

## REVISED ENFORCEMENT DECREE OF FSCMA AND SUBORDINATE RULES TO TAKE EFFECT FROM DECEMBER 9

The government approved the revisions to the Enforcement Decree of the Financial Investment Services and Capital Markets Act and its subordinate rules at a cabinet meeting held on December 7. The revisions prescribe specific details mandated by the revised FSCMA and provide legal basis for enforcement. The revisions will take effect from December 9, 2021.

### **KEY DETAILS**

- a) When an already listed securities firm wishes to add a business unit that is considered to be in an equivalent business area, the authorization process will be simplified and streamlined by requiring the company to register the additional unit instead of having to go through an approval process by submitting a business plan and qualifications of large shareholders.
- b) When a Korean branch of a foreign-based securities firm wishes to change its organizational status from a branch office to a subsidiary—or vice versa—the approval process will be simplified by granting an exemption from an assessment of its business plan, requirements for human resources and electronic and other physical facilities and qualifications of large shareholders.
- c) When a securities firm becomes insolvent, investor deposits will be paid back to its customers by a deposit holding institution instead of the insolvent securities firm in order to guarantee a speedy and safe refund process.
- d) The severity of the fine for violating the large shareholding reporting rule (the “5% rule”)<sup>1</sup> will be increased to more effectively induce compliance.
- e) Companies’ quarterly disclosure burdens will be eased by requiring them to list only key material information in their quarterly reports while other types of information can be updated only when changes have occurred.
- f) When licensing procedure of a financial investment business has been suspended due to a criminal investigation of its owner or large shareholder, the authorities will review the viability of resuming the licensing process every six months or when considered appropriate even before the six-month term to address the problem of an unknown period of delay.
- g) Separate keeping of investor deposits in foreign currencies will be expanded gradually with at least 70 percent of deposits in USD required to be kept in a deposit holding institution.
- h) Securities firms will be permitted for venture lending to facilitate their function of

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<sup>1</sup> Requires a person who holds five percent or more of equity securities in a listed company or whose holding position thereafter changes by one percent or more to file a report with the FSC and the KRX within five days from the date of such change taking place.

supplying venture capital to companies and the authorities will work to increase the number of securities firms specializing in SME investment.

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