

FSC UNVEILS REVISED GUIDELINES FOR FINANCIAL CONSUMER PROTECTION

The FSC unveiled a revision to the Guidelines on Financial Consumer Protection¹ on December 16 in order to continue to encourage financial institutions to take more responsibility in consumer protection prior to the enactment of the Financial Consumer Protection Act² by the National Assembly. The revised guidelines, which will go into effect on January 1, 2020, contain measures to enhance consumer protection function of financial institutions.

KEY MEASURES

I. ENCOURAGE CHIEF EXECUTIVES TO LEAD CONSUMER PROTECTION EFFORTS

- ▶ Within financial companies, the position of chairperson of financial consumer protection council will be assumed by company's chief executive officer (CEO) in order to boost the status of financial consumer protection council. The government will recognize an exemption to this rule and allow chief consumer officer (CCO) to assume the role of chairperson provided that the company has received an above 'satisfactory' rating³ on its consumer protection record.
- ▶ In order to promote a comprehensive consumer issue management system in financial companies, the role and authority of financial consumer protection council will be boosted. When launching new products, the council has the authority to conduct impact analysis on consumers, review results of advertisement compliance assessment by relevant authorities and examine new or revised product information.
- ▶ Financial institutions will be encouraged to hire a sufficient level of consumer protection specialists while coordinating with relevant departments, such as customer relations, product development and sales.

II. GRANT MORE INDEPENDENCE AND AUTHORITY FOR CHIEF CONSUMER OFFICERS

- ▶ Financial companies managing large amounts of assets⁴ and have a high

¹ The guideline became effective in September 2006, and provides ground rules for financial institutions with regard to their role in consumer protection. Measures, such as strengthening protection for financially vulnerable groups, introducing a performance evaluation system and improving the wage incentive system for sales persons, have been added. The guideline has been used as evaluation criteria since 2016.

² Recently approved by the National Policy Committee in November 2019

³ Outstanding – satisfactory – average – unsatisfactory – failing

⁴ For banks, securities companies, insurance companies and credit card companies: KRW10 trillion
For savings banks: KRW5 trillion

frequency of consumer complaints reported within a particular region⁵ should appoint an independent chief consumer officer (CCO) among its board members.

- ▶ CCOs should be given sufficient authority to oversee issues concerning consumer protection. By strengthening its influence, CCOs are able to conduct a review of possible damages to consumers during the whole process of product development, sales and customer aftercare. From a consumer's point of view, CCOs should also conduct their own review of advertisement prior to requesting an advertisement compliance assessment by relevant authorities.
- ▶ Within financial companies, departments overseeing sales and consumer protection are encouraged to maintain close consultation in order to prevent damages inflicted to consumers.

III. PROVIDE USEFUL INFORMATION TO CONSUMERS & STRENGTHEN CONSUMER RIGHTS

- ▶ Information regarding consumer rights and liability as they relate to financial products should be disclosed regularly. When informing consumers about the processing of their complaints, information on dispute resolution process should also be included.
- ▶ Financial companies should continue to provide relevant information to consumers and maintain a high level of attention to protecting consumer rights on a good faith basis even after the sale of financial products.
- ▶ Financial companies are required to establish relevant procedures and standards to prevent the occurrence of dormant accounts and unclaimed financial assets.

IV. IMPROVE SUPERVISION ON CONSUMER PROTECTION

- ▶ The revised guideline provides incentives for financial companies to increase their efforts on consumer protection by introducing a certificate system. Financial companies may be awarded with an 'outstanding' rating certificate if they are subject to a performance evaluation by the Financial Supervisory Service. Financial companies subject to self-evaluation may also choose to have performance evaluation by the FSS in order to receive certificates.
- ▶ Financial institutions whose performance evaluation results are 'unsatisfactory' or below should draw up their own plans for improvement and submit plans to the FSS.

#

For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr.

⁵ Number of consumer complaints (3-yr average): more than 4 percent of the total number of complaints reported with a particular region