

FSC HOLDS MEETING ON DEVELOPING CORPORATE FINANCE PLATFORM TO SUPPORT INNOVATIVE BUSINESSES

Vice Chairman Doh Kyu-sang held a meeting on corporate finance via teleconference on March 3 and discussed ways to develop a corporate finance platform to more effectively provide financing support to innovative businesses. The meeting also discussed recent trends in corporate finance in both traditional and newly emerging industries and policy issues surrounding corporate finance in a post-COVID-19 era.

The following is a summary of Vice Chairman Doh's opening remarks.

(POLICY ON CORPORATE FINANCE) The COVID-19 pandemic has caused abrupt changes in global industrial structures. The acceleration of transition toward more digital and contactless economic activities, transformation of manufacturing into services and that of services into platforms have led to increased competition across industries. A green transition toward an eco-friendly and low-carbon economy is also taking place rapidly. These changes in the economic and industrial structures are more likely to place burdens on SMEs and middle market enterprises than they are to large companies. In this regard, there are also concerns about grim consequences in a post-pandemic era of failing to act preemptively now. Therefore, it is necessary to ensure that there are policies in place to help SMEs and middle market enterprises to more effectively respond to the structural changes taking place across industries.

(CORPORATE FINANCE PLATFORM) These changes also require a fundamental shift in ways corporate finance is handled in the financial industry. The current industrial classification used in the financial industry does not fully take into account rapid changes taking place in industries, technologies, etc. There are also limits and restrictions in the current system in terms of providing sufficient funds for businesses to support their attempts at transforming a business or exploring a new business area as financial institutions may lack sufficient understanding about the most recent industry trends or technological changes.

Therefore, the FSC will build a corporate finance platform to support innovative businesses. To this end, the authorities will first work to develop a systematic industrial classification and corporate finance categorization standards which will properly reflect the structural changes in the economy and industries. Based on these classification standards, the FSC will build a corporate finance platform that can quickly assess financing needs of businesses in real time through collection and analysis of relevant industry data. With a corporate finance platform, the FSC will (a) support innovative attempts at business transformation and reinvigoration, (b) provide funding opportunities to innovative sectors by helping to improve the financial industry's understanding of the changing industrial ecosystems and structures and (c)

work to manage risks effectively by preventing concentration risks in particular sectors, etc.

A corporate finance platform built around new industrial classification and standards will serve as a basis for drawing up policies on corporate finance and will help boost efficiency in capital distribution across industries.

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