



Press Release

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ACTION PLAN TO PROMOTE ‘CREATIVE FINANCE’

The FSC set out a set of action plan to promote ‘creative finance’: ①facilitate technology finance to reach out to lenders and businesses announced; ②foster venture capital markets to finance start-ups and venture businesses; and ③cultivate innovation-friendly culture in the financial sector

BACKGROUND

The paradigm shift to ‘creative economy’ calls for a new role of finance as well. The FSC has been pushing forward ‘creative finance’ as a means to channel funds to start-ups and venture companies with creative ideas and innovative technology.

The FSC has laid the foundation for ‘creative finance’ and made initial achievements.

- **(Infrastructure for technology finance)** Technology data base(TDB) was established(July 2014) to gather about 4 million pieces of tech-related information which used to spread across 32 institutions and to provide financial institutions with such information. Three technology credit bureaus(TCBs) were designated for rating technology that businesses own.¹
- **(Revitalization of venture capital market)** KONEX, a stock market for SMEs, was launched in July 2013. The ‘Growth Ladder Fund’ was formed to finance start-up businesses with an aim to raise a total of 6 trillion won for three years.
- **(Financial regulatory reform)** All-out financial regulatory reform is underway to promote competitiveness and innovation in the financial sector.

Based on such initial achievements, the FSC came up with action plan to make these policy achievements of ‘creative finance’ reach out those targeted e.g. tech start-ups, banks, and market participants, etc.

ACTION PLAN TO PROMOTE ‘CREATIVE FINANCE’

1. Facilitate technology finance

The FSC will build momentum in channeling funds to start-ups and tech firms by offering banks strong incentive for credit loans based on tech credit ratings², not just on conventional collateral and guarantees. The Korea Development Bank(KDB) and the Industrial Bank of Korea(IBK) will increase the volume of ‘technology loan fund’ to 1 trillion from the current 10 billion won to support banks to facilitate technology finance.

¹ TCBs rated technology of 945 companies as of August 14, 2014.

² ① The government will provide interest subsidy worth up to 3%p to the banks providing credit loans based on technology assessment; ② Bank of Korea will provide financial intermediary loans with low interest rate of 0.5% to commercial banks; ③ KoFC will assume 60% of commercial banks’ credit risk burdens related to on-lending

Funds will be formed to further encourage investment based on technology evaluation rather than loans as technology finance involves risks of uncertainty. ‘Investment fund for technology evaluation’ worth 300 billion won will be established under ‘Growth Ladder Fund’. Funds will be also raised to purchase intellectual property or investors’ equity into tech firms in order to ensure smooth exit of investment.

2. Revitalize venture capital market

‘Start-Up Fund,’ a subordinate fund of Growth Ladder Fund, will be increased by 120 billion won from the current 250 billion won. Total investment volume and proportion of government funds invested in start-ups will be increased to 40% and 70% respectively. Additional investment will be made in start-up companies showing high investment outcome.

‘M&A Fund,’ a subordinate fund of Growth Ladder Fund, worth 1 trillion won will be raised in the next three years. Secondary Fund³ and Recovery Fund⁴ will be established to support divestment and revival of companies under corporate work-out procedure.

SMEs and venture companies will be provided with funds and manpower related to M&A to provide second chance for growth while supporting divestment of venture capitalists.

3. Cultivate Innovation-friendly Culture in Financial Sector

Financial supervisory authorities’ practice of excessive sanction against financial institutions will be reduced so that banks can provide technology finance more actively free from concerns about possible disciplinary actions.

The FSC will also make sure bank employees immune from any disadvantage in his or her performance evaluation in case of loan defaults as long as such loans approved according to due process.

New criteria will be added to banks’ performance evaluation to evaluate banks efforts for innovation and creative finance such as technology finance capability, new market development or CSR activities.

IMPLEMENTATION & REVIEW

Action plan will be put into practice or proceeded with immediately. A review committee will be formed in September to review and evaluate progress on a continuous basis.

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³ 127.5bn won was raised as of July 2014→additional 140bn won will be raised by July 2015

⁴ 150bn won was raised as of August 2014→additional 140bn won will be raised by July 2015