



Press Release

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POLICY INITIATIVES FOR 2015 A ‘DYNAMIC AND INNOVATIVE ECONOMY’

The government announced its policy initiatives for 2015 to realize a ‘dynamic and innovative economy’ with relevant ministries.¹ Under the 3-year plan for economic innovation announced last year, the policy initiatives are mainly focused on boosting the Korean economy’s vitality by creating new businesses, new industries and new markets.

The FSC will push forward policy tasks to vitalize a financial ecosystem to support the creative economy by channeling funds into innovative start-ups and venture companies.

1. ESTABLISH FINANCING SCHEME FOR EACH STAGE OF BUSINESS LIFE CYCLE

Start-ups

A fund worth KRW 510billion will be created with contributions from the Growth Ladder Fund and Creative Economic Centers in local areas to provide funds for innovative local businesses.

V-credit default swaps(V-CDS) will be developed to reduce investors’ risks from investment into early-stage venture companies. The new derivative product will be designed to sell venture investment risk separately. Structure of V-CDS and investment incentives will be out within the first half of 2015.

Growth

The FSC will support temporarily financially distressed companies by extending fast track programs for SMEs² and utilizing KAMCO’s sale & lease back program³.

Divestment

The FSC will make easier for investors to recoup their investment in SMEs. To this end, the FSC plans to foster brokerage services specialized in M&As of SMEs or venture companies, raise a total of KRW 1trillion over the next three years to support M&As of SMEs and launch a new trading platform for unlisted shares of SMEs and venture companies.⁴ Details will be set out in a ‘Plan for Stimulating Venture Capital Investment’ scheduled to be announced in the first half of 2015.

¹ Financial Services Commission, Ministry of Science, ICT, & Future Planning, Ministry of Trade, Industry & Energy, Korea Communications Commission and Small & Medium Business Administration

² Liquidity support for SMEs

³ KAMCO buys SMEs’ assets(e.g. factory and facilities) from banks and lease back. KAMCO plans to support a total of KRW 100billion for its sale & lease back program in 2015.

⁴ K-OTC(Korea Over-the-counter) is a trading platform run by the Korea Financial Investment Association(Kofia) for shares of unlisted companies. Starting from August 2014, shares of unlisted companies that meet reporting requirement or Kofia disclosure rules are being traded on the 1st-tier market. The Kofia plans to launch the 2nd tier market in March 2015 for shares of unlisted SMEs and venture companies.

2. PROVIDE POLICY FUNDS TO SUPPORT CREATIVE ECONOMY

Policy banks plan to provide a total of KRW 180trillion in 2015⁵ to support the creative economy. Out of the funds, about KRW 100trillion will be invested into new growth drivers including service industries. The KDB will expand its support for start-up and venture companies in loans and investment from KRW 6.5trillion in 2014 to KRW 10.5trillion in 2015.

3. SHIFT POLICY FOCUS OF TECH FINANCE FROM LOANS TO INVESTMENT

The FSC will shift policy focus of tech finance from loans to investment. To this end, a fund of KRW 300billion will be raised to attract investment based on credit values of technology. Policy banks will be encouraged to play a role of non practicing entities(NPE) to stimulate trading of technology values.

4. EXPAND EXEMPTION OF JOINT SURETIES TO BUSINESS OWNERS

The FSC has been improving financial institutions' practice of asking joint sureties. Joint sureties by third-party individuals were abolished in the banking sector in May 2012 and in the non-banking sector in July 2013. To ensure responsible management of businesses, effective business owners are still asked to stand as a joint surety for loans.

Starting from February 2014, business owners of start-ups with good credit records were exempted from requirement to provide guarantee. From January 2015, the scope of exemption is expanded to start-ups founded before February 2014. The FSC will lower guarantee fee for start-ups they paid to KODIT and KIBO when requesting for a large sum guarantee. The FSC plans to expand exemption of surety to non start-up companies in March 2015.

Programs to support failed entrepreneurs re-start their business will be also improved. KODIT and KIBO will be more actively involved in debt restructuring of failed start-ups. Credit information of failed entrepreneurs will be prohibited from sharing among financial institutions for a certain period so that the stigma of failure should not work against their effort to re-start. A total of KRW 1.5trillion will be provided over the next 5 years to support failed entrepreneurs to re-start business.

5. FOSTER 'FINTECH' BUSINESSES THROUGH THE CONVERGENCE OF IT AND FINANCE

Excessive regulations related to financial security will be eased. For example, security review for newly-introduced electronic financial services and the Evaluation Committee for Means of Authentication will be abolished.

Following policy efforts in 2014 to make electronic payments with card and payment companies simple, the FSC will push forward with the abolishment of Active-X and mandatory requirement of digital certificates for financial transaction with banks and securities firms.

The FSC will set out a plan to establish online-only banks.

⁵ KDB(63trillion won), IBK(56trillion won), KODIT(41trillion won), KIBO(19trillion won)

Policy banks will create a fund worth KRW 200billion in 2015to support the Fintech industry.

The FSC, Financial Supervisory Service, Ministry of Science, ICT and Future Planning, and Small and Medium Business Administration will co-establish a ‘Fintech Support Center’ to support financing and provide advisory service about administrative and legal issues.

6. PUSH FORWARD FINANCIAL REGULATORY REFORM AND INNOVATION

The FSC will continue to carry out financial regulatory reform and encourage innovation in the financial sector with policy incentives. Supervisory procedure and practice will be improved.

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