

# Is the acquisition of stocks for the purpose of capital gains, not participation in management, regarded as foreign investment?

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

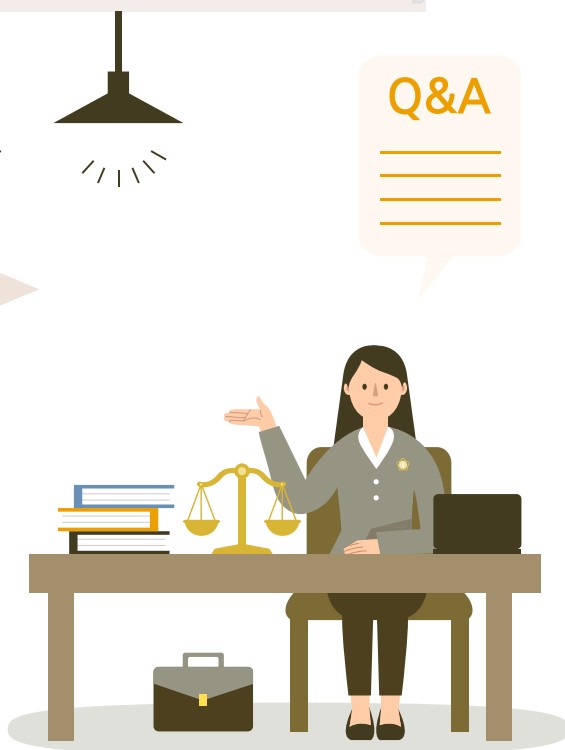
## Q.

**Is the acquisition of stocks for the purpose of capital gains, not participation in management, regarded as foreign investment?**

## A.

Investment in listed stocks (including KOSDAQ-listed stocks) is generally for the purpose of portfolio investment of less than a 10 percent ownership. Therefore, it fails to satisfy the requirements for foreign direct investment (investment amount of at least KRW 100 million and acquisition of at least 10 percent of the total voting stocks).

Q&A



- However, when a foreigner meets both requirements under the Foreign Investment Promotion Act, the investment amount of at least KRW 100 million and the acquisition of at least 10 percent of the total voting stocks, or the additional acquisition of stocks while the investment ratio is less than 10 percent brings the foreigner to meet the requirements under the Foreign Investment Promotion Act, the foreigner may have to notify foreign direct investment. In this case, the foreigner shall notify the acquisition of stocks, etc. (existing shares) within 60 days from the acquisition of stocks under Article 5(2)1 of the Foreign Investment Promotion Act.
- When trading listed stocks, a foreigner should open an international account and a non-resident's local currency (KRW) account, both dedicated to stock trading (Article 7-37 of the Regulation on Foreign Exchange Transactions). These accounts will be used for receiving foreign currency funds for stock trading from a foreign country, exchanging the foreign currency into Korean won, and sending proceeds from stock trading conducted through a securities trading account with a securities company (investment trader). The foreign investor can use the securities company's foreign currency account dedicated to stock trading to transfer foreign currency funds and perform portfolio investment. In this case, the foreign investor does not need to open an international account dedicated to stock trading with a domestic bank (Article 7-38 of the Foreign Exchange Transactions Regulation).
- If a foreigner's acquisition of listed or unlisted stocks does not meet the minimum FDI requirements (investment amount of KRW 100 million and acquisition of at least 10 percent of voting stocks), the acquisition of stocks by a non-resident should be notified to the head of a foreign exchange bank or the Governor of the Bank of Korea, according to Articles 7-32(2) or 7-32(3) of the Foreign Exchange Transactions Regulations.

*If you have further questions please contact*



+82-1600-7119

*or visit*



**[www.investkorea.org](http://www.investkorea.org)**