



Trade Facts

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KORUS FTA: Opportunities for Financial Services

The financial services chapter in the United States-Korea Free Trade Agreement (“KORUS FTA”) is a groundbreaking achievement, providing more extensive provisions related to financial services than ever before included in an U.S. FTA. Specifically, U.S. financial institutions will benefit substantially from increased access to the Korean market resulting from significant obligations in the following areas:

- **MARKET ACCESS:** Ensures that U.S. financial institutions may establish or acquire institutions in Korea and may choose whether to establish as a branch or subsidiary, with only limited exceptions.
- **TRANSPARENCY AND DUE PROCESS:** Locks-in a new Korean policy to provide administrative guidance in writing and calls on Korea to make over-arching improvements in its procedures for notice and comment on proposed regulations. Recognizes Korea’s agreement to establish a more flexible negative list-based regulatory regime that presumes an activity or service will be allowed unless explicitly prohibited.
- **REGIONAL INTEGRATION OF DATA PROCESSING:** Allows financial institutions to transfer data cross-border within 2 years, allowing regional integration of data processing.
- **LEVELING THE PLAYING FIELD:** Provides national treatment for U.S.-owned financial institutions. Includes significant requirements to achieve a level playing field between government-owned Korea Post and sectoral cooperative insurance suppliers and the private sector.
- **INSURANCE REGULATORY REFORM INITIATIVES:** Confirms several voluntary liberalization measures, including an increase in the allowance of foreign currency reserves and positive reform regarding bank distribution of insurance products.
- **CROSS-BORDER SUPPLY OF FINANCIAL SERVICES:** Provides for the cross-border supply of certain financial services, including the right to provide portfolio management services to Korean investment funds.
- **FINANCIAL SERVICES COMMITTEE AND INSURANCE WORKING GROUP:** Affords the United States an ongoing opportunity to address any issue of concern to financial services institutions and specifically to review future developments in the insurance sector on an ongoing basis, taking into account changes in the marketplace and in competitive conditions affecting the sector.
- **RATIONALIZING FUNCTIONS AMONG AFFILIATES:** Assures U.S. financial institutions in Korea greater rights to delegate certain functions to affiliates both inside and outside of Korea.
- **INVESTMENT PROTECTIONS:** Establishes a stable legal framework for U.S. financial services suppliers operating in Korea with strong investor protections backed by a binding international arbitration mechanism