



Crowdfunding as an **alternative** **Finance** for Startups





Crowdfunding as an alternative finance for Startups

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- II Understanding of Crowdfunding Market
- III Rules and regulations of Crowdfunding

I Overview

01 Overview of Crowdfunding in Korea

Crowdfunding(CF)?

Crowd



Funding



✓ Anyone with creative ideas can raise funding from a large number of investor by tapping the **“Wisdom of Crowds”** via an Internet-based platform

※ Type of CF : Donation, Reward, Loan, Securities

Securities based CF

Legislation

Amendment of The Capital Market Act
(June 6, 2015)

Background

Alternative Financing to support
the growth of Korean startups

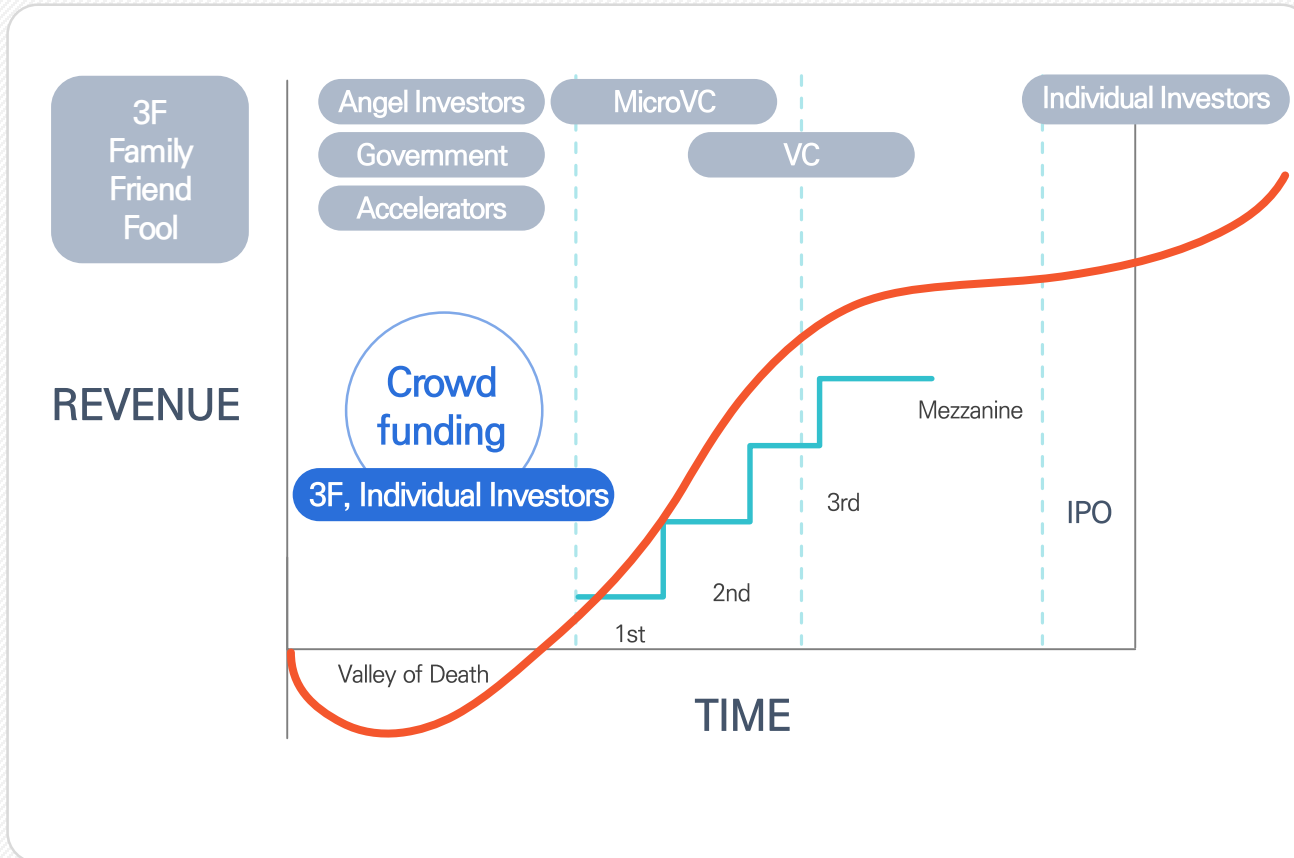
Participants

Issuer, Investor, Online Intermediary,
Central Repository etc



02 Funding Methods in Corporate Life Cycle

Life Cycle of Corporation



III

Crowdfunding Market

01 Crowdfunding Market Players

Market Players

Issuer

- ✓ Small and medium-size enterprise
 - 7 years or less since its establishment

Online Intermediary

- ✓ Funding Review
- ✓ Investment Ads
- ✓ Subscription administration

Investor

- ✓ General
- ✓ Qualified Income
 - Investors with Income over 100 million KRW
- ✓ Professional
 - Venture Capital, Angel Investors

KSD

- ✓ Central Repository
- ✓ Transfer Agent(TA)
- ✓ Central Securities Depository(CSD)



02 Registered Online Small Investment Intermediaries



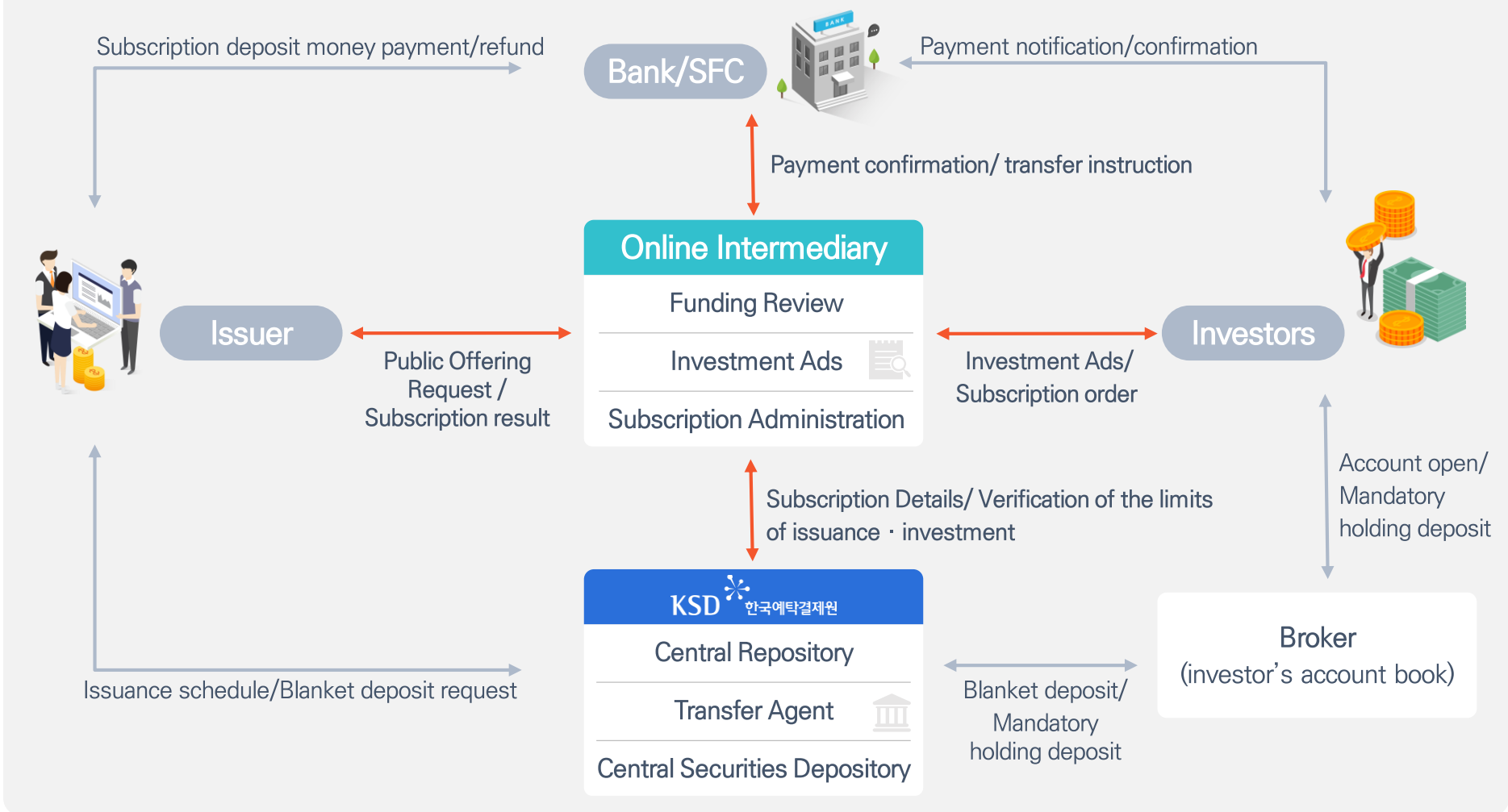
Online Intermediary

wadiz	OpenTrade	OHMYCOMPANY
CRÖWDY	IBK투자증권 <small>IBK기업은행 금융그룹</small>	FUNDING FOR YOU
KOREASSET <small>코리아에셋투자증권</small>	유진투자증권	ΔGRE
위비크라우드 <small>by 우리종합금융</small>	ASIACROWD	키움증권
KOFUNDING	funderful	Xquare

* Ten intermediaries play a brokerage wholly for crowdfunding and other five intermediaries play it along with securities dealing

03 Operating Structure of Crowdfunding

Operating Structure



04 Crowdnet Services

The screenshot displays the homepage of the CrowdNet website. At the top, the URL **www.crowdnet.or.kr** is prominently shown in red. Below the URL is a navigation bar with links for **CrowdNet**, **Crowdfunding Overview**, **Crowdfunding in Progress**, **Statistics**, **Information Center**, **Funding Info Archive**, and a language selector set to **KOR**.

The main banner features a large image of two children running in a field, holding a long, colorful kite string. The text **Crowdfunding** is centered, followed by the statement **KSD is running for crowdfunding in Korea.** A blue **More** button is positioned below the text.

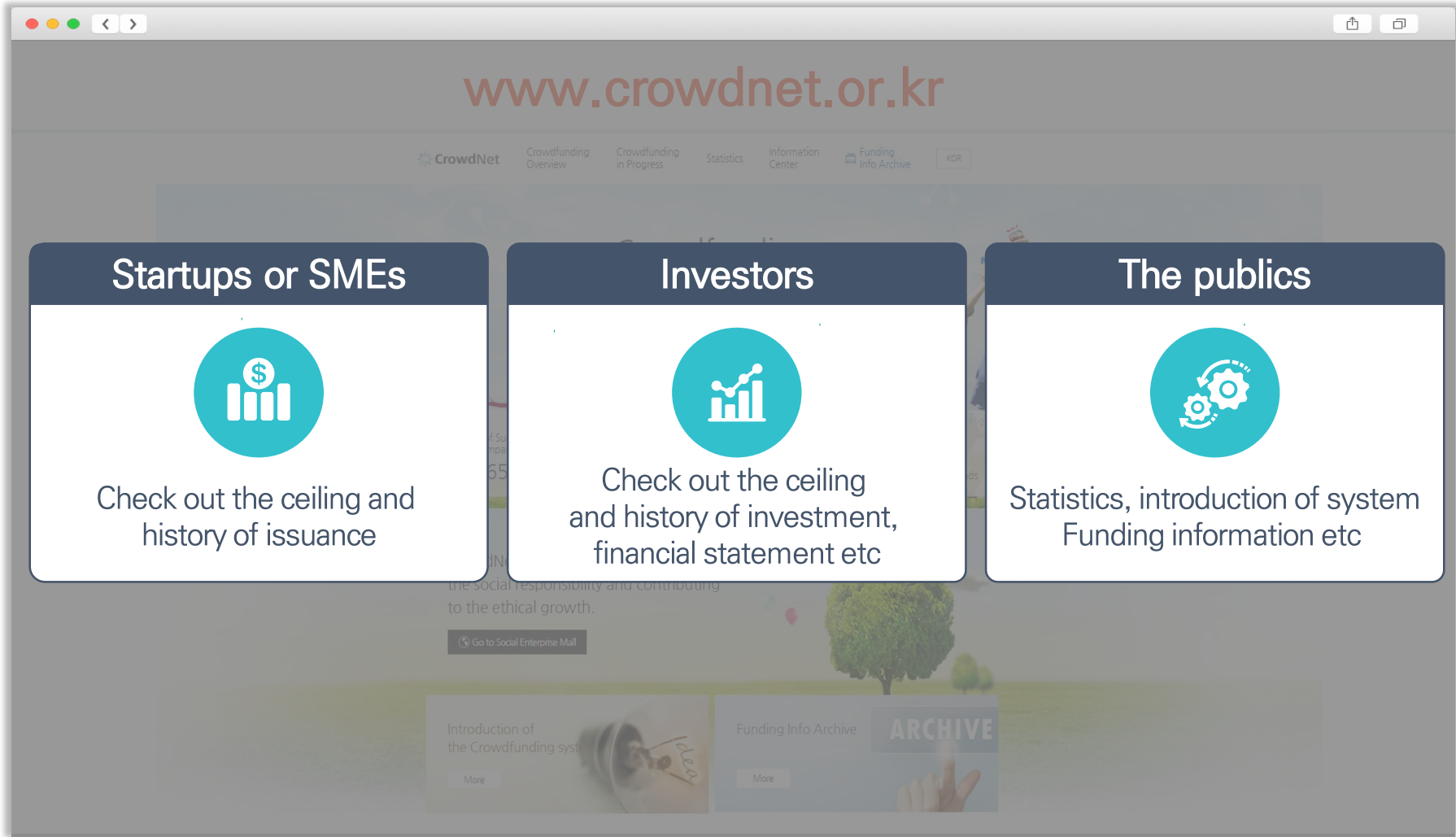
Below the banner, a statistics section provides the following data (as of 09-11-2018):

No. of Success Companies	Amount of Funding Raised	Crowdfunding in progress	No. of Investors
365	66.1 Billion (KRW)	22	34.6 Thousands

Below the statistics, a section titled **CrowdNet supports the social enterprise fulfilling the social responsibility and contributing to the ethical growth.** includes a **Go to Social Enterprise Mail** button.

At the bottom, there are two featured sections: **Introduction of the Crowdfunding system** with a **More** button, and **Funding Info Archive** with a large **ARCHIVE** button and a hand cursor icon.

04 Crowdnet Services



IV

Rules & Reg

01 Regulations on Issuers



01 Issuer for Crowdfunding

- Unlisted SMEs with **7 years or less** since its establishment
- Unlisted **Venture, Technology/Management Innovation Biz companies** are allowed with over 7 years of its establishment
- Finance/Insurance, Real estate, Gambling are excluded

02 Scope of Securities allowed

- **Equity, Bond**(CB, BW, EB etc) and Investment Contract Securities

03 Issuance Limit

- The aggregate amount of offering shall not exceed **KRW 3.0 billion** (USD 2,300,000) during a period of 12 month

04 80% Rule

- The whole **issue will be cancelled** and any subscription deposits will be refunded if the total subscribed amount is **less than 80%** of the campaign goal

05 Selling Restrictions of issuer and Major Shareholders

- Issuer and major shareholders shall **not sell their existing holdings for one year** from issuance via crowdfunding to protect investors

01 Regulations on Issuers

Posting of Issuance Information before offering is required

IPO (or Small Sum Public Offering)

✓ Complicated Documentation

Public Offering

- Registration Statement (27 types)
- Acceptance by FSC

Small Sum Public Offering

- Disclosure Documents (17 types)
- Submitted to FSC

✓ Acceptance by FSC required



Securities-type CF

✓ Simplified Documentation

Securities-type CF

- Terms and Conditions of Securities, Financial Statements, Prospectus (3 types)
- Posted on Online Intermediaries' website

✓ Posting on Online platform **OK**



02 Regulations on Issuers

Posting of Issuance Information before offering is required

IPO
(or Small Sum Public Offering)

Securities-type CF

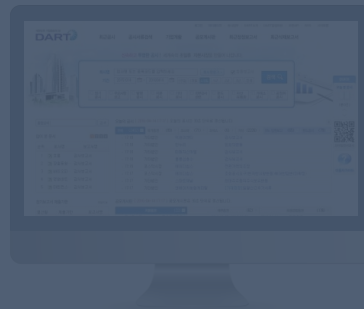
After offering Issuers are required to **disclose the financial statement within 90 days** from the end of every fiscal year

- Registration (27 types)
- Acceptance by FSC

- Submitted to FSC

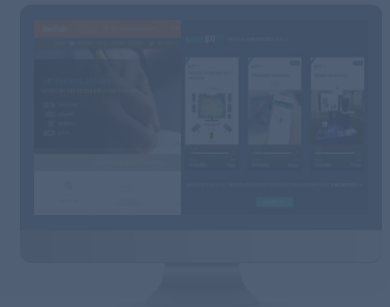
- Terms and Conditions of Securities, Financial Statements, Prospectus (3 types)
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Acceptance by FSC required



Posting on Online platform

OK



02 Regulations on Investors (Investors Protection)



01 Investment Limits

- **Caps** on investment per issuer and the aggregated investment amount **according to investor type** to prevent substantial losses from excessive investments

Type of Investors	Issuer	Annual
General Investors	5 million KRW(\$4,000)	10 million KRW(\$8,000)
Qualified income (Income over 100 million won)	10 million KRW(\$8,000)	20 million KRW(\$16,000)
Professional (VC, Angel)	No Limit	No Limit

02 No Resale of Investors

- All Securities issued via crowdfunding shall be deposited or kept separately in custody with KSD, and **may not be sold or transferred for six months**
- If counterpart is a **professional investors or the securities are listed** on market the securities **may be sold or transferred even if within six months**

03 Investor Assessment

- Should pass a test on the **understanding of investment risk** before subscription

An illustration at the top of the slide shows three hands in business suits dropping various forms of currency (banknotes, coins, and a piggy bank) into a large white cloud. The cloud sits atop several stacks of money. The background is a vibrant green with faint geometric patterns and floating banknotes.

Crowdfunding as an alternative finance

Thank you