



## Laws and Regulations Announcement

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### **Enforcement Decree of the Act on Corporate Governance of Financial Companies Set to Take Effect on August 1, 2016**

<b>Agency:</b>	Financial Services Commission
<b>Regulation:</b>	Enforcement Decree of the Act on Corporate Governance of Financial Companies
<b>Announcement Date:</b>	July 26, 2016
<b>Summary:</b>	The State Council approved on July 26 newly proposed Enforcement Decree of the Act on Corporate Governance of Financial Companies that seeks to promote sound and transparent corporate governance of financial firms by setting high standards for board members and the largest shareholder, governance structure, and accountability.
<b>Key Provisions:</b>	<ul style="list-style-type: none"><li>• Disqualification criteria for officers who pose a conflict of interest, which are currently applicable only to banks and financial holding companies, are to be extended to other financial firms. Rules restricting outside directors from concurrently holding positions outside the company are also to be tightened.</li><li>• The board of directors of financial firms with assets greater than KRW5 trillion must comprise at least three outside directors. The chairperson of the board must be an outside director. A succession plan for the chief executive officer is compulsory.</li><li>• Performance-based pay is compulsory for officers and employees of financial firms with assets greater than KRW5 trillion won. A portion of the performance-based pay for company officers must be deferred for at least three years.</li><li>• The fit and proper assessment for the largest shareholder of a financial institution taking place every two years is to be applied to insurance companies, financial investment services providers, and consumer finance companies in addition to banks.</li></ul>
<b>Effective Date:</b>	August 1, 2016 (with a three-month delay for some provisions on governance, internal controls, and risk management);

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