

## 2020 POLICY PLANS TO IMPROVE COMPETITIVENESS AND SOUNDNESS OF FINANCIAL INDUSTRY

The FSC announced its plans to improve the competitiveness and soundness of the financial industry on March 2, 2020. The plans focus on boosting the competitiveness of the financial industry, facilitating corporate financing, promoting corporate responsibilities to ensure consumer trust in the financial industry, and strengthening the management of financial soundness.

### **KEY POLICY PLANS**

#### **1. BOOSTING COMPETITIVENESS OF FINANCIAL INDUSTRY**

The government will lower entry barriers to encourage innovative firms to enter the markets and work to modify regulations in business operation to create a more dynamic business environment.

- ▶ **SMALL LICENSES<sup>1</sup>:** Facilitate the entry of small-sized and specialized financial businesses in insurance, banking and credit lending sectors by subdividing their business license units and lowering their entry barriers.
- ▶ **INDUSTRY COMPETITIVENESS EVALUATION:** Resume sectoral evaluation of competitiveness in banking, insurance and financial investment sectors,<sup>2</sup> and apply the evaluation process for credit card and credit bureau businesses.

Improve the effectiveness of the competitiveness evaluation from a consumer's perspective by replacing the current sectoral evaluation system with a functional one.

- ▶ **PLATFORM BUSINESS:** Review the boundaries in which financial companies can operate platform businesses and work to permit their operation of platform businesses.
- ▶ **DATA BUSINESS FOR CREDIT CARD COMPANIES (H1 2020):** Revise the relevant enforcement decrees and regulations to permit credit card companies to operate MyData business and individual business credit bureau, and allow credit card

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<sup>1</sup> For instance, in the U.K and Australia, small banking licenses are granted during a mobilization period (12-24 months) wherein lower capital requirements and savings limits are applied before granting a full-license.

<sup>2</sup> Completed primary evaluations between July 2018 and July 2019

companies to use anonymized or pseudonymized personal data for financial advising services

- ▶ **VENTURE INVESTMENT (Q1 2020):** Modify regulations to promote financial companies' investment in fintechs and other innovative venture start-ups to promote cross-sector convergence and collaboration, while working to provide tailored financing support through accelerator programs, etc.
- ▶ **REGULATIONS ON SAVINGS BANKS (H1 2020):** Improve the regulatory framework on savings banks to strengthen their competitiveness, financial soundness and risk management system.

## 2. FACILITATING CORPORATE FINANCING

The government will work to channel more financing opportunities for corporates.

- ▶ **INCENTIVES FOR CORPORATE LOANS (JAN. 2020):** Apply a new loan-to-deposit ratio scheme<sup>3</sup> designed to increase lending to corporates while helping to contain household debt
- ▶ **S-CCyB (Q1 2020):** Introduce the sectoral countercyclical capital buffer (S-CCyB) which imposes additional capital requirements when household loans rise rapidly at banks
- ▶ **IMPLEMENTATION OF BASEL III:** Implement the Basel III capital requirements<sup>4</sup> early to help ease the compliance burdens of banks for corporate lending.
- ▶ **INVESTMENT IN SUBSIDIARIES (H2 2020):** Encourage banks and insurance companies to invest in fintechs and innovative start-ups by modifying regulations to allow them to own more than 15% of their subsidiaries

## 3. BOLSTERING CORPORATE RESPONSIBILITIES

The government will work on measures to enhance corporate responsibilities for financial companies and ensure that the financial industry can further advance with trust from the consumers.

- ▶ **PERFORMANCE EVALUATION AND COMPENSATIONS (2020):** Encourage financial companies to put more focus on long-term performance, risk management and consumer protection by drawing up best practice guidelines that reduce the ratio of short-term financial performance and increase the ratio of long-term performance, while enhancing transparency in disclosure of performance evaluation and compensation schemes.

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<sup>3</sup> Different weighing system for households (115%), corporates (85%) and individual business owners (100%)

<sup>4</sup> Include reducing risk-weighting of loans to SMEs from 100% to 85%

- ▶ **REGULATIONS ON INSURANCE ADVERTISING (H1 2020):** (i) Specify do's and don'ts of naming insurance products to help financial consumers better understand types and characteristics of insurance products; (ii) permit live broadcast advertising only to insurance products less likely to cause consumer damage; and (iii) strengthen penalties for violations of advertising rules.
- ▶ **INSURANCE DISTRIBUTION CHANNELS (H2 2020):** Increase transparency and accountability in management of general agent (GA) channels; diversify distribution channels including online platforms; and draw up plans tailored to each distribution channels to ensure sound practices.
- ▶ **CLAIMS ADJUSTERS (H2 2020):** Strengthen internal controls and standards for outsourcing business; introduce a public claims adjuster scheme to better represent financial consumers; strengthen professional education requirements for claims adjusters; and establish a statutory basis to sanction claims adjusters for misconduct.

#### **4. STRENGTHENING MANAGEMENT OF FINANCIAL SOUNDNESS**

The government will consider both global standards as well as domestic industry characteristics while working to improve the financial soundness of banks.

- ▶ **SUPERVISORY FRAMEWORK FOR MEASURING AND CONTROLLING LARGE EXPOSURE:** Based on the outcome of the pilot test (March 2019~March 2020), decide on whether, when and how to introduce the supervisory framework with domestic banks, in accordance with the recommendation of the BCBS.
- ▶ **NEW K-ICS BASED ON IAIS'S INSURANCE CAPITAL STANDARD (ICS):** (i) Draw up phase-in plans and conduct an analysis of regulatory impact; and (ii) introduce a coinsurance scheme.

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