

FSC HOLDS KICK-OFF MEETING ON FINANCIAL REGULATORY REFORMS

The FSC launched a financial regulatory reform committee, composed of 17 private sector participants with expertise in economics, finance, digital, law, and media sectors, to push forward financial regulatory reform initiatives through a private-public cooperation. At its kick-off meeting¹ held on July 19, the committee appointed Bahk Byung-won, former honorary chairman of the Korea Enterprises Federation (KEF), as committee chairman and discussed directions for financial regulatory reforms.

SUMMARY OF FSC CHAIRMAN'S OPENING REMARKS

In his opening remarks, FSC Chairman Kim Joo-hyun emphasized the need for financial regulatory reforms in response to the reshaping of the financial sector and technological changes caused by digital transformation and a blurring of the barriers across sectors (called a 'Big blur' phenomenon). In order for the financial sector to play a key role in economic growth as an independent industry, Chairman Kim called for bold reforms of financial regulations.

The financial regulatory reforms, he said, are aimed at creating a new playing field to produce a success story, like a globally-renowned K-pop group BTS, in Korea's finance, in which new players originating from Korea's financial sector would be leading global markets. With financial regulatory reforms, the government will (a) support financial companies, regardless of whether they are online or offline businesses, to grow into global players; (b) create an environment to promote digital innovation for both financial companies and big tech; and (c) allow domestic financial companies to enter businesses, in which global financial companies are allowed to operate. All existing regulations will be reexamined on a clean slate.

Chairman Kim stressed the importance of "working together" principle with various stakeholders from different sectors including industries, academics and media, and asked the financial regulatory reform committee to examine and discuss financial regulatory reform proposals from various perspectives such as financial sector development, consumer benefits, impact on stakeholders, soundness of financial companies, consumer protection, etc.

¹ The meeting was attended by private-sector members of the committee; FSC chairman, vice chairman, secretary general, and director generals of relevant bureaus, FSS governor; presidents of industry associations in banking, insurance, financial investment, credit business and fintech sectors; vice president of financial research institutes.

Chairman Kim introduced five major tasks for financial regulatory reforms, which the FSC selected after its preliminary review based on feedback gathered from financial industry and market participants:

1. EASING REGULATORY BARRIERS TO DIGITALIZATION OF FINANCIAL COMPANIES

The current rule that requires the separation between industrial and financial capital has been deemed as one of regulatory barriers to digitalization of financial companies and thus has received many requests from financial companies for regulatory improvements. In response to such requests, the FSC will first review a plan for improving regulations on the scope of business and restrictions on investment in subsidiaries by financial companies, in order to promote financial companies' operations in IT and platform businesses and investments in new technologies.

2. RATIONALIZING SECTORAL REGULATORY FRAMEWORK

As part of its efforts to rationalize the current sectoral regulatory framework, the FSC will allow a pilot testing of financial intermediary services provided through online platforms, while supporting financial companies' transition to financial platforms.

3. BUILDING INFRASTRUCTURES FOR DIGITAL FINANCE INNOVATION

The FSC will accelerate building of infrastructure for digital finance innovation by (a) upgrading the existing schemes for financial innovation – e.g. MyData business, open banking services and regulatory sandbox; (b) establishing a regulatory framework for emerging digital sectors such as crypto assets and fractional investments.

4. OVERHAULING CAPITAL MARKETS INFRASTRUCTURES

The FSC will (a) overhaul capital markets infrastructures with the regulatory improvement of trust schemes and the introduction of an alternative trading system (ATS) and (b) promote investments by addressing investors' inconvenience and improving ESG disclosure rules.

5. IMPROVING PRACTICES FOR REGULATORY SUPERVISION, SANCTION AND INSPECTIONS

To help financial regulatory reforms translate into actual changes in practice, the financial authorities, including the Financial Supervisory Service (FSS), will come up with plans to improve its practices in regulatory supervision, sanction and inspections on financial companies.

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