

FSC TO EXTEND GUIDELINES FOR COMPREHENSIVE SUPERVISION ON FINANCIAL CONGLOMERATES

The FSC decided to extend the best practice guidelines for comprehensive supervision of financial conglomerates for another year with some revisions.

The introduction of comprehensive supervision on financial conglomerates is one of key policy agenda under the Moon Jae-in administration. The comprehensive supervisory scheme is intended to capture and manage group-wide risks of financial conglomerates that conventional sectoral supervision cannot fully address. It will also help prevent any possible contagion of group-wide risks into financial affiliates.

Since the FSC announced its plan to introduce a comprehensive framework for financial conglomerates in January 2018¹, best practice guidelines were established and implemented with seven financial conglomerates² starting from July last year. As the guidelines are due to expire on July 1 this year, the FSC decided to extend the deadline to July 1, 2020. The FSC also made some amendments to the guidelines to reflect feedback received from financial conglomerates and make it better coordinated with other relevant laws.

Given that the one-year pilot test under the guidelines is to be extended for another year, a list of financial conglomerates subject to comprehensive supervisory schemes will remain same with last year: Samsung, Hanwha, Mirae Asset, Kyobo, Hyundai Motor, DB and Lotte.

Based on the guidelines, the FSC will provide detailed standards for designation of subjects of comprehensive supervision, capital adequacy and risk management assessment.

At the same time, the FSC will continue our efforts to support a new legislation of comprehensive supervision on financial conglomerates. Currently, two bills have been proposed and under discussion at the National Assembly.

¹ Press release 「Plan for Comprehensive Supervision of Financial Conglomerates」 (Feb.1, 2018)

² Samsung, Hanwha, Mirae Asset, Kyobo, Hyundai Motor, DB and Lotte