

VICE CHAIRMAN HOLDS TALKS ON PROMOTING MARKET-BASED CORPORATE RESTRUCTURING

FSC Vice Chairman Sohn Byungdoo held talks on promoting more market-based approaches to corporate restructuring with relevant institutions and market experts on May 28.

The following is a summary of Vice Chairman Sohn's remarks.

MARKET-BASED APPROACHES TO CORPORATE RESTRUCTURING

Amid the current pandemic-induced economic downturn, many businesses are facing difficulties. With a blurring boundary between liquidity risk and solvency risk, it appears that more and more companies will have to go through corporate restructuring. Meanwhile, the creditor banks face limited capability to support corporate restructuring due to uncertainties about future repayment prospects and burdens of securing additional reserves. Therefore, promoting market-based approaches to corporate restructuring is essential for eliminating this discrepancy.

Due to the pandemic-related market uncertainties, companies are selling subsidiaries to bolster liquidity, and the role of experienced market players such as asset managers in the corporate restructuring and M&A market is crucial in this regard.

CORPORATE RESTRUCTURING FUND

As of the end of April 2020, the corporate restructuring fund has invested about KRW700 billion in 16 companies since its launch in November 2018. The fund has provided support for business turnaround of twelve companies in the traditional manufacturing sectors, such as steel, shipbuilding and auto parts. The successful turnaround cases of KG Dongbu Steel and Sungdong Shipbuilding provide an important turning point for more market-based solutions to corporate restructuring.

As such, the government plans to expand the size of the corporate restructuring fund from KRW1.6 trillion to KRW2.6 trillion this year. With about KRW75 billion from fiscal resources, policy banks have helped to create a KRW500 billion master fund.

(PROJECT FUND) With the increased size of the fund, the proportion of project fund will be expanded from 26 percent to 40 percent while making investment available for even large companies and a more diverse range of innovative sectors other than manufacturing.

(PRIVATE DEBT FUND) Setting up a private debt fund in the size of about KRW300 billion will help satisfy diverse funding demands for businesses without jeopardizing their management control while facilitating investment with the benefit of low risk and stable return.

IMPROVING RULES & PROCEDURES

The government will also seek to improve the rules and procedures on corporate restructuring through close cooperation with relevant authorities. In order to promote the development of a more vibrant corporate restructuring market, the government will provide the necessary procedural support while working to eliminate the stigma attached to corporate restructuring.

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