February 2, 2026

MAJOR REVISIONS AHEAD FOR KOREA'S FRANCHISE DISCLOSURE REQUIREMENTS

On January 28, 2026, the Korea Fair Trade Commission ("KFTC") published for public comment proposed amendments to the Enforcement Decree of the Fair Transactions in Franchise Business Act, with the comment period running through March 9, 2026. In parallel, the KFTC issued an administrative notice of proposed amendments to the Standard Franchise Disclosure Document ("FDD"), open for public comment through February 25, 2026.

Following the legislative and administrative notice procedures—during which feedback is collected from stakeholders, relevant ministries, and local governments—the KFTC plans to finalize the amendments after completing the required review by the Ministry of Government Legislation. The revised Enforcement Decree and the amended Standard FDD are expected to be finalized and implemented in the first half of 2026.

I. BACKGROUND

These proposed amendments form part of the KFTC's broader policy initiative announced in September 2025 under its "Comprehensive Measures to Strengthen Franchisee Rights." Through this initiative, the KFTC has sought to address structural imbalances in bargaining power and information asymmetry between franchisors and franchisees across the entire lifecycle of a franchise relationship, from entry and operation to termination, which will help improve the business conditions of franchisees.

Against this backdrop, the proposed amendments focus on a comprehensive reorganization of the structure and content of FDDs, with the aim of enabling prospective franchisees to make more informed and prudent decisions based on accurate and transparent information at the outset of the franchise relationship.

II. KEY PROPOSED CHANGES

The proposed amendments introduce significant revisions to both the structure and substantive content of FDDs, with the aim of improving readability, comparability, and the quality of information available to prospective franchisees. The key changes are summarized below.

1. Structural Changes to FDDs

Under the proposed amendments, the overall structure of FDDs will be reorganized to follow the lifecycle of a franchise relationship, covering the stages of entry, operation, and termination. This lifecycle-based structure is intended to allow prospective franchisees to more easily understand how rights, obligations, costs, and risks arise and evolve over the course of the franchise relationship.

In addition, a summary section will be placed at the beginning of the FDD to present key information relevant to initial investment decisions. This summary will include, among other items, the franchisor's general profile, indicators relating to franchise stability (such as survival rates), a breakdown of initial franchise fees, and information on mandatory supply items. By presenting this information upfront, the proposed amendments aim to improve transparency and facilitate more effective comparison across franchise brands.

2. New Disclosure Items

The proposed amendments introduce a number of new disclosure items intended to support more informed and rational decision-making by prospective franchisees. These additions include:

Category	Newly Required Disclosure Items	Purpose / Practical Implications
Private Equity Fund ("PEF") Ownership of Franchise	(1) Whether a PEF is the controlling shareholder (2) Name of the PEF or management company (3) Ownership interest held (4) Date of acquisition of the controlling interest	Compared with general individual/company ownership structures, PEF ownership structures may affect a franchisor's management stability, as management direction or business strategy may change depending on the timing of the PEF's investment exit. Advance disclosure of such structural factors is intended to reduce information asymmetry by allowing prospective franchisees to assess potential implications for the franchisor's long-term stability.
Long-Term Franchise Sustainability	(1) Duration of the franchise business (2) Number of franchise stores closed in recent years and their average operating periods (3) Number and proportion of long-standing franchise stores (4) Franchise survival rates	These indicators provide an objective basis for assessing a franchise brand's competitiveness, sustainability, and operational stability. Advance disclosure of such information is intended to enable prospective franchisees to assess actual closure risks in advance and make more informed and rational entry decisions.
Overseas Operations of Franchisor	(1) Countries or regions in which the franchisor operates overseas (2) Number of overseas stores (3) Year of initial entry into overseas markets	Disclosure of overseas operations is intended to provide insight into the franchisor's international business capabilities, brand competitiveness, and expansion strategy. By making this information available, prospective franchisees can more comprehensively assess the brand's positioning and growth potential in global markets.
Payment Methods for Franchise Fees and Costs	(1) Payment-related information for initial franchise fees payable prior to the commencement of operations	By requiring detailed disclosure of available payment methods (such as whether card payments (including credit card payments) are permitted, whether installment payments are allowed, and the timing of such payments), the proposed amendments

	(2) Payment-related information for other fees and costs payable prior to or during franchise operations	are intended to support franchisees in planning cash flow and managing initial financial burdens more effectively.
Loan or Financing Provided to Franchisees	(1) Description of the loan or financing provided (2) Information on the loan provider, including name, amount, and lender registration number (3) Information on the relevant party, including loan brokerage registration number and the relationship with the loan provider (4) Type and form of loan (5) Interest rates applicable to the loan (6) Conditions under which the loan is provided (7) Repayment terms and methods	By requiring transparent disclosure of the specific terms and conditions of any loan or financing provided by the franchisor, the proposed amendments are intended to allow franchisees to clearly understand the financial burdens and obligations associated with such arrangements. This disclosure also enables prospective franchisees to more comprehensively assess the franchisor's financial soundness and the sustainability of its financing practices.
Details of Agreements with Delivery Platforms and Other Sales Channels (Such as Mobile Gift Certificate)	(1) Nature and scope of the commercial partnership agreement (2) Name of the counterparty (3) Key commercial terms and transaction conditions	Because commercial partnership agreements with delivery platforms, mobile gift certificate providers, and similar sales channels may have a direct impact on franchisees' revenues and commission burdens, advance disclosure of the detailed terms of such agreements is intended to enable franchisees to more accurately anticipate and assess their actual operating costs and revenue structure.
Early Termination Penalties	Average penalty amounts payable upon early termination of the franchise agreement (breakdown of penalty amounts by remaining contract period)	By requiring quantitative disclosure of average penalty amounts for early termination based on the remaining contract period, the proposed amendments are intended to enable prospective franchisees to accurately assess the financial burden associated with early termination in advance and to factor such potential costs into their entry decisions. This change addresses prior limitations under which penalty provisions were described only in abstract terms, making it difficult to estimate the actual amounts payable.

3. Quarterly Update Requirements for Key Disclosure Items

The proposed amendments significantly shorten the update cycle for certain key disclosure items in FDDs. To ensure that prospective franchisees are able to make decisions based on up-to-date information, the registration period for changes to specified items will be reduced from once a year to once every quarter. Franchisors will

be required to file change registrations within 30 days after the end of each quarter. This change is intended to enhance the timeliness and reliability of information relating to the status and stability of franchise operations.

The items subject to quarterly change registration include, among others:

(1) the total number of franchise stores and company-operated stores for the relevant franchise business, both nationwide and by major local jurisdiction, for the preceding three years, reported on a quarterly basis;

(2) the number of franchise stores that opened, closed, had their contracts terminated or expired, or underwent changes in ownership during the preceding three years, reported quarterly;

(3) information on other franchise businesses operated by the franchisor, including the business category, brand name, commencement date, and the number of franchise and company-operated stores in operation during the preceding year, reported quarterly;

(4) the average operating period of franchise and company-operated stores as of the end of the preceding quarter;

(5) the number and proportion of long-standing franchise stores;

(6) the number of closed franchise stores and the average duration of their operations;

(7) the franchisor's overseas operations; and

(8) average penalty amounts payable upon early termination of franchise agreements.

III. IMPLICATIONS

As the structure and content of FDDs are set to be comprehensively revised, franchisors will need to conduct a full review of their existing disclosure documents and undertake extensive revisions. To ensure timely compliance upon implementation, franchisors should begin collecting the necessary data and initiating internal review processes in advance.

Franchisors should also identify items that are newly introduced or subject to expanded disclosure under the proposed amendments and exercise increased care in preparing future FDDs. In particular, for items that will be subject to quarterly change registration, franchisors will need to establish internal processes to ensure that updates are made on a regular and timely basis, and to prevent delays or omissions in change filings.

In addition, franchisors will need to ensure that newly required information, including PEF ownership structures and financing arrangements, is disclosed accurately and transparently, in order to reduce the risk of future disputes or regulatory enforcement.

*　　*　　*

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

Related Professionals

Sanghoon Shin
Senior Foreign Attorney (New York)
T 82-2-3404-0230
E sanghoon.shin@bkl.co.kr

Hwijin (HJ) Choi
Partner
T 82-2-3404-6406
E hwijin.choi@bkl.co.kr

Chaeyoung Byun
Partner
T 82-2-3404-7490
E chaeyoung.byun@bkl.co.kr

This publication is provided for general informational purposes only, and should not be construed as legal or professional advice on any particular matter, nor create an attorney-client relationship. Before you take any action that may have legal implications, please inquire with your contact at Bae, Kim & Lee LLC, or the authors of this publication.