

Can acquisition of at least 10 percent of the preferred stocks of a domestic company be considered foreign investment?

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

Q.

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- In general, as preferred stocks do not have voting rights, an investment in preferred stocks is not recognized as foreign investment. However, when preferred stocks with voting rights (redeemable convertible preference shares, etc.) are acquired, they are treated equally as common stocks and such investment is recognized as foreign investment if it meets the requirements under the Foreign Investment Promotion Act.

A.

Basically, an investment by a foreigner is recognized as foreign investment when the investment amount is not less than KRW 100 million and at least 10 percent of the voting stocks (common stocks) is acquired.

- Even if a foreigner acquires less than 10 percent of the total stocks of a domestic company regardless of the type of the stocks (common or preferred stocks), as long as the investment amount is not less than KRW 100 million and the foreigner dispatches or appoints executive officers as prescribed in Article 2(2)2 of the Enforcement Decree of the Foreign Investment Promotion Act, such investment can be exceptionally recognized as foreign investment.

If you have further questions please contact



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