

S. Korea's ex-health minister guilty of swaying Samsung vote

June 8 2017, by Youkyung Lee



Moon Hyung-pyo, center, a former South Korean health minister who oversaw National Pension Service, arrives at Seoul Central District Court in Seoul, South Korea, Thursday, June 8, 2017. A court has convicted Moon of pressuring the country's pension fund to support a merger of two Samsung companies. (Kim Sun-ung/Newsis via AP)

South Korea's former health minister was convicted on Thursday of pressuring the country's pension fund to support a controversial Samsung merger, in one of the first rulings on key players in the corruption scandals that ensnared the country's ousted president and Samsung's heir.

The merger of Samsung C&T and Cheil Industries in 2015 was crucial in Samsung's father-to-son leadership succession, but U.S. hedge fund Elliott Associates and other minority shareholders opposed the plan arguing that it would unfairly benefit Samsung founding family members.

Support from the National Pension Service, a key investor in Samsung, was crucial to ensure shareholder approval. Thanks to the pension service's vote, Samsung narrowly won the approval, helping Samsung Vice Chairman Lee Jae-yong consolidate his control over South Korea's largest business conglomerate.

The Seoul Central District Court said Moon Hyung-pyo, then head of the Health Ministry that oversaw the National Pension Service, was sentenced to 2 ½ years in prison. He was found guilty of abusing power to sway the pension fund's vote on the merger. He was also guilty of perjury during a parliamentary hearing, lying about his role in the merger.

Moon has violated the pension fund's independence, the court said in a statement.

A former executive at the pension fund was also found guilty of causing damages to the fund by swaying its investment committee to support the Samsung merger. Hong Wan-sun, a former head of the fund's operation division, was sentenced to 2 ½ years in prison.

The court said Hong swayed the vote even though he knew that the

merger ratio was unfair to Samsung C&T shareholders and hence it would cause damages to the pension fund's stake in the construction company.

The 2015 Samsung merger and the allegations that the pension service was pressured to support Samsung's succession plan were among the triggers of the massive corruption scandals that led to the impeachment of Park Geun-hye in March and the arrest of Lee, Samsung's de facto leader.

Prosecutors have accused Lee, who is on trials for bribing Park Geun-hye and her long-time friend, of offering bribes in exchange of seeking the government's support of the smooth leadership transition at Samsung, including the merger.

The allegations that the pension fund, which manages \$508 billion for South Koreans' post-retirement, supported the controversial Samsung merger despite financial damages angered public and it was one of the reasons that prompted South Koreans to stage massive demonstrations for months last fall.

© 2017 The Associated Press. All rights reserved.

Citation: S. Korea's ex-health minister guilty of swaying Samsung vote (2017, June 8) retrieved 4 May 2024 from <https://phys.org/news/2017-06-korea-ex-health-minister-guilty-swaying.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.