



Financial Services Commission
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Financial Supervisory Service
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Press Release

December 9, 2008

Direction and Process of Corporate Restructuring

Background

Korea's financial markets have not been immune from the uncertainties prevailing in the global financial markets as the credit freeze and financial institutions losses continue to grow amid concerns that it would further deteriorate corporate liquidity and slowdown the real economy.

A process that clearly sets out how the restructuring will be carried out and who it will affect would address the anxiety and uncertainty plaguing the markets through prompt and orderly restructuring.

Restructuring Direction

Corporate restructuring will have a focus on saving companies, even though resolution would follow quickly for those companies deemed to be non-viable. Although industry-wide restructuring is not being ruled out, unlike the financial crisis in the late 1990s the current restructuring will center on individual companies and large business groups. Restructuring will commence alongside financial support for companies that are currently on the Fast Track or workout programs as a result of the temporary squeeze in liquidity.

Restructuring Process

Corporate restructuring will proceed under the discretion of the creditor financial institutions, but the Corporate Credit Support Task Force, the Council of Creditor Financial Institutions, and the Creditor Financial Institutions Steering Committee will also bear a part of the responsibilities along with the government.

To lend support and add efficiency to the restructuring process, the FSC/FSS launched the Corporate Credit Support Task Force on November 28, 2008 and is now headed by the governor of the FSS.

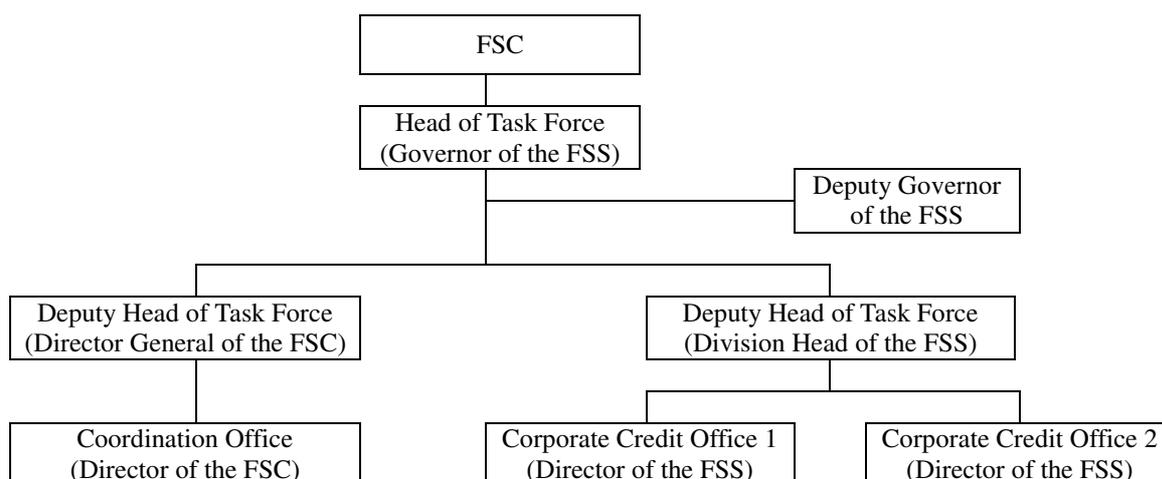
The Council of Creditor Financial Institutions is comprised of each respective company's major creditor bank and others, which will discuss and decide restructuring process upon convening Council meetings. The creditor banks will categorize companies into four groups with A being normal, B temporary liquidity shortage, C distressed, and D in receivership. The major creditor banks will work through the Council of Creditor Financial Institutions by proposing financial support and restructuring process on each respective company.



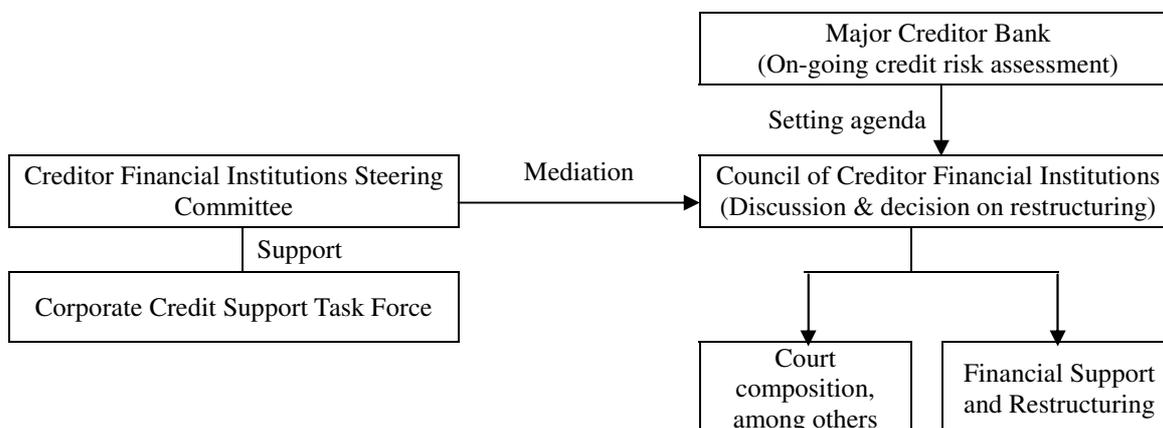
The seven-member Creditor Financial Institutions Steering Committee will, in accordance with the Corporate Restructuring Promotion Act, mediate cases where opinions diverge in the Council of Creditor Financial Institutions. The Committee members are appointed upon the recommendation of each respective professional association with two members recommended by the Korea Federation of Banks (KFB), and one member each by the Asset Management Association of Korea (AMAK), the Korea Chamber of Commerce and Industry (KCCI), the Korean Institute of Certified Public Accountants (KICPA), the Korean Bar Association (KBA), and one representative from an association of insurance companies. The post of chairman and the Committee will become permanent while the organization will be strengthened.

For its part, the government will provide support and draft resolutions that are deemed crucial to move the restructuring process forward.

Corporate Credit Support Task Force



Restructuring Process





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Creditor-led Corporate Restructuring

	Conglomerates Restructuring	SME Restructuring	Constructors Financial support	SME financial support
Companies	>KRW50 billion of credit from creditor financial institutions	<KRW50 billion of credit from creditor financial institutions	Viable constructors and related companies	SMEs in either A or B categories
Provisions	Corporate Restructuring Promotion Act	Agreement Among Creditor Banks	Creditors' Agreement	SME Fast Track Program Guideline
Mediator	Creditor Financial Institutions Steering Committee	Creditor Banks Steering Committee	None	Creditor Banks Steering Committee
Committee members	7 members (2 recommended by the KFB, and 1 from AMAK, KCCI, KICPA, KBA, and from an association of insurance companies)	5 members (4 recommended by creditor banks and KFB chairman plus the Commissioner of the Creditor Financial Institutions Steering Committee)		5 members (same as Creditor Banks Steering Committee)
Commissioner	Selected among committee members	Commissioner of the Creditor Financial Institutions Steering Committee		Commissioner of the Creditor Financial Institutions Steering Committee
Working teams	Secretariat			

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