

LEGAL GROUNDS ESTABLISHED FOR SUPERVISION OF NON-HOLDING FINANCIAL GROUPS

The FSC announced the establishment of new legal grounds for the supervision of non-holding financial groups as the new legislation was passed at a plenary session of the National Assembly on December 9.

KEY PROVISIONS

- **NON-HOLDING FINANCIAL GROUPS:** Have two or more subsidiaries operating financial businesses with total financial assets of KRW5 trillion or more.
- **INTERNAL RISK MANAGEMENT:** An internal group-wide risk management body should be established led by the group's top representative company to oversee the group-wide risk management policy, handle regulatory compliance, pursue prudential management, etc.
- **INTERNAL ASSESSMENT:** Non-holding financial groups should conduct self-assessment on their capital adequacy requirements to maintain financial soundness while taking into account intra-group transactions and risk concentrations.
- **REPORTING & DISCLOSURE REQUIREMENTS:** Non-holding financial group's top representative company is required to report and disclose the group-wide capital adequacy status and risk factors to the FSC, which in turn may request a submission of a management improvement plan if deemed necessary to prop up capital or reduce risky assets.

The authorities expect that the new legislation on the supervision of non-holding financial groups will help foster a self-regulating risk management system for the regulated entities. The authorities will be able to more preemptively manage systemic risks in financial markets while minimizing the possibility of risk transfers and preventing damages to consumers and investors. In this regard, the government will continue to work for the advancement of both group-wide and systemic risk management schemes.

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