

LEGISLATION ON P2P LENDING TAKES EFFECT

The FSC announced that the Online Investment-linked Finance Act will go into effect on August 27. The new legislation on peer-to-peer lending specifies requirements for business registration, regulations on sales practices and measures for consumer protection. It provides a crucial turning point to promote sound development of the P2P lending sector and bolster investor protection.

KEY PROVISIONS

I. REGISTRATION

- P2P lending businesses should meet capital requirements and be registered with the FSC.

II. SALES REGULATIONS

- **(DISCLOSURE)** P2P lending platforms should disclose information about their financial management status and liquidation process.
- **(INTEREST RATES & FEES)** P2P lending firms are subject to the maximum interest rate of 24 percent prescribed by the Credit Business Act and should adhere to the standards of charging fees as disclosed on their platforms.
- **(PROHIBITED ACTIVITIES)** High-risk practices, such as lending to P2P businesses and largest shareholders, lending loans prior to raising funds from investors, covering losses for investors and maturity mismatch between investment and loan, will be prohibited.

III. OTHER REQUIREMENTS

- **(INVESTOR PROTECTION)** To help investors make rational investment decisions and protect their funds, P2P lending platforms should (i) provide investors with detailed information about P2P loan products and confirm that investors understand the information provided to them and (ii) keep investors' funds in depositories such as banks, securities finance companies and savings banks with equity capital of KRW1 trillion or more.
- **(LENDING CAP)** P2P lending to the same borrower will be limited to either 7 percent of the total P2P loan balance or KRW7 billion,¹ whichever is the smaller amount.
- **(INVESTMENT CAP)** Specific investment limits will be applied for different investor types and investment products as shown below.

¹ For P2P lending operators whose loan balance is KRW30 billion or less, the lending cap to the same borrower will be KRW210 million.

	Total P2P investment cap (applicable from May 1, 2021)	Investment cap for single P2P firm (applicable until April 30, 2021)
Retail investors	- (To same borrower) KRW5 million - (Total) KRW30 million (KRW10 million for real estate)	- (To same borrower) KRW5 million - (For single P2P firm) KRW10 million (KRW5 million for real estate)
Accredited investors ²	- (To same borrower) KRW20 million - (Total) KRW100 million	- (To same borrower) KRW20 million - (Total) KRW40 million

IV. CENTRAL REGISTRY

- A central registry will be set up to manage and maintain up-to-date information about online P2P financing transactions, such as information about borrowers and investors, and manage limits on loans and investments.

FURTHER PLANS

The financial authorities will work to promote sound development of the P2P lending sector while ensuring strong investor protection. The authorities will apply strict entry requirements for P2P financing businesses and work to strengthen supervision over unfair or illegitimate sales practices.

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

² Income qualified investors with interest and dividend income of at least KRW20 million or earned income of at least KRW100 million