

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

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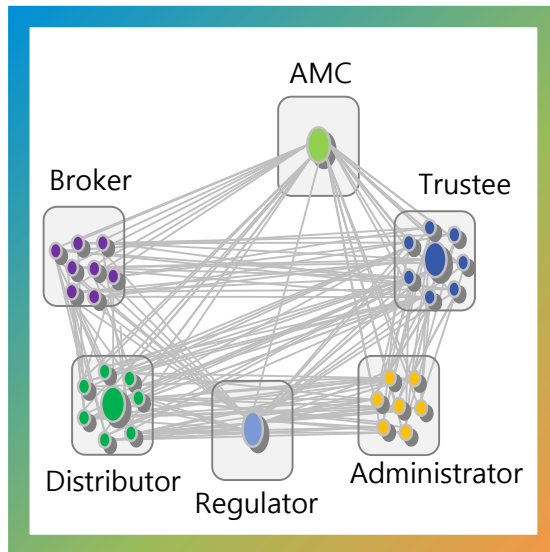
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# 1. Background of FundNet

- ❏ 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**



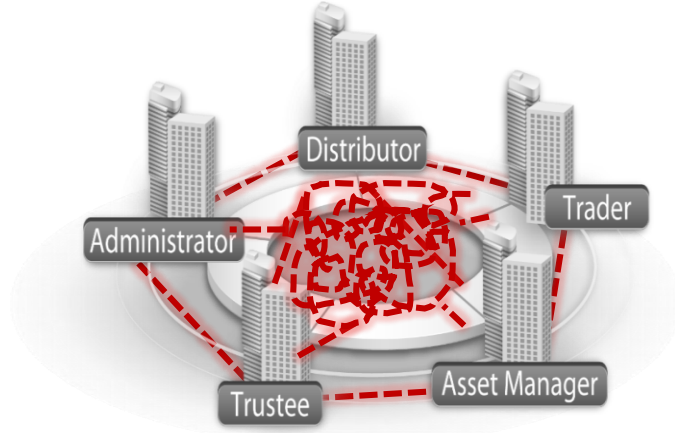
**Paper crisis**



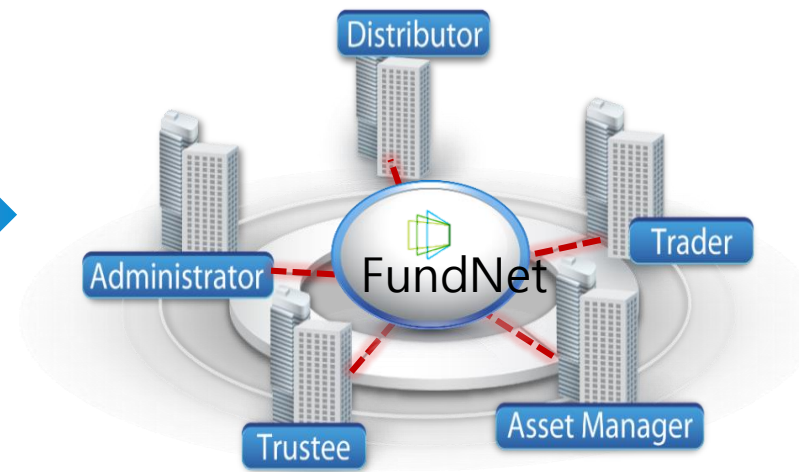
**Scattered regulations**

# 1. Background of FundNet

Before the inception of FundNet



After the inception of FundNet



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

Lots of operational Risks



Fewer operational Risks

Low Reliability



High Reliability

Low Transparency



High Transparency

High Cost, Low Efficiency

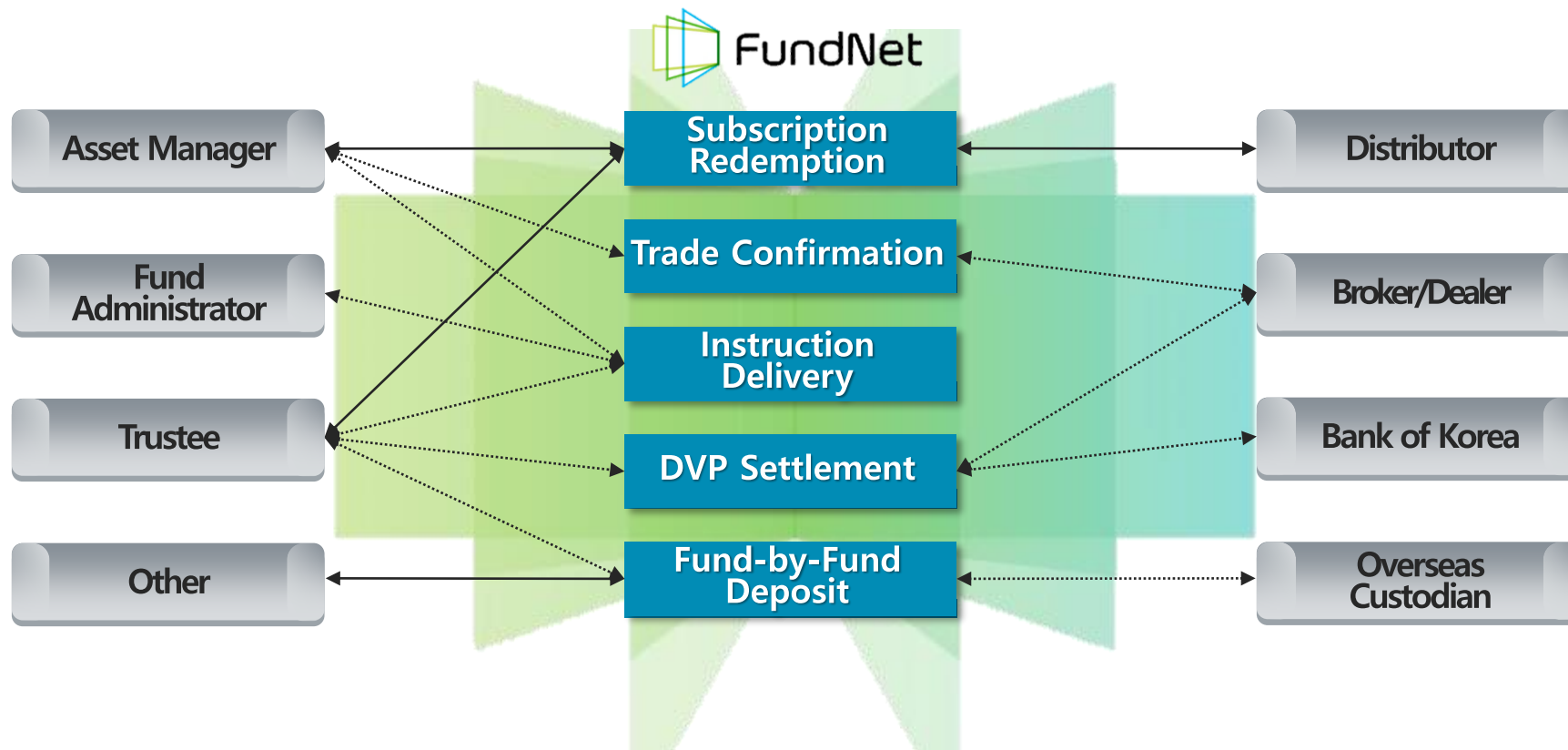


Low Cost & High Efficiency

## 2. Contribution of FundNet to Market

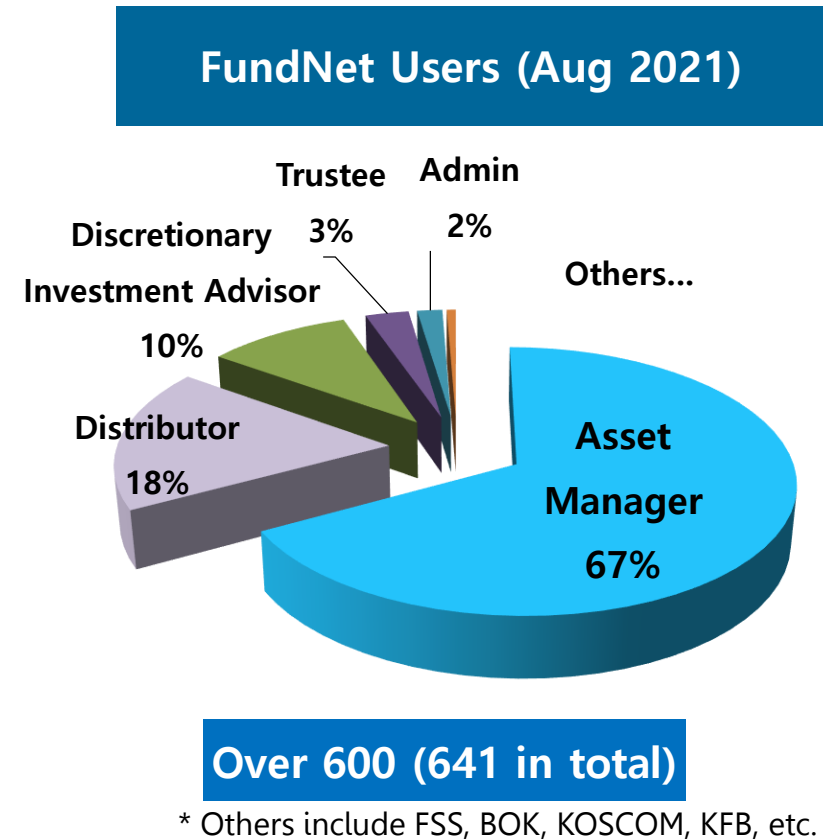
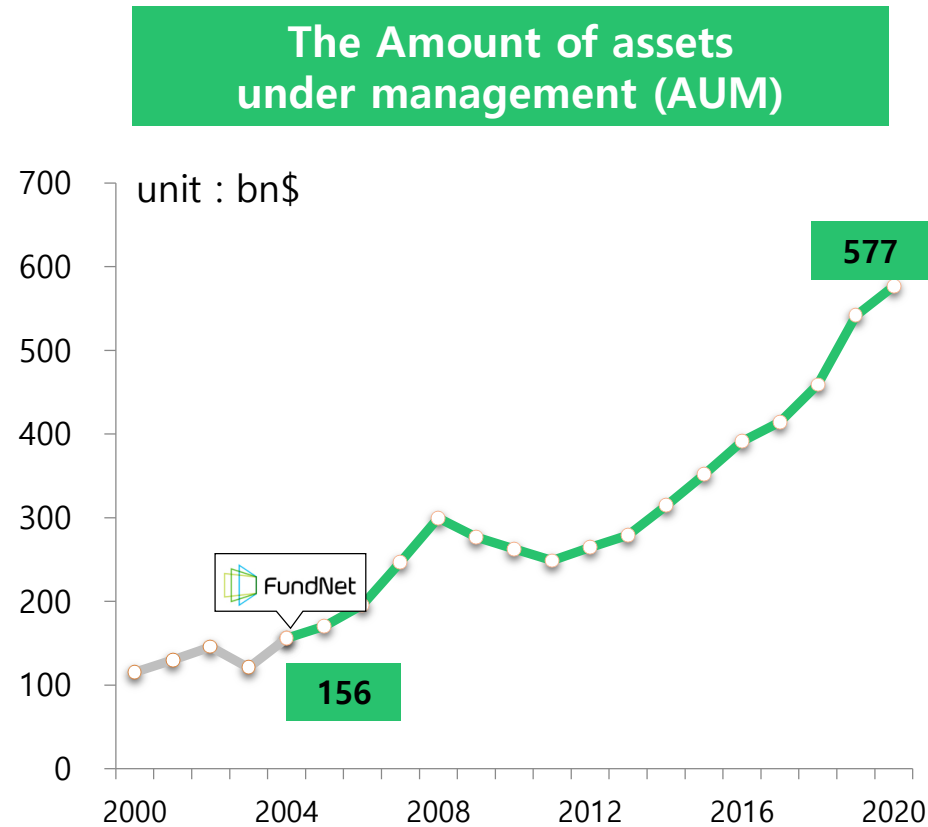
### FundNet, a one-stop platform for the asset management industry

- 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



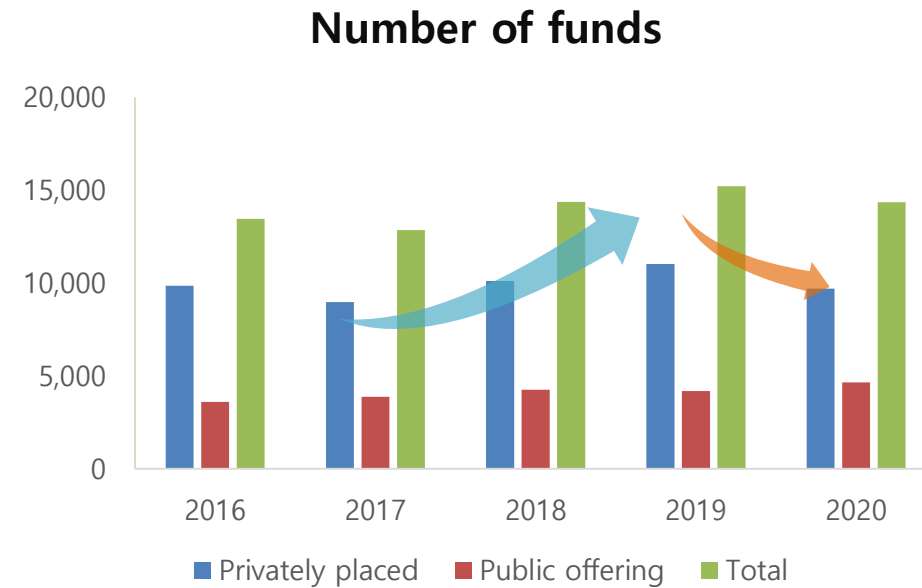
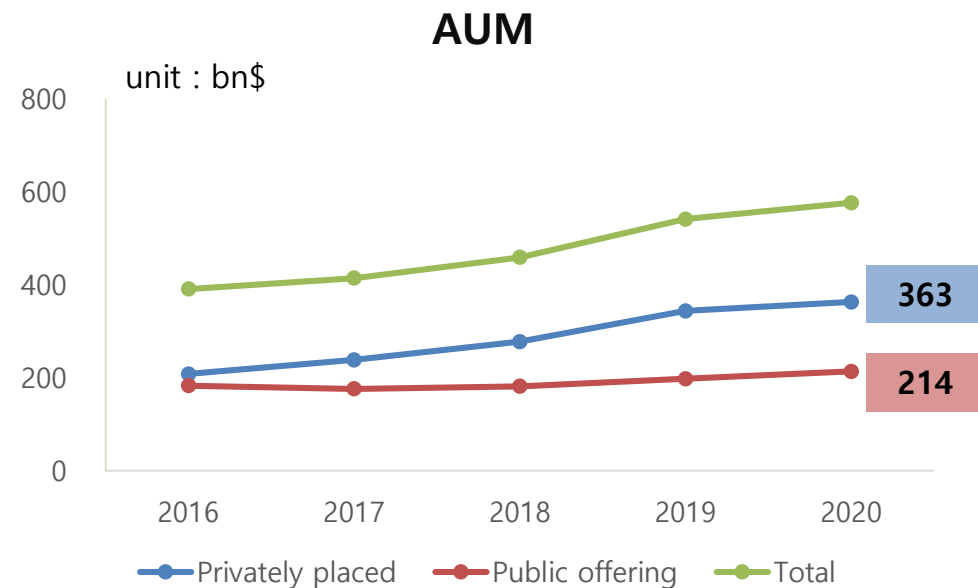
## 2. Contribution of FundNet to Market

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



# 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



# 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

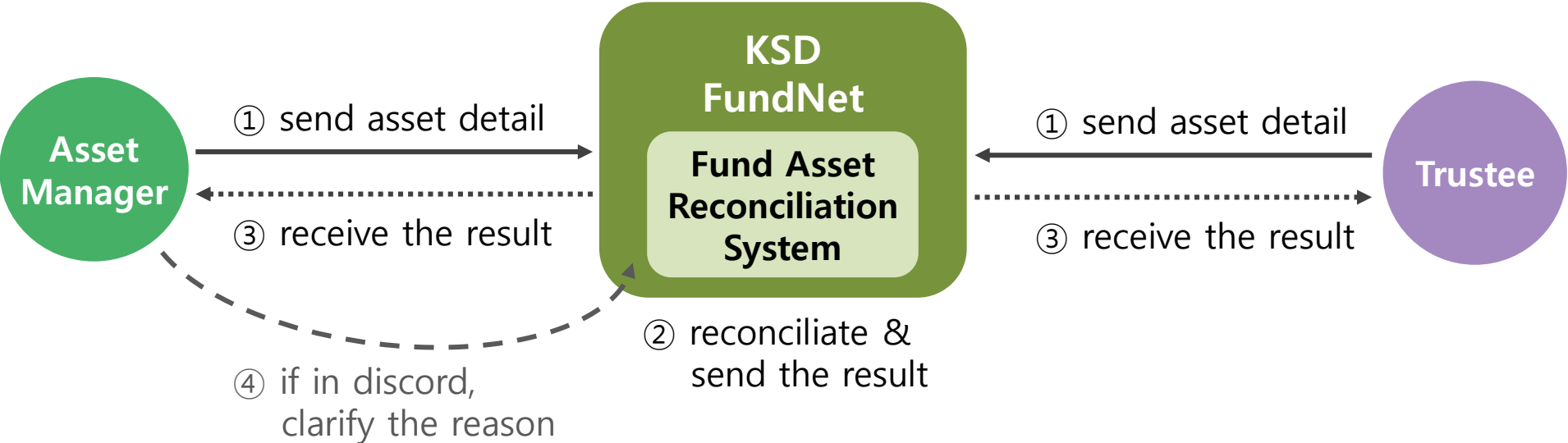


# 4. How to Support the PPF & Market

## FundNet Support for Privately Placed Funds

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

### [ Fund Asset Reconciliation Process via FundNet ]



# 5. Expected Benefits

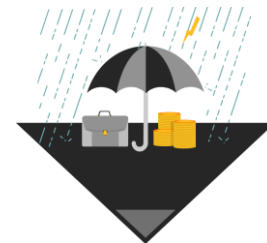
## 01 Customer Side

- 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

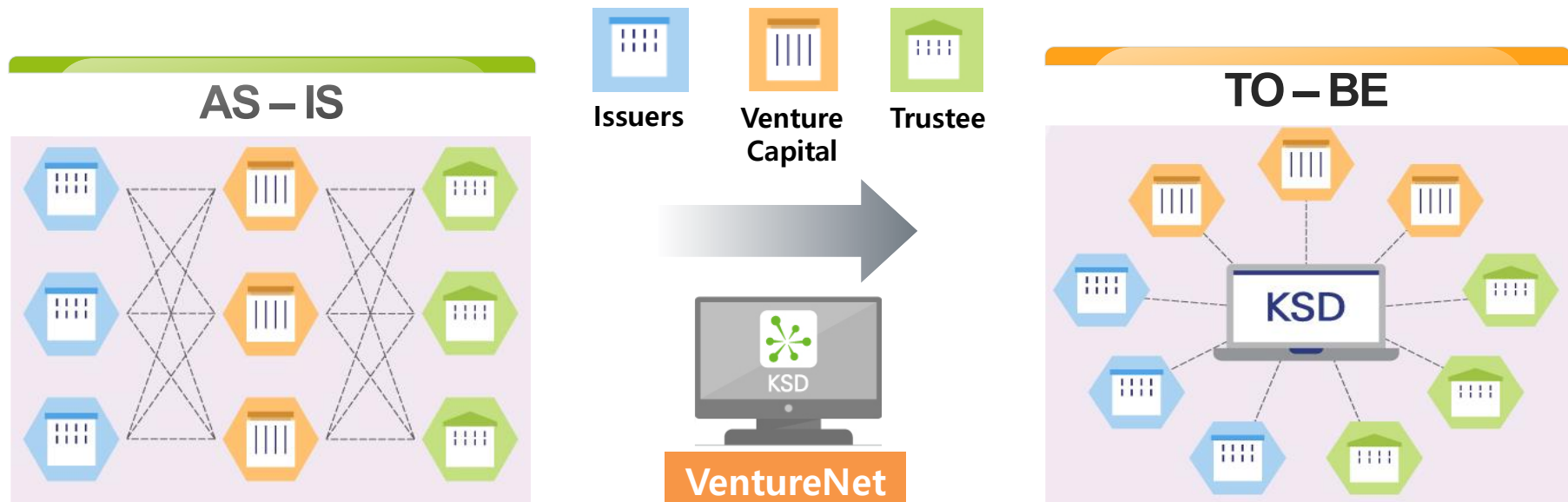
- Promote the venture capital
- Strengthen the regulatory function for fund



# 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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