

FSC CHAIRMAN SPEAKS ABOUT MEASURES TO BOOST SUPPORT FOR STARTUPS AND VENTURE BUSINESSES

The FSC and the Ministry of SMEs and Startups held a press briefing on their joint effort to boost support for startups and venture businesses on April 20. The following is a summary of FSC Chairman Kim Joo-hyun's opening remarks.

FSC CHAIRMAN'S REMARKS

The measures to support startups and venture businesses being announced today are focused on helping the industry escape the problem of "death valley" in terms of their financing needs, and the measures take into account opinions of key industry participants such as venture investors and startups. According to venture investors, the industry currently faces difficulties in attracting new investment due to liquidity shortage amid interest rate hikes and anxieties in financial markets. Also, the slowdown in IPO market activities has made it difficult for investors to collect their investments, which restricts opportunities for new investment. Against this backdrop, while reflecting the opinions and needs of the industry, the government has drawn up support measures that will help strengthen the role of policy financial institutions while having the private sector play the key role in this private-public joint effort.

Support for venture investors

First, to support venture capital to liquidate funds at maturity according to schedule to allow opportunities for new investment, authorities will set up a secondary fund worth KRW1 trillion through policy financial institutions this year. Second, to facilitate banks to provide more venture capital, the banks' investment cap on venture funds will be raised from the current level of 0.5 percent of equity capital to 1% of equity capital. Third, additional funds will be injected to the KONEX scale-up fund to promote innovative startups to be listed on KONEX and enable them to make collection on investment.

Support for startups

First, to help ensure a continuous growth of early-stage startups that are not making any profits and deep tech startups for which it may take a long time before generating profits, policy financial institutions such as the Industrial Bank of Korea (IBK) will provide a pump-priming role (more than KRW2 trillion over three years) in providing funds along with the private sector. Second, authorities plan to increase incentives for banks—in their TECH assessment criteria—to encourage them to more actively provide lending to startups that have a proven record of technological prowess from the private sector. Third, there will be more support for startups having difficulties in securing follow-on investments. For startups with technological prowess, the availability of funding support for working capital will be expanded regardless of their

revenue status. Authorities will expand the size of guarantees available from KRW390 billion currently to KRW590 billion to ensure that those with a previous record of receiving investment can receive working capital support regardless of their revenue status. Also, the current targeted support program for those selected for their outstanding innovativeness and technological prowess by Korea Credit Guarantee fund will be expanded to allow provision of up to KRW20 billion for each business (currently up to KRW15 billion support available for each business). Fourth, authorities will support late-startups to scale up as unicorns. The Korea Development Bank (KDB) will set up a new fund worth KRW300 billion in 2023 to support startups' overseas business takeover or expansion. In addition, the IBK will make available a total of KRW100 billion in 2023 in M&A loans, providing up to KRW30 billion for each business, to facilitate business growth through mergers and acquisitions.

The government plans to continue to maintain close communication with the startup and venture industry and spare no effort in providing support to ensure a continuation in their innovative drive.

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