

### FSC PLANS MEASURES TO BOOST COMPETITIVENESS OF FINANCIAL INVESTMENT BUSINESSES

#### <SUMMARY>

- ▶ Strengthen corporate financing functions of brokerage firms and facilitate fundraising, investment and divestment through private placement of securities
- ▶ Allow securities companies to expand their business scope into new areas that could create synergies with their existing business activities
- ▶ Alleviate regulatory constraints to promote competition and encourage securities companies to provide more diverse services

#### 1. STRENGTHEN CORPORATE FINANCING FUNCTIONS

'Comprehensive Financial Investment Business Entities,' will be allowed to lend up to 100% of their equity capital in corporate credit offering. For credit loans with a maturity of less than one year, prudential regulatory requirements will be eased to levels applied to commercial banks.

Brokerage firms specialized in SME financing will be designated to facilitate fundraising activities of SMEs and venture companies such as listings on KONEX or KOSDAQ, bond issuance and public placement of securities.

Regulations on private placement of securities for qualified institutional investors (QII) will be eased to allow all companies whose total asset value of less than KRW 2 trillion to issue securities in the private placement. Current regulations permit private placement only to companies with total asset value of less than KRW 500 billion, while prohibiting listed companies, financial institutions and public corporations from issuing securities in the private placement.

#### 2. EXPAND BUSINESS SCOPE OF SECURITIES COMPANIES

*Comprehensive Financial Investment Business Entities* will be allowed to open stock markets for non-listed shares and non-competitive trading markets using prices at KRX for listed stocks.

With the implementation of the revised FSCMA, securities firms will be allowed to register as hedge fund managers on condition that they have measures to prevent conflict of interest in place.

The FSC will facilitate utilization of securities provided as collateral by securities firms in repo transactions and securities lending to offer more opportunities for profits.

### 3. ALLEVIATE REGULATORY CONSTRAINTS TO ENCOURAGE DIVERSE SERVICES

Requirements for individuals and institutions to qualify for professional investors will be eased to enable more investors with sufficient knowledge to make investments within their own responsibilities.

qualified individual investor		qualified institutional investor	
before revision	after revision	before revision	after revision
· balance of financial investment products worth KRW 5 billion	· balance of financial investment products worth KRW 500 million & annual income of more than KRW 100 million	· balance of financial investment products worth KRW 10 billion	· balance of financial investment products worth KRW 5 billion ^ total assets of KRW 12 billion
	· balance of financial investment products worth KRW 500 million & total assets of more than KRW 1 billion		

More exemptions will be permitted to the separation of investment banking and brokerage businesses to boost synergies and provide consumers with more convenient services. The FSC, for example, plans to revise relevant regulations to allow IB departments of securities firms some of brokerage businesses such as trading short-term bonds and selling KONEX-listed and non-listed stocks.

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