

DIGITAL FINANCE MEETING DISCUSSES WAYS TO IMPROVE RULES FOR FINTECHS AND BIG TECHS

Vice Chairman Doh Kyu-sang held the 6th consultative body meeting on digital finance via teleconference on February 9 to discuss ways to improve rules for both fintechs and big techs and to examine areas for further improvements in the financial regulatory sandbox program.

The following is a summary of Vice Chairman Doh's remarks.

(RULES ON FINTECHS AND BIG TECHS) Since October last year, the FSC has held talks with both fintechs and big techs on ten different occasions. Through these meetings, industry officials have suggested a total of seventy-four areas where regulatory reforms are needed. On fifty-two of them, the FSC will immediately take actions to improve the rules. On eleven others that are considered as mid- to long-term projects and require coordination with other ministries or further considerations for their impact on financial consumers, the FSC will continue to seek ways to make improvements. On the remaining eleven areas where it is deemed to be difficult to seek immediate change at the moment, the authorities will continue to closely monitor the trends to make improvements when conditions become permissible.

On regulatory reforms to promote fintech innovation, the FSC will pursue the following policies. First, the FSC will work to create an environment where new digital businesses can be quickly launched and flourish. As many fintechs and platform service providers have requested, the authorities will work to provide strong support for launching new and innovative financial services through platforms. To this end, the FSC will ensure the launch of new innovative financial services through the regulatory sandbox program while working for a prompt enactment of the relevant amendments to the Electronic Financial Transactions Act. To build a strong foundation for the MyData industry, the FSC will promptly work to provide medium- and small-sized fintechs with support for their API data standardization and build a one-stop integrated MyData authentication system. The FSC will also provide support through legal interpretations, best practice guidelines, etc.

Second, the authorities will work to promote smooth cooperation between fintechs and financial institutions as it is critical for promoting innovation in digital finance. To facilitate this, the FSC will work on a new bill that lays legal grounds for financial institutions investing in fintechs. The new bill on fintech support will clearly indicate the types of fintechs in which financial companies can invest, ensure a prompt investment approval process, allow sanctions exemption, etc. A fintech-financial institution matching platform will also be set up to facilitate smooth cooperation between the financial companies seeking a digital transition and the promising

fintechs with technological prowess. The FSC also plans to hold the international fintech expo Korea Fintech Week twice this year to help provide more opportunities for IR and collaboration.

Third, the FSC will work to improve the necessary infrastructures. For non-personal data related IT development work, the authorities will work to ease the network separation rules, while working to improve rules to ensure the safety in using various bio authentication mechanisms for financial services. The FSC will also work for the advancement of open banking system by making it available from more types of financial institutions.

(FINANCIAL REGULATORY SANDBOX) Based on the experience of operating the regulatory sandbox program over the past two years, the FSC has drawn up the following measures for making improvements. First, the authorities will introduce a digital sandbox program. For a fintech startup looking to test their innovative ideas, the current regulatory sandbox has limits as it is intended for providing regulatory exemptions. In this regard, more opportunities will be provided to fintechs to conduct virtual tests on their innovative ideas.

Improvements will be made to the current regulatory sandbox program as well. For the designated financial services whose safety standards have been sufficiently tested, the FSC will support an expansion of their services, while providing consulting services to those whose service launch is being delayed since their designation. Based on the different needs of fintechs according to their business cycle, state-backed financial institutions will make financial support available to them in a more thorough way, and more investment from the fintech innovation fund will be directed toward the early-stage fintech startups. In order to ensure that medium- and small-sized fintech firms face no difficulties in applying for the regulatory sandbox program, the authorities will also work to provide comprehensive consulting services.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.