

LEGAL FRAMEWORK ON THE SUPERVISION OF NON-HOLDING GROUPS TO ALLOW PREEMPTIVE RISK MANAGEMENT

The FSC introduced the supervisory regulation on non-holding financial groups on March 31 as a final step in setting up the legal framework on the supervision of financial conglomerates.

The FSC first introduced the best practice guidelines on the supervision of financial conglomerates in July 2018 and has carried out oversight on the financial soundness of non-holding financial groups through administrative guidance. The enactment of the new legislation (“the Act” hereinafter) in December 2020 paved the way for establishing legal foundations for the supervision of non-holding financial groups.¹ As the Act is scheduled to go into effect on June 30, 2021, the authorities will put up the supervisory regulation for advance notice from April 1 to April 21, scheduled to go into effect on the same day as the Act after an approval from the FSC.

The supervisory regulation contains specific details about the designation of non-holding groups, internal control and risk management requirements, capital adequacy standards, rules and procedures for reporting and disclosure and assessment criteria for risk management.

The new legal framework on the supervision of financial conglomerates takes into account international standards as well as the regulatory experiences gained from the past two years. The authorities expect that the new Act will help enhance the management of group-wide risks in a more systematic and effective way, thereby allowing a more preemptive management of systemic risks in the financial markets.

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

¹ Please click [here](#) to see the press release dated December 9, 2020. For specific details of the Act, please click [here](#) to see the press release dated June 8, 2020.