

June 26, 2026

## PROPOSED AMENDMENTS TO ELECTRONIC FINANCIAL TRANSACTIONS ACT REGULATIONS ON PG BUSINESSES

### I. BACKGROUND

In July 2024, the "TMON·WeMakePrice non-settlement incident" caused large-scale damage: unsettled amounts owed to sellers totaled approximately KRW 1.3 trillion, affecting approximately 48,000 businesses. This incident highlighted the need for safeguards over funds that electronic payment settlement agencies (Payment Gateways, or "PGs") temporarily hold to settle payments to sellers and process user refunds. In response, the amended Electronic Financial Transactions Act (the "Amended Act"), promulgated on December 16, 2025 and scheduled to take effect on December 17, 2026, was enacted. The Amended Act requires external management of the entire amount of settlement funds held by PG operators and strengthens oversight to promote sound management of PG operators and other electronic financial business operators. For further details, please refer to our firm's November 27, 2025 newsletter, ["Passage of the Partial Amendment Bill to the Electronic Financial Transactions Act by the Plenary Session of the National Assembly."](#)

To implement the matters delegated by the Amended Act to Enforcement Decree and notification, the Financial Services Commission (FSC) issued advance notice of proposed amendments to the Enforcement Decree of the Electronic Financial Transactions Act and the Regulation on Supervision of Electronic Financial Business (the "Supervisory Regulation") on June 19, 2026. Comments may be submitted until July 29, 2026 (a 40-day period).

### II. KEY CONTENTS

#### 1. Specifying the Obligation to Externally Manage PG Settlement Funds

Settlement funds must be externally managed using the same methods as the separate management of prepaid charge balances - specifically: (i) deposit with a bank or postal service agency; (ii) trust with a trust business operator (including banks and insurance companies operating trust businesses concurrently); or (iii) payment guarantee insurance with a guarantee insurance company (Draft Enforcement Decree Article 13-8). Where funds are managed through a trust or where amounts covered by payment guarantee insurance are directly managed, they must be invested in safe instruments such as government bonds, local government bonds, payment guarantee securities, or special bonds (Draft Enforcement Decree Article 13-9). Settlement funds must also be kept separate from the operator's own assets and reviewed every business day. If the externally managed amount falls short, the shortfall must be placed under external management by the following business day (Draft Enforcement Decree Article 13-12).

Under the Amended Act, the external management ratio will be raised in phases: 60% in the first year of implementation, 80% in the second year, and 100% from the third year

onward (Addenda Article 2 of the Amended Act).

For reference, under the Amended Act, settlement funds subject to external management are protected from transfer, use as collateral, and set-off or attachment by third parties. These funds therefore function as protected assets, separate from the PG operator's proprietary assets (Article 25-4 of the Amended Act).

## **2. Settlement Fund Reimbursement Procedures and Notification of Protective Measures**

If a triggering event occurs - such as cancellation of the PG operator's registration or bankruptcy - the settlement fund management institution must give priority payment to claimants. The payment amount is limited to the total externally managed amount and is distributed pro rata based on the proportion of each claim. Within one month of the triggering event, the institution must publish a notice in a daily newspaper and post it on its website (Draft Enforcement Decree Article 13-11). When entering into an electronic payment settlement agency contract, the PG operator must also notify the counterparty of the applicable protective measures, including: the method of external management, the identity of the settlement fund management institution, and the payment procedures. This information must also be posted on the operator's website (Draft Enforcement Decree Article 13-13).

## **3. PG Operator Business Conduct Rules — Exceptions to the Obligation to Observe Settlement Deadlines**

The Amended Act established a new business conduct rule requiring PG operators to settle and pay the consideration received within the period specified in the electronic payment settlement agency contract (Article 36-3 of the Amended Act). The proposed Enforcement Decree specifies the "justifiable grounds" that constitute exceptions to this rule: (i) natural disasters (force majeure); (ii) a court judgment recognizing grounds for payment suspension, or a payment suspension decision or order; (iii) referral to prosecution or indictment by an investigative agency based on illegality or impropriety of the amount subject to settlement; and (iv) grounds for withholding settlement under a contract with a merchant (Draft Enforcement Decree Article 22-5).

## **4. Raised Capital Requirements for Large PG Operators and Others, and Approval/Registration of Changes of Major Shareholders**

The Amended Act requires PG operators, payment deposit (escrow) operators, and electronic bill presentment and payment operators whose quarterly total electronic financial transaction value exceeds KRW 30 billion to meet capital requirements of KRW 1 billion or more, as prescribed by Enforcement Decree (Article 30(3)3 of the Amended Act). Accordingly, the capital requirement for PG businesses and payment deposit (escrow) businesses has been raised from KRW 1 billion to KRW 2 billion. For electronic bill presentment and payment businesses, the requirement has been raised from KRW 500 million to KRW 1 billion (Draft Enforcement Decree Article 17,(4)). In addition, where

there is a change in the major shareholder of an electronic financial business operator, a licensed operator must apply for a change of license and a registered operator must apply for a change of registration. The proposed amendments establish the relevant application forms and required documents, and provide that the procedures - including the review period and requests for supplementation - follow existing licensing and registration procedures, mutatis mutandis (Draft Enforcement Decree Article 20-2; Draft Supervisory Regulation Articles 49-2 and 49-3).

## **5. Disclosure for User Protection and Phased Sanction Standards**

Electronic financial business operators must disclose the following on a quarterly basis: their compliance status with management guidance standards, their compliance status with separate management of prepaid charge balances and external management of settlement funds, and their settlement cycle. Payment fees (commissions) must be disclosed semi-annually. Enhanced disclosure obligations regarding management policy and risk management apply to electronic financial business operators whose annual total electronic financial transaction value is KRW 2 trillion or more, or whose electronic financial business revenue is KRW 100 billion or more and whose total assets are KRW 500 billion or more (Draft Enforcement Decree Article 23-2; Draft Supervisory Regulation Article 62-2). Phased sanctions may now be imposed - progressing from a request for corrective action/an order to take corrective action, to business suspension, to revocation of license or registration - for non-compliance with management guidance standards. An operator that receives a business suspension order three or more times for the same reason within five years may have its license or registration revoked (Draft Enforcement Decree Article 24-2). The proposed amendments also establish the periods of business suspension for each type of violation and the standards for penalty surcharges imposed in lieu of business suspension (Draft Enforcement Decree Article 26(2) [Annex Table 2]).

## **6. Exceptions to the Scope of Application Following the Clarification of the Definition of the PG Business**

The Amended Act clarified the definition of PG business as "receiving the consideration, and acting as an agent for the settlement thereof, in cases where payment of the consideration for the supply of goods or provision of services between third parties is effected by an electronic payment instrument." Accordingly, where consideration is received and settlement is performed on an agency basis incidentally in the course of conducting another business - such as mail order brokerage - such activity has been excluded from the scope of PG services (Article 2, Subparagraph 19 of the Amended Act). The proposed Enforcement Decree adds applicable governing statutes for this purpose, including the Telecommunications Business Act, the Act on Distribution and Price Stabilization of Agricultural and Fishery Products, the Special Act on Private Rental Housing, and others (Draft Enforcement Decree Article 5(2)).

The Supervisory Regulation also: (i) clarifies the basis for calculating the quarterly total electronic financial transaction value as the payment settlement agency amount, payment deposit (escrow) amount, and electronic bill presentment and payment amount for each type

of business (Draft Supervisory Regulation Article 42-2); (ii) requires that seller identification information and information on amounts subject to settlement be regularly backed up and stored off-site to facilitate payment by the settlement fund management institution (Draft Supervisory Regulation Article 56-2); and (iii) requires that a report on the management status of amounts subject to settlement be submitted to the Governor of the Financial Supervisory Service (Draft Supervisory Regulation Article 62).

### III. TIMING OF IMPLEMENTATION

The proposed amendments to the Enforcement Decree of the Electronic Financial Transactions Act and the Regulation on Supervision of Electronic Financial Business are scheduled to take effect on December 17, 2026, the implementation date of the Amended Act. However, certain provisions have different effective dates: requests for corrective action regarding non-compliance with management guidance standards and the obligation to separately manage prepaid charge balances will take effect from the date of promulgation; requirements for capital, total contributions, or basic property may be satisfied within one year after implementation; and a grace period also applies to certain disclosure obligations (such as payment fees). Following the advance notice period (June 19 – July 29, 2026), the amendments are expected to be finalized through review by the Regulatory Reform Committee and the Ministry of Government Legislation, followed by resolution at the Vice-Ministers' Meeting and the Cabinet Meeting (State Council).

### IV. IMPLICATIONS

PG operators will need to proactively establish their settlement fund external management systems before the implementation date. Specifically, the following steps are required: (i) selecting a settlement fund management institution and deciding on the trust, deposit, or payment guarantee insurance method, while building internal processes for daily review and covering shortfalls; (ii) incorporating protective-measure notification content regarding settlement funds into electronic payment settlement agency contracts and on websites; (iii) assessing whether capital requirements are met - including whether the quarterly total electronic financial transaction value exceeds KRW 30 billion - and establishing capital increase plans as needed; (iv) conducting an advance review of change-of-license/registration procedures where a change of major shareholder is anticipated; and (v) establishing disclosure systems to address quarterly and semi-annual disclosure items and the enhanced disclosure requirements for large operators.

Additionally, operators that perform settlement on an agency basis incidental to their own business will need to reassess whether they fall within the scope of the PG business.

As these proposed amendments are at the advance notice stage, details - such as the method of external management of settlement funds, disclosure items, reporting forms, and sanction standards - may be adjusted during the final amendment process. PG operators and related platform businesses should consider submitting comments by the deadline (July 29, 2026) and continue to monitor follow-up guidance from the FSC and the Financial Supervisory Service (FSS), as well as the final amended provisions.

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advisory services covering new business models, financial techniques, and information and communications technology, keeping pace with rapid changes in the financial market and technological advances. The Center's team includes experts from key regulatory authorities, including the FSC, the FSS, the Ministry of Science and ICT, the Ministry of the Interior and Safety, and the Personal Information Protection Commission. This enables the Center to offer comprehensive response strategies encompassing regulatory advice on finance, ICT, data, and AI, as well as alternative business models and legislative solutions.

Regarding these proposed amendments, the Center will continuously monitor the Enforcement Decree amendment process and the development of detailed standards. We will provide tailored advice and optimal response measures based on the specific business structures of PG operators. Should you require advice on these issues, please feel free to contact us at any time.

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

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