

FSC ANNOUNCES REVISIONS TO THE ENFORCEMENT DECREE OF THE FSCMA

The FSC announced a revision proposal for the Enforcement Decree of the Financial Investment Services and Capital Markets Act on March 11. The revision proposal contains measures to bring improvements to the Chinese wall regulation,¹ ease reporting duties on consignment, set standards on financial investment businesses' credit extension to overseas branches and restrict investors from placing multiple orders for IPO subscription. The revision proposal will be put up for public notice until April 20 and will go into effect on May 20, 2021.

KEY REVISIONS

I. CHINESE WALL REGULATION

The revision proposal promotes more autonomy and accountability of financial investment businesses with respect to their internal management of Chinese wall policies. It specifies the types of information subject to the Chinese wall regulation, requirements for internal control standards, etc. In this regard, material nonpublic information and information on their clients' asset management status will be subject to the Chinese Wall regulation. Financial investment businesses will be required to maintain specific internal control standards with respect to the prevention of information sharing, specific methods for information barriers, exemptions, etc. An independent board-level position should oversee the management of the internal control standards and the relevant information will be subject to disclosure.

II. CONSIGNMENT RULES

The revised Act allows in principle financial investment businesses to consign their work to third-party agents except for duties pertaining to internal control. In this regard, the revised Enforcement Decree specifies 'internal control duties' as duties related to compliance, internal audit and inspection, risk management and credit risk analysis & evaluation. Their reporting duty on consignment to the FSC will also be changed from seven days prior to the consignment to within two weeks after the consignment.

III. CREDIT EXTENSION TO OVERSEAS BRANCHES

Financial investment companies are allowed to extend credit to their overseas branches if they have management control or own more than fifty percent of stakes

¹ Please click [here](#) to see more information on the Chinese wall regulation.

in overseas branches. Credit extension to overseas branches will be limited to forty percent of equity capital to all overseas branches and ten percent of equity capital to a single overseas branch.

IV. RESTRICTION ON MULTIPLE ORDERS FOR IPO SUBSCRIPTION

In order to make investment opportunities more widely available, investors will be prohibited from placing multiple orders for IPO subscription via multiple brokerages. To this end, legal grounds will be established to allow securities firms to collect and utilize relevant investor data and to help them set up a screening system through which brokerages can check whether an investor has placed multiple orders for IPO subscription.

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