CSD’s Central Repository Services for Crowdfunding & Startups Supporting Services

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Overview of Securities-type Crowdfunding
Crowdfunding

Crowd + Funding

Investors -> Online Portals -> Ideas / Companies
Types of Crowdfunding

According to the method of funding and compensation,

① Reward · Donation  ② Lending  ③ Securities (Investment) Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Funding Method</th>
<th>Compensation</th>
<th>Introduction Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>① Reward · Donation</td>
<td>Reward · Donations</td>
<td>No reward or non-monetary reward</td>
<td>1970’s</td>
</tr>
<tr>
<td>② Lending</td>
<td>Loan Agreement</td>
<td>Interests</td>
<td>2005 (Kiva, USA)</td>
</tr>
<tr>
<td>③ Securities (Investment)</td>
<td>Issuance of Securities</td>
<td>Dividends, Interests, etc.</td>
<td>2012 JOBS Act</td>
</tr>
</tbody>
</table>
Funding Method by Company Lifecycle

Company Lifecycle

- Angel Investors
- Government Subsidies
- Accelerators
- Micro VC
- Individual Investors
- Early Stage
- Later Stage
- IPO
- Public Market
- Valley of Death
- Break even
- 1st
- 2nd
- 3rd
- Mezzanine
Funding Method by Company Lifecycle

Company Lifecycle

3F
- Family
- Friend
- Fool → Fan

Angel Investors
- Government Subsidies
- Accelerators

Micro VC

VC
- Early Stage
- Later Stage

3F Individuals

Securities-Type Crowdfunding

Valley of Death

Public Market

IPO

Mezzanine

3rd
2nd
1st

TIME

REVENUE
Power of Connected Crowds, a Driving Force that changes the World!

Reward → 3F → Trust Capital → Viral Crowd
“Crowdfunding in Korea”
In order to support the growth of startups, and create new jobs for young generation and new investment opportunities, the Korean government legislated securities-type crowdfunding system.

- Amendment of Capital Market Act (June 6, 2015)
  ⇒ KSD, appointed as the Central Repository (August 31, 2015)
- Launch of Crowdfunding System (January 25, 2016)
  ⇒ Crowdnet, the official portal website of Crowdfunding in Korea
- KSM(KRX Startup Market) Open (Nov. 14, 2016)
- Exceeds 100 successful companies (Dec. 9, 2016)
- Exceeds 100 billion KRW (Sep. 3, 2019)
Central Repository Vs. Online Intermediaries

Central Repository

(1) manages data and information on crowdfunding issuers and investors provided by online intermediaries
(2) controls limits on issuance and investment as entrusted by online intermediaries
(3) maintains and administers materials supplied by online intermediaries
(4) provides support to the supervisory authorities

Online Intermediaries

(1) only intermediates the offer and sale of securities between issuers and investors via online
(2) does not hold or manage investor assets
(3) must meet certain requirements including the minimum capital requirement as well as adequate human and material resources
(4) and must register with the Financial Services Commission to ensure investor protection and maintain an orderly market
Online intermediaries must deposit or entrust investors' subscription funds to a commercial bank or the Securities Finance Company. The subscription deposit management organization must keep the subscription deposits segregated from its own assets.

* The online intermediary is not permitted to hold investor funds, securities, or other assets in custody or deposit.

(1) Investors must deposit the securities in separate safe custody with KSD any and all securities issued via crowdfunding.
(2) KSD acts as the central securities depository for crowdfunded securities.

(1) Issuers must entrust the keeping of the shareholder lists to Korea Securities Depository (“KSD”).
(2) KSD is responsible for maintaining the shareholder lists for securities crowdfunding.

(1) Online intermediaries must deposit or entrust investors' subscription funds to a commercial bank or the Securities Finance Company
(2) The subscription deposit management organization must keep the subscription deposits segregated from its own assets.

Subsection Deposit Management Organization

* The online intermediary is not permitted to hold investor funds, securities, or other assets in custody or deposit.
(1) Limited to unlisted small and medium-sized enterprises

(2) Eligible not more than 7 years since its establishment

(3) Certain industries as below are excluded from issuance via crowdfunding.

<table>
<thead>
<tr>
<th>Included</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than 7 years</td>
<td>• Listed Companies</td>
</tr>
<tr>
<td></td>
<td>• Finance-Insurance</td>
</tr>
<tr>
<td></td>
<td>• Real Estate Business</td>
</tr>
<tr>
<td></td>
<td>• Dance Halls</td>
</tr>
<tr>
<td>Over 7 years</td>
<td>• Venture companies</td>
</tr>
<tr>
<td></td>
<td>• Technology Innovation</td>
</tr>
<tr>
<td></td>
<td>• Management Innovation</td>
</tr>
<tr>
<td></td>
<td>• Management Innovation Biz companies</td>
</tr>
<tr>
<td></td>
<td>• Gambling Business</td>
</tr>
</tbody>
</table>
“Special Provisions on Crowdfunding”
## Securities-type Crowdfunding

**Much Easier than IPO**

### IPO, Small Sum Public Offering

<table>
<thead>
<tr>
<th>Complicated Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Offering</td>
</tr>
<tr>
<td>Registration Statement (27 types)</td>
</tr>
<tr>
<td>Acceptance by FSC required</td>
</tr>
</tbody>
</table>

### Securities-type Crowdfunding

<table>
<thead>
<tr>
<th>Simplified Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities-type Crowdfunding</td>
</tr>
<tr>
<td>Terms and Conditions of Securities, Financial Statements, Prospectus, etc.</td>
</tr>
<tr>
<td>Posting on Online Intermediaries’ website</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acceptance by FSC (Disclosure) Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Image of online intermediaries website]</td>
</tr>
</tbody>
</table>
### Special Provisions on Public Offering

#### Issuance Cap

- **KRW 1.5 billion (equivalent to USD 1,350,000) per year**
  - The aggregate amount of the crowdfunding offering and securities issued during the past 12 months (including securities issued under the registration statement + small sum public offerings + crowdfunding) shall not exceed KRW 1.5 billion.

#### 80% Rule

- **Wisdom of Crowds**
  - The whole issue will be cancelled, and any subscription deposits will be refunded if the total subscribed amount is less than 80% of the target amount of the public offering.

#### Upload of Issuance Information

- **Upload of Issuance Information before offering**
  - Terms and conditions of issuance, financial conditions, prospectus, etc., on the website of the online intermediary
  - Shall keep up to date all such information posted on the website of the online intermediary.

- **Indemnification Liabilities of Issuer**
  - Shall be liable to indemnify investors from any losses or damages arising out of the misrepresentation or omission of information on the website of the online intermediary.
### Special Provisions on Public Offering

#### Investment Cap

- **Caps on the aggregate investment amount to prevent substantial losses from excessive investments**

#### Investment Cap by Investor Types

<table>
<thead>
<tr>
<th>Investors</th>
<th>Investment per Issuer</th>
<th>Annual Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Investors</td>
<td>KRW 5 mil. (USD 4,500)</td>
<td>KRW 10 mil. (USD 9,000)</td>
</tr>
<tr>
<td>Investor with qualified income</td>
<td>KRW 10 mil. (USD 9,000)</td>
<td>KRW 20 mil. (USD 18,000)</td>
</tr>
</tbody>
</table>
| • Subject to aggregate taxation on financial income
  • Investor with income over KRW 100 mil. (USD 90,000) |
| Professional Investors           | No Cap                | No Cap                  |
Funding Volume steadily grows

1. Funding Volume

- Funding Volume

  Total 1,407 attempts, 877 successes, KRW146.9 bil. funded (Equivalent to USD 131.5 Mil.)

<table>
<thead>
<tr>
<th>Completed</th>
<th>Pending</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attempted Cases</td>
<td>Successful Cases</td>
<td>Issued (Bil. KRW)</td>
</tr>
<tr>
<td>1,400</td>
<td>873</td>
<td>146.6</td>
</tr>
</tbody>
</table>

- Attempted Cases Vs. Successful Cases (Cumulative Success Rate: 62.3%)  
  Jan. 25, 2016 ~ June. 4, 2021
2. Investors

- **Total No. of Investors: 68,341**

  - Individual investors are 92.3% of the total.

![Pie chart showing investors distribution]

3. Investment Volume by investors

- **Total Investment Volume: KRW 146.9 Bil. (USD 131.5 Mil.)**

  - Individual Investors invest 60.2% of the total

![Pie chart showing investment volume by investors]

Jan. 25, 2016 ~ June 4, 2021
Official Crowdfunding Website in Korea

As a securities service provider, KSD supports the creation of a thriving crowdfunding ecosystem.
## Company Info - Crowdfunding In Progress

You can search company information where crowdfunding are in progress.

Sort by: Subscription Starting Date, Subscription End Date, Company Name, Intermediary Name

<table>
<thead>
<tr>
<th>No</th>
<th>Company</th>
<th>Introduction</th>
<th>Subscription period</th>
<th>Intermediary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ecoplus</td>
<td>Manufacturing, R&amp;D, Marketing and Sales of Artificial Fish Shelter for Sea Cucumber and Building and Operation of Sea Cucumber Farm</td>
<td>01/16/2017 - 04/29/2017</td>
<td>WADIZ</td>
</tr>
<tr>
<td>2</td>
<td>3D KOREA</td>
<td>3D Korea is a total solution company that produces 3D Printing materials, 3D Printer, extruder of Filament</td>
<td>02/08/2017 - 03/31/2017</td>
<td>KOREA ASSET INVESTMENT SECURITIES</td>
</tr>
<tr>
<td>3</td>
<td>Car Platform</td>
<td>Platform service for car after marker</td>
<td>02/23/2017 - 04/13/2017</td>
<td>WADIZ</td>
</tr>
<tr>
<td>4</td>
<td>CAR HOSPITAL</td>
<td>Mobile Car assistant manager O2O service “Car hospital” operation company</td>
<td>02/23/2017 - 04/25/2017</td>
<td>WADIZ</td>
</tr>
<tr>
<td>5</td>
<td>APRIL STUDIO</td>
<td>We are ‘April Studio’ which develops a shopping service “Celebaid” sharing experiences among customers.</td>
<td>02/23/2017 - 04/25/2017</td>
<td>WADIZ</td>
</tr>
<tr>
<td>6</td>
<td>Linno</td>
<td>Specialized in built-up linear LED, we provide all kinds of lightings with smart IoT package.</td>
<td>02/24/2017 - 04/28/2017</td>
<td>CROWDFUNDING</td>
</tr>
</tbody>
</table>
### Company Info - Crowdfunding Completed

You can search company informations on crowdfunding completed.

<table>
<thead>
<tr>
<th>No</th>
<th>Company</th>
<th>Introduction</th>
<th>File</th>
<th>Issue Date/Amount(KRW)</th>
<th>Intermediaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>141</td>
<td>DBFT Co.,Ltd.</td>
<td>The company builds and operates Bio Flock farms to prevent viruses and environmental pollution, and produce more shrimp.</td>
<td>-</td>
<td>03/20/2017 252,500,000</td>
<td>IBK SECURITIES</td>
</tr>
<tr>
<td>142</td>
<td>onestepopencrow Co.,Ltd.</td>
<td>SPC for crowdfunding to movie which named ‘OneStep’.</td>
<td>-</td>
<td>03/20/2017 100,000,000</td>
<td>Opentrade</td>
</tr>
<tr>
<td>143</td>
<td>Lmeca Inc.</td>
<td>A company producing artificial intelligence suction devices for critical patients</td>
<td>-</td>
<td>03/28/2017 190,030,500</td>
<td>KTB Investment &amp; Securities</td>
</tr>
</tbody>
</table>
Crowdfunding Via Central Repository

01. Issuers
- New Investors
- New Customers
- New Media Channels
- New Markets

02. Investors
- New Business Opportunities
- Avoid Overlapping Investment

03. Market
- New Business Horizon
- New Earning Source

04. CSD
- Effective Support Policy to SMB
- Basis for Robust Economic Development

05. Government
“Startups Supporting Services”
KSD Innovative Corporation Supporting System

As a pivotal infrastructure in the Korean capital market, KSD serves as the Central Repository for Securities-type Crowdfunding.

Working on a business model to foster and facilitate innovative startups.

**Brand Logo**

**Goal**

To Establish “Capital Market-based Innovative Startups Supporting Model”

**Category**

- Forward Support
- Securities-type Crowdfunding
- Backward Support

**Sub-category**

- K-Camp Accelerating Program
- Securities-type Crowdfunding Central Repository Services
- K-Camp IR Concert
KSD supports and facilitates local startups through its Accelerating Program to help innovative startups grow as participants in the Korean capital market.

- Facilitate Local Startups Ecosystem
- Create Breeding Ground for Future Market Participants
- Allow for Sustainable Growth with Capital Market

Background:
- Heavy concentration of startup ecosystem in the capital area widens the gap between big and small cities in terms of entrepreneurship development.
- Many startups outside the metropolitan area miss out on opportunities, visible or invisible, and begrudgingly pull up the stakes to move to Seoul.
  - Startups within the Seoul area account for more than 56% of the whole startups in Korea.
  - Reduce Regional Inequality by Facilitating Local Entrepreneurship Ecosystem
Accelerating Program

Overview

- To provide early stage startups with the services of training, consulting, networking, investment, etc.
- Legal entity established pursuant to the article 24 of the Venture Investment Promotion Act in order to accelerate startup companies

Brand Logo

- KSD + BaseCamp
  - Combination of K initial and a map pointer shape
    - Red color represents the dynamics of K-Camp, as well as the enthusiasm of startups
  - Each program reflects upon local character using its local color
# Accelerating Program

## Achievement in 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Region</th>
<th>Current Status(Completed)</th>
</tr>
</thead>
</table>
| 🌟 camp  | Busan·Ulsan·Gyeongnam | 1\textsuperscript{st} Round(13 startups)  
|          |                       | 2\textsuperscript{nd} Round(15 startups) |
| 🌟 camp  | Daejeon·Chungcheong    | 1\textsuperscript{st} Round(12 startups) |
| 🌟 camp  | Gwangju·Jeolla         | 1\textsuperscript{st} Round(10 startups) |
| 🌟 camp  | Daegu·Gyeongbuk        | 1\textsuperscript{st} Round(8 startups) |

- **Total Startup Training**: 60 startups, 58 startups completed
- **Jobs Newly Created**: 137 people for 40 startups
- **Follow-on Investment Attracted**: KRW 15.1 Billion for 39 startups

※ Participants, though with less than 7 years of history, have bore meaningful fruit in less than half a year
On March 24, 2021, KSD held K-Camp Final Round, online and offline, to appoint and award prizes to K-Camp Excellent Startups in each region.

KSD endowed the five startups (selected as “K-Camp Excellent Startups”) with a total of KRW 150 million for implementing their crowdfunding.”

* As for the 2nd round, KSD is considering directly investing in startups.

< 2020, K-Camp Excellent Startups >

<table>
<thead>
<tr>
<th>Prize</th>
<th>Startup</th>
<th>Business</th>
<th>Logo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand</td>
<td>Proabtech</td>
<td>Innovative biologics that reside in human body</td>
<td></td>
</tr>
<tr>
<td>Gold</td>
<td>Foresys</td>
<td>Ocean debris cleaning infrastructure</td>
<td></td>
</tr>
<tr>
<td>Silver</td>
<td>Lilycover</td>
<td>Online subscription service for custom-order cosmetics</td>
<td></td>
</tr>
<tr>
<td>Bronze</td>
<td>Green System</td>
<td>Environment-friendly Biodegradation Products</td>
<td></td>
</tr>
<tr>
<td>Encourage</td>
<td>Goodplace</td>
<td>Cashier-free store service platforms</td>
<td></td>
</tr>
</tbody>
</table>
Accelerating Program

2021 Accelerating Program

Finding innovative startups with growth potential in each region
- Implementing a six-month Accelerating Program for startups no older than 7 years in each region
- Running tailored programs under the guidance of professional accelerators
- Giving startups crowdfunding-linked supports (Crowdfunding Education, Crowdfunding Execution, etc.)

Securities-type Crowdfunding, Job Creation, Maintenance, etc.

K-Camp Jeju Program Launching

K-camp Jeju Program will be held Yearly (since 2022)

"Forges ahead to galvanize shared growth between startups and capital market by supporting local startups outside the Seoul metropolitan area"
Thank you.

Jae Woong Kim (James)
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Korea Securities Depository
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Email: jameskim@ksd.or.kr