

Every month, KOTRA Express provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Foreigners' investment in mutual fund

Q. If a foreigner contributes to 10 percent or more of a domestic mutual fund's total outstanding shares with voting rights, can this be recognized as foreign investment?

A. No. The Foreign Investment Promotion Act does not apply to foreign investment in a mutual fund.

Additional information

- In accordance with the Foreign Investment Promotion Act¹⁾, foreigners may invest in Korea through ownership of the stocks or shares of a domestic corporation or a private enterprise.
- However, investment in mutual funds is not recognized as foreign direct investment due to the high liquidity of the investment funds, and the Foreign Exchange Transactions Act applies to such investments instead of the Foreign Investment Promotion Act.
- A contribution to a domestic investment association is not considered foreign investment under the Foreign Investment Promotion Act because an investment association is neither a corporation nor a private enterprise. However, foreigners' contributions to the Small and Medium Enterprise Establishment Investment Association, the Korea Venture Fund²⁾ and the Specialized Component and Materials Investment Association³⁾ are recognized as foreign investment in accordance with the exceptional clauses of related laws.

1) Article 2 (1) of the Foreign Investment Promotion Act

2) Article 8 of the Act on Special Measures for the Promotion of Venture Businesses

3) Article 7 of the Act on Special Measures for the Promotion of Specialized Enterprises, Etc. for Components and Materials



If you have further questions, please contact +82-1600-7119 or visit www.investkorea.org >>How We Can Help >> Online Consulting.