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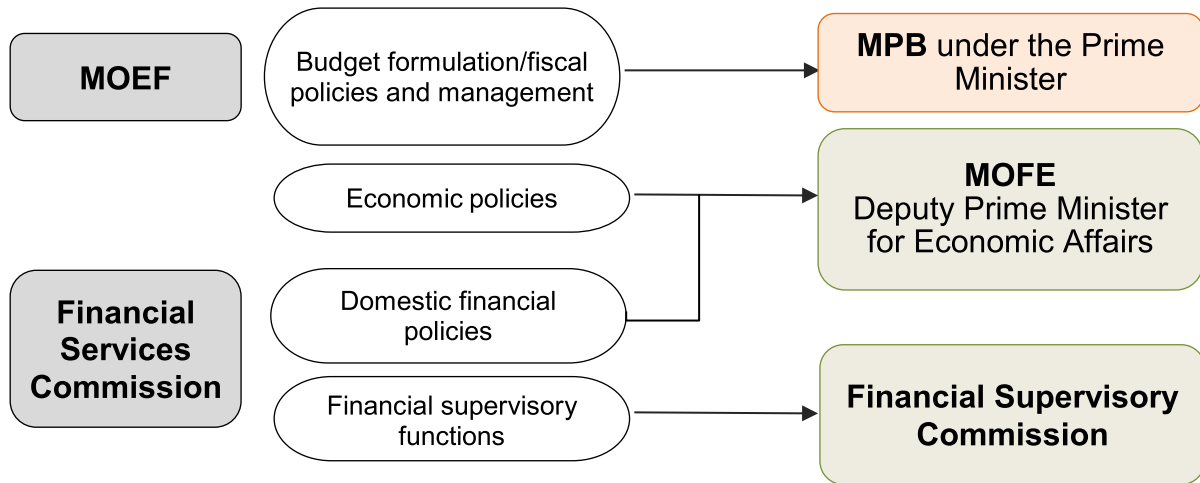
Lee Jae-Myung Administration Proposes Economic and Financial Sector Government Reorganization

The Lee Jae-Myung administration recently announced a proposed reform of the government organization structure for the economic and financial sectors.

On September 7, 2025, the Democratic Party of Korea, together with the Presidential Office and the government, convened a high-level policy coordination meeting to discuss proposed reforms to the government organizations responsible for the economic and financial sectors. According to the press release issued after the meeting, the proposal (the “**Reform Plan**”) includes comprehensive measures to restructure the Ministry of Economy and Finance (the “**MOEF**”) and the Financial Services Commission as well as the financial supervision framework.

According to the Reform Plan, the current functions of MOEF, which has served as the control tower for the government’s economic policies—economic and fiscal policy-making and coordination, budget formulation, taxation, treasury (including settlement of government finances), foreign exchange, and international finance—will be split into two entities: the Ministry of Planning and Budget (the “**MPB**”) and the Ministry of Finance and Economy (the “**MOFE**”). The MPB, proposed to be set up as a ministerial-level agency under the Prime Minister’s Office, will be responsible for budget formulation, fiscal policy and management, and mid- to long-term national development strategies. Meanwhile, the MOFE will retain many of the existing functions of the MOEF—economic policy, taxation, treasury, and public institutions management—and, in addition, will be responsible for domestic financial policies (including AML/CFT functions of the Financial Intelligence Unit) currently performed by the Financial Services Commission. Accordingly, under the Reform Plan, all financial policy functions, both domestic and international, will be consolidated under a single ministerial agency, the MOFE. The Minister of Finance and Economy will concurrently hold the position of Deputy Prime Minister for Economic Affairs.

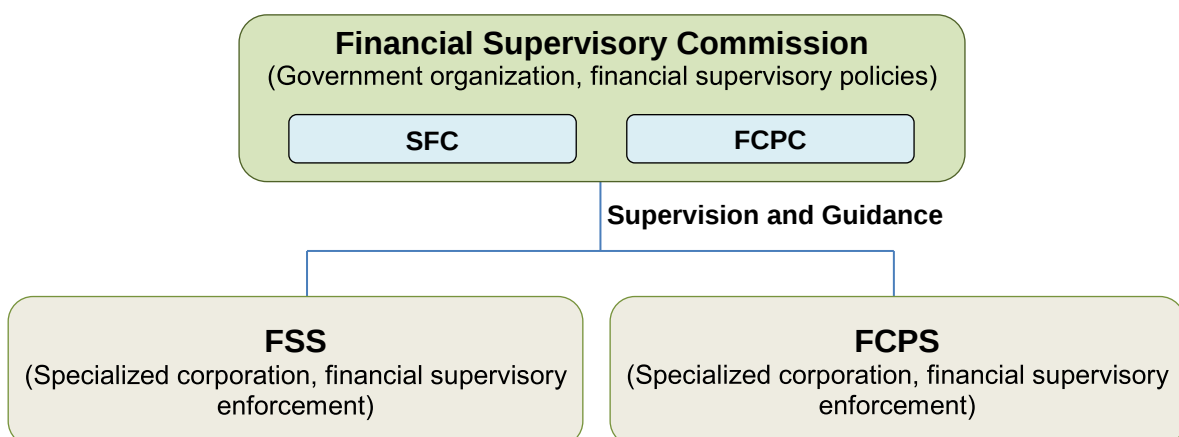
[Proposed Changes to the Economic and Financial Sector Government Structure]



Meanwhile, the Financial Services Commission, which currently oversees financial policy and supervision (including prudential supervision of foreign exchange institutions) under the Act on the Establishment of the Financial Services Commission, will become the **Financial Supervisory Commission**, dedicated solely to financial supervision upon the transfer of domestic financial policy administration to the MOFE. Simultaneously, a separate Financial Consumer Protection Commission (the “**FCPC**”) is proposed to be established under the Financial Supervisory Commission, alongside the existing Securities and Futures Commission (the “**SFC**”), to enhance oversight of financial consumer protection.

The Financial Supervisory Service (the “**FSS**”), which is currently in charge of financial supervision under the guidance of the Financial Services Commission is also proposed to be reorganized by being split into two independent entities: the FSS and the Financial Consumer Protection Service (the “**FCPS**”) which is to be newly created. The objective of the restructuring is to reform the financial supervisory framework to strengthen supervision of financial consumer protection.

[Proposed Changes to the Financial Supervisory Function]



Main Features of the Reform Plan

Observers have noted that the Reform Plan bears considerable resemblance to the financial supervision structure in place between 1998 and 2008 under the Act on the Establishment of Financial Supervisory Organizations. At that time, the MOFE (as a ministry under the Deputy Prime Minister's Office) oversaw both domestic and international financial policy whilst the Financial Supervisory Commission set up under the Prime Minister's Office was independently charged with financial supervision. The FSS, set up as a specialized corporation under the Act on the Establishment of Financial Supervisory Organizations, was responsible for enforcement of financial supervisory policies. The current proposal similarly separates financial policy administration (to be overseen by the MOFE) and financial supervision (to be overseen by the Financial Supervisory Commission), while delegating the enforcement function to the FSS.

There are, however, three key differences between the Reform Plan and the previous financial supervision framework:

First, the proposed financial supervisory framework aims to **strengthen the government's oversight of financial supervisory enforcement agencies—the FSS and the FCPS**—which are not formed as government agencies. Notably, until 2008, the Chairperson of the Financial Supervisory Commission (in charge of policy) and the Governor of the FSS (in charge of enforcement) was concurrently held by the same person. However, going forward, **the head of the Financial Supervisory Commission (a government agency) and the Governor of the FSS (a specialized corporation) will be separately appointed**. As a result of this separation, it is anticipated that, unlike in the period prior to 2008, the Financial Supervisory Commission, upon being reconstituted from the Financial Services Commission, will exercise its authority over the enforcement agencies more substantively. Furthermore, the government plans to designate both the FSS and the FCPS **as public institutions** under the jurisdiction of the MOFE pursuant to the Act on the Management of Public Institutions. These changes are aimed at strengthening government's control over the enforcement agency and **preventing the abuse of authority by such agencies**, as they currently operate outside the purview of the Act on Management of Public Institutions, as a specialized corporation rather than a government agency.

Second, the FSS, as a specialized corporation, has historically been responsible for the enforcement of financial supervision policies broadly under the guidance and oversight of the Financial Services Commission which is a government entity. According to the Reform Plan, the Consumer Protection Bureau currently within the FSS and responsible for consumer protection supervision, will be established as an independent organization (the FCPS). Academia has long discussed the need for introducing a "twin peaks supervision model" in Korea, referencing international examples such as the UK's Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), as well as Australia's Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC). In line with these discussions, Korea will also **establish two separate agencies for the enforcement of financial supervisory policies: the FSS and the FCPS**.

Third, alongside the SFC under the Financial Supervisory Commission, **a new consensus-based administrative body (FCPS) tasked to review financial consumer protection matters, is proposed to be established.** The SFC, formulated pursuant to the Act on the Establishment of the Financial Services Commission, is an expert consensus-based administrative body mandated to conduct preliminary reviews of significant matters relating to the management, supervision, and surveillance of the capital market. Similarly, the FCPC is proposed to function as an expert consensus-based administrative body carrying out preliminary deliberations on matters specifically related to financial consumer protection. It is anticipated that the FCPC will work in close and organic cooperation with the FCPS to carry out financial consumer protection functions more systematically.

Outlook for Further Deliberation

The government has announced its intention to swiftly implement the Reform Plan—including the restructuring of the MOEF, the transfer of financial policy functions to the MOFE, and the establishment of the Financial Supervisory Commission—by January 2, 2026, through amendments of relevant laws such as the Government Organization Act and the Act on the Establishment of the Financial Services Commission. Accordingly, these reforms are expected to undergo deliberation in the National Assembly, where the issues noted below will likely become major points of discussion.

First, the **separation of financial policy functions to be transferred to the MOFE, and the supervisory functions to be performed by the Financial Supervisory Commission**, will be a key point of debate. Under the current law, matters concerning “policies and systems relating to finance” are within the Financial Services Commission’s jurisdiction. Prior to 2008, the MOFE was responsible for enacting, amending, and interpreting financial laws (acts, enforcement decrees and enforcement regulations), viewing these as policy matters. On the other hand, the Financial Supervisory Commission was in charge of establishing and amending supervisory regulations under its purview and therefore adopted by its own organization. The proposed separation between financial policy and supervision under the Reform Plan will raise questions of where to draw the line between the two functions. For example, as the Financial Services Commission is currently entrusted with adoption of financial policies and supervision, LTV, DTI, and DSR regulations are established by the Financial Services Commission. As these regulations serve as policy tools for managing household debt or real estate markets, whether the MOFE or the Financial Supervisory Commission should be entrusted to adopt the LTV, DTI and DSR regulations once the Reform Plan implemented, will need to be determined. Similarly, regulatory sandboxes—designation of innovative financial services—for startups and fintechs require exemptions from the application of legal requirements, raising questions as to whether the review function should fall under the newly mandated MOFE as being a policy issue, or under the newly constituted Financial Supervisory Commission as a supervisory matter constituting a license review. Since 2008, the rapid expansion of financial markets and the emergence of complex issues involving financial consumer protection, digital finance, and virtual assets highlight the need for more detailed consideration as to where to draw the line between financial policy and supervision.

Second, further discussions will be necessary to **delineate the specific functional and operational boundaries between FCPS, to be newly established, and the FSS**. Under the twin peaks model implemented in countries such as UK and Australia, the division of mandate is between prudential regulation (supervision of financial institutions' soundness) and financial conduct regulation (regulation of business conduct). When separating the functions of the FCPS from the FSS, it is essential to carefully examine how existing financial laws allow for the distinction between regulations governing institutional soundness and those concerning business conduct. Additionally, the regulatory enforcement function to protect the investors of financial products by safeguarding the capital markets through supervision of financial investment firms, monitoring of unfair disclosures or investigation of unfair trading activities require determination as to whether the enforcement role is to primarily to protect financial consumers (and thus fall within the mandate of the FCPS) or to safeguard the capital market (and thus under the jurisdiction of the FSS).

Third, as up to four different ministries and enforcement agencies will now be involved in financial policy and supervision, concerns are likely to arise about **potential overlap of regulations and ambiguity in the authority and responsibility of each agency**. The current consensus is that separating financial policy and supervision—presently both functions of the Financial Services Commission—between two separate government entities will serve as a system of checks and balances (with the policy function acting as the accelerator and the supervision function as the brake), and that the creation of the FCPS is necessary to strengthen financial consumer protection in the wake of mis-selling scandals involving complex financial products. However, unless the roles and functions of these four institutions are clearly delineated, there is a risk of significantly increased regulatory burden on financial institutions, as well as confusion arising from overlapping regulations. According to official briefings, the FSS and the FCPS will have non-overlapping responsibilities, with further delineation achieved through inter-agency MOUs where necessary. Sufficient discussion will be required to ensure organic coordination in policy, supervision, and enforcement, while preventing duplicative regulation.

To implement the Reform Plan, it will be **necessary to amend comprehensively a broad range of financial legislations**, including **the Act on the Establishment of the Financial Services Commission**, the Banking Act, and the Financial Investment Services and Capital Markets Act. Accordingly, **close attention must be paid to future developments and legislative deliberations at the National Assembly**.

In particular, as noted above, given the discussions may be protracted, it is important to monitor how currently ongoing regulatory activities such as licensing, inspection, and sanction deliberation under review by the Financial Services Commission and the FSS will be affected, and to prepare timely strategic responses. Our office will continue to monitor developments and will provide proactive and tailored legal and policy support to our clients.

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