



Exploring the Local Agent Designation System: Impact and Implications

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On March 13, 2024, the Korea Fair Trade Commission (KFTC), in collaboration with other relevant government departments, announced a new consumer protection initiative targeted at online marketplaces. This initiative, introduced as part of a Proposed Amendment to the Act on Consumer Protection in Electronic Commerce (the "E-Commerce Act"), mandates overseas e-commerce entities of a certain size to designate their local agents. These local agents will play a crucial role in ensuring platform compliance with South Korean regulations and upholding consumer rights.

The decision to introduce the local agent designation system is a response to the escalating volume of transactions between international e-commerce platforms and Korean consumers. This surge has illuminated the challenges in effectively addressing consumer grievances and dispute resolution with overseas e-commerce operators, as well as complexities in submitting necessary materials and documents for thorough investigations. The local agent assumes a pivotal role in overseeing consumer complaint processing, initiating dispute resolutions, ensuring regulatory compliance through timely data submission, and facilitating effective communication with online sellers.

Designation and Disclosure Requirements

Overseas online sellers and intermediaries ("online sellers") that do not have an address or business place in Korea and meet certain criteria set by presidential decree, such as Korean sales revenue and user count, are required to designate a local agent in writing and submit it to the KFTC. Once designated, the details of designated local agents, including their name, address, phone number, and email address, must be disclosed on the internet.

Criteria for Local Agents

Local agents must have a physical address or business place within South Korea. If overseas online sellers have a local

entity that they themselves established or have controlling influence over, that local entity must be their local agent.

Consequences of Non-Compliance

Given various obligations that follow if overseas online sellers are subject to the local agent designation requirement, it is important for overseas online sellers to thoroughly review whether they are subject to the local agent designation requirement when the details become available.

If it is confirmed that a company is subject to the local agent designation requirement, it is also important to designate a “right” local agent. This is because if the company fails to designate a local agent or designates an agent that does not meet the criteria, the company may be subject to administrative fines of up to KRW 10 million.

The designation itself does not relieve overseas online sellers from other obligations. An administrative fine of up to KRW 10 million may be imposed for failing to disclose information about the local agent or for not complying with the KFTC's requests for information to verify if the online sellers are subject to the local agent requirement. It is also essential for overseas online sellers to monitor and supervise whether local agents are fulfilling their obligations under the E-Commerce Act because, if local agents fail to fulfill their legal obligations, the respective overseas online sellers will be deemed to have violated the law, subjecting themselves to remedial orders and/or administrative fines.

Heightened Regulatory Scrutiny Likely Down the Road

As these amendments come in response to both media and legislative criticism regarding the inefficiencies of current regulations surrounding local agent designations in other laws, with the Amendment to the E-Commerce Act taking effect, we expect proactive measures from the KFTC, such as increased requests for information and inspections. Therefore, it is important for companies to closely monitor meaningful developments in this space and ensure their compliance.

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