



KEY POLICY DIRECTION FOR FINANCIAL REGULATORY REFORM

FSC Chairman Yim Jong-yong had his first press conference today since he took office on March 13, 2015 to outline a key policy direction for financial regulatory reform. Under his chairmanship, financial regulatory reform will be pushed forward with three key policy goals: (1) promote autonomy and responsibility in the financial sector; (2) expands the financial sector's capacity to support the real economy; and (3) strengthen competitiveness of the financial industry.

1. PROMOTE AUTONOMY AND RESPONSIBILITY

The role of financial regulator will be redefined to give more autonomy to financial companies. The financial regulator will act as a 'referee' who ensures that all rules and regulations of the game are correctly followed, not a 'coach' who directs details of the play.

- The whole process of supervision, inspection and sanction will be overhauled to reduce excessive regulatory burden on financial companies.
- Financial companies will be guaranteed the principle of autonomy in making decisions about service fees, interest rates and dividend payouts.
- The FSC and FSS will jointly make on-site visits to find and fix unreasonable regulations and practice.

The FSC will foster a culture of responsibility in which financial companies voluntarily undertake their responsibility in expanding capacity, strengthening internal control and protecting financial consumers.

- Banks will be encouraged to make more efforts to strengthen their capacity and innovate by reflecting progress in such effort in their performance evaluation.
- Financial companies will be held more accountable for financial incidents or misconduct with the establishment of a code of ethics for financial consumer protection.
- Performance evaluation and compensation system will be improved so that executives and employees of financial companies could be rewarded for their commitment to innovation.

2. STRENGTHEN SUPPORT FOR THE REAL ECONOMY

The FSC will channel more funds to businesses with innovative technology and creative idea.

- The current system for technology finance will be thoroughly reviewed and improved to make sure start-ups and venture companies will be financed in accordance with

their actual demands for funds.

- The amount of technology-secured loans will be expanded to more than KRW 20 trillion, while investments based on technology evaluation will be further stimulated.
- Banks will be encouraged to build up their own capacity to evaluate technology to identify firms eligible for technology-secured loans.

Capital markets will be vitalized to provide venture capital to innovative start-ups.

- The current bourse system will be restructured so that the KOSPI, KOSDAQ and KONNEX could better serve each market's purpose and compete with each other.
- Regulations on private equity funds (PEFs) will be significantly improved to ease restrictions on venture investments, offer more incentives and facilitate investors' divestment.
- The FSC will encourage more active participation of domestic financial companies in investment and operation of pension funds.

3. STRENGTHEN THE FINANCIAL SECTOR'S COMPETITIVENESS

Fintech industry will be fostered in response to the convergence of finance with IT.

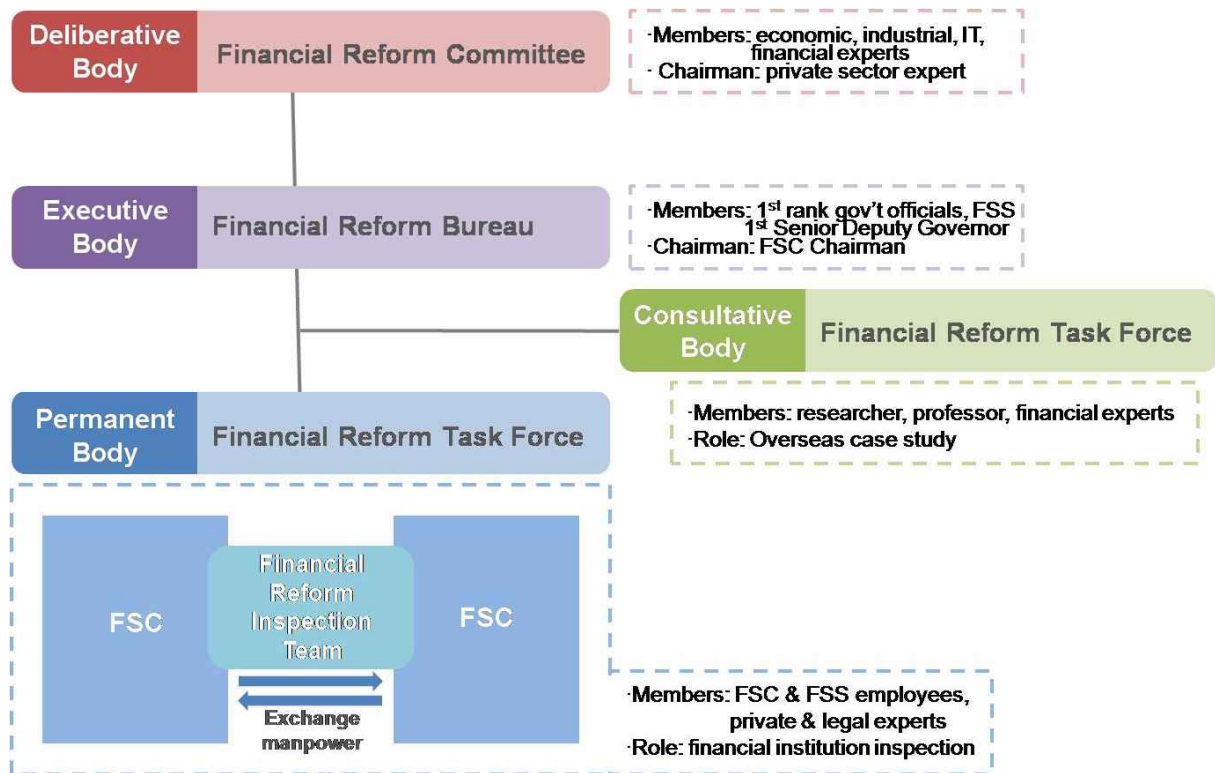
- Fintech companies, financial institutions and the government will co-establish a joint consultative body to find and reduce regulatory barriers to growth of the Fintech sector.
- A model for internet-only bank will be established by June 2015.
- The business scope and method will be clarified for financial companies to provide financial services utilizing big data. To strengthen financial companies' data security, a 'Financial Security Agency' (tentatively named) will be established in April 2015.

The regulatory framework will be overhauled to promote autonomy and competition in the financial sector.

- All financial regulations will be categorized into two groups: ①regulations related with market order and consumer protection to be strengthened; and ②regulations related business operations and financial health of financial institutions to be improved in accordance with international standards and financial firms' capacity.
- Regulatory barriers will be relieved for different financial businesses to further stimulate competition and convergence with each other.
- Tax incentives will be devised to encourage development of various new financial products tailored to changing financial environment such as low interest rate and aging population. Cooperative relations with foreign financial regulators will be further promoted to support active overseas business expansion for domestic financial firms. Regulations related to overseas business operation and foreign exchange will be improved.

[HOW TO IMPLEMENT]

Financial regulatory reform will be pushed forward with active participation of government officials from relevant ministries and industry experts from the private sector.



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