Financial Services Commission
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Press Release

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AMENDMENTS TO THE FINANCIAL HOLDING COMPANIES ACT

Relating to Separation between Industrial and Financial Capital

The National Assembly has approved the amendments to the Financial Holding Companies Act to be enacted on October 10, 2009, resulting in the relaxation of a "non-financial business operator" (NFBO) from taking ownership of a bank holding company.

Currently, an NFBO is not allowed to own more than 4% of the voting shares of a bank holding company. When the amendments become effective, they will be allowed to own up to 9% of the shares. This is possible under the precondition that an advance-screening procedure and a stringent post-supervision be in place to prevent industrial capital from manipulating the financial system.

When an NFBO wants to own more than 4% of the voting shares of a bank holding company, become the largest shareholder or participate in management, it must do so with a preapproval of the FSC. And a more stringent post-supervision will be in place to restrict any illegal transactions between the bank and the largest shareholder.

Also, when an NFBO invests into a private equity fund (PEF) through a limited partnership and the regulation in which the PEF not be treated as an NFBO has been amended. And the current limit on the amount an NFBO can invest into such PEF and not be regarded as an NFBO (10%) will be raised to 18%. Moreover, the maximum amount of which affiliated companies can jointly invest into such PEF and not be regarded as an NFBO (30%) will also be raised to 36%.

In the past, the National Pension Service (NPS) was generally perceived as being ineligible to become a major shareholder of a bank holding company because it was considered an NFBO. However, if certain criterions are met, it will not be deemed as an NFBO.

Relating to Regulation on Non-bank Financial Holding Companies

Four months after the promulgation of the amendments to the Financial Holding Companies Act, a non-bank holding financial company will be allowed to take controlling ownership of non-financial companies. Financial holding companies of insurance business

will be able to have a non-financial company as a subsidiary. In addition, financial holding companies of securities and asset management businesses will be allowed to take a non-financial company as a subsidiary or a grandson company.

Furthermore, in order to promote companies to convert into a financial holding company, the grace period for application of the Financial Holding Companies Act will be extended to 5 years when they switch over to a financial holding company. The advantages of a financial holding company structure are clear in its ability for cross-shareholdings and enhanced corporate governance.

Relating to Revitalizing Synergy Effects

Financial holding companies will be allowed can take advantage of employing executives in concurrent positions within affiliated companies to enhance co-marketing strategies in banking, securities and insurance businesses, where any potential side effects from such practice can be neutralized by strengthened internal control and financial supervision.

In expanding operation abroad, a more effective method of joint ventures within affiliated companies can be achieved through sharing their expertise in different areas of finance.

Overall, financial holding companies will not only be able to enhance their crisis management capability through broader sources of funding but it will also revitalize M&As in domestic financial industry.

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