



IFIAR 2019 Member Profile – FSC/FSS

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Korea</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Financial Services Commission (FSC), 금융위원회 Financial Supervisory Service (FSS), 금융감독원</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Financial Services Commission (FSC)</p> <p>Name : Yeong-Geun Kim Title : Deputy Director Email : kant@korea.kr Website : www.fsc.go.kr Phone : +82 2 2100 2693 Address : Seoul Government Complex, 209, Sejong-daero, Jongno-gu, Seoul, Republic of Korea</p> <p>Financial Supervisory Service (FSS),</p> <p>Name : Seung -min Lee Title : Team Head Email : sm0585@fss.or.kr Website : www.fss.or.kr Phone : +82 2 3145 7734 Address : 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, Republic of Korea</p> <p>Name : Hye-Seung Jang Title : Examiner Email : hyejang@fss.or.kr Website : www.fss.or.kr Phone : +82 2 3145 7736 Address : 38 Yeoui-Daero, Youngdeungpo-Gu, Seoul, Republic of Korea</p> <hr/> <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>

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.



The *Act on the Establishment of Financial Services Commission* 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.

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.

In particular, it

- a. can propose new laws with respect to the oversight of auditors
- b. exercises oversight over the registration, suspension and de-registration of audit firms and of individual auditors.
- c. sets the requirements for the qualification of individual auditors
- d. has overall responsibility for the management of the Korean CPA examinations.

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 standards for approval by the FSC. It also has the authority to issue sanctions against companies and auditors.

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.

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?

Yes No

If yes, please describe these changes with an appropriate level of detail:

Not applicable



<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 the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The FSC is led by nine Commissioners including the Chairman and the Vice Chairman. The Chairman is appointed by the President on the recommendation of the Prime Minister. The Vice Chairman and the two standing Commissioners are appointed by the President on the recommendation of the FSC Chairman. The other five Commissioners are non-standing Commissioners. Four of them are ex-officio Commissioners: Vice Minister of the Ministry of Strategy and Finance, Governor of the Financial Supervisory Service, Deputy Governor of the Bank of Korea, and the President of the Korea Deposit Insurance Corporation. The other non-standing Commissioner is appointed on the recommendation of the Chairman of the Korea Chamber of Commerce and Industry.</p> <p>The SFC is led by five commissioners. The Vice Chairman of the FSC concurrently serves as the Chairman of the SFC. One of the commissioners other than the Chairman is a standing commissioner. The commissioners are appointed by the President on the recommendation of the Chairman of the FSC and must meet at least one of the following requirements:</p> <ul style="list-style-type: none"> - A senior government official who possesses extensive knowledge and experience in the fields of finance, securities, derivatives, and/or accounting or a member of the Senior Executive Service of the government; - A person who has a degree in law, economics, business management, or accounting and has served as a university faculty member or a researcher for at least fifteen years; and/or - A person who possesses extensive knowledge and experience in finance, securities, derivatives, and/or accounting. <p>Current Commissioners of the FSC and the SFC are http://www.fsc.go.kr/eng/new_about/fsccomm.jsp?menu=06</p> <p>The FSS is headed by the Governor. The Governor of the FSS is appointed by the President with the recommendation of the Chairman of the FSC, upon pre-approval by the commission. Three Senior Deputy Governors are appointed by the FSC with the recommendation of the Governor. Eight Deputy Governors and the Chief Accountant are appointed by the Governor of the FSS. The Chief Executive Auditor is appointed by the</p>
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² 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.



	<p>President with the recommendation of the FSC.</p> <p>Current Executives of the FSS are http://english.fss.or.kr/fss/en/eabu/int/exe.jsp</p> <p>There are no FSC/FSS members who are not independent from the audit profession.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>Please refer to answer above.</p> <p>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.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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?</p> <p>Not applicable</p> <p>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?</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> <p>Not applicable</p>
	<p>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)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those</p>



	<p>who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>Not applicable</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</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> <hr/> <p>4.2 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 you can see in answer above, FSC/FSS's funding arrangement is not influenced by the profession.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</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:</p> <p>The FSS directly inspects major audit firms falling under the following categories:</p> <ol style="list-style-type: none"> 1. Auditor who entered into an audit contract with a listed company falling under the purview of more than 1% of the total number of listed company; 2. Auditor who entered into an audit contract with a listed company whose total amount of assets is not less than KRW 1 trillion; 3. Auditor with more than 30 registered CPAs



	<p>Other audit firms are inspected by the Korean Institute of Certified Accounts (KICPA) with the supervision of the FSC.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p>
<p>6. Audit and Financial 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 the audit firms are inspected by either the FSS or the KICPA. As of the end of April 2018, 38 out of 175 accounting firms were under direct oversight of the FSC/FSS. And as of the end of April 2018, a total of 31,473 companies were subject to independent external audit. Of these, 2,230 were publicly-held companies. The audit firms under FSS' direct inspection account for some 83% of the audit of listed companies in Korea.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>The Big 4 audit firms(Samil PwC, KPMG Samjong, Deloitte Anjin, E&Y Hanyoung) account for approximately 43% of the audit of listed companies.</p>
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</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>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?</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>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?</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, 3-5 vice presidents, 10-15 directors and 2 Chief Executive Auditors.</p> <p>As of the end of the December 2018, The BoD of KICPA comprises the president of the KICPA, 5 vice presidents, 12 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>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?</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>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> <hr/> <p>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)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</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 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> <hr/> <p>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:</p> <p>Not applicable</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>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:</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



	<p>and compensation to financial consumers</p> <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
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p><input type="checkbox"/> Amendments to the Act on External Audit of Stock Companies to Enhance accounting transparency</p> <ul style="list-style-type: none"> - Accounting firms(Auditors) shall be registered with the FSC in order to provide external audits for stock-listed corporations, financial institutions, etc. and the FSC/FSS will assess audit quality control systems of the firms and allow only the firms with a high level of audit quality control systems to be registered for the audit of stock-listed corporations, financial institutions, etc. - Strengthened enforcement measures against a breach of Audit and accounting related laws and regulations(ex. Increased limit of civil money penalties up to 5 times of audit fees, disciplinary measures against CEOs of accounting firms)