

REVISION TO FSCMA TO ENHANCE TRANSPARENCY AND REDUCE SYSTEMIC RISKS IN OTC DERIVATIVES MARKETS

A revision bill to the Financial Investment Services and Capital Markets Act (FSCMA) was approved at a cabinet meeting on March 3, 2020. With the goal of enhancing transparency and reducing systemic risks in over-the-counter (OTC) derivatives markets, the revisions will establish statutory provisions for a trade repository, which will be introduced in October 2020 through amendments to the Regulation on Financial Investment Businesses, and for margin requirements of non-centrally cleared OTC derivatives, which is currently implemented via administrative guidelines by the FSS.

KEY PROVISIONS

1. TRADE REPOSITORY

► REPORTING REQUIREMENT TO TRADE REPOSITORY

Financial investment companies are required to report transaction information of OTC derivatives to a trade repository and may be subject to fines of up to KRW100 million for violation of reporting requirements.

► AUTHORIZATION FOR TRADE REPOSITORY BUSINESS

Trade repository is required to get authorization for ‘trade repository business’ and abide by regulatory requirements for executive qualifications and internal controls.

► SUPERVISION ON TRADE REPOSITORY

Trade repository is required to get an approval from the FSC for establishing or amending its operational rules.

The FSS can inspect business operations and financial status of trade repository. The FSC may revoke authorization, suspend business operations or sanction executives of trade repository if they commit illegal activities.

► **PROVISION OF TRADING INFORMATION**

Trade repository is required to provide financial authorities, including the FSC, the FSS, and the Bank of Korea with transaction information and disclose transaction-related statistics through websites.

2. MARGIN REQUIREMENTS FOR NON-CENTRALLY CLEARED DERIVATIVES

Financial institutions whose balance of non-centrally cleared derivatives is more than KRW3 trillion are required to deposit margins in their transaction of non-centrally cleared derivatives.

SCHEDULE

The revision bill will be submitted to the National Assembly in March 2020.

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr.