



Making Private Fund Market More Transparent and Safer

– FundNet to Embrace Unregistered Private Assets –

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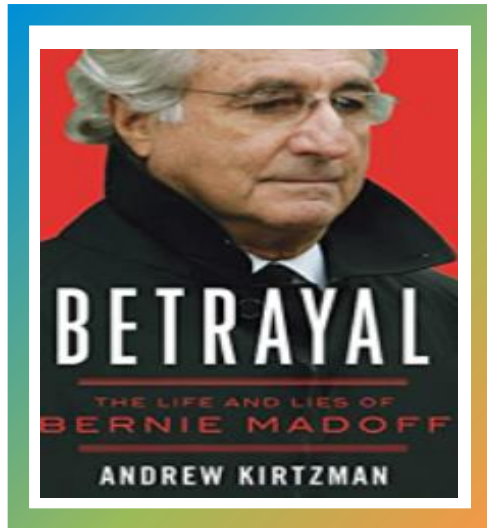


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1. Backgrounds

- Private funds(Privately-Placed Fund, PPF) went under the radar of regulation
- In the years leading to up the 2008 crisis, PPF-related risks had been growing across major advanced economies like the US and EU
- As a result, the US & EU strengthened the role of depositories(Trustees)





Ponzi Scheme in the US
By Bernie Madoff

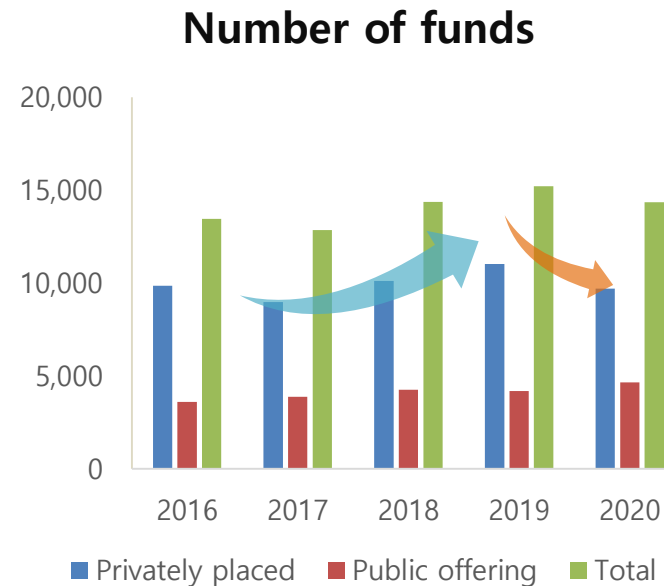
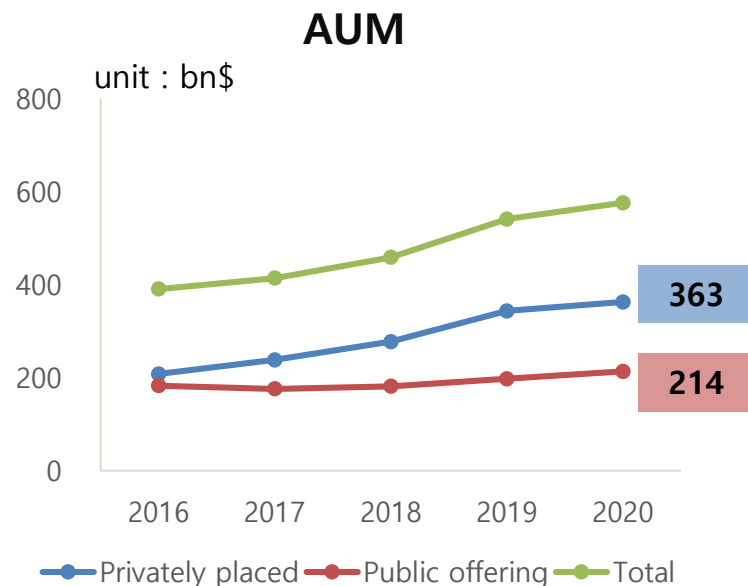


Overleveraged PPFs
Rampant in Europe

- (US) DTCC built a centralized **Alternative Investment Product Services(AIP)** platform
- (Europe) Depositories should be appointed for each private fund

1. Backgrounds

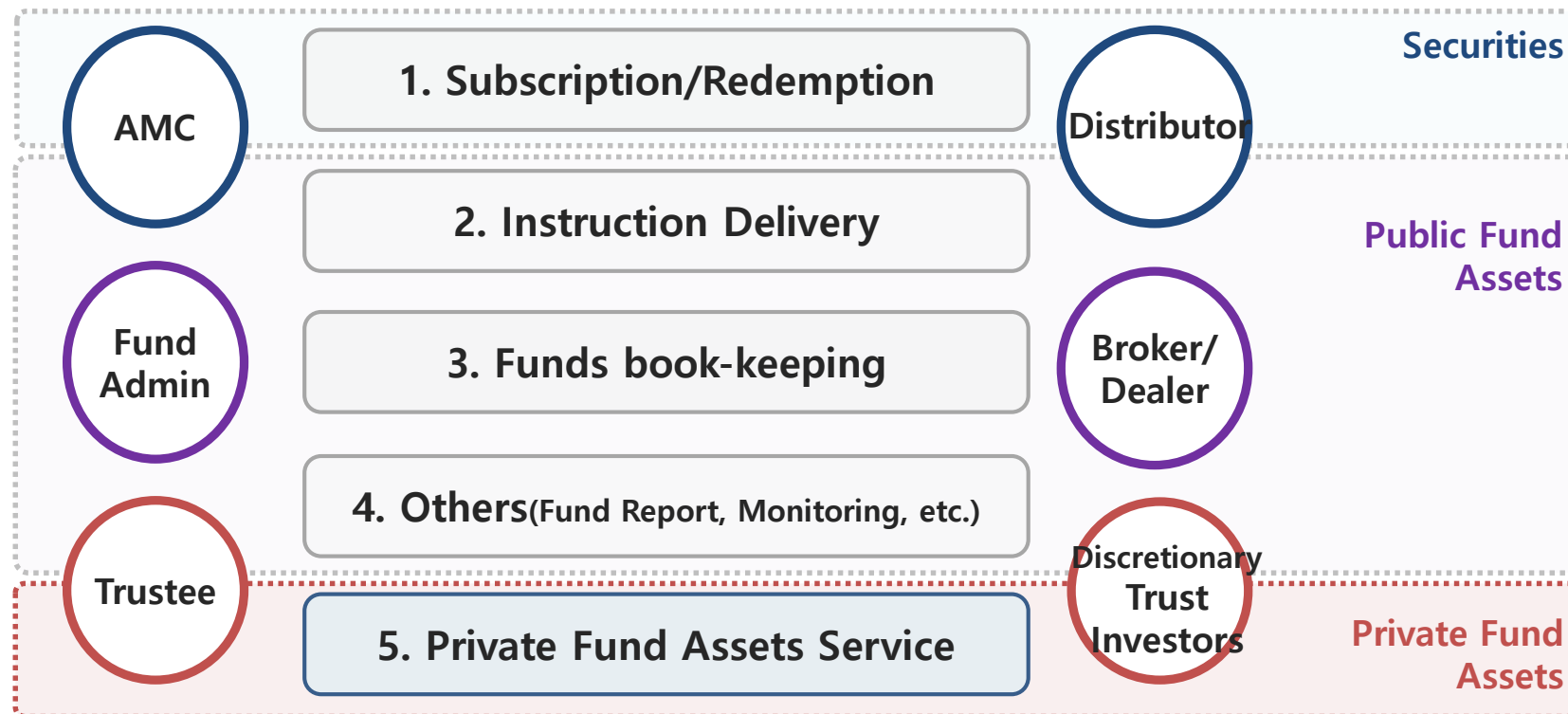
-  **In Korea**, so much **liquidity** has been flowing **into private fund market**, due to **market deregulation, ultra-low interest rates** and **speculative investment**
-  Despite quantitative growth, **side effects** were looming large: **massive-scale redemptions, liquidity crisis & supervision failures**



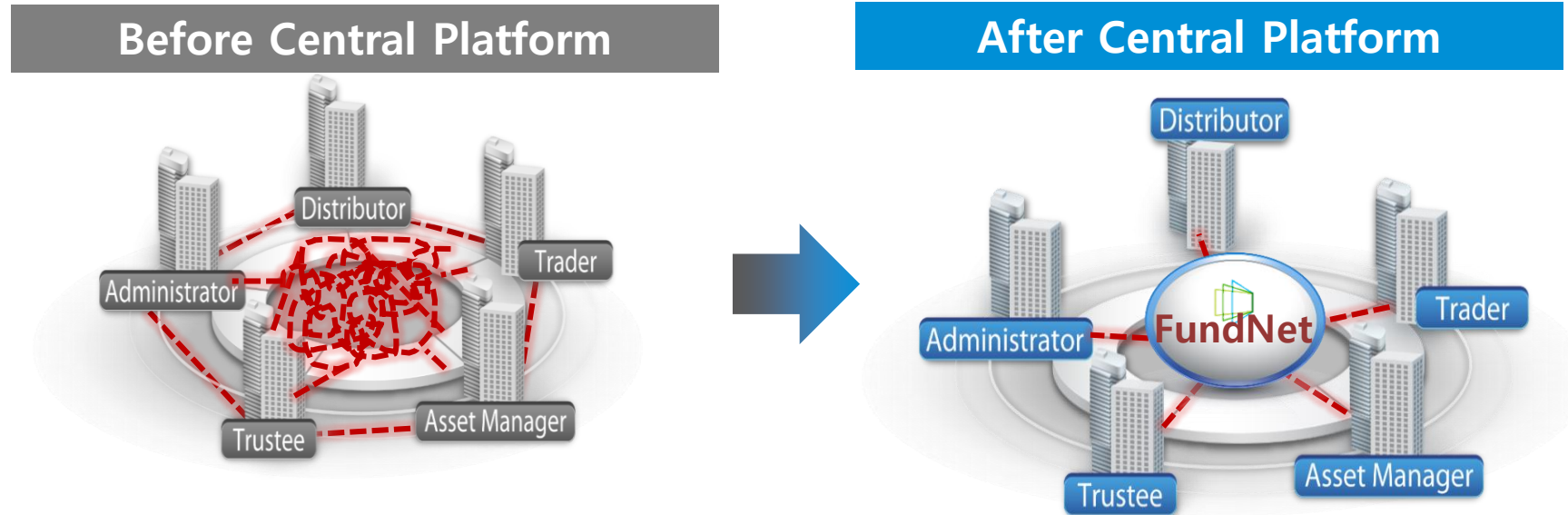
2. What is FundNet and Private Asset?

 FundNet, the one-stop central platform for the fund lifecycle,

- Provides **comprehensive funds services** through **the entire lifespan of funds**
- Has recently enlarged **its footprint** into **private fund assets**



2. What is FundNet and Private Asset?



As the central funds platform, FundNet is onboarding Private Assets

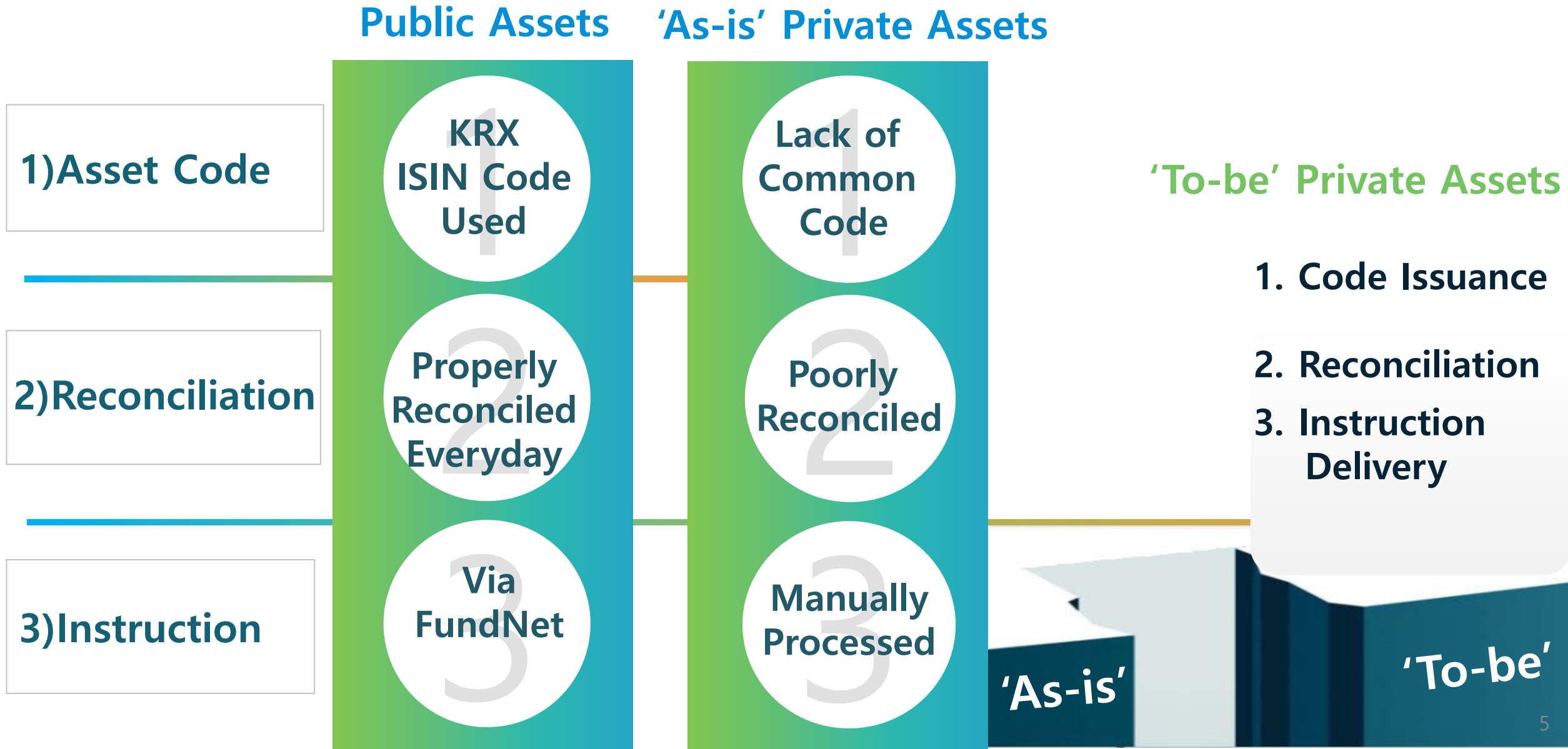
- What is **Unregistered Private Assets**?
- Either **Traditional or Alternative** assets(unregulated and illiquid)
 - ✓ **Traditional** assets **traded off-exchanges**
 - ✓ **Alternative** assets (real estate, ships, derivatives etc.)
- In Korea, **private funds** are **invested heavily in high-return private assets**
- **Private fund market** is full of **operational inefficiencies and potential risks**



**FundNet's
Onboarding of
Private Assets**

- Increase **Market
Transparency**
- Support **Venture
Capital**

3. As-is: Where are we?



4. To-be: Where should we go?

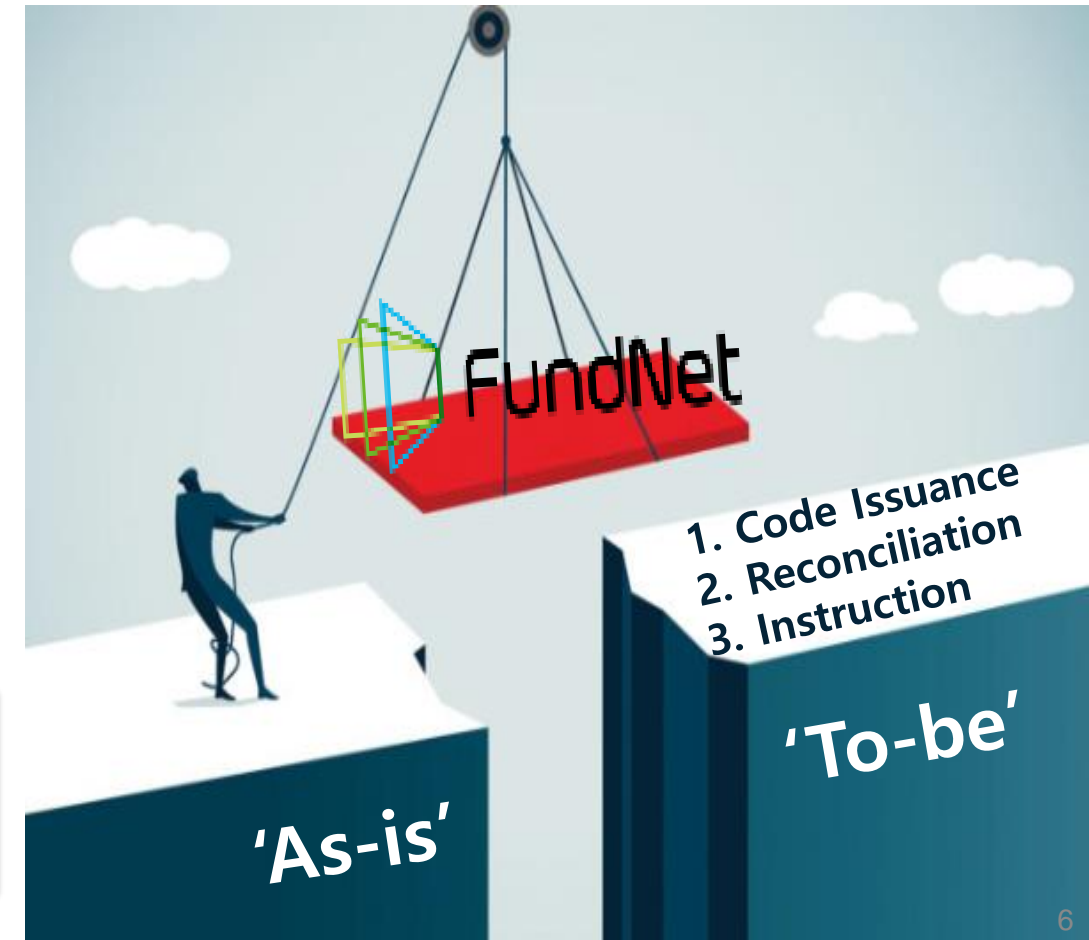
To-be: FundNet embraces Private Fund Assets

In order to do so,

- (Asset Code Issuance) Issuing an industry-wide code for Private Assets
- (Asset Reconciliation) Supporting the reconciliation of participants' books



"How to get from here to there?"

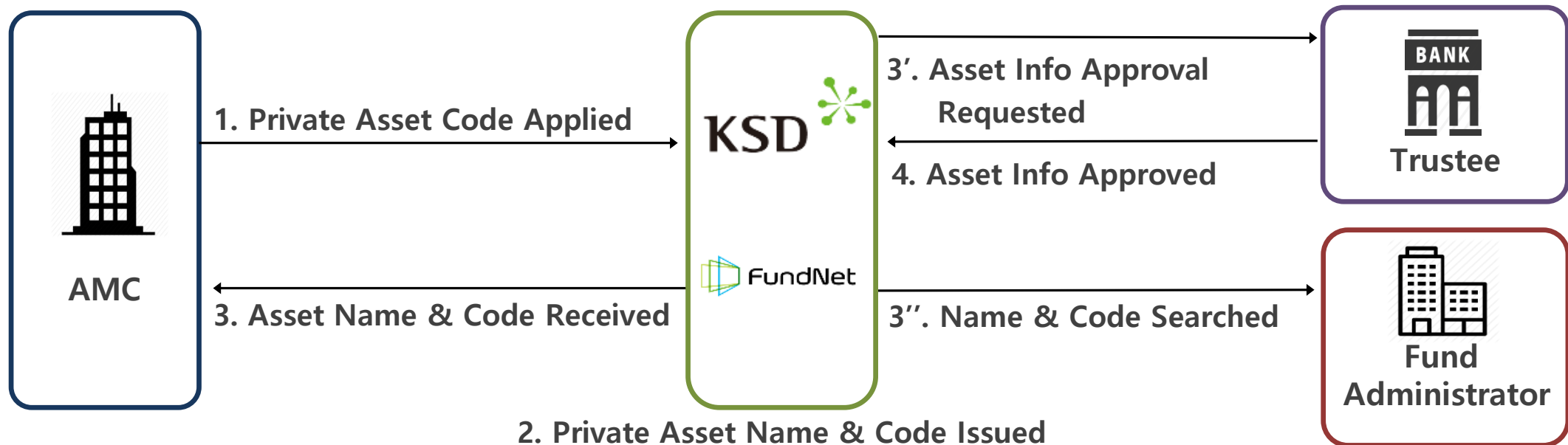


5. How to get there?

Asset Code Issuance & Mgmt for Private Assets

- **(Objective)** To create and manage a twelve-digit private asset identification code akin to ISIN code for public assets

[Private Asset Code Issuance & Mgmt via FundNet]

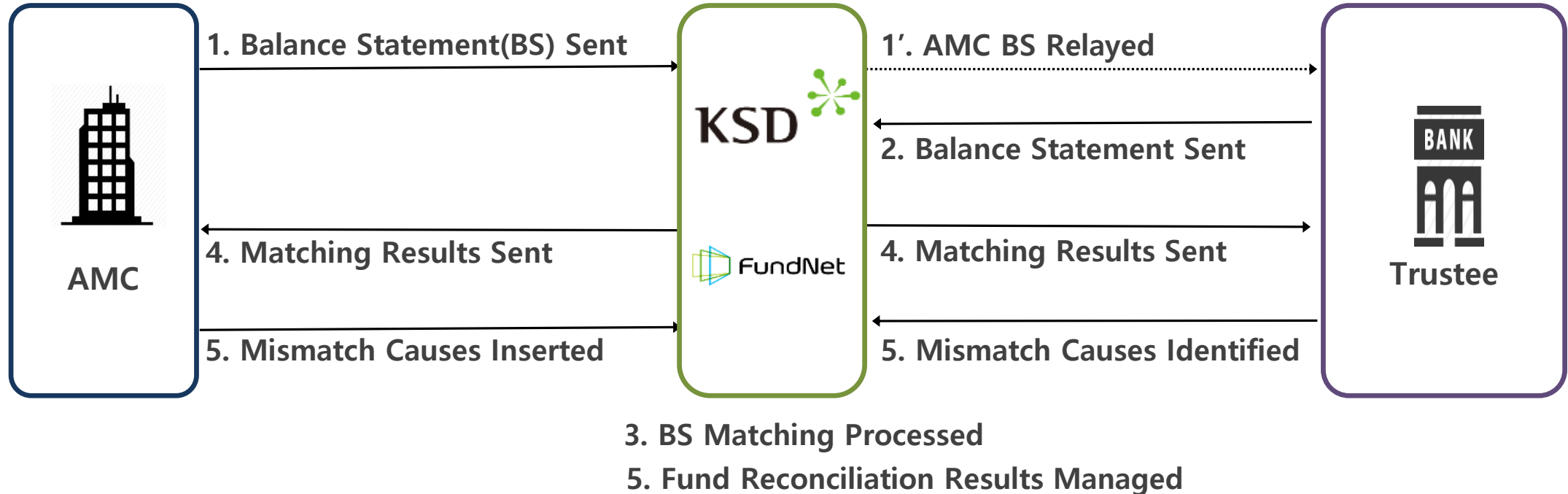


5. How to get there?

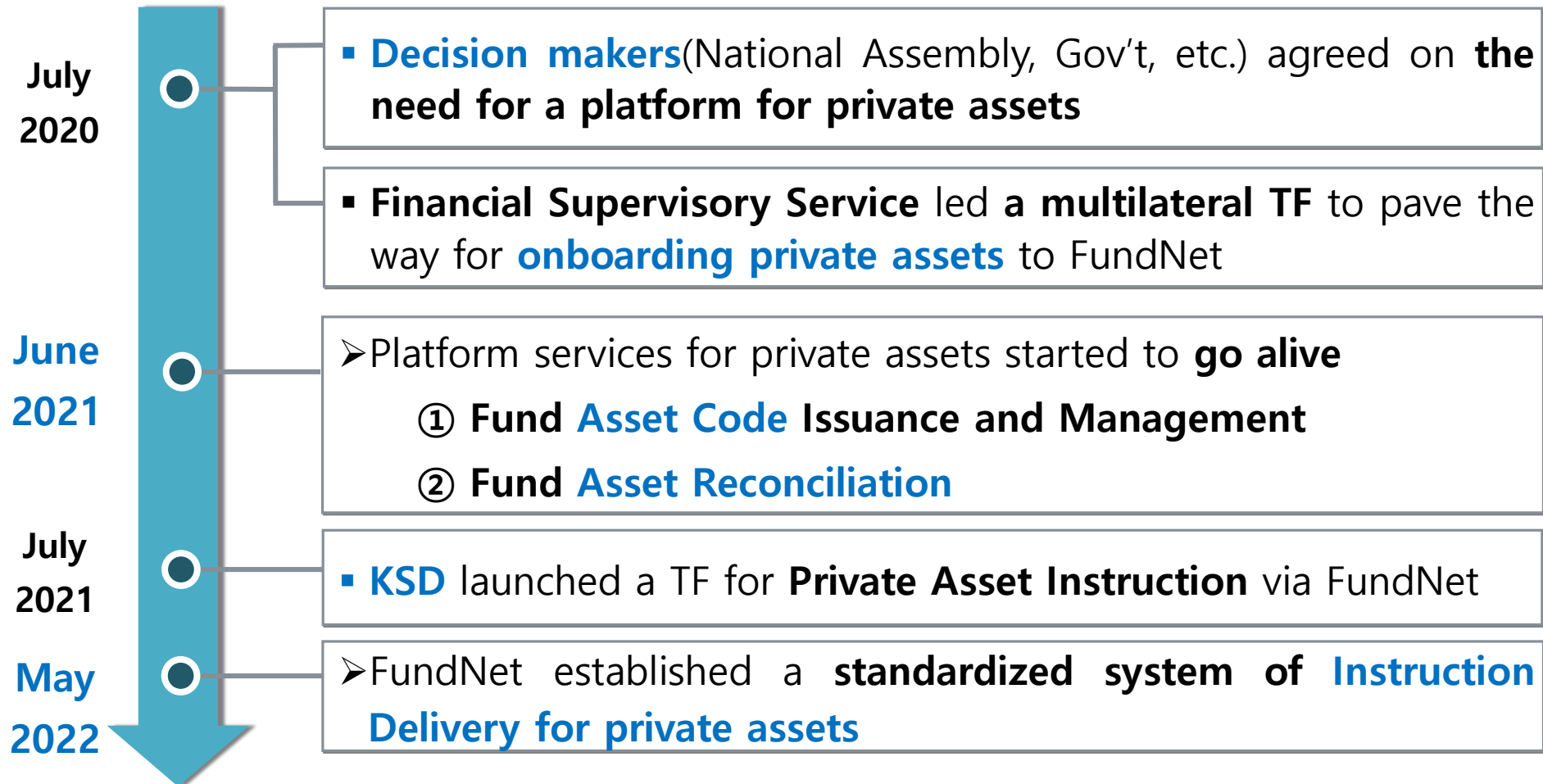
Asset Reconciliation for Private Assets

- **(Objective)** To support regular private asset reconciliation between **AMC's** and **Trustee's books** in a **standardized, centralized and automated** way

[Private Asset Reconciliation via FundNet]



6. Developments



As of the end of 2021,

- ✓ **251 AMCs, 18 Trustees and 10 Fund Administrators** as the platform users
- ✓ **6,118 Private asset information** stored and **8,798 Private funds** reconciled

7. Expectations

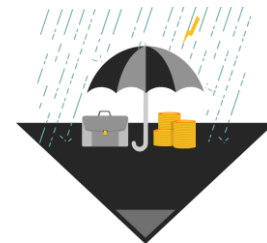
01 Industry-wise

- Increase **operational efficiency**
- Enhance **internal compliance and risk management**



02 Market-wise

- Protect against **private fund frauds or scandals**
- Restore **market trust & transparency** in private funds



03 Government Policy-wise

- Promote **the venture capital in Korea**
- Support **the regulatory bodies** for private funds



Thank you



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