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# **Korean Competition Policy, Enforcement and Implications under the Lee Jae-myung Administration**



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# I.

## Building a Transparent and Fair Online Platform Market

### 1. Policy Overview

[Enactment of the Online Platform Act]	
① Enactment of the Online Platform Act <ul style="list-style-type: none"> <li>✓ Enact the Market Fairness Act to protect platform merchants and promote shared growth</li> <li>✓ Regulate abuse of dominance and monopolistic conduct by major domestic and foreign platforms, strengthen self-regulation, and promote cross-sector innovation through increased competition</li> <li>✓ Reform consumer protection systems to prevent consumer harm and support informed consumer decision-making on platforms</li> </ul>	Growth – Fair Economy-04 <sup>1</sup>
[Additional Regulations Targeting Global Big Tech Companies]	
② Supplemental Legislation to the Act Prohibiting Forced In-App Payments <ul style="list-style-type: none"> <li>✓ Prohibit discriminatory terms on external payment methods</li> <li>✓ Require reasonable fee-setting and related obligations</li> </ul>	Growth – Fair Economy-05
③ Strengthen Consumer Protections Against Online Deceptive Practices ("Dark Patterns")	Growth – Fair Economy-05
④ Strengthen User Protection Obligations for Large Platform Companies <ul style="list-style-type: none"> <li>✓ Monitor fake news and establish user-reporting systems</li> <li>✓ Mandate response protocols, reporting, and disclosure of disruption causes for digital service disruptions</li> <li>✓ Safeguard online reputations of victims of national tragedies or social disasters</li> <li>✓ Enhance oversight of collection and use of personal data and increase penalties for misuse</li> </ul>	Growth – Fair Economy-05
⑤ Strengthen Social and Economic Accountability of Large Platform Companies <ul style="list-style-type: none"> <li>✓ Tighten reporting of domestic revenues generated by platform companies exceeding certain thresholds</li> <li>✓ Institutionalize fair network usage agreements</li> </ul>	Growth – Fair Economy-05

<sup>1</sup> Democratic Party of Korea, 2024 Policy Pledge Book, Table of Contents; same source for subsequent references.

[Establishment of a Fair Competition Framework for Delivery Markets]	
⑥ Establish a Regulatory Framework for Fair Competition in Delivery Markets ✓ Enact the Online Platform Fairness Act to prohibit discriminatory intermediary commissions and introduce fee caps ✓ Consolidate and streamline Korea Communications Commission (KCC) and Korea Fair Trade Commission (KFTC) oversight of fragmented platform self-regulation systems	Growth – Fair Economy-07

## 2. Policy Details and Related Legislation

### ① Enactment of the Online Platform Act

- **The new administration appears poised to enact the Online Platform Act to regulate abuse of market dominance by platform companies and strengthen protections for small business owners and consumers, amid the rapid expansion of the digital economy.<sup>2</sup>**
- **Globally, there is an increasing trend toward strengthening antitrust regulations targeting big-tech platforms.**
  - Examples include the EU’s Digital Markets Act (DMA), the UK’s Digital Markets, Competition and Consumers Bill, and Japan’s Act on Promoting Competition in Smartphone Software.
- **The Democratic Party of Korea has continuously pursued legislation for the Online Platform Act, which aims to prevent platform operators from abusing their dominant positions, as part of a broader initiative to promote cooperative growth between businesses and small merchants.**
  - The Democratic Party has taken a regulatory approach similar to the EU’s Digital Markets Act (DMA), proposing ex-ante regulation of designated online platform intermediaries<sup>3</sup> whose conduct could significantly affect market competition. National Assembly members have consistently introduced similar bills to the 21<sup>st</sup> to 22<sup>nd</sup> National Assemblies.

#### ※ Relevant Legislative Proposals

- Bill titled “Act on Fairness in Online Platform Intermediary Transactions” introduced by Assembly Members Ki-hyung Oh (June 12, 2024), Hyung-bae Min (June 24, 2024), Nam-geun Kim (July 5, 2024), Ju-min Park (July 5, 2024), Hyun-jung Kim (August 6, 2024), and Young-kyo Seo (August 9, 2024).
- Bill titled “Partial Amendment to the Monopoly Regulation and Fair Trade Act” introduced by Assembly Member Kang Min-guk (October 28, 2024).

<sup>2</sup> State Affairs Planning Advisory Committee, Strategy for Real Growth of Korea (June 2025), p. 75.

<sup>3</sup> A concept similar to the “gatekeeper” designation under the EU DMA.



- The platform bills currently introduced in the National Assembly fall into two broad categories: (1) antitrust regulations and (2) fair-trade regulations protecting platform merchants (laws addressing bargaining power imbalances). Antitrust regulations mainly regulate anti-competitive behaviors of large platform intermediaries such as self-dealing, tying, requiring most-favored-nation clauses, and limiting multi-homing. Fair-trade regulations primarily focus on prohibiting unfair trade practices against platform merchants – most of whom are small businesses – and protecting consumers by addressing imbalances in bargaining power.

**<Key Provisions of the Proposed Online Platform Act>**

Category	Key Content
Ex-Ante Designation of Dominant Platform Operators	<ul style="list-style-type: none"> <li>▪ Enables the KFTC to designate market-dominant platform operators in advance, based on revenue, transaction value, market share, and number of average monthly users.</li> </ul>
Heightened Scrutiny of Anti-competitive Conduct	<ul style="list-style-type: none"> <li>▪ Enables the KFTC to issue corrective orders against designated dominant platforms engaging in anti-competitive conduct such as ▲self-preferencing (prioritizing their own products or services in search results), ▲tying, ▲demanding most-favored-nation clauses (requiring merchants to offer better conditions than on other platforms), and ▲restricting multi-homing (limiting merchants from concurrently listing on competing platforms). The burden of proving compliance rests with the platform operator.</li> </ul>
Regulation of Power Imbalances, Strengthened Rights for Platform Merchants, and Guaranteed Right to Form Associations	<ul style="list-style-type: none"> <li>▪ Requires delivery of written contracts, advance notice before contract termination, prohibition of unfair trade practices, and specified payment deadlines.</li> <li>▪ Enables the right of platform merchants to form associations to negotiate trading conditions collectively, similar to collective bargaining rights enjoyed by labor unions.</li> </ul>

※ Source: Compiled from press coverage

- At the public hearing of online platform bills held in December 2024, Rep. Assembly Member Nam-geun Kim's bill (focused on an "ex-ante designation system") and Assembly Member Min-guk Kang's bill (focused on an "ex-post presumption system") did not reach consensus. However, there is increased likelihood of adoption of an ex-ante regulatory approach for platform regulation under the new administration. Moreover, given the limited practical differences between the ex-ante designation system and the ex-post presumption system, a compromise may emerge to expedite legislation. Companies should closely monitor these legislative developments.

### <Key Provisions of Assembly Member Nam-geun Kim's Proposed Bill>

Category	Key Content
Ex-Ante Designation of Dominant Platform Operators	<ul style="list-style-type: none"> <li>Ex-ante designation of dominant online platform operators providing online platform services with ▲average market capitalization of at least KRW 15 trillion, ▲average annual revenues of at least KRW 3 trillion, ▲monthly average users of at least 10 million or monthly average business users of at least 50,000, and ▲market dominant status under applicable criteria.</li> </ul>
Heightened Scrutiny of Abuse of Dominance and Unfair Trade Practices	<ul style="list-style-type: none"> <li>Corrective orders against ex-ante designated dominant platform operators engaging in abuses of dominance, such as ▲self-preferencing (prioritizing their own products or services in search results), ▲tying, ▲requiring most-favored-nation clauses (demanding merchants provide better terms than on other platforms), ▲restricting multi-homing (preventing simultaneous listings on competing platforms), and ▲restricting data portability or access; the burden of proving compliance rests with the platform operator.</li> </ul>

- While both ex-ante antitrust regulations for dominant platforms and regulations addressing bargaining-power imbalances were included in the President's campaign pledges, internal and external considerations suggest a prioritization of regulations addressing bargaining-power imbalances.

- The proposed ex-ante designation of dominant platforms has generated strong opposition from the U.S. government and Congress, as many targeted platforms are U.S.-based big-tech companies.

### <The U.S. Congress and Government's Response to the Online Platform Act>

Entity	Official Comment
U.S. Trade Representative (USTR)	In the 2025 National Trade Estimate Report, the USTR raised concerns that Korea's Online Platform Act would apply to multiple large U.S. firms and two major Korean firms, while excluding many other major Korean and foreign firms.
U.S. Congress (House of Representatives)	Representative Carol Miller (Republican) introduced the "U.S.-Republic of Korea Digital Trade Enforcement Act," which allows for trade retaliation if the Korean government enacts legislation that discriminates against U.S. companies.
U.S. Chamber of Commerce	Criticized Korea's Online Platform Act for "targeting U.S. companies exclusively," stating that it "creates unnecessary friction in bilateral relations" and "may raise concerns under the KORUS FTA".
Coalition of Services Industries (CSI)	Requested the USTR to press the Korean government to withdraw the regulation, stating that Korea's proposal "is

Entity	Official Comment
	disproportionately applied to U.S. companies” and “may constitute a violation of the KORUS Free Trade Agreement”.

※ Source: Compiled from press coverage.

- Strong opposition has also emerged domestically, particularly from industry and academia, arguing that the Online Platform Act’s adoption of a gatekeeper-style ex-ante designation system – similar to that under the EU’s DMA, which is already producing adverse effects – could stifle innovation in Korea’s IT sector.
- Accordingly, considering these internal and external issues, a delay in the introduction of an ex-ante designation system for dominant platforms is likely, and prioritization of legislation addressing the imbalance in bargaining power between platforms and merchants is expected.
- **There are plans to strengthen preventive regulation of digital platforms, establish a legal basis for the KFTC to conduct market studies under the Monopoly Regulation and Fair Trade Act (MRFTA), expand the KFTC’s relevant departments and research personnel, and pursue institutional reforms by strengthening the KFTC’s investigative authority for the digital environment.**
- **Further, the government will likely establish a regulatory framework suited to platform competition, including establishing concrete standards for identifying market-dominant business operators.**

## ② Additional Regulations Targeting Global Big Tech Firms

- **The government may pursue additional regulatory measures targeting global tech and content companies, such as legislation mandating network usage fees and supplemental legislation to the Act Prohibiting Forced In-App Payments.**
  - The government may revive the network usage fee bill, which was put on hold following the settlement between SK Broadband and Netflix. An institutionalized framework for fair network usage agreements would create a new entry barrier for foreign content providers seeking to enter the Korean market.
  - The government may also pursue supplementary legislation to the Act Prohibiting Forced In-App Payments, amid continued criticism that regulatory gaps remain with respect to global big tech companies.
  - As part of efforts to strengthen accountability to platform users, the government may actively promote policies to enhance user protection, such as fake news monitoring, online reputation protection for disaster victims, mandatory response, reporting and disclosure obligations for digital service disruptions, and stronger safeguards against consumer harm from dark patterns.
- **However, in an effort to differentiate its policy approach, the new administration may adopt a new direction distinct from prior initiatives. Careful monitoring will be necessary.**

### ③ Establishment of a Fair Competition Framework for Delivery Markets

- **The new administration has outlined a policy objective of building a delivery culture “where everyone is happy.”**
  - As part of its initiative to prevent unfair practices by online platform operators and protect participating merchants (primarily self-employed businesses), the administration is seeking to strengthen regulation of the delivery platform sector. Key measures include legislating a cap on intermediary commissions, prohibiting discriminatory commission rates among merchants, mandating paid transportation insurance, and requiring safety training.<sup>4</sup>
- **Although previous efforts, such as the self-regulatory Delivery App Mutual Growth Council, introduced cooperative measures like commission reductions and tiered fee systems, they have faced criticism for lack of effectiveness.**
  - In response, the government has expressed its intention to introduce a statutory cap on commission fees through legislative amendment.
- **The government may pursue various legislative measures to implement a commission rate cap, including amendments to the E-Commerce Act and the MRFTA, as well as the enactment of the Online Platform Act.**
  - The partial amendment to the E-Commerce Act, proposed by Assembly Member Ju-min Park on November 27, 2024, includes provisions such as ▲ the introduction of a commission rate cap for mail-order intermediaries, and ▲ a prohibition on transaction counterparty-based discriminatory treatment.
  - The partial amendment to the MRFTA, proposed by Assembly Member Kang-il Lee on April 28, 2025, includes provisions such as ▲ authorizing the KFTC to issue public notices setting commission rate caps, ▲ requiring platform operators to disclose specific criteria for determining transaction terms, and ▲ granting platform seller associations the right to request negotiations of transaction terms.

#### <Proposed Amendments to the E-Commerce Act and MRFTA Relating to Commission Rate Caps>

Bill Sponsor	Legislative Status	Key Provisions
Ju-min Park – Partial Amendment to the E-Commerce Act	Under review by the relevant committee	<ul style="list-style-type: none"><li>▪ Introduces a cap on intermediary commission rates for mail-order intermediaries conducting e-commerce through online platforms such as delivery apps.</li><li>▪ Establishes a prohibition on discriminatory treatment based on transaction counterparty.</li></ul>
Kang-il Lee – Partial Amendment	Submitted to the	<ul style="list-style-type: none"><li>▪ Authorizes the KFTC to set annual caps on commission rates for online platform operators.</li></ul>

<sup>4</sup> State Affairs Planning Advisory Committee, Strategy for Real Growth of Korea (June 2025), p. 76.

to the MRFTA	relevant committee	<ul style="list-style-type: none"> <li>▪ Requires platform operators offering intermediary services via online platforms to disclose specific criteria for calculating transaction terms, including intermediary commission fees, advertising fees, and delivery charges.</li> <li>▪ Grants platform seller associations the right to request negotiations of transaction terms.</li> </ul>
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※ Source: Bill Information System

- If enacted, the Online Platform Act, which focuses on addressing bargaining-power imbalances, is likely to include specific provisions prohibiting discrimination in intermediary commission rates and introducing a statutory cap on such commissions.

### 3. Business Implications

#### ① Enactment of the Online Platform Act

- ✓ With multiple legislative proposals already introduced, momentum is likely to build toward enacting the Online Platform Act and advancing related regulatory policies.
- ✓ Platform operators should ensure fairness and transparency in setting commission rates, carefully review their contracting and negotiation processes with merchants, and enhance internal compliance systems in preparation for potential KFTC investigations.

#### ② Additional Regulations Targeting Global Big Tech Companies

- ✓ Measures such as domestic revenue reporting obligations, institutionalized network usage agreements, prohibition of forced in-app payments, and regulation of dark patterns effectively target foreign platform companies and could act as significant barriers to entry in the Korean market.
- ✓ Companies affected by these regulations should consider tailored strategies, including adjusting business terms to align with Korea's unique regulatory landscape, revising terms and conditions, reconfiguring revenue structures, and proactively establishing communication channels with regulators.

#### ③ Establishing a Regulatory Framework for Fair Competition in the Delivery Market

- ✓ Regulations such as commission rate caps and prohibitions on discriminatory fees in the delivery market are likely to be introduced as a priority.
- ✓ Delivery and intermediary platform operators should proactively evaluate their commission structures and intermediary models and consider participating actively in industry associations or public-private dialogues to ensure their interests are represented during the regulatory development process.

## II.

# Strengthening Bargaining Power and Protecting Rights of Economically Disadvantaged Parties

## 1. Policy Overview

[Strengthening Bargaining Power of Economically Disadvantaged Parties]	
<p>① Strengthen Bargaining Power for Franchisees, Agents, Subcontractors, and Online Platform Sellers</p> <ul style="list-style-type: none"> <li>✓ Prevent economically disadvantaged parties from forced purchases and cost-shifting through price discrimination.</li> <li>✓ Facilitate fairer contracting practices by establishing a registration system and granting collective bargaining rights to associations representing franchisees, agents, subcontractors, and online platform sellers.</li> <li>✓ Empower SMEs with bargaining leverage to negotiate transaction terms.</li> <li>✓ Enact relevant legislation, including the Franchise Business Act, Agency Act, and Online Platform Fairness Act.</li> </ul>	<p>Growth – Fair Economy-06</p> <p>Happiness – Reducing Financial Burdens and Boosting Vitality for Households and Small Businesses-04</p>
<p>② Legislate an MRFTA exemption for collaborative business activities within SME cooperatives</p> <ul style="list-style-type: none"> <li>✓ Eliminate antitrust concerns regarding collaborative business activities within SME cooperatives and facilitate cooperation.</li> </ul>	<p>Growth – Fair Economy-01</p>
<p>③ Grant collective bargaining rights to SME cooperatives to strengthen SMEs' negotiation power.</p> <ul style="list-style-type: none"> <li>✓ Resolve structural bargaining power imbalances between large corporations and SMEs, and secure a stable transactional environment for SMEs.</li> </ul>	<p>Growth – Fair Economy-01</p>
<p>④ Expand participation of regional SME cooperatives in local SME policy initiatives.</p> <ul style="list-style-type: none"> <li>✓ Strengthen collaborative capabilities of regional SME cooperatives and expand their opportunities to participate in key regional industries.</li> <li>✓ Develop tailored support measures that reflect local government and regional cooperative characteristics, including employment support for cooperative business activities, collaborative trading, and R&amp;D initiatives.</li> </ul>	<p>Growth – Fair Economy-01</p>
<p>⑤ Reduce burdens on SME subcontractors by including energy costs and other expenses within the scope of subcontract price linkage.</p>	<p>Growth – Fair Economy-01</p>

⑥ Eliminate unlawful practices such as coerced price linkage waivers and contract splitting, to ensure the effective implementation of the supply price linkage system.	Growth – Fair Economy-01
⑦ Restore competitiveness of specialized construction firms and improve rights of construction businesses. <ul style="list-style-type: none"> <li>✓ Strengthen specialized construction firms' competitiveness based on construction capabilities by correcting unfair competition across construction sectors and removing unreasonable restrictions on direct construction.</li> <li>✓ Improve management environment through social consensus, such as mandatory accounting of industrial safety and health management expenses for subcontractors and preparation of appropriate construction costs for public works.</li> <li>✓ Improve business environment through stakeholder consensus, including mandatory budgeting for occupational safety and health management costs in subcontracted projects, and ensuring appropriate budgeting for public construction projects.</li> </ul>	Growth – Build Foundation-22
<b>[Eradicating Technology Misappropriation]</b>	
⑧ Introduce Korean Discovery System (a system for collecting patent infringement evidence) <ul style="list-style-type: none"> <li>✓ Courts appoint experts to conduct on-site investigations to collect evidence of damages.</li> </ul>	Growth - Fair Economy-03
⑨ Establish court authority to order submission of materials from KFTC and Ministry of SMEs in damage compensation lawsuits	Growth – Fair Economy-03
⑩ Create relief fund for victims of unfair trade practices. <ul style="list-style-type: none"> <li>✓ Fund legal advice and litigation support, and provide business stability financing for individual and corporate victims of unfair trade practices.</li> </ul>	Growth – Fair Economy-03
⑪ Strengthen Relief Support for Victims of Unfair Trade Practices to Improve Effectiveness of SME Technology Protection <ul style="list-style-type: none"> <li>✓ Strengthen relief measures through investigations and remedies for unfair trade practices in subcontract transactions.</li> </ul>	Growth – Fair Economy-03

## 2. Policy Details and Related Legislation

### ① Strengthening Bargaining Power of Economically Disadvantaged Parties

- The new administration has announced its policy goal of strengthening the bargaining power of franchisees, agents, subcontractors, online platform sellers, and SMEs, aiming to



**eradicate unfair trade practices faced by small merchants and SMEs in their transactions with large corporations.<sup>5</sup>**

- The administration intends to establish a registration system and grant collective bargaining rights to associations representing franchisees, agents, subcontractors, and online platform sellers, to promote fair and reasonable trade agreements. Additionally, SMEs will be empowered to negotiate transaction terms collectively. A proposed amendment to the Franchise Business Act, which introduces the registration of franchisee associations and their collective bargaining rights, has been designated as a “fast-track” legislative item.
  - Considering the importance of the construction industry and current economic difficulties, the new administration plans to implement fair trade policies to protect construction SMEs, including mandating the use of standard subcontracting agreements in public construction projects and improving review criteria for assessing subcontract fairness in construction projects.
- **The new administration expects to pursue the above measures through amendments to existing laws, such as the Franchise Business Act and Agency Act, or through the enactment of new legislation, including the Online Platform Act.**
- A significant number of related bills have already been introduced in the 22nd National Assembly or designated as “fast-track” items, indicating a strong likelihood of passage.
  - While these regulatory measures are positively viewed as strengthening the bargaining power of economically disadvantaged parties and establishing a fair trading environment, concerns have been raised regarding the proliferation of associations, lack of representation, potential infringement on suppliers or platform operators’ management rights, increased complexity of transaction structures, and higher associated costs, all of which are currently subjects of ongoing debate.
- **The new administration has also pledged to legislate an MRFTA exemption for joint business activities of SME cooperatives, aiming to dispel cartel concerns and stimulate cooperative business activities.**
- Currently, the MRFTA exemptions (Articles 116–118) apply only in limited circumstances, with stringent criteria and very few real cases of exemptions.
  - Considerable debate and discussion will likely be necessary before enacting comprehensive legislation broadly exempting SME cooperatives’ joint business activities from MRFTA application.
- **Additionally, the new administration plans to make more specific regulations related to the subcontract price linkage system under the Fair Transactions in Subcontracting Act**
- Currently, the subcontract price linkage system only covers raw material costs, but amendments to the Fair Transactions in Subcontracting Act are anticipated to expand coverage to include additional expenses such as energy costs.

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<sup>5</sup> State Affairs Planning Committee, Strategy for Real Growth of Korea (June 2025), p. 72.

- Further, to ensure effective implementation of the subcontract price linkage system, the new administration has expressed its intention to eliminate unlawful practices such as (i) coercing or inducing agreements to waive price linkage, (ii) artificially splitting contracts into smaller amounts of KRW 100 million or less, and (iii) dividing contracts into short durations of 90 days or less.

## ② Eradication of Technology Misappropriation

- **The new administration has set a clear policy objective to cease toleration of technology misappropriation. Specific policy pledges include institutional reforms such as introducing a Korean-style discovery system, empowering courts to order document production from the KFTC and the Ministry of SMEs and Startups in damages litigation, and establishing an unfair trade damages relief fund to enhance victim compensation and support.<sup>6</sup>**
- **The new administration plans to introduce a Korean-style discovery system through legislative amendments.**

### ※ Relevant Legislative Proposal

- Partial Amendment to the Act on the Promotion of Mutually Beneficial Cooperation between Large Enterprises and SMEs, introduced by Assembly Member Se-hee Oh (March 20, 2025).
- **With the introduction of a Korean-style discovery system, parties to civil litigation would be required to mutually exchange and submit evidentiary materials. This would enable more effective rights protection in disputes involving technology misappropriation and patent infringement, where victims previously faced substantial difficulties in proving their claims.**
  - Discovery would also allow for on-site inspections and evidence collection conducted by court-appointed experts.
  - By reducing information asymmetry and enabling discovery of substantive facts, the system is expected to mitigate unfair practices between large and small businesses, thereby enhancing overall market fairness.
  - Further, by easing evidentiary burdens in cases involving technology misappropriation and patent infringement, the discovery system is anticipated to significantly strengthen the protection of rights for SMEs, startups, and other economically disadvantaged parties.

### <Key Statements from the New Administration Regarding Policy Pledges>

Date	Remarks Summary
Nov. 20, 2024	<ul style="list-style-type: none"> <li>▪ Establish a “Korean-style discovery system” requiring large corporations accused of technology misappropriation from SMEs to produce evidence before litigation begins.</li> </ul>

<sup>6</sup> State Affairs Planning Advisory Committee, Strategy for Real Growth of Korea (June 2025), p. 71.

May 14, 2025	<ul style="list-style-type: none"> <li>▪ Pledge to introduce a Korean-style evidence discovery system.</li> </ul>
May 20, 2025	<ul style="list-style-type: none"> <li>▪ Allow companies to secure evidence internally through forensic investigation before initiating litigation upon detecting signs of technology leaks, thereby mitigating delays and complications arising from criminal proceedings involving search and seizure.</li> </ul>
May 21, 2025	<ul style="list-style-type: none"> <li>▪ Introduction of a “Korean-style discovery (evidence disclosure) system.”</li> </ul>

※ Source: Compiled from press coverage

- **While the Korean-style discovery system is expected to help establish a fair market structure, there remain concerns regarding management of sensitive information, increased litigation costs and time, potential misuse of the discovery process, and delayed proceedings. Accordingly, further in-depth discussion and additional refinements of the system are warranted.**

#### <Implications of the Korean Discovery System>

Category	Key Content
Benefits	<ul style="list-style-type: none"> <li>▪ Effective protection of rights through mandatory pre-trial disclosure of evidence</li> <li>▪ Protection for businesses victimized by technology leakage and prevention of core technology leaks overseas</li> <li>▪ Facilitation of discovery of substantive facts and fair resolution of disputes</li> </ul>
Drawbacks (Concerns)	<ul style="list-style-type: none"> <li>▪ Risk of disclosure or leakage of trade secrets and confidential information</li> <li>▪ Increased staffing requirements, litigation costs and duration related to discovery</li> <li>▪ Potential misuse of litigation aimed at disrupting business activities</li> <li>▪ Issues concerning data integrity, accessibility, and recoverability</li> <li>▪ Insufficient effective sanctions</li> </ul>

### 3. Business Implications

#### ① Strengthening Bargaining Power of Economically Disadvantaged Parties

- ✓ As the government promotes institutional measures – such as introducing association registration and collective bargaining rights – to strengthen the bargaining power of relatively weaker parties like franchisees, agents, commissioned businesses, and platform sellers, companies should proactively prepare for the practical burdens arising from collective bargaining requests by reviewing negotiation-request procedures in advance, standardizing response processes, and strengthening compliance training.
- ✓ Particularly, given the risk of sanctions such as corrective orders or referrals for prosecution when refusing negotiations, companies should establish internal procedures to respond appropriately to official negotiation requests and transparently document and manage negotiation details.
- ✓ If joint activities by SME cooperatives are exempted from cartel regulation, large companies will need to reorganize their supply chain and procurement strategies to respond effectively to collective demands for price increases.
- ✓ If implemented, a strengthened price linkage system for delivery payments will require companies to manage increased risks from rising subcontracting costs, and, as frequent price increase requests from subcontractors are likely, companies should establish subcontract terms and conditions more transparently and clearly.
- ✓ In addition, companies should remain cautious about illegal activities, such as forcing non-linkage agreements or splitting contracts, and thoroughly familiarize themselves with prohibited practices under the Subcontracting Act.

#### ② Eradication of Technology Misappropriation

- ✓ As there are concerns about side effects – such as leakage of trade secrets, increased costs, and delays in litigation – arising from the introduction of a discovery system, it is crucial to ensure effective policy communication that incorporates the views of businesses during institutionalization. Companies, in particular, should proactively develop response strategies and strengthen internal security systems, bearing in mind the possibility of mandatory inspections of their offices and IT systems.
- ✓ Companies must strictly comply with the procedural and documentation requirements under the Subcontracting Act when obtaining and utilizing technical data and should mitigate risks of technology misuse through internal employee training and control systems. Moreover, as access to litigation for SMEs is likely to increase due to the introduction of measures such as court-ordered document production from the KFTC or Ministry of SMEs and Startups and the expansion of damage relief funds, companies should continually assess their legal risk exposure, considering potential increases in defense costs.
- ✓ Additionally, companies may strategically seek to achieve high ratings in the KFTC's evaluation of fair trade agreements between large companies and SMEs. This can publicly demonstrate their strengthened subcontracting compliance efforts and allow them to benefit from exemptions from KFTC ex-officio investigations.

### III.

## Improving Corporate Governance and Eliminating Tunneling by Controlling Shareholders

### 1. Policy Overview

① Reduce concerns about concentration of economic power arising from excessive control by shareholders with limited equity stakes.	Growth – Fair Economy-11
② Apply fair valuation methods that account for share price, asset value, and earnings value when determining merger and acquisition prices involving publicly listed companies. ✓ Strengthen board accountability to protect legitimate interests of minority shareholders during mergers and other corporate transactions.	Growth – Fair Economy-12
③ Strengthen oversight and penalties for unfair internal transactions ✓ Enhance monitoring of tunneling practices and the improper transfer of wealth within controlling families aimed at unfairly securing management succession. ✓ Strengthen sanctions, such as imposing fines proportional to illicit gains, to address unlawful practices aimed at circumventing regulations.	Growth – Fair Economy-12

### 2. Policy Details

Policy Pledge	Key Content
Protecting General Shareholder Interests through Improved Corporate Governance	<ul style="list-style-type: none"> <li>▪ Codifying directors' fiduciary duties toward shareholders, explicitly setting out the principle of considering the interests of all shareholders.</li> <li>▪ Mandating the appointment of independent directors at or above a certain proportion in companies of a certain size, ensuring they effectively serve as checks independent from management.</li> <li>▪ Gradually expanding the separate election of audit committee members in large listed companies.</li> <li>▪ Amending related regulations to prevent large listed companies from excluding cumulative voting through articles of incorporation, thus promoting cumulative voting.</li> <li>▪ Addressing concerns over concentration of economic power due to excessive control exercised with limited equity stakes.</li> </ul>

Eliminating Controlling Shareholders' Tunneling through Abuse of Capital and Profit Transactions	<ul style="list-style-type: none"> <li>▪ Applying fair valuations – considering share price, asset value, and earnings value – when determining merger and acquisition prices involving publicly listed companies.</li> <li>▪ Institutionalizing the allocation of a certain proportion of new shares to general shareholders of the parent company when subsidiaries are listed following spin-offs.</li> <li>▪ Introducing mandatory tender offers during corporate acquisitions, thereby sharing management premiums and ensuring exit opportunities for minority shareholders.</li> <li>▪ Introducing a merger inspector system enabling general shareholders to request court appointment of inspectors in mergers between publicly listed companies and their affiliates.</li> <li>▪ Considering the institutionalization of mandatory cancellation of treasury stock held by listed companies as a general rule.</li> <li>▪ Strengthening oversight and penalties against unfair internal transactions.</li> </ul>
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○ **Amendment of the Commercial Act is a core pledge of the new administration to realize a fair economy and is likely to become the President's first major economic-related bill**

- Compared to previous proposals, the new amendment is expected to include strengthened measures, such as mandatory cumulative voting, expanded separate elections of audit committee members, and enhanced shareholder returns.

**<Comparison between the New Administration's Pledges and the Previous Commercial Act Amendment>**

Category	Previous Commercial Act Amendment (Bill passed by the National Assembly in March 2025)	New Administration's Commercial Act Amendment (Pledged April 2025)
Directors' Fiduciary Duty	Expanded to include duties to both company and shareholders	Same
Electronic Shareholder Meetings	Mandatory for listed companies	Same
Cumulative Voting	Recommended or partially applied, but not mandatory	Mandatory (effective appointment of directors by minority shareholders)
Separate Election of Audit Committee Members	Only partial separate election	Gradual expansion (strengthening separate election)
Cancellation of Treasury Shares	No specific regulations	Institutionalization of mandatory cancellation (strengthened shareholder returns)

Split-off Listings	Insufficient protections for general shareholders	Strengthened protection for general shareholders (priority allocation of new shares, etc.)
Unfair Practices	Punishment under existing laws	Strengthened penalties, including “one-strike-out” policy

※ Source: Compiled from press coverage

- Given that the Commercial Act amendment pledges target over 14 million minority shareholders, the legislation is expected to have significant societal impact. As it reflects the new administration’s emphasis on “fair economy” policies, it is likely to become the ruling party’s first major economic bill.

○ **Rather than revising the Commercial Act amendment directly, the government may pursue supplementary legislation to partially alleviate corporate burdens resulting from the amendments.**

- The business community’s primary concerns regarding the proposed amendment include ▲ the mandatory introduction of cumulative voting, which would strengthen minority shareholders’ influence over corporate management, and ▲ potential liability for breach of trust resulting from violations of directors’ fiduciary duties.
- Additionally, regarding Article 622 of the Commercial Act (special breach of trust for directors’ violation of fiduciary duties), Financial Supervisory Service Governor Bok-hyun Lee, who previously supported the amendment, has suggested either abolishing this provision or providing guidelines to prevent excessive litigation against companies. Given that the new administration has also signaled some openness toward abolishing breach-of-trust provisions alongside dividend income tax reforms, future amendments may be considered.

○ **Companies should proactively prepare measures to address anticipated increases in legal risk, intensified pressures for corporate governance reform, and rising costs related to mergers and acquisitions upon enactment of the Commercial Act amendment.**

- In the short term, the amendment is expected to heighten corporate burdens associated with legal risk management, pressure to reorganize corporate governance, necessary adjustments to financial strategies such as capital management, and potential reductions in innovation capacity and R&D investment.

**<Key Risk Factors of Commercial Act Amendment>**

Risk factor	Key Content
Increased Legal Risk	<ul style="list-style-type: none"> <li>▪ Expansion of directors’ fiduciary duties may lead to a sharp increase in breach-of-trust litigation.</li> <li>▪ Potential for minority shareholders to initiate frequent class-action lawsuits, hindering timely decision-making by management.</li> </ul>
Pressure to Reform Corporate Governance	<ul style="list-style-type: none"> <li>▪ Mandatory cumulative voting could enable board representation for minority shareholders, potentially reducing the influence of existing management.</li> </ul>



Risk factor	Key Content
	<ul style="list-style-type: none"> <li>Expanded separate elections of audit committee members could strengthen minority shareholders' internal oversight, possibly delaying corporate decision-making processes.</li> </ul>
Revision of Financial Strategies	<ul style="list-style-type: none"> <li>Mandatory cancellation of treasury shares for listed companies increases pressure to enhance shareholder returns, necessitating comprehensive revisions to corporate capital management strategies.</li> <li>Enhanced protections for general shareholders in mergers and spin-offs may increase overall M&amp;A transaction costs.</li> </ul>
Reduced Innovation Capacity	<ul style="list-style-type: none"> <li>Difficulties in obtaining board approval for large-scale investments, coupled with increased shareholder oversight, may negatively impact innovative R&amp;D initiatives and new business ventures.</li> </ul>

- **The pledge to eliminate tunneling by controlling shareholders through abuse of capital and profit transactions closely resembles the proposed Commercial Act amendment, and can be understood as a policy aimed at realizing a fair economy.**
  - A representative example of tunneling through profit transactions is the preferential allocation of internal transactions. Rather than simply expanding the scope of tunneling regulations established under the fully revised MRFTA of 2018, the new administration is expected to pursue detailed regulations to eliminate circumvention practices, such as indirect shareholding through overseas subsidiaries and changes in the nature of internal transactions.
- **Additionally, the new administration is likely to require mergers between affiliated companies to determine merger ratios and share purchase prices based on fair valuation reflecting intrinsic corporate value, rather than using market prices as at specific statutory dates.**

### 3. Business Implications

#### Improving Corporate Governance and Eliminating Tunneling by Controlling Shareholders

- ✓ The Commercial Act amendment is likely to be pursued as a core economic initiative of the new administration, including measures such as strengthening minority shareholder rights, expanding the number of independent directors, and broadening separate elections for audit committee members. Companies should proactively prepare for these new corporate governance regulations by diversifying board composition and enhancing shareholder communication. They should also aim to secure long-term shareholder trust by strengthening investor relations (IR) activities and ESG strategies.
- ✓ Strengthened regulations are expected against tunneling practices, such as preferential allocation of affiliate transactions and unfair transfers of management control. Coupled with the Commercial Act amendment, this is likely to increase disputes regarding directors' fiduciary duty violations related to intra-group transactions. Companies will face greater necessity to manage legal compliance risks proactively, ensuring procedural transparency

at each stage – such as selecting counterparties, negotiating, and reviewing contractual terms – and maintaining comprehensive documentation to demonstrate the fairness of such transactions.

- ✓ In particular, as regulations targeting circumvention practices in internal transactions – such as indirect or disguised affiliate transactions – are likely to be tightened, companies should further enhance their internal compliance standards for intra-group transactions.

## IV.

## Strengthening Monitoring of Cartels in Sectors Closely Tied to Public Welfare

### 1. Expected Policy Direction<sup>7</sup>

- **At the second Emergency Economic Task Force meeting on June 9, 2025, the President addressed inflation concerns and directed officials to report on the current status and policy measures.**
  - Products explicitly mentioned at the meeting – such as beer, ramen, eggs, and chicken – are basic necessities that directly influence consumer price indices. Enhanced monitoring of prices for these products is consistent with the new administration’s key policy objective of stabilizing public welfare.
  - In addition to monitoring market prices for these items, investigations into potential cartel activities among businesses, which could contribute to price increases, may also be pursued.

### 2. Business Implications

#### Strengthened Monitoring of Cartels and Prices in Sectors Closely Tied to Public Welfare

- ✓ There is a high likelihood that comprehensive price monitoring and cartel investigations will be conducted, not only for beer, ramen, eggs, and chicken, but also for other products directly impacting public welfare.
- ✓ Companies operating in sectors closely tied to public welfare need to respond swiftly to the KFTC’s cartel investigations and enforcement actions to minimize legal risks. In particular, it is necessary to maintain comprehensive documentation related to factors causing price increases, such as rising raw material prices and exchange rates

<sup>7</sup> Not included in the policy pledge, but expected to be a major policy direction of the KFTC.

## V.

# Increasing KFTC Investigative Personnel and Strengthening Enforcement

## 1. Expected Policy Direction

- **The State Affairs Planning Advisory Committee has identified strengthening the KFTC's monitoring and enforcement capabilities as its main task.<sup>8</sup>**
  - This will involve investments not only in organizational and procedural improvements but also in staffing, technological tools (e.g., digital market data analysis tools), and specialized expertise.
  - The staffing increases particularly aim to facilitate faster investigations into platform companies, with specific emphasis on bolstering expertise and capacity in economic analysis and digital markets (including AI-driven sectors).
  - Additionally, the KFTC is reportedly considering reintegrating its investigative and policy functions and establishing new specialized bureaus, such as a Platform Bureau and an Economic Analysis Bureau.
- **Establishing clear standards for evaluating "killer acquisitions," in which innovative startups are acquired with the intent of bolstering market dominance, and strengthening institutional frameworks for preventive merger review and ongoing post-merger monitoring.**

## 2. Business Implications

### Anticipated Strengthening of KFTC Enforcement through Increased Investigative Personnel

- ✓ Businesses should prepare proactively for the anticipated increase in KFTC investigations under the new administration by reinforcing internal compliance controls and functions, expanding compliance training for employees, and developing procedures for effectively responding to on-site investigations.

<sup>8</sup> State Affairs Planning Advisory Committee, Strategy for Real Growth of Korea (June 2025), p. 75.

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