Re-investment of Won-Currency Funds & Residual Liquidated Assets

Q. Can won-currency funds received by a foreigner through capital decrease for value be recognized as an object of investment?
A. Yes.

Additional information
- Capital decrease for value is performed by returning part of the share value to the shareholder or by cancelling the company’s stocks. In this regard, capital decrease for value is considered a disposal of stocks.
- In accordance with the Foreign Exchange Transaction Regulations1, when funds from foreigners’ disposal of stocks and real estate are converted to foreign currency and remitted, the funds qualify as an object of investment as prescribed by the Foreign Investment Promotion Act2. In this regard, funds from the disposal of stocks and funds from capital decrease for value are treated equally as objects of investment.

Q. Can the residual liquidated assets from a foreign-invested company’s dissolution be used as an object of investment to acquire new or existing stocks of a domestic company?
A. It is considered possible3.

Additional information
- Generally, the residual liquidated assets (in won currency) from the dissolution of a domestic company can be used to acquire both new and existing stocks. However, in the case that a domestic branch or office is closed down and converted to a domestic corporation4, only the newly issued stocks of the newly established domestic corporation can be acquired with the residual liquidated assets (in won currency).
- Residual liquidated assets (in won currency) cannot be recognized as an object of investment if a branch or office is not converted into a domestic corporation after closure. Residual liquidated assets can only be recognized as an object of investment — a means of international payment — when the funds in won currency are exchanged to foreign currency and deposited in an external account.

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1 Article 4-2 of the Foreign Exchange Transaction Regulations
2 Refer to Article 2 (1) 8 (a) of the Foreign Investment Promotion Act
3 Online civil petition 2006-904, Feb. 2006
5 Article 2 (1) 8 (e) of the Foreign Investment Promotion Act