

FSC EXTENDS GUIDELINES ON SUPERVISION OF FINANCIAL CONGLOMERATES FOR ANOTHER YEAR

The FSC approved the revisions to the best practice guidelines on the supervision of financial conglomerates on April 29 and decided to extend its implementation for another year.¹

KEY REVISIONS

- ▶ **CAPITAL ADEQUACY ASSESSMENT:** a) Combine the ‘risk concentration’ and ‘risk transfer’ categories into a single unified framework for assessing capital adequacy requirements, b) Allow the application of domestic industry standards when assessing capital adequacy for foreign branches
- ▶ **INTERNAL CONTROL SYSTEM:** Require financial conglomerates to establish a group-wide internal control system and standards for which a group-wide consultative body can be established to oversee the process
- ▶ **DISCLOSURE RULES:** Have financial conglomerates disclose their group-wide risks every quarter starting with the risk information as of the end of 2019
- ▶ **OTHERS:** a) Specify the designation of financial conglomerates subject to supervision to those with domestic financial companies with total assets amounting to KRW5 trillion, b) Specify the process of exemption, c) Extend the implementation of the guidelines for another year (May 1, 2020 to April 30, 2021)

FURTHER PLANS

The implementation of the best practice guidelines will be extended for another year from May 1, 2020 to April 30, 2021, The financial conglomerates will disclose their group-wide risks at the end of September 2020

The FSC will promote efforts to legislate the supervision of financial conglomerates as recommended by the IMF’s Financial Sector Assessment Program report on Korea

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¹ The guidelines system on the supervision of financial conglomerates has been a key policy task since its introduction in July 2, 2018. There are currently six financial conglomerates subject to supervision—Samsung, Hanwha, Mirae Asset, Kyobo Life Insurance, Hyundai Motor and DB (‘Dongbu’).