

KRW1 TRILLION-PLUS FUND TO PROMOTE MARKET-ORIENTED CORPORATE RESTRUCTURING

The FSC announced that the second round of corporate restructuring fund in the amount of more than KRW1 trillion has already begun to make investments with an aim of fostering conditions to promote market-based corporate restructuring.

BACKGROUND

Corporate restructuring led by creditor banks proved effective in improving the financial structure of companies and minimizing shocks to the market but had limits in boosting companies' market values and improving their competitiveness. To address this problem, the government created the first round of corporate restructuring fund in August 2018 to boost effectiveness in corporate restructuring by making use of the abundant capital, expertise and creativity from the private sector. It helped mitigate investment risks and the corporate restructuring fund has been successful in attracting diverse fund management companies into the corporate restructuring market that is still at a nascent stage.

CORPORATE RESTRUCTURING FUND

In August 2018, the first round of corporate restructuring fund was set up with a KRW541.5 billion master fund. With matching investments from the private sector, twelve feeder funds were created in the amount of KRW1.7 trillion from which about KRW981.9 billion investments have been made via both blind pool funds and project pledge funds in SMEs and middle market enterprises in sectors ranging from shipbuilding to chemical to construction and heavy equipment to steel.

Against this backdrop, the second round of corporate restructuring fund was launched in May 2020 with a KRW501.5 billion master fund. With private sector investments, the total size will exceed KRW1 trillion, and it has already begun to make investments in two companies.

As such, the government will continue to work on the promotion of market-oriented approaches to corporate restructuring. It is expected that the corporate restructuring fund will serve as a stepping stone for establishing a more vibrant corporate restructuring ecosystem.

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