

## FSC CHAIRMAN SPEAKS ON IMPORTANCE OF INNOVATION IN MOVABLE ASSET-BASED FINANCING

FSC Chairman Eun Sung-soo visited a peer-to-peer lending firm Popfunding<sup>1</sup> on November 26, and held talks on promoting innovative financial solutions through movable asset-based financing.

During the talks, Chairman Eun stated that the traditional lending practice centered on real estate has begun to change due to government efforts to facilitate the development of financial products which recognize movables as collateral. Merely two years ago, movable asset-based financing remained unfamiliar. However, banks have set up a movable collateral management system using Internet-of-Things (IoT) as they led innovative initiatives in this field.

As a result, the amount of movable asset-based loans rapidly increased from KRW735.5 billion at the end of last year to more than KRW1.2 trillion at the end of September 2019.

Moreover, Chairman Eun emphasized that due to innovative ideas in movable asset-based financing, new solutions have emerged which would have been unlikely in the past. For instance, inventory as collateral has received relatively low attention compared to machinery or intellectual property due to difficulties in assessment and management. However, with movable asset-based financing, Popfunding began to offer e-commerce firms not only business loans at low to medium interest rates but also systematic inventory management and warehouse services.

Chairman Eun said that more innovative solutions should be introduced in the field of movable asset-based financing in order to facilitate start-ups and SMEs.

The government has announced a revision<sup>2</sup> to the Act on Security over Movable Assets and Receivables on November 5, and plans to set up an organization that supports redemption of movable collateral in the first half of 2020.

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<sup>1</sup> Offers peer-to-peer (P2P) lending platform for small merchants and provides business loans with inventories and receivables as collateral. Popfunding has partnered with the Industrial Bank of Korea (IBK) in March this year and launched movable asset-based loans for e-commerce businesses on November 6.

<sup>2</sup> The revision includes introduction of a lump-sum collateral system, abolishing the five-year term of existence of the security interest, and establishing articles restricting intentional destruction or damage of collateral.