

## **FSC CHAIRMAN ATTENDS KDB NEXTROUND'S FINTECH SPECIAL ROUND AND SPEAKS ABOUT EXPANDING FINTECH INVESTMENT**

FSC Chairman Kim Joo-hyun attended the Fintech Special Round event hosted by the Korea Development Bank NextRound on December 7. At the event, Chairman Kim briefed on the direction of government's policy aimed to drive innovation in digital finance and cultivate the fintech industry, while encouraging fintech startups that seek to attract investment.

### **SUMMARY OF CONGRATULATORY REMARKS BY FSC CHAIRMAN**

FSC Chairman Kim Joo-hyun highlighted that the future of our financial industry is dependent on how well the government responds to the fourth industrial revolution and digital transformation as the pace of such shifts accelerates. To follow these shifts, the government has so far spared no effort to come up with multifaceted measures such as introduction of a financial regulatory sandbox program and creation of the fintech innovation fund<sup>1</sup>.

However, as global monetary tightening and the "three highs" such as inflation, high exchange rates and high interest rates, etc. intensify economic uncertainty, the venture business and startup markets around the globe are facing the "severe funding winter," and fintech sectors are struggling with this difficult situation.

Against this backdrop, Chairman Kim underscored his plan to strengthen policy support to help fintech companies to overcome this hard time and enlarge innovation capacity to drive the future of financial industry. The following shows details of this policy support.

### **I. EXPANDING AVAILABILITY OF FUNDING SUPPORT FOR FINTECH STARTUPS<sup>2</sup>**

The authorities will offer support to help innovative businesses grow such as introducing the innovation growth fund worth of KRW15 trillion for five years from 2023 and a new Silicon Valley-style lending program for venture businesses, which will offer loans combined with zero-interest rate bonds with warrants<sup>3</sup>.

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<sup>1</sup> A fund of funds operated by the Korea Growth Investment with funds contributed by financial industry groups for the purpose of supplying funds worth KRW500 million to promising fintech startups over four years (2020-2023)

<sup>2</sup> Details to be announced in December 2022

<sup>3</sup> Click [here](#) for details.

Furthermore, the authorities plans to bolster the financial support system specialized for fintech businesses with increasing the size of the “fintech innovation fund” from KRW500 billion to KRW1 trillion<sup>4</sup>, enabling policy financial institutions<sup>5</sup> to provide policy funds (loans and guarantees) of over KRW200 billion per annum, and etc.

## **II. REGULATORY REFORMS IN RESPONSE TO DIGITAL TRANSFORMATION**

By holding private-public joint meetings on financial regulatory innovation, the authorities are working on regulatory improvements or easing on the separation of industrial and financial capital, and on entrustment of affairs of financial institutions<sup>6</sup>. Meanwhile, the authorities will actively collect concerns and difficulties from the new fintech sectors such as online investment-linked financial business (also known as ‘P2P lending’) and pursue regulatory repairs. To allow financial industry groups to adopt and make use of new digital technologies in a proactive manner, the authorities will pursue efforts to ease regulations on cloud computing and network separation across financial sectors<sup>7</sup>.

## **III. SUBSTANTIALIZING OPERATION OF FINANCIAL REGULATORY SANDBOX PROGRAM**

Based on three-year operation experiences of the financial regulatory sandbox program since its launch in April 2019, the authorities will actively complement this program to make it substantially contribute to the growth of small and medium-sized fintech companies. As part of this change, the operation of financial regulatory innovation committee will be modified to be led by private sector experts<sup>8</sup>. In addition, innovative services under the sandbox program whose stability is verified will be swiftly institutionalized.

To help fintech startups develop their innovative ideas into commercialization, the authorities will set up an expert support group<sup>9</sup> that will give narrowly tailored support encompassing legal, accounting and management consulting services, etc.

## **IV. BUILDING MORE INFRASTRUCTURES FOR PROMOTING INNOVATION IN FINANCIAL SECTORS**

The number of available data on financial MyData service will grow from 492 (now) to 720 by early 2023 with a goal of enabling more diverse data to be utilized for innovation in financial services. Alongside this, the government plans to set up an AI data library<sup>10</sup> and a financial AI testbed<sup>11</sup> with an intention to facilitate usage of big

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<sup>4</sup> Support in the amount of KRW500 billion over four years (2020-2023) and add extra KRW500 billion to KRW1 trillion in total for the next four years (2024-2027)

<sup>5</sup> The Korea Development Bank, Industrial Bank of Korea, and Korea Credit Guarantee Fund

<sup>6</sup> Click [here](#) for details.

<sup>7</sup> Click [here](#) for details.

<sup>8</sup> The financial regulatory innovation committee will be chaired by two heads (Previous: Chaired by FSC C chairman → New: Co-chaired by private sector chief and FSC Chairman).

<sup>9</sup> Set up a group of experts at the Fintech Center Korea that provides customized management services covering application and designation

<sup>10</sup> Reusable after data convergence

<sup>11</sup> Financial institutions (Korea Credit Information Services, Korea Financial Telecommunications and Clearing Institute and Financial Security Institute) are tasked with assessing the accuracy and credibility of finan

data through AI<sup>12</sup>.

In his closing remarks, FSC Chairman Kim stated that just as the 2008 global financial crisis laid a foundation for shaping the fintech industry and the outbreak of the pandemic in 2019 provided a catalyst for its growth, it is expected that fintech businesses would regain their footholds in the financial industry and bear tangible fruits amid current economic conditions at home and abroad.

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cial AI services.

<sup>12</sup> Click [here](#) for details.