

FOREIGN INVESTOR REGISTRATION REQUIREMENT TO BE ABOLISHED IN KOREA

The government approved a revision bill of the Enforcement Decree of the Financial Investment Services and Capital Markets Act (FSCMA) abolishing the foreign investors' registration requirement at a cabinet meeting held on June 5. The foreign investor registration system, which has been in place for about three decades since 1992, will be abolished starting from December 14 this year, six months after promulgation of the revised law which is expected to be on June 13.

Under the foreign investor registration system, foreign investors had to register with the Financial Supervisory Service (FSS) prior to investing in locally listed securities (stocks, bonds, etc.). For foreign investors, opening an investment account at a securities firm was possible only after registering with the authority and being assigned a registration certificate (foreign investor ID). As this process can be time-consuming and requires much paperwork, this rule was pointed out as a significant barrier for foreign investors in investing in Korean stock markets. Moreover, this kind of registration requirement for foreign investors is not being implemented in major advanced economies such as the U.S. and Japan. Thus, from the perspective of making Korean regulations more consistent with global standards, global investors have made continuous calls for the need to change this rule.

Introduced in 1992 to manage foreign investors' maximum investment limit, the foreign investor registration system has been in place for the past three decades without much change despite the fact that the foreigners' investment limit was abolished in 1998 in principle, leaving only 33 items under the authorities' watch for foreigners' total holding limit and two items for foreign individual holding limit out of some 2,500 listed companies currently.

Once the revised Enforcement Decree of the FSCMA takes effect, foreign investors will be able to open investment accounts at securities firms without having to go through a prior registration process with the FSS. Foreign corporate entities can use their legal entity identifiers (LEIs) and foreign individuals can use their passport numbers to open investment accounts. Those already assigned a foreign investor ID can continue to use their investor registration number so that potential inconvenience caused by changing the system can be minimized. Even after the abolishment of the foreign investor registration requirement, authorities will still be able to manage the total and individual foreign holding limits on the items that are deemed as necessary.

With the abolishment of the foreign investor registration system, authorities expect that foreign investors' access to Korean stock markets will be increased which will lay foundations to boost foreign investment in domestic markets.

The FSC along with the FSS and the Korea Financial Investment Association will prepare relevant guidelines and work to ensure a seamless transition regarding the abolishment of the foreign investor registration requirement. Moreover, other measures that are part of the plan for improving foreign investors' access to Korean capital markets (announced in January)¹ and which require revisions to the rules on financial investment business, such as expanding the scope of OTC transactions eligible for ex-post reporting and facilitating foreign investors' use of omnibus account,² will be finalized soon through a deliberation by the FSC and go into effect together with the abolishment of the foreign investor registration requirement.

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

¹ Please click [here](#) to see the press release dated January 25, 2023.

² Omnibus account is an investment account opened under the name of a global asset management company for the purpose of processing orders and settlements of multiple investors' investment transactions from a single account. It was introduced in 2017, but there has been no usage of it since.