



한국핀테크지원센터
Fintech Center Korea

Korea Fintech Industry Overview and Introduction to Major Policies

2024. 4. 24.

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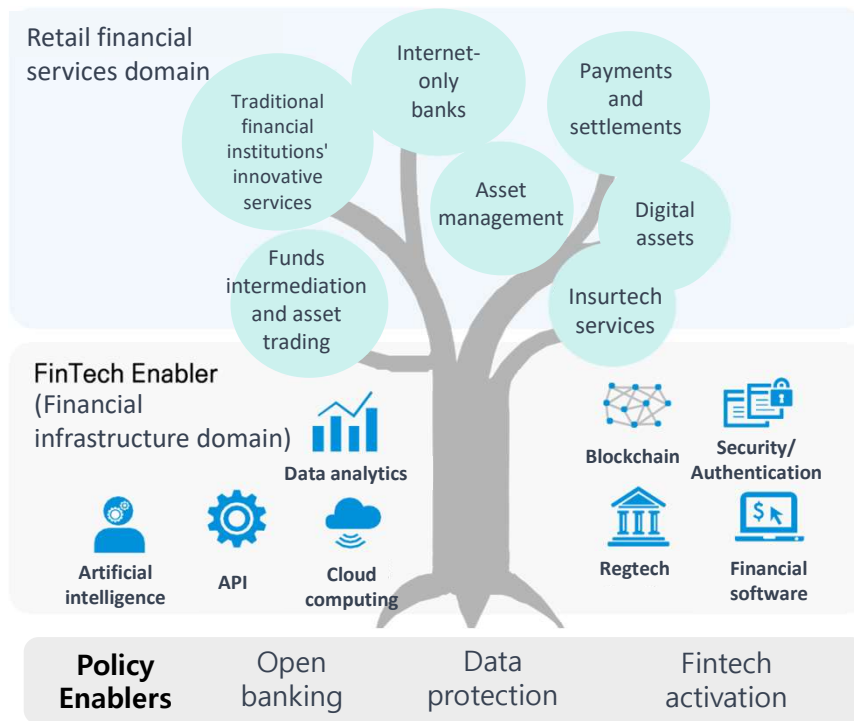
V. Fintech Center Korea

I. Introduction

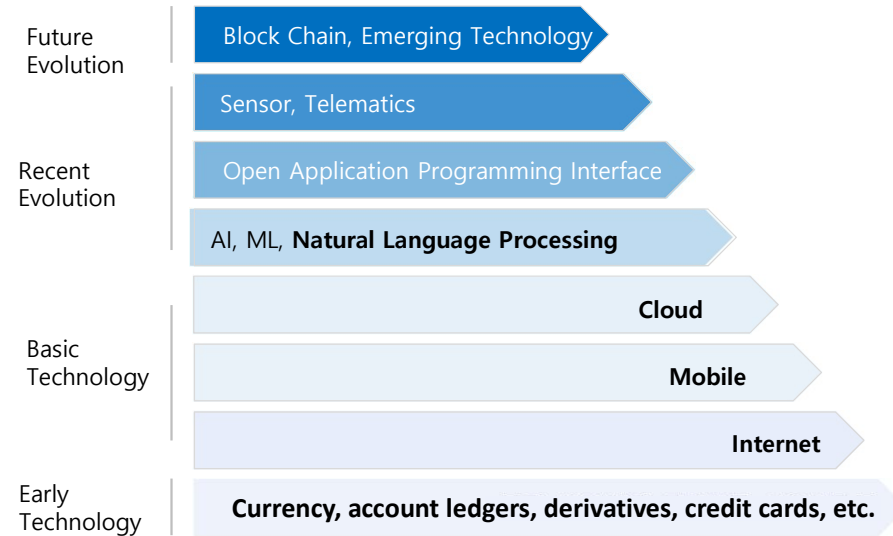
1. Fintech Technology – Enabler of Changes in the Financial Market

Fintech technology acts as a major **driver** of **innovation** in customer experience by causing changes in financial services as an **enabler** of changes in the financial market.

Fintech Business Area



Fintech Technology Stack



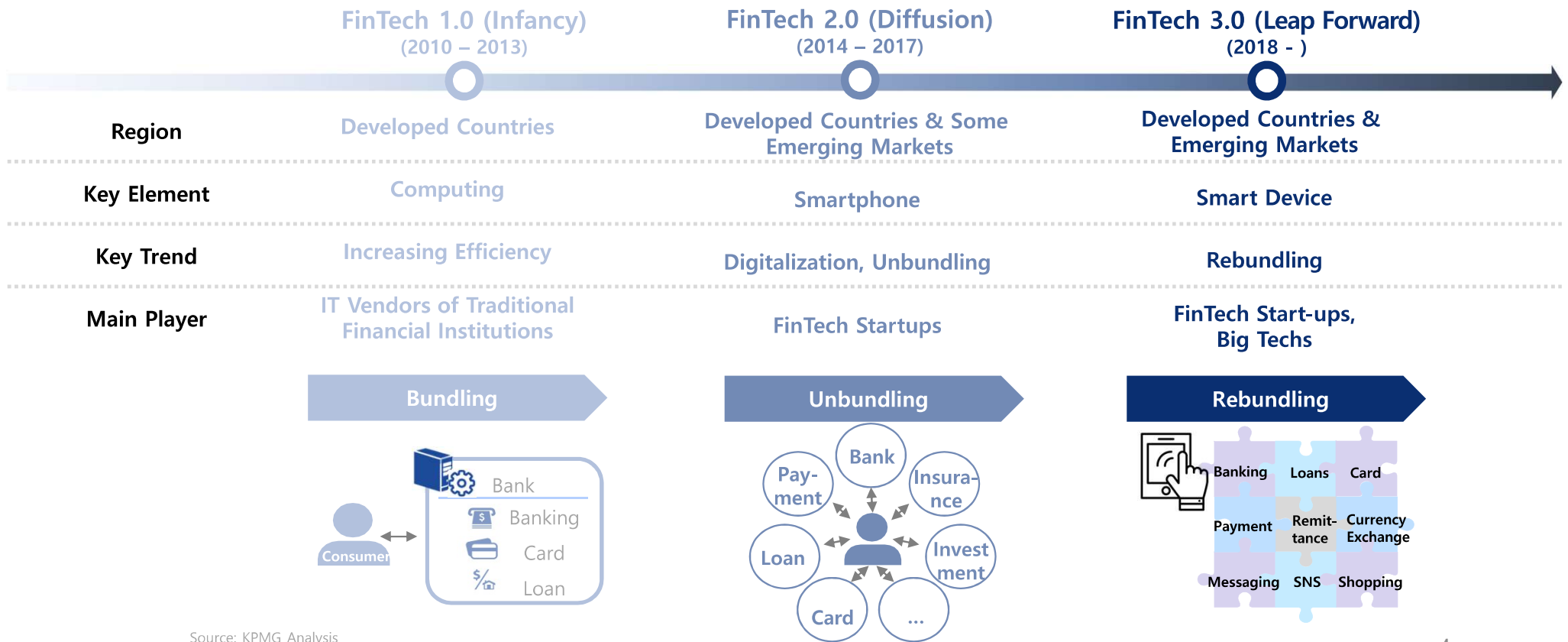
“Sensors and telematics technologies are influencing the automotive and health insurance markets. Over the next 5 to 8 years, innovation is expected to occur through technologies that extract and analyze data, such as artificial intelligence, machine learning, and natural language processing.”

– Gary Gensler, MIT Sloan

I. Introduction

2. The Evolution of Fintech – The Emergence of Platform Companies

Fintech innovation is introducing more personalized services, creating new values, and the era of Fintech 3.0 arrived as financial services are reshaping



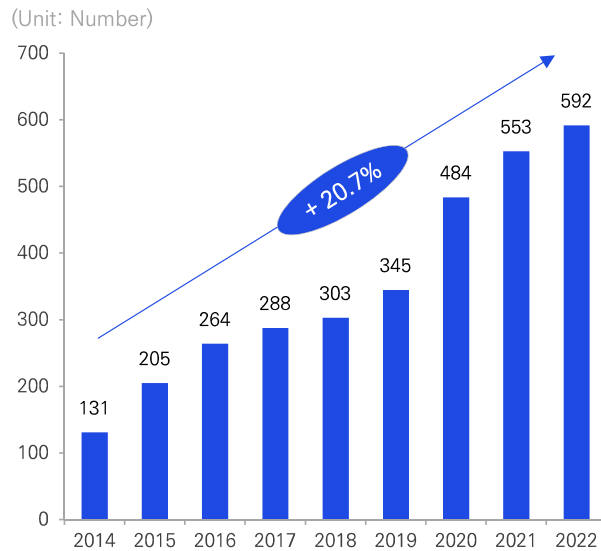
Source: KPMG Analysis

II. Korea Fintech Trends

1. Status of Domestic Fintech Companies

In Korea, the number of fintech companies increased to 592 in 2022 due to digital transformation acceleration and policy support, and business models are becoming more diverse and sophisticated

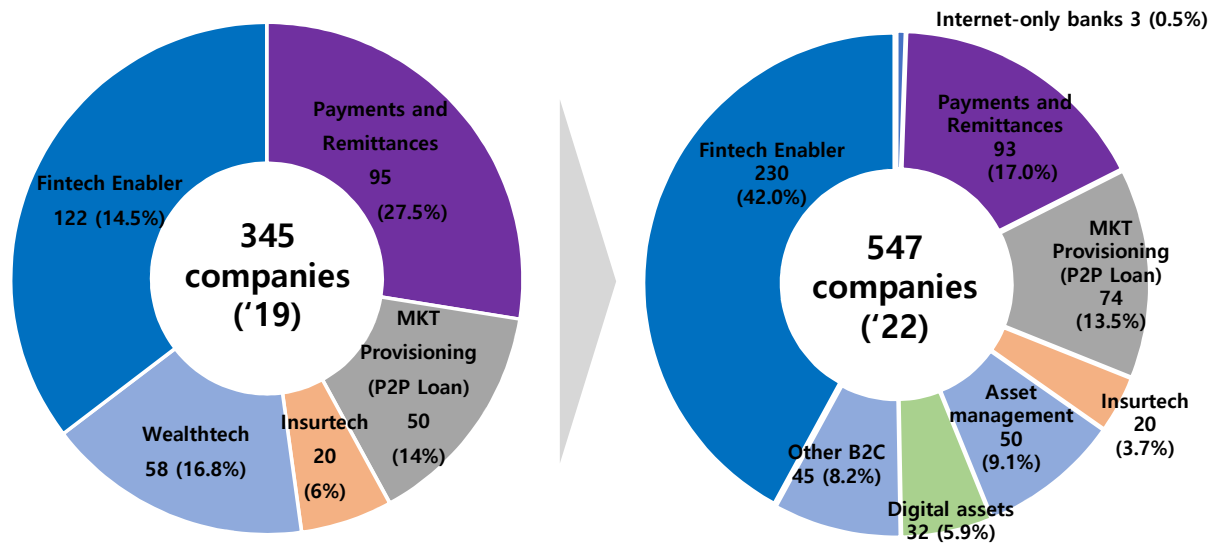
Number of Korea Fintech Company



Companies grew 20.7% annually from 131 in 2014 to 592 in 2022.

Source : Korea Fintech Company Directory

Share of Korea Fintech Companies by Sector



Since 2019, fintech business models have diversified and become more sophisticated, with advancements in digital assets and online banks.

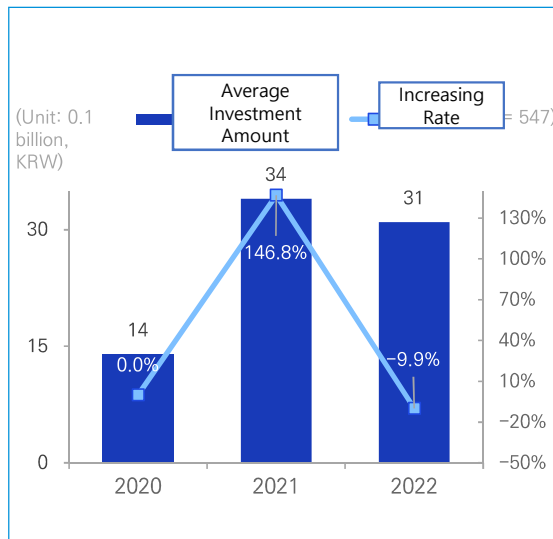
Source : 2019 Korea Fintech Company Directory, 2022 Korea Fintech Company Directory
There may be differences in the fintech category due to changes in classification criteria (n=547, based on the survey)

II. Korea Fintech Trends

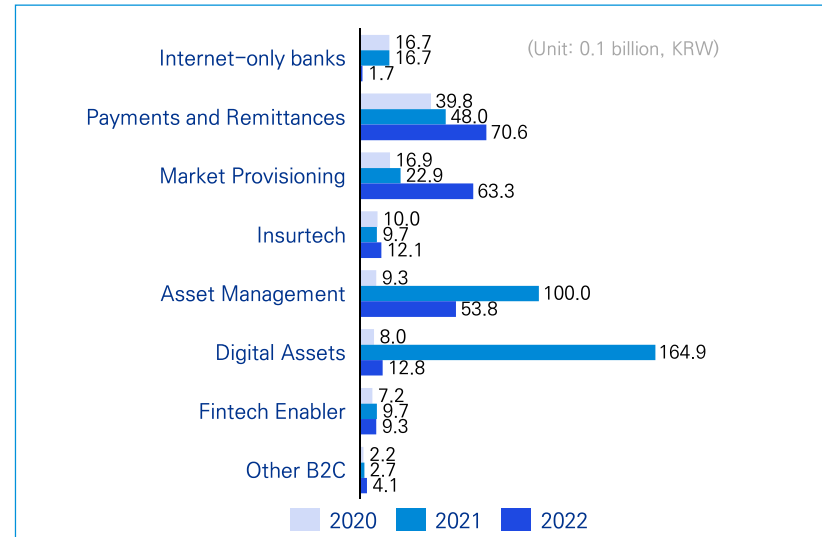
2. Domestic Fintech Investment Trends

- Due to the recent economic recession and worsening liquidity, the average investment amount in 2022 fell by about 10% compared to 2021, when the market was booming.
- Payment and settlement ranked no. 1 for investment on average followed by market provision(P2P), and Asset Management respectively, while overall investment fell.
- For fintech enabler, Cloud sector had its highest investment (around 4.4 billion USD), which followed by API sector (around 1.4 billion USD), and finance software sector. (around 1.1 billion USD)

Domestic Fintech Investment Trends



Source: Fintech Center Korea(2023), '2022 Fintech Industry Status Survey', KPMG Analysis



Source: Fintech Center Korea(2023), '2022 Fintech Industry Status Survey', KPMG Analysis

III. Major Policies - Overview

Financial Regulatory Sandbox	Data Infrastructure	Support New Financial Industry	Security Consumer Protection	Nurture Fintech Ecosystem
<div data-bbox="40 592 414 639">Innovative Financial Service</div> <p data-bbox="40 659 414 823">A system that applies temporary regulatory exceptions to allow innovative financial services to be tested in the market. (Enactment of the Financial Innovation Special Act in April 2019)</p> <div data-bbox="40 938 414 986">Designated Agent</div> <p data-bbox="40 1018 414 1126">• A system that allows fintech companies to operate business entrusted by a financial company for pilot operation of financial services.(Since 2018)</p> <div data-bbox="40 1150 414 1198">Consignment Test</div> <p data-bbox="40 1217 414 1358">• A pilot system that allows fintech company to consign its financial service to a financial company and provides the service through the financial company for pilot business.(Since 2017)</p>	<div data-bbox="481 592 855 639">Open Banking</div> <ul data-bbox="481 659 855 735" style="list-style-type: none"> • Fully Open the API-based financial payment network system to the Public. (Dec, 2019) <div data-bbox="481 759 855 807">MyData</div> <ul data-bbox="481 839 855 1031" style="list-style-type: none"> • Three Data Act was revised in Feb. 2020 Provide customized service to consumers by collecting personal credit information scattered across each financial institutions (Personal Information Protection Act, Information and Communication Network Act, Credit Information Act) <div data-bbox="481 1142 855 1190">Public Data</div> <ul data-bbox="481 1222 855 1299" style="list-style-type: none"> • Open financial public data, provide customized financial services to individuals and private business (June, 2020) 	<div data-bbox="922 592 1296 639">Crowdfunding</div> <ul data-bbox="922 659 1296 735" style="list-style-type: none"> • Loan Type Crowdfunding • Allow institutional investment linkage and increase individual investor limit <div data-bbox="922 759 1296 807">Robo-advisor</div> <ul data-bbox="922 839 1296 884" style="list-style-type: none"> • Allow non-face-to face, fund management, consignment fintech (March, 2019) <div data-bbox="922 940 1296 987">The segmentation of CB</div> <ul data-bbox="922 1019 1296 1096" style="list-style-type: none"> • Regulations were eased, encouraging fintech businesses to do CB business. (July, 2020) <div data-bbox="922 1136 1296 1184">Digital Assets & STO</div> <ul data-bbox="922 1216 1296 1356" style="list-style-type: none"> • The Act on the Protection of Virtual Asset Users was legislated. (June, 2023) • Legal frameworks regarding the issuance and distribution of STO was revised (Feb, 2023) 	<div data-bbox="1364 592 1738 639">Financial Consumer Protection Act</div> <ul data-bbox="1364 659 1738 767" style="list-style-type: none"> • The act strengthens rights of financial consumers by setting up the rights to withdrawal from subscription and terminate from illegal contracts. (From Mar, 2021) <div data-bbox="1364 839 1738 887">AI guideline</div> <ul data-bbox="1364 919 1738 1091" style="list-style-type: none"> • The guideline was announced to ensure accountability, accuracy, safety, transparency, and the rights of consumers. (July, 2021)₩ • Announcement on operation of financial data library(June, 2023) <div data-bbox="1364 1136 1738 1184">Cloud & Network separation</div> <ul data-bbox="1364 1203 1738 1343" style="list-style-type: none"> • Allow exceptions to separate network in R&D(April, 2022) • Sandbox is allowed to use SaaS on the internal use of network for non-critical tasks. (Sep, 2023) 	<div data-bbox="1803 592 2177 639">Fintech Center Korea was founded</div> <ul data-bbox="1803 659 2177 767" style="list-style-type: none"> • Serves as a global hub to support the innovative financial ecosystem and revitalizing fintech industry (Mar, 2015) <div data-bbox="1803 839 2177 887">Support Fintech Programs</div> <ul data-bbox="1803 935 2177 1043" style="list-style-type: none"> • Operate fintech support program for each stage of growth, including cost support, mentoring, space, job matching programs and etc. <div data-bbox="1803 1136 2177 1184">Korea Fintech Week</div> <ul data-bbox="1803 1216 2177 1308" style="list-style-type: none"> • Korea's Global Fintech Exhibition. • Sharing latest fintech seminar, exhibition (Aug. 27~Aug. 29)

III. Major Policies - Financial Regulatory Sandbox

1. Financial Regulatory Sandbox

Financial Regulatory Sandbox

- | A system that **exempts or defers existing regulations** for a certain period of time on new products or services, enabling companies to fully **realize innovative financial ideas**.
- | A system that temporarily defers existing regulations to verify the safety and validity of innovative businesses in the market.



Background of Financial Regulatory Sandbox

- | Innovative financial products or services often struggle to obtain immediate regulatory approval, and additional reviews on system stability are required.
- | To support the emergence of innovative financial services, many countries have introduced financial regulatory sandboxes (adopted by 77 countries worldwide).
- | By providing innovators with the opportunity to test their innovations and regulatory agencies with the time to test the impact on the market.
- | It provides opportunities for innovators to safely enter financial services into the market, and financial authorities to change regulations according to market conditions.

III. Major Policies - Financial Regulatory Sandbox

2. Progress of the Financial Regulatory Sandbox

Financial Regulatory Sandbox

I A system that temporarily defers existing regulations to verify the safety and validity of innovative businesses in the market

April 2019

Enforcement of the Special Act on Financial Innovation Support
Introduction of the Financial Regulatory Sandbox System

- Exemption or deferment of regulations for up to 4 years when designated as an innovative financial service

July 2019

Enforcement of the Special Act on Financial Innovation Support Amendment

- Introduction of the regulatory improvement request system
- Extension of the special period for regulatory improvement decisions (up to 1 year and 6 months)

September 2019

Implementation of D-Testbed Pilot Project

- Selection of 20 teams including fintech startups and prospective entrepreneurs
- Verification of business feasibility of financial sector data utilization, technology, and ideas

Financial Regulatory Sandbox

- I Responding to the rapid growth of overseas fintech industries
- I Need to stimulate innovation in a strict regulatory environment for the financial industry
- I Promote digital transformation of the overall financial industry through the growth of the fintech industry
- I Increase the benefits for financial consumers by raising their fintech utilization

Policy Direction



Protection of
Public Interest Values



Regulatory Innovation 9



Risk Management

III. Major Policies - Financial Regulatory Sandbox

3. Types of Financial Regulatory Sandbox Systems

Financial Regulatory Sandbox System is divided into four categories:
Innovative Financial Services, Designated Agent, Consignment Test, Rapid Regulatory confirmation

Innovative Financial Service

Permitting pilot operations and temporary regulatory exemptions, within a designated scope, for innovative financial services that can enhance the benefits for consumers in the financial market

Consignment Test

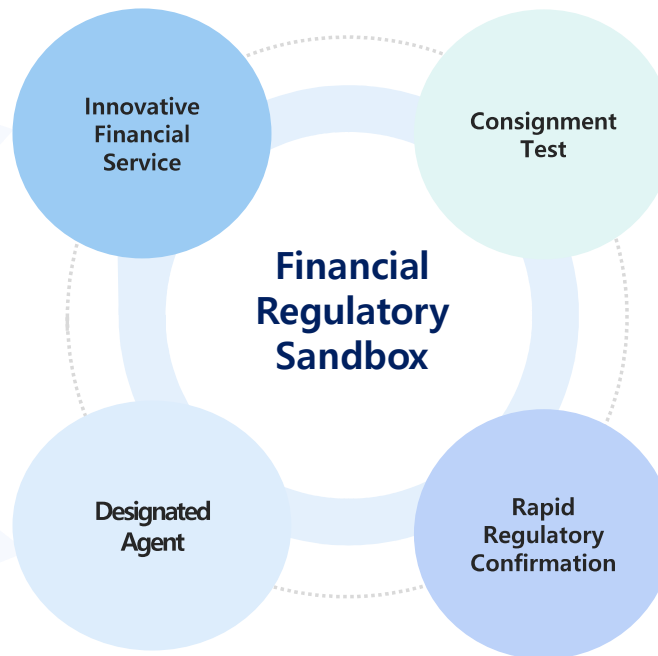
Fintech companies delegate usage rights of their developed services to cooperating financial companies, who then operate them

Designated Agent

For the pilot operation of innovative financial services, Fintech companies are entrusted with essential tasks typically performed by financial companies

Rapid Regulatory Confirmation

Promptly confirming the relevance of laws pertaining to financial services for providers experiencing regulatory ambiguity



☞ System operation based on the Special Act on Financial Innovation Support₁₀

III. Major Policies - Financial Regulatory Sandbox

3-1. Innovative Financial Service

◆ Concept

It is a system that recognizes **exceptions to the application of regulations** for services provided in the process of performing related business or financial business where existing financial services, such as the content, method, and form of existing financial services

◆ Designated Period

Within 2 years (extend maximum upto 2 years once)

◆ Designation Effect

- Innovative financial services can be operated within the designated scope without a separate financial business license
- Special cases are recognized for regulations related to finance, such as licensing, registration, reporting, governance, soundness, and business activities.
 - Exceptions to regulations under the jurisdiction of other ministries (Foreign Exchange Transactions Act, etc.) are designated with the consent of the competent department
 - Non-recognition if there is a risk of irreversible damage to consumers or a significant impairment of financial order stability

III. Major Policies - Financial Regulatory Sandbox

3-2. Designated Agent

◆ Concept

A designated agent can do **business entrusted by a financial company** for pilot operation of innovative financial services

◆ Designated Period

Within 2 years (starting point: Date of signing of consignment contract)

◆ Designation Effect

Able to directly operate the business of a financial company through business consignment



III. Major Policies - Financial Regulatory Sandbox

3-3. Consignment test

◆ Concept

It is a pilot system that allows **fintech company** to **consign its financial service** to a financial company and provides the service through the financial company for pilot business

◆ Selection effect

Provide an opportunity to wish to collaborate with unlicensed companies, small companies that are difficult to independently test, and companies with financial companies

3-4. Rapid Regulatory Confirmation

◆ Concept

Expedited system for Financial service providers facing regulatory uncertainty relevant laws and regulations

◆ Confirmation Period

Within 30 days (however, excluding the period required to supplement the application, up to 30 days are added if there are issues under the jurisdiction of other ministries)

◆ Operating Procedure

Operation of a one-stop service that can handle not only the laws under the jurisdiction of the Financial Services Commission, but also laws under the jurisdiction of other ministries

III. Major Policies - Financial Regulatory Sandbox

4. Major Achievements

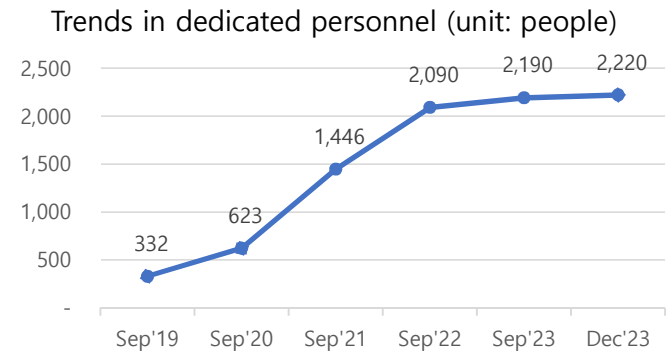
Designation Performance

Out of **305** innovative financial services, **182** have been launched and are currently in service (as of April '24)

Employment Increase Performance

2,220 people (as of Dec'23.)

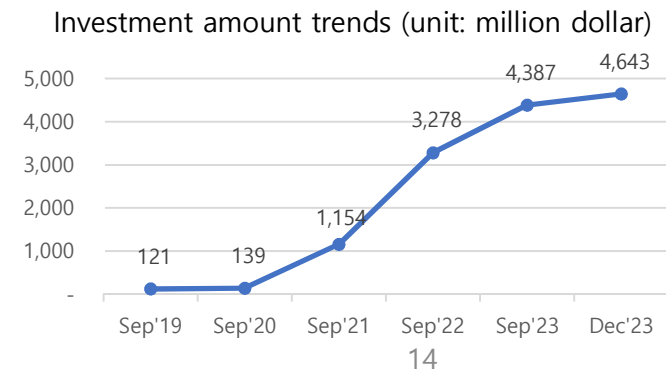
Category	Dedicated personnel
Financial companies, etc.	1,292
Bigtech	177
Fintech	751
Total	2,234



Investment Attraction Performance

\$4,643M (as of Dec'23.)
* \$1=W1,300

Category	Amount
Financial companies, etc.	\$866M
Bigtech	\$3,042M
Fintech	\$735M
Total	\$4,643M



Source : Financial Services Commission

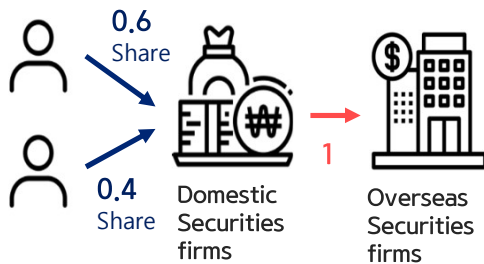
IV. Sandbox Case Studies

1

Fractional share investment service for overseas stocks

29 designated securities firms

- When investors place fractional share orders, securities firms create whole shares to order overseas stocks



- Number of users : 860,000
- Investment performance : \$1.55B

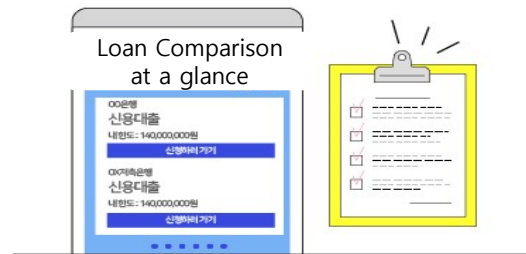
Securities companies

2

Online loan comparison and application platform

15 designated fintech companies

- Allowing one-stop inquiry on various loan product information



- Number of users : 8.7 million
- Loan performance : \$11.74B

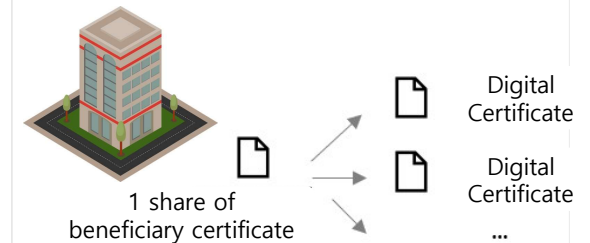
kakaopay toss finda

3

Real estate beneficiary certificate distribution platform

Kasa Korea, Lucentblock, Funble

- Expanding indirect investment opportunities in small and medium-sized commercial real estate for general investors



- Number of users : 270,000
- Transaction volume : \$47M

kasa LUCENTBLOCK FundBloc

IV. Sandbox Case Studies

4

Music Royalty Trading Platform

Musicow

- Distributing music copyrights into multiple beneficiary certificates to investors



- Number of subscribers : 1.2 million
- Official launch scheduled for June '23

musicow

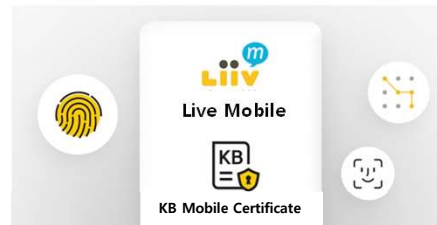
5

Fin-Telco Convergence Services By MVNO (Mobile Virtual Network Operator)

Kookmin Bank

- Providing converged financial and telecommunications services through the expansion of banking auxiliary services

<Liiv M X KB Mobile Certificate>



- Number of subscribers : 450,000

KB Kookmin Bank

6

Small Biz O2O Order Brokerage Platform

Shinhan Bank

- Offering specialized financial products through food order intermediation services via the expansion of banking auxiliary services



- Number of users : 1.93 million
- Order transaction volume : \$61M

Shinhan Bank

V. Fintech Center Korea

1. Introduction of Fintech Center Korea

Fintech Center Korea established as Fintech Hub

* KFB, KFTC, KOSCOM, K-Growth, KFEC, KLIA, KNIA, KOFIA, CREFIA, KRX, KSD, CICA, KSFC, KCREDIT, FSB

(Operated as T/F until 2017 from 2015. with FSC, related organizations)

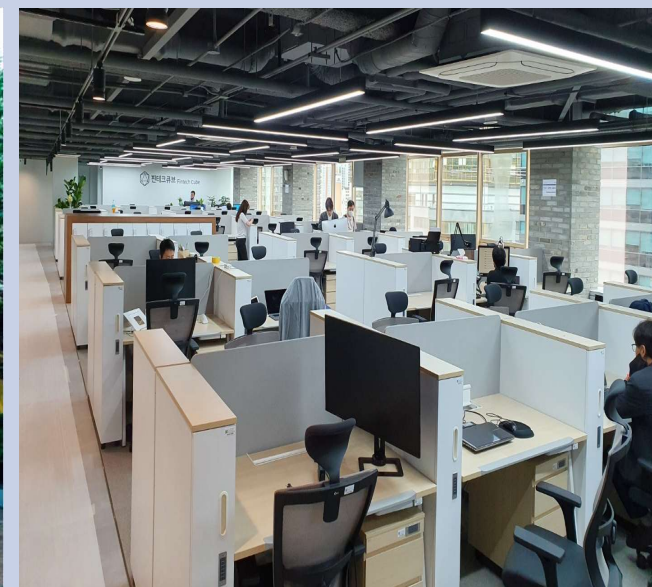
Established in Jan. 2018 * as a public institution to enhance and support the Fintech Ecosystem



By concentrating public and private sector capabilities, fostering the active emergence and growth of fintech startups



Front1



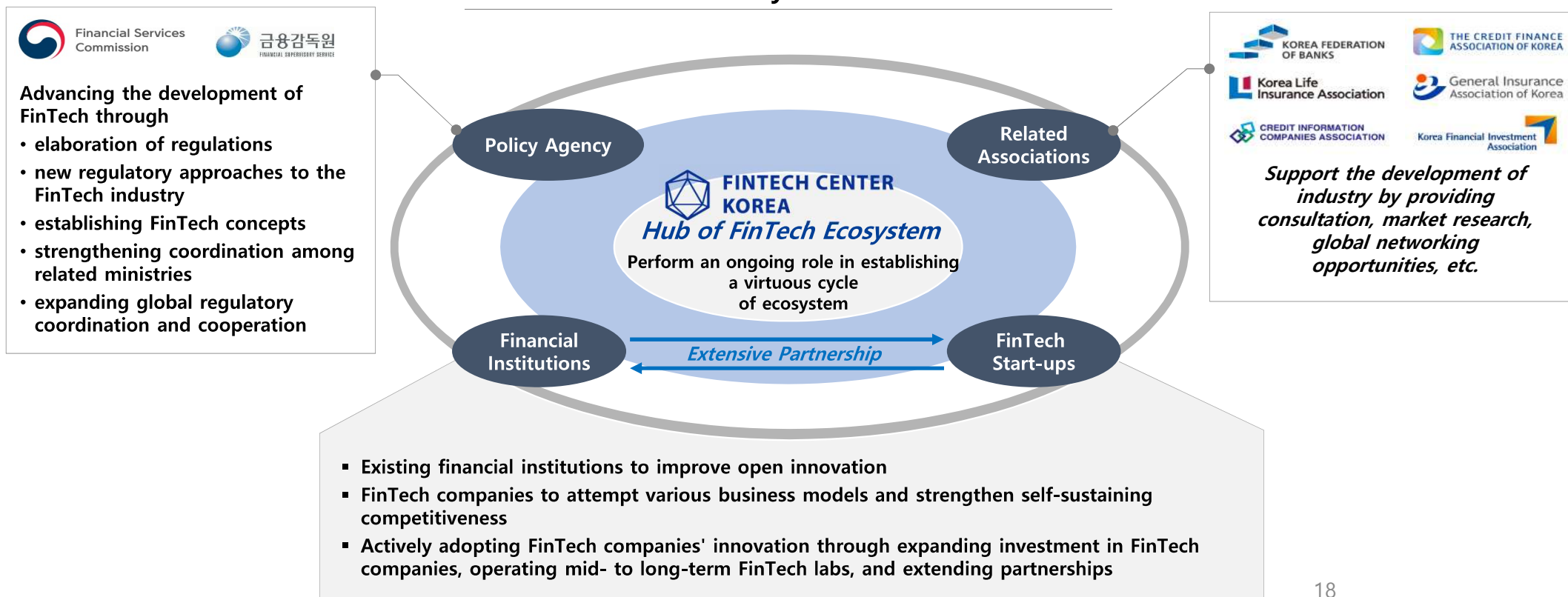
Fintech Cube

V. Fintech Center Korea

2. Going Forward

Fintech development, as a key growth engine for the future, should be accompanied by continuous effort toward innovation by relevant stakeholders

Fintech Ecosystem in Korea





Korea Fintech Industry Overview and
Major Policies

Appendix

1. Korea Fintech Facts

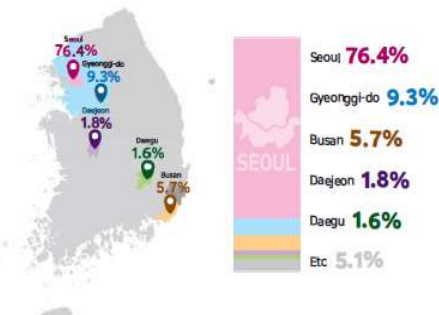
Korea Fintech Facts



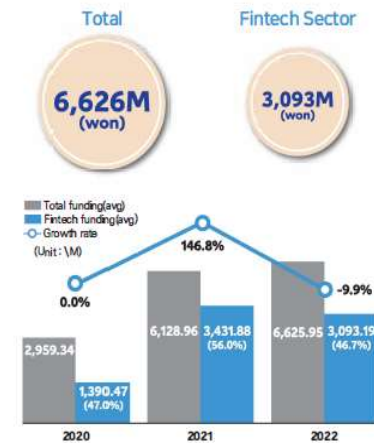
The number of fintech startups



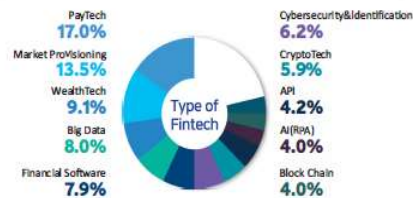
Business Base



Investment



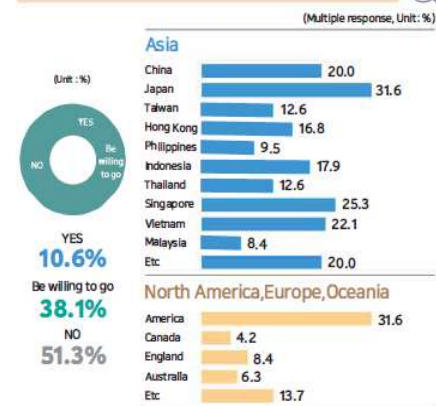
Type of Fintech



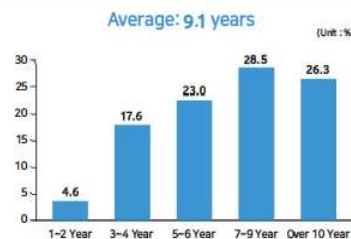
Average Revenue



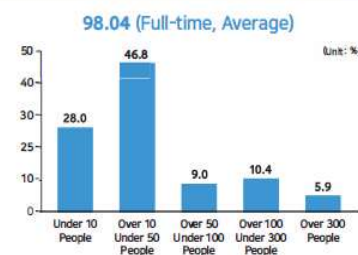
Go to Global



Age of Company




Number of Employees



Source: Fintech Center Korea

2. Korea Fintech Map



Korea Fintech Map

PayTech

GOLPZON, GME, NAVER FINANCIAL, dazn, HUPAY, DGB유페이, JL LORDSYSTEM, robori's, ...

Market Provisioning

ZYN HOLDINGS, Growing LAB, 내금융, NIMO, ...

Block Chain

RAIN SECURE, MEDFUN, SAFEMAN, ...

WealthTech

Go-Train, 신한자산운용, ...

AI(RPA)

Finset'n, NICE FINTECH, ...

Cybersecurity & Identification

아메리칸, 신한비즈니스, ...

CryptoTech

galaxia, GROUND, ...

InsurTech

GHO, nexsol, ...

Financial Software

gowid, DABU, ...

API

NICEPAY, 도경안, ...

RegTech

DATAKID, Bonanza Factory, ...

BankTech

kakaobank, Kbank, ...



Thank you

Fintech Info Website, Fintech portal	https://www.fintech.or.kr
Innovation Testbed, Financial Regulatory Sandbox	https://sandbox.fintech.or.kr
Global Expo, Korea Fintech Week	https://2022.fintechweek.or.kr
Data-driven Testing Space, D-Testbed	https://dtest.fintech.or.kr
Fintech education platform, FinEdu	https://finedu.fintech.or.kr
Dedicated space for fintech companies, Fintech Cube	https://fintechcube.kr

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