Establishment of the Framework Act on the Protection of Financial Consumers and Policy Issues

Since 2010, legislative bills to establish the framework act to protect financial consumers have been proposed several times by the government and the congress members, but yet to succeed in parliamentary passage. As the Financial Services Commission recently emphasized on the importance of the passage of its bill proposed in 2017, the expectation for the new framework act is heightened. The main feature of the bill is to reorganize and systemize financial products and marketing activities from all financial sectors by their attributes to eliminate regulatory blind spots and regulatory arbitrage caused by current way of regulating each financial sectors separately. This approach of unified regulation over all financial sectors has its strength, but needs to reflect specific considerations to accommodate the difference of characteristics of each sector’s product and marketing activities to better serve its legislative purpose.

This study purports to provide insights into the specific issues to be addressed in light of insurance industry in case the proposed government bill were to pass the parliament in its, or substantially similar to, the current form. To this end, this study analyzes the bill to identify the key issues to be considered, and conduct research on the cases of overseas countries, and propose details of measure focusing on the 3 major issues regarding insurance marketing activities, namely, (ⅰ) disclosure of compensation by insurance intermediaries, (ⅱ) dual hatting of financial advisors and insurance intermediaries, (ⅲ) scope of application of suitability principle to insurance products.