

REVISED CAPITAL MARKETS ACT TO ENHANCE AUTONOMY & ACCOUNTABILITY OF FINANCIAL INVESTMENT BUSINESSES

The revisions to the Financial Investment Services and Capital Markets Act passed the National Assembly on April 29, which change some of the major sales regulations into ex post regulations. The government expects that the revised law will boost the autonomy and accountability of financial investment businesses while bolstering their function of supplying venture capital and promoting innovation in the capital markets.

KEY REVISIONS

- ▶ **CHINESE WALL REGULATION:** Improve the coverage and efficiency of regulation by having 'Chinese walls' required for the information that may result in conflicts of interest, such as undisclosed information, customer's asset management information, etc.
 - Require financial investment businesses to set up internal control standards to ensure that exchange of information is strictly blocked
 - Strengthen ex post sanction by establishing a penalty provision to impose a fine for breach of regulations
- ▶ **CONSIGNMENT OF WORK:** Allow more functions of financial investment businesses to be consigned to a third party and permit reconsignment with an agreement from the consigner
 - The financial investment business will be accountable for any issues arising from reconsignment to guarantee investor protection.
- ▶ **REPORTING RULE:** For concurrent management of multiple financial investment businesses or engaging in incidental businesses, the current rule requires ex ante reporting to the FSC at least seven days before the commencement of the business. The revised rule changes this requirement to ex post reporting while also enhancing ex post supervision to ensure investor protection.

FURTHER PLANS

The revised law will go into effect one year after promulgation. The FSC will work to ensure that the relevant rules and regulations are in line with the amendments for a smooth transition to the new system.

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