

AMENDMENTS TO THE ENFORCEMENT DECREE OF THE FINANCIAL INVESTMENT SERVICES & CAPITAL MARKETS ACT

Crowdfunding rules will take effect January 25 this year as relevant amendments to *the Enforcement Decree of the Financial Investment Services & Capital Markets Act* were approved in a Cabinet meeting on January 5, 2016. The amendments are intended to stipulate details regarding the scope of issuers and registration requirements for crowdfunding intermediaries.

KEY PROVISIONS

1. Scope of Issuers

Smaller and startup companies with their business operations less than 7 years are to be allowed to issue securities through crowdfunding. Venture companies and SMEs engaging in projects such as technology development and cultural business are to be allowed to raise capital through crowdfunding regardless of how many years they are in business.

2. Registration Requirements of Crowdfunding Intermediaries

To be registered as an intermediary for a crowdfunding offering, a company must have a minimum capital of KRW500 million and meet requirements similar with those of investment advisory services and discretionary investment services.

3. Investor Protection

- (1) Limits on capital raising by issuers:** A company is allowed to raise up to KRW700 million per year through crowdfunding.
- (2) Limits on investments by investors:** Investors are subject to differentiated caps on the amount of investments depending on their professional knowledge of investment and risk-taking capacity.

	An investor's maximum investment per company	An investor's maximum investment per year
General investors	2 million won	5 million won
Investors that meet certain income requirements ¹	10 million won	20 million won
Professional investors, etc. ²	No cap	No cap

¹ Individuals subject to financial income taxation

² including 'professional investors' defined by the FSCMA (e.g., financial institutions) and investors with professional knowledge & risk-absorbing capacity (e.g., venture investment funds, angel investors, etc.)

(3) Exception to ban on securities sales by investors: In principle, investors are prohibited from selling securities within a year of issuance. However, issuers, large shareholders and professional investors are exceptionally allowed to sell their holdings within a year.

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