

## MEANINGFUL IMPROVEMENTS IN FINANCIAL SERVICES MADE POSSIBLE BY FINANCIAL REGULATORY SANDBOX

The FSC announced key achievements and progress in the operation of the financial regulatory sandbox program on April 8.

### **BACKGROUND**

The financial regulatory sandbox program was launched on April 1, 2019 to promote competition and innovation in the financial industry while improving convenience for consumers. The sandbox program allows businesses designated as ‘innovative financial service providers’ to enjoy regulatory exemptions for up to four years, so that they can test their innovative business ideas and technologies. In addition, the revised Special Act on Support for Financial Innovation allows designated firms to request regulatory improvements and the government may decide to grant an additional regulatory exemption period of one year and six months.

Since April 1, 2019, the FSC has designated 139 ‘innovative financial services’ in total with 78 such services currently being tested in the market and a total of 108 ‘innovative financial services’ expected to be in service within the first half of 2021.<sup>1</sup> For innovative services that have been tested to bring about significant consumer convenience and guaranteed security, the government has worked to improve regulations in a prompt manner. Out of 68 such regulations, improvements have been made to 14 of them with plans to revamp 22 regulatory items currently being prepared. For innovative businesses, comprehensive support and consulting is being provided through the Fintech Center Korea, from the stage of sandbox program application to testing to service launch.

### **CHAIRMAN’S REMARKS**

**(PROGRESS IN FINANCIAL REGULATORY SANDBOX)** The financial regulatory sandbox program has become an essential policy to promote innovation in the financial industry and help foster fintechs. Bold attempts at innovation through the sandbox program have led to meaningful changes in our daily lives.

First, the public is experiencing significant financial innovation in their daily economic activities. The number of users of ‘innovative financial services’ rose to 3.58 million by the end of 2020. This was made possible as more affordable and convenient

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<sup>1</sup> The proportion of financial innovation-related services makes up 32% of the government-wide regulatory sandbox programs (out of 433 designated services).

services that fit the needs of diverse consumers became available. In particular, the availability of growing numbers of contactless services will contribute to public safety and provide a turning point for the future of the financial industry.

Second, the sandbox program has contributed to the growth of fintechs. Through the sandbox program, fintech startups have been able to create quality jobs and attract investments. As a result, fintechs have become major players in diverse fields, such as payment, authentication and insurtech.

Third, the sandbox program has helped to accelerate digital transition in the financial industry. The introduction of new technologies, such as AI, big data analytics and blockchain has been promoted with the convergence of industries also becoming more commonplace. Digital transformation is also taking place in traditional financial institutions with banks entering platform businesses, etc.

Fourth, more innovative financial services that contribute to inclusive financial solutions and social responsibility are being introduced. These financial solutions are providing assistance to small merchants and SMEs as they help to lower costs and open up opportunities for them.

In the operation of the regulatory sandbox program, it is also crucial to encourage close communication and coordination among relevant stakeholders. As innovation requires changes, there can only be difference in opinions on how to bring about innovation. In this regard, the diversity in opinions should not be considered as a barrier to innovation.

**(FUTURE PLANS)** In order to bring about further progress, the FSC will continue to work on making improvements to regulations. The financial regulatory sandbox program will make available more comprehensive support through consulting and provision of support for testing costs and so on while seeking solutions more actively to help resolve the needs of individual businesses. In addition, a digital sandbox program will be pilot launched in the second quarter to provide a testbed for early stage fintechs to test out their services using big data prior to launch. It is expected that the digital sandbox program will help lower entry barriers for innovative businesses.

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