

## FSC INTRODUCES NEW RULES ON FINANCIAL CONSUMER PROTECTION

The FSC introduced a proposal of an enforcement decree to provide details of the newly enacted legislation on financial consumer protection (“the Act” hereinafter), which is scheduled to go into effect on March 25, 2021.<sup>1</sup> The proposal will be available for public notice and comment for forty days from October 28 until December 6.

### **KEY MEASURES**

**(SCOPE OF APPLICATION)** The Act stipulates that financial products offered by banks, insurance companies, financial investment firms, specialized credit finance companies and savings banks will become subject to the new law. The proposal includes financial products offered by the Credit Union, P2P lending firms and registered private lenders.

**(ENTRY REQUIREMENT)** The proposal establishes business registration requirements for both loan sales agents and independent advisory service providers. For both categories, online service providers are required to install an algorithmic program designed to prevent conflicts of interest for consumers.

**(INTERNAL CONTROL REQUIREMENT)** In principle, all financial service providers are required to have internal control standards on financial consumer protection with the exception of small firms with less than five regular employees. Financial service providers should regularly improve their internal control standards if and when indicated by the regulators. The internal control standards should include the current best practice guidelines on financial consumer protection.<sup>2</sup>

**(SALES REGULATIONS)** This proposal specifies rules improvements and introduces additional regulations that are necessary for the implementation of the six major sales regulatory principles under the Act.

**(CONSUMER RIGHTS)** The Act introduces new safeguards by guaranteeing consumers the right to withdraw subscription and terminate unfair agreements, while delegating the scope of application through an enforcement decree. In this regard, the right to withdraw subscription applies to all loan and guarantee products in principle and the following investment products—non-money trust contracts, highly

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<sup>1</sup> Please click [here](#) to see details about the Financial Consumer Protection Act.

<sup>2</sup> Please click [here](#) to see details.

complex funds, highly complex money trust contracts and highly complex investment entrustment contracts—with the exception of cases where the application of consumer rights may be difficult due to peculiarities of particular products or investor preference.

**(CONFLICT RESOLUTION)** The proposal introduces improvements to the conflict resolution procedures to enhance the accountability of the process. In this regard, conflict resolution committee members will be required to have at least fifteen years of professional experience. To improve the fairness in the management of the conflict resolution committee and to increase the acceptability of committee decisions, the number of committee members to be present at committee meetings will be decided equally by both consumer group and financial industry group.

**(SUPERVISION & SANCTION)** The Act introduces a provision of punitive fines of up to 50 percent of profits gained from bypassing regulations. In this regard, the proposal introduces specific standards for calculating fines in a way that is designed to impose heavier penalties for greater amounts of unfair profit transactions made.

The Act also stipulates that the FSC may order a sales ban on particular financial products when considered as necessary to prevent significant damages to consumers. In this regard, this proposal establishes a comprehensive legal ground that allows the FSC to deal with different situations on a case-by-case basis.

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