The Improvements in Business Conduct Regulations of the Financial Industries

The implementation of the "Financial Investment Services and Capital Markets Act" and the revised Insurance Business Law is intended to improve the regulation system. Another purpose of the implementation is to strengthen financial consumer protection. With this trend, inevitable is reinforcing regulations of business conduct related to the reinforcement of the consumer protection. Thus, a study on comparing the differences of the business conduct regulation and the regulatory arbitrage among the financial industries is as important as strengthening the consumer protection.

In addition, the enforcement caused by the violation of the business conduct regulations has some issues on fairness among the financial industries. When a financial institution violates a certain regulation applicable to every financial sector, a penalty which it gets varies depending on which sector it belongs to.

In order to improve the disparity of these business conduct regulations in the financial industries, we need to clarify the definition of "variable insurance", an investment-type insurance product. Second, when the suitability rule is applied to insurance customers, a simplification of documentation procedures depending on types of insurance product is needed. Third, if a customer is not willing to release it when a insurance company collects some information from him/her, then an exception for applying the suitability rule may be considered. Fourth, insurance consumers have to be classified by
insurance characteristics. Lastly, the unfairness of the law-enforcement from violating a certain business conduct regulation in the financial industries need to be resolved.