

FSC ANNOUNCES NEW RULES ON THE SUPERVISION OF NON-HOLDING FINANCIAL GROUPS

The FSC announced its proposal of the Enforcement Decree to the new legislation on the supervision of non-holding financial groups on March 8. The proposal will be put up for public notice from March 9 until April 19, 2021 and will go into effect on June 30, the same day the new Act becomes effective.

KEY PROVISIONS

A. NON-HOLDING FINANCIAL GROUP: Non-holding financial groups are those with total assets of KRW5 trillion or more with two or more number of subsidiaries operating financial businesses.¹ To guarantee a steady application of the law, a temporary decline in total assets below the KRW5 trillion threshold will not remove them from being designated as non-holding financial groups for a three-year period.

B. INTERNAL CONTROL & RISK MANAGEMENT: Non-holding financial groups will be required to establish specific standards on internal control and risk management while conducting internal evaluation on a regular basis to ensure that measures for risk management, internal control and capital adequacy are properly maintained.

C. CAPITAL ADEQUACY ASSESSMENT: Non-holding financial groups should maintain their capital adequacy ratios at appropriate levels and carry out self-assessment on their group-wide risks.

D. INTRA-GROUP TRANSACTION AND REPORTING & DISCLOSURE: Intra-group transactions in the amount of KRW5 billion² or more should be first approved by the board of the relevant financial subsidiary. Non-holding financial groups will be required to file reports and disclose information on their ownership and governance structure, internal control & risk management, capital adequacy and intra-group transaction & risk concentration.

E. BUSINESS IMPROVEMENT PLAN: Non-holding financial groups that are deemed to have problems with financial soundness will be required to draw up and submit business improvement plans aimed at enhancing their financial soundness. The FSC may request additional actions, including a revision or supplementary measure, and take appropriate actions in accordance with the relevant laws if considered necessary.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

¹ 6 entities as of the end of 2019 (Kyobo, Mirae Asset, Samsung, Hanwha, Hyundai Motor and DB)

² Smaller amount between 5% of equity capital and KRW5 billion