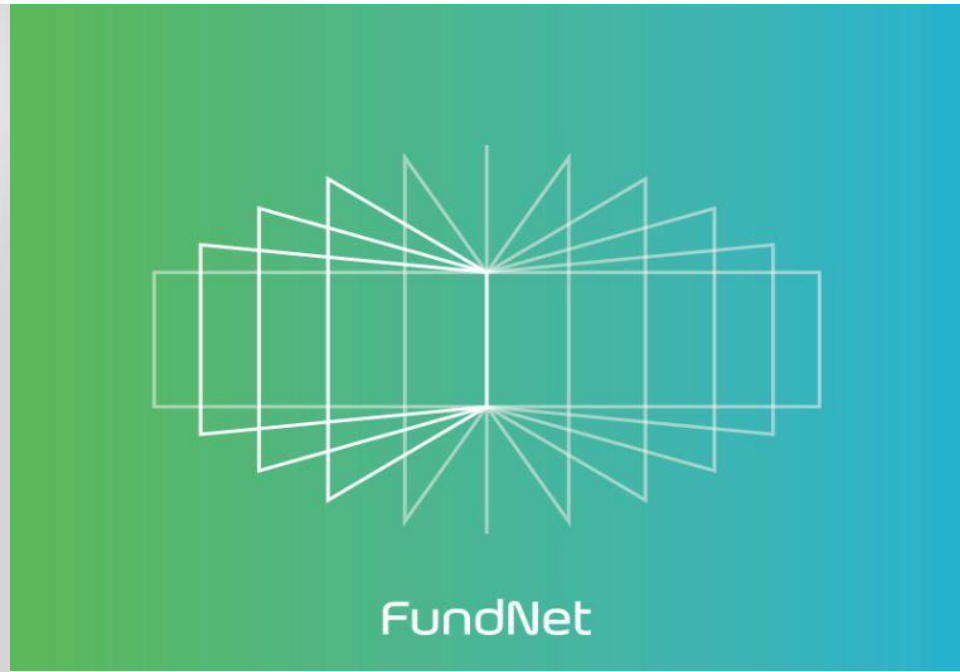




# FundNet

## The Past, Present and Future



November 2019

Aram Joo, Fund Business Dept.

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**Background of Development**

2

**Core Services**

- Subscription & Redemption
- Asset management post-trade

3

**Value-added Services**

- Offshore platform
- Monitoring
- Fund report management

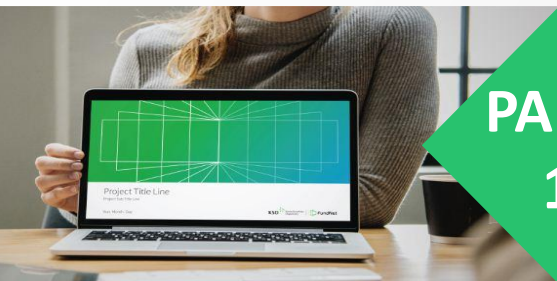
4

**Benefits**

5

**Upcoming new services**

- ARFP
- Informing Real return rate
- Automated trust contract



**PART**  
**1**

# Background of FundNet

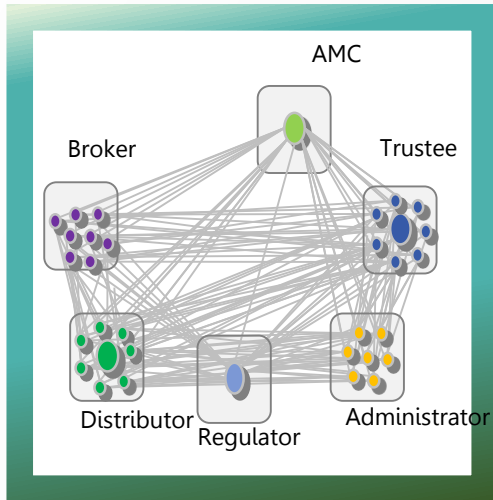
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# Before FundNet

In the early 2000s,

The Korean fund market was depressed and faced issues caused by inefficiency



Spaghetti problem

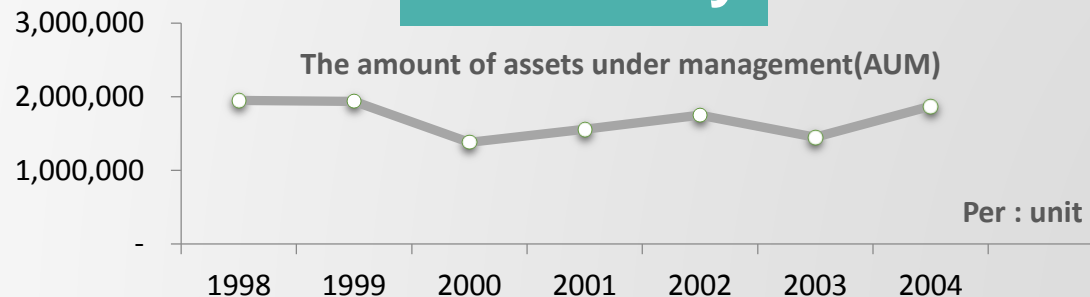


Paper crisis



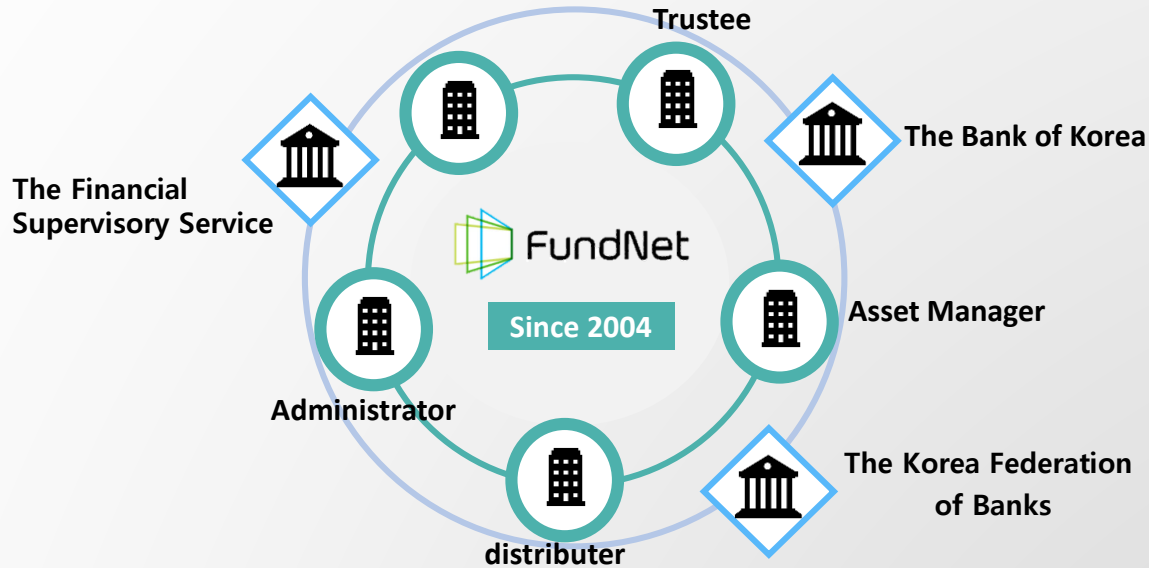
Scattered regulations

Inefficiency



# I. Background of FundNet

 FundNet was built through partnerships



# I. Background of FundNet

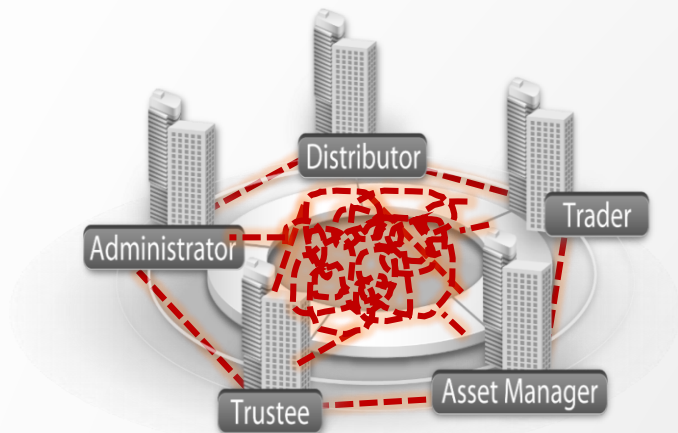
## The Whole securities transaction procedure

Greened parts are the services that FundNet covers

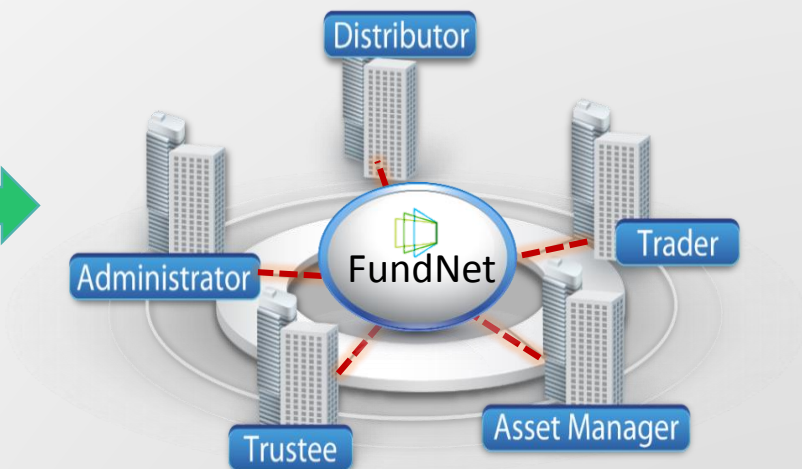


# I. Background of FundNet

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

Low Reliability

Low Transparency

High Cost, Low Efficiency



Fewer operational Risks

High Reliability

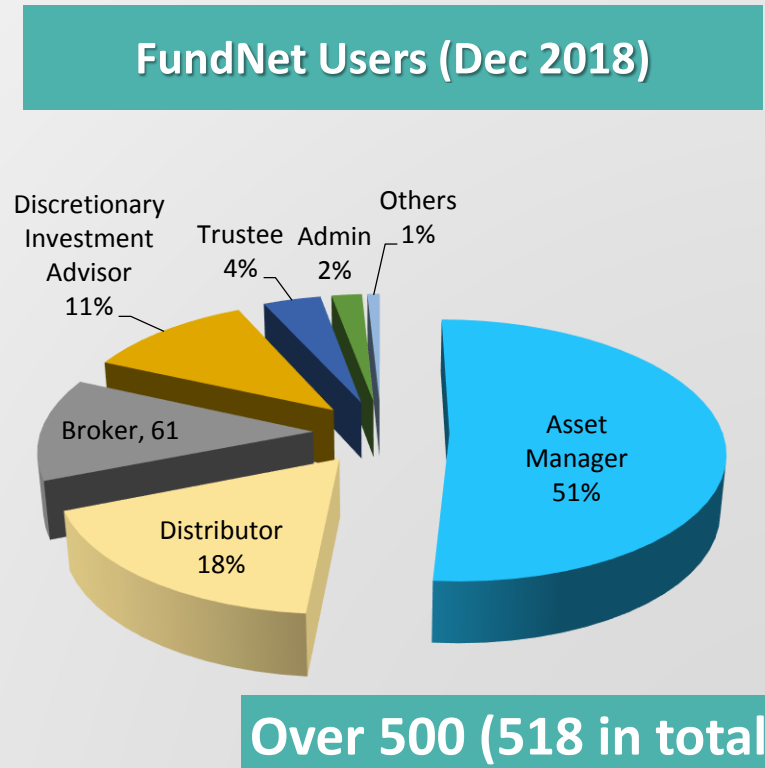
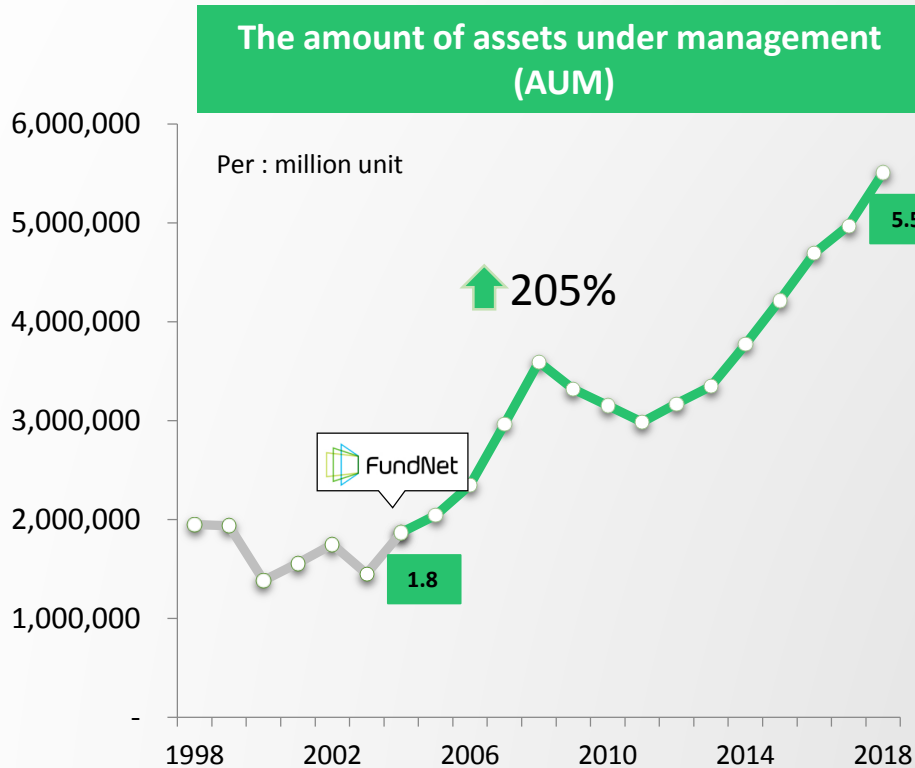
High Transparency

Low Cost & High Efficiency

# I. Background of FundNet

 After FundNet

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



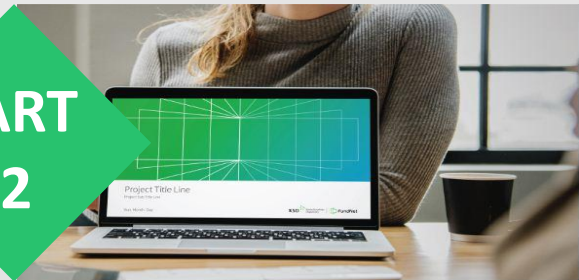
\* Others include FSS, BOK, KOSCOM, KFB, etc.



# Services Provided by FundNet

- Core services
- Value-added services
  - In the primary market
  - In the secondary market

PART  
2



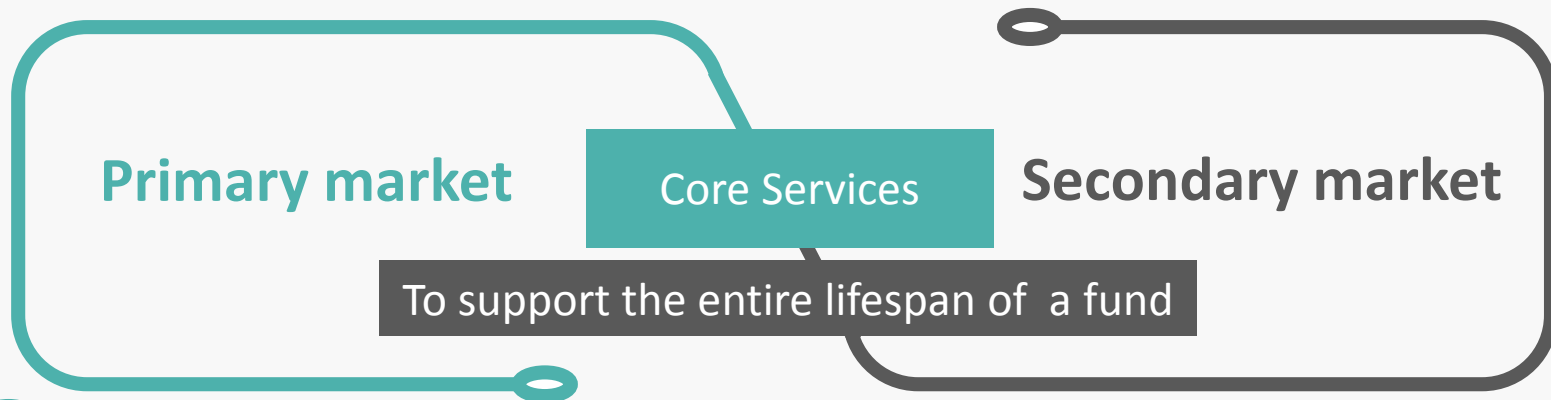
## II. Core Services in Primary & Secondary Market

### 2 Post-trade asset management service

Virtually mandatory

[Article 80(Act) & Article 79(Enforcement Decree)]

Management instructions shall be **delivered objectively and precisely** *with an electronic computer system*.



### 1 Subscription & Redemption Service

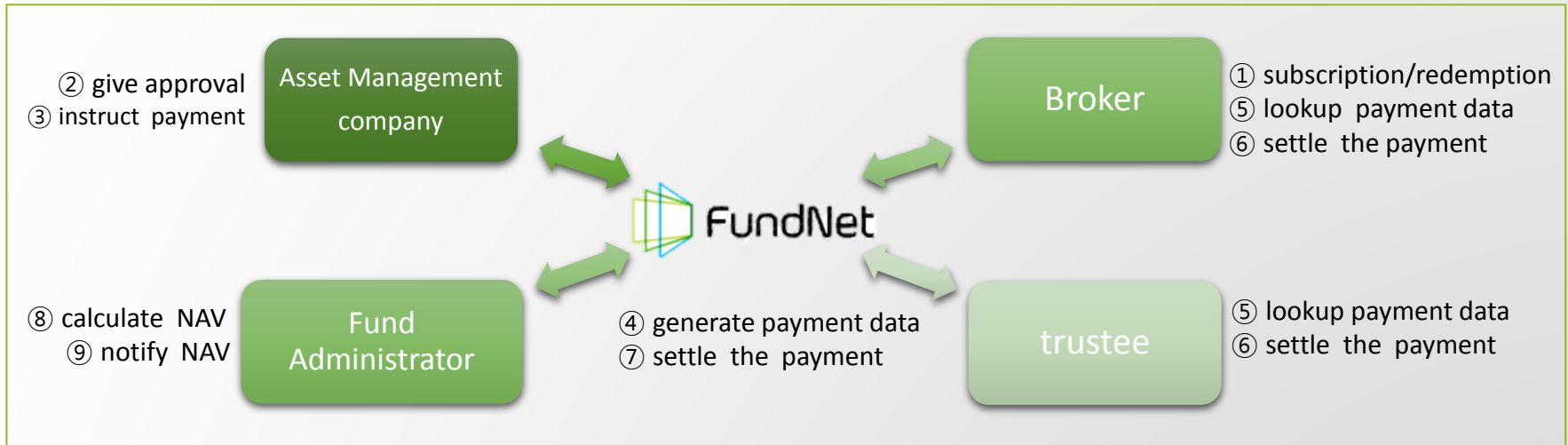
Mandatory by Law

[Article 189 (Beneficiary certificate) & 309 (Deposit to KSD)]

Every fund unit shall be issued *under the name of KSD*.

## II. Core Services in Primary Market

### Subscription & Redemption Service



**1** Subscription and redemption service

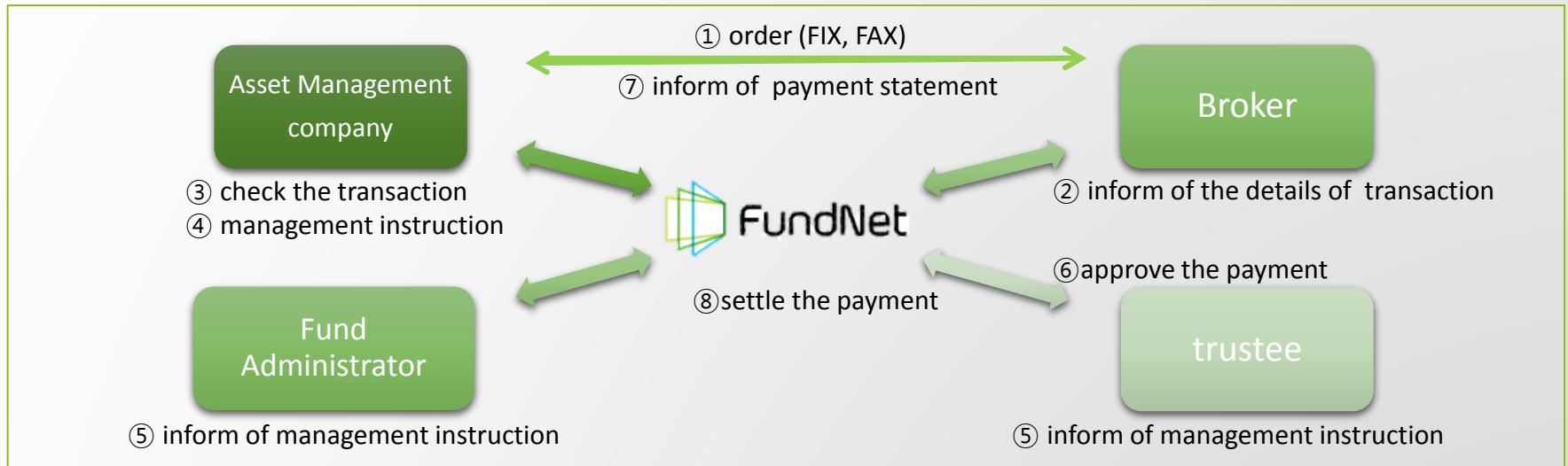
**2** Fund Distributor Switch Service

**3** Rights exercise

**4** Management of a beneficiary list (stockholder's list)

## II. Core Services in Secondary Market

### Asset management post-trade Service



**1 Trade confirmation**

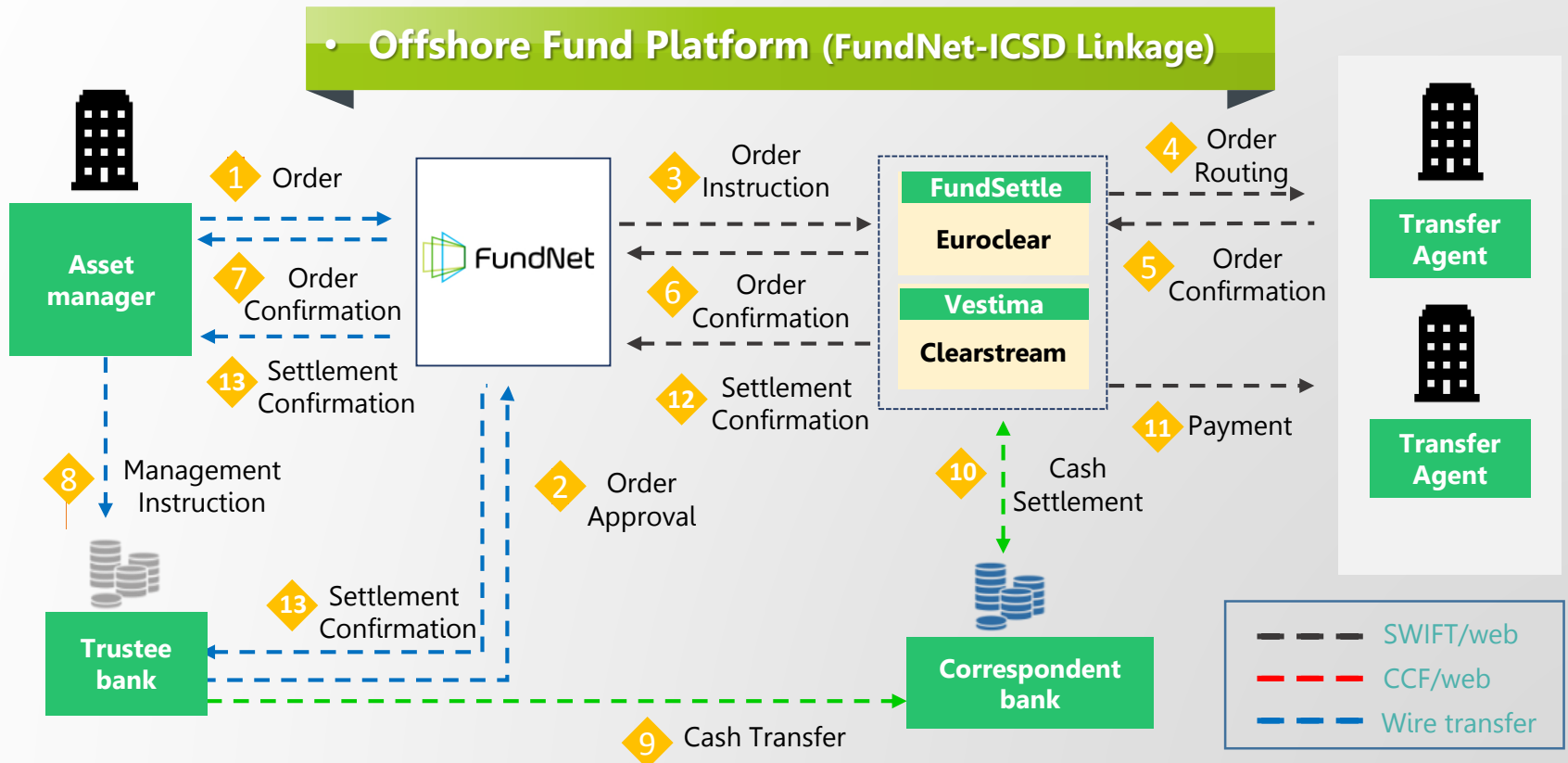
**2 Management Instruction**

**3 Management of fund ledger**

# III. Value-added Service

## Value-added Service - Offshore Fund Platform

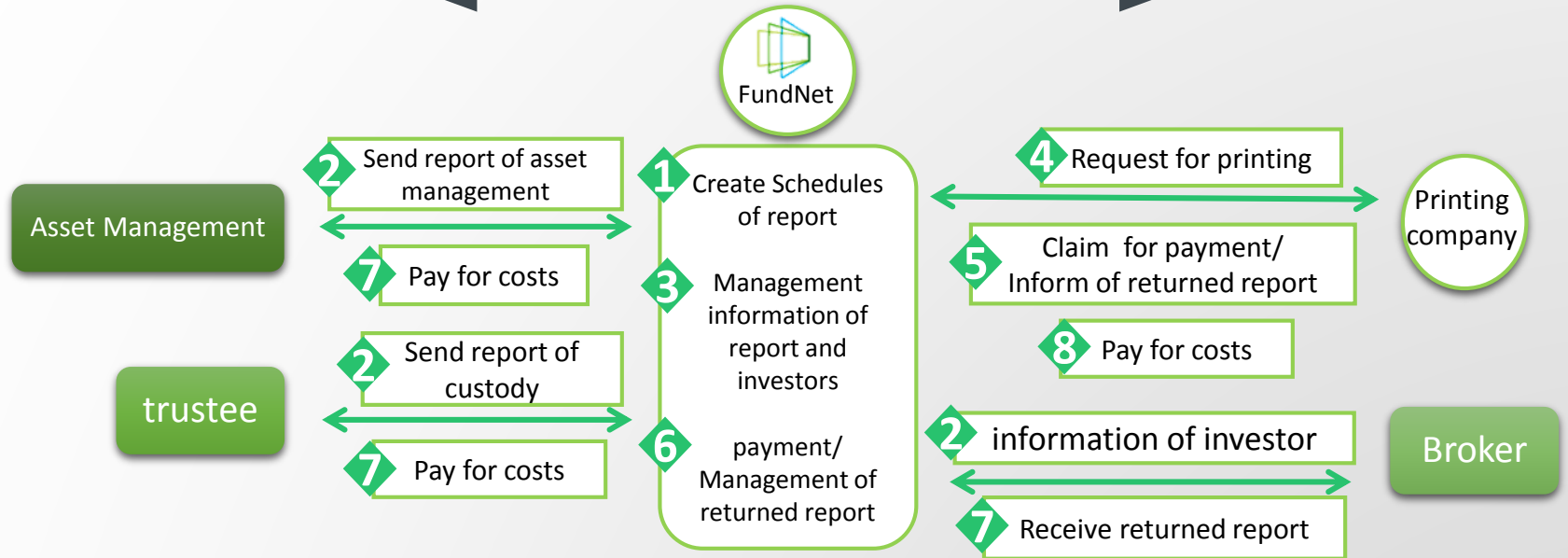
FundNet supports the cross-border trading of funds by connecting Korean market players with ICSDs (Euroclear Mank & Clearstream Bank)



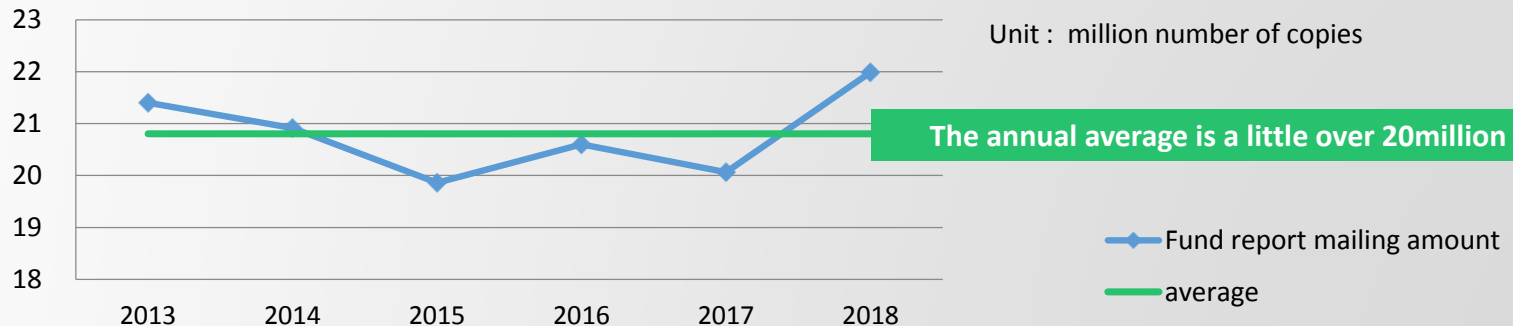
# III. Value-added Service

## Value-added Service – Fund report management service

### Fund report management service

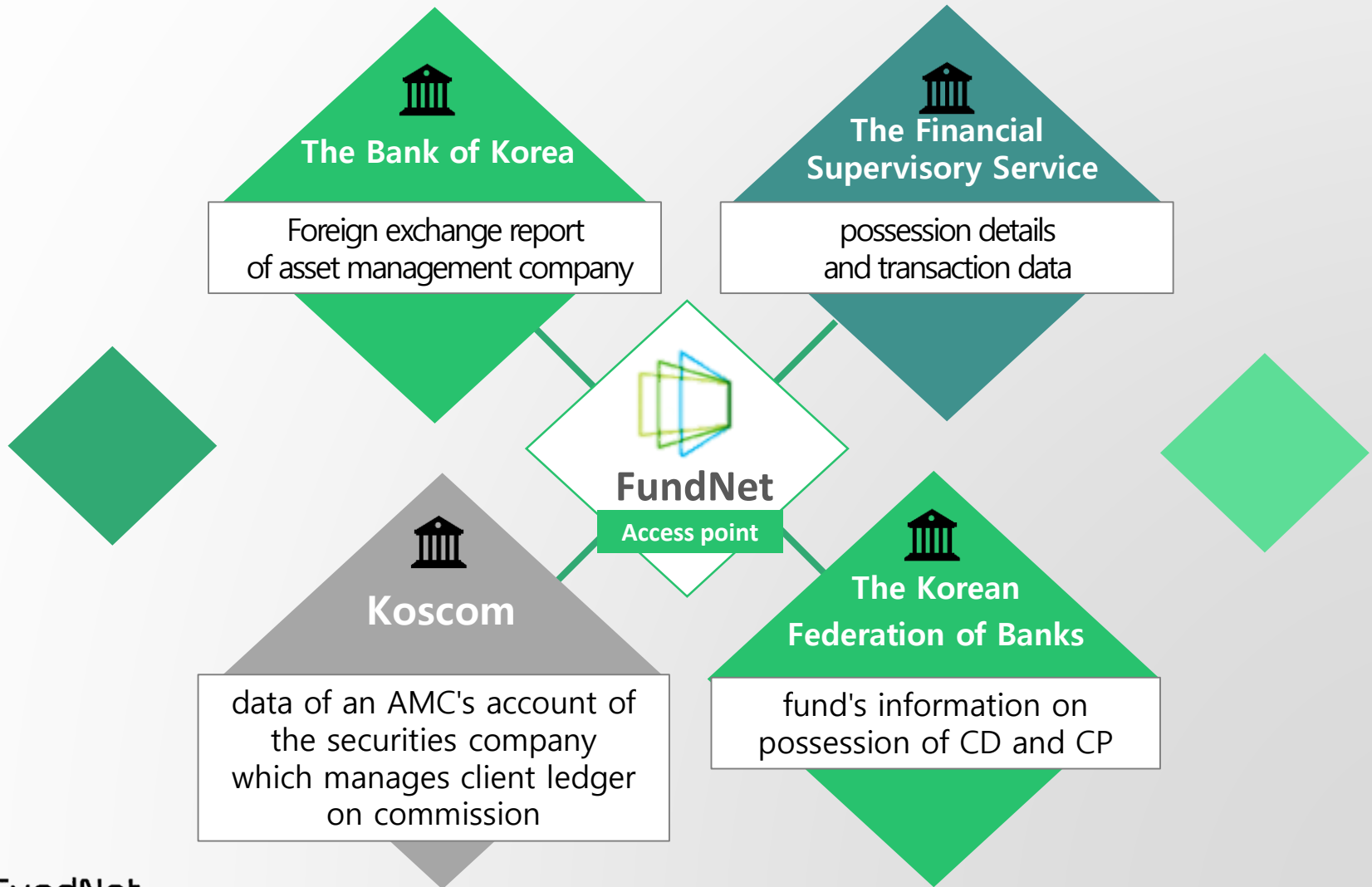


The annual number of Fund report mailed in Korea



# III. Value-added Service

## Value-added Service – Monitoring system



# IV. Benefits

For the sake of “**low cost & high efficiency**” in post-trade operation,  
FundNet has brought enormous benefits to stakeholders in the Korean fund market.

01

## Fund industry

- A fully standardized & automated service
- Higher operational efficiency & cost-cutting effects

\* USD 67 million saved per year with the inception of FundNet (Source: KPMG ,Dec. 2013)

02

## Financial Authorities

- An effective monitoring system for market operations
- Higher transparency of the fund industry

03

## KSD

- New source of revenues
- New source of business opportunities

\* Accounting for **5.7%** of total KSD revenue (2018)

\* e.g. Business Expansion : **PensionClear** (Dec. 2015) and **ISA-Net** (Mar.2016)



# The future of FundNet

- ARFP
  - Automatic trust contract
    - Real return rate on Fund

PART  
3



# V. Upcoming new services



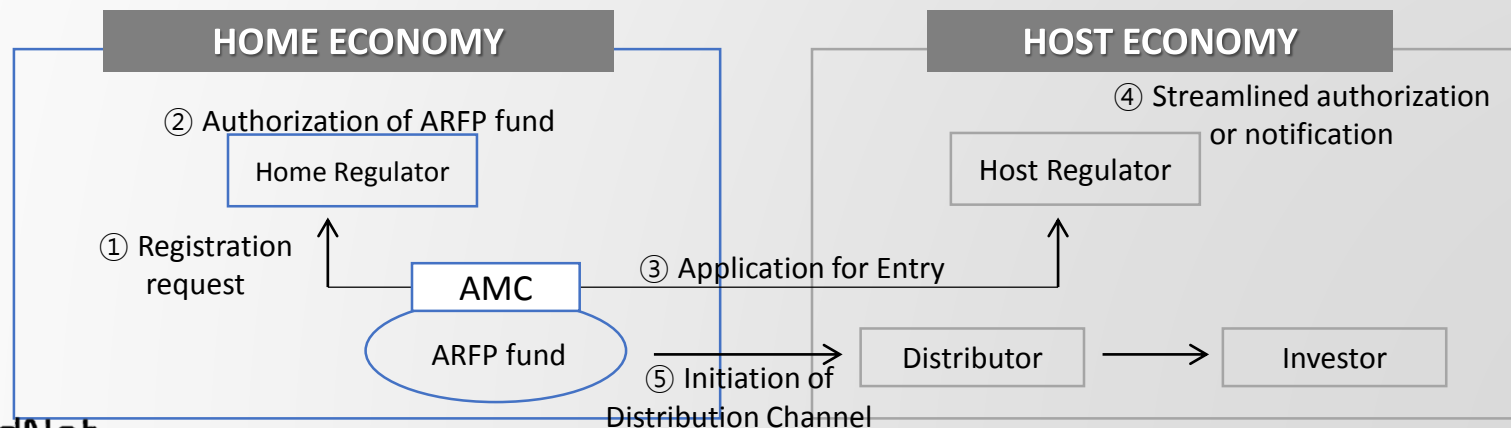
## Concept

- Arrangement to enable collective investment schemes that are established in one participant's economy and offered to investors in another participant's economy
- Participated Australia, Japan, New Zealand, Republic of Korea and Thailand

## Latest Progress

- Amendment bill of Capital Market Act just passed by the cabinet
- Specific registration & announcement procedures to be drafted estimated time of completion is 2020

## Progress of cross-border trading



# V. Upcoming new services



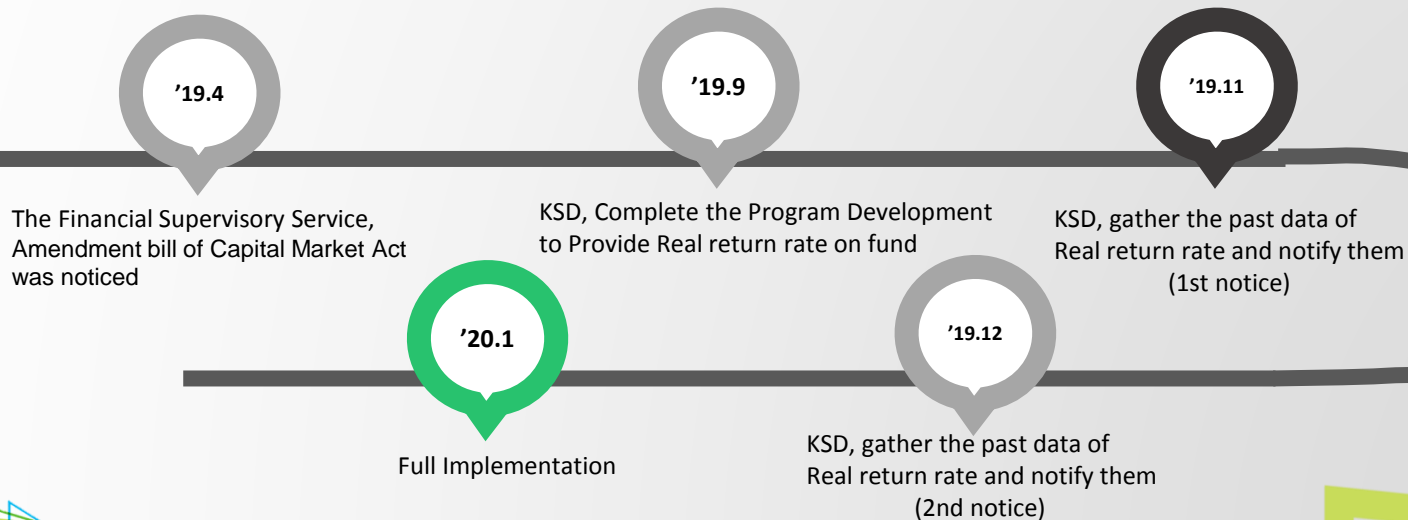
## Providing information about **Real return rate on funds**

### Purpose

- To support the new policies for protection of financial investor
- KSD plans to provide **Real return rate on funds** expected redemption payment exclusive of all kinds of commissions etc

### Estimated time of completion

- **As of the first of next year, this new service will be provided ('20.1.1~)**



# V. Upcoming new services

## Automatic trust-contract service

1

### Paper contract

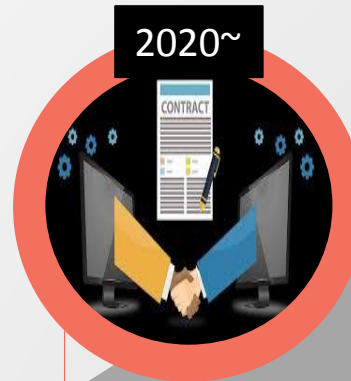
#### Manual paper-based processes

- made and stored by paper document
- Send the documents by dispatch
- No standardized form

~2019



2020~



2

### Computerized Contract

#### Computerized processes

- Made by data and stored by database
- Send it online network
- Standardized form

# Thank You

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