

## ENTRY BARRIER FOR INVESTING IN KONEX MARKET TO BE LOWERED SIGNIFICANTLY FROM END OF MAY

The FSC approved a set of revisions for the operational, disclosure and listing rules of the Korea New Exchange (KONEX) market and the listing rules of the KOSDAQ market during a regular meeting held on April 27. The revision is a follow-up to the measures to revitalize the KONEX market introduced in January<sup>1</sup> this year for the purpose of facilitating the growth of SMEs through capital markets.

### KEY REVISIONS

**(LOWERING ENTRY BARRIER FOR RETAIL INVESTORS)** The revised measures abolish the minimum deposit rule requiring retail investors to deposit at least KRW30 million as well as the rule that requires investors to open up an exclusive account for small-sum investments<sup>2</sup> for making investments in the KONEX market. As such, retail investors will be able to invest in the KONEX market more at will. However, as the KONEX market is being regulated at a minimum level such as its rules on listing eligibility review, disclosure, etc., securities firms should notify investors who are new to investing in the KONEX market about the need to practice caution when making investments.

**(FACILITATING PROCESSES FOR KONEX-TO-KOSDAQ LISTING)** In order to facilitate KONEX-listed companies to more easily move to KOSDAQ listing after going through a certain period of preparation, the revised measures partially ease the current financial requirements of KONEX-listed companies for being eligible for the “fast track” scheme.<sup>3</sup> The revision also introduces new KOSDAQ listing tracks that are based on the KONEX-listed company’s market capitalization and liquidity assessment but do not consider its financial conditions such as sales amount and operating profit.

#### <Newly Introduced Listing Requirements from KONEX to KOSDAQ>

Type	Market capitalization	Share distribution	Daily average transaction amount	Qualitative review
New track 1	At least KRW150 billion	At least 20%	At least KRW1 billion	Partial exemption*
New track 2	At least KRW75 billion		At least KRW100 million	In place

\* Exemption on business consistency review granted while management stability and transparency reviews will continue to be applied.

<sup>1</sup> Please click [here](#) to see the press release dated January 10, 2022.

<sup>2</sup> Currently, an investor can open up one small-sum investment account from a securities company for up to KRW30 million a year.

<sup>3</sup> “Fast track” scheme allows qualified KONEX-listed firms to move to KOSDAQ via a streamlined process. (Fast track 4 financial requirements) Sales amount KRW20 billion, operating profit KRW1 billion and sales growth rate 20% → sales amount KRW20 billion, operating profit KRW1 billion and sales growth rate 10%

**(EASING RULES ON THE DESIGNATED ADVISOR SYSTEM)<sup>4</sup>** In order to help reduce burdens of KONEX-listed firms in maintaining their listing status and to promote KONEX market transactions, the revised measures limit the currently unending period required to have a designated advisor filing disclosure reports on behalf of the listed company to one year,<sup>5</sup> thereby alleviating the fee burden of about KRW40 million to KRW50 million a year on designated advisors. In addition, the liquidity provision duty of designated advisors will be exempted on share distributions of 10 percent or more in order to help encourage share distribution by KONEX-listed firms on a voluntary basis.<sup>6</sup>

### **SCHEDULE & FURTHER PLAN**

Among the revised measures, changes to the KONEX-to-KOSDAQ listing rules and providing incentives for share distribution will go into effect on May 2 this year. The abolishment of the rules on minimum deposit amount and small-sum investment account as well as the limiting of the period required to have a designated advisor filing disclosure reports on behalf of the listed company to one year will become effective from May 30, allowing time to prepare for both the KONEX-listed companies and securities firms.

The FSC plans to continue to work on measures to promote the KONEX market. In particular, the authorities will evaluate the market structure from a holistic perspective to facilitate startups and ventures to make most use of the equity market that is suitable for their growth stage. At the same time, the authorities will look into comprehensive strategies for developing markets through a more efficient way of allocating market functions and revamping regulations and a strengthening of linkages between the markets.

# # #

For press inquiry, please contact Foreign Media Relations at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr).

---

<sup>4</sup> Designated (or nominated) advisors are financial investment businesses providing an array of consulting services to KONEX-listed firms. Prior to listing, they perform listing eligibility review, and after being listed, they provide liquidity and legal advice, perform disclosure and report filing duties on behalf of listed firms and offer other consultation services.

<sup>5</sup> Currently, KONEX-listed firms are required to have a designated advisor filing disclosure reports on behalf of them from the time of being listed for as long as they are listed on the market.

<sup>6</sup> Unlike KOSPI or KOSDAQ, there is no requirement for share distribution when companies get listed on the KONEX market, thus there is not sufficient liquidity for transactions.