

FSC SEEKS INNOVATION IN FINANCIAL REGULATIONS THROUGH REGULATORY SANDBOX PROGRAM

The FSC announced recent progress in the operation of the financial regulatory sandbox on August 20. Through its sandbox program, regulatory improvements were made to eight specific areas with five more currently in the process of revision and fourteen more recognized as necessary for reform.

The FSC will continue to promote regulatory innovation through its sandbox program to facilitate a digital transformation in the 4th industrial revolution and for the post-pandemic economy. The FSC will work to remove regulatory obstacles and ensure a steady operation of the sandbox designated ‘innovative financial services.’

BACKGROUND

The FSC has been operating a financial regulatory sandbox program since April 1, 2019 to promote competition and innovation in the financial industry. A total of 110 ‘innovative financial services’ have been designated to be included in the sandbox until now. While providing consumers with opportunities to experience more innovative financial services, the sandbox program offers more business opportunities to financial institutions, fintechs and start-ups. At the same time, the sandbox also allows a reassessment of regulations in the financial sector in a more proactive manner.

The 110 sandbox designated ‘innovative financial services’ are granted exemptions from 62 financial regulations, of which improvements have been made to eight areas, revisions are taking place in five areas and plans for making improvements are being drawn up for fourteen areas.

	Revision completed	Revision in progress	Revision being drawn up	Scheduled for later review	Total
Service launched	3	2	8	15	28
Service not launched yet	5	3	6	20	34
	8	5	14	35	62

REGULATORY IMPROVEMENTS

► **Revision completed**

- Rules on the supervision of insurance businesses revised to simplify the process of insurance renewal (*Oct 2019*)
- Credit Information Use and Protection Act revised to (i) break down the uniform credit bureau business category into three specific sub-categories and lower

entry barriers and (ii) allow credit card companies to operate own credit bureau businesses (*Feb 2020*)

- c) Credit Information Use and Protection Act revised to (i) allow credit bureaus to operate data analysis and consulting in an incidental capacity, (ii) allow use of pseudonymized data for research and statistical purposes and (iii) allow data convergence between different business entities (*Feb 2020*)
- d) Credit Information Use and Protection Act revised to allows financial institutions to send customers' personal credit information to MyData business operators on a regular basis upon request (*Feb 2020*)
- e) Financial Investment Services and Capital Markets Act revised to bolster the autonomy and accountability of financial investment businesses (*May 2020*)

► **Revision in progress**

- a) Regulations on financial consumer protection being drawn up for implementation in March 2021 to establish rules on contactless, online-based loan comparison platforms
- b) Regulations on foreign exchange transactions being revised in September 2020 to (i) make FX services more widely available without time or place restrictions, (ii) allow small-sum cross-border remittances via ATMs and (iii) introduce small-sum cross-border money transfer business category
- c) Regulations on financial investment businesses being revised in October 2020 to ease restrictions for trust companies and to promote more diverse types of financial investment products

► **Revision being drawn up**

- a) External research being conducted to allow financial companies to enter into the big data and other platform businesses (*Aug-Dec 2020*)
- b) Expert opinions and consulting sought for ways to improve regulations to allow retail investors to trade both foreign and domestic stocks in small amounts (*Q4 2020*)
- c) A task force to draw up plans that allow online purchase of insurance coupons to be used as gifts or for purchasing insurance policies online (*Q4 2020*)
- d) Revision to the enforcement decree of the Electronic Financial Transactions Act to allow simpler user agreement process for withdrawing funds (*Sep 2020*)
- e) A task force to draw up plans to establish a new personal authentication and ID verification system fit for the era of contactless transactions (*Sep 2020*)
- f) A task force and external research (*Q3 2020*) to draw up plans for digital security in financial sectors with a focus on network separation rules (*Q4 2020*)
- g) Revisions to the Electronic Financial Transactions Act submitted for enactment to the National Assembly to lower entry barriers for electronic financial businesses by introducing small licenses and lowering minimum capital requirements (*Sep 2020*)
- h) Revisions to the Credit Guarantee Fund Act to be prepared for strengthening the role of credit guarantee funds, which will provide SMEs with more fundraising opportunities (*Q4 2020*)

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