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IMMINENT IMPLEMENTATION OF THE ART SERVICES BUSINESS REGISTRATION SYSTEM

- The Korean Art Market Enters a New Phase of Regulation and Compliance

The art services business registration system under the Art Promotion Act takes full effect on July 26, 2026. Businesses across the art market, including galleries, auction houses, appraisers, advisors, and online platforms, will be required to file registrations with the local government, and operating without registration may result not only in administrative fines but also sanctions such as business suspension or closure.

The partial amendment to the Enforcement Decree and the proposed Enforcement Rule of the Act, both pre-announced in April 2026, specify the registration procedures and the sanctions framework. Accordingly, art market participants need to begin substantive compliance preparations, including registration preparation, review of disqualification grounds, and refinement of internal control systems, before the amendments take effect.

I. THE FIRST SYSTEMATIC REGULATION INTRODUCED TO THE KOREAN ART MARKET

Unlike the film, music, or publishing sectors, the Korean art market has operated without a separate industry promotion law framework until now. However, recurring forgery controversies, art-tech fraud, and the lack of transaction transparency have continuously raised the need to institutionally support transactions system and restore market trust. Against this backdrop, the Art Promotion Act (the "Act") was enacted in 2023 as the first comprehensive framework law covering both promotion and regulation of the art industry.

One of the Act's core systems is the "art services business registration system" (Article 18(1) of the Act). The Act classifies art services businesses into six categories: (i) gallery business, (ii) art auction business, (iii) art advisory business, (iv) art rental and sales business, (v) art appraisal business, and (vi) art exhibition business. By expressly providing that services provided through telecommunications networks are also included, the Act brings online art trading platforms within its regulatory scope (Article 2(5) of the Act).

A practical point to note is that the boundaries between the categories can substantially overlap. Even traditional auction houses, depending on their actual business structure, may fall under advisory or rental and sales businesses in addition to auction business, and foreign galleries focused on private sales and platform-based businesses also require an individual review of their business structure.

II. ENHANCED OBLIGATIONS OF BUSINESSES UNDER THE REGISTRATION SYSTEM

The Act does not merely introduce registration procedures. It imposes various obligations on those operating art services businesses to ensure transaction transparency and prevent conflicts of interest.

In particular, auction businesses face new obligations such as the duty to disclose hammer prices and full payment of auction proceeds, and the duty to provide advance notice when consigning works owned by themselves or their relatives (Article 15(5) of the Act). Appraisal businesses are subject to stricter standards of independence and fairness. Representative examples include the prohibition on issuing false appraisal certificates, restrictions on solo appraisal of works owned by the appraiser or relatives, and the prohibition on receiving compensation beyond fees (Article 15(6) of the Act).

The sanction framework is also designed quite strictly. Registration by false or improper means may result in a business closure order on the first violation alone, and violations of appraisal business obligations may also be subject to business suspension for the first offense (Appendix Table 1 of the proposed partial amendment to the Enforcement Decree).

The Act also grants buyers the right to demand issuance of authenticity certificates (Article 16 of the Act), so businesses will face a growing need to refine product provenance management, supporting documentation systems, and internal recordkeeping systems.

III. IMPACT ON FOREIGN BUSINESSES AND TRANSACTION PRACTICE

The registration system will significantly affect foreign businesses and M&A transactions.

The Act lists "persons without an address in the Republic of Korea" as one of the disqualification grounds for registration (Article 18(4)(v) of the Act). Accordingly, art services businesses operating in Korea directly through their overseas headquarters need to reconsider their Korean business structure.

The proposed Enforcement Rule also requires that, in a business transfer, the transferor discloses to the transferee its recent administrative disposition history and any ongoing sanction proceedings. As a result, in future art market M&A transactions, due diligence on administrative disposition history, compliance risk review, and contractual representations and warranties will become increasingly important.

IV. PRACTICAL IMPLICATIONS

The art services business registration system is significant as the first full-fledged industry regulatory framework introduced to the Korean art market, which has been viewed as a relatively self-regulated domain until now. In particular, the early implementation period will likely give rise to various interpretive issues surrounding business category classification, the scope of entities subject to registration, interpretation of disqualification grounds, and assessment of platform business structures.

Accordingly, affected businesses should prioritize reviewing the following items before the Act takes effect:

- Reviewing whether their business falls under the statutory categories
- Pre-checking disqualification grounds related to representatives and officers
- Establishing change registration and internal monitoring systems
- Refining internal processes for transactions, appraisals, and authenticity certifications
- Strengthening due diligence on administrative disposition history in M&A transactions

This system goes beyond a simple administrative registration obligation and will bring structural changes to transaction practices and internal control systems across the art market. As compliance requirements in the art market are expected to gradually expand to levels comparable to the financial and platform industries, proactive responses from affected businesses will be important.

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The Art Team at Bae, Kim & Lee LLC has the specialized capabilities to provide comprehensive advice on the art services business registration system and other matters under the Art Promotion Act. If you have any questions, please feel free to contact our firm at any time.

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