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Funds for Mutually Beneficial Cooperation between Large Enterprises and Small and Medium Enterprises are allowed to invest in venture capital funds

The State Council passed an amendment to the Enforcement Decree Of The Act On The Promotion Of Mutually Beneficial Cooperation Between Large Enterprises And Small And Medium Enterprises.

Sejong, June 20, 2024 – The Ministry of SMEs and Startups (MSS, Minister OH Youngju) announced on June 18 that the State Council passed the amendment to the Enforcement Decree of the Act on the Promotion of Mutually Beneficial Cooperation Between Large Enterprises and Small and Medium Enterprises. The amendment primarily allows Funds for Mutually Beneficial Cooperation between Large Enterprises and Small and Medium Enterprises ("Funds for Mutually Beneficial Cooperation") to invest in venture capital funds.

This amendment to the enforcement decree is a follow-up measure intended to expand the framework to facilitate the inflow of private funds into the VC market, as announced during the Government Policy Debate Forum on February 8.

The Funds for Mutually Beneficial Cooperation is a private fund invested by Korean corporations, including large enterprises, in the Large and Small Business, Agriculture, and Fisheries Cooperation Foundation. This fund aims to promote mutual growth with SMEs. Companies that invest in the Funds for Mutually Beneficial Cooperation can specify the fund's purpose within the scope specified by law.

Until now, investing companies could allocate funds for only 12 different purposes, such as promoting technological cooperation, reducing wage gaps, and improving productivity. However, with this amendment to the enforcement decree, the fund's purpose can now be additionally designated for investment in VC funds.

This amendment also includes provisions to align with the revised Act on the Promotion of Mutually Beneficial Cooperation Between Large Enterprises and Small and Medium

Enterprises (the "Mutually Beneficial Cooperation Act"), which was amended on January 9. The aim is to stimulate negotiations for the adjustment of the cost of goods delivered as a proxy, which is one of the national agendas.

In accordance with the revised Mutually Beneficial Cooperation Act, which removed the application requirements for negotiations for the adjustment of the cost of goods delivered as a proxy, the detailed criteria previously specified in the enforcement decree have also been deleted.

* Application Requirements: (Previous) Where it is inevitable to adjust the price of delivered goods because the supply costs of goods, etc., have fluctuated, exceeding the standards prescribed by Presidential Decree → (Amended) Where it is inevitable to adjust the price of delivered goods because the supply costs of goods, etc. have fluctuated

** Detailed Criteria: (Previous) 1) When specific material costs account for 10% or more of the contract amount, and their price changes by 10% or more, 2) When labor costs account for 10% or more of the contract amount, and the minimum wage increase rate changes by more than the average rate over the past three years, 3) When any one of material costs, labor costs, or expenses changes by 3% or more of the remaining delivery amount → (Revised) All deleted.

The amendment is scheduled to be promulgated on June 25 and will take effect immediately upon promulgation.

Minister OH Youngju said, "Allowing funds for Mutually Beneficial Cooperation between Large Enterprises and Small and Medium Enterprises to invest in venture capital funds is a measure that provides large enterprises with easier channels to supply growth capital to startups." She added, "In the future, MSS will continue to make every effort to enable private funds to invest boldly in Korea's startup sectors."