



## Laws and Regulations Announcement

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### **Amendments Proposed to the Act on Corporate Governance of Financial Companies, the Enforcement Decree, and Regulation on Supervision of Corporate Governance of Financial Companies**

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<b>Agency:</b>	Financial Services Commission
<b>Amendments proposed:</b>	<ul style="list-style-type: none"><li>• Amendments to the Act on Corporate Governance of Financial Companies (Notice number 2018-67)</li><li>• Amendments to the Enforcement Decree of the Act on Corporate Governance of Financial Companies (Notice number 2018-68)</li><li>• Amendments to the Regulation on Supervision of Corporate Governance of Financial Companies (Notice number 2018-69)</li></ul>
<b>Announcement date:</b>	March 15, 2018
<b>Summary:</b>	<p>The Financial Services Commission proposed amendments to the Act on Corporate Governance of Financial Companies (ACGFC) and its subordinate enforcement decree and regulation that among others tighten executive disqualification rules, encourage board members with more diverse fields of professional expertise and background, set enhanced standards for the independence of auditor and audit committee members, and provide for greater transparency in executive compensation.</p> <p>Similarly, amendments to the Enforcement Decree of the ACGFC complement amendments to the ACGFC by raising board members' level of competence and expertise and ensuring the independence of outside directors, while amendments to the Regulation on Supervision of Corporate Governance of Financial Companies raise the transparency of the selection process for the CEO and require enhanced corporate governance disclosures.</p>
<b>Key provisions:</b>	<ol style="list-style-type: none"><li>1. Amendments to the ACGFC<ul style="list-style-type: none"><li>• The disqualification period for directors and officers who have been sentenced to imprisonment, probation, or punitive fine for criminal wrongdoing is to be adjusted to correspond to the severity of the penalty given.</li></ul></li></ol>

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- When selecting a new board member, the board's selection committee is to take into account the candidates' professional field of expertise and background in order to ensure a balanced and diversified board composition.
  - Outside directors are to make up at least two-thirds of the director selection committee. Outside directors seeking reelection are subject to evaluation from an independent external evaluation institution. The CEO may not participate in the director selection committee.
  - For enhanced independence of the financial firm's auditor and audit committee members, the minimum term for the audit committee members is to be set at two years. The term for full-time auditor and executive audit committee members is not to exceed six years. For prevention of conflict of interest, no audit committee member may concurrently hold a position in another committee except for the remuneration committee.
  - Performance and remuneration standards not tied to the financial firm's financial performance are to be established for outside directors, the auditor, audit committee members, the chief compliance officer, and the chief risk officer. The individual aggregate remuneration amount is to be disclosed in the annual remuneration report for directors, officers, and executives in charge of financial investment whose performance-based pay exceeds the threshold amounts set by the Enforcement Decree of the ACGFC.
2. Amendments to the Enforcement Decree of ACGFC
- Financial firm's governance bylaws are to specify (1) methods used for the staggered appointment of outside directors, (2) standards for consideration to be given to candidates who are recommended by interested parties and outside specialists in order to ensure professional diversity, (3) standards for the evaluation of the composition of board members for professional diversity, and (4) causes for the initiation of the CEO succession plan and professional competence measures for the CEO.
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3. Amendments to the Regulation on Supervision of Corporate Governance of Financial Companies

Financial firms' annual reporting of corporate governance is to include the following: (1) an evaluation of whether board members possess the appropriate level of expertise in diverse professional fields such as finance and law; (2) an evaluation of whether candidates for outside director are recommended from diverse interested parties and independent third-party experts; (3) reporting of whether candidates for CEO satisfy the established qualification standards; and (4) annual reporting of the results of the fit and proper test of CEO candidates in the succession plan.

**Public comment for the proposed amendments:**

The public comment period for the proposed amendments ends on April 29, 2018.

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