

INTRODUCTION OF KOREA'S ISAS

Korea's Individual Savings Accounts (ISAs) were introduced on March 14, 2016, in which individuals can invest into various financial products such as savings, funds and derivative-linked securities. Previously, individuals had to open separate accounts for each financial product. The introduction of ISAs is expected to help individuals build an investment portfolio tailored to their risk appetite and investment purpose and manage their wealth more efficiently with the aid of asset management experts. ISA products are now on sale starting from March 14 through branches of 33 financial institutions – banks, securities firms and insurers.

TYPES OF ISAS

There are two types of ISAs: a trust-type product and a discretionary investment product.

▪ **Trust-type ISAs**

The trust-type ISA is aimed at individuals who want to choose financial products to be included into their accounts on their own. Without the account holder's direction, financial institutions cannot change the composition of investment portfolio.

▪ **Discretionary ISAs**

The discretionary ISA is targeted for those who want to let asset managers manage their money. Financial institutions provide clients with model portfolios, considering their risk appetite and investment purpose. The client is then supposed to pick one of the model portfolios to let asset managers on behalf of them choose products to be included in the account. Without the account holder's direction, financial institutions are allowed to rebalance assets within the account every quarter, evaluating profitability and safety of such assets.

※ Since only one ISA is allowed per person, individuals have to choose either a trust-type ISA or a discretionary ISA, considering which type of the ISAs is more suitable for themselves.

WHAT PRODUCTS CAN BE INCLUDED IN ISAS

- **Savings products** – savings and installment savings with banks and mutual savings banks; deposits with mutual financial institutions; and RPs
- **Investment products** – public offering funds, ETF, REITS, derivative-linked securities (e.g. ELS, ETN, ELB, etc.)

TAX BENEFITS

Tax exemptions are to be given for net earnings from ISAs. The account holders can receive tax exemptions ranging from KRW2 to 2.5 million, depending on their income levels. Net earnings exceeding the tax exemption range will be taxed separately at a lower tax rate of 9.9%.

WHO CAN OPEN AN ISA

Individuals with financial income less than KRW20 million in the previous year can open an ISA. An ISA holder can invest up to KRW100 million over five years, KRW 20 million per year. To be granted tax benefits, ISA holders have to maintain their account for 3 to 5 years.

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