Financial Services Commission

Press Release

November 3, 2021

FSC Proposes Rules Change to Facilitate Overseas Business Operation of Financial Companies

The FSC announced a plan for changing rules to facilitate financial companies' business operation and investment activities in overseas markets on November 3.

With a growing number of financial companies expanding their business operations overseas, financial companies' foreign direct investment (FDI) activities in overseas markets have also grown.[1] The volume of financial companies' FDIs has grown in terms of both direct investment for establishing overseas branches and indirect investment through foreign funds. However, the current reporting rules have often caused unnecessary burden for financial companies in their overseas investment activities due to strict filing procedures, etc. As such, the FSC plans to change rules to simplify their reporting requirements and remove unnecessary burden.

Key Details

a) Currently, FDIs made through foreign funds are subject to the advance reporting requirement regardless of the investment amount. However, FDIs of USD30 million or less made through overseas branches can be subject to ex post facto reporting. Both FDIs made through foreign funds and FDIs made through overseas branches will be allowed for ex post factor reporting within one month for FDIs of USD20 million or less.

b) Currently, financial companies investing ten percent or more in equity shares of foreign funds are required to report to the FSS about any changes in their ownership status even when changes in their equity shares occur due to changes in investment amounts made by other shareholders in proportion to their own shareholding. FDIs in foreign funds will be subject to the ten percent reporting rule only at the time of making initial investment and financial companies will be exempted from further reporting duties when changes in their shareholding occur without additional investments.

c) Currently, some of the routine activities by financial companies' overseas branches, such as equity trading or loan transaction of more than one year, are subject to reporting duties. The aforementioned routine activities will be changed to ex post factor reporting requirements.

d) Currently, when financial companies invest overseas through stock buying, they are required to submit a stock audit report on every stock investment they make

[1] About a threefold increase between 2015 and 2019

regardless of whether the investment target is a listed company or not. Stock investment in listed companies will be exempted from submitting stock audit reports in principle.

e) The term “financial institution” will be changed to “financial company” and the financial companies’ reporting requirements when there are changes in their overseas operating funds will be made unified.

The rules change will be put up for public notice from November 4 to 18 and finalized during a regular meeting of the FSC in December this year.

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