

## PLANS TO CREATE KEY INDUSTRY STABILIZATION FUND

The government announced detailed plans for the operation of the key industry stabilization fund on May 20.

The initial plan for creating a KRW40 trillion key industry stabilization fund was announced on April 22 as business activities slowed down and the employment numbers began to fall amid the COVID-19 pandemic.

With the National Assembly's swift passage of the laws, the necessary legislative changes have been made to provide a legal ground for creating a stabilization fund.<sup>1</sup>

### KEY INDUSTRY STABILIZATION FUND

#### I. SUPPORT TARGETS

**(INDUSTRY REQUIREMENT)** Industries designated by the enforcement decree of the Korea Development Bank Act to have significant effects on the domestic economy, the stability of the job market and the national security<sup>2</sup>

**(BUSINESS REQUIREMENT)** (a) Enterprises having a significant impact on the national economy with total debts standing at KRW500 billion or more, and (b) businesses having a significant impact on the job market with total employees numbering 300 or more

For qualified businesses, the fund operating council made up of private-sector experts will make decisions on the provision of support after consultation with the major creditor bank and assessment from the KDB.

#### II. SIZE & METHOD OF FUNDING SUPPORT

**(SIZE)** In principle, the size of the support will be based on operating costs minus expected earnings based on sales forecast while excluding the amount needed for repayment of existing debt.

**(METHOD)** Support for businesses will come in diverse ways—including liquidity support and capital injection—through issuing loans, taking over equity-linked securities, purchasing assets and providing guarantees.

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<sup>1</sup> Please click [here](#) to see press release.

<sup>2</sup> Airline and maritime shipping industries designated by the recently revised enforcement decree of the Korea Development Bank Act and other industries designated by the FSC upon consultation with the Minister of Economy and Finance

**(FUNDING SOURCES)** The KRW40 trillion stabilization fund will be created through bond issuance.

### **III. CONDITIONS FOR SUPPORT**

In order to receive support through the key industry stabilization fund, businesses will be required to retain jobs, share profits from business normalization and work to prevent moral hazard.

**(EMPLOYMENT)** Businesses should maintain at least 90 percent of the employment level compared to the level observed on May 1 for six months from the first day of receiving support.

Companies should inform the KDB about their employment maintenance efforts by both the management and union.

**(MANAGEMENT)** Businesses should try their best to secure liquidity prior to receiving support from the fund through disposal of unnecessary assets, etc.

**(SHARING PROFITS)** At least 10 percent of the total support will be in the form of convertible bonds and bonds with warrants.

**(AVOID MORAL HAZARD)** While receiving support, businesses are prohibited from executive payments and share buybacks.

### **IV. FUND OPERATING COUNCIL**

A group of seven seasoned experts recommended by relevant ministries and National Assembly committees will be set up to decide on the management and operation of the fund, while ensuring professionalism, accountability and transparency.

### **V. COOPERATION WITH PRIVATE BANKS**

In order to ensure effective supply and implementation of the fund, the government will promote a close cooperation and collaboration system between the KDB and private sector banks.

### **FURTHER PLANS**

As the government decided on the specific plans for the key industry stabilization fund, the government will work for its launch by the end of May and start issuing bonds and accepting applications to provide support in June.

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