

3RD DIGITAL FINANCE MEETING UNVEILS WAYS TO ADVANCE OPEN BANKING SYSTEM

Vice Chairman Sohn Byungdoo presided over the 3rd consultative body meeting on digital finance on October 21 and introduced ways to further advance the open banking system and discussed concerns of both fintechs and big techs amid a rapidly changing digital environment.

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

OPEN BANKING

Open banking is an essential infrastructure in the era of digital finance. Many countries have already established the necessary legal frameworks that promote a further advancement of the open banking system. In Korea, open banking was launched in December 2019 and the number of users grew rapidly ever since with both banks and fintechs taking advantage of the vast opportunities provided by open banking to come up with new innovative solutions. As open banking has established itself as a critical digital payment infrastructure, the government will promote a further advancement of the open banking system to make it a hub of digital payment infrastructures.

I. BOOST SCALABILITY

The key to open banking is opening up the traditionally exclusive accounts data and payments networks to financial enterprises and fintechs to promote the development of more innovative financial services. In this regard, the government will work to open up the open banking system to more market players beyond the banking sector and fintechs. Financial investment and mutual finance companies will be able to join open banking in December this year and credit card companies by the first half of 2021. Moreover, the government will work to allow more account types to be eligible to sign up for open banking and to connect open banking with other digital finance infrastructures such as MyData and MyPayment to promote the development of a one-stop platform offering analysis, advise and account transfer services all from the same place.

II. PROMOTE RECIPROCITY

In order to promote reciprocity between incumbents and new entrants, the government will promote a more balanced "win-win" relationship between financial companies and fintechs by adjusting the scope of data being opened up as well as

fee obligations to a reasonable level. The “openness” of open banking requires a mutually beneficial relationship between financial companies and fintechs. As such, fintechs and other new entrants will be required to open up their data to a certain level as well. In addition, fintechs will also share cost burdens for maintaining and operating the open banking network. The government will also set up a joint deliberative body on open banking composed of all participants and stakeholders including banks, fintechs, system operating and data security institutions to foster discussions and help resolve differences in opinions.

III. STRENGTHEN SECURITY AND RISK MANAGEMENT

Ensuring the safety and security in the open banking system is equally important as providing more convenient services to consumers. In this regard, the government will focus on the security of open banking to make sure that data sharing, wire transfers and payments are being carried out as safely as possible. To this end, the fraud detection system (FDS) set up to monitor hacking threats and cyberattacks will be improved to more thoroughly identify illicit activities. Prior to joining the open banking system, all fintechs will be required to go through a security check carried out by an external inspection agency. Depending on the transaction volume and past security records, the security compliance of fintechs will be systematically managed. Also, the government will work to establish legal foundations for open banking through revisions to the Electronic Financial Transactions Act, which will specify requirements for participating institutions.

DISCUSSION ON OTHER ISSUES

A series of working group discussions on fintechs suggests that many fintech firms would like to see (a) regulatory reforms taking place in a more timely manner, (b) more participating institutions being allowed to join the open banking system, (c) more efforts to lower fees, (c) more transparency and predictability in regulatory changes, etc. These are the issues that this joint consultative body on digital finance will continue to deal with. Going forward, the government will also listen to the voices of financial enterprises to help address and resolve their concerns.

Amid a rapidly changing digital environment, it is important to build up one’s capacity and adaptability by maintaining communication and cooperation with others. To promote innovation, the government will help remove obstacles and work to change regulations and build infrastructures for financial enterprises, big techs and fintechs so long as they approach new challenges with a willingness to communicate and cooperate with one another.

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