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## Press Release

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July 23, 2013

### REFORM PLAN FOR THE FINANCIAL SUPERVISORY SYSTEM TO BE SUBMITTED TO THE NATIONAL ASSEMBLY

#### **BACKGROUND**

There have been discussions on reform of the financial supervisory system among political circles, media and academia as opinions divided over the current supervisory system. Korea's financial supervisory system earned the credit from the International Monetary Fund (IMF) for its effectiveness as it successfully overcame the global financial system in 2008. The current system, however, revealed some problems to be addressed in the restructuring process of mutual savings banks in 2011.

The FSC reported a reform plan of financial supervisory system at the cabinet meeting on July 23 to be submitted to the National Assembly this week.<sup>1</sup>

#### **CLOSER COOPERATION AMONG FINANCIAL SUPERVISORY ORGANIZATIONS**

The Ministry of Strategy and Finance (MOSF), the Financial Services Commission (FSC), the Bank of Korea (BOK) and the Financial Supervisory Service (FSS) will operate the existing inter-agency meeting more actively for strengthened coordination and cooperation in macro-economic, financial and supervisory policies.

Information sharing across related government agencies will be expanded as much as possible. For better inter-agency communication and cooperation, the personnel exchanges on a regular basis will be encouraged among the MOSF, the FSC and the BOK.

#### **ESTABLISHMENT OF AN INDEPENDENT AGENCY FOR FINANCIAL CONSUMER PROTECTION**

An independent agency for financial consumer protection will be established, separated from the FSS. The newly established agency will be granted an appropriate level of authorities and functions needed under its mandated mission of financial consumer protection.

**A. (Form of the Agency)** The agency will be established as an independent entity separated from the FSS in the form of a non-capital based special entity.

**B. (Executives of the Agency)** Executives of the agency will be appointed through the same procedures and serve an equal term with the FSS executives. The head of the agency will

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<sup>1</sup> The National Assembly in March had requested the government to submit a plan to reform the current financial supervisory system including establishment of 'Financial Consumer Protection Agency' (tentatively named, hereinafter 'agency').

be appointed as a commissioner of the FSC.<sup>2</sup>

- C. (Scope of Supervision)** The agency will be in charge of supervising the overall financial industry including banking, insurance, financial investment, and credit card businesses.
- D. (Responsibility)** The agency will be responsible for arbitrating financial claims and disputes, providing financial education, establishing infrastructure for information provision, supporting financially vulnerable consumers, and supervising financial product sales activities.
- E. (Authority)** The agency will be granted authority to request submission of information related to financial institutions, inspect and restrict financial institutions, and legislate and amend regulations<sup>3</sup> when deemed necessary.
- F. (Cooperation with the FSS)** The new agency and the FSS will sign an MOU in conducting investigation on financial institutions to prevent extra burden on them. In principle, the agency must conduct a joint investigation with the FSS. An independent investigation by the agency will be permitted only in exceptional occasions.
- A consultative body will be formed among the FSC, FSS, and the new agency to prevent regulatory overlapping or loopholes and promote closer cooperation.
- G. (Budget)** The new agency will finance its budget with contributions from financial institutions as the FSS does. A portion of the FSS budget will be allocated to the new agency as it is spun off from the FSS.
- H. (Timing)** The new agency is aimed to be established and commence its operation in the second quarter of 2014.

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For any enquiry, please contact Foreign Press & Relations Team at [aykim@korea.kr](mailto:aykim@korea.kr)

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<sup>2</sup> Number of the executives of the agency and FSS will be finally decided after considering the size of each organization within the range that it doesn't exceed the current total number of the executives of the FSS (max 4 deputy governors, 9 assistant deputy governors).

<sup>3</sup> The agency and FSS must consult each other prior to legislating and amending regulations.