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**Press release**

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## **The Media Representative Act passes the National Assembly, creating a new opportunity in the broadcasting advertising market**

### **- The Korea Communications Commission now taking follow-up measures according to plan -**

The proposal to enact the ‘Act on Media Representative, Etc.’ (hereinafter Media Representative Act) passed the Assembly plenary session today. This act intends to introduce competition into the terrestrial broadcasting advertising market and support small and medium-sized broadcasters.

After two years of exhaustive deliberation, the Constitutional Court of Korea finally declared in November 2008 that previous advertising practices and arrangements were unconstitutional. The Media Representative Act removes uncertainty over the constitutionality of the broadcasting advertising market and newly establishes basic order and laws for the broadcasting advertising market.

The immediate result is that the terrestrial broadcasting advertising market, which had been monopolized by KOBACO for the past 30

years, is now being transformed into an open and competitive system. It is expected that the broadcasting advertising market will be revitalized and that advertising sales support for small and medium-sized broadcasters, which used to be provided customarily, will now become institutionalized. Thus diversity of broadcasting can now be protected.

According to the purpose of the Media Representative Act, the Korea Communications Commission is now carrying out the following measures so that a competitive system can be promptly introduced to the terrestrial broadcasting advertising sales market, and small and medium-sized broadcasters receive effective support.

**① Enacting of subordinate statutes as soon as possible (Enforcement ordinances and notifications)**

First, KCC is planning to enact the ordinances and notifications that will stipulate matters necessary to enforce the Media Representative Act as soon as possible (3~5 months after proclamation of the Act). Details of the ordinances and notifications are the screening criteria and procedure for licensing of media representatives, details of prohibited practices, accounting standards of media representatives, and combination sales allocation standards for small and medium-sized broadcasters (see Attachment 2).

**② Establishment of the Korea Broadcast Advertising Promotion Corporation (new)**

Second, by the end of May KCC plans to establish the ‘Korea Broadcast Advertising Promotion Corporation,’ which will replace the existing KOBACO. The Korea Broadcast Advertising Promotion Corporation will

be in charge of the broadcasting advertising sales agency and broadcasting & communications advertising industry promotion\* pursuant to the Media Representative Act. The Korea Communications Commission is planning to improve the functions and organization of the new corporation in accordance with the new competitive environment and emerging “smart age” of advertising. To this end, KCC will promptly establish a committee to form a new corporation, consult with related agencies such as the Ministry of Strategy and Finance, select executives, and make sure everything goes as planned.

\* Promotion of the advertising production industry, standardization of advertising, measurement of advertising effects, building of an infrastructure for advertising distribution, and public service advertising, etc.

### **③ Licensing of private media representatives**

Third, KCC is planning to finalize the private media representative licensing screening procedure\*\* within 3 months after the Act is passed. The license screening will examine △ the ability to realize a broadcasting advertising plan, △ the appropriateness of support for small and medium-sized broadcasters (combination sales support, advertising sales distribution, etc.), △ the appropriateness of the management plan (organization, workforce management, etc.), and attach conditions to the licensing, i.e. support of small and medium-sized broadcasters and fair competition in the advertising market.

\*\* Enforcement of notifications, preparation of a license screening master plan, acceptance of license applications, composition of judges, license screening, and resolution of the Commission

### **④ Support for small and medium-sized broadcasters such as**

## **combination sales allocation notification, etc.**

Fourth, KCC will notify the combination sales allocation standard\*\*\* for small and medium-sized broadcasters when private representatives are licensed, review distribution rates per time, support plans for small and medium-sized broadcasters' own advertising sales support during the license screening, and impose licensing conditions if necessary. In addition, KCC will keep monitoring the industry so that the media representatives, acting as a proxy for terrestrial broadcasters according to the interim provisions of the Media Representative Act, will provide small and medium-sized broadcasters with support for advertising combined sales at the current level until being licensed, and have them submit their performance during the license screening of media representatives.

\*\*\* Main contents: which small and medium-sized broadcaster each media representative must support, size of allocation of combination sales for each small and medium-sized broadcaster, etc.

With the enactment of the Media Representative Act, the government is planning to take measures so that the domestic broadcasting advertising market can grow a step further, and the diversity of broadcasting can be protected at the same time.

Attachments:

1. Main schedule for follow-up measures of the Media Representative Act (draft)
2. Enactment of ordinances and notifications (draft)
3. Direction of KCC's support for small and medium-sized broadcasters (Report to the Commission on February 3, 2012)

**【Attachment 1】 Schedule for follow-up measures of the Media Representative Act (draft)**

Description	Schedule
Formation of a committee to establish a new corporation	End of February
Recruiting of executives for the new corporation	March
Establishment of the Korea Advertising Promotion Corporation (new)	End of May
Enactment of enforcement ordinances	End of May
Enactment of notifications	July
Announcement of the acceptance of media representative license applications	July
Media representative license screening and licensing	August

<Cf.> Enforcement ordinance and notification procedures

Enforcement ordinance procedure	Notification procedure
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Report to the committee</div> ↓	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Report to the committee</div> ↓
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Consult with relevant agencies and announce legislation</div> ↓	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Consult with relevant agencies and announce legislation</div> ↓
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Evaluate regulations</div> ↓	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Evaluate regulations</div> ↓
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">The committee votes</div> ↓	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">The committee votes</div> ↓
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Korean Ministry of Government Legislation deliberates</div> ↓	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Notify (publish in the official gazette)</div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Cabinet meeting of Vice-Ministers</div> ↓	
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">The President sanctions</div> ↓	
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Proclaim (publish in the official gazette)</div>	

## 【Attachment 2】 Enforcement ordinances and notifications (draft)

### Enforcement ordinances

Follow-up measures	Related laws
Exceptions to terrestrial broadcasters' mandatory broadcasting advertising sales agency consignment	5②
Detailed requirements and procedure for sales agent licensing	6④
Procedures for modified licensing of sales agents, etc.	8⑤
Procedures and standards for re-licensing or license cancellation of sales agents, etc.	10, 11
Scope of related parties with regard to restriction on ownership of sales agents	13②
Detailed types and standards of prohibited practices	15
Details of broadcasting advertising fees	16
Designation of sales agents for small and medium-sized terrestrial broadcasters	19
Details of the formation and operations of the committee for balanced development of broadcasting advertising	23⑧
Matters necessary for the registration of incorporation of the corporation	26④
Matters necessary for the business and supervision of the association	35③
Criteria for imposing fines on sales agents	38④
Criteria for imposing fines	44②

### Notifications

Follow-up measures	Related laws	Grounds for consignment
Detailed requirements and procedures for sales agent licensing	6④	Enforcement ordinance
Procedures for modified licensing of sales agents, etc.	8⑤	Enforcement ordinance
Procedures and standards for re-licensing or license cancellation of sales agents, etc.	10, 11	Enforcement ordinance
Scope of related parties with regard to restriction on ownership of sales agents	13②	Enforcement ordinance
Detailed types and standards of prohibited practices	15	Enforcement ordinance
Standards for sales agents' accounting	17	Law
The 5-year average proportion of combination sales for regional small & medium-sized terrestrial broadcasters	20	Law

Combination sales support by each regional small & medium-sized broadcaster for the support targets of each sales agent	20	Law
Details of the formation and operations of the committee on balanced development of broadcasting advertising	23	Enforcement ordinance

※ Matters, whose ground for consignment is the enforcement ordinance, are compared to similar provisions of the Broadcasting Act.

**【Attachment 3】 Direction of KCC’s support for small and medium-sized broadcasters (reported to KCC on February 3, 2012)**

o If the Act on Broadcasting Advertising Sales Agency, Etc. is passed, KCC will support small and medium-sized broadcasters as follows:

**① The time rate for regional network broadcasters is a licensing requirement and condition for media representatives.**

- KCC will evaluate the support plan based on the agreement between central and regional broadcasters when screening media representatives, and guarantee it by imposing licensing conditions.

**② Enactment of combination sales support notification for small and medium-sized broadcasters**

- KCC will notify the 5-year proportion of combination sales of small and medium-sized broadcasters, and give the scope of the combination sales support for small and medium-sized broadcasters to public and private media representatives.

**③ Support regional network broadcasters’ with selling their own advertising**

- When licensing media representatives, KCC will evaluate the sales support for regional broadcasters’ own advertising, and impose matters necessary for sales support of regional broadcasters’ own advertising, e.g. public and private media representatives’ establishment and operation of regional branches.

**④ Other policy support**

- Improve the system so that regional private broadcasters’ own

programming burden can be alleviated.

- ※ A law for changing the regulation restricting programming of received and relayed programs to the regulation of self-production was proposed and is now pending in the subcommittee.
  
- Broadcasters are already allowed to sponsor production so that small and medium-sized broadcasters can attract sponsorship for the programs they produced on their own (August 2011).
  
- Reducing the broadcasting & communications development fund in consideration of the management status of small & medium-sized broadcasters.