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Press Release

September 29, 2009

LEGISLATION NOTICE OF AMENDMENTS TO THE ENFORCEMENT DECREE OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT (FSCMA)

Outline

In the interest of invigorating the M&A market and corporate restructuring, amendments to the Enforcement Decree of the Financial Investment Services and Capital Markets Act have been devised and are announced herein. Opinions on this matter will be received for the next 20 days after this legislation notice.

Key Contents of Amendments

Introduction of Special Purpose Acquisition Company (SPAC)

A SPAC will be exempt from collective investment regulation when it is equipped with a separate investor protection and public offering deposit condition as stipulated in the Enforcement Decree. The system is also aimed to clarify any legal uncertainties concerning the establishment of a SPAC under the general form of incorporation and pave a realistic system of management and supervision over investor protection.

An akin SPAC, not meeting the requirement stipulated above, will not be allowed to process public fund raising and IPO, and will be also exposed to the disposal and supervision against any illegal action through the restrictions of the collective investment regulation.

Alleviated Regulation on Private Equity Funds (PEF)

A PEF will be allowed to invest into a foreign firm (SPC) that invests over 50% of its assets to companies undergoing restructuring. But the foreign firm must convert its invested shares to target investment company shares in Korea within 6 month in order for effective supervision. This policy change will temporally be effective until the end of 2010.

PEFs will also be allowed to invest directly to Social Overhead Capital (SOC). The maximum loan limit of 200% of its asset for a PEF that uses over 50% of its assets to invest in companies undergoing restructuring will be lifted to 300%.



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Facility Funds

Enumerate property, plant and equipments to allow PEFs to purchase them even without the intention of taking over the management.

Private Funds

Private funds that invest in companies undergoing restructuring will be allowed to undertake debt up to 300% of equity with up to 50% debt guarantee.

Systemic Improvements in Corporate Mergers

Clarify the basis for external evaluation requirement when intrinsic valuation is used for mergers between listed companies within an exchange. I.e. KOSPI or KOSDAQ
This also applies to asset acquisitions for listed companies.

An examiner in special relationship with the subject firm will not be allowed to carry out external evaluations not only for mergers but also for business transfers.

Systemic Improvements for Mutual Funds

Implement a basis for investors to switch mutual fund dealers without selling their mutual funds to induce competition among dealers and lower sales commission.

Change the margin of error for mutual fund's standard price from 0.1% to a range between 0.05% and 0.3% depending on the nature of the fund to reduce the frequency of price corrections.

Reduce the maximum limit for mutual fund sales fees from 5.0% to 2.0% and sales commissions from 5.0% to 1.0% annually.

The collective amendments come into effect after they are passed through the Regulatory Reform Committee and the Ministry of Government Legislation, as well as the Vice-Ministerial Meeting and the Cabinet Meeting.

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