Reforming as a Factor in the Development of the Collective Investment Industry

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1. Background of FundNet

The FundNet platform processes all fund related operations from creation to expiration.

Before FundNet (2004), the Korean fund market was troubled with costly and inefficient manual operation; hence, triggering several issues caused by inefficiency.

- **Spaghetti problem**
- **Paper crisis**
- **Scattered regulations**
1. Background of FundNet

FundNet has revolutionized the Korean fund market as a single platform.

**Before the inception of FundNet**
- Lots of operational Risks
- Low Reliability
- Low Transparency
- High Cost, Low Efficiency

**After the inception of FundNet**
- Fewer operational Risks
- High Reliability
- High Transparency
- Low Cost & High Efficiency
2. Contribution of FundNet to Market

FundNet, a one-stop platform for the asset management industry

- Processes the workflow for the entire lifespan of funds through standardized messaging
- Supports off-shore fund distribution and trade matching via links with global providers
2. Contribution of FundNet to Market

Total fund depository amounts have gradually increased since the introduction of FundNet in April 2004.

The Amount of assets under management (AUM)

FundNet Users (Aug 2021)

- Asset Manager: 67%
- Others...
- Over 600 (641 in total)
- Others include FSS, BOK, KOSCOM, KFB, etc.

Contribution of FundNet to Market

FundNet Users (Aug 2021)
3. Crisis Due to Privately Placed Fund Fraud

- AUM of PPF increased sharply after 2016 because of deregulation

- In 2019 and 2020, asset management companies brought fund fraud. And it made huge damage for individual investors and distrust of PPF

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**AUM**

*Unit: bn$*

- Privately placed
- Public offering
- Total

**Number of funds**

- Privately placed
- Public offering
- Total

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4. How to Support the PPF & Market

Legal Grounds & Amendment

• Development of The fundamental law for FundNet, FISCMA ("Financial Investment Services and Capital Market Act") was amended in October 21, 2021

[ Main Contents of Amended FISCMA ]

1. Strengthen Investor Protection
2. Improve Efficiency In Market
3. Establish Rule & Regulation
4. Expand Venture Cap. Supply

* SOURCE : WWW.FSC.GO.KR
4. How to Support the PPF & Market

**FundNet Support for Privately Placed Funds**

- Development of *standardized codes for non-marketable assets and fund asset reconciliation system* for privately placed funds
- Platform launched in June 2021, and fully open next year for full service

[ Fund Asset Reconciliation Process via FundNet ]

1. Asset Manager sends asset detail
2. KSD FundNet reconciliates the result
3. Trustee receives the result
4. If in discord, clarify the reason and send the result
5. Expected Benefits

01 Customer Side
- Less burden because of the asset reconciliation system
- Strengthen internal control & risk management

02 Market Side
- Protect against fund fraud or asset management scandal
- Restore confidence in privately placed fund

03 Government Policy Side
- Promote the venture capital
- Strengthen the regulatory function for fund
Newly Opened System: VentureNet

**VentureNet** (Launched in October 2021)

- Development of platform to support *venture companies’ securities issuance and management*
- By utilizing Know-how of FundNet, KSD introduced the *instruction delivery network* for investment fund between venture capital and trustee
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