

FSC TO PROPOSE A BILL ON P2P LENDING

The FSC plans to propose a bill on peer-to-peer (P2P) lending to help the P2P sector grow into one of innovative fintech services and provide both investors and borrowers with better protection.

Since P2P lending business in Korea kicked off, the sector has been regulated under flexible guidelines, instead of a legal framework. However, the sector has grown fast in recent years, with P2P lending surging to KRW 5 trillion as of the end of 2018, from KRW 600 billion in 2016. The sector's rapid growth prompted the need for a legal framework to properly regulate the fast-growing sector and better protect investors and borrowers. Currently, five bills proposed by lawmakers are pending at the National Assembly.

Against this backdrop, the FSC held a public hearing today jointly with the Financial Supervisory Service and the Korea Institute of Finance to discuss proposals for new legislation. At the hearing, FSC Chairman Choi Jongku laid out key principles that the new bill on P2P lending needs to pursue:

- i. It is desirable to establish a separate new legislation for P2P lending business, rather than trying to fit into other existing laws, given the sector's distinctiveness and innovativeness.
- ii. New legislation will be designed to seek a right balance between the current market practice developed in the P2P lending sector and regulatory need to prevent risks such as excessive concentration to certain assets.
- iii. New bill will put emphasis on protection for investors and borrowers, with measures in place to prevent P2P platforms from conflict of interest and moral hazard.
- iv. New bill will consider scalability and flexibility in designing its regulatory framework, in response to fast-evolving developments in P2P lending market.
- v. New legislation needs to be backed by the sector's self-efforts to enhance investor trust.

Based on proposals under discussion so far, the FSC will propose a draft bill on P2P lending in March for further reviews and discussions at the National Assembly.

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