

MULTIPLE SUBSCRIPTIONS RESTRICTED FOR IPO SHARES

The government approved the revisions to the Enforcement Decree of the Financial Investment Services and Capital Markets Act during a cabinet meeting held on June 15. The revisions (a) restrict retail investors from applying for multiple subscriptions for IPO shares, (b) increase the annual cap for issuing securities via crowdfunding and (c) introduce specific rules for financial investment companies' credit extension to overseas branches. The revisions will go into effect from June 30, 2021, except for the provision on the restriction of multiple IPO subscriptions, which will begin to apply for securities reports being filed after June 20, 2021.

(RESTRICTING MULTIPLE SUBSCRIPTIONS FOR IPO SHARES) With the introduction of a more equitable share allocation method in last December, retail investors are given more opportunities for IPO share subscription.¹ However, in IPOs with multiple lead managers, multiple subscriptions were made possible as retail investors could open up accounts at multiple brokerage firms and apply at each brokerage firm. This resulted in inconvenience for investors and heavy workload for brokers. As such, multiple subscriptions for IPO shares will be banned for retail investors. Brokerage firms will be required to check whether investors have applied for share subscriptions at other brokerage firms. Even when an investor applies for multiple subscriptions, share allocation will be made only on the first subscription.

(FOLLOW-UP MEASURES TO PROMOTE CROWDFUNDING) The annual cap for issuing securities through crowdfunding will be increased from KRW1.5 billion to KRW3 billion. The authorities will strengthen supervision over the financial soundness of crowdfunding platforms by checking their capital requirement more frequently from once a year to once every month and shortening the grace period before withdrawal from one year to six months.

(FINANCIAL INVESTMENT COMPANIES' OVERSEAS OPERATION) Financial investment companies can extend credit to overseas corporate branch or an overseas subsidiary in which the former has 50 percent or more of ownership. The maximum credit offering limit will be set at 40 percent of equity capital for all overseas branches and 10 percent of equity capital for an individual overseas branch.

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¹ Please click [here](#) to see the press release dated November 18, 2020.