

South Korean tech giant Kakao's founder arrested in stock price manipulation case

July 23 2024, by Hyung-Jin Kim



Kim Beom-su, center, the founder of the country's tech giant Kakao Corp., leaves a courtroom after a warrant hearing at the Seoul Southern District Court in Seoul, South Korea, Monday, July 22, 2024. Credit: Yoon Dong-jin/Yonhap via AP

South Korean prosecutors said Tuesday they have arrested the founder of technology giant Kakao Corp. for alleged stock price rigging during his company's takeover of a major K-pop agency last year.

Kim's arrest came after the Seoul Southern District Court approved an arrest warrant, citing concerns that he could flee or destroy evidence.

Prosecutors have up to 20 days to investigate Kim and determine whether to indict him, according to a senior prosecutor at a Seoul district prosecutors' office. He requested anonymity because an investigation was under way.

Kim faces allegations that he orchestrated and approved schemes to collaborate with the operator of a private equity fund to deliberately inflate the stock price of K-pop agency SM Entertainment to prevent Hybe Corp., the parent company of another K-pop powerhouse behind global sensation BTS, from buying SM Entertainment, according to the prosecutor.

Kim, 58, denied the allegations, according to the Seoul prosecutors' office. He was not immediately available for comment.

Another Kakao executive and the head of the equity fund have already been indicted in the case, according to the prosecutors' office.

Kakao Corp. is best known for its hugely popular free mobile chat app, called Kakao Talk. It reportedly had about 41 million active users in South Korea, a country with 52 million people, as of December. The company has used the popularity of its mobile messenger to branch into banking, online shopping, gaming and other services in recent years.



A logo of Kakao Corp. is seen at the Kakao Pangyo Agit office in Seongnam, South Korea, Tuesday, July 23, 2024. South Korean prosecutors said Tuesday they have arrested the founder of technology giant Kakao Corp. for alleged stock price rigging during his company's takeover of a major K-pop agency last year. Credit: AP Photo/Ahn Young-joon

Kakao Corp. said in a statement Tuesday that "the current situation is regrettable." It said it will strive to minimize the management gap but didn't directly address Kim's arrest.

Kakao's stock price fell more than 5% on Tuesday.

SM Entertainment's top executives had objected to Hybe's attempt to increase ownership of the company, describing it as a hostile takeover

attempt and saying it would lead to monopolization of the industry, pushing up costs for fans. It also said that SM artists might not be prioritized if Hybe controlled the firm.

SM's top executives had supported Kakao's tender offer as a "friendly" one and described the technology firm as the "optimal strategic cooperative partner."

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