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Press Release

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PLAN FOR IMPROVING LOAN GUARANTEE PROGRAMS FOR TECH FIRMS

The FSC has announced a set of plans for improving loan guarantee programs for small and medium-sized tech companies.

1. Introduce a 'tech value-linked guarantee program'

The FSC plans to introduce a 'tech value-linked guarantee program' in which the Korea Technology Finance Corporation (KTFC) reflects potential monetary value of technology that a firm owns when deciding how much loan guarantee it would provide.

The newly-introduced guarantee program is expected to help potentially profitable tech-based start-ups and SMEs finance their businesses.

2. Establish an evaluation system for converged or combined technologies

The KTFC will develop an evaluation system for converged or combined technologies by June 2012. The existing model has been focused on a single technology or industry. The new model will introduce indices to evaluate synergy effects between converged technologies.

In order to respond to the convergence and combination of technologies, the KTFC has restructured the organization for evaluating technology into a hub-and-spokes regional coverage system.

3. Improve evaluating ability for new industries and technologies

The KTFC will widen a pool of experts to evaluate new technologies and its network with outside advisors particularly in regard with culture and content industries.

The KTFC will develop two additional evaluation models for young entrepreneurs' start-up companies and converged industries by June 2012. The new model will be designed to meet specialized needs for evaluating young entrepreneurs' tech firms.



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The existing evaluation models will be subdivided into sector-specific models by September 2012.

- KTRS model (evaluation for general technology): In addition to the existing 6 models - general, bio, environment, SW, dotcom, and design sectors, new models for the service industry such as medical and education sectors will be created.
- KTRS-Startup model: The existing single model that covers all industries will be subdivided into 8 sector-specific models such as general, bio, environment, SW, dotcom, design, medical and education sectors.

4. Strengthen support for R&D activities

Loan guarantees for R&D projects will be increased from KRW0.9 trillion in 2011 to KRW 1.4 trillion in 2012.

A new 'Loan Guarantee Program for R&D Projects' will be introduced to review the estimated amount of funds needed across the whole process of an R&D project and set targets for each stage. Loan guarantee institutions will review progress at each stage of the project and provide needed funds.

5. Ease SME's burden of switching guarantee providers between KODIT and the KTFC

Two guarantee institutions, Korea Credit Guarantee Fund (KODIT) and the KTFC, are specialized in separate responsibilities in order to enhance expertise as guarantee providers and efficiently utilize limited funds.

*KTFC: loan guarantees for tech firms

KODIT: loan guarantees for export companies, small businesses

Separate roles between KODIT and the KTFC will be maintained; however, if an SME wants to shift their guarantor, the new guarantee provider will take over 100% of the company's debt guaranteed by the previous institution.

In order to prevent companies from switching guarantors too often, it will be restricted for guarantee institutions to fully take over guarantee-backed debt in the case of shifting guarantors within five years.

6. Improve guarantee programs for young entrepreneurs' start-ups

For start-up companies by young entrepreneurs, the ceilings of loan guarantees will be raised from KRW 30 million to KRW 50 million. A total of KRW 0.7 trillion will be provided for young business owners. (KRW 0.4 trillion from KODIT, KRW 0.3 trillion from KTFC)



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