

## IFIAR 2020 Member Profile – FSC/FSS

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Korea
<b>2. Member<sup>1</sup></b>	<b>2.1 Insert the name of the Member, both in the local language and in English:</b>  Financial Services Commission (FSC), 금융위원회 Financial Supervisory Service (FSS), 금융감독원
	<b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b>  <b>Financial Services Commission (FSC)</b> Seoul Government Complex, 209, Sejong-daero, Jongno-gu, Seoul, Republic of Korea <u>Website:</u> <a href="http://www.fsc.go.kr">www.fsc.go.kr</a>  <b>Financial Supervisory Service (FSS),</b> 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, Republic of Korea <u>Website:</u> <a href="http://www.fss.or.kr">www.fss.or.kr</a>
	<b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b>  <i>The Act on the Establishment of Financial Services Commission</i> provides the basis for establishment and the mission/responsibilities and authority with respect to audit regulation.  According to the Act, responsibility for public accounting and auditing oversight rests with the Financial Services Commission (FSC), the Securities and Futures Commission (SFC), and the Financial Supervisory Service (FSS).  The FSC is a central government body responsible for financial policy and financial supervision.

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>The FSC has statutory mandates to draft and amend financial laws and regulations; supervise, inspect and sanction financial institutions; issue regulatory licenses and approval to financial institutions; oversee capital markets; and supervise foreign exchange transactions conducted by financial institutions to ensure their financial soundness. Its responsibilities also include the public oversight of auditors.</p> <p>In particular, it</p> <ol style="list-style-type: none"> <li>can propose new laws with respect to the oversight of auditors</li> <li>exercises oversight over the registration, suspension and de-registration of audit firms and of individual auditors.</li> <li>sets the requirements for the qualification of individual auditors</li> <li>has overall responsibility for the management of the Korean CPA examinations.</li> </ol> <p>The SFC (Securities &amp; Futures Commission) was set up under the FSC to oversee securities and futures markets. More specifically, the SFC supervises capital markets and reviews audit activities. With respect to audit regulation and oversight, the SFC reviews accounting and audit standards for approval by the FSC. It also has the authority to issue sanctions against companies and auditors.</p> <p>The FSS, the executive arm of the FSC, conducts financial reports review, carries out quality control reviews of audit firms, enforces accounting and auditing standards, provides interpretations of accounting rules, and administers the CPA examination.</p> <p><b>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>Not applicable</p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

The FSC consists of nine commissioners: Chairman, Vice Chairman and Commissioners including four ex-officio positions held by the Vice Minister of the Ministry of Strategy and Finance, the Governor of the Financial Supervisory Service, the Deputy Governor of the Bank of Korea, and the President of the Korea Deposit Insurance Corporation. The FSC deliberates and decides on financial policy matters relating to the inspection and supervision of financial institutions and the securities and futures markets. Matters relating to the securities and futures markets are largely delegated to the SFC. The FSC also has the authority to issue and revoke licenses from financial institutions. Legislation relating to the financial sector is drafted and submitted to the National Assembly by the FSC.

The SFC is a sub-commission within the FSC, responsible for the oversight of the securities and futures markets. It consists of five members including the Chairman of the SFC. The Vice Chairman of the FSC concurrently holds the chairmanship of the SFC. The principal role of the SFC is to investigate market abuses in the securities and futures markets and establish accounting standards and audit reviews. It also conducts advance review of matters relating to the securities and futures markets to be deliberated by the FSC.

Current Commissioners of the FSC and the SFC are  
[http://www.fsc.go.kr/eng/new\\_about/fsccomm.jsp?menu=06](http://www.fsc.go.kr/eng/new_about/fsccomm.jsp?menu=06)

The Financial Supervisory Service is headed by the governor, the top executive. Under the Establishment Act that created the Financial Supervisory Service, up to four senior deputy governors and ten deputy governors — including chief accountant, the post is considered equivalent to deputy governor — may be appointed. The chief executive auditor is the officer responsible for compliance and internal audit. The governor is appointed by the president with the recommendation of the chairman of the Financial Services Commission. The governor, the senior deputy governors, and the deputy governors each serve a three-year term that may be renewed once. As of the end of the December 2019, four senior deputy governors and ten deputy governors were performing their duties under the governor.

Current Executives of the FSS are  
<http://english.fss.or.kr/fss/en/eabu/int/exe.jsp>

There are no FSC/FSS members who are not independent from the audit profession.

	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>Please refer to answer above.</p>
	<p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: center;">Not applicable</p>
	<p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p style="text-align: center;">Not applicable</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p> <p style="text-align: center;">Not applicable</p>


<b>4. Funding Arrangements</b>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>Whereas the FSC and the SFC are funded out of the government budget, the FSS funds its operations with contributions from financial services providers under the FSS supervision, securities issuance fees, and supervision grants from the Bank of Korea. The FSS budget is subject to approval by the FSC.</p> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>As you can see in answer above, FSC/FSS’s funding arrangement is not influenced by the profession.</p>
<b>5. Inspection System</b>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input checked="" type="checkbox"/> Through Oversight</p> <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <p>The FSS directly inspects audit firms registered as statutory auditors of stock-listed companies, while the Korean Institute of Certified Accounts (KICPA) inspects other audit firms under the supervision of the FSC.</p> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>The FSS inspects the “Big 4” accounting firms every two years and the other firms every three to five years.</p>
<b>6. Audit and Financial Market</b>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>All audit firms are inspected by either the FSS or the KICPA. As of the end of the December 2019, 39 out of the 182 audit firms in Korea were subject</p>

	<p>to direct inspection of the FSS. The number of stock-listed companies was 2,326 out of 32,431 companies that were subject to independent external audit. The FSS directly inspects all auditors of the stock-listed corporations.</p> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</b></p> <p>As of June 30 2019, the market share of the four largest auditors in Korea – PwC, KPMG, EY, and Deloitte— was about 50 percent in the external audit market (based on sales figure) and about 43 percent in terms of the number of stock-listed corporations.</p>
<p><b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b></p>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p><input checked="" type="checkbox"/> Registration/Licensing  <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting  <input checked="" type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input type="checkbox"/> Other: _____</p> <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>According to the <i>Certified Public Accountant Act</i>, all audit firms and CPAs are required to register with the FSC.</p> <p><b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                                      <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p>

	<p>According to the <i>Act on External Audit of Stock Companies</i>, the KICPA sets the standards for accounting audit including matters necessary for maintaining the independence of an auditor and the reliability of the financial statements.</p> <p>According to the <i>Certified Public Accountant Act</i>, the KICPA make rules and regulations relating to professional ethics which members should observe while performing their functions.</p> <p>The KICPA shall be established to heighten morality, improve or develop functions of certified public accountants, and instruct or supervise its members according to the <i>Certified Public Accountant Act</i>.</p> <p>The Board of Directors (BoD) of KICPA comprises the president of the KICPA, 5-10 vice presidents, 10-15 directors and 2 Chief Executive Auditors.</p> <p>As of the end of the December 2019, The BoD of KICPA comprises the president of the KICPA, 9 vice presidents, 13 directors and 2 Chief Executive Auditors.</p> <p>The KICPA shall be established with the approval by the FSC according to the <i>Certified Public Accountant Act</i> and shall be under the supervision of the FSC.</p>
	<p><b>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input checked="" type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p>According to the <i>Certified Public Accountant Act</i>, the KICPA provide training to members (CPAs) and instruct or supervise a voluntary training program of members (CPAs) with approval of the FSC.</p> <p>Please refer to the answer 7.3 for the details of KICPA.</p>

	<p><b>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</b></p> <p><input checked="" type="checkbox"/> <b>Directly</b>                      <input type="checkbox"/> <b>Through Referral</b></p> <p><b>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p>The FSC/FSS review and investigate financial statements and impose sanctions against companies, auditors and individuals. The sanctions include public warning, civil money penalties, suspension of audit services, de-registration, etc.</p> <hr/> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p> <p style="text-align: center;">Not applicable</p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p>According to the <i>Act on the Establishment of Financial Services Commission</i>, FSC has responsibility for tasks below and etc.</p> <ol style="list-style-type: none"> <li>1. Matters concerning policies and systems on finance</li> <li>2. Matters concerning the supervision, inspection and sanctions of financial institutions</li> <li>3. Matters concerning authorization and permission of establishment, merger, conversion, business transfer and taking over, and business administration of the financial institutions</li> <li>4. Matters concerning the management, supervision and surveillance of capital markets</li> <li>5. Matters concerning remedies for damage, such as the protection of and compensation to financial consumers</li> </ol> <p>In addition, the FSS has responsibility for tasks below and etc.</p> <ol style="list-style-type: none"> <li>1. Inspection of the affairs and the financial status of the institutions (Bank, Financial investment business entities, securities finance companies, insurance companies and etc.)</li> <li>2. Sanctions related to the results of inspection</li> <li>3. Business support to the FSC and the institutions</li> </ol>



<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <p>The Act on External Audit of Stock Companies was amended to enhance accounting transparency and entered into force on November 1, 2018.</p> <ol style="list-style-type: none"> <li>1) The auditor registration regulation was introduced in order to enhance audit quality for listed companies. Audit firms shall be registered with the FSC in order to conduct external audits for stock-listed corporations. The FSC/FSS assess audit quality control systems of audit firms and allow only those with high levels of audit quality control systems to be registered auditors of stock-listed corporations.</li> <li>2) Designation of an auditor by the FSC has been applied to a wider range of companies. The biggest change in the system of auditor designation is the introduction of a period-based designation rule for all listed companies and etc.</li> </ol>  <ol style="list-style-type: none"> <li>3) If an auditor has prepared an audit report in violation of the auditing standards by intention or gross negligence, the FSC may impose a penalty surcharge on him/her within the range not exceeding five times the remuneration received for the relevant audit (Article 35(2) of the Act on External Audit of Stock Companies).</li> </ol> <p>Any person in charge of accounting affairs of a company and external auditors relating to accounting fraud shall be punished by imprisonment with prison labor for no more than ten years or by a fine not exceeding two to five times the amount of gains acquired or loss evaded by the relevant violation (Article 39(1) of the Act on External Audit of Stock Companies).</p> <p>The limitation period for auditor liability claims for damages has been extended from 3 year to 8 years. <ol style="list-style-type: none"> <li>4) The newly amended law provides that a sanction equivalent to a maximum of one year of suspension from work may be imposed to the CEO of an audit firm that caused major audit failure due to his or her negligence in audit quality control.</li> <li>5) Reporting obligation was strengthened for accounting firms, requiring them to provide information such as annual audit input—manpower and time, and disciplinary details on partners in the auditor’s annual report.</li> </ol> <p>Registered auditors are now obliged to report events that have major impact on their management, property, and audit quality control to the SFC on a rolling basis.</p> </p>
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