

SECTION R – INTER-RELATIONSHIP BETWEEN LENDERS AND BORROWERS IN CONTEXT OF FINANCIAL DIFFICULTY/ INSOLVENCY OF THE BORROWER

1.a. Organization and Representation

Same principle has been adopted by Korean government.

1.b. Critical Role of Senior Management

Same in Korea.

1.c. Standstill and Interim Financing

Same principle has been adopted in Korea.

Interim financing has not been viable because of financial institutions' conservatism.

1.d. Information

Same in Korea.

Sometimes corporate financial documents do not accurately show the current financial position of the debtor.

Korean government is currently working on establishing new accounting principles to guarantee transparency.

1.e. Company Restructuring Proposal

Same in Korea.

1.f. Committee's Advisory Report

Same principle has been adopted in Korea.

Advisory group has not been actively involved in the workout process because contracts between advisors and creditors' committee have not all been entered into due to discrepancy over limitation on advisors' liability against the results of workout.

1.g. Negotiation of a Restructuring Plan

Same in Korea.

The process has been going generally slow and may in some cases lose the right timing to rescue the debtor.

1.h. Pre-Negotiated Bankruptcy Plans

Not suitable.

Korean bankruptcy law provides separate court proceedings for mandatory debt restructuring to be approved by the court.

1.i. Non-Discrimination

Same in Korea.

Opinion

The Jakarta initiative provides for almost same principles for workout as those applied in Korea. In practice, these principles should inevitably involve creditors' concession in their terms and conditions of debts. The current Asian financial crisis does not only impact corporate debtors but also financial institutions, that is to say, creditors themselves. In this situation, creditors generally take conservative position in negotiating debt restructuring. This frequently hinders expeditious workout process.