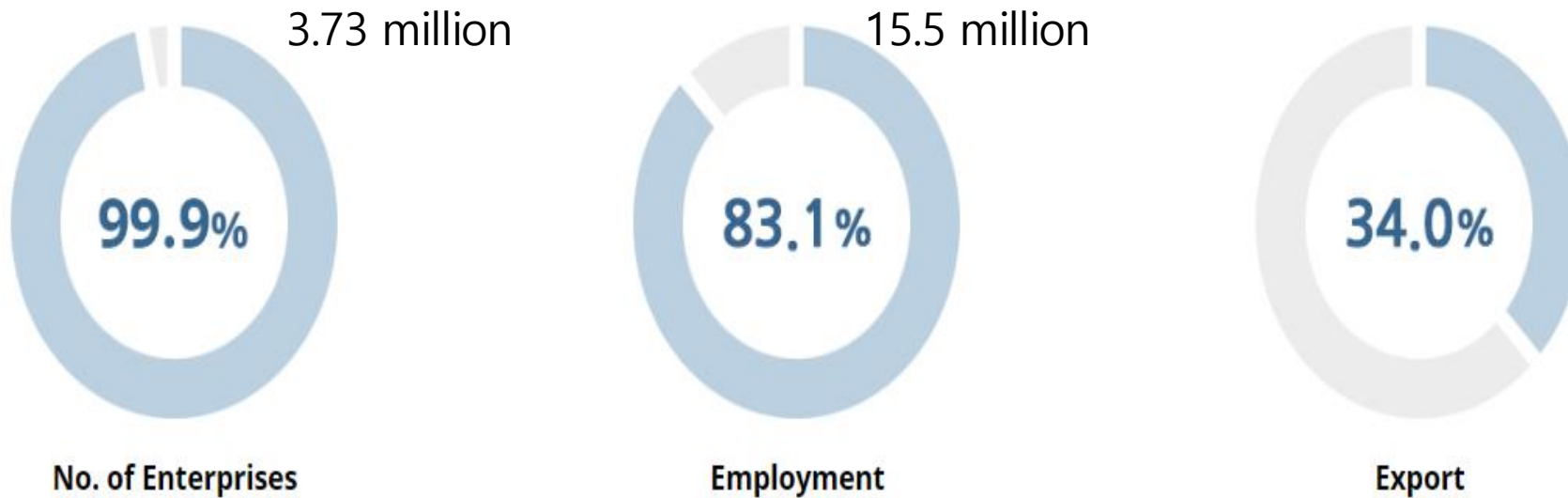


# Korean Regulatory Reform for SMEs

By Mr. Sang-young, LEE



# Status of Korean SMEs & Regulation



- (Regulatory situation) According to a 2017 survey by A-san Foundation, as a result of applying the business model of the top 100 global investment companies to Korean regulations, **40.9% are unable to do business and 30.4% are conditionally possible.**

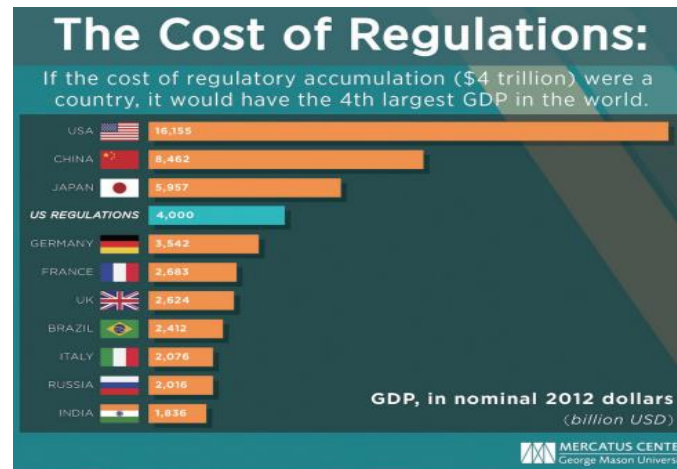


# Win-Win Solution for All

## Regulatory Compliance Capabilities between Conglomerates and SMEs

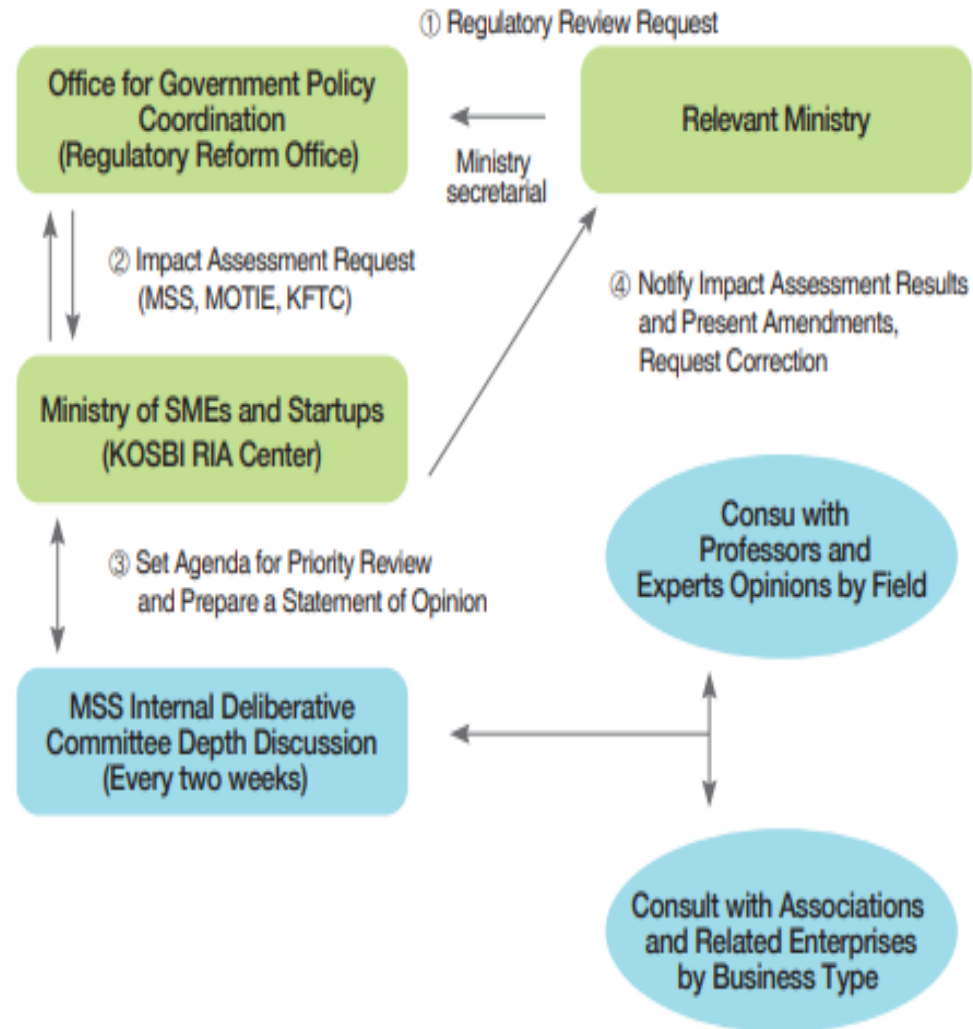
Large enterprises		SMEs
<ul style="list-style-type: none"> <li>Sufficient Resources including legal infrastructure, Employee exclusive for regulatory affair</li> <li>Infrastructure for Regulatory information management</li> </ul>	<b>compliance capabilities</b>	<ul style="list-style-type: none"> <li>Shortage of workers to deal with regulatory affair</li> <li>Lack of information on regulation</li> </ul>
<ul style="list-style-type: none"> <li>Cost avoidance is available by consumer price increase or subcontractor price decrease</li> </ul>	<b>Regulatory cost avoidance</b>	<ul style="list-style-type: none"> <li>As a price taker, cost avoidance is non-available.</li> </ul>

Regulatory reform is the most effective way to achieve a 'win-win' for all. Such reform allows us to support innovation without any special financial investment.



# Treatment 1: Regulation Impact Assessment

- Systematic regulatory management through the introduction of the SME regulatory impact assessment system (2009) and by conducting SME impact analysis on new or strengthened regulations
- Minimize the impact of SMEs in terms of cost efficiency by benchmarking impacts to the US Regulatory Flexibility Act
- Examples: Compliance requirements, differentiation in implementation time, exemption of some business types (by region), differential implementation means, etc.



# Example: Regulation Impact Assessment

1. Enforcement Rule of the Building Management Act  
Mandatory recording, keeping, maintenance, and registration of building management information

Regulatory innovation that changes my life

**BEFORE**

Mandatory registering records every time when inspecting, repairing, and reinforcing buildings

It's too expensive to prepare documents, because we register every time when fixing the equipment

Oh, should we register every time we change this?



Ministry of SMEs and Startups

1. Enforcement Rule of the Building Management Act  
Mandatory recording, keeping, maintenance, and registration of building management information

Regulatory innovation that changes my life

**AFTER**

Improved to not register unless building permission or a notification of building construction is required

Boss, now we don't have to register every time!

Yes! The regulation is clear, so it's really good~



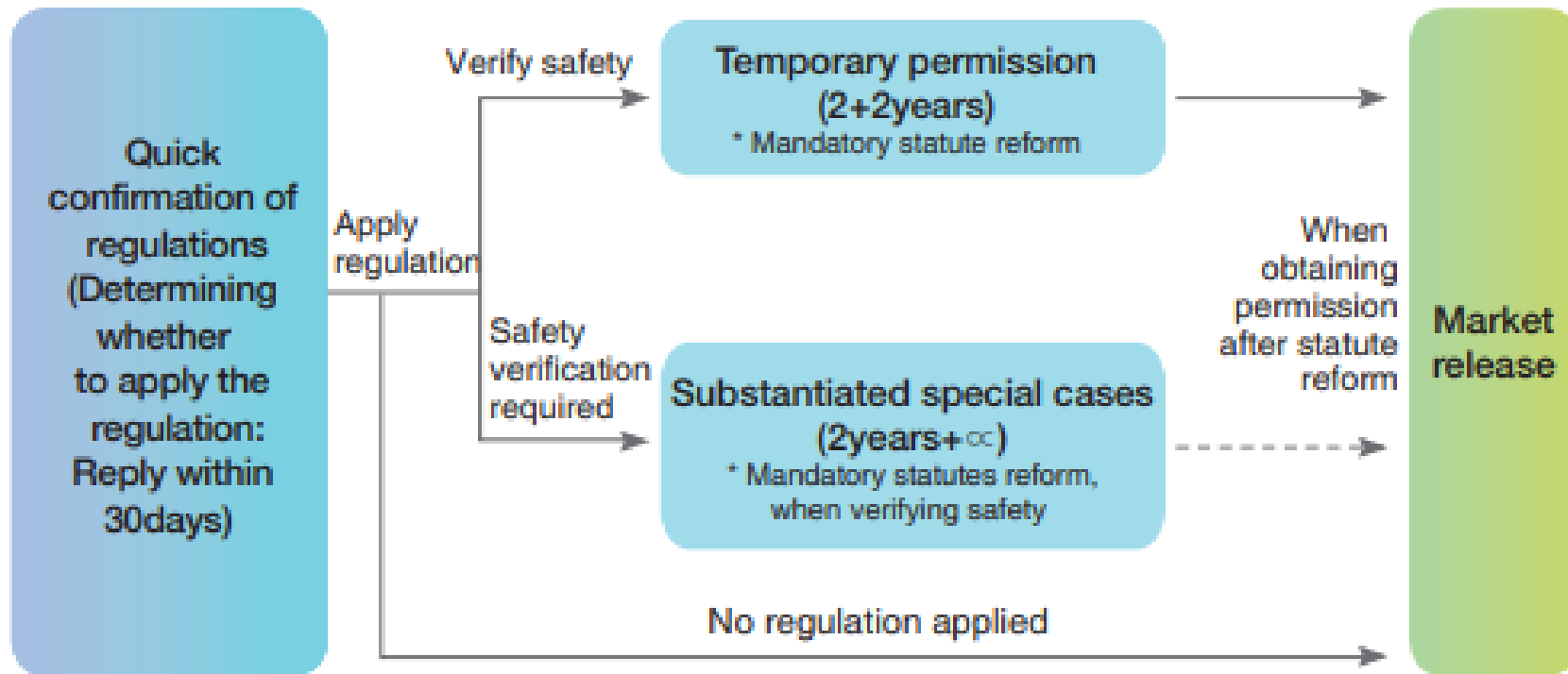
Ministry of SMEs and Startups

(2009~Sep.2020) Out of 8,319 cases of evaluated regulations, 627 cases of revised opinions were presented in 627 cases; recommendations were adopted in 308 cases



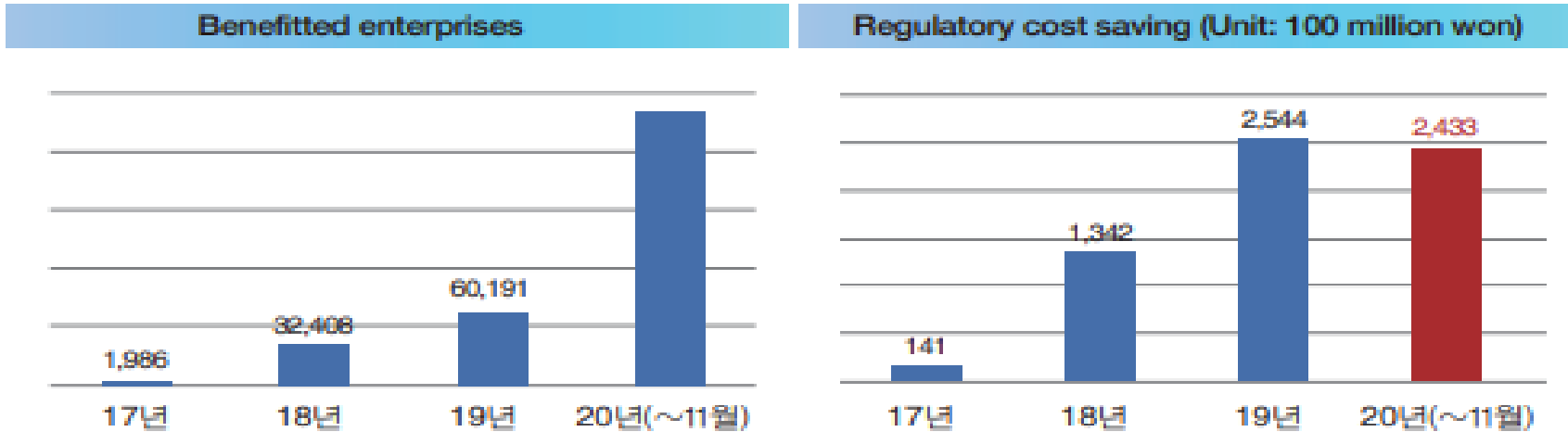
# Treatment 2: Sandbox for deregulation

Once a local government business is designated for a special zone, it can develop new technologies without the constraint of regulations and advance into new businesses. This is forecast to largely help the local economy such as increased quantity of quality jobs and investment in the region.



# Result: Jobs, Companies, Savings

The effect of RIA for SMEs in 2020



The latest new designation of regulation free zones is expected to generate KRW 1.5 trillion in sales and 4,390 new jobs, and draw 174 companies into the zones during the zones' designation period (2020-2024). In the long-term, until 2030, sales of KRW 12.6 trillion, employment effect of 57,374 new jobs, and the drawing of 1,544 companies are expected



경제  
 MSS, Saving Regulation Costs of 250 Billion Won through Regulatory Impact Assessment



# Q & A

