

April 1, 2026

KFTC PROPOSES AMENDMENTS TO INCREASE FINES UNDER THE LABELING AND ADVERTISING ACT

On March 25, 2026, the Korea Fair Trade Commission (“**KFTC**”) announced proposed amendments to the Enforcement Decree of the Act on Fair Labeling and Advertising (“**Enforcement Decree**”) and, in parallel, issued an administrative notice of proposed amendments to the Guidelines on the Imposition of Fines for Violations of the Labeling and Advertising Act (“**Fine Guidelines**”).

These amendments follow the KFTC’s December 30, 2025 announcement outlining its broader plan to reform the existing fine regime. The key changes include lowering the threshold for higher fines in cases of repeat violations, raising the minimum base rates for fine calculations, and narrowing the availability of reductions. Overall, the proposed changes signal a clear shift toward stricter enforcement, with higher fine exposure at virtually every stage of the calculation process.

The legislative notice period for the Enforcement Decree amendments runs through May 4, 2026, and the administrative notice period for the Fine Guidelines amendments runs through April 14, 2026.

I. KEY AMENDMENTS

1. Fine Increases for Repeat Violations

Under the current framework, fines may be increased for repeat violations only where a company has committed at least two additional violations within the past three years and accumulated a violation score of three points or more, with the maximum increase capped at 50 percent.

The proposed amendments to the Enforcement Decree and Fine Guidelines extend the relevant look-back period from three to five years and significantly lower the threshold for applying such increases. As a result, even a single prior violation within the past five years may lead to an increase in fines of up to 50 percent.

In addition, the maximum level of increase will rise progressively with the number of violations. Where a company has committed four or more violations, fines may be increased by up to 100 percent.

Number of Violations	Current Maximum Increase	Proposed Maximum Increase
One prior violation	Not applicable	50%
Two prior violations	50%	75%
Three prior violations	50%	90%
Four or more prior violations	50%	100%

2. Refinement of Base Fine Rate Structure

The Fine Guidelines utilize certain base rates to calculate fines as a percentage of the relevant turnover, with the applicable rate determined by the severity of the violation. Under the current framework, violations are grouped into three categories based on severity: very serious, serious, and less serious violations.

The proposed amendments introduce a fourth category, allowing for a more calibrated assessment of misconduct. In particular, violations that were previously grouped within a single “less serious” band (0.1%–0.8%) will be split into two tiers, with revised ranges of (i) 0.1 percent to 1.0 percent and (ii) 1.0 percent to 1.5 percent.

In addition, the minimum base rate for “serious” violations will be raised significantly from 0.8 percent to 1.5 percent, contributing to an overall increase in applicable fine levels.

Severity of Violation	Current	Proposed
Very Serious	1.6% to 2.0%	1.8% to 2.0%
Serious	0.8% to 1.6%	1.5% to 1.8%
Less Serious	0.1% to 0.8%	1.0% to 1.5%
		0.1% to 1.0%

Separately, on December 30, 2025, the KFTC indicated that the current fine framework may not provide a sufficient deterrent, noting in particular that the statutory cap is relatively low compared to those in other jurisdictions such as the United States and the European Union. In light of these concerns, the KFTC is also considering raising the statutory cap on fines from the current 2 percent to 10 percent (for further details, please refer to our newsletter dated [January 2, 2026](#)).

3. Reduced Scope for Fine Reductions and New Grounds to Withdraw Reductions

Under the current framework, companies may receive up to a 20 percent reduction in fines for cooperation with the KFTC, with up to 10 percent granted at each of the investigation and deliberation stages. The proposed amendments tighten this standard by limiting such reductions to a maximum of 10 percent, and only where the company has cooperated with the KFTC throughout the entire process, from the investigation stage through deliberation.

The amendments also significantly reduce the level of reductions available for consumer redress, lowering the maximum reduction from 30 percent to 10 percent. In addition, the existing basis for reductions where a company has exercised due care, such as by seeking external review or legal advice on its business practices, will be removed.

Finally, the amendments introduce a new mechanism allowing the KFTC to withdraw previously granted reductions where a company later changes its position or statements during the course of litigation. This underscores the need for companies to take a more considered approach in formulating their responses and submissions from the outset of an investigation.

II. IMPLICATIONS

The current administration has consistently pursued stronger enforcement and higher penalties across competition laws enforced by the KFTC, including the labeling and advertising laws. The proposed amendments reflect this broader policy direction. The combined effect of higher base fine rates and expanded increases for repeat violations means materially higher fines than the past.

Companies should also take note of the areas that have recently been a focus of KFTC enforcement in the labeling and advertising space. Following the revision of the Guidelines on Environmental Claims, the KFTC has continued to strengthen its enforcement against greenwashing across industries. In addition, the KFTC completed a fact-finding study on so-called "AI washing" in 2025 and has indicated that it plans to introduce related guidelines in 2026. Ongoing monitoring also continues with respect to false or exaggerated claims regarding product performance or efficacy without objective substantiation, as well as the failure to clearly disclose economic interests in influencer marketing on social media.

Given the KFTC's heightened focus in these areas, companies should be aware that investigations are more likely to be initiated, and where violations are identified, the proposed framework will result in materially higher fines regardless of the industry or the company size.

In light of the overall increase in enforcement risk, it is becoming increasingly important for companies to establish and maintain robust compliance processes in the labeling and advertising space. Companies should consider (i) implementing a pre-review system for advertising content, (ii) maintaining supporting evidence for advertising/marketing claims in an organized and readily accessible manner, (iii) strengthening internal guidelines for influencer and third-party marketing, and (iv) introducing specific review processes for AI- and environment-related claims.

To this end, companies should ensure close coordination among relevant functions from the planning stage of advertising and marketing activities, while continually monitoring regulatory developments and promptly reflecting such changes in their internal policies and practices.

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