

January 9, 2025

THE KFTC ANNOUNCES ITS “2025 MAJOR OPERATIONAL PLANS”

On January 8, 2025, the Korea Fair Trade Commission (“**KFTC**”) announced its 2025 Major Operational Plans (the “**2025 Operational Plans**”). In this announcement, the KFTC outlined its objective to ‘establish the foundation for fair trade to support national economic recovery and prepare for the future’ and highlighted the following five key tasks: (i) supporting small and medium-sized enterprises (“**SMEs**”) and small businesses to foster a dynamic economy, (ii) enhancing competition on innovation, (iii) strengthening consumer protection and rights, (iv) fair enforcement of conglomerate-related rules, and (v) improving efficiency in case proceedings and remedies for harm.

I. KEY TOPICS OF THE “2025 OPERATIONAL PLANS”

A. Supporting SMEs and small businesses to foster a dynamic economy

1. Ensure fair compensation for SME’s and subcontractors in the subcontracting and distribution industries
 - Narrowing down exemptions from payment guarantees to enhance safeguards against main contractors’ failure to pay subcontractor fees, and expanding employers’ obligations to directly pay the subcontractors.
 - Prohibiting unjust retention of title clauses as unfair terms and conditions, and restricting third parties from withholding subcontractor fees to enhance the suppliers’ right to payment.
 - Imposing obligations on online intermediaries to meet payment settlement deadlines and separately maintain funds for payment, to promote timely payment for goods supplied, and shortening settlement cycles by reviewing the appropriateness of the current payment deadlines in the traditional retail business, including direct and exclusive purchasing agreements.
 - Addressing unfair practices in the distribution industry, including delayed payments and the imposition of promotional costs in the online shopping industry, and unlawful practices aimed to circumvent the supply price indexation system (a system where the supply price is adjusted to reflect sudden changes in the price of underlying goods).
2. Improve business conditions for franchisees and agents
 - Implementing a ‘Franchise Disclosure Document Registration System’ to ensure prospective franchisees’ timely access to critical information and to enhance stability for franchisees, and raising the scope of the so-called ‘1+1 system’. Under the current system, franchisors are required to operate at least 1 directly

managed store in the relevant industry for a minimum of 1 year before initiating their franchise businesses. Franchisors will now be subject to the requirements again if they are transitioning to a different industry.

- Enhancing agents' bargaining power by guaranteeing their right to form associations and requiring prior notice in the event of contract termination.
 - Addressing long-standing issues in the franchise industry, including the franchisor's imposition of delivery fees and promotional costs on franchisees; and monitoring unfair practices in essential sectors closely related to consumers' livelihood, such as the dairy and tire industries.
3. Strengthen safeguards for small businesses and address management challenges
- Monitoring unfair practices by online platforms to reduce burdens on small businesses. In this regard, the measure for mutual growth introduced in 2024 in the delivery and mobile gift card industries will be promptly implemented. In December 2024, the 'Delivery Platform-Seller Council for Mutual Growth' had reached an agreement to implement commission rates ranging from 2.0% to 7.8%, based on transaction volume, replacing the previous flat rate of 9.8%.
 - Monitoring and rectifying unfair practices by delivery apps, including most-favored-nation ("**MFN**") clauses and self-preferencing.
 - Inspecting unfair practices related to 'restaurant technology' (e.g., new technologies including restaurant reservation and waitlist apps, online food ordering apps, and table-ordering devices) to alleviate the management difficulties faced by small businesses; amending the criteria for the settlement of consumer disputes regarding 'no-show' incidents; and implementing standard terms and conditions to address unlawful activities by online advertising agencies.

B. Enhancing competition on innovation

1. Address unfair trade practices including collusion
- Intensive monitoring of collusions that undermine the market vitality and directly increases economic burdens on the public. While collusions in four key sectors—health and safety, essential goods and services, construction and intermediate goods, and public procurement—will be closely scrutinized, measures to address emerging forms of collusion, such as those involving artificial intelligence ("**AI**"), will also be developed.
 - Focused monitoring of unfair practices in core industries such as telecommunications, automotive, and semiconductors, as well as unfair subcontracting transactions and technology misappropriation against innovative SMEs and startups in industries, including high-tech strategic sectors, software, content, and industrial machinery.
2. Strengthen the foundation for fair competition to secure future growth opportunities

- Reforming regulations that undermine competition and innovation in industries such as green, low-carbon, and senior-friendly industries (e.g., improving regulations on renewable energy production).
 - Conducting market analyses to address structural issues in monopolistic industries (e.g., reviewing measures to promote competition in the financial transaction services industry).
 - Enhancing efficiency in merger reviews to develop an innovative ecosystem. In sectors where monopolistic practices hinder the growth of innovative businesses, the KFTC will conduct detailed and comprehensive reviews. On the other hand, in areas where business restructuring or support for new market entrants is urgently required, the review process will be expedited.
 - Publishing policy reports to provide guidance on implementing competition and consumer policies in emerging markets, such as the data sector and the subscription economy.
3. Promote fair competition in the platform market
- Proposing legislation to address 4 key anti-competitive practices by platform giants across 6 service sectors (e.g., intermediary, search engines, SNS, video, OS, and advertising), including self-preferencing, bundling, restrictions on multi-homing, and MFN clauses.
 - Intensive monitoring of unfair practices by subscription, vertical, and mobile platforms (e.g., restricting competitors' entry into market or interference with competitors' business) as well as deceptive practices by foreign online intermediary platforms (e.g., displaying prices for products that would not be the actual price).
 - Reforming the penalty framework under the 'Act on the Consumer Protection in Electronic Commerce' to deter violations.

C. Strengthening consumer protection and rights

1. Promote consumer protection measures by age groups
- For young adults, expanding the transparency of price information for wedding preparation services (e.g., encouraging voluntary disclosure by major wedding venues and planners and publishing regional comparison data through the Korea Consumer Agency), monitoring unfair practices related to childbirth and childcare (e.g., false or misleading advertising of children's products) and increasing access to comparison data.
 - For middle-aged adults, monitoring consumer harm in areas such as cultural contents, travel, and healthcare (e.g., unfair practices by airlines, including changes to frequent flyer programs that disadvantage consumers and fare increases, as well as unfair practices by fitness centers) and enhancing relevant regulatory frameworks.

- For seniors, establishing an integrated platform to provide access to funeral service information (e.g., subscription details, payment amounts, and compensation eligibility) and a one-stop solution for damage compensation; enhancing regulatory frameworks to ensure responsible management by funeral service providers and prevent mismanagement (e.g., restricting improper asset management activities, such as loans or investments between related parties, and imposing penalties for failing to compensate consumers).
2. Enhance consumer rights in digital transactions
 - Requiring online service providers to disclose information regarding the collection and processing of reviews, including posting durations and the criteria for deletion, to enhance transparency in the management of consumer reviews.
 - Amending the regulation to align with the current market status, such as changing the scope of personal data to be collected by C2C platforms and establishing refund standards for subscription business models, including OTT platforms.
 3. Prevent consumer harm in emerging and global transactions
 - Expanding refund rates for new types of gift vouchers, reviewing terms and conditions related to transfers and refunds, investigating 'AI washing,' and revising guidelines to prevent consumer harm in temporary marketing events, such as pop-up stores.
 - Obligating foreign platforms to designate domestic representatives to mitigate consumer harm in cross-border transactions and implementing guidelines to prevent the distribution of hazardous or uncertified products through foreign platforms.

D. Fair enforcement of conglomerate-related rules

1. Intensify monitoring of unfair intragroup transactions
 - Reviewing unfair intragroup transactions in key industries for SMEs (e.g., food services and building management) and sectors closely related to consumers' livelihood (e.g., real estate and healthcare), and preferential work allocation to underperforming affiliates.
 - Strengthening the monitoring and detection system for unfair intragroup transactions by sharing information and collaborating with expert advisory committees and relevant authorities (e.g., the National Tax Service and the Bank of Korea).
 - Revising the penalty framework to allow the imposition of fines for unlawful acts intended to circumvent regulations on conglomerates. Under the current framework, corrective measures and criminal penalties may be imposed; however, under the revised framework, administrative fines may also be imposed.

2. Revise conglomerate-related rules

- Revising the criteria for designating conglomerates subject to disclosure to a GDP-linked system to reflect changes in the economy, and expanding the criteria for excluding companies independently operated by executives of nonprofit organizations. Under the previous framework, only companies established before the appointment of an outside director of a nonprofit organization were excluded. Under the new framework, (i) companies established after the appointment of an outside director, (ii) nonprofit organizations (whether established before or after the appointment of an outside director) controlled by an outside director, and (iii) nonprofit organizations or companies controlled by executives equivalent to an outside director, will also be excluded.
- Evaluating the appropriateness of applying the concept of designating conglomerates in laws administered by other government agencies, particularly in areas where such application imposes excessive burdens on corporations or results in social welfare losses; and easing regulations on Corporate Venture Capitals ("**CVC**") to promote investments and support the growth of venture companies. Notably, the cap on external investments by CVCs will increase from 40% to 50%, and the cap on overseas investments will rise from 20% to 30%.

3. Enhance self-regulation in the market and reduce burdens on conglomerates

- Networking with stakeholders, including officers responsible for disclosing information related to conglomerates, to enhance the efficiency of information disclosure and implement measures to reduce burdens on conglomerates.
- Centralizing the submission channel for primary designation documents through the Corporate Group Portal (eGroup) to reduce burdens on conglomerates. Redundant information, such as corporate status and financial data already linked to the Data Analysis, Retrieval and Transfer System (DART), will no longer need to be resubmitted.

E. Improving efficiency in case proceedings and remedies for harm

1. Enhance the effectiveness of the KFTC's enforcement system

- Implementing measures to raise penalties for habitual violators, enhancing the effectiveness and transparency of the KFTC's decisions, and clarifying the scope and standards for disclosing resolutions by balancing conflicting interests, such as the public's right to know and the protection of trade secrets.
- Promoting Competition Compliance Program (CP) and enhancing the credibility of self-regulation standards to foster a culture of voluntary compliance. Developing measures to enhance the system for collecting, submitting, and managing digital case materials, while ensuring the admissibility of evidence.

2. Expand support for dispute resolution and litigation for damages

- Implementing legislations to consolidate dispute resolution regulations set out

in 6 different laws, and establish a 'Comprehensive Support Center for Fair Trade' to assist impacted companies.

- Expanding the court's authority to order the submission of materials from litigating parties and introducing an obligation for the KFTC to provide relevant materials to the court.

II. Implications

The KFTC generally enforces the relevant laws and pursues system improvements for the year according to its annual operational plan. Therefore, it is advisable for companies, particularly whose business falls within the industries announced by the KFTC in the 2025 Operational Plans to check for any violations of the law and correct any such violations promptly. Moreover, as the KFTC plans to amend various laws and regulations during 2025, it is necessary to closely monitor legislative movements and consider adjusting the company's systems proactively.

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For any inquiry or questions regarding the content of this newsletter, please contact us.

Related Professionals

Hongki Kim

Partner

T +82-2-3404-0489

E hongki.kim@bkl.co.kr

Kee Won Shin

Senior Foreign Attorney (New York)

T +82-2-3404-0272

E keewon.shin@bkl.co.kr

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