

REGULATORY REFORMS TO PROMOTE ROBO-ADVISORY SERVICES

The FSC reformed the 「Financial Investment Business Regulation」 to promote robo-advisory services:

1. Robo-advisory firms will be allowed to manage funds and entrusted assets commissioned by asset management firms. (scheduled to be implemented from July 24, 2019)

Under the current regulation, asset management firms are not allowed to commission their business of managing funds and entrusted assets to robo-advisory firms. The regulation was revised to allow asset managers to commission such business to robo-advisors on condition that the asset managers are responsible for investor protection.

2. Individuals will be allowed to participate in Koscom's robo-advisor testbed, which will accept applications from June 3, 2019.

Currently, the testbed is open only to firms including fintech firms, not to individuals, given that only companies are allowed to provide robo-advisory services. Robo-advisors verified through the testbed are allowed to provide investment advisory and entrusted services. To commercialize robo-advisory services after they pass the test, individuals are required to register as an asset management firm or to form a partnership with asset management firms.

3. Capital requirement was eased to make it easier for small fintech firms to provide non-face-to-face services via robo-advisors. (implemented from March 20, 2019)

Previously, discretionary investment businesses were required to have additional capital of KRW4 billion besides the minimum capital of KRW1.5 billion to provide non-face-to-face services through robo-advisors. To facilitate the entry of small fintech firms in robo-advisory services, the capital requirement of additional KRW4 billion was abolished.

4. Robo-advisors will be allowed direct management of fund assets. (scheduled to be implemented from July 24, 2019)

Currently, robo-advisors are not allowed to directly manage fund assets, while they are allowed to manage entrusted assets. The regulation was revised to allow robo-advisors to manage fund assets if they are equipped with appropriate systems and safety measures.