

NEW BILL ON FINANCIAL CONSUMER PROTECTION MOVES AHEAD AT NATIONAL ASSEMBLY

The National Policy Committee of the National Assembly approved a Financial Consumer Protection Bill on November 25. As a key policy agenda of the Moon Jae-in administration, this legislation will help enhance the rights of financial consumers and improve the overall public trust in the financial industry.

KEY FEATURES

I. SIX SALES REGULATIONS TO BE APPLIED TO ALL FINANCIAL PRODUCTS

The six major sales regulations currently applied to selected financial products by separate laws, such as the Financial Investment Services and Capital Markets Act, will be applied to all financial products. The financial institutions must follow the six regulations below:

Principle of suitability	Should consider consumer's personal assets and investment experience when selling products
Principle of adequacy	Should notify the consumer if product is deemed inappropriate given consumer's personal assets, etc.
Duty to explain	Should explain product details and other relevant information when requested
Prohibit unfair practices	Should not violate consumer rights through coercion, etc.
Prohibit undue recommendation	Should not provide disinformation
Prohibit false or exaggerative advertisements	Should not place false or exaggerative information on advertisements

II. STRICT PUNISHMENT FOR VIOLATIONS OF SIX SALES REGULATIONS

The new legislation established a legal basis to impose punitive fines¹ for violating the major sales regulations (except 'the principle of suitability' and 'the principle of adequacy' regulations); integrated divergent penalty criteria currently under different laws into a unitary penalty system;² and established a legal basis to impose a penalty of up to KRW30 million for violating the 'principle of suitability' and the 'principle of adequacy' regulations.

¹ Up to 50 percent of the income generated from bypassing regulations

² Up to KRW100 million in penalty

III. PREVENTION OF CONSUMER DAMAGES FROM MISSELLING & EFFECTIVE REMEDIES

A new set of consumer rights and arrangements will be introduced to prevent consumers from falling prey to misselling and other unfair sales practices and provide more effective remedies in the afterwards.

- Consumers will be entitled to the right to withdraw subscription, to terminate contract if it is deemed to be in violation of laws, and to request information for the purpose of dispute resolution or litigation.
- FSC may order a cessation of sales of the relevant products when significant losses are expected to consumers.
- The burden of proof in liability for damage cases remains with the seller.
- Courts may decide to terminate lawsuits arising from unresolved conflict resolution cases.
- Filing a lawsuit against an individual is prohibited until the conflict resolution case³ is finalized.

IV. ENHANCED ACCESS TO FINANCIAL ADVISORY SERVICES & INVESTMENT INFORMATION

The new legislation provides financial consumers easier access to the information they need.

- A new type of financial advisory service will be launched based on the principle of independency to provide general consumers easier access to professional and unbiased advising services.
- FSC is required to conduct an analysis of public awareness and capability on financial matters and develop financial education policy on a regular basis.
- Financial authorities are able to provide a comparison of interest rates and fees between different financial products as well as the information about the performance of financial institutions regarding consumer protection, in order to help consumers make smart decisions.

SCHEDULE

The new bill on financial consumer protection will be debated in the Legislation & Judiciary Committee and during a plenary session of the National Assembly. The law will become effective one year from the public announcement.⁴

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

³ For KRW20 million or less

⁴ Articles on the establishment of financial advisory services will become effective one year and six months after public notice.