

## REVISED LAW PAVES WAY TO CREATE BAILOUT FUND FOR KEY INDUSTRIES

The revisions to the Korea Development Bank Act passed the National Assembly on April 29, establishing a legal foundation to launch a bailout fund to help key industries struggling from the COVID-19 pandemic.

### **KEY PROVISIONS**

- ▶ **SUPPORT TARGETS:** Businesses within industries that are considered crucial to the real economy, stability of the job market and national security, such as defense industry, industries barred from foreign investment, industries crucial for emergency resources, key technology industries, essential public service providers, etc.<sup>1</sup>
- ▶ **FINANCING FOR FUND:** KRW40 trillion state-guaranteed bond issuance
- ▶ **CONDITIONS:** Aid recipients shall be subject to following requirements—a) both the management and employees will work toward maintaining employment, b) aid-receiving businesses shall come up with own funding sources within a 20 percent of the amount of aid, and c) businesses shall work to improve management while refraining from dividend payouts, share buybacks and executive compensation.
- ▶ **MANAGEMENT:** a) Aid will be provided through loans, payment guarantees and investments according to the specific needs of industries and businesses, b) The fund shall be managed by the Korea Development Bank for five years until December 31, 2025, and a council shall be established at the KDB to ensure professionalism, accountability and transparency of the fund management.

### **FURTHER PLANS**

The revisions to the Korea Development Bank Act are expected to take effect in May. The government will work on the changes to the relevant rules and regulations and draw up specific standards for aid provision to ensure prompt delivery of support to the businesses in need.

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<sup>1</sup> More detailed categories will be determined through a presidential decree in May.