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ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN KOREA

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1. Changes to Competition Laws and Policies, Proposed or Adopted

1. Since the inauguration of the new administration in 2013, many of the legislations relating to economic democratization, one of the major policy objectives of the new administration have been completed and come into force. Building on the work, in 2015, the Korea Fair Trade Commission (hereinafter “KFTC”) channelled its resources into supporting the successful implementation of the legislations at the market. And the KFTC promoted policy improvement to establish fair competition in the ever-changing marketplace and to make law enforcement more rational and trustworthy.

1.1. Summary of Changes in Provisions of Competition law

2. In 2015, the 「Monopoly Regulation and Fair Trade Act」 (hereinafter “MRFTA”) went through two rounds of amendment. With the first round of amendment on Jan. 2015, in regards to the Informant Reward Program, the KFTC has established an applicable provision for the restitution of reward received by fraudulent means. The provision on the extension of deadlines for payment of penalty surcharges and payment in instalments was improved. And with the second round of amendment on July 2015, the provision on standing commissioners was amended.

3. The Enforcement Decree of Monopoly Regulation and Fair Trade Act (hereinafter “Enforcement Decree of MRFTA”) was amended and implemented on March 2016. The amendment includes the changes in the rates of the additional penalty surcharge and the payment for refund of penalty surcharges, detailed grounds for the extension of deadlines for payment of penalty surcharges and payment in instalments.

1.2. Details of Amended Provisions and Guidelines

1.2.1. Amendment of the MRFTA and its Enforcement Decree

1.2.1.1 Major Amendments¹ of the MRFTA (enforced in Jan. 24, 2015)

- Establishment of an Applicable Provision for the Restitution of Reward

4. Where any of the following facts is found after the KFTC has paid a reward, it shall retribute the reward: (Article 64-3 of MRFTA, newly inserted)

5. Where the recipient has received the reward by fraudulent means, such as collecting evidence by unlawful or unfair means, filing a false report or statement, or forging evidence;

6. Where the recipient has received a reward, etc. pursuant to other Act for an identical cause;

7. Where a reward has been erroneously paid by mistake or by any other reason.

- Revocation of the Decision on the Extension of Deadlines for Payment of Penalty Surcharges and Payment in Instalments

8. Where it is deemed possible for a person liable to pay surcharges in lump sum because a ground provided has ceased, the KFTC may revoke the decision on the extension of deadlines for payment of penalty surcharges and payment in instalments. (Article 55-4 of MRFTA, amended)

¹ Act No. 13071, Promulgated in Jan. 20, 2015, Enforced in Jan. 20, 2015

1.2.1.2 Major Amendments² of the Enforcement Decree of MRFTA (enforced in March 8, 2016)

- Changes in the Rates of the Additional Penalty Surcharge and the Payment for Refund of Penalty Surcharges

9. Reflecting the reduction of banks' overdue interest rate, the rate of the penalty surcharge in arrears is lowered. And to reflect the trend of market rates, the rate of the payment for refund of penalty surcharges, which was previously fixed, is now designed to reflect the rate of additional payments on national tax refunds which is stipulated in the Enforcement Decree of the Framework Act on National Taxes. (Article 64-5 of Enforcement Decree of MRFTA, amended)

- Establishment of Detailed Grounds for the Extension of Deadlines for Payment of Penalty Surcharges and Payment in Instalments

10. The KFTC may extend a deadline for payment of penalty surcharges or allow the person liable to pay the surcharges in instalments when lump sum payment of penalty surcharges is likely to bring substantial financial difficulties (Article 55-4 paragraph (1) subparagraph (3) of MRFTA). The following requirements should be satisfied for the extension and they are newly inserted to specify the standard of extension decision.

- Whether a full year net loss was reported for three years consecutively immediately preceding the time of the application for the extension of deadlines and payment in instalments.
- Whether the value of liabilities is twice as greater than that of the stockholder's equity. (Article 64 paragraph (4) of Enforcement Decree of MRFTA, newly inserted)

1.2.2. *Enactment and Amendment of the Announcements and Guidelines related to the MRFTA*

11. In addition to the amendment of MRFTA and its Enforcement Decree, the KFTC enacted or amended its announcement and guidelines. In particular, the KFTC promoted the enactment of guidelines for resolution disclosure and the amendment of guidelines for case handling procedure to enhance transparency and rationality of case handling and resolution processes.

1.2.2.1 Enactment of the Guidelines for KFTC's Resolution Disclosure (March 2, 2015)

12. The guidelines were enacted to establish provisions necessary for Article 43 paragraph (1) of MRFTA³, on the "disclosure of resolutions". The followings are the major contents of the guidelines. First, in regards to the disclosure of resolutions, 1) When notifying the investigated (including the demurrer concerned) of resolutions, the investigated should be given the opportunity to submit his or her opinion on the disclosure within two weeks (maximum of four weeks) of the notification; 2) From the date on which the investigated submitted his or her opinion on the disclosure, the decision on whether to disclose and the extent of the disclosure shall be made within two weeks (maximum four weeks), giving due consideration to the opinion. At the same time, resolution documents reflecting the decision shall be posted on the website of KFTC. Secondly, in regards to the protection of personal information, to protect "personal

² Presidential Decree No. 27034, Promulgated in March 8, 2015, Enforced in March 8, 2015

³ Article 43 of MRFTA (Disclosure of Trial and Resolutions and Confidentiality of Agreement) 1) The hearings and resolutions by the Fair Trade Commission shall be disclosed: Provided, that this shall not apply where the Fair Trade Commission deems it necessary to protect trade secrets of an enterpriser or enterprisers' organization.

information” provided in Article 2 paragraph (1) of Personal Information Protection Act, a natural person shall be represented in fictitious name instead of his or her real name.

1.2.2.2 Amendment of M&A Review Guidelines (Jun. 30, 2015)

13. When the M&A cases that are judged not to restrain competition in the voluntary M&A preliminary review⁴ are officially notified to the KFTC, the cases are subjected to a simplified review⁵ and the review period is reduced from previous 30 days to 15 days. Provided, that if important changes such as shifts in market take place, the review period can extend to previous 30 days (if necessary, extended to 90 days and not more)

1.2.2.3 Amendment of Rules on the KFTC’s Committee Operation and Case Handling Procedure, etc. (Sept. 30, 2015)

14. The purpose of the amendment is to adopt new case handling procedures and to improve swiftness and efficiency of case handling while enhancing transparency and fairness in case handling.

15. The followings are the main contents of amendment. 1) For the efficient operation of deliberation, the deliberation renewal system was implemented. In a case where a commissioner was replaced during a deliberation, the system allows the replacing commissioner to check previous deliberation information and its progress so that he or she can make a deliberation. 2) Open Guidelines on Warnings are newly inserted. With the new guidelines, warning measures decided by the KFTC as a meeting body should be disclosed in the resolution documents on warnings. To support the new guidelines, an applicable provision for the writing of resolution documents on warnings was newly inserted to the Rules on the KFTC’s Case Handling Procedure. In addition to the above changes, case handling procedure relevant provisions were restructured and operational problems were remedied.

1.2.2.4 Amendment of Announcement on Detailed Standards, Etc. for the Imposition of Surcharge (Oct. 7, 2015)

16. The purpose of the amendment is to resolve the problem in regards to the excessive increase in the standard amount of surcharge calculation. When it comes to the surcharge calculation of bid rigging cases, as the number of false bidders goes up, the total amount of surcharge calculation continues to increase which results in the excessive increase problem.

17. The followings are the main contents of amendment. First, when calculating the surcharges to be imposed on a bid rigging case, if the number of false bidders is less than four, the standard amount of surcharge calculation can be reduced within the range of 1/2 of contract amount (or successful bid amount), if the number of false bidders is more than five, the standard amount of surcharge calculation can be reduced within the range of $(N-2)/N^6$ of contract amount

⁴ A system in which a corporation voluntarily apply for the review on its M&A case prior to the M&A notification period (prior to contract signing, etc.), receiving the KFTC’s decision whether the proposed M&A will restrain competition or not.

⁵ It is a M&A case that is deemed not to have anti-competitive effect and for such case the KFTC sends the review outcome within 15 days

⁶ N is the number of false bidders.

Table 1 Comparison between previous announcement of surcharge and amended announcement of surcharge

Previous announcement of surcharge	Amended announcement of surcharge	
Reduction within the range of 1/2 of contract amount	Less than 4 false bidders	Reduction within the range of 1/2 of contract amount
	More than 5 false bidders	Reduction within the range of (N-2)/N of contract amount (N is the number of false bidders)

18. When making final decisions on surcharges to be imposed, the “impact that the violations have on the market”, and the “amount of gain made from the violations” are considered. To evaluate the two factors, previously the “market share of individual violators”, “price increase factors and the extent of the increase” and the “backgrounds of violations” were considered. With the amendment, the “actual level of wrongful gain acquired” is added to the list.

1.2.3. *Enactment and Amendment of Other Laws and Regulations*

19. Enactment of Fair Transactions in Agency Business Act and Amendment of Framework Act on Consumers and Enforcement Decree of it, Consumer Cooperatives Act, Act on the Consumer Protection in Electronic Commerce, Etc. and Enforcement Decree of it, Act on Door-to-Door Sales, Etc. and Enforcement Decree of it, Instalment Transactions Act and Enforcement Decree of it, Fair Transactions in Franchise Business Act, Fair Transactions in Subcontracting Act and Enforcement Decree of it, Act on Fair Transactions in Large Franchise and Retail Business took place. Details of the amendments are available on the English website of the KFTC (<http://eng.ftc.go.kr>).

2. **Enforcement of Competition Laws and Policies**

2.1. ***KFTC’s Case Handling Performance and Statistics on Litigation***

2.1.1. *Case Handling Performance*

20. The number of cases handled by the KFTC in 2015 was 4,367 in total, a 7% increase compared to that of 2014 which was 4,079 cases. Among them, 2,661 cases were resolved through voluntary correction of violations or sanctioned by measures of or tougher than warnings, a 9.2% increase from 2,435 cases in 2014. Meanwhile, the number of cases referred for prosecution was 56, decreased by 9.6% compared to 62 in 2014 and the ratio cases referred for prosecution compared with surcharges imposed is 27.7%.

21. In 2015, the number of cases on which surcharges were levied was 202 cases, up 78.7% from 113 cases in 2014, but the amount of surcharges imposed⁷ in 2015 was 588.9 billion won, a 26.7% drop from 804.3 billion won in 2014. Major cases with significant amount of surcharges imposed⁸ include the bid rigging case where 23 construction companies rigged the bids for Korea Gas Corporations’ main pipelines

⁷ The surcharges reflect the exempted surcharges of self-reporting parties.

⁸ The surcharges of each case do not reflect the exempted surcharges of self-reporting parties.

and terminals for natural gas (169 billion won imposed), the bid rigging case of 11 compound feed manufacturers (77.3 billion won), the bid rigging case of two industrial gunpowder manufacturers (75.5 billion won) and the bid rigging case of seven ball bearing manufacturers (62 billion won).

Table 2 Record of case handling by the KFTC

(Unit : case)

Year / Type	'81~ '02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15
Referral for Prosecution (surcharges imposed on)	249 (21)	18 (4)	22 (2)	12 (2)	47 (3)	48 (11)	33 (9)	43 (8)	19 (3)	38 (22)	44 (7)	63 (17)	62 (45)	56 (22)
Corrective order (surcharges imposed on)	4,540 (555)	449 (33)	478 (89)	756 (272)	644 (154)	928 (315)	737 (132)	486 (70)	277 (63)	370 (134)	388 (76)	314 (73)	252 (68)	450 (180)
Corrective recommenda- tions (correction request)	1,681 (43)	104 (2)	101 (1)	163 (-)	179 (1)	124 (-)	77 (1)	85 (-)	66 (-)	62 (-)	51 (-)	46 (-)	27 (-)	44 (1)
Warnings etc.	10,779	2,132	2,388	2,419	2,516	2,124	2,336	2,589	1,763	1,842	2,036	1,750	2,079	2,111
Others	5,285	836	957	949	1,051	1,256	1,373	1,461	1,513	1,567	1,885	1,263	1,644	1,706
Total	22,534	3,539	3,946	4,299	4,437	4,480	4,556	4,664	3,638	3,879	4,404	3,434	4,064	4,367

1: Self-correction (in the case of Act on Regulation of Terms and Conditions violation, the review process shall be terminated and it other cases, warnings shall be given), Included mediation cases and cases that fines were imposed. Provided, that the record of self-correction cases is categorised since 2008.

2: Freedom from suspicion, case handling process terminated, and redetermination of surcharge etc.

2.1.2. Statistics on Litigation

22. In 2015, the KFTC issued 510 remedies in total and among them the number of cases appealed by businesses protesting the KFTC's decisions was 91 in total and the rate of appeal was 17.8%.

Table 3 Number of corrective measures or cases against which appeals were filed in recent 5 years

(Unit : case, %)

Category	2011	2012	2013	2014	2015
Number of corrective measures imposed	458	452	382	348	511
Number of cases against which appeals were filed	56	60	46	73	91
Rate of appeal	12.2	13.3	12.0	21.0	17.8

2.1.3. Statistics on Countermeasures Imposed

23. The following is the cases where the KFTC took countermeasures tougher than warnings in 2015, sorted out by types.

Table 4 Cases handled by the KFTC (tougher than warning)

Classification		2013	2014	2015	YOY increase or decrease
M R F T A	Abuse of market dominance	0	0	5	500.0
	M&A	21	39	24	△38.5
	Economic power concentration	45	63	97	54.0
	Cartel	46	76	88	15.8
	Prohibited act of enterprisers organization	63	57	63	10.5
	Unfair business practice	180	122	103	△15.6
	Subtotal	355	357	380	6.4
Fair Subcontract Transactions Act		1,084	911	1358	49.1
Fair Franchise Transactions Act		73	70	121	72.9
Fair Transaction Act in a Large-scale Retail Sector		1	6	15	150.0
Consumer Protection Act (Act on Labeling and Advertising, Act on Terms and Conditions, Act on Electronic Commerce, Act on Door-to-Door Sales, Act on Installment Transaction, etc.)		658	1090	783	△28.2
Etc. (failing to submit data, denial of investigation, etc.)		2	1	4	300.0
Total (Including the violation of Consumer Protection Act)		2,171	2,435	2661	9.3

2.2. Cartel

2.2.1. Overview

24. In 2015, the KFTC detected and sanctioned cartels that are closed related to people's lives, bid riggings in the public sector and international cartels that affect the domestic market to root out cartels that threaten the market and economic order.

25. In 2015, the KFTC strengthened its monitoring against cartels in areas that are closely related to people's lives such as portable butane gas cartridges, compound feed and bid rigging in the public sector that includes the construction of natural gas terminals and pipelines, the tenders by the Korea Rail Network Authority for the supply of electric wires and the construction of Mt. Bohyun multipurpose dam. As a result of such effort, the KFTC detected 88 cartel cases and 70 of them were subjected to corrective measures. For 63 out of the 70 cases, total 504.919 billion won of surcharges was imposed. Moreover, the KFTC detected and took countermeasures against international cartels including the cartels of Japanese and German corporations in regards to bearings which are essential industrial parts used in automobile, steel and electronics.

26. Meanwhile, the KFTC is investing efforts to raise awareness of cartel, thereby preventing cartel activities. For example, the KFTC hosts a cartel workshop and introduces domestic and international cartel law enforcement trend to corporations, enterprise groups and law firms.

Table 5 Corrective Measures Classified by Type of Corrective Measures against Cartel Activities

(Warnings or tougher measures, Unit: case)

Classification	Referral for Prosecution	¹⁾	Corrective	²⁾	Warning, Voluntary Correction	Total
		Surcharge		Order ²⁾		
2015	9	9	61	54	18	88
Ratio	10.2%	-	69.3%	-	20.5%	100%

1. It refers to cases where referral to the prosecution was pursued as a representative counteraction, and includes all the following cases where the counteractions included: (1) referral to the prosecution only; (2) both referral and issuance of a corrective order; and (3) the referral, issuance of a corrective order, and imposition of surcharge.

2. It refers to cases where the issuance of a corrective order was pursued as a representative counteraction, and includes both of the following: (1) the issuance of remedies only; and (2) both the issuance of remedies and imposition of surcharges.

2.2.2. Major Cases in 2015

2.2.2.1 Bid Rigging of Industrial Gunpowder (Jan. 2015)

27. Two industrial gunpowder manufacturers were found to have colluded on the price of domestic industrial gunpowder and allocated shares and interfered the market entry of new enterprisers from 1999. The KFTC levied corrective orders and surcharges of 64.38 billion won on the two manufacturers.

2.2.2.2 Bid Rigging of Compound Feed (July, 2015)

28. 11 major local compound feed manufacturers were found to have decided on the level of average price increase and decrease of the compound feed for livestock including pig, chicken and cow and when to apply such changes to the market between Oct. 2006 and Nov. 2010 in sixteen separate occasions. The KFTC levied corrective orders and surcharges of 77.334 billion won.

2.2.2.3 Bid Rigging of Portable Butane Gas Cartridges (May, 2015)

29. Six portable butane gas cartridge manufacturers were found to have decided on the average factory price increase and decrease of the product between 2007 and 2012 for five years in nine separate

occasions. In addition to corrective orders and surcharges of 30.892 billion won, for the four out of six manufacturers, the KFTC decided to refer their corporations and the representatives of corporations to the Prosecutor's Office.

2.2.2.4 Bid Rigging of Automobile Bearings, International Cartel (April, 2015)

30. Two foreign bearing manufacturers were found to have decided on the price level for the automobile bearing supply from 2001 to 2008. The KFTC levied corrective orders and total surcharges of 7.5 billion won.

2.3. M&A

2.3.1. Overview

31. The total number of M&As made in 2015 was 669 increased by 98 cases, a 17.2% jump compared to that of 2014 (571 cases). The total worth has increased by 171.6 trillion one to 381.9 trillion won, an 81.6% jump compared to 210.3 trillion won in 2014.

Table 6 Number of recent M&A reviews and amount of M&As

(Unit: case, trillion won)

	2011	2012	2013	2014	2015
Number of examinations	543	651	585	571	669
Amount of M&As	140.2	150.5	165.2	210.3	381.9

32. Meanwhile, 16 M&As failed to comply with the M&A notification rule (fail to meet the notification deadline or fail to notify the M&A to the KFTC), so the KFTC imposed fines of 336.6 million won in total against them.

Table 7 Fines imposed against failure to notify M&As to the KFTC

(Unit: case, million won)

	2012	2013	2014	2015
Number of failure	34	16	38	16
Fines imposed	317.1	277	570	336.6

2.3.2. Major cases in 2015

- Consent Decree Case on Microsoft's Acquisition of the Mobilephone Business of Nokia (Aug. 2015)

33. Microsoft signed an acquisition deal with Nokia to buy Nokia's Mobilephone business in Sep. 1st, 2013 and notified the deal to the KFTC. Microsoft holds a considerable number of SEPs and core non-SEPs that there were possibilities of Microsoft's abuse of patent rights after the acquisition. And the company signed a Business Collaboration Agreement with a specific smartphone maker which could serve as a ground for operational information exchange between rival companies, thereby limiting competition in

the market. In response to the concerns, the KFTC sent in May 2, 2014 the Examination Report to Microsoft which includes the examiner's corrective measures.

34. And in Aug. 27, 2014, Microsoft applied for the consent decree system⁹ which could relieve the concerns of competition restriction, so the KFTC initiated the consent decree procedure in Feb. 4, 2015 and finalized the consent decree in Aug. 19, 2015. Microsoft will comply with the stipulated corrective measures for next seven years.

Table 8 Correction measures of Microsoft's consent decree

Standard Essential Patent	<ul style="list-style-type: none"> . Committed to the FRAND Obligation . Prohibited from filing sales and import prohibition lawsuits against domestic smartphone and tablet makers
Non-Standard Essential Patent	<ul style="list-style-type: none"> . Keeping the royalty on patent below current level . Prohibited from transferring for 5 years . Prohibited from filing sales and import prohibition lawsuits against domestic smartphone and tablet makers
Business Collaboration Agreement (BCA)	<ul style="list-style-type: none"> . Requested to delete the provision on the exchange of sensitive operational information including on development of new product and marketing plans and prohibited from exchanging such operational information

- Merger between Applied Materials (AMAT) and Tokyo Electron (TEL) (April, 2015)

35. The world's first and third largest semiconductor equipment makers, AMAT and TEL signed a merger agreement and notified the deal to the KFTC in Nov. 15, 2013. The KFTC found there are high possibilities that competition might be restricted post-merger as a price increase of semiconductor equipment or discontinuation of repair service can take place in the equipment market depending on the manufacture processing. In response to the concerns, the KFTC sent in the Examination Report that requires the parties to sell the overlapping businesses to a third party and the parties withdrew the merger decision and the review process halted.

⁹ A system which an enterpriser voluntarily proposes reasonable correction measures including recovery and consumer damage relief and the KFTC takes the opinions of stakeholders and when the proposed measures are deemed reasonable, terminating the case without settling the illegality of it. (Proceedings) Application of an enterpriser → deciding whether to commence consent decree → establishing a provisional document on consent decree → taking opinions of stakeholders → finalizing the document on consent decree

2.4 Unfair Business Practices (including the abuse of market dominant position)

2.4.1 Overview

36. In 2015, the KFTC detected and sanctioned public enterprises' unfair assistance and unfair business practices abusing their business positions. The efforts of the KFTC have facilitated fair and free competition and enhanced customer welfare.

37. In 2015, the KFTC handled 505 cases related to unfair business practices which are 50.3% of 1,004 cases handled by the KFTC under its competition law. Most of the handled cases fall under following categories. The number of cases related to the abuse of business position is 247, which takes up 48.9% and related to the refusal to trade is 55, taking up 10.9% and related to unfair inducing is 51, taking up 10.1%.

Table 9 Case handling by types of unfair business practices

(Unit: case)

Year	Refusal to trade	Discriminative dealing	Exclusion of competitors	Unfair inducing	Unfair transaction coercion	Abuse of business position	Exclusive dealing	Obstruction of business activities	Unfair assistance	RPM	Etc.
2011	35	5	8	182	24	282	8	31	8	9	8
2012	31	4	9	518	17	188	19	26	9	8	10
2013	19	3	1	191	11	119	6	16	9	4	2
2014	46	16	6	98	28	219	10	28	8	11	8
2015	55	10	8	51	38	247	15	37	25	6	13

2.4.2 Major Cases in 2015

- Nongshim's Abuse of Business Position Case (March, 2015)

38. The KFTC detected the unfair practices of Nongshim which abused its business position. The large food retailer was found to have withdrawn sales promotion subsidies from poorly performing special branches when they do not meet the sales quota or changed the subsidy payment standard to be disadvantageous to the special branches. The KFTC imposed a corrective order and surcharge of 500 million won.

- Korea Rail Network Authority's Abuse of Business Position Case (June, 2015)

39. Building on the work in 2014, the KFTC has channelled its effort to detect and correct unfair business practices of large public enterprises that have a big economic and social influence. In 2015, the Korea Rail Network Authority was found to have excessively reduced construction payment and put transaction parties in disadvantageous position by abusing its business position. The KFTC imposed a corrective order and surcharge of 732 million won.

- Dolby¹⁰, Abuse of Business Position Case (Aug. 2015)

40. The KFTC imposed a corrective order against Dolby, a holder of international standard technologies on sound for abusing business position by 1) prohibiting licensees from challenging the

¹⁰ It refers to Dolby Laboratories Licensing Corporation and Dolby International AB which possess the licensing authority over patented technologies.

validity of any Dolby patents, 2) using transacting terms that permit termination of the licensing agreement based merely on concerns over possible infringement of Dolby' intellectual property, 3) using contractual terms that restrict the disposal and exercise rights, use inventions acquired by the licensee and prohibiting licensees from giving a third party the permission to use. The KFTC determined that Dolby has set unfair transacting terms against domestic enterprisers.

3. The Role of Competition Authorities in the Formation and Implementation of Other Policies

3.1. Overview

41. In order to make a competitive market economy take root, the KFTC has put in continuous efforts to reform anti-competitive regulations. This role can be classified into an activity of preventing a new implementation of anti-competitive regulations and an activity of taking subsequent measures to improve existing regulations.

3.2. Prior Consultation and Review on Anti-competitive Legislation

42. The grounds for the prior legislative consultation can be found in Article 63 paragraph (1) of MRFTA and the Guidelines for Review of Anti-competitive Factors in accordance to Decree on Article 63 of MRFTA.

43. In the process of prior consultation on legislations and measures to be taken, the KFTC reviews whether the legislations and measures go against the MRFTA and other KFTC's decree and whether the legislations and measures contain anti-competitive aspects such as decision on price and transaction terms or restriction on business activities or unfair concerted acts. After reviewing the above comprehensively, the KFTC provides its comments to the relevant administrative agencies.

44. In 2015, the number of legislations and administrative rules reviewed by the KFTC on their anti-competitive aspects amounts to 2,843. Out of the total cases, 1,444 cases were government bills and administrative rules and 1,399 of them were assembly member legislations. The number of annually reviewed cases for last five years has recorded a steady increase until 2014, but it dropped slightly in 2015 as the number of government bills and assembly member legislations have decreased all together. Therefore, the number was reduced by about 19% year on year.

45. In 2015, for a year, the KFTC provided its comments on 14 regulations that it deemed anti-competitive out of 1,444 government bills under the consultation process, and 11 bills, 78.6% of commented cases, reflected the comments. In case of assembly member legislations, in 2015, for a year, the KFTC provided its comments on 31 legislations that it deemed anti-competitive out of 1,399 assembly member legislations.

3.3. Ex Post Reform on Anti-competitive Regulations

46. The KFTC has improved entry regulations since 2009 under the recognition that in order for the Korean economy to become an advanced market economy, conversion into a competition-friendly market structure by addressing anti-competitive regulations is urgently needed.

47. After hearing from experts and conducting its market analysis, the KFTC selected project plans for improvement and requested professional research institutions to conduct research on the proposed plans. In addition to such effort, the KFTC is working to devise improvement measures by organizing venues for open discussion and business meetings to take the opinions of stakeholders, listening to the

relevant Ministries and going through the coordination process from the Office for Government Policy Coordination.

48. In 2015, the KFTC promoted reforms aiming to address unreasonable entry restriction, the regulations that excessively restrict business activities, the regulations that undermine the welfare of Korean people and monopoly in the public sector. In particular, the KFTC devised improvement measures for 18 project plans.

49. The major regulatory reforms include improvements in the hot springs resort registration standard and lifting restrictions on meat distribution and on opening a local market in a parking lot.

3.3.1 Improvements in the Hot Springs Resort Registration Standard

50. According to the old registration standard, a hot springs resort is required to have public spa facilities, an indoor swimming pool and obtain the permission of use for hot water. The swimming pool requirement which is not in direct relation to the operation of hot springs resort worked as an entry barrier for small enterprisers.

51. To address such problem, the KFTC proposed a plan for improvement that abolishes the swimming pool requirement from the registration standard. The abolishment is expected to diversify hot springs resort businesses as it will allow new enterprisers to enter the market.

3.3.2 Removing Restriction on Meat Distribution

52. According to the old regulation, only meat cuts that are specified in the announcement¹¹ were allowed to be sold, when a piece of meat includes more than one type of cut, all cut names were required to be listed in order of their portion and the use of new cut names was limited. As a result, the development of new meat cuts was limited and consumers had to purchase imported meat when they wish to buy meat cuts that are not specified in the announcement.

53. To address such problems, the KFTC proposed a plan for improvement that meat sales business operators can use new cut names for mixed cuts or new cuts other than the cuts specified in the announcement and distribute them to the market. The improvement is expected to facilitate competition and offer more options for consumers as new cuts including T-bone, L-bone and etc. that were previously restricted can be sold which in turn will make meat sales business operators more competitive.

3.3.3 Removing Restriction on Opening a Local Market in a Parking Area

54. According to the old regulation, parking areas cannot be used for purposes other than parking vehicles and all the temporary local markets opened in parking lots were deemed illegal.

55. To address such problem, the KFTC proposed a plan for improvement that allows the opening of a local market in parking areas and temporary use of the place when certain conditions such as the permission of the chief executive of the responsible local government are met. The improvement is expected to expand sales channels of farmers and fishermen and enhance welfare of consumers as it can promote and grow local markets.

¹¹ 10 large cuts for beef and 7 large cuts for pork

3.4. Competition Assessment

56. Competition Assessment aims to find out alternatives that can efficiently accomplish the regulatory goals while minimizing the regulations' adverse impact on competition, by analyzing and evaluating the impact of newly adopted or strengthened regulations by the government.

57. In 2007 the OECD announced the Competition Assessment Toolkit and since then the KFTC has used the toolkit as a reference when preparing its own methods for competition assessment fit to situations in Korea. And at the same time, under the revised "Guidelines on regulation impact assessment documents" of the Office of the Government Policy Coordination, it was made into system that the KFTC, with experience and expertise in reviewing anti-competitive regulations, should conduct competition assessment on newly created or reinforced regulations by government agencies starting from 2009.

58. In 2015, the KFTC has reviewed a total of 288 enactment and amendment bills (590 regulations) and proposed its opinion that 16 regulations were anti-competitive. Ten out of the 16 regulations were withdrawn or improved in the course of the Regulatory Reform Committee's evaluation or re-review process by the competent authorities. (Reflection rate of the KFTC's comment was 62.5%)

59. The followings are the major competition assessment cases in 2015. The amendment bill of Broadcast Act included a regulation which restricts the bundling (bundling of television services and telecommunication services) of pay television business operators, deeming it to be unfair business practices (free gift or tying). The KFTC proposed its comments that the regulation can restrict free business activities of operators, in turn, undermine competition in the broadcast communications market and welfare of consumers. Reflecting the KFTC's comments, the regulation was withdrawn.

60. Moreover, the amendment bill of the Enforcement Rule of Passenger Transport Service Act included a regulation which allows the registration of operators in special passenger transport business that possess more vehicles than a certain number specified in the regulation. The KFTC proposed its comments that the regulation can restrict market entry of new operations (particularly small-sized operators that possess one or two vehicles) and their capability to compete. Reflecting the KFTC's comments, the regulation was partially withdrawn.

4. Resources of Competition Authorities

4.1. Organization and Number of Employees

61. As of Dec. 2015, the KFTC has one main office, 5 regional offices and 530 staff members.

62. The KFTC has 40 lawyers¹², 103 economists¹³. 25 staff are designated to the M&A and market structure cases (Director General for Market Structure Policy), 78¹⁴ to cartel cases, 112 to the abuse of market dominance and unfair practice cases (Anti-monopoly Division, Planning and Coordination Division and Competition Division of Regional Offices), 93¹⁵ to subcontract cases and 46¹⁶ to competition advocacy cases.

¹² The number includes both groups of attorney license holders who can practice law in the U.S. or in Korea.

¹³ The number includes the people who completed the undergraduate, master and Phd programs in economics.

¹⁴ Cartel Investigation Division + Regional Competition Office

¹⁵ Business Trade Policy Division + Regional Subcontracting Office

4.2. Annual budget

63. Estimated expenditure under the jurisdiction of the KFTC in the fiscal year 2015 was 104 billion won.

Table 10 Current state of affairs concerning KFTC staff and its budget

	Staff	Budget(USD)
2015	530	104 bn won (95M)
2014	527	84.6 bn won(77M)
2013	529	93.3 bn won (85M)
2012	519	84.6 bn won (77M)
2011	514	78.8 bn won (72M)

5. Summary of New Reports and Studies on Competition Policy Issues

64. Starting from 2008, the KFTC has conducted market studies on 2 to 3 markets each year. Market Study refers to a study on an industrial area where the market principle does not work, aiming at searching for the reasons and coming up with solutions. The KFTC conducts its market study through outside experts. In 2015, the KFTC selected two industries, aluminum hydroxide and school uniform, and carried out a market study on the industries and proposed improvement measures.

Table 11 Subjects of market study

Year	Subject of market study
2008	Air transport, internet portal markets
2009	Non-life insurance, movie, petroleum, pharmaceutical, gas markets
2010	Liquor market
2011	Cosmetics market
2012	Online education service, digital music, subscription-based multichannel video distribution markets
2013	Insurance, advertisement markets
2014	Gas, car rental markets
2015	Aluminum hydroxide and school uniform markets

¹⁶ Market Structure (9) + Regulatory Improvement (5) + Creative Administration (11) + Competition Policy (12) + Spokesperson (9)