

GOVERNMENT PROMOTES MARKET-BASED APPROACH TO CORPORATE RESTRUCTURING

FSC Chairman Eun Sung-soo participated in an MOU signing and launching event of a DIP financing¹ company² on November 18, and held talks with entrepreneurs and investors on market-based approaches to corporate restructuring.

The following is a summary of Chairman Eun's remarks:

IMPORTANCE OF DIP FINANCING

For businesses, it is very difficult to raise capital once they are labeled as 'insolvent' and have to go through a corporate rehabilitation process following a temporary crisis or setback due to changes in external environments.

In this regard, for so many institutions to come together in support of providing new capital to help rehabilitate companies in financial distress through DIP financing is very meaningful. This will provide a new guideline in the process of debt settlement and business normalization.

ESTABLISHING DIP FINANCING SUPPORT SYSTEM

There exist continuing anxieties about a slowing recovery of our economy. The hardship experienced by our industries and companies may be prolonged.

As such, it is crucial to be well prepared in a preemptive and systematic way for a heightened demand for market-based corporate restructuring.

The DIP financing company launched today will provide capital to SMEs that have difficulties raising funds in the market. For larger companies, the government will help establish a 'DIP financing fund' in the amount of KRW200 billion³ and provide support to competitive businesses at appropriate times.

¹ Debtor-in-possession (DIP) financing is a financing provided for companies in financial distress, typically during the restructuring or rehabilitation process.

² Provides KRW400 billion per year in capital supply (KRW300 billion by Korea Asset Management Corporation & KRW100 billion by Korea SMEs and Startups Agency), consulting services (by KOSME), performance bonds (by Seoul Guarantee Insurance Company), postponement of exercising security right (by banks) & cooperation in corporate rehabilitation and bankruptcy cases (by Seoul Bankruptcy Court)

³ Korea Growth Investment + Korea Asset Management Corporation (KRW60 billion/year) + private investors

EXPANDING 'CORPORATE RESTRUCTURING INNOVATION FUND'

The government will increase the level of funds available for the 'corporate restructuring innovation fund' next year from the current level of KRW1 trillion to KRW2 trillion.

It is crucial to establish sufficient capacity to provide support considering the fact that searching for appropriate investment targets takes a long time, often between 4 and 5 years.

The 'corporate restructuring innovation fund' will have to play a supporting role as the market screens for competitive firms and provides targeted support, in order to make our industries more competitive including the manufacturing sector.

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