



Brighter Future

Financial Reform



Financial
Services
Commission

Press Release

July 1, 2015

Creative Finance
Financial Inclusion
Solid Financial System

MAJOR PROGRESS IN FINANCIAL REFORM INITIATIVE

Since the announcement of ‘Key Direction for Financial Reform’ on March 17, the FSC has been thriving to reform and bring innovation in the financial sector. In line with such efforts, the FSC launched a so-called ‘3+1 Initiative’ to set detailed directions for the financial reform drive based on the opinions of the financial market players.

During the last three months, FSC Chairman made 37 on-site visits to listen to the financial market participants’ voices and resolve their hardships. Such sincere efforts to reform the financial sector are being positively received by the markets.

MAJOR ACHIEVEMENTS

1. Reform supervisory practices

The FSC announced a plan to overhaul the fundamental framework of the financial supervisory practices. According to the plan financial regulators will conduct supervisions on financial institutions’ soundness and compliance only when it is necessary.

2. Vitalize KONEX market

Deposit regulation for trading will be eased to KRW 100 million from the current KRW 300 million to lower hurdles to individual investors. The KONEX will also introduce a ‘small investment account’ to allow individual investors to invest up to KRW 30 million per year regardless of deposit levels.

A special listing will be introduced for early-stage startups to allow them to be listed without designated advisors.

3. Boost derivatives market

Mini KOSPI 200 Futures & Options will be launched with downsized trading units for derivatives products.

New futures products including KOSDAQ Individual Equity Futures, Dividend Index Futures, and RMB Currency Futures will be introduced.

4. Strengthen infrastructure for unlisted over-the-counter trading

Korea Over-The-Counter Bulletin Board (K-OTC BB) will be established within the Korea Financial Investment Association (KOFIA) for trading of unlisted stocks of SMEs and venture companies.

5. Foster Fintech

Procedures and qualification standards for electronic financial business registration will be eased.

Fintech Center was established in March to provide comprehensive services for Fintech businesses.

Ex-ante regulations including mandatory usage of security programs and accredited certificate, and security evaluation were abolished.

In order to encourage development of innovative financial services, the FSC allowed non face-to-face identity verification, and announced plans to facilitate usage of big data and introduce internet-only bank.

6. Ease regulations for personal identity verification

The FSC allowed financial institutions to use non face-to-face identity verification methods for customers willing to open new accounts. For security purposes, financial firms are mandated to use at least two separate methods to verify customers' identity.

7. Introduce electronic securities system

Electronic securities system will be introduced to allow issuance and trading of securities without issuance of actual securities.

8. Improve rules for insurance business license

Rules for insurance business license will be improved to encourage insurance companies to more actively pioneer new market and develop innovative products.

9. Improve regulations for corporate public disclosure

Regulations for corporate public disclosure will be improved to ease related burdens for companies and provide more reliable and timely information.

10. Facilitate usage of Big Data

Financial associations and Financial Security Agency will devise standards for financial institutions and Fintech businesses' usage of big data to foster Fintech industry.

11. Vitalize tech finance

The volume of credit loans based on technology assessment will be consistently increased so that tech finance could take root as a conventional product for commercial banks.

12. Introduce internet-only bank

Internet-only banks will be introduced by lowering entry barriers and minimizing ex-ante regulations. The principle of the separation of banking and commerce will be partly eased¹ by revising the Banking Act. Minimum equity capital requirement for online-only banks will be greatly lowered compared to commercial banks.

Two-track approach will be taken to introduce internet-only banks. In the first phase, the FSC plans to grant a preliminary license to one or two Internet-only banks within this year to test

¹ Shareholding limit for non-financial businesses: 4% → 50%

the viability of Internet-only banking business. In the second phase, additional business licenses will be issued after easing regulations on the separation of banking and commerce by revising the Banking Act.

13. Reform financial regulations

The FSC set three principles for financial regulator reform: ①enforce regulations related to market order and consumer protection; ②ease excessive prudential regulations; ③abolish or ease regulations on sales activities. Under such principles, On-site Support & Monitoring Teams have been visiting financial institutions to define regulations that need to be improved.

14. Establish security system in financial IT sector

The FSC announced a plan to establish a security system that financial and Fintech firms voluntarily take more responsible actions in security issues.

15. Strengthen competitiveness of financial holding companies

Current stringent regulations on business outsourcing were greatly eased to enable more efficient business management. Employees of financial institutions will be permitted to hold multiple positions within subsidiary companies to maximize work efficiency and synergy effect.

Complicated regulations on information sharing among subordinate companies of a financial holdings company were improved to encourage usage of big data.

The FSC will support financial institutions to more actively invest in new businesses such as Fintech and alternative trading.

FUTURE SCHEDULE

Month	Task
July	<ul style="list-style-type: none"> ▪Reform KRX governance structure ▪Financial consumer ▪Vitalize multiple financial business offices ▪Facilitate overseas expansion of financial institutions ▪Improve bank innovation evaluation
August	<ul style="list-style-type: none"> ▪Strengthen autonomy and responsibility of financial institutions ▪Introduce Individual Savings Account(ISA) ▪Reform sanction system ▪Improve financial taxation system ▪Improve pension asst management system
September	<ul style="list-style-type: none"> ▪Financial regulatory reform ▪Strengthen financial education and investor protection ▪Strengthen competitiveness of financial investment sector ▪Strengthen role of policy finance
October - December	<ul style="list-style-type: none"> ▪Define additional regulations for reform ▪Review and complement financial reform process ▪Publish financial reform white paper

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