

FSC INTRODUCES MEASURES TO REVITALIZE KONEX

The FSC announced a set of measures aimed at promoting the Korea New Exchange (KONEX) market by providing more incentives for companies to list on KONEX, lowering entry barriers and easing requirements for investors and creating a scale-up fund worth up to KRW100 billion to be invested in the KONEX-listed firms. The measures are intended to help revitalize the market and facilitate the functioning of KONEX as a crucial linkage between early-stage startups and SMEs and the capital markets.

BACKGROUND

KONEX was created in July 2013 exclusively for the purpose of facilitating early-stage SMEs and startups to raise funds prior to listing on the KOSDAQ market. Between 2013 and 2021, the number of listed companies on KONEX, their market capitalization as well as the daily average transaction total increased significantly. The number of firms successfully making a transition from KONEX to KOSDAQ also grew steadily. However, the number of newly listed companies on KONEX has been declining in recent years as more firms prefer to list directly on KOSDAQ and due to the expanded availability of alternative investment assets such as unlisted securities through the over-the-counter (OTC) market. Low liquidities in the KONEX market have recently led to underwhelming transactions with the function of price discovery also remaining inadequate. As such, the authorities have prepared the following measures to help revitalize the KONEX market.

KEY MEASURES

I. PROMOTE NEW LISTING BY IMPROVING RULES

To help make the transition to KOSDAQ easier, the authorities plan to ease the currently applied financial requirements on KONEX-listed firms for the so-called “fast-track” transition to KOSDAQ and create additional tracks for KOSDAQ listing based on the company’s market capitalization and liquidity levels. In addition, for KONEX-listed firms, some of the compliance burdens associated with internal accounting management, disclosure and the fee for designated consultant will be lowered.

II. REMOVE BARRIERS AND EASE REQUIREMENTS FOR INVESTORS

Currently, investors in the KONEX market face restrictive investment conditions vis-à-vis the KOSPI, KOSDAQ and K-OTC markets with the minimum deposit rule requiring an investor to park at least KRW30 million to enter the market and the

regulation that requires an investor to open up an exclusive account for small-sum investments (up to KRW30 million a year). These rules and requirements have been deemed inappropriate when considering similar investment rules applied on other markets, such as derivatives and K-OTC markets. Therefore, the authorities plan to abolish these rules on minimum deposit amount and small-sum investment account. However, first-time investors will be given a notice on investment risks prior to making an investment to help them thoroughly understand about risks.

III. STRENGTHEN SUPPORT FOR LISTED COMPANIES

A KONEX scale-up fund will be newly launched in the amount of up to KWR100 billion to be invested in the KONEX-listed companies and to help pump-prime their fundraising efforts. The Korea Exchange will provide step-by-step support for KONEX-listed firms by providing them with consulting on KOSDAQ listing strategies, granting them an exemption on listing fees and making the tech evaluation process less cumbersome.

The measures will begin to be implemented from the first quarter of 2022. The measures requiring further coordination with and preparation from the securities firms will take effect later in the first half of this year.

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