

FINANCIAL INNOVATION SUPPORT ACT PASSED IN THE NATIONAL ASSEMBLY

National Assembly passed a legislation called the Financial Innovation Support Act on December 7, 2018. The bill, which will take effect in March 2019, is intended to lay the legal foundation to introduce a regulatory sandbox for innovative financial services, where fintech firms are allowed to test their new services with regulatory exemptions for a certain period of time.

Under the new legislation, fintech firms or financial institutions may apply for participation in the regulatory sandbox with financial services acknowledged as differentiated from existing services in its content, method and form.

A review committee will be established under the FSC with financial officials and experts in technology, finance, laws and consumer rights to review applications and designate an “innovative service” provider.

The designated service providers are allowed to test their new services for a maximum two years in an environment where certain regulations are to be exempted. If there is a concern about irreversible damage to consumers or undermining financial stability, regulatory exemptions should not be allowed.

Those who apply for designation of innovative financial service provider are required to submit their plans for consumer protection and risk management. Only those who have sufficient measures to protect consumers are to be accepted to the regulatory sandbox.

In a lawsuit against an innovative financial service provider, the burden of proof falls on the business provider to prove that there was no intention or negligence for damages.

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