Deregulation on FinTech Industry to Boost Cloud Computing

The Office of Foreign Investment Ombudsman would like to share the recent trend of deregulation for cloud computing (an information processing system that makes it possible to flexibly use integrated and shared resources for information and communications, such as devices for information and communications, information and communications systems, and software, through information and communications networks in accordance with changes in users’ requirements or demands) and the financial technology (FinTech) industry.

Cloud computing is one of the fastest growing industries in the tech scene and is the key industry for which the ‘Act on the Development of Cloud Computing and Protection of Its Users’ has been legislated.

Cloud computing is one of the fastest growing industries in the tech scene and is the key industry for which the ‘Act on the Development of Cloud Computing and Protection of Its Users’ has been legislated.

The fact that the grounds for pursing various policies to use and develop cloud computing have been established to sufficiently utilize the industry’s economic opportunity acts as the driving force to improve relevant laws and regulations.

Notably, the latest improvement would be the amendment of the ‘Detailed Regulation on Supervision of Electronic Finance’ which concerns the FinTech industry. The amendment has added exceptions to the application of network separation. If connection intervals are blocked between the device directly accessed for the purpose of operation, development and security of information processing systems placed within computer centers and external networks, and between the aforementioned device and intranet systems that fall under the related regulations, network separation shall not be applied.

Moreover, the partial amendment to the Regulation on Supervision of Electronic Finance has been preannounced. The amendment includes abolishing the mandatory use of a security card or temporary password when transferring funds electronically in order to grant autonomy to financial companies in utilizing various FinTech measures.

Preannouncement of the partial amendment to the Regulation on Supervision of Electronic Finance and expanded use of FinTech allowed to financial companies

The Amended Bill

· Expansion of exceptions to network separation
  - If each connection interval between the device directly accessed for the purpose of operation, development and security of information processing systems placed within computer centers and external networks, and between the aforementioned device and intranet systems that fall under the related regulations are all blocked, financial companies shall be allowed to utilize various FinTech measures.
  - Mandatory use of a security card and temporary password for transferring electronic funds shall be abolished.

However, physical network separation duty has not been fully lifted due to security reasons. Many businesses are paying attention to whether logical network separation (technology of separating intranet and external network by using virtualization instead of using two hardware devices) will be allowed in the future.

It remains to be seen whether physical or logical network separation will be allowed by applying, mutatis mutandis, “Standard on the Technical and Administrative Measures for the Personal Information Protection” along with the relevant provisions for physical protection measures in “Standard on Information Protection of Cloud Computing Service”. This is a matter that also involves law and economics, and I believe the full understanding of cloud system that shares and uses resources by measures such as virtualization is the beginning of deregulation.

By Jungho You
Legal Consultant of Investment Aftercare Division
The Office of Foreign Investment Ombudsman
jungho@kotra.or.kr