

May 25, 2016

Strict Enforcement of Annual Update Registration Deadlines

Since 2008 Korean franchise law has imposed registration and disclosure obligations on franchisors. In recent years this has seen a steady increase in the number of disclosure document registrations. The Korean Fair Trade Commission ("KFTC") therefore recently implemented a new policy to identify dormant disclosure documents. The KFTC will cancel disclosure document registration, at its discretion and without prior notice, if a franchisor fails to satisfy its annual update obligations by filing an update application within 120 days from the franchisor's fiscal year end. As an alternative to cancelling the disclosure document registration, KFTC may impose an administrative fine.

It is highly recommended that you are fully aware of the applicable deadline for filing your annual update application.

Immediate Termination Grounds

The Korean Franchise Act provides for ten permissible grounds for immediate termination. In 2015, there was a revision to one of these ten permissible grounds on immediate termination for dissemination of false information to the public or disclosure of confidential information by the franchisee (*Article 15(4) of the Enforcement Decree of the Franchise Act*). Each registered disclosure documents includes a relevant disclosure on the grounds for immediate termination.

Franchisors must therefore update the relevant sections of their registered disclosure document to reflect the current law. It is not necessary to amend existing franchise agreements to incorporate this revised ground for immediate termination. Any new franchise agreements entered into must, however, reflect the revised immediate termination provisions.

Your Key Contacts



Babette Märzheuser-Wood

Partner Head of Retail

Group, Managing Director

Franchise Advisory, London

D +44 20 3005 0375

M +44 7780 990750

babette.mwood@dentons.com

