

IFIAR 2023 Member Profile – FSC/FSS

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| 1. Jurisdiction | <p>1.1 Insert the name of the jurisdiction in English:</p> <p>Korea</p> |
| 2. Member ¹ | <p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>금융위원회, Financial Services Commission (FSC) 금융감독원, Financial Supervisory Service (FSS)</p> |
| | <p>2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member's website:</p> <p>Financial Services Commission (FSC)</p> <p>Name : KIM Se-hwa Title : Deputy Director Email : mark1@korea.kr Website : www.fsc.go.kr Phone : +82 2 2100 2695 Address : Seoul Government Complex, 209, Sejong-daero, Jongno-gu, Seoul, 03171 Republic of Korea</p> <p>Financial Supervisory Service (FSS),</p> <p>Name : MOON Jeong-ho Title : Team Head Email : jhmoon1@fss.or.kr Website : www.fss.or.kr Phone : +82 2 3145 7702 Address : 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, 07321 Republic of Korea</p> <p>Name : CHUNG Joo-eun Title : Team Head Email : jechung@fss.or.kr Website : www.fss.or.kr Phone : +82 2 3145 7863 Address : 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, 07321 Republic of Korea</p> <p>Name : LEE Hye-jin Title : Lead Examiner</p> |

¹ 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.

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| | <p>Email : faholo@fss.or.kr Website : www.fss.or.kr Phone : +82 2 3145 7881 Address : 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, 07321 Republic of Korea</p> <p>Name : KIM Hyung-min Title : Examiner Email : hmkim@fss.or.kr Website : www.fss.or.kr Phone : +82 2 3145 7715 Address : 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, 07321 Republic of Korea</p> |
| | <p>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:</p> <p>The <i>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.</p> <p>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).</p> <p>The FSC is a central government body responsible for financial policy and financial supervision.</p> <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"> can propose new laws with respect to the oversight of auditors exercises oversight over the registration, suspension and de-registration of audit firms and of individual auditors. sets the requirements for the qualification of individual auditors has overall responsibility for the management of the Korean CPA examinations. <p>The SFC (Securities & 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</p> |

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| | <p>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>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Licensing <input checked="" type="checkbox"/> Registration <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education / Continuous Training of Auditors <input checked="" type="checkbox"/> Inspection <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ </p> |
| <p>3. Governing Body Composition and members</p> | <p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</p> <p>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.</p> <p>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.</p> <p>Current Commissioners of the FSC and the SFC are https://www.fsc.go.kr/eng/ab050101 </p> |

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| | <p>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.</p> <p>Current Executives of the FSS are https://www.fss.or.kr/eng/main/contents.do?menuNo=400015</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.</p> <p>Please refer to answer above.</p> <p>3.3 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?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> |
| 4. Independence safeguards | <p>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</p> <p>We do not have specified independence requirements from the audit profession.</p> <p>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input checked="" type="checkbox"/> Same set of requirements <input type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> |

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| | <p>4.2 Are there any additional safeguards in place that provide for the Member's overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe:</p> |
| <p>5. Funding Arrangements</p> | <p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</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>5.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>As mentioned in the answer above, FSC/FSS's funding arrangement is not influenced by the profession.</p> |
| <p>6. Audit Market</p> | <p>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.</p> <p>All audit firms are inspected by either the FSS or the KICPA. As of the end of the December 2022, 41 out of the 209 audit firms in Korea were subject to direct inspection of the FSS. The number of stock-listed companies was 2,542 out of 37,519 companies that were subject to independent external audit. The FSS directly inspects all auditors of the stock-listed corporations.</p> <p>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member's jurisdiction.</p> <p>According to the business report of 2021, the market share of the four largest auditors in Korea – PwC, KPMG, EY, and Deloitte— was about 48.3 percent in the external audit market (based on sales figure) and about 32.4 percent in terms of the number of stock-listed corporations.</p> |

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| 7. Inspection System | 7.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| | 7.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization? <input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight <p>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</p> <p>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 by the Member:</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> |
| | 7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections: <p>The FSS inspects the “Big 4” accounting firms every two years and the other firms every three to five years.</p> |
| | 7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach. <input checked="" type="checkbox"/> Employees of the Member <input checked="" type="checkbox"/> Professional body <input type="checkbox"/> Third Parties <input type="checkbox"/> Other <p>Please explain below:</p> <p>The FSS has own inspection staffs belonging to Auditor Oversight Office. All of the inspection staffs are certified public accountant of Korea.</p> |
| 8. Licensing | 8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization? <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> |

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| | <p>If through oversight, please indicate the name of the other organization and its composition. 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>, the only person who passed the exam of certified public accountant can achieve the license.</p> |
| 9. Registration | <p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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> |
| 10. Audits and/or Ethics Standard Setting | <p>10.1 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?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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> |

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| | <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 2021, The BoD of KICPA comprises the president of the KICPA, 9 vice presidents, 15 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> |
| 11. Permanent Education / Continuous Training of Auditors | <p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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>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> |
| 12. Enforcement | <p>12.1 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)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</p> <p>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</p> |

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| | <p>of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</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> |
| 13. Other Responsibilities in Audit Oversight or Audit Regulation | <p>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</p> <p>Not applicable</p> |
| 14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation | <p>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation:</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"> 1. Matters concerning policies and systems on finance 2. Matters concerning the supervision, inspection and sanctions of financial institutions 3. Matters concerning authorization and permission of establishment, merger, conversion, business transfer and taking over, and business administration of the financial institutions 4. Matters concerning the management, supervision and surveillance of capital markets 5. Matters concerning remedies for damage, such as the protection of and compensation to financial consumers <p>In addition, the FSS has responsibility for tasks below and etc.</p> <ol style="list-style-type: none"> 1. Inspection of the affairs and the financial status of the institutions (Bank, Financial investment business entities, securities finance companies, insurance companies and etc.) 2. Sanctions related to the results of inspection 3. Business support to the FSC and the institutions |
| 15. Member Update for public information (if any) | <p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member's organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> |