)

# Stock Market Discount Rates: International Comparison

- ❖ Estimation of the equity discount rates indicates that Korean stocks are more discounted
  - In major countries, realized returns have generally exceeded the required rate of return
  - In contrast, Korea's long-run TSR has persistently fallen short of the required return
    - Total shareholders return (TSR) < required rate of return (=discount rate)

## Stock Market Discount Rates Comparison

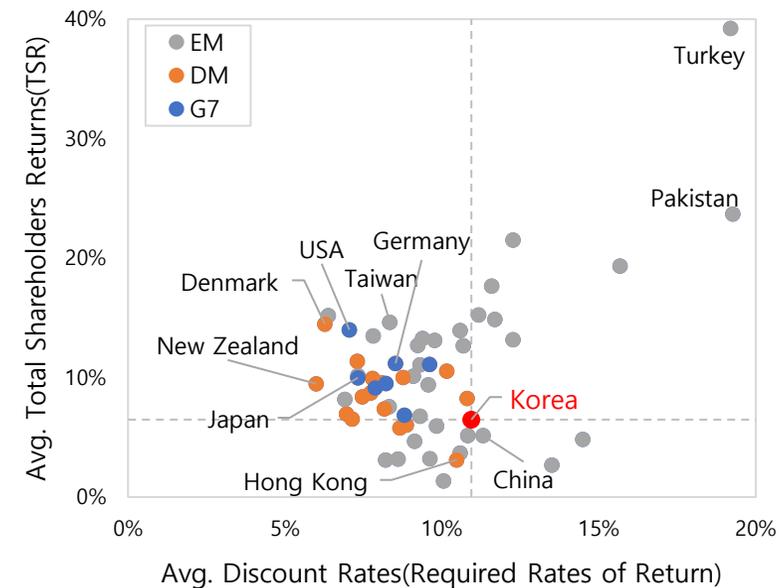


Note : 1) Red borders and shaded bars represent G7 & OECD member countries, respectively

4 2) Classification of developed & emerging markets (DM, EM) is following MSCI

Source: KCMI (Kim & Lee, 2025)

## Discount Rate vs. TSR



Note : 1) Comparing TSR & discount rates (59 countries, 2015~2024 avg.)

2) TSR = stock market returns + dividend yields

Source: KCMI (Kim & Lee, 2025)

# Global Investors' View of Corporate Governance

## ❖ Results of global institutional survey by ACGA

ACGA Market Survey on Corporate Governance

Market	Ranking('23)	Previous Ranking('20)	Score (2023)	Previous Score (2020)	Change vs. 2020
 Australia	1	1	75.2	74.7	+0.5
 Japan	2	=5	64.6	59.3	+5.3
 Singapore	=3	=2	62.9	63.2	-0.3
 Taiwan	=3	4	62.8	62.2	+0.6
 Malaysia	5	=5	61.5	59.5	+2.0
 Hong Kong	=6	=2	59.3	63.5	-4.2
 India	=6	7	59.4	58.2	+1.2
 <b>Korea Rep.</b>	<b>8</b>	<b>9</b>	57.1	52.9	+4.2
 Thailand	9	8	53.9	56.6	-2.7
 China	10	10	43.7	43.0	+0.7
 Philippines	11	11	37.6	39.0	-1.4
 Indonesia	12	12	35.7	33.6	+2.1

# Determinants of Stock Market Discount Rates: Panel Analysis

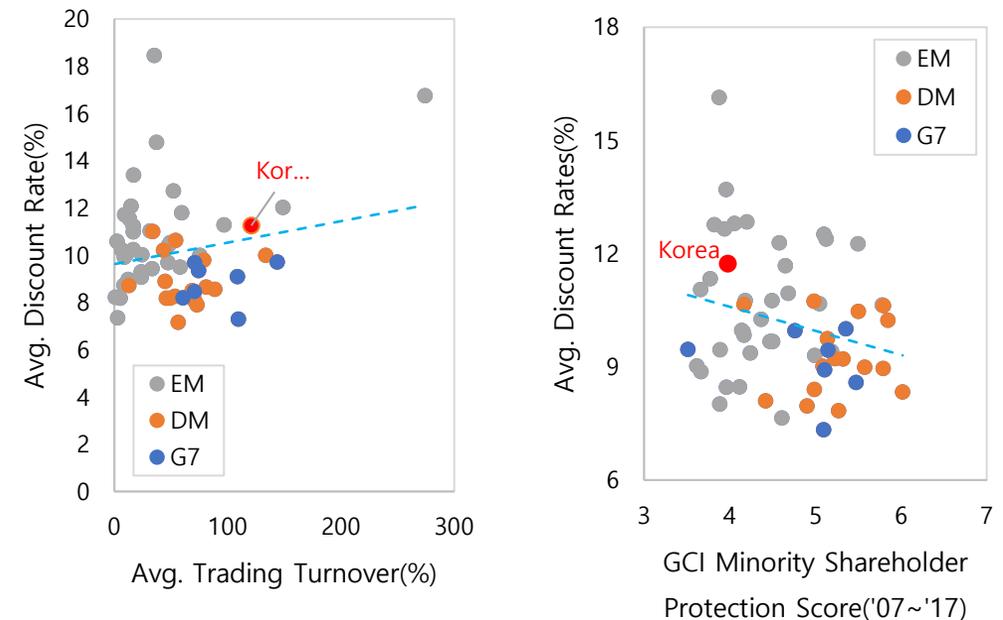
- ❖ Multiple factors explain cross-country differences in discount rates
  - **Short-term trading (or speculative) behavior** among Korean investors raises the discount rate
  - **Weak corporate governance and regulatory factors** undermine trust, contributing to the chronic undervaluation of public firms

### Determinants of Discount Rates



Note : 1) Graphical representation of panel regression results (2006~2024, 59 countries)  
 2) Markers mean avg. change in discount rate as 1 std increase in each variable  
 3) Shaded(empty) markers indicate statistically (in)significant variables  
 Source: KCMI (Kim & Lee, 2025)

### Major Determinants of "Korea Discount"

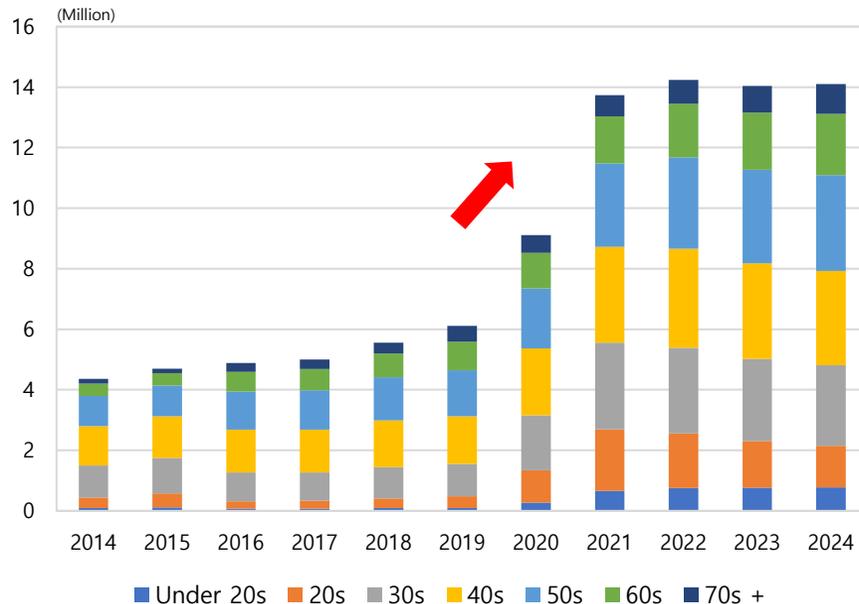


Note : Visualization relationship between discount rates and trading turnover & country-wise GCI Minority Shareholder Protection Score  
 Source: KCMI (Kim & Lee, 2025)

# Large-scale Influx of Retail Investors after COVID-19

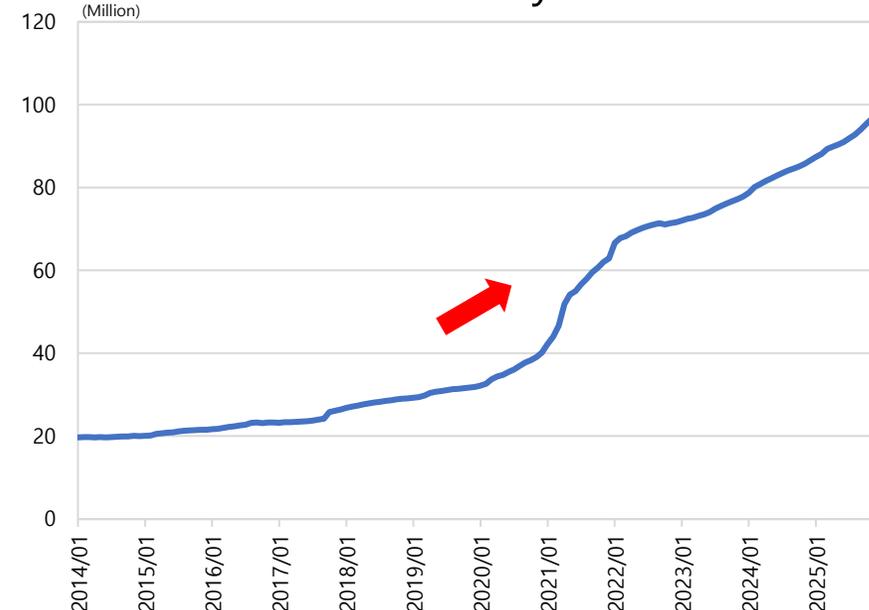
- ❖ A surge in retail participation has followed the COVID-19 pandemic
  - The investor base has expanded markedly, led by younger (20~30s) cohorts
  - Retail investors have become the primary net buyers in the Korean stock markets

## Number of Individual Investors



Note : Number of individual shareholders in Korean listed firms  
Source: KSD

## Number of Security Accounts



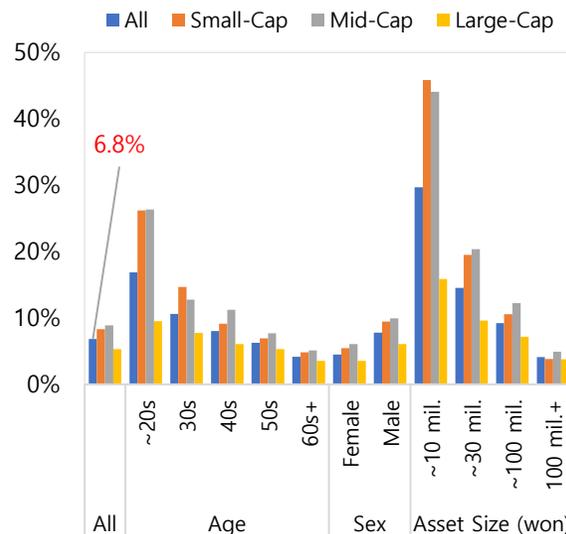
Note : Based on active security accounts  
Source: KOFIA

# Trading Behaviors of Korean Retail Investors

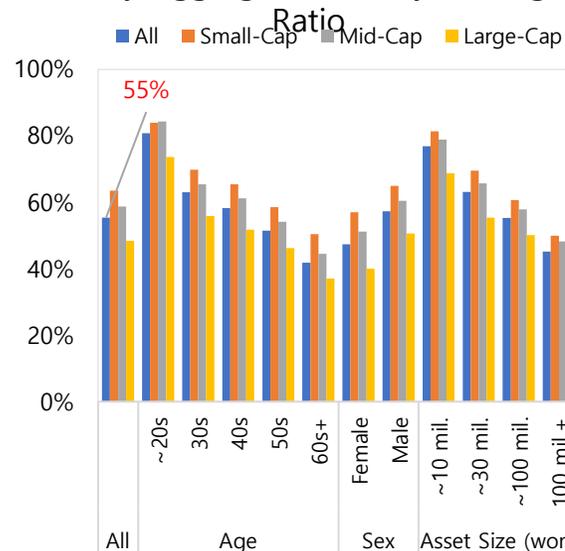
- ❖ Many retail investors behave more like **short-term traders** than long-term investors
  - The aggregate daily turnover ratio reaches 6.8%, and more than half of retail trading is intraday
  - Portfolio churn is around 10% per day on avg., implying a very short investment horizon
    - Rather than partnering with firms for the long-run, many focus on short-term gains

## Trading Behaviors of Korean Retail Investors

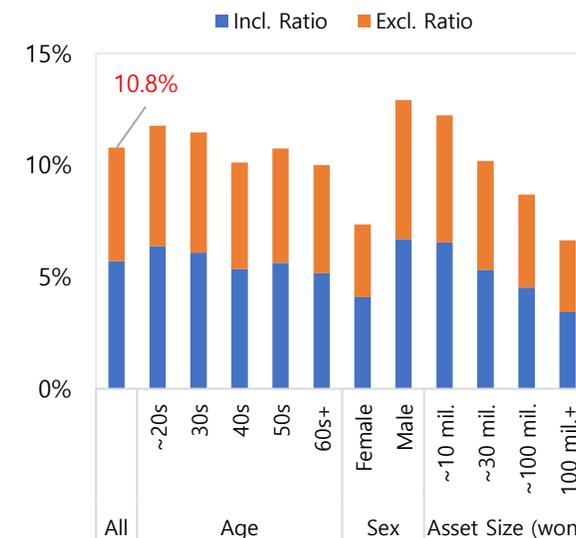
Daily Aggregate Trading Turnover



Daily Aggregate Intraday Trading Ratio



Daily Average Stock Turnover Ratio



Note : 1) Results based on the analyses from approximately 200,000 individual investors' holdings & trading data during Mar. to Oct. 2020

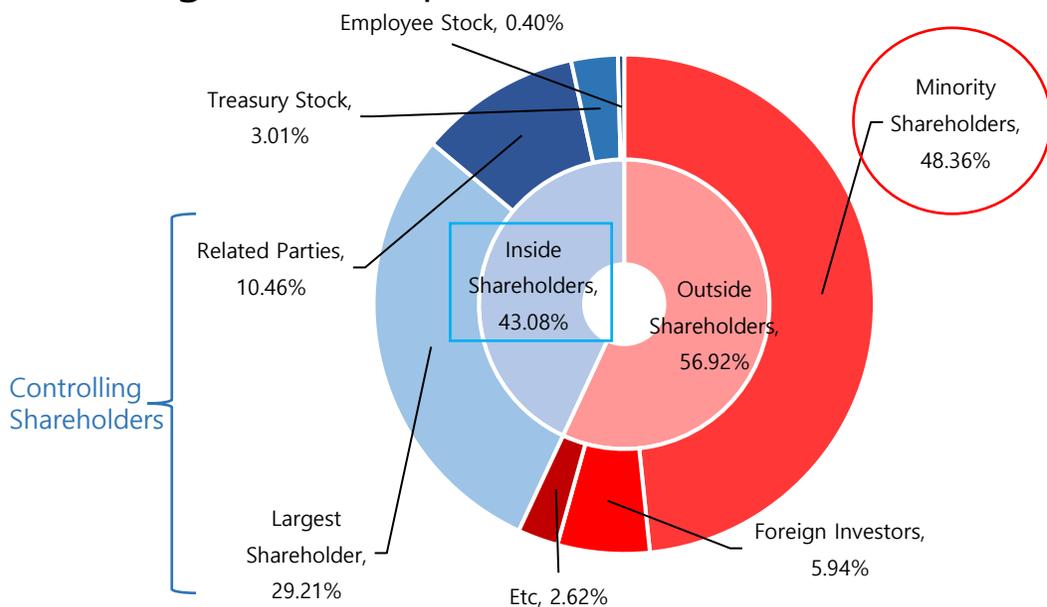
2) All trading behavior indicators are calculated as daily averages aggregated across all investors

Source: KCMI (Kim & Kim, 2021)

# Importance of Retail Investor Ownership

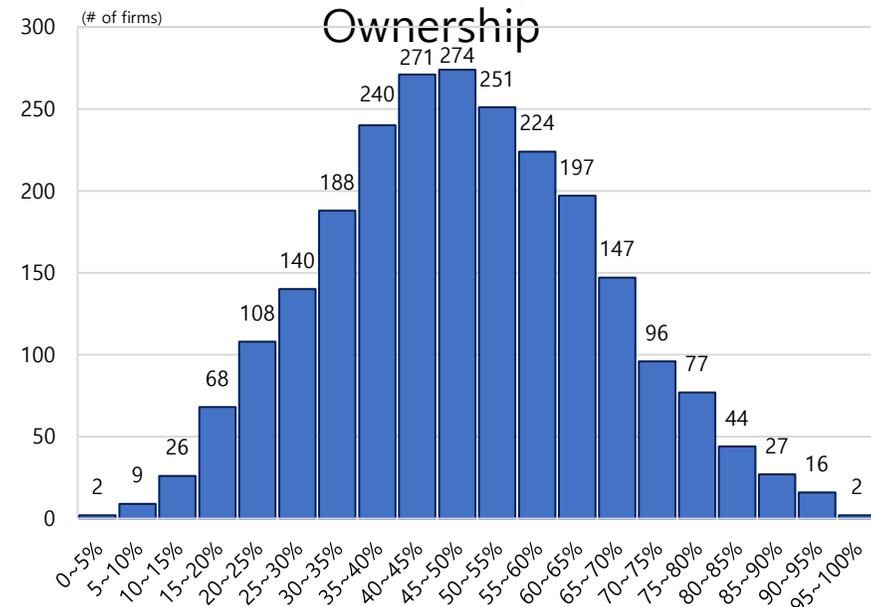
- ❖ From the perspective of shareholder governance, retail investors can play a critical role
  - Retail investors constitute the largest external shareholding, which is capable of disciplining controlling shareholders (almost 50% on avg.)
  - If Korean individual investors could act as '**constructive stewards**', it would maximize the impact of the recent legal amendments

Avg. Ownership Structure of Korean Listed Firms



Note : 1) As of fiscal-year-end 2023, based on KOSPI & KOSDAQ listed firms  
 2) Minority shareholders include both individual and institutional investors  
 Source: KCMI (Lee, 2024)

Distribution of Minority Shareholder Ownership



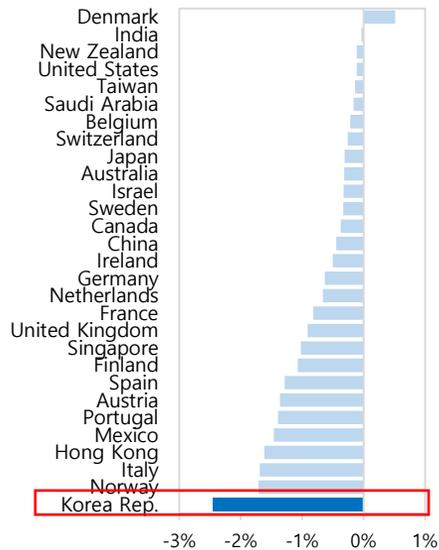
Note : 1) As of fiscal-year-end 2023, based on KOSPI & KOSDAQ listed firms  
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# Rising Expectations for Structural Reforms in Korea

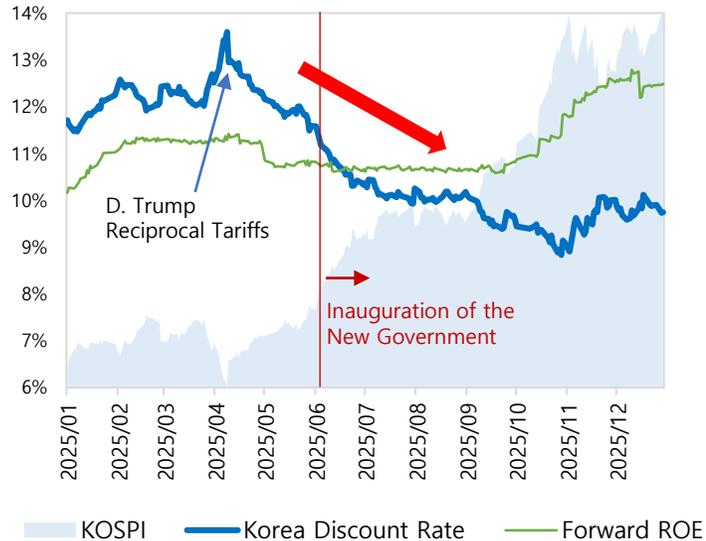
- ❖ Structural reforms have been accompanied by a rise in market optimism
  - In 2025, Korea's equity discount rate fell the most, even after controlling for fundamentals
  - Likewise, Korean stock markets significantly outperformed major markets

## Change in Stock Market Discount Rates in 2025

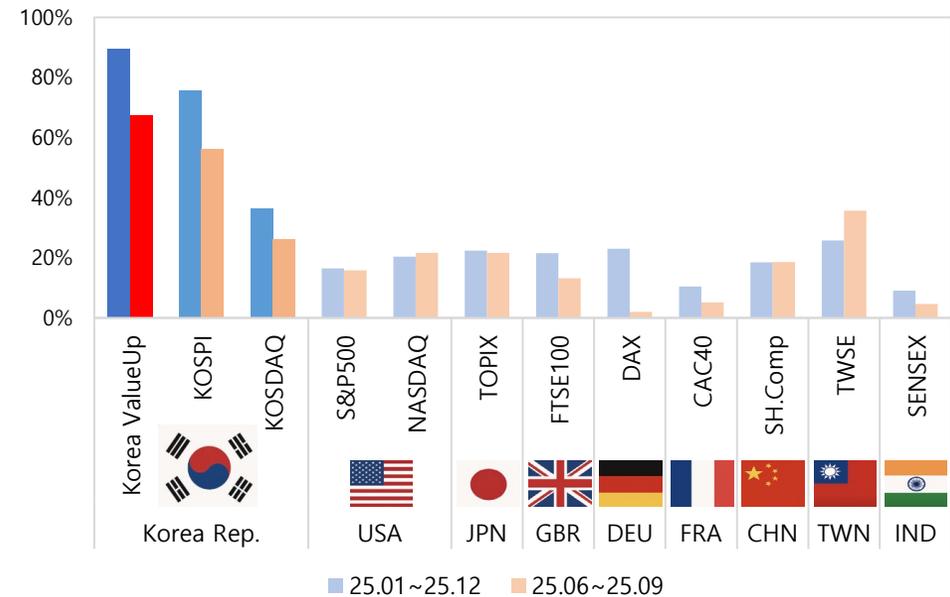
Country-wise Changes ('24→'25)



KOSPI Index and its Discount Rate



## Stock Market Performance in 2025



Note : 1) Left figure compares stock market discount rates between the end of 2024 and Oct. 2025

2) Right figure represents KOSPI discount rates and expected ROE based on forward EPS  
Source: KCMI

Note : Cumulative returns of major stock markets indices  
Source: KCMI

# Policy Implications

## ❖ **Active shareholder culture** in which shareholders effectively exercise their rights

### ❖ Promote virtual shareholder meetings(e-AGMs)

- If dispersed AGMs are impractical, ensure adequate agenda review time (at least 3+ weeks)
- Narrow the gap between the voting record date and the AGM date
  - Given high retail turnover, voting rights should accrue to the true economic holder
  - In Korea, the prevailing practice: fiscal year-end = voting record date = dividend record date

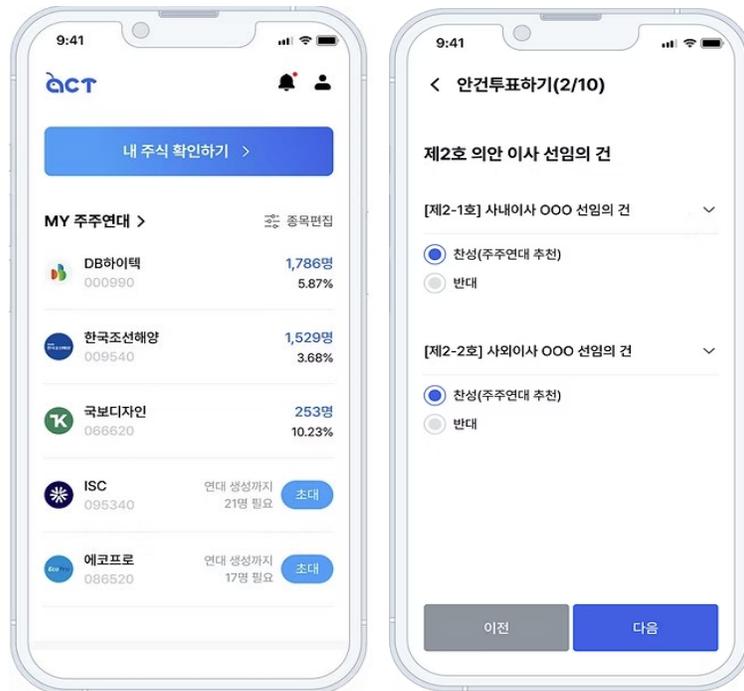
### ❖ Strengthen shareholder rights and engagement

- Enhance the role of retail investors
  - Activate platforms that enable **minority-shareholder coordination**
- Reinforce core shareholder powers
  - Strengthen rights over director elections and approval of directors' remuneration
- Enhance the role of institutional investors
  - Deepen and operationalize the Stewardship Code
  - Streamline voting procedures for foreign investors

# Facilitate Effective Retail Shareholder Activism

- ❖ Enable minority shareholders to **coordinate efficiently** & **exercise their rights collectively**
  - A coordinated minority stake can serve as a significant counterbalance to controlling shareholders
  - Coordination cases: private platforms (Korea) & public institutions (Taiwan)
    - In Taiwan, given retail investors' limited resources, **SFIPC can represent minority shareholders at AGMs** and **initiate shareholder actions/litigation on their behalf**

Korean Private Coordination Platform: *Act*



Source: Act platform website(web.act.ag)

Taiwan's SFIPC (Securities and Futures Investors Protection Center)



Source: SFIPC website(www.sfipc.org.tw)

# Thank you

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