



Key Points and Implications of Comprehensive Measure to Strengthen Franchisee Rights

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On September 23, 2025, the Korea Fair Trade Commission (KFTC) held an on-site meeting with franchise industry stakeholders and announced the “Comprehensive Measures to Strengthen Franchisee Rights.” These measures aim to establish a virtuous cycle that protects franchisee rights throughout the entire business lifecycle from opening through operation to closure. The framework consists of three key stages: (i) **opening stage**: measures to strengthen startup stability; (ii) **operation stage**: measures to enhance franchisees’ bargaining power and strengthen law enforcement; and (iii) **closure (contract renewal) stage**: measures to guarantee autonomy in business closure for struggling franchisees.

In particular, KFTC Chairperson Ju Biung-Ghi, who began his term on September 16, 2025, has demonstrated a strong commitment to addressing wealth redistribution and power imbalance issues. In his inaugural address, he announced that his first priority as Chairperson would be to “strengthen the bargaining power of the economically vulnerable against economically powerful entities such as franchisors and ensure that the KFTC’s capabilities become a source of strength for the economically vulnerable.” Given this context, the KFTC is expected to actively pursue these comprehensive measures.

1. Key Contents of the Comprehensive Measures to Strengthen Franchisee Rights

A. Opening stage: Strengthening startup stability

The KFTC plans to strengthen the franchise disclosure document (FDD) system and franchisor-operated store requirements, enabling prospective franchisees to obtain comprehensive, reliable information in a timely manner and ensuring that only brands with proven business expertise can launch franchise operations.

Introducing the public disclosure system for FDDs

The review system for FDDs will transition from pre-review (registration system) to post-review (public disclosure

system), with strengthened sanctions for false disclosure through post-inspection. This will apply to revised FDDs submitted for review, with the existing registration system remaining in place for new registrations.

Reorganizing FDD framework and content

The FDD table of contents will be reorganized according to the franchise lifecycle (from opening through operation to closure), with content refocused on items critical for decision-making on whether to open a franchise store (purchase a franchise).

Proposed items to be added to FDDs and reasons for such addition

Items to be added	Reasons for addition
Franchisee cost payment information * Card acceptance availability, installment or credit payment options	Enables franchisees to plan financially for costs arising from long-term or recurring transactions
Information on franchisors owned by private equity funds (PEF) * Name of the PEF and its management company, ownership percentage, and date of acquiring the largest shareholder stake	Addresses concerns that PEFs may shift costs to franchisees for short-term profit realization
Information on long-term survival prospects * Number and proportion of long-operating franchisees, franchisee survival rate, and average business duration of closed franchisees	Provides prospective franchisees with key information for assessing the long-term viability of a franchise
Detailed information on partnership agreements (e.g., delivery apps, mobile gift certificates) * Contract duration, costs, partnership terms	Helps prevent liquidity crises by ensuring franchisees are not unexpectedly burdened by additional costs
Overseas expansion information * Countries of expansion, number of franchisor-operated and franchised stores abroad, year of first entry, and cities of operation	Demonstrates the brand’s competitiveness to prospective franchisees and motivates franchisors to expand overseas
Average business termination penalty information * Average financial burden of termination penalties upon early termination of franchise contracts	Helps prospective franchisees clearly understand the level of termination penalties

Source: KFTC’s press release

Expanding obligations to run franchisor-operated stores

Currently, franchisors must operate at least one directly-managed store in the same line of business for one or more years before registering an FDD (the “1+1 system”). This obligation currently applies only at the time of new registration,

but will be expanded to also apply when there is a change in business type.

Rationalizing the deliberation period system

Under the current system, franchisees are granted a 14-day deliberation period before signing the franchise agreement, which may be shortened to 7 days if they obtain advice from a professional (such as a lawyer or franchise trader). The revised system will limit this shortened period to cases where the professional advisor has no employment relationship with the franchisor or is not a related party of the franchisor's executives.

B. Operation stage: Strengthening of franchisees' bargaining power and law enforcement

The KFTC plans to strengthen the foundation for franchisees to engage in fair and balanced negotiations with franchisors through franchisee associations, while also enhancing law enforcement to eradicate unfair practices.

Introducing the franchisee association registration system

A franchisee association meeting certain requirements (consisting of franchisees from a single brand and including a specified percentage of all franchisees) can be registered with the KFTC. Upon registration, the association will be granted official representative status and managed in a more structured manner.

Obligation to consult with franchisee associations

To enhance the effectiveness of franchisee associations' right to request consultation, the KFTC has introduced a framework that provides for possible sanctions against franchisors that fail to engage in consultations (such as remedial orders, criminal referrals, and criminal sanctions), thereby reinforcing their consultation obligations.

Enhancing law enforcement to eradicate unfair trade practices

The KFTC plans to strengthen monitoring and enforcement against unfair trade practices that place undue burdens on franchisees—such as requiring the purchase of unnecessary items, unfairly shifting costs onto franchisees, and pressuring store-environment improvements—and will carefully review whether last year's reforms on mandatory purchase items—requiring franchise agreements to specify the types of mandatory purchase items and the method for determining their supply prices, and requiring consultation when transaction conditions are changed—are being properly implemented in the field.

C. Closure (contract renewal) stage: Ensuring franchisees' autonomy in business closure

The KFTC plans to ensure that struggling franchisees facing business difficulties have the autonomy to close their businesses voluntarily, and to improve related procedures and systems so that franchisees approaching contract renewal can make reasonable and informed decisions on renewal.

Ensuring franchisees' right to terminate contracts

The Fair Transactions in Franchise Business Act (the “Franchise Business Act”) will be amended to explicitly recognize franchisees’ right to terminate their contracts, ensuring that they may do so without facing penalties.

Enhancing transparency on early termination penalties

A new item will be added to FDDs—“average penalty amount by remaining contract period for franchisees who terminated early”—so that prospective franchisees can easily and clearly understand the level of penalties that may be imposed in the event of early termination.

Improving the implicit contract renewal process

Franchisors will be required to provide notice regarding contract renewal, preventing unintended extensions of contracts by franchisees and avoiding unnecessary disputes.

Expanding access to FDDs

Currently, only prospective franchisees entering into an initial franchise agreement are entitled to receive an FDD. This requirement will be expanded to allow existing franchisees, upon request, to review the FDD when approaching contract renewal.

D. Implementation timeline

The KFTC has established the following implementation schedule. By 2026 or 2027, the comprehensive measures outlined below are expected to be implemented through amendments to relevant laws, enforcement decrees, and public notices. Notably, measures aimed at “strengthening law enforcement to eradicate unfair trade practices by franchisor” are expected to be pursued relatively quickly through KFTC’s investigations and enforcement actions, as no legislative amendments are required.

Type	Task/action item	Required amendments	Expected timeline
Opening	Introducing a public disclosure system for FDDs	Law, enforcement decree	By the first half of 2027
	Reorganizing FDD framework and content	Enforcement decree, public notice	By the first half of 2026
	Expanding obligations to run franchisor-operated stores	Law, enforcement decree	By the second half of 2026
	Rationalizing the deliberation period system	Law	By the first half of 2026

Operation	Introducing the franchisee association registration system	Law, enforcement decree	By the second half of 2026
	Obligation to consult with franchisee associations	Law, enforcement decree	By the second half of 2026
	Enhancing law enforcement to eradicate unfair trade practices	-	Ongoing
Closure	Ensuring franchisees' right to terminate contracts	Law, enforcement decree	By the first half of 2027
	Enhancing transparency on early termination penalties	Enforcement decree, public notice	By the first half of 2026
	Improving the implicit contract renewal process	Law, enforcement decree	By the first half of 2027
	Expanding access to FDDs	Law	By the first half of 2026

2. Key Implications for Franchisors

A. Immediate priority: Review compliance with laws on mandatory purchase items (restricting trading partners), advertising and promotional activities, and store improvements

Among the key tasks outlined in the comprehensive measures, “strengthening law enforcement to eradicate unfair trade practices by franchisors” does not require legislative amendment. Accordingly, investigations into potential violations may commence soon and are likely to be conducted thoroughly. Franchisors should therefore ensure that they are well-prepared in this area.

In its recent press release, the KFTC has identified the following franchisor practices as unfair trade practices that place undue burdens on franchisees:

- (i) Designating unnecessary mandatory purchase items, thereby unfairly restricting trading partners;
- (ii) Unfairly shifting costs such as advertising expenses to franchisees, in violation of the obligation to obtain prior consent for advertising and promotional activities; and
- (iii) Coercing franchisees to make store environment improvements

Recommended actions:

We recommend that franchisors proactively conduct internal reviews to identify any practices that could be perceived as falling within these unfair practices and, if any problematic conduct is found, take prompt corrective measures to mitigate the risk of potential KFTC investigations.

Furthermore, the KFTC has announced that it will closely review whether recent improvements related to mandatory purchase items are being properly implemented, namely:

- (iv) The obligation to specify the types of mandatory purchase items and the method for calculating supply prices in franchise agreements; and
- (v) The obligation to consult when changing transaction conditions

Since announcing “improvement measures for mandatory purchase items in franchise business” in September 2023, the KFTC has continuously pursued both institutional improvements and sanctions against unfair trade practices related to mandatory purchase items. In July 2024, it made it mandatory for franchise agreements to include the types of mandatory purchase items and the method for calculating supply prices. In December 2024, the KFTC introduced an obligation for franchisors to consult with franchisees whenever transaction conditions related to mandatory purchase items are changed in a way that is disadvantageous to franchisees, such as expanding the scope of mandatory purchase items, raising supply prices, disadvantageous changes in calculation methods for supply prices, quality deterioration, narrowing of trading partners, or other unfavorable changes in transaction terms (pursuant to the Notice on Consultation for Changes in Transaction Conditions of Mandatory Purchase Items).

The KFTC conducted a review of mandatory purchase items in franchise agreements around February 2025, and from July 2025, it has been conducting the 2025 franchise sector survey (survey period: July 17-October 31, 2025). The survey focuses particularly on whether improvements to the mandatory purchase item system are being smoothly implemented, and the analysis will serve as a basis for planning ex officio investigations.

Recommended actions:

We encourage franchisors to examine potential violations of laws related to mandatory purchase items, review procedures, and current status concerning advertising, promotional events, and store environment improvements to identify potential legal issues, and prepare prompt countermeasures for any areas that may constitute a violation

B. Prepare for changes to FDD content and framework

The content of FDDs can be updated without amending the law—it can be implemented solely through revisions to the Enforcement Decree of the Franchise Business Act and the KFTC Notice on the Standard Form of the Franchise Business Disclosure Document. Accordingly, “reorganizing FDD framework and content” and “enhancing transparency on early termination penalties” are initiatives that can be implemented immediately if the government and the KFTC decide to do so, making their actual execution likely.

Franchisors typically update and re-register only the sections that have changed in the existing FDDs. However, if the items required in FDDs undergo substantial changes as indicated by the KFTC, it is expected that more time and resources may be needed relative to previous years. The KFTC plans to revise the relevant regulations in the first half of 2026, so it is necessary to monitor developments and prepare accordingly.

Recommended actions:

In particular, the additional items proposed by the KFTC—such as franchisee cost payment information, franchisor ownership by PEFs, information on long-term survival prospects of franchisees, detailed terms of partnership agreements (e.g., with delivery apps or mobile gift certificates), overseas expansion information, and average business termination penalties—are likely to be added, with timing being the only remaining question. It is therefore advisable to review the current status of this information and organize it systematically in advance.

C. Prepare for registration of franchisee association and mandatory consultation obligations

There is a growing trend toward strengthening regulations regarding consultations between franchisors and franchisees. Currently, eight proposed amendments to the Franchise Business Act concerning mandatory consultation with franchisee associations are pending in the National Assembly, reflecting that societal discussion on this issue has reached a mature stage.

The KFTC also appears to be prepared for the legislation of the mandatory consultation requirement, as it has prepared mechanisms to mitigate potential side effects of such a requirement, such as limitations on consultation requests, grounds for refusing consultation, and unified consultation procedures.

Furthermore, the current government has emphasized strengthening franchisees' bargaining power since its presidential campaign. The 123 key national policy tasks announced in August state an intention to reinforce protections for economically vulnerable groups.¹

Recommended actions:

Given this policy environment, mandatory consultation with franchisee associations is likely to be pursued even increased focus. Amendments to laws concerning the registration of franchisee associations and mandatory consultation are expected to be implemented largely consistent with the KFTC's announced comprehensive measures. Therefore, while monitoring the progress of these legal amendments, franchisors are advised to:

- (i) consider various channels for communication with franchisees;
- (ii) establish consultation frameworks, and
- (iii) take other proactive measures to maintain positive relationships with franchisees.

3. Conclusion

The comprehensive measures announced by the KFTC reflect an important shift in the franchise regulatory landscape. Franchisors are encouraged to take timely steps to ensure compliance, particularly in areas that do not require

legislative amendment and can be enforced right away.

If you have any questions regarding the above, or if you require assistance such as submitting comments or opinions, please do not hesitate to contact us. We will be happy to provide you with more detailed guidance and support.

¹ National Policy Task 64: Establishment of a Fair Market Order (*intentionally omitted*)

(Strengthening the protection of economically vulnerable parties) Enhance the bargaining power of small and medium-sized businesses so that they can effectively counteract franchisors, original contractors, and other business operators in superior bargaining positions, and improve conditions for business openings and closures.

- Introduction of collective bargaining rights for franchisees and the right to form groups for agency owners, subcontractors, and tenant businesses

- Implementation of a public disclosure system to ensure that franchise startup information is provided promptly, and granting the right to terminate contracts without excessive penalties in unavoidable cases, such as accumulated losses due to rapid changes in commercial districts (*the rest intentionally omitted*)

[\[Korean version\]](#) 가맹점주 권익 강화 종합 대책의 주요 내용과 시사점

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