

FSC LAUNCHES ORGANIZATIONAL SHIFT TO CREATE DIVISIONS WORKING TO STAMP OUT SECURITIES FRAUDS

The FSC announced on December 27 that the Capital Market Fraud Investigation Unit was reorganized into two divisions¹ in order to set up a system that facilitates effective investigation of securities frauds.

BACKGROUND

As unfair trading practices in capital markets recently become more sophisticated and intelligent, it is necessary to set up new divisions dedicated to conducting investigations into violations of capital market laws as well as adding personnel to root out securities frauds. Against this backdrop, the FSC established the Capital Market Investigation Unit in September 2013 and has since cooperated with the Prosecutors' Office, the Financial Supervisory Service, the Korea Exchange, and others to counteract such fraudulent activities. Despite such concerted endeavors, it remains difficult to effectively act against such unlawful activities only with a single unit, because securities frauds have become more complicated due to a significant expansion in the size of capital markets, the rising number of market participants², and the utilization of social network services.

DETAILS OF ORGANIZATIONAL RESHUFFLE

The FSC has worked to launch an organizational reshuffle to reinforce divisions exclusively responsible for investigation into potential frauds in capital markets. As a result, the Capital Market Investigation Unit will be expanded into two divisions: the Capital Market Investigation Coordination Division and the Capital Market Investigation Division.

The newly created Capital Market Investigation Coordination Division will be charged with planning, overall management and coordination in investigating unfair trading activities in capital markets, classification of unfair trading cases, performance of duties assigned to judicial police officers of capital markets, and external relations related to investigation into capital market frauds. The Capital Market Investigation Division will be responsible for wide-ranging tasks such as investigation and measures regarding unfair trading activities taking place in capital markets, false disclosure, omission of material facts, and others.

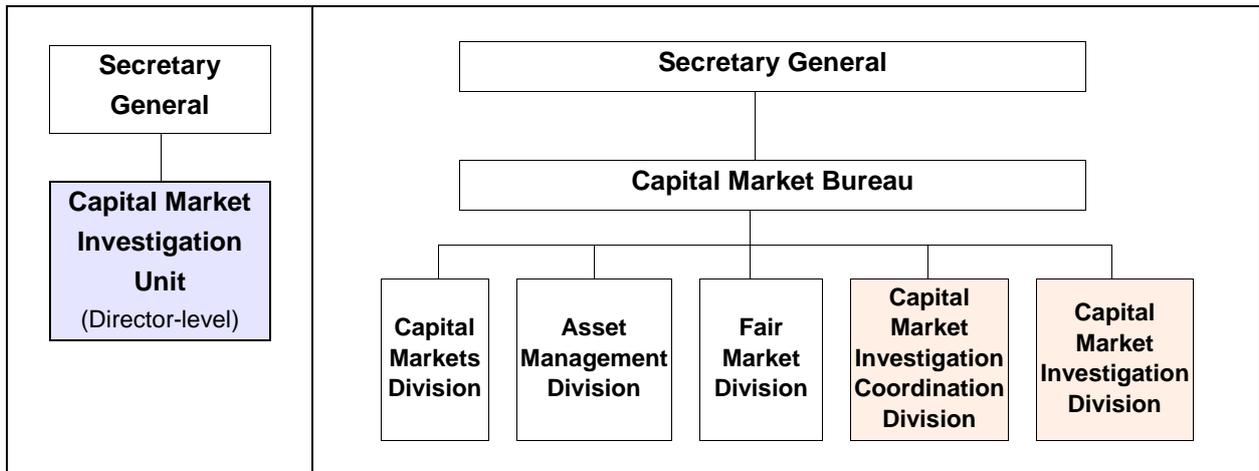
¹ Present: Capital Market Investigation Unit (one director-led unit) → To be changed: Capital Market Investigation Division, Capital Market Investigation Division (two director-led units)

² Average daily trading volume (Unit: KRW trillion): 5.8 (2013) → 9.0 (2017) → 9.3 (2019) → 23.0 (2020) → 27.3 (2021)

Number of retail investors (Unit: million): 4.75 (2013) → 5.02 (2017) → 6.14 (2019) → 9.14 (2020) → 13.74 (2021)

Before

After



It is expected that this organizational shift would bring about improvements to the efficiency and expertise in conducting investigations into capital market frauds. In this regard, the government will work to effectively stamp out securities frauds, and enhance credibility and fairness in capital markets with newly reinforced organizations and personnel.

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