

OVERVIEW OF FINANCIAL REGULATORY SANDBOX

The FSC has been operating a financial regulatory sandbox program since April 1, 2019 to promote competition and innovation in the financial industry and provide more benefits to consumers.

OVERVIEW

A total of 102 ‘innovative financial services’ have been designated so far through fourteen evaluation committee meetings. Under the regulatory sandbox program, the designated firms are granted exemptions from licensing and other sales regulations for up to four years. The evaluation is based on the level of innovativeness, potential contribution to consumer convenience, and the soundness and feasibility of business plan.

Among the 102 designated service providers, fintech firms (54 cases, 53%) made up a majority, followed by financial institutions (39 cases, 38%), IT firms (6 cases, 6%) and public sector institutions (3 cases, 3%).

By service types, banks were most numerous (16 cases), followed by insurance services (15 cases), capital markets-related services (15 cases), loan comparison services (14 cases), payment cards (13 cases), data services (12 cases), electronic finance (11 cases), foreign exchange (3 cases) and others (3 cases).

As of now, 36 ‘innovative financial services’ are at the stage of market test with 66 more expected to be launched in the first half this year.

FINANCIAL INNOVATION

INCREASING BENEFITS TO CONSUMERS: a) The shift away from a supplier-driven market toward a more consumer-oriented environment has lowered costs for financial services in the form of interest payments, insurance premiums, etc., b) With the launching of easy-to-use financial services in everyday life, consumer access to financial services has been improved, c) Development of specific services tailored to the needs of SMEs and small-scale businesses has helped extend more financing opportunities to those that had been traditionally unable to access financial services, d) Innovative financial services have contributed to addressing various social problems in the areas of renewable energy, problem of unpaid accounts and voice phishing prevention.

BOOSTING INVESTMENT & CREATING JOBS FOR FINTECHS & START-UPS: a) 16 fintechs and start-ups have been able to newly attract venture capital investments in the amount of KRW 136.4 billion, b) A total of 380 new jobs have been created by 38 fintechs and start-ups, c) 7 fintech firms are preparing for overseas expansion to 14 countries, including Thailand, Vietnam, Indonesia and Hong Kong.

ACCELERATING DIGITAL TRANSFORMATION: a) The regulatory sandbox program has provided a testbed, enabling a convergence between finance and new technologies for the introduction of new services, such as blockchain technology in identity verification protocols, artificial intelligence in real estate market pricing services, and facial recognition and encryption technologies in payment and other data-related services, b) The convergence of finance with other industries such as communications and distribution has contributed to the advancement of financial services,¹ while promoting the development and use of untact services.

FURTHER PLANS

The FSC will work to further improve the regulatory sandbox program to continue to promote innovation in the financial industry.

With the COVID-19 pandemic, the demand for untact and data- or platform-driven services has increased. The FSC will continue to support the development of innovative financial services through its regulatory sandbox program.

#

For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr.

¹ e.g. Supply chain financing for small merchants and fintech research institute run by internet-only banks