

FSC TO EASE RULES ON OVERSEAS EXPANSION OF FINANCIAL INSTITUTIONS

The FSC announced on March 12, 2020 its plans to revise the regulations on overseas expansion of financial institutions in order to ease regulatory burdens of operating overseas businesses and help boost their global competitiveness. The amendments will include streamlining the registration and reporting process and easing unnecessary requirements. The revisions will take effect gradually within this year in a two-pronged process.

KEY FEATURES

The first stage amendments to the regulations include a) an expanded application of the ex post facto reporting rule for foreign direct investment, b) an improvement to the regular reporting process, and c) a simplified reporting rule for dissolving overseas businesses.

I. EX POST FACTO REPORTING RULE FOR FDI

(As is) In principle, all financial institutions are required to report their foreign direct investment activities before overseas investment takes place.

(To be) Allow ex post facto reporting of new foreign direct investment for financial institutions with cumulative investment in the amount of USD30 million or less during the recent year.

The government will work to maintain the stability in the FX market by reviewing the soundness of overseas investment businesses and through the imposition of penalties for businesses deemed to be substandard.

II. IMPROVEMENT TO REGULAR REPORTING REQUIREMENT

(As is) Financial companies are required to report the status of the establishment and operation of their overseas businesses to both the Financial Supervisory Service and the Bank of Korea once every three months.

(To be) Financial companies will report the status of the establishment and operation of overseas businesses to the FSS once every year.

The information provided to the FSS will be shared with the Bank of Korea.

III. EX POST FACTO REPORTING RULE FOR DISSOLVING OVERSEAS BRANCHES

(As is) When seeking dissolution of overseas business operations or making changes to the initial declaration, financial institutions are required to report prior to taking actions.

(To be) Allow ex post facto reporting for companies seeking dissolution of overseas business operations or making changes to the initial declaration.

When winding up overseas business branches, financial companies will be required to immediately report the repatriation of capital.

SCHEDULE

The first stage amendments to the regulations will take effect on April 29, 2020. In the second stage, the government will work to remove redundancy in regulations by replacing the FDI regulations with prudential oversight in each sector where applicable.

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