

GOVERNMENT UNVEILS PLANS FOR LAUNCHING KOREAN NEW DEAL FUND

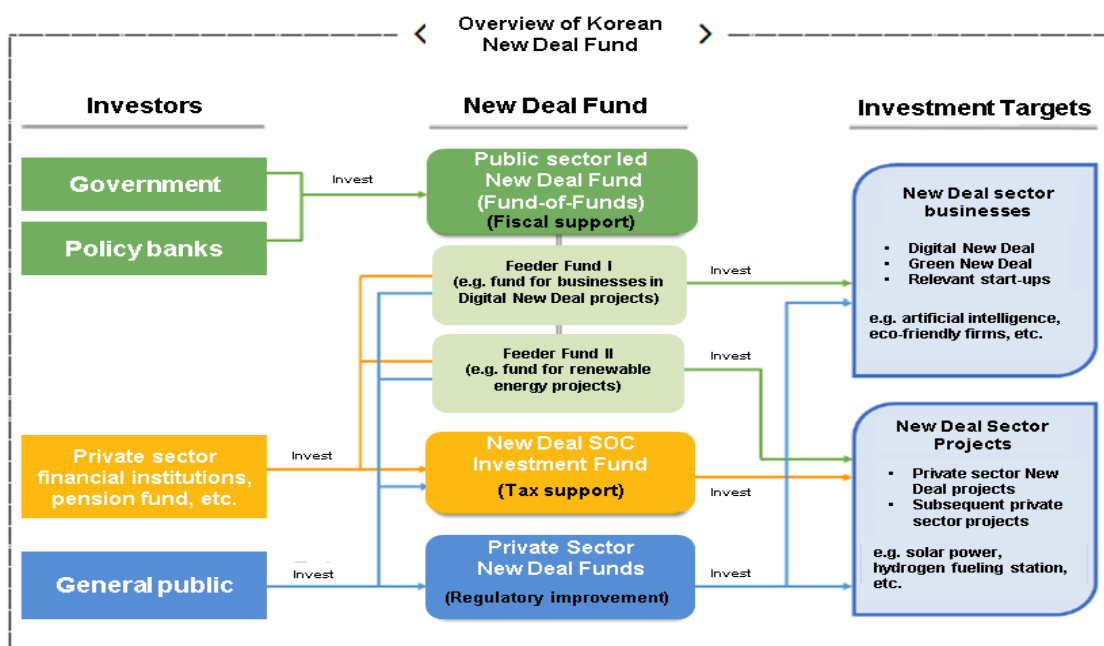
The government announced its plans to create a 'Korean New Deal fund' and promote private sector investment in the New Deal projects on September 3.

OVERVIEW

The Korean government introduced a KRW160 trillion New Deal initiative in July, which is aimed at transforming the economy for the future. Successful implementation of the New Deal projects requires not only public sector capital but also private sector investment. As such, the government decided on the plans to launch a 'Korean New Deal fund' in order to (i) provide strong funding support for the New Deal projects, (ii) help channel enhanced market liquidity to productive sectors and (iii) make profit sharing from the New Deal investment projects more widely available to the general public.

The 'Korean New Deal fund' is made up of the following three key pillars.

- Launching a KRW20 trillion public sector led New Deal fund
- Promoting New Deal SOC investment funds
- Boosting private sector investments in New Deal projects



KOREAN NEW DEAL FUND: 3 KEY PILLARS

I. PUBLIC SECTOR LED NEW DEAL FUND

(STRUCTURE) A KRW20 trillion fund will be created for 2021-2025.

(a) Master fund (or Fund of Funds): KRW7 trillion will be funded by the government and policy banks over the next 5 years.

(b) Feeder funds: KRW20 trillion will be raised through matching funds between public (35%) and private sector (65%) investments.

(INCENTIVES) Investment risks are reduced as the public sector led master fund will absorb losses first through a subordinated investment position.

(INVESTMENT TARGET) Specific guidelines on investment targets will be determined later to ensure investments in broad areas of new deal projects and relevant businesses through diverse investment methods, including equity investments and loans.

(PROFIT SHARING) Provide the general public with investment opportunities in Korean New Deal projects through public offerings at lower risk.

II. PROMOTE NEW DEAL SOC INVESTMENT FUNDS

(STRUCTURE) Public sector-led New Deal fund-of-funds & private sector infrastructure funds

(INCENTIVES) Tax incentives and fiscal support will be provided to facilitate private sector investments in Korean New Deal projects.

(a) Tax Support: Impose separate taxation on dividend income earned from Korean New Deal SOC investment funds

(b) Fiscal Support: Help absorb investment risks through investment by the fund-of-funds

(INVESTMENT TARGET) Korean New Deal SOC projects

(PROFIT SHARING) Promote growth of public equity funds in SOC projects to facilitate more investment from the general public by applying tax incentives only to public equity funds and setting up rules to promote SOC investment by pension funds

III. BOOST PRIVATE SECTOR INVESTMENTS IN NEW DEAL PROJECTS

(KEY PLAN) Encourage private sector financial institutions to search for promising new deal investment projects and create funds to supply private sector capital

(INVESTMENT TARGET) Projects and businesses relevant to the Green and Digital New Deal initiative selected by financial institutions¹

(PROFIT SHARING) Retail investors have opportunities to invest in various funds and seek profits according to their own risk appetite.

¹ Korea Exchange will develop various 'New Deal indexes,' and the development of the New Deal index-linked investment products, such as ETFs and index funds, will be encouraged.

FINANCING NEW DEAL PROJECTS

The government will expand financing support through state-backed financial institutions and improve regulations to promote private sector investment in Korean New Deal projects.

I. EXPANDING THE ROLE OF STATE-BACKED FINANCIAL INSTITUTIONS

- (a) Increase New Deal project financing by state-backed financial institutions to more than 12 percent by 2025²
- (b) Provide KRW100 trillion in lending support over five years through low interest rate loans and special guarantees³
- (c) Provide targeted support to innovative businesses in the Korean New Deal sectors by selecting and designating more than 60 percent of businesses from the New Deal sectors in Q4 2020 as part of the government-wide plans to cultivate 1,000 innovative firms⁴

II. IMPROVING REGULATIONS TO FACILITATE PRIVATE SECTOR INVESTMENT

Improve regulations to facilitate a growth of private sector investment and capital injection into the New Deal sectors

III. PROMOTING PROJECT FINANCING ASSET-BACKED SECURITIES

- (a) (SOC Projects) Strengthen support for issuing PF-ABS by lowering SOC credit guarantee fees from 0.2 percent to 0.1 percent
- (b) (Other Projects) Provide support for PF-ABS credit reinforcement by establishing a Korean New Deal specific account at KODIT

IV. ENCOURAGING LENDING SUPPORT FOR NEW DEAL PROJECTS⁵

- (a) Create an environment to facilitate investment in New Deal projects by financial institutions
- (b) Strengthen support for digital finance and develop an ecosystem for the growth of the New Deal sectors

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For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

² 8.4% (2019) → 10% (2022) → 12% (2025)

³ KRW1 trillion by KDB, KRW69 trillion by KDB, IBK & KEXIM and KRW30 trillion by KODIT

⁴ Please click [here](#) to see the press release.

⁵ Major financial holding groups announced their plans to make more than KRW70 trillion available over the next five years in support of the government's New Deal initiative.