



## CROWDFUNDING TO BE INTRODUCED

The FSC made amendments to the Enforcement Decree of the Financial Investment Services and Capital Markets Act(“FSCMA”) to allow start-ups and SMEs to raise funds through crowdfunding. The amendments, open for public comments from July 23 to September 1, are expected to take effect as early as January 2016 after reviews by the Regulatory Reform Committee and the Ministry of Government Legislation.

### KEY PROVISIONS

#### 1. Companies allowed to raise funds through crowdfunding

Start-ups and SMEs with their business operations less than 7 years will be allowed to issue securities through crowdfunding platforms. SMEs engaging in projects such as technology development and cultural business will be allowed to raise funds through crowdfunding regardless of how many years they are in business. A company will be allowed to raise up to KRW 700 million per year through crowdfunding.

#### 2. Investment Limits

Investors will be subject to different caps on the amounts of investment they are allowed to put into a company or a year, depending on their professional investment knowledge and risk-absorbing capacity.

	Cap on investment in a company	Cap on investment per year
General investors	2 million won	5 million won
Investors that meet certain income requirements <sup>1</sup>	10 million won	20 million won
Professional investors, etc. <sup>2</sup>	No cap	No cap

#### 3. Restriction on investors selling securities

In principle, investors will be prohibited from selling securities within a year of issuance. It will be exceptionally allowed for investors to sell securities within a year of issuance to those who acquire sufficient information about the company – e.g. professional investors, securities issuers.

<sup>1</sup> Individuals subject to financial income taxation

<sup>2</sup> including ‘professional investors’ defined by the FSCMA (e.g., financial institutions) and investors with professional knowledge & risk-absorbing capacity (e.g., venture investment funds, angel investors, etc.)

#### **4. Registration requirement for ‘crowdfunding business’**

A minimum equity capital will be set at KRW 500 million for an online brokerage firm to be registered as ‘crowdfunding business.’

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For any inquiry, please contact Foreign Press & Relations Team at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr)