

FSC PROPOSES MEASURES TO BOOST VENTURE CAPITAL INVESTMENT

FSC Chairman Eun Sung-soo unveiled measures to boost venture capital investment in innovative business at a meeting with executives from securities, asset management and venture capital companies. The measures include the introduction of a Business Development Company (BDC) and diversification of fundraising channels with exclusive private offerings for professional investors and small-scale public offerings. The FSC will announce finalized measures in October and submit a proposal to amend the Financial Services Investment and Capital Markets Act (FSCMA) to the National Assembly in the fourth quarter of 2019.

Proposed Measures

▶ INTRODUCTION OF BUSINESS DEVELOPMENT COMPANY (BDC):

- Business Development Company (BDC) is a collective investment vehicle which raises funds from investors to be listed on the KRX and then invest in unlisted companies.
- The BCD is required to invest more than 60% of its total assets in unlisted, KONEX-listed, KOSDAQ-listed companies (whose market capitalization of less than KRW200 billion) or SME & venture investment funds.
- Securities, asset management and venture capital companies that meet certain requirements¹ will be granted a license to operate a BDC.
- A minimum capital of KRW20 billion is required to establish a BDC. The operator of a BDC is required to hold 5% or more of its total equity investment.
- The BDC is allowed to leverage up to 100% of its net assets, increase capital and provide management advisory services.

▶ DIVERSIFICATION OF FUNDRAISING CHANNELS:

- Private offering channels will be expanded with a new track exclusive for professional investors, which allows to attract subscribers through public recommendation and general advertisement.
- The maximum amount of fundraising via a small public offering, currently KRW1 billion, will be increased to KRW3 billion in Tier 1 and KRW10 billion in Tier 2. For Tier 2, additional investor protection measures will be required (e.g. investment cap for general investors, reporting and public disclosure requirements, etc.)

¹ (i) more than 3 years in operation, more than KRW150 billion of asset under management per year;
(ii) more than KRW4 billion in equity capital, two or more professional fund managers

