

5TH DIGITAL FINANCE MEETING UNVEILS PLANS TO IMPROVE RULES AND REGULATIONS

Vice Chairman Doh Kyu-sang held the 5th consultative body meeting on digital finance on December 10 and discussed ways to improve rules and regulations for an ‘upward leveling’ of financial regulations for financial institutions, fintechs and big techs alike, which will promote competition and innovation for all.

VICE CHAIRMAN’S REMARKS

Amid significant changes taking place in the financial industry, fintechs are growing rapidly, big techs are entering financial markets and traditional financial institutions are actively pursuing digital innovation. In this process, the existing regulatory regime has not been able to sufficiently take into account the changing digital environment. There also have been concerns about the lack of fair competition and the need to apply same regulations for same functions. As such, the competition has become fiercer with growing uncertainties about the future.

To promote communication and cooperation between different market players, the consultative body meeting on digital finance was established on September 10. A series of meetings with different market players since then helped to collect diverse opinions and suggestions. With the goal of ‘upward leveling’ of financial regulations for financial institutions, fintechs and big techs alike, the FSC has prepared plans to level the playing field and take into account the needs of different market players.

KEY SUGGESTIONS

A total of forty out of sixty-two suggestions (65%) have been accepted on the issue of regulatory arbitrage and digital transition, with fifteen others pending for mid- to long-term review.

I. REGULATORY ARBITRAGE ISSUE

- Expand opportunities for banks to operate platform business
- Allow credit card companies to operate one-stop payment service business
- Establish rules to oversee big techs’ platform sales activities
- Allow financial companies to invest in and own shares of fintechs
- Make data provision for MyData more equitable for banks and electronic financial businesses (e-commerce businesses) by having e-commerce entities open up order history information

- Make open banking cost-sharing more equitable between participating institutions by having big techs and fintechs share the cost burden of a part of operational costs for open banking network
- Ensure risk management on the small-sum deferred payment function provided by electronic financial business operators

II. DIGITAL TRANSITION ISSUE

- Allow insurance agents to engage in contactless sales mechanisms permanently and consider ways to improve 'untact' sales channels, including hybrid (face-to-face & contactless) sales mechanisms
- Simplify signing procedures for mobile insurance subscribers
- Promote development of insurance policies utilizing individuals' pseudonymized health care data
- Establish guidelines on network separation to ensure smooth operation of telecommuting for employees of financial institutions
- Allow contactless real name ID verification system using facial recognition technologies
- Introduce an investment information package fit for mobile-only investment environment
- Review various business models to allow trading of fractional shares of domestic stocks

FURTHER PLANS

The FSC will announce specific measures, guidelines and regulatory improvements as they become available on each issue. Meanwhile, the FSC will make the most use of its financial regulatory sandbox program for the designation of 'innovative financial services.'

The FSC will continue to work on ways to improve regulations in digital finance and maintain close communication with market experts and other industry professionals.

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