

Can the foreign currency funds remitted from a foreign country prior to notification of foreign investment be used in establishing a foreign-invested company?

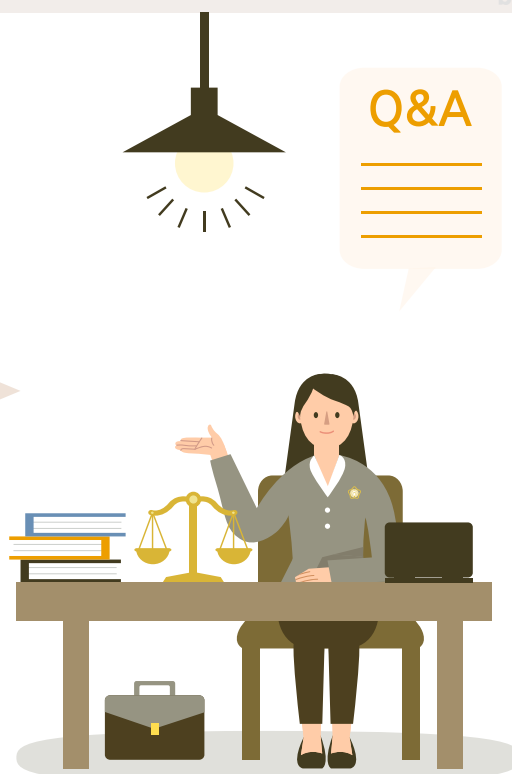
Every month, Invest KOREA provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Q.

Can the foreign currency funds remitted from a foreign country prior to notification of foreign investment be used in establishing a foreign-invested company?

A.

The Foreign Investment Promotion Act provides that a foreign investment made by a foreigner in the form of the acquisition of new or existing stocks, etc. of a Korean corporation or a company shall be notified prior to the investment. However, there is no specific regulation on the timing of introduction of funds used for the acquisition of the stocks.



- Therefore, in accordance with the Foreign Investment Promotion Act, if a foreigner opens a non-resident foreign currency account (external account) before or after notification of FDI and deposits funds in the account, or if he/she deposits funds in a special bank account (reserved for deposits for securities subscription), the funds can be recognized as investment funds.
- However, when the foreign currency funds deposited in a domestic bank account are converted into Korean won and used for other purposes or proceeds accrue as a result of such use (e.g., interest received from a bank deposit), it shall not be recognized as the amount of foreign investment. Therefore, the foreigner is advised to notify foreign investment as soon as possible and use the funds for foreign investment immediately.

For further inquiries, please contact the Investment Consulting Center

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