

## FSC TO APPROVE ADDITIONAL ONLINE-ONLY BANKS

The FSC announced its plans to approve additional online-only banks as the Special Act on the Establishment and Operation of Online-only Banks (hereinafter referred to as 'Special Act') takes effect on January 17, 2019. The Special Act allows ICT companies to own a stake of up to 34% in an online-only bank, in an attempt to boost investment and innovation led by ICT companies in the banking sector.

The number of newly-granted licenses will be one or two, given the current environment of competition in the banking sector and comparison with overseas trend in the online-banking sector. A study commissioned by the FSC suggested that there is a need to introduce additional online-only banks focused on household loans, which lack competition compared to other businesses in the banking sector.

Unlike traditional banks, online-only banks in principle are banned from corporate lending. However, they will be allowed to lend to SMEs.

The Financial Supervisory Service (FSS) will start accepting applications for online-only banks in March and grant a preliminary approval to one or two applicants in May 2019.

The evaluation of potential candidates will review their funding capability, eligibility for large shareholders, composition of shareholders, and their business plans. Details on evaluation standards will be announced by the FSS in January.

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