



Guide to the Regulatory Sandbox

Table of Contents

1. Regulatory Sandbox

- 1.1 Definition
- 1.2 Policy Management
- 1.3 Regulatory Reform Through the Sandbox
- 1.4 Safety Measures
- 1.5 Operation Procedure

2. Main Support System

- 2.1 Application/Submission Support
- 2.2 Prompt Evaluation and Special Case Support
- 2.3 Financial/Tax Exemption Support
- 2.4 Launch Assistance

3. Contact Information

- 3.1 Respective Departments



1. Regulatory Sandbox

Regulatory Sandbox

1.1 Definition

Regulatory sandbox refers to a system that exempts or suspends existing regulations for a certain period of time when releasing new products and services and regulates them post-mortem if there is a problem. Through this policy, companies may provide and test their products and/or services to the market.

As long as the new products and/or services prove to be safe, the government would support the new innovation to get launched in the market promptly.

Regulatory Sandbox

1.2 Policy Management

Under the 5 managing ministries, the Sandbox Policy is being managed in various sectors as below:

- Ministry of Science and ICT (ICT Convergence)
- Ministry of Trade, Industry and Energy (Industrial Convergence)
- Ministry of SMEs and Startups (Regulation-Free Special Zones)
- Financial Services Commission (Financial Innovation)
- Ministry of Land, Infrastructure and Transport (Smart City)

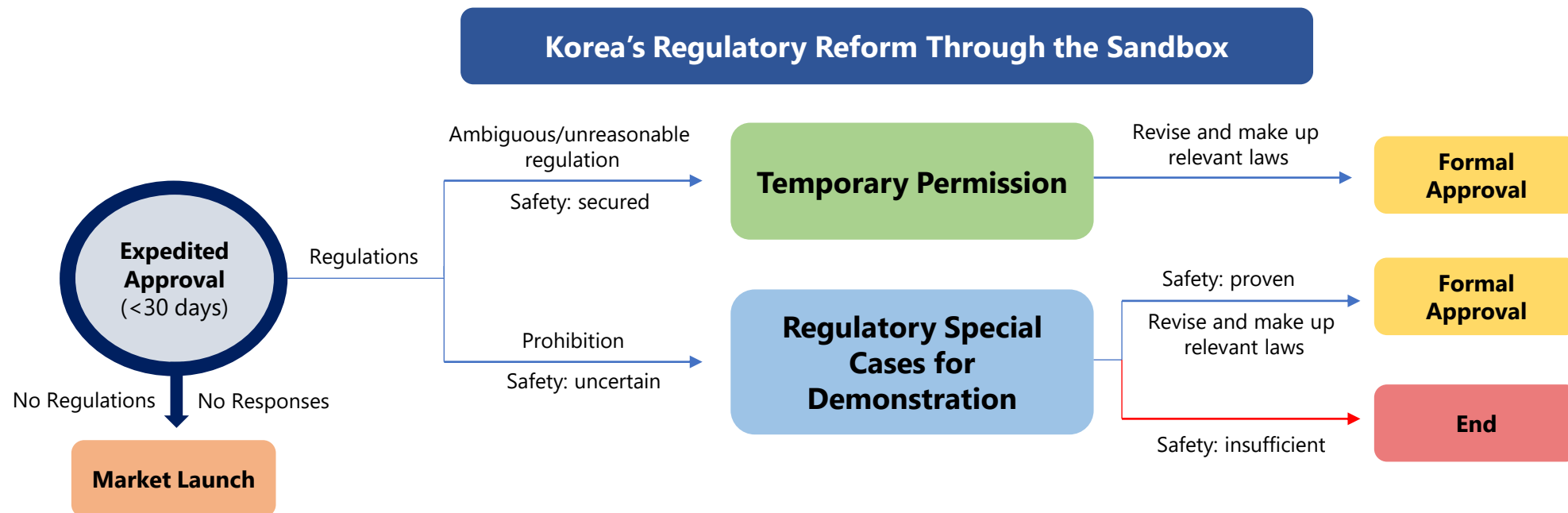
Regulatory Sandbox Operation of Law

- Framework Act on Administrative Regulations (Enforced on 19.7.17)
- Enforcement Decree of the Special Act on Promotion of Information and Communications Technology, Vitalization of Convergence Thereof, etc. (Enforced on 19.1.17)
- Industrial Convergence Promotion Act (Enforced on 19.1.17)
- Act on Special Cases Concerning the Regulation of Regulation-Free Special Zones and Special Economic Zones for Specialized Regional Development (Enforced on 19.1.17)
- Special Act on Support for Financial Innovation (Enforced on 19.4.1)
- Act on the Promotion of Smart City Development and Industry (Enforced on 20.2.27)

Regulatory Sandbox

1.3 Regulatory Reform Through the Sandbox

- Types of Exemptions: Prompt confirmation, Temporary Permission, Regulatory Special Cases for Demonstration
 1. Prompt confirmation: Inquire regarding existing regulations → If not answered within 30 days, considered there are no regulations
 2. Temporary Permission: For ambiguous/unreasonable regulation → Market launch without regulations and make up relevant laws afterwards
 3. Regulatory Special Cases for Demonstration: For ambiguous/unreasonable regulation prohibition → Permit tests/verifications without regulations and make up relevant laws afterwards



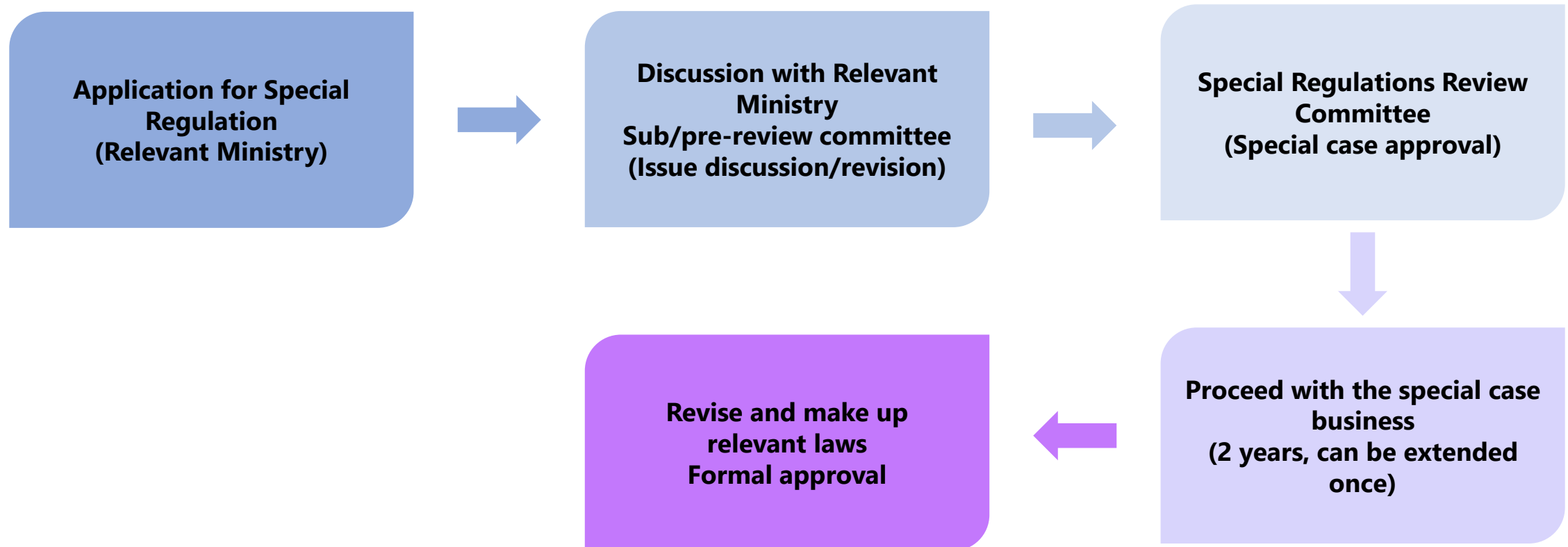
Regulatory Sandbox

1.4 Safety Measures

- Safety Measures: Safety Review, Immediate Action to Problems, Improved Liability for Damages
 1. When life and safety of people and environmental concerns are raised, the regulatory special cases for demonstration to be limited
 2. When problems have occurred or are predicted to occur during the exemption period, the special cases to be cancelled
 3. Apply for the liability insurance, intentional or false claim liability reversal (injured party → business provider)

Regulatory Sandbox

1.5 Operating Procedure



* Final approval of the designation of Regulation-Free Special Zones and related special cases are approved by the Regulation-Free Special Zones Committee (Committee head: Prime Minister)



2. Main Support System

Main Support System

2.1 Application/Submission Support

- Pre-consultation: Regulatory Sandbox application team is available for business consulting, application support and legal advice before submission the application
 - Supports are available from following institutions: National IT Industry Promotion Agency (ICT), Korea Institute for Advancement of Technology (Industrial Convergence), Fintech Center Korea (Finance), Korea Agency for Infrastructure Technology Advancement (Smart City) as well as Korea Chamber of Commerce and Industry (ICT, Industrial Convergence, Financial Innovation)
 - Submission and inquires related to Regulation-Free Special Zones are dedicated to relevant city, province (except metropolitan area) or Korea Institute for Advancement of Technology

- Submission: If the application field is ambiguous due to the characteristics of the business, the application will be transferred to the appropriate department and carried out smoothly.

Main Support System

2.2 Prompt Evaluation and Special Case Support

- Prompt Evaluation: If the business has been approved previously and/or similar from the past, some of the evaluation procedure to be exempted.
 - The previous approved projects can be found in the relevant ministries' homepage
- Minimized qualifications: To prevent excessive additional qualifications from being imposed during the special review procedure, the relevant ministries shall provide burden of proof, such as necessity, international cases, etc.
- Change of Qualifications Request: A business owner, who has benefited from the special case, may apply for a change to ease additional qualifications during the special operation process, and if accepted after examination, the qualifications will be changed.
- Regulation Revision Request: When a business owner, who has benefited from the special case, proves that there are no problems with safety at the end of demonstration, it's possible to request the regulation revision request. If accepted, the relevant ministries will immediately start to revise the law.

Main Support System

2.3 Financial/Tax Exemption Support

- Exclusive Fund: The companies that are approved for Regulatory Sandbox is eligible to apply for an exclusive fund. (FSC, KRW 300 billion for 4 years / MSS, KRW 50 billion annually)
- Preferential Guarantee: The technology guarantee fund provides guarantees up to KRW 2 billion for loans of facility funds to companies subjected to temporary approval and decreases the guarantee rate by up to 0.5%.
- Special Cost Assistance: The companies that are approved for the special cases of demonstration will be provided with a special cost of assistance (up to KRW 120 million) and a premium liability insurance (up to KRW 15 million). In addition, R&D, commercialization as well as infrastructure management costs are provided to the business in the cities and provinces that are designated as Regulation-Free Special Zones.
- Loan Assistance: The companies that are approved for regulatory sandbox can apply for loans under the 'Industrial Structural Improvement Support Program' (preferential interest rate of 0.5~0.7%) implemented to innovate their main industries and promote investment in new growth areas.
 - From 2019, support KRW 10 trillion to companies at preferential interest rates for three years
 - Korea Development Bank (KRW 7 trillion focused on middle market enterprises): Up to KRW 250 billion in facility funds and up to KRW 30 billion in operating funds per company
 - Industrial Bank of Korea (KRW 3 trillion focused on small and mid-sized enterprises): Up to KRW 25 billion in facility funds and up to KRW 3 billion in operating funds per company
- Tax Exemption: When small and medium-sized and middle market enterprises in Regulation-Free Special Zones invest in business assets, they can receive investment tax deductions.
- Business Reorganization: Under the Corporate Vitality Enhancement Act, companies that are reorganize into projects related to regulatory sandbox approval can receive various support, including special cases for disposal of industrial paper, taxation, subsidies for promoting local investment, and conversion funds for small and medium-sized businesses.

Main Support System

2.4 Launch Assistance

- Patent Assistance: The regulatory sandbox application and approval companies are supported with priority screening when applying for a patent and early authorization of patents for expedited trial in the event of a patent dispute.
 - Preferential examination ends within two months on average (at least 13 months of general examination)
 - For an expedited examination to be completed, it would take about average of three months (at least 12 months for general examination)
- Public Procurement: Regulatory sandbox approved products are exempted from innovation assessment when applying for the public procurement service's innovative prototype designation purchase project for private contracts of public institutions.
 - **Exempted**
Public Procurement Procedure: Pre-qualification review → Innovation Assessment → Procurement Compliance Review → Procurement Review Board
 - Products with no transaction record are subjected to this, however, considering the fact that it's the early stage of the innovative prototype purchase business that products with small transaction records are allowed temporarily (temporarily licensed businesses are also allowed).
- Technical Certification Standards: To prevent delays in the launch of new innovative products due to lack of technical and certification standards, or products to be unsuitable under the revised standards, development of technical and certification standards and improvement of performance of the products before the end of special cases is supported.
 - Korean Agency for Technology and Standards 'Development of Certification Technology for Regulatory Sandbox Products'
- Overseas Expansion Support: KOTRA supports regulatory sandbox approved companies to expand overseas by assisting exhibition participation, market research, account search and export vouchers.



3. Contact Information

Contact Information

3.1 Respective Departments

Classification		Homepage	Phone Number	Application Submission
Application Submission Inquires	ICT Convergence	National IT Industry Promotion Agency sandbox.or.kr	043-931-1000	sandbox@nipa.kr
	Industrial Convergence	Korea Institute for Advancement of Technology sandbox.kiat.or.kr	02-6009-4088	sandbox@kiat.or.kr
	Regulation-Free Special Zones	Korea Institute for Advancement of Technology sandbox.kiat.or.kr	02-6009-4072	Respective department (except metropolitan cities)
	Financial Innovation	Fintech Center Korea fintechcenter.or.kr	070-8837-9005	sandboxfsc@korea.kr
	ICT, Industry, Finance	KCCI Regulatory Sandbox Support Center korcham.net	02-6050-3000~1	sandbox@korcham.net
	Smart City	Korea Agency for Infrastructure Technology Advancement smartcity.kaia.re.kr	031-387-6583	ykoo@kaia.re.kr
Loan Assistance (Industrial Structural Enhancement Support Program)		Korea Development Bank (for middle market enterprises) kdb.co.kr	(KDB) 02-787-6938 For system information	KDB Branches (Loan consultation)
		Industrial Bank of Korea (for small and mid-sized enterprises) mybank.ibk.co.kr	(IBK) 02-729-7492 For system information	IBK Branches (Loan consultation)

Contact Information

3.1 Respective Departments (continued)

Classification	Homepage	Phone Number	Application Submission
Exclusive Fund	Korea Growth Investment Corporation kgrowth.or.kr	02-2090-9141	Equity Investment Team
	Korea Venture Investment Corp. k-vic.co.kr	02-2156-2016	Operation Team 1
Preferential Guarantee	Korea Technology Finance Corporation kibo.or.kr.444	1544-1120	KIBO Sales Branch
Investment Tax Deduction for Regulation-Free Special Zones	Korea Institute for Advancement of Technology sandbox.kiat.or.kr	02-6009-4052	—
Business Reorganization Support	Corporate Vitalization Act Support Center oneshot.or.kr	02-6050-3161 02-6050-3162	Respective Ministries
Patent Assistance	Korean Intellectual Property Office kats.go.kr	1544-8080	Korean Intellectual Property Office kats.go.kr
Public Procurement	Innovation Market ppi.g2b.go.kr	042-724-7203 042-724-7664	Innovation Market ppi.g2b.go.kr
Technical Certification Standards	Korean Agency for Technology and Standards kats.go.kr	1381	—
Overseas Expansion Support	KOTRA kotra.or.kr	1600-7119	Overseas Expansion Support (kotra.or.kr) Export Voucher (exportvoucher.com)



Contact

If you would like to know further details about how our services can benefit you and your company, please visit our website at www.ecck.eu.

