



FINANCIAL POLICY ROADMAP FOR 2018

The FSC announced its financial policy roadmap for 2018 outlining financial policy plans to promote innovation in finance and support innovation-led, sustainable growth for the Korean economy. We put our focus on the following four key policy tasks:

- **trustworthy finance** with financial reforms and fair market order
- **productive finance** to support innovation-led growth for the Korean economy
- **inclusive finance** to better serve those underserved or marginalized
- **innovative finance** to promote competition and innovation in financial services

Policy Focus

I. Trustworthy finance

The FSC will continue our reform efforts across the financial sector to regain the public's trust in finance. Financial regulators will take the lead with more transparency and credibility in our regulatory practices. We will work together with financial institutions and other market participants to reform improper business practices and ensure fair market order.

▶ **Better governance in financial institutions**

The FSC will improve governance in financial institutions to ensure transparency in CEO succession procedure; expertise and independence of external directors; and active participation of minority shareholder. Details will be announced in February.

▶ **Consolidated supervision on 'financial conglomerates'**

The FSC will introduce a consolidated supervisory system on the so-called *financial conglomerates*, corporate groups with financial affiliates of over KRW 5 trillion in more than two sectors – e.g. insurance and securities, etc. The new supervisory scheme is designed to manage soundness and risk of financial affiliates at the group level in a systematic and consolidated manner. Details will be announced in February.

▶ **Advancement in corporate governance**

The FSC will devise policy and regulatory incentives to encourage further adoption of stewardship code by institutional investors. Mandatory disclosure of corporate governance reports will be phased in for listed companies, starting with large companies.

II. Productive finance

The FSC will make systemic and regulatory reforms to channel more funds into productive areas such as start-ups and venture companies. A virtuous cycle of capital will nurture an ecosystem where innovative ideas and technology grow into start-ups, to scale-ups, and to exits.

▶ **Start-up ecosystem**

The FSC will facilitate financing of innovative businesses at each stage of their growth cycle: start-up, scale-up and exit. Funds of KRW 10 trillion will be created to provide venture capital to innovative start-ups. The Kosdaq market will be vitalized to better support the growth of start-ups and venture businesses.¹

▶ **Amendments to capital requirements**

The FSC will amend capital requirements for financial institutions – e.g. BIS regulations, loan-to-deposit (LTD) ratio – to curb excessive concentration of capital in household and property lending. That would help channel more funds into the corporate sector.

▶ **Future potential as ‘collateral’**

Evaluation models will be amended or adjusted to better reflect a company’s growth potential and value of innovative technology in credit evaluation.

III. Inclusive finance

The FSC will expand access to financial services for those underserved or financially marginalized, and relieve their financial costs and debt burdens.

▶ **Financial support for low-income households**

The FSC will provide government-funded micro loans (KRW 7trillion annually) and mid-rate loans (KRW 3 trillion until 2020).

▶ **Alleviation of financial cost for low-income households**

Statutory maximum interest rate will be reduced to 24% to better protect low-income borrowers from predatory lenders. Credit card fees will be lowered for small retail businesses.

▶ **Debt relief for long-overdue small loans**

Small and long-overdue loans will be written-off through government-backed funds to help low-income borrowers who have struggled to repay debts for so long to make a fresh start.

IV. Innovative Finance

The FSC will amend entry barriers that hinder the emergence of new players who will bring fresh completion in the financial sector. We will foster fintech businesses and reform financial regulations to encourage financial innovation.

▶ **Regulatory approval for new business**

Regulatory requirements for entry into financial services business will be overhauled to allow more diverse and specialized players to enter the financial services sector.

▶ **‘Fintech Policy Roadmap’**

The FSC will announce a ‘Fintech Policy Roadmap’ in February that would include our

¹ 「Measures to Vitalize Kosdaq Market」 (January 11, 2018)

policy plans on how to facilitate mobile payment services; how to develop new insurance products for auto-driving vehicles; and how to utilize blockchain technology in financial services.

▶ **Regulatory sandbox**

The FSC has launched the ‘financial regulatory test bed’ last year. The pilot test of ‘regulatory sandbox’ in the financial sector allows fintech businesses to entrust their innovative services to financial institutions to test within the range of existing financial regulations. This year, we will continue to develop the regulatory sandbox scheme.

▶ **‘Special Act to Foster Financial Innovation’**

The FSC will enact a special bill, ‘Special Act to Foster Financial Innovation,’ that allows pilot authorization or regulatory relief for the launch of innovative financial services.

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