Council on International Financial Cooperation

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CIFC 2019 ANNUAL REPORT

Council on International Financial Cooperation

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ANNUAL REPORT

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Financial Cooperation

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Message from the Chairman

The Council on International Financial Cooperation (CIFC) has been conducting various financial cooperation projects with diverse global partners since its establishment in 2013. To build on such global partnerships, CIFC member institutions have been sharing their insights, experiences and expertise through various events and opportunities, thereby building on new and existing partnerships.

CIFC has been hosting local and international financial cooperation fora, invitational trainings for public and private officials of emerging economies as well as seminars for financial experts and is communicating with international organizations to promote global financial cooperation. CIFC and its member institutions have formed strong ties with major overseas institutions, and have pioneered efforts to share Korea's financial experience and know-hows with these partners. As a result, CIFC is collaborating with approximately 900 financial experts in 45 countries across the world.

Over the past 7 years, CIFC has been constantly striving to lead financial cooperation projects in a systematic and meaningful way. As such, the Council has been viewing these projects not only from a policy perspective, but also from a regional perspective. Besides nations targeted by the New Southern Policy, CIFC has also forged collaborative relationships with countries in Central Asia, the Middle East and Europe. Some partnerships have yet to be formed, but CIFC continues to strengthen financial cooperation at a global level as it shares Korea's experience in financial development and embraces new changes in the industry.

Currently in its 8th year, the Council has achieved numerous significant outcomes with active participation from member institutions and unwavering support from policy authorities. Yet, CIFC still faces challenges ahead with the swift changes in the financial environment. However, we pledge to continue undertaking the initiative in implementing diverse projects and building sound partnerships to fulfill its ultimate mission for global financial cooperation.

April 2020

Sangho Sohn

Chairman

Council on International Financial Cooperation

Background & Members

The Council on International Financial Cooperation (CIFC) is comprised of major domestic financial institutions and associations working to achieve global financial cooperation. CIFC was established in 2013 with 21 member institutions under the overarching aim of enhancing the efficiency in conducting global financial cooperation projects.

Member institutions carry out global financial cooperation projects by sharing financial knowledge and experience they have accumulated thus far with our overseas partners. CIFC, on its part, provides systematic support to strengthen member institutions' ties with their overseas counterparts, and is striving to build a solid network with political authorities, collaborating institutions and international organizations globally.

CIFC hosts financial cooperation fora, seminars and invitational training programs called the Knowledge Exchange Initiative for foreign financial officials as part of its active efforts to promote global financial cooperation.

PARTNERS

- Financial Services Commission
- kif (Korea Institute of Finance)

The Council on International Financial Cooperation (CIFC) is comprised of 21 domestic financial institutions and associations listed below.

- Korea Financial Telecommunications & Clearings Institute
- KIBO Korea Technology Finance Corporation
- Korea Insurance Development Institute
- KODIT Korea Credit Guarantee Fund
- KDIC Korea Deposit Insurance Corporation
- koscom
- KRX Korea Exchange
- KSD Korea Securities Depository
- kamco Korea Asset Management Corporation
- HF Korea Housing-Finance Corporation
- Korea Securities Finance Corp.
- Korea Credit Information Services
- KCB
- NICE Information Service
- IBK Industrial Bank of Korea
- KDB Bank
- Korea Federation of Banks
- Korea Financial Investment Association
- Korea Life Insurance Association
- General Insurance Association of Korea
- The Credit Finance Association of Korea

Message from the Chairman & CEO of KIDI

Congratulations to CIFC on the publication of the Annual Report

The Council on International Financial Cooperation (hereinafter CIFC), as a channel for global cooperation, supports domestic public and private financial institutions to share knowledge and experience on global financial cooperation and to build networks with various international organizations. Korea Insurance Development Institute (KIDI) is involved in CIFC's diverse financial cooperation projects to facilitate communication across major insurance-related institutions around the world, and will continue to seek partnered growth through active cooperation going forward.

Founded in 1983 pursuant to the Insurance Business Act, KIDI is Korea's only insurance-specialized comprehensive service agency with a mandate to protect insurance consumers and advance the insurance industry. Our area of business covers reference rate calculation and verification, feasibility reviews of premiums and reserves for life and non-life insurances, production of insurance statistics, insurance-related R&D and operation of an insurance data network.

Furthermore, KIDI has a subsidiary, the Korea Automobile Insurance Repair Research and Training Center (KART), which serves to improve automobile repair methods and optimize repair costs. The center is known for its study into the damageability and reparability of automobiles through vehicle crash tests based on international standards. These tasks surely set KART apart from other insurance-related organizations.

As such, over the 36 years since its inception, KIDI has played a pivotal role in driving the domestic insurance industry's growth into the world's 7th largest insurance market. Based on such experience, KIDI is engaging in various international cooperation efforts to support both overseas expansion of Korean insurance companies and the growth of the insurance market in Asia.

In 2013 and 2015, we traveled to Mongolia and provided consultation on building a mandatory automobile insurance system, establishing insurance-specialized institutions and setting up and managing a database for general non-life insurances. In 2014, as part of the Knowledge Sharing Program, we took part in a project to enhance Uzbekistan's automobile liability insurance infrastructure. We also signed a MoU with Vietnam's Insurance Supervisory Authority (ISA) in 2015, and have been leading the way in supporting the development of Vietnam's insurance industry ever since.

Moreover, KIDI is a founding member of Asia's renowned international insurance forum, the IIRFA (Insurance Information Ratemaking Forum of Asia), and is thus striving to find ways for shared growth by exchanging information on various innovations pushed forward in different countries. This year, KIDI hosted the 8th IIRFA 2019 Seoul Forum, providing a secure platform for cooperation.

As mentioned above, KIDI is sparing no effort in sharing its experience and knowledge so as to enhance the insurance infrastructure in major Asian economies and support domestic insurance companies' global ventures. Going forward, KIDI will continue to do its utmost, and remain committed to strengthening its function as a channel for global cooperation.

In the second half of 2019, CIFC has the annual International Financial Cooperation Forum, overseas financial cooperation forum and an invitational training called the Knowledge Exchange Initiative planned. KIDI will actively participate in these global cooperation projects by sharing its know-hows as a CIFC member institution.

Again, I would like to offer my sincerest congratulations to the publication of the 2019 Annual Report and wish the best of luck for CIFC and all of the fellow member institutions.

April 2020

Ho Khang

Chairman & CEO

Korea Insurance Development Institute

“

KIDI will continue to actively take part in various international cooperation projects and strengthen ties with member institutions through CIFC

”

Message from the Chairman & President of KDIC

Congratulations to CIFC on the publication of the Annual Report

The Council on International Financial Cooperation (CIFC) undertakes various international financial cooperation projects with a view toward helping its 21 members to expand overseas and sharpen their competitive edge on the global stage. In support of this goal, the Korea Deposit Insurance Corporation (KDIC) is actively participating in CIFC's key activities and keeping in close communication with deposit insurers worldwide. KDIC plans to continuously work with CIFC for shared growth in the future as well.

KDIC was established in 1996 under the Depositor Protection Act in order to protect depositors and ensure the stability of the financial system by guaranteeing the safety of deposits in case a financial institution goes bankrupt and becomes unable to pay out deposits. Since its inception, KDIC has played a pivotal role in addressing risks in the domestic financial industry. Indeed, it successfully carried out the system-wide restructuring of the financial sector during the Asian financial crisis in the late 1990s and helped to overcome subsequent crises including the global financial crisis in 2008 and a series of savings bank failures in 2011.

KDIC has drawn on its experience with financial crises to find ways to further improve the deposit insurance system. Having started as a deposit insurer for banks only, the KDIC expanded coverage to include securities and insurance industries and adopted the risk-based premium system to encourage more prudent risk management practices at member institutions.

After the 2008 global financial crisis, the importance of deposit insurance came into limelight and KDIC has received frequent requests for training and consultation from many countries which wanted to emulate its advanced deposit insurance system. KDIC has gladly responded to such calls for help, willingly sharing its experience and know-how with deposit insurers in countries like Mongolia, Tanzania and Cambodia since 2010. In the case of Mongolia, KDIC assisted the end-to-end process from the design of the deposit insurance system to getting the deposit insurer into a fully operational form. Specifically, KDIC provided support for the drafting of the Deposit Insurance Law and sent advisors to the Deposit Insurance Corporation of Mongolia to offer advice on operational issues.

In an effort to provide a more systematic and regular training on deposit insurance, KDIC launched the KDIC Global Training Program in 2017. Around 90 staff members of foreign deposit insurers in 22 countries have taken part in the program thus far and learned much about how to improve the operational capability of their respective organizations in a participatory learning environment that includes case studies, presentations and discussions.

Furthermore, KDIC is a founding member of the International Association of Deposit Insurers (IADI), established in Basel, Switzerland in May 2002. Now with a membership of 109, IADI has grown into an international standard-setting body that provides guidance on deposit insurance matters. KDIC has continued to be elected to its Executive Council and contributed greatly to IADI's development and decision-making. On top of that, KDIC has led or participated in major research projects undertaken by IADI on topics like differential premium systems, coverage limit and crisis management. The papers developed by subcommittees headed by KDIC include those on integrated deposit insurance systems and a resolution tool called purchase and assumption (P&A).

Leveraging its know-how in knowledge sharing and training, KDIC is also one of the most active providers of training and technical assistance at IADI. In recognition of its efforts, KDIC was elected Chairperson of IADI's Asia-Pacific Regional Committee, comprising 21 members, last year. As such, KDIC will continue to represent the voices of the members in Asia Pacific and facilitate cooperation to upgrade deposit insurance systems in the region.

I am aware that CIFC has various events planned such as the overseas international financial cooperation forum, the annual International Financial Cooperation Forum and invitational seminars. KDIC will mobilize its international network, experience and know-how to help make these events a success and achieve synergies across them.

Once again, congratulations on the publication of the 2019 Annual Report. I sincerely hope the best for CIFC and its member institutions.

April 2020

Seongbak Wi

Chairman & President

Korea Deposit Insurance Corporation

"KDIC is keeping in close communication with deposit insurers worldwide and planning to continuously work with CIFC for shared growth in the future as well"

CIFC HISTORY
Key Activities

CIFC HISTORY
2013 Key Activities

Established a secretariat for Council on International Financial Cooperation

03	Workshop	The 1st CIFC Cooperation Workshop
04	Meeting	April General Meeting
	Research Project	「The Role of Public Financial Institutions in the History of Korean Economy and Financial Development」
05	Meeting	May General Meeting
06	Meeting	June General Meeting
	Knowledge Exchange Initiative	Ministry of Finance, Uzbekistan
	Seminar	Uzbekistan-Korea Financial Cooperation Seminar
07	Meeting	July General Meeting
09		Established CIFC Website
	Knowledge Exchange Initiative	State Securities Commission, Vietnam
10	Meeting	October General Meeting
	Forum	Uzbekistan-Korea Insurance Industry Development Forum
11	Meeting	2013 Annual Meeting
	Meeting	Meeting on International Financial Cooperation Hosted by Vice Chairman of Financial Services Commission
12	Lecture	Dr. Ilhyock Shim, Principal Economist, Bank for International Settlements
	Knowledge Exchange Initiative	Financial Services Authority, Indonesia
	Seminar	Indonesia-Korea Financial Cooperation Seminar
	Workshop	The 2nd CIFC Cooperation Workshop

CIFC HISTORY
2014 Key Activities

01	Knowledge Exchange Initiative	Financial Regulatory Commission, Mongolia
02	Meeting	2014 Annual Meeting
03	Meeting	March General Meeting
04	Forum	The 1st UK-Korea Financial Cooperation Forum
	Meeting	April General Meeting
05	Meeting	Meeting on Spreading Korean Financial Wave Hosted by Chairman of Financial Services Commission
	Forum	Korea-Myanmar-ADB Financial Cooperation Forum
06	Meeting	June General Meeting
	Research Project	「Establishing Strategies for Korean Financial Institutions Venturing into International Market」
07	Meeting	July General Meeting
08	Knowledge Exchange Initiative	Securities and Exchange Commission, Thailand
	Seminar	Thailand-Korea Financial Cooperation Seminar
09	Meeting	September General Meeting
10	Knowledge Exchange Initiative	Danske Bank, Denmark
	Meeting	October General Meeting
11	Knowledge Exchange Initiative	Myanmar Insurance, Myanmar
	Seminar	Myanmar-Korea Financial Cooperation Seminar
	Meeting	November General Meeting
12	Forum	The 1st International Financial Cooperation Forum
	Meeting	December General Meeting

CIFC HISTORY
2015 Key Activities

01	Meeting	January General Meeting
02	Meeting	2015 Annual Meeting
03	Meeting	March General Meeting
	Knowledge Exchange Initiative	IDB Korea Insights Program, Latin America and the Caribbean
	Seminar	Latin America and the Caribbean - Korea Financial Cooperation Seminar
04	Meeting	April General Meeting
05	Research Project	「In-depths Study on the Indonesian Financial Market」
	Research Project	「Examining Korea's Financial Infrastructure Development Process and Evaluating Its Competitiveness」
	Meeting	Meeting on Overseas Expansion Hosted by the Chairman of Financial Services Commission
	Meeting	Networking Luncheon with Deputy Prime Minister of Economy of Vietnam
	Forum	The 2nd UK-Korea Financial Cooperation Forum
06	Workshop	The 3rd CIFC Cooperation Workshop
	Lecture	Mr. H.E. John Prasetio, Ambassador of Indonesian Embassy in Seoul, Korea
	Survey	Overseas Expansion of Financial Organizations for Financial Sales Diplomacy
07	Meeting	Meeting on Overseas Expansion of Financial Organizations Hosted by Chairman of Financial Services Commission
	Meeting	July General Meeting
09	Meeting	Meeting on Supporting Overseas Expansion Hosted by Standing Commissioner of Financial Services Commission
	Meeting	September General Meeting
10	Knowledge Exchange Initiative	Financial Services Authority, Indonesia
	Seminar	Indonesia-Korea Financial Cooperation Seminar
11	Meeting	November General Meeting
12	Forum	The 2nd International Financial Cooperation Forum
	Meeting	December General Meeting

CIFC HISTORY
2016 Key Activities

01	Meeting	January General Meeting
02	Meeting	Meeting on Supporting Overseas Expansion Hosted by Standing Commissioner of Financial Services Commission
	Meeting	2016 Annual Meeting
03	Knowledge Exchange Initiative	Aloqabank, Uzbekistan
	Workshop	The 4th CIFC Cooperation Workshop with World Bank Songdo Office
	Knowledge Exchange Initiative	Central Bank of Myanmar, Ministry of Finance, Ministry of National Planning and Economic Development, Ministry of Construction, Construction and Housing Development Bank, Myanmar
	Seminar	Myanmar-Korea Financial Cooperation Seminar
04	Meeting	April General Meeting
06	Forum	Myanmar-Korea Financial Cooperation Forum
	Meeting	June General Meeting
07	Knowledge Exchange Initiative	Ministry of National Planning and Economic Development, Myanmar
	Seminar	Myanmar-Korea Financial Cooperation Seminar
	Meeting	July General Meeting
08	Knowledge Exchange Initiative	Ministry of Finance, Bank of Thailand, Thai Credit Guarantee Corporation, National Science and Technology Development Agency, Thailand
	Seminar	Thailand-Korea Financial Cooperation Seminar
	Knowledge Exchange Initiative	Financial Services Authority, Indonesia
	Seminar	Indonesia-Korea Financial Cooperation Seminar
09	Meeting	September General Meeting
10	Meeting	October General Meeting
	Knowledge Exchange Initiative	Ministry of Economic Affairs and Finance, Securities & Exchange Organization, Central Securities Depository, Iran Fara Bourse, Iran
	Seminar	Iran-Korea Financial Cooperation Seminar
11	Meeting	November General Meeting
12	Forum	The 3rd International Financial Cooperation Forum
	Meeting	December General Meeting
	Research Project	「Financial Infrastructure Institutions in Korea」
	Research Project	「The Role of Policy Financial Institutions During the Crisis」

CIFC HISTORY
2017 Key Activities

01	Meeting	January General Meeting
02	Meeting	2017 Annual Meeting
03	Meeting	March General Meeting
	Lecture	Mr. Chungkeun Park, Director, Ministry of Strategy and Finance
	Lecture	Mr. YoungMo Kim and Eunyong Yang, Partner, BAE, KIM & LEE LLC
04	Meeting	April General Meeting
05	Seminar	Launch and Panel Discussion of Economic and Social Survey of Asia and the Pacific 2017: Korean Perspective
	Cooperation Project	Korea Securities Depository and Korea Financial Investment Association
	Meeting	May General Meeting
06	Knowledge Exchange Initiative	State Bank of Vietnam, Ministry of Finance, National Technology Innovation Fund, National Payment Corporation of Vietnam, Vietnam
	Seminar	Vietnam-Korea Financial Cooperation Seminar
	Lecture	Mr. Byungwon Yoon, Consul, Consulate General of the Republic of Korea
	Meeting	Meeting on Financial Infrastructure Export Plans Hosted by Financial Services Commission
	Meeting	June General Meeting
07	Cooperation Project	Korea Credit Guarantee Fund and Industrial Bank of Korea
	Forum	Mongolia-Korea Financial Cooperation Forum
08		**Published CIFC BiAnnual Vol.1**
09	Cooperation Project	Korea Credit Information Services and NICE Information Service
	Meeting	September General Meeting
	Forum	Thailand-Korea Financial Cooperation Forum
	Workshop	SME Financing Workshop with UN ESCAP, UN ECLAC, AF, ADBI and AFI
10	Meeting	October General Meeting
	Forum	Kish2017Invex, Iran Capital Market
11	Forum	The 4th UK-Korea Financial Cooperation Forum
	Meeting	November General Meeting
12	Forum	The 4th International Financial Cooperation Forum
	Meeting	December General Meeting
	Cooperation Project	Korea Financial Telecommunications & Clearings Institute and CIFC

CIFC HISTORY
2018 Key Activities

Month	Type	Activity
01	Meeting	January General Meeting
	Workshop	The 4th Myanmar Housing Finance Workshop
02	Meeting	2018 Annual Meeting
		Published CIFC BiAnnual Vol.2
03	Meeting	Vietnam-Korea Financial Cooperation Forum
	Forum	March General Meeting
04	Meeting	April General Meeting
		Published CIFC 2017 Annual Report
05	Seminar	Cooperation with the World Bank
	Meeting	May General Meeting
06	Seminar	Examining Global Financial Trends and the Government's ODA Project Direction
	Meeting	June General Meeting
	Cooperation Project	Korea Asset Management Corporation and Korea Securities Depository
08	Seminar	Understanding the New Southern Policy and Strengthening Cooperation with Cambodia
	Cooperation Project	Industrial Bank of Korea and Korea Federation of Banks
	Meeting	August General Meeting
		Published CIFC BiAnnual Vol.3
09	Knowledge Exchange Initiative	Knowledge Exchange Initiative with OJK, MOF and IDIC, Indonesia
	Seminar	Indonesia-Korea Financial Cooperation Seminar
10	Cooperation Project	Korea Financial Telecommunications & Clearings Institute and NICE Information Service
	Meeting	October General Meeting
11	Cooperation Project	Korea Credit Information Services and Korea Credit Bureau
	Meeting	November General Meeting
12	Forum	The 5th International Financial Cooperation Forum
	Cooperation Project	Korea Securities Depository and Korea Housing Finance Corporation
	Meeting	December General Meeting

CIFC HISTORY
2019 Key Activities

Month	Type	Activity
01	Meeting	2019 Annual Meeting
	Cooperation Project	Korea Financial Investment Association and Korea Securities Depository
02	Meeting	February General Meeting
		Published CIFC BiAnnual Vol. 4
03	Meeting	March General Meeting
04	Seminar	Cooperation with the ADB
	Meeting	April General Meeting
		Published CIFC 2018 Annual Report
05	Cooperation Project	Korea Federation of Banks, Korea Credit Information Services and Industrial Bank of Korea
	Meeting	May General Meeting
	Seminar	Understanding the New Northern Policy and Examining Cooperation Opportunities with Central Asia
06	Knowledge Exchange Initiative	Knowledge Exchange Initiative with Armenia
07	Cooperation Project	Korea Exchange and KOSCOM
	Seminar	LAC-Korea Financial Cooperation Seminar
	Cooperation Project	Korea Asset Management Corporation and Korea Deposit Insurance Corporation
	Seminar	The Role of Finance in the World of Digital Sharing Economy
	Meeting	July General Meeting
08	Cooperation Project	Korea Life Insurance Association and General Insurance Association of Korea
		Published CIFC BiAnnual Vol. 5
09	Forum	Indonesia-Korea Financial Cooperation Forum
	Meeting	September General Meeting
10	Seminar	The Changes Shaping the Future of the Insurance Industry
	Meeting	October General Meeting
11	Knowledge Exchange Initiative	Knowledge Exchange Initiative with Uzbekistan
	Cooperation Project	Korea Technology Finance Corporation and Korea Housing Finance Corporation
	Meeting	November General Meeting
12	Forum	The 6th International Financial Cooperation Forum
	Meeting	December General Meeting

2019
Annual Report

Key Activities

CIFC Invitational Seminar:
Cooperation with the ADB

Overview

As part of an Invitational Seminar, CIFC invited Lotte Schou-Zibell, the Chief of Financial Sector Group of Asian Development Bank (ADB) to introduce the role of the Asian Development Bank and examine ways CIFC member institutions can cooperate with the ADB. The seminar was hosted on Monday, April 22nd, 2019 at the Korea Federation of Banks Building Seminar Room on the 14th floor.

Cooperation with the ADB

Lotte Schou-Zibell
Chief of Finance Sector Group
Asian Development Bank

Lotte Schou-Zibell is currently the Chief of Finance Sector Group at the Asian Development Bank. Prior to this post, she served as the Director of International Economic Policy at the Swedish Financial Supervisory Authority. In addition, she worked as a Financial and Regulation Expert at the Swedish Financial Authority. Lotte also has experience in working at the Swedish Central Bank and International Monetary Fund. The Asian Development Bank, headquartered in Manila, Philippines, was established in 1966 to promote social and economic development of the Asia-Pacific region. ADB consists of 68 member countries: 49 regional members and 19 non-regional members. Among these members, ADB considers 40 members as developing countries. ADB supports its developing member countries by providing finance combined with knowledge, promoting good policies and standards and catalyzing regional cooperation.

Non-regional Members (19 countries)

Austria, Belgium, Canada, Denmark, Finland, France, Germany*, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States*

- Advanced economies and/or graduated developing members.
* Field Office

The Finance Sector Group that Lotte Schou-Zibell is in charge of consists of a team of experts in the field of disaster risk, insurance, infrastructure, finance, green finance, inclusive finance and so on. The Finance Sector Group supports the ADB by providing strategic operational support, knowledge management & sharing, human resource, talent management and staff sharing as shown below.

Strategic Operational Support
- Enhance quality of finance sector operations
- Identify & support investment opportunities in emerging and cross-cutting areas
- Manage trust fund

Knowledge Management & Knowledge Sharing
- Knowledge events
- Knowledge products
- Briefing Notes

Human Resource and Talent Management and Staff Sharing
- Training and capacity building for staff
- Staff sharing, development assignments

She added that one of the key tasks of the Finance Sector Group is to promote learning and development through knowledge sharing by organizing knowledge events such as the 3rd Asia Finance Forum, workshops, knowledge products and partnerships. These events not only provide the developing countries' representatives a platform to learn but also to cooperate with each other. She continued her presentation by introducing the key trends and targets of the finance sector. As shown below, the key trends consist of digital financial technologies, green finance and disaster insurance. The key targets are scaling-up ambition for climate change mitigation and support for gender equality. The main mission is to have sustainable, green and inclusive development.

Key Trends

- Digital financial technologies
- Green finance
- Disaster insurance

Key Targets

- Scaling-up ambition for climate change mitigation
- Scale-up Support for Gender Equality

As for the opportunities in cooperating with the Asian Development Bank in the finance sector, she recommended participating in ADB projects as an external specialist. She mentioned that the ADB website provides the information of the ongoing projects and whether external specialists are needed. Lastly, she mentioned that experts could participate in ADB's workshops and forums to share their expertise.

CIFC Invitational Seminar:
Understanding the New Northern Policy and Examining Cooperation Opportunities with Central Asia

Overview

CIFC hosted an Invitational Seminar under the theme "Understanding the New Northern Policy and Examining Cooperation Opportunities with Central Asia". For this seminar, CIFC invited Research Professor Sang-cheol Kim from Hankuk University of Foreign Studies, Director General Gyeong-hoe Jeong from the Presidential Committee on Northern Economic Cooperation and Research Fellow Ji Won Park from the Korea Trade Investment Promotion Agency to deliver the presentations. The seminar was held on Monday, May 27th, 2019 at Nuri Ballroom, Four Seasons Hotel Seoul.

Understanding the Historical and Cultural Connection between the Korean Peninsula and Central Asia

Sang-cheol Kim

Research Professor of Institute of Central Asian Studies
Hankuk University of Foreign Studies

Research Professor Sang-cheol Kim presented on the historical and cultural connections between the Korean Peninsula and Central Asia as well as their bilateral relations going forward. He highlighted the importance of economic indicators in the cultural exchange with Central Asia, and mentioned that to be accurate, we should gauge their economic capabilities based on Purchasing Power Parity (PPP), not GNP. Also, according to Professor Kim, the level of consumption and loans are very high compared to average income in Central Asia, and this is generating a large amount of bad debts. Professor Kim went on to provide statistics such as the number of Korean residents from Uzbekistan, Kyrgyzstan and Kazakhstan as of 2018, as well as the amount of medical tourism spending and number of flights from these countries, explaining that the human and material exchange between Korea and Central Asia are quite active. This is because most of the Central Asian countries have a positive image of and perspective toward Korea thanks to Korean food, K-POP and Korean cosmetics. Professor Kim kindly shared the results of a local survey to substantiate this view. He also explained that historically, the countries that currently fall under 'Central Asia' can be divided into stationary culture zones and nomad culture zones, which are respectively of Persian/Iranian and Turkmen ancestry. There is thus a significant cultural and historical difference between the two groups, and this is the reason why we should not view this region simply as 'Central Asia,' but should adopt a more detailed and granular strategy based on the understanding of their sociocultural background.

Korea's New Northern Policy and Ways to Enhance Economic Cooperation

Gyeong-hoe Jeong

Director General of Cooperation Planning Team
The Presidential Committee on Northern Economic Cooperation

Director General Gyeong-hoe Jeong of the Cooperation Planning Team provided an overview on the New Northern Policy direction and ways to enhance economic cooperation. Starting off by introducing the Presidential Committee on Northern Economic Cooperation, Director Jeong walked the audience through the key areas of cooperation with Central Asia and the financial environment in the region. First of all, the Director underscored the fact that the Presidential Committee on Northern Economic Cooperation was established under the aim of bringing the ties between Korea and Northern countries closer in order to secure a future growth momentum and lay the foundation for Korea's reunification in the future. With this vision, the Committee pursues the New Northern Policy in accordance with the following objectives, strategies, and tasks shown on the next page.

Vision — Northern Economic Community of Peace and Prosperity

4 Major Goals

1. Pave the way for peace in Northeast Asia by expanding minilateral cooperation (01)
2. Strategic sharing of interests through a consolidated network (02)
3. Generating an advanced growth momentum by strengthening industrial cooperation (03)
4. Deepening mutual understanding through active human and cultural exchange (04)

Key Tasks

01
1) Transnational economic cooperation
2) East Sea Rim tourism cooperation revitalization

02
3) Establishment of the Eurasia Transport & Logistics Network
4) Establishment of the Northeast Asia supergrid
5) Korea-Russia natural gas cooperation
6) Finding new markets for shipping and shipbuilding by leveraging the North Pole Route

03
7) Establishment of Korea-Russia innovation platform
8) Expanding infrastructure and environment cooperation
9) Strengthening industrial cooperation
10) Enhancing financial accessibility
11) Expanding healthcare cooperation
12) Facilitating expansions into the agricultural sector

04
13) Expanding cooperation in culture, sports, tourism
14) Facilitating exchange and nurturing talent

Strategy

- Sustainable cooperation based on **mutual trust**
- Aligning strategies with development strategies of **relevant countries and international organizations**
- **Package investment cooperation and securing a Northern network hub**
- Close cooperation through **public-private partnerships**
- Cooperation carefully tailored to the **characteristics of each region**

Objective

- **Domestic Front** — Building a cooperation system centered around the committee
- **International Front** — Laying the groundwork for multilateral diplomatic cooperation

Furthermore, the Director mentioned that there are around 56 major departmental tasks as part of future plans, but certain projects such as the Najin-Hasan project and the Greater Tumen Initiative (GTI), which are intricately linked with inter-Korean relations and denuclearization, are being pushed forward with extreme discretion. Moreover, he concluded that the financial markets of Central Asian countries are in the nascent stage, and that their major policy tasks are to address ▲governance, ▲connection network, and ▲business environment. That being said, the Director closed his speech by mentioning that going forward, the Korea-Central Asia economic cooperation policies will be centered on ▲ conventional industries (energy, resources, agriculture, etc.), ▲ high-tech and service industries (healthcare, environment and construction, IT, administration, transportation and logistics, etc.).

Examining Central Asia: Economic and Overseas Business Environment

Ji Won Park
Research Fellow
Korea Trade Investment Promotion Agency

Mr. Park covered the details on economies and local environment of major Central Asian countries. He first introduced the 5 Central Asian players as follows and elaborated on the external economic conditions they are facing.

	Kazakhstan	Uzbekistan	Turkmenistan	Kyrgyzstan	Tajikistan
Area	2,724,900km^2 (World Rank : 9)	447,400km^2 (World Rank : 57)	488,100km^2 (World Rank : 53)	199,950km^2 (World Rank : 87)	143,100km^2 (World Rank : 96)
Population (As of 2017)	18,556,698 (World Rank : 60)	29,748,859 ((World Rank : 44)	5,351,277 (World Rank : 119)	5,789,122 (World Rank: 114)	8,468,555 (World Rank : 96)
GDP (As of 2017) (Unit : million USD)	162,887 (World Rank : 55)	49,677 (World Rank : 84)	37,926 (World Rank : 93)	7,565 (World Rank : 145)	7,146 (World Rank : 147)
GDP per capita (As of 2017) (Unit : million USD)	9030.4 (World Rank : 90)	1533.9 (World Rank : 196)	6586.6 (World Rank : 112)	1219.8 (World Rank : 207)	801.1 (World Rank : 219)

According to Mr. Park, the 3 major economies, Kazakhstan, Uzbekistan, and Turkmenistan, have a resource-oriented economy which was the driving force behind their relatively fast paced economic growth. However, this economic structure is highly impacted by commodity prices, and hence the growth of these economies is expected to be stalled until 2020 due to the decline in commodity prices. Mr. Park also explained that Kyrgyzstan and Tajikistan also have economic policies that are heavily bound to that of Russia's which is significantly reliant on natural resources. As such, these economies may also face greater negative impacts on their growth going forward.

Knowledge Exchange Initiative (KEI):

KEI with Armenia

Overview

CIFC invited 8 high-level officials from the Central Bank of Armenia, National Mortgage Company, ACRA Credit Bureau, Armenia Securities Exchange, STAK Money Transfer and Deposit Guarantee Fund of Armenia to Korea from June 16th to 22nd, 2019 to share Korea's financial infrastructure development experiences and exchange information about both countries' financial systems and regulations. In addition, in-depth discussion of bilateral cooperation in the financial industry was conducted. The Armenian delegation participated in the 'Armenia-Korea Financial Cooperation Seminar' jointly hosted by CIFC and the Financial Services Commission and paid visits to Korea Credit information Services, Korea Deposit Insurance Corporation, Korea Institute of Finance, NICE Information Service, Korea Development Bank, Korea Exchange, Korea Financial Telecommunications & Clearings Institute, Korea Technology Finance Corporation, Korea Asset Management Corporation, Korea Securities Depository, Bank of Korea and Korea Housing Finance Corporation to learn from their experiences and know-hows and explore potential areas of cooperation.

Armenia-Korea Financial Cooperation Seminar

The 'Armenia-Korea Financial Cooperation Seminar' was held on Monday, June 17th, 2019 at the Bankers' Club on the 16th floor of the Korea Federation of Banks Building. The Armenian delegation, representatives from the Financial Services Commission and 21 CIFC member institutions were present at the seminar. At the seminar, three presentations were given: The Economic and Financial Policy System in Korea, Financial Policy-Making Structure in Korea and Introduction to Armenian Financial System. Sangho Sohn, Chairman of CIFC, delivered the Opening Remarks and Hoon Choi, Standing Commissioner of Financial Services Commission, gave the Welcome Remarks. On behalf of the Armenian Delegation, Martin Galstyan, Board Member of the Central Bank of Armenia, gave the Congratulatory Remarks. Min Chang, Senior Research Fellow of Korea Institute of Finance, Young Do Kim, Senior Advisor of the Financial Services Commission and Davit Kirakosyan, Senior Project Manager of the Central Bank of Armenia, delivered the presentations.

Visit to CIFC Member Institutions

Korea Credit Information Services

The Armenian delegation visited Korea Credit Information Services (KCIS) on June 17th, 2019 and was introduced to the role of KCIS as the public credit registry (PCR) in Korea. At the meeting, Korea's credit reporting system, technology financing, and Tech Data Base (TDB) were also introduced.

Korea Deposit Insurance Corporation

The Armenian delegation visited Korea Deposit Insurance Corporation (KDIC) on June 17th, 2019 and learned about KDIC's key roles and functions.

kif

The Armenian delegation visited Korea Institute of Finance (KIF) on June 17th, 2019 and were introduced to KIF's history, key roles and main research projects.

NICE Information Service

The Armenian delegation visited the NICE Information Service (NICE) on June 18th, 2019. At the meeting, NICE presented about building credit infrastructure through a public-private partnerships mechanism. In addition, the delegation learned about the role and importance of credit infrastructure in Korea's economy and financial industry.

KDB Bank

The Armenian delegation visited the Korea Development Bank (KDB) on June 18th, 2019 to learn about KDB's role and function as a policy financing institution.

KRX KOREA EXCHANGE

The Armenian delegation visited Korea Exchange (KRX) on June 18th, 2019 to discuss about the project proposal between KRX and Armenia Securities Exchange (AMX). In addition, the delegation learned about Korea's Capital Market and the role of KRX followed by a visit to the KRX Square, a PR center.

Korea Financial Telecommunications & Clearings Institute

The Armenian Delegation visited the Korea Financial Telecommunications & Clearings Institute (KFTC) on June 19th, 2019 and learned about the role and function of KFTC.

KIBO Korea Technology Finance Corporation

The Armenian Delegation visited the Korea Technology Finance Corporation (KOTEC) on June 20th, 2019 and learned about the role and function of KOTEC. Moreover, a representative from the Armenian delegation presented about Armenia's plans on technology finance projects.

The Armenian delegation visited the Korea Asset Management Corporation (KAMCO) on June 20th, 2019 and learned about the role of KAMCO in strengthening financial stability. In addition, in-depth discussion on future cooperation was conducted.

The Armenian delegation visited the Korea Securities Depository (KSD) on June 20th, 2019 and learned about the role of KSD. In addition, cooperation project opportunities such as capacity building programs regarding financial infrastructure policies were discussed during the networking time.

THE BANK OF KOREA

The Armenian delegation visited the Bank of Korea (BOK) Busan branch on June 21st, 2019 and had a meeting to discuss future bilateral cooperation followed by a tour of the museum.

KOREA HOUSING-FINANCE CORPORATION

The Armenian Delegation visited Korea Housing Finance Corporation (HF) on June 21st, 2019 and learned about the key roles and functions of HF.

Seminar:
LAC-Korea Financial Cooperation Seminar

Overview

CIFC co-hosted the LAC-Korea Financial Cooperation Seminar with the Financial Services Commission (FSC) and the Inter-American Development Bank on Thursday, July 11th, 2019 at the Bankers' Club on the 16th floor of the Korea Federation of Banks Building. This seminar, as part of the Korea Exchange's Capacity Building Program with LAC capital market representatives, aimed to introduce the development of the Korean Financial Markets and provide networking opportunities for relevant Korean and LAC attendees. The seminar started with Sangho Sohn, the Chairman of CIFC and Hoon Choi, the Standing Commissioner of FSC giving the Opening Remarks and Welcome Remarks respectively. Byung Duck Kim, the Senior Research Fellow of Korea Institute of Finance, gave a presentation on "The Development of Korean Financial Markets". In addition, Tony Park, the Head of Crowdfunding Team of Korea Securities Depository, delivered a presentation on "Crowdfunding, an Alternative Source of Financing for Social Enterprises".

The Development of Korean Financial Markets

Byung Duck Kim
Senior Research Fellow
Korea Institute of Finance

Byung Duck Kim, Senior Research Fellow of Korea Institute of Finance presented on the topic of "The Development of Korean Financial Markets". He divided the development stage of the Korean financial system into 4 steps as shown below and added that the development happened rapidly after the Asian financial crisis.

Initial stage of the capital market (1956~1978)	Growth stage of the capital market (1979~1996)	Asian financial crisis (1997~1998)	Improvement stage of the market structure (1999~Present)
· The Korea Stock Exchange (KSE) was established mainly focused on government bond trading in 1956 · The Capital Market Promotion Act and IPO Inducement Law were enacted in 1968 · A sudden growth of the stock market in the 1970s	· In the early 1980s, Korea's stock market plunged due to negative growth resulting from the second oil shock in 1979 · The Korean economy recovered with its booming stock market after the mid-1980s · The securities market liberalization plan began in the late 1980s · In the mid-1990s, the Korea Futures Exchange (KFX), the Stock Index Futures Market, and the Stock Index Option trading system were introduced	· Korea suffered the Asian financial crisis due to large-scale outflow of foreign capital resulted from excessive foreign currency loans and Asia's unstable financial system · However, the crisis served as an opportunity to implement drastic reforms	· Structural changes were made in the Korean capital market after the Asian financial crisis · The financial supervision system was also reshuffled · Restucturing measures were implemented for corporates and financial institutions · The capital market was completely opened · The Capital Market Act was enacted

Korea's capital market has developed its current infrastructure and global standards through a series of restructuring efforts and many challenges. The stock market is comprised of 3 segments: the Korea Exchange (KOSPI), KOSDAQ and KONEX; and the bond market consists of 5 markets (sovereign bonds, municipal bonds, specific laws bonds, corporate bonds, structured bonds). Also, a wide range of derivatives are traded in the derivatives market including KOSPI 200 futures & options, gold, USD and interest rates, etc. Senior Research Fellow Byung Duck Kim commented that on the global front, Korea's stock market is the 8th largest in the world and 3rd largest in Asia. The bond market is also very vibrant, the size being the 3rd largest in Asia. However, Mr. Kim also mentioned that the KOSPI 200 futures & options market, which had boasted the largest trading volume in the world until 2011 has been in a slump lately due to the slowdown of the global economy and domestic derivatives regulations.

Crowdfunding, an Alternative Source of Financing for Social Enterprises

Tony Park
Head of Crowdfunding Team
Korea Securities Depository

Mr. Tony Park's presentation was centered on the role of the crowdfunding system as an effective source of financing for social enterprises. Crowdfunding, a compound of 'Crowd' and 'Funding,' translates to 'sourcing funds from the public.' In other words, it means pooling small amounts of money from the general public via an online platform. Social media has enabled buyers and suppliers to communicate online, and this new mode of financing started to gain traction from the late 2000s. According to various reports and the World Bank, the volume of crowdfunding is increasing exponentially as it is a completely different, innovative method of corporate financing. Crowdfunding can be broken down into 3 types depending on the funding method and compensation: donation-type, loan-type and investment-type. It may be narrowed down further into 5 different categories in accordance with the business model. The loan-type and investment-type crowdfunding are most closely linked to the financial market, and the latter can be divided into equity-type or bond-type depending on the securities that are issued.

Advantages of Crowdfunding

- Swift information flow
- Opportunity to test the market
- High information accessibility to partnership

Loan -type	[Pros]	• Companies can finance funds at a cost relatively lower than bank loans. • Investors can collect benefits larger than deposit interests.
	[Cons]	• Investors are exposed to a high level of credit risk.
Equity -type	[Pros]	• The returns from an equity stake in a venture company could be potentially very large.
	[Cons]	• There is also a high risk of large potential investment losses.
Bond -type	[Pros]	• Investors can collect benefits that are pre-determined. • Companies can source funds in a relatively stable manner.
	[Cons]	• Due to the high failure rate of startups, you may be exposed to a same level of risk as equity investments.

Mr. Park also pointed out that socioeconomic businesses in Korea are mainly comprised of social enterprises, cooperatives, community businesses and self-support enterprises, among which social enterprises account for 11%. Thus far, 24 crowdfunding campaigns of social enterprises were completed successfully (67% success rate), and the funding volume is around USD 1.1mn. Mr. Park believes that this is thanks to the positive image of social enterprises that investors have. Closing his speech, Mr. Park mentioned that the crowdfunding industry itself has a lot to offer to the social economy, and that it carries many advantages.

CIFC Invitational Seminar:

The Role of Finance in the World of Digital Sharing Economy

Overview

CIFC hosted an Invitational Seminar under the theme "The Role of Finance in the World of Digital Sharing Economy" on Thursday, July 18th, 2019 at the Capri Room, Busan Paradise Hotel. The seminar was part of an annual two-day workshop which aims to strengthen cooperation among CIFC member institutions. The seminar was composed of two presentations: ① Overview of the Changes in Sharing Economy and Understanding Korea's Sharing Economy ② Examining the Need for Innovative Regulatory Reforms in the Era of Digital Economy: Foreign Cases, Legal Issues and Implications. In addition, representatives from Korea Credit Guarantee fund, Korea Federation of Banks, and Korea Exchange shared their know-hows on conducting overseas business.

Overview of the Changes in Sharing Economy and Understanding Korea's Sharing Economy

Seokwan Chung
Senior Researcher of Industry & Technology Research Center
KDB Future Strategy Research Institute

Senior Researcher Seokwan Chung briefed the audience on the status and outlook of the sharing economy in Korea. He pointed out the fact that although sharing economies have become more commonplace across the globe, the pace of growth is more pronounced in Korea due to the rapid increase of one-person households. Sharing economies can be divided into two types: the commonly known 'sharing something owned by someone' and 'sharing something owned by a company.' With the advent of channels and service providers that connect lessors and lessees, the size of sharing expanded, and has rightfully become an economy. Mr. Chung cited Uber and crowdfunding while explaining recent conflicts between sharing economies and conventional economies, and elaborated on the social changes that typically follow the adoption of new platform businesses as follows: friction with legacy businesses, regulation/licenses, and labor related issues.

Friction with Legacy Businesses	Regulation / Licenses	Labor / Public Goods
Conflicts mainly in industries centered on self-employment such as taxi, accommodation, etc.	Unable to verify whether services meet the relevant criteria	Uberization (outsourcing risk), Leveraging public goods as business capital
Concerns over winner-takes-all by platform businesses	Stronger business requirements regarding hygiene, safety, training and qualifications starting with the accommodation business	Sharing economy BM profitability ↓

Moreover, the speaker highlighted the fact that since the Korean society has a tendency of encouraging the sharing economy, a large part of the phenomenon is subject to decisions made by the government. As such, it is critical that the government and financial sector lead discussions on our response to this new phenomenon. Last but not least, Mr. Chung forecasted that there may be potential business opportunities in the shared housing sector with the rise in the share of one-person households.

Examining the Need for Innovative Regulatory Reforms in the Era of Digital Economy: Foreign Cases, Legal Issues and Implications

Myeong Jong Hong
Lawyer
Law Firm LIN

Mr. Myeong Jong Hong presented about the need for innovative regulatory reforms in the financial sector of the digital economy. He started by defining the era of the sharing economy as an era of renting something that is someone else's, triggered by a social change of preferring to share rather than own. The size of sharing economies around the world is growing exponentially. As examples of sharing economies in the financial industry, Mr. Hong introduced Lendit, a P2P lending business that gained popularity by providing a platform unlike conventional B2C credit finance, and QARA, a FinTech startup that offers a platform to share investment opportunities and assets. Mr. Hong then explained how this new, innovative and future-oriented sharing economy is changing and enhancing conservative financial regulations that are still stuck in the past. In that context, he explained the efforts made by the government aimed at facilitating sharing economies and financial innovation, and expanded on the details of the regulatory sandbox which is part of the Special Act on Financial Innovation Support. Bringing his speech to an end, the speaker commented that although the law still hampers growth in many areas of society, the government is constantly striving to support innovation through various efforts. He also said that if market participants and the government could adopt a more innovative mindset and secure a competitive edge on the global front, sharing economies in Korea's financial industry will advance further going forward.

Forum:
Indonesia-Korea Financial Cooperation Forum

Overview

CIFC, Financial Services Commission (FSC) of Korea and Indonesia Financial Services Authority (OJK) jointly hosted the Indonesia-Korea Financial Cooperation Forum under the theme "Digital Finance Transformation" on Tuesday, September 10th, 2019 in Jakarta, Indonesia. The Korean delegation comprised of 60 financial industry representatives including high-level officials from the FSC and CIFC member institutions were present at the event as well as around 150 experts from the Indonesian financial industry. The Opening Ceremony consisted of an Opening Remarks by Chairman Sangho Sohn of CIFC, Welcome Remarks by Vice Chairwoman Ir. Nurhaida of OJK and a Congratulatory Remarks by Vice Chairman Byungdoo Sohn of FSC. The forum which consisted of two sessions and 11 presenters dealt with the "Development of FinTech and the Future of the Financial Industry" and "The Role of Technology in the Non-Bank and Capital Market Sector" consecutively. The Deputy Commissioner of International Affairs and Research Bapak Imansyah of OJK gave the final Closing Remarks.

Plenary Session

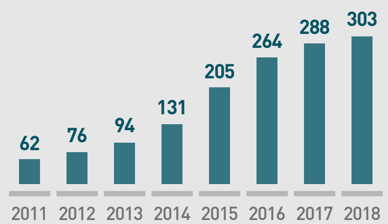
FinTech and Financial Transformation

Hyun Do Song

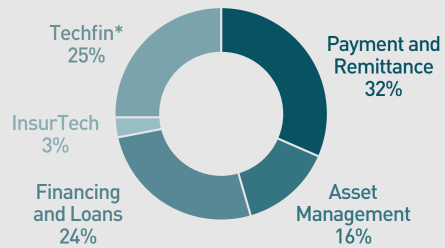
Director of Financial Innovation Division
Financial Services Commission

Director Hyun Do Song of the FSC Financial Innovation Division presented on Korea's FinTech industry status, FinTech-related policy direction, and future challenges. He attributed FinTech's popularity to the fact that it is a convergence of management and technologies such as ATMs and mobile banking, and by extension, the fundamental momentum behind the growth of the domestic financial industry. He also made clear that the Korean government recognizes FinTech as something more than just new financial services; but namely a groundbreaking phase of innovation that could revamp the financial industry. According to Mr. Song, the ultimate objective of such innovation is creating social value with inclusive finance. The term FinTech has been used in Korea since 2014 and the number of FinTech companies have increased at a fast pace from then onwards. Official statistics show that there are around 300 FinTech companies as of 2018, and the unofficial number is estimated to stand at approximately 500 to 600. The breakdown by financial sector below illustrates that payment/settlement and remittance related companies account for the lion's share of FinTech companies, followed by financing & loans and asset management. Mr. Song also added that insurtech companies are growing rapidly in Korea in recent years.

Number of FinTech Companies (company)



Distribution of FinTech Companies by Sector



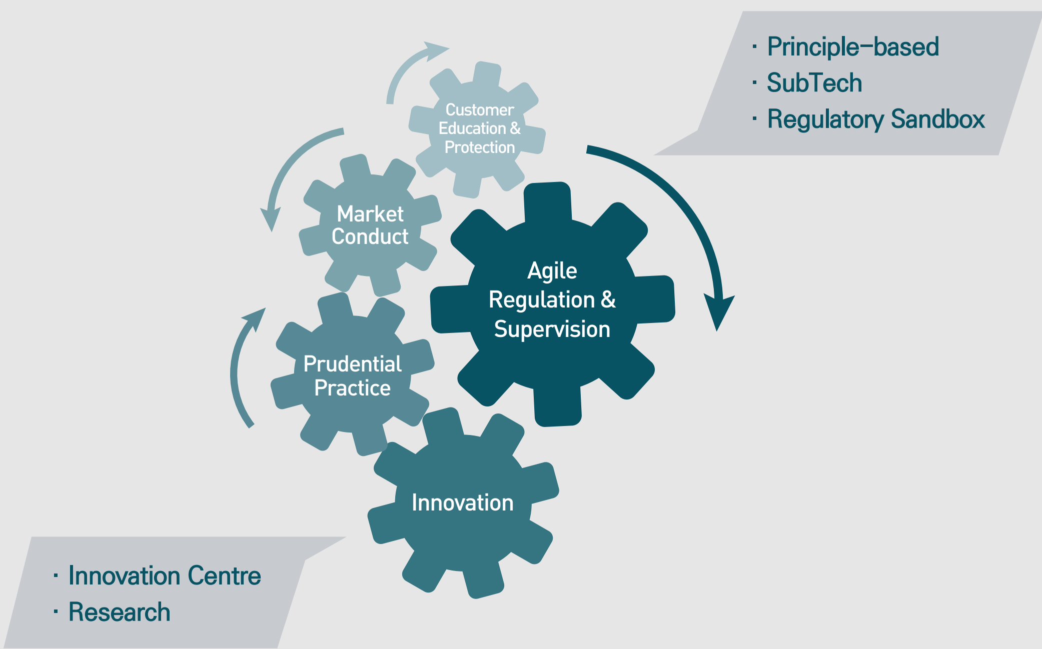
The speaker mentioned that the Korean government announced 6 main strategies to advance FinTech in January, demonstrated below.

On a final note, Mr. Song said that starting in the latter half of 2019, the Korean government will focus on building a market-oriented ecosystem in which FinTech companies can achieve stable growth, and that one part of such efforts is to communicate with various relevant institutions in order to boost investments in FinTech. He also commented that intensive efforts will be made to enhance and ease regulations.

The Development of Digital Finance Innovation

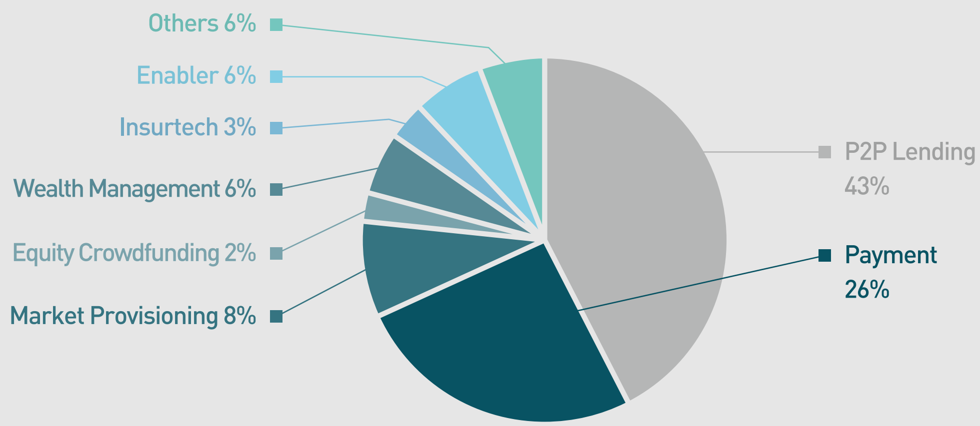
Sukarela Batunanggar
Deputy Commissioner for Digital Innovation
Indonesia Financial Services Authority (OJK)

Deputy Commissioner Sukarela Batunanggar spoke about Indonesia's digital finance innovation, FinTech regulations and supervisory framework, and development status of the FinTech industry. To start with, the Commissioner touched on the challenges and opportunities for digital finance in Indonesia. According to the Commissioner, Indonesia is comprised of more than 17,000 islands; which is why the infrastructure is restricted, the share of adults with bank accounts is very low, and micro-enterprises and SMEs are largely marginalized. Still, the country carries immense growth potential with the 4th largest population and 16th largest economy in the world. The Commissioner also pointed out that 65.3% of the Indonesian population, or 1.71mn, are connected online. He then mentioned that in order for OJK to establish a credible and sustainable financial framework, it is critical for the financial authorities to implement balanced policies and develop a sense of responsibility. It is also important to strengthen the financial capabilities of consumers. Moreover, the Commissioner introduced the regulatory policies of the OJK through the following illustrations:



The Commissioner stressed that the OJK is striving to implement principle-based regulation to provide guidelines and codes of conduct to support FinTech companies, and that it is committed to improving the efficiency and effectiveness of supervision by adopting SupTech. Also, the institution is planning to adopt the regulatory sandbox so as to ensure that startups can create social values such as responsibility and inclusion through innovation. Furthermore, the Commissioner mentioned that the OJK established a digital finance technology innovation center named the Infinity Center to provide stakeholders, regulatory authorities, private and public parties with a platform to discuss and learn about innovation. The OJK is also supervising market dynamics in order to enhance governance, accountability, fairness and security, and is collaborating with major stakeholders to promote consumer education and protection.

The Commissioner summarized the current status of FinTech in Indonesia as below:



287 FinTech

Source : Altech & OJK, July 2019

P2P 127 registered in OJK

IDR 44.8 trillion Loans

9.74 million borrowers

498,824 lenders

Closing his speech, the speaker emphasized that in order to boost digital finance, it is critical to ① carry out digital finance related R&D and hold relevant workshops and seminars, ② facilitate change in the banking and non-banking sector, ③ encourage cooperation across banks, FinTech companies and microfinance institutions, and ④ build a FinTech ecosystem through cooperation with major stakeholders and experts from home and abroad.

Session 1: Development of FinTech and the Future of the Financial Industry

In the first session, Jeong Ho Suh, Director of Digital Finance Research Center from Korea Institute of Finance, Ongki Wanadjati Dana, President Director of Bank BTPN, and Youngsuh Cho, Managing Director of Shinhan Financial Group, delivered the presentations on the development of FinTech and examined the future of the financial industry.

Digital Innovation in the Korea's Banking Sector

Jeong Ho Suh
Director of Digital Finance Research Center
Korea Institute of Finance

Mr. Jeong Ho Suh, Director of Digital Finance Research Center presented on innovation in the banking sector. He explained that the accessibility to banking services is very high in Korea, so much so that ATMs are ubiquitous and almost all adults have one or more bank accounts. He also added that the Korean banking sector is undergoing rapid changes due to digitalization. In recent years, the daily transaction volume of online banking has increased by 25% y-o-y, which shows that banking consumers are opting to use digital channels more frequently. According to Mr. Suh, brick-and-mortar offline branches are declining in number, and banks are moving fast to adapt to this digital transformation and change in consumers' usage pattern. Mr. Suh also talked in detail about various cases of digital innovation, especially internet-only banks, mobile remittance services, P2P lending products provided by specific banks, and authentication systems based on blockchain technologies. Wrapping up his speech, the Director elaborated on the open banking policy, which is expected to give rise to new open banking platforms that trigger competition among banks and facilitate cooperation between banks and FinTech players.

Digital Bank-BTPN's Transformation

Ongki Wanadjati Dana
President Director
Bank BTPN

President Director Ongki Wanadijati Dana provided an overview on the necessity of digital banking and the digital transformation pursued by Bank BTPN. He started by citing that Indonesia is becoming more and more digitalized with 150mn internet users and 140mn mobile internet users, and that digital technologies are transforming a wide range of business models. As such, the speaker said, those that fail to innovate in line with these changes are destined to fall behind. Indonesian banks are also experiencing the limitations of the existing business model and are faced with many challenges such as changes in demography, disruptive technologies, the advent of new players, aggravating profitability, as well as rising operational costs and risk costs. Although digitalization takes place in different forms across industries and banks, most banks are focusing on digitalizing their legacy business models. According to the President Director, Bank BTPN is driving the digital transformation by developing a comprehensive lifestyle finance management app, 'Jenius,' which makes life easier, smarter and safer. The goal of the service is to provide consumers with comprehensive assistance in every aspect of their lives by eliminating the inconvenience of having to visit offline bank branches and reporting lost or stolen cards, and offering asset management services with no fees for money transfers, etc.

Digital Transformation Journey

Youngsuh Cho
Managing Director
Shinhan Financial Group

Managing Director Youngsuh Cho outlined the digital transformation pushed forward by the Shinhan Financial Group and some case examples. According to Mr. Cho, Shinhan Financial Group has affiliated with various domestic and international companies since 2017, especially in governance so as to achieve a successful digital transformation. Also, the Group worked to accelerate the digital transformation by enhancing the customer experience on major banking platforms and ramping up technological capabilities regarding data and AI, etc. Furthermore, the Group is attempting to innovate its IT infrastructure in line with the government's deregulation efforts. A part of that effort is to overhaul the 'Grand Personal Finance Platform' as a response to open-banking deregulation in 2020. According to Mr. Cho, the Shinhan Financial Group digital transformation framework is aimed at ① digitalizing and upgrading the Shinhan business model by applying digital technologies to the existing business model, and ② setting up response plans for disruptive models. If a digital transformation is not preceded by the relevant infrastructure, it will be extremely difficult to realize any technology; which is exactly why the Shinhan Financial Group started to migrate to the public cloud. Mr. Cho went on to mention that the Group is cooperating with a wide range of FinTech companies ever since launching the Shinhan Future's Lab in order to achieve partnered growth with FinTech. He also underlined that most of the Shinhan Future's Lab companies are designated as innovative financial businesses in the FSC's financial regulatory sandbox, and that the Group is currently in the process of developing around 50 new technologies. Mr. Cho concluded his speech by saying that the Shinhan Financial Group aims to become the definition of innovation in Korea by constantly striving for digital transformation.

Session 2: The Role of Technology in the Non-Bank and Capital Market Sector

In the second session, Jinho Park, Senior Managing Director of Korea Insurance Development Institute, Reginald Hamdani, Chief Executive Officer of Central Asia Financial (Jagadiri), Hyungkoo Kang, President Director of Meritz Korindo Insurance, Taehoon Youn, Senior Research Fellow of Capital Market Division from Korea Institute of Finance, Inarno Djajadi, President Director of Indonesia Stock Exchange, and Doo Ha Min, Managing Director of NH Securities, gave presentations regarding the role of technology in the non-bank and capital market sector.

AI Estimating System AOS$^{\alpha}$

Jinho Park
Senior Managing Director
Korea Insurance Development Institute

Senior Managing Director Jinho Park introduced 'AOS$^{\alpha}$,' the AI-based vehicle repair cost estimator, and explained about its future development plans. AOS is short for Automobile repair cost Online Service, and refers to an online system that functions both as a repair shop, which charges repair costs, and an insurer, which pays for those costs upon claim adjusting. 90% of the repair factories in Korea and all of the car insurers including cooperatives are using the AOS system, which started off as a DOS version in 1991 and is now being converged to AI after undergoing multiple phases of development. According to Mr. Park, the goal of applying AI to AOS is to increase efficiency and accuracy as well as to prevent insurance fraud, thereby eliminating the factors that lead to increases in the car insurance premium. The new AI-based repair cost calculator currently under development, the AOS$^{\alpha}$, is a system that notifies the estimated final repair cost by using AI to analyze pictures of damaged cars and integrating the images with the labor cost and auto-parts cost databases. As of now, AOS$^{\alpha}$ is in pilot stage; and for the system to be fully realized, it is important that the AI concludes the accident type upon self-analyzing the pictures, and recognizes the parts, damages that have occurred across two or more parts, the depth of the damage, and complex damages, etc. To this end, the speaker emphasized, the Korea Insurance Development Institute is developing a mobile AI, an AI that recognizes parts and one that identifies damages in parts. These models will be applied to estimate costs for damages to the exterior and to prevent insurance fraud. Furthermore, the speaker mentioned that the long-term plan is to develop an AI that can recognize not only pictures but also videos.

Digital Financial Transformation

Reginald Hamdani
Chief Executive Officer
Central Asia Financial (Jagadiri)

Mr. Reginald Hamdani covered details on the insurance industry and digital transformation in Indonesia. He pointed out that the Indonesian insurance market carries great growth potential as the penetration rate of insurances is low, whereas the density is increasing. However, he still argued that the issues of the existing insurance market such as the high premium and complex sign-up method should be addressed. Also, the speaker mentioned that a new approach is needed to further drive the growth of the insurance industry in Indonesia. To elaborate, the institutions should engage in online transactions based on tablet PCs, and should sell their products not only through offline channels but also online channels, as price comparison websites have become accessible. Furthermore, Mr. Hamdani explained how the advent of IoT technologies and AI, and the subsequent increase in personalized services have triggered new changes in the Indonesian insurance market. Through the convergence of technology and insurance, customers now have access to more affordable, customized products, and the entire process has become much more transparent.

Indonesian Non-Life Insurance Market and Digitalization

Hyungkoo Kang
President Director
Meritz Korindo Insurance

President Director Kang presented on the characteristics of the Indonesian insurance market and its digitalization. He mentioned that the Indonesian insurance market is a perfectly competitive market in which 10 large companies out of the 76 non-life insurers account for 54% of the market. He then added that the other 66 small insurers are engaging in heated competition over the remaining 46% of the market. According to Mr. Kang, the OJK is overseeing and supervising the market by implementing a series of effective policies such as executive eligibility tests, business report debates and quarterly business report submission, etc. However, some policies are inappropriate for small non-life insurers such as the mandatory number of executives, actuaries and committees. The Indonesian insurance market is in a nascent stage of digitalization, and 10 large insurers are putting in enthusiastic efforts to achieve this transformation. Mr. Kang also explained that online sales of travel insurances and car insurances have become popular, and the online-only non-life insurers have also started to appear. Mr. Kang anticipated a very bright future for digitalization in Indonesia's insurance industry as it has more than 160 FinTech players as well as top-notch technological competence. He closed his speech by saying that under these circumstances, the task for Korean insurers in Indonesia is to transfer Korea's world-class digital technology and know-how to the Indonesian insurance market.

Digital Innovation and Korean Capital Markets

Taehoon Youn
Senior Research Fellow of Capital Market Division
Korea Institute of Finance

Mr. Youn explained about digital innovation and the capital market, and also elaborated on the potential opportunities for cooperation between Korea and Indonesia. He mentioned that the Korean capital market is responding swiftly to digital innovation and that financial companies are actively cooperating with FinTech players to expand their capabilities for digital innovation. According to Mr. Youn, the Korean capital market is home to a wide variety of players which are forming complex relations. To these players, digital innovation is something more than simply digitalizing existing channels on the value chain. It is more about rolling out dynamic and multi-faceted efforts in order to set themselves apart from their competitors. Also, fundamental technologies such as data analysis, AI and cloud computing are leveraged to trigger innovation in robo-advisors and crowdfunding. Mr. Youn also pointed out that Korea and Indonesia can, through FinTech apps, introduce each other to their respective markets and expand the pool of investors. These exchanges will serve to facilitate institutional cooperation which requires great time and effort, such as cross-listing or implementation of fund passports.

Cooperation for Innovation

Doo Ha Min
Managing Director
NH Securities

Managing Director Min expanded on the current status of cooperation between capital markets in Korea and Indonesia, drawing on NH Korindo Securities' experience. Over the past decade, Indonesia has posted the most impressive growth rate among ASEAN countries, and its capital market has also advanced in tandem. As the benchmark interest rate is currently managed at a stable level, the outlook for the sovereign bond and corporate bond markets are very positive, said Mr. Min. NH Korindo Securities ventured into Indonesia in 2008 and established an online securities trading system, enabling Korean investors to invest in Indonesian stock regardless of physical borders. By extension, it launched a mobile stock trading platform in 2017, eliminating geographical restrictions. Also, the speaker highlighted the fact that a trading process for institutional investors will soon be developed and serviced to asset managers in Korea. As such, NH Korindo Securities has been facilitating cooperation between Korea and Indonesia through various efforts, and will help expand the scope further going forward.

CIFC Invitational Seminar:

The Changes Shaping the Future of the Insurance Industry

Overview

CIFC hosted an Invitational Seminar under the theme "The Changes Shaping the Future of the Insurance Industry" on Monday, October 21st, 2019 at the seminar room on the third floor of the Life Insurance Education and Culture Center located in Seoul, Korea. CIFC invited Sei-Ho Kim, Partner of KPMG Digital, Ken Chua, Deputy Director of Monetary Authority of Singapore, and Andrew Hare, Managing Director of Asia Aon Inpoint, to speak about the following topics.

InsurTech Overview

Sei-Ho Kim
Partner
KPMG Digital

Mr. Sei-Ho Kim touched on the global insurtech trends as well as insurtech in Korea and its future prospects. With the advent of the digital age, distinctions between industries are increasingly blurred, and the financial industry is no exception. As such, the speaker predicted that the insurance industry will also be heavily affected by digital technologies. The growth of FinTech has been largely attributable to payment and settlement systems thus far, but insurtech is growing at a faster pace than other financial sectors. Looking at insurtech worldwide, existing insurers have started to embrace new technologies and new players such as startups in BigTech and ecommerce have entered the business with novel technologies. In the United States, conventional insurance companies are focusing on enhancing the underwriting process using machine learning, etc., which can be very effective in predicting high-risk consumers. Furthermore, many innovative changes are witnessed as blockchain technologies are adopted and data hubs are established. As for Korea, the growth of insurtech has been relatively slow, but the speaker highlighted that there is high growth potential because more and more consumers are demanding to join insurance policies online with several simple clicks. Also, he added that existing insurers and startups are looking to join hands in order to provide quality services and products. The regulatory authorities are also making efforts on their part by introducing the regulatory sandbox and bringing down the barriers between different industries. The industry, collectively, is striving to launch services based on mobile platforms and offer customer-oriented services using digital technologies. On a final note, the speaker mentioned that these efforts should be backed by a favorable ecosystem, and that support is critical to facilitate networking among legacy insurance companies and FinTech players.

FinTech Innovation and Regulation

Ken Chua
Deputy Director
Monetary Authority of Singapore

Deputy Director Ken Chua spoke about insurtech in Singapore and the FinTech-related initiatives and regulatory sandbox pursued by the Monetary Authority of Singapore (MAS) as a central bank and regulatory authority. He mentioned that insurance companies operating in Singapore are launching innovation labs and initiating various projects that incorporate AI, the blockchain, the cloud, big data, and other technologies in order to enhance customer experience and offer data-oriented products. However, he also claimed that technological advancement has led to the accumulation of massive amounts of data in various areas, and thus increased cyber risks. As such, the Singaporean government is rolling out projects such as National Digital Identity and MyInfo, which are trust-based initiatives to encrypt customers' authentication certificates and personal information on a platform built by the government to manage them safely and transfer them effectively to relevant financial institutions upon consumers' consent. Moreover, MAS is working to make sure that financial regulation does not hamper innovation by introducing the regulatory sandbox. According to the speaker, regulatory institutions should be acutely aware of the merits and potential risks brought on by innovative technologies, so that when the risks actually occur, they are not larger than previously anticipated. Also, he mentioned that with the constant inflow of new technologies and information, insurance companies and FinTech players should not be obstructed by regulatory barriers but be able to test the potential of these technologies within the sandbox so that more value can be delivered to consumers. Closing his speech, the Deputy Director mentioned that MAS is planning to provide a marketplace where financial institutions can partner with FinTech companies and create fruitful outcomes. The goal is to encourage both parties to collaborate and engage in constructive experiments for adoption of new technologies.

Successful Business Expansion into the ASEAN Market

Andrew Hare
Managing Director
Asia Aon Inpoint

Managing Director Andrew Hare shared his know-how on insurance companies' successful overseas expansion. Currently, the insurance industry is undergoing various changes due to the new trend, insurtech, and new market players, as well as the economic slowdown. Overseas ventures have come under the spotlight as a breakthrough and a new growth momentum against such challenges, encouraging insurance companies to engage in active M&A. The speaker explained that insurers' overseas expansion carries many advantages such as acceleration of growth, attraction of new customers, sharpening of competitive edge, enhanced brand image and addition of new talent. Also, he mentioned that in order to branch out overseas successfully, companies should deepen their understanding of the local market by analyzing competitive dynamics and market breakdown. It is also important to look into the consumption pattern and consumer preference in order to attract new customers. On top of this, companies should learn about the local regulatory environment and financial industry, and set up a plan to respond to new risks. In the case of an M&A, companies should review the feasibility internally and develop a clear understanding of the products and services of the acquiree. Also, companies should make long-term efforts to revamp the management structure so that the both parties can be fully integrated upon the transition. On the external front, strategic efforts are required to build a new ecosystem for existing clients and major partner companies. The speaker also mentioned that as M&A is leveraged as tool for insurers to grow into a global company, no effort or resource should be spared in establishing a healthy M&A strategy. A systematic M&A strategy, innovative corporate culture, and an open mindset are the keys to becoming a global insurance company.

Knowledge Exchange Initiative (KEI):
KEI with Uzbekistan

Overview

CIFC invited 5 officials from the Central bank of Uzbekistan to Korea from November 11th to 15th, 2019 to share Korea's financial infrastructure development experiences and exchange information about both countries' financial systems and regulations. In addition, working-level discussion of bilateral cooperation in the financial industry was conducted. The program kicked-off with the "Uzbekistan-Korea Financial Cooperation Seminar", co-hosted by CIFC and Financial Services Commission. In addition, the delegation had a meeting with Korea Asset Management Corporation and Korea Housing Finance Corporation and paid a visit to Korea Credit Information Services and Korea Development Bank to learn about their experiences and know-hows and explore potential areas of cooperation.

Uzbekistan-Korea Financial Cooperation Seminar

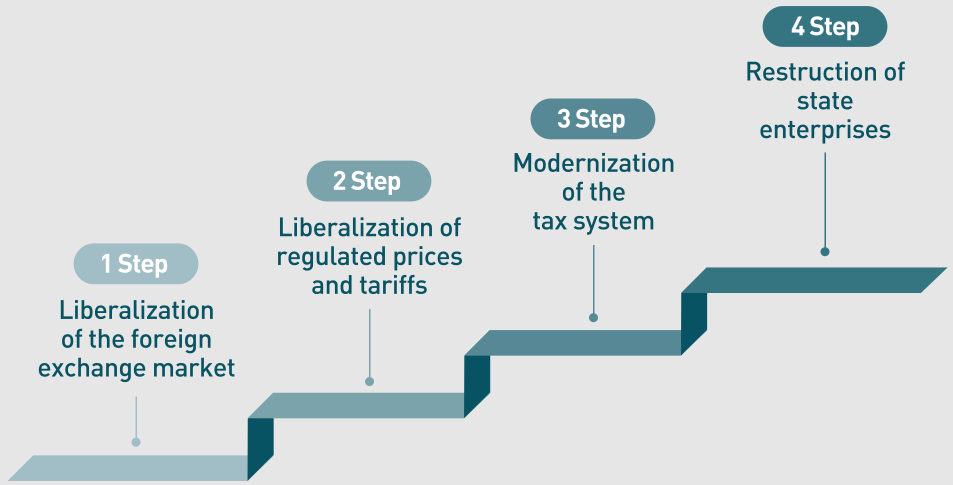
CIFC jointly hosted the Uzbekistan-Korea Financial Cooperation Seminar with the Financial Services Commission (FSC) on Tuesday, November 12th, 2019 at the Bankers' Club on the 16th floor of the Korea Federation of Banks Building. The Uzbekistan delegation and officials from FSC and CIFC member institutions attended the seminar. The event started with an Opening Remarks by Chung-Han Kim, Center Head of CIFC, followed by a Congratulatory Remarks from Jin Soo Lee, Director of FSC. Furthermore, Nuritdinov Mukhitdin, Senior Economist of the Central Bank of Uzbekistan, Myung Jin Lee, Director of Korea Council for Investor Education, and Sang Seung Oh, Team Manager of Korea Financial Telecommunications & Clearings Institute, gave the presentations.




Economic Reforms of the Republic of Uzbekistan

Nuritdinov Mukhitdin Jaloliddin Ugli
Senior Economist
The Central Bank of Uzbekistan

Senior Economist Nuritdinov Mukhitdin spoke about how Uzbekistan is pursuing an economic reform to strengthen the role of the market and the private sector, and promote social inclusion in order to transition to a market economy. President Mirziyoyev, elected to lead the post-Karimov Uzbekistan, is strongly committed to economic reform and has selected a stable macro economy and continuous growth as the key policy objectives. Also, according to the speaker, the Central Bank of Uzbekistan is conducting various advisory projects in collaboration with international organizations such as the IMF and the World Bank. The Bank has published a presidential plan on 'Enhancing Effectiveness of Price Stabilization Measures and Monetary Policies,' and has introduced the inflation targeting system in order to stabilize prices. Senior Economist Mukhitdin explained the stages of economic reform in Uzbekistan as follows:



He also commented that price stabilization and promoting stability of payment and banking systems are of the highest priority.

Visit to CIFC Member Institutions

kamco
KOREA ASSET MANAGEMENT CORPORATION

The Uzbekistan delegation had a meeting with Korea Asset Management Corporation (KAMCO) on November 12th, 2019 to learn about the role of KAMCO and its main areas of business. Also, they discussed about Uzbekistan's current economic environment and future cooperation measures.

HF KOREA HOUSING-FINANCE CORPORATION

The Uzbekistan delegation had a meeting with Korea Housing Finance Corporation (HF) on November 13th, 2019 and learned about the main roles of HF in detail. In addition, current status of the Korean Home Pension and outlook were shared.

Korea Credit Information Services

The Uzbekistan delegation visited Korea Credit Information Services (KCIS) on November 13th, 2019 and learned about the role of KCIS and Korea's credit reporting system.

KDB Bank

The Uzbekistan delegation was invited to the Korea Development Bank (KDB) on November 14th, 2019. The delegation learned about KDB's role and function as a policy financing institution. In addition, KDB's future vision and strategies were shared.

Forum:

The 6th International Financial Cooperation Forum

Overview

CIFC and Financial Services Commission have been co-hosting the "International Financial Cooperation Forum (IFCF)" annually since 2014 to support domestic financial institutions' international cooperation projects. The International Financial Cooperation Forum provides an opportunity to invite high-level officials from CIFC members' partner institutions (financial authorities, public and private institutions) to Korea for 4 days and discuss global financial issues with financial experts from home and abroad. The program also features a networking luncheon and dinner, visits to CIFC member institutions and cultural experiences to strengthen multilateral ties and lay fertile ground for additional cooperation projects in the future.

The 6th International Financial Cooperation Forum was hosted under the theme "Embracing Digital Transformation: The Future of the Financial Industry" on Tuesday, December 10th, 2019 at Grand Ballroom, Four Seasons Hotel Seoul. At the forum, presentations about ① "Global Trends of FinTech Policy", ② "Financial Innovation in the Banking Sector" and ③"Future of the European Finance Industry" were given. High-level officials including Tun Tun Naing, Permanent Secretary of the Ministry of Planning, Finance and Industry, Myanmar, Pierre Ferring, Ambassador of the Embassy of Luxembourg and Naoyuki Yoshino, Dean of the Asian Development Bank Institute as well as 57 financial leaders from 13 countries attended the forum. Moreover, Byungdoo Sohn, Vice Chairman of Financial Services Commission, Sangho Sohn, Chairman of CIFC, Dae Hee Yoon, Chairman & CEO of Korea Credit Guarantee Fund, Jung-hwan Lee, President & CEO of Korea Housing Finance Corporation, Mun Ho Kang, CEO of Korea Credit Bureau along with representatives from CIFC member institutions and international organizations were present at the event to discuss ways we can embrace digital transformation.

Opening Ceremony

This year's forum was opened with a video illustrating CIFC's background, structure, history and major accomplishments. It highlighted the significance of the International Financial Cooperation Forum, its history and expected effects. Furthermore, the video shared that more than 900 financial experts across the globe have participated in CIFC activities over the past 7 years. CIFC promised to continue its efforts to conduct various international cooperation projects and exchanges to facilitate financial knowledge and experience sharing.

Opening Remarks

Sangho Sohn

Chairman

Council on International Financial Cooperation

Through his Opening Remarks, Chairman Sohn underscored that the era of digital finance starts from digital innovation, which is born from the competitive environment of the financial industry. As such, a regulatory paradigm oriented toward digital technologies is warranted. The Chairman went on to mention that the financial authorities should understand that competition for the sake of innovation may undermine financial stability and protection of financial consumers, which are the fundamental objectives of regulation. This is why a new regulatory framework is needed. Also, according to the Chairman, financial companies in the era of digital finance are open, sharing resources with other parties and embracing digital innovation from the outside world, thereby facilitating the digital transformation of finance. He mentioned that openness aimed at innovation means cooperating with outside networks, and that collaboration in the coming era of digital finance will transcend borders. Last but not least, Chairman Sohn highlighted that the International Financial Cooperation Forum, marking its 6th year, has been committed to strengthening financial cooperation regardless of region, country and level of financial development upon recognizing the importance of cooperation across various financial players. He closed his remarks by expressing hopes for the forum to become a successful platform for financial cooperation where many insights on future finance are shared.

Welcome Remarks

Byungdoo Sohn
Vice Chairman
Financial Services Commission

Vice Chairman Sohn explained in his Welcome Remarks that the digital transformation is rapidly changing not only the financial sector but every aspect of our lives. He added that the digital transformation has ushered in a hyper-connected society, and that the transition to the platform economy has triggered a network effect, creating a new industrial ecosystem through the convergence of various industries. In pace with such changes, the Korean government is making efforts to create new industries and markets and also to spark innovative growth. Explaining in detail about the recently announced 'FinTech Scale-up Strategy' aimed at accelerating innovative growth, the speaker introduced plans to lower entry barriers to the financial industry, create a FinTech-friendly listing environment, expand digital financial innovation infrastructure and support FinTech players' overseas ventures, etc. Moreover, Vice Chairman Sohn pointed out that in order to respond to changes in the global financial environment, cooperation is required, and to this end, countries should share information and coordinate policies. On a final note, the Vice Chairman wished that the forum will become an invaluable opportunity to ramp up policy capabilities to achieve success in the era of digital transformation, and to strengthen global cooperation.

Congratulatory Remarks

Tun Tun Naing
Permanent Secretary
Ministry of Planning, Finance and Industry, Myanmar

Secretary Tun Tun Naing delivered Congratulatory Remarks touching on the fact that major financial supervisory and regulatory authorities worldwide are making efforts in line with the digital transformation, adopting financial regulatory sandboxes in order to anticipate the changes brought on by digital innovation and to overhaul the regulatory framework accordingly. However, the speaker mentioned that a more systematic and successful response requires a government dedicated to reform, ICT infrastructure, and efforts to improvement management systems. Furthermore, highlighting how the Myanmar government is committed to reforms in the telecommunication and financial industry ever since opening up the economy in 2011, the Secretary shared details on reforms to improve the financial environment. He explained that in the banking industry, state-owned companies were privatized and foreign banks certified to provide corporate finance and retail finance services, and in the insurance industry, foreign insurers were accredited for business. Also, he said that neighboring countries such as Korea, Japan and Thailand are providing technical support based on MOUs to support the development of efficient capital market infrastructure. On top of this, the speaker briefly introduced the Myanmar government's efforts to launch and commercialize mobile banking as well as to encourage micro-financing. Regarding financial inclusion, the Secretary commented that the Ministry is constantly collaborating with international organizations such as UNDP and USCDF in order to build a roadmap on expanding financing for agricultural businesses, micro-enterprises and SMEs, as well as low-income citizens. Concluding his speech, the Secretary expressed hopes for the forum to serve as a meaningful platform where participants discuss innovative ways to transform the future financial industry.

Keynote Speech

Open Innovation, the Way to a Successful Digital Transformation

Naoyuki Yoshino
Dean
Asian Development Bank Institute

Dean of ADBI, Naoyuki Yoshino, looked into the impacts of financial technologies on development in Asia, and outlined the major challenges that policy authorities should address in order to achieve successful digital transformation. First of all, the speaker mentioned that advanced technologies have increased accessibility to diverse financial products, bringing sweeping changes to the business environment of conventional banks, and that competition among financial institutions is intensifying regardless of regional or national borders. The development of financial technology may improve financial inclusion and facilitate investments into domestic infrastructure, etc., but may also raise risks of capital flight between countries in the event of financial crises, which is why regional and national cooperation are all the more important. What is more, modern financial technologies have made lending extremely convenient, increasing the risk of excessive debt for both retail and corporate consumers. There is also greater risk of consumers being exposed to financial fraud. This goes to show the necessity of financial education. Advanced technologies have helped FinTech expand into banking, securities, insurance and many other areas, highlighting the importance of cooperation between conventional financial companies and FinTech players. For policy authorities, close attention and effort for consumer protection is required in the face of new technologies and big data. Last but not least, the speaker stressed that the entire financial industry and policy authorities should work together in order to revitalize financial education. Citing the case of Japan, Thailand and other countries, Mr. Yoshino commented that side effects from technological advancement such as financial fraud and excessive household debt could be prevented through financial education. Furthermore, urging all participants to recognize the importance of financial education and build an effective education system, the speaker gladly offered to share his research experience and advice whenever they are needed.

Keynote Speech

The Future of European Financial Services

Nicolas Mackel
CEO
Luxembourg for Finance

Under the theme 'The Future of European Financial Services', Mr. Nicolas Mackel talked about the Amazonisation of financial services required to enhance competitiveness in this era of digital transformation. The speaker started off by introducing Luxembourg, where his organization, Luxembourg for Finance, is located, as one of the key financial service hubs in the region which leverages EU's single market policy and geographical advantages to drive economic growth and create jobs in Europe. He argued that in order for Europe, which is slightly lagging behind China and the US in technological advancement of financial services, to sharpen its competitive edge, aggressive efforts need to be made toward the Amazonisation of financial services. The speaker defined Amazonisation as a customer-oriented business model based on a digital platform leveraging data and AI, showcased by Amazon, leading the technological innovation for online retailers not only in the US but across the globe. He then explained that this trend can also be applied to the financial industry in order to migrate financial services onto platforms. According to the speaker, platformization is most pronounced in the asset management sector, where digital platforms can be used to enhance transaction transparency and robo-advisors to provide services effectively, in mobile e-commerce and the payment sector, growing rapidly due to the development of wearable technology, and the insurance sector, currently undergoing a transformation with the advent of the online marketplace that allows consumers to compare and analyze products firsthand. Finally, the speaker highlighted that Europe has great potential to platformize financial services through technological innovation as there is high consumer expectation, financial companies actively engaging in digital transformation, enthusiastic policy support from the EU and a single financial market.

FinTech Industry: Where We Are & Where We Should Be Headed

Keongwoon Jang
Director
Financial Supervisory Service

Director Jang of FSS FinTech Innovation Office presented on the latest FinTech trends and the efforts made by the FSS to revitalize FinTech as well as the ideal future direction for the FinTech industry from the perspective of supervisory authorities. As major FinTech trends, the speaker listed a high level of attention and enthusiasm toward the FinTech industry proved by the rapid growth of global FinTech investments; strengthened cooperation for partnered growth between FinTech players and financial companies due to the inflow of global IT giants and bigtech companies such as social media companies into the financial industry; and the rise of innovative finance for the social good, namely 'Impact FinTech.' Director Jang explained that the FSS installed the FinTech Innovation Office, an organization specializing in FinTech support, in February 2018 and has been working with the government and financial industry ever since to build an innovative ecosystem that encompasses FinTech, RegTech and SupTech. As part of such efforts, the FSS is engaging in provision of support for FinTech startups, operation of financial regulatory sandbox, and supervision of P2P lending platforms, etc. The speaker also mentioned that in order to create an ideal FinTech industry, the government, supervisory authority and market should join hands. We should not only aim for technological development and collection of profit, but also pursue human-oriented FinTech innovation that promotes social values and trust. This is critical to achieving stable and sustainable growth. Bringing his speech to an end, Director Jang pledged to provide full support for international exchange so that financial institutions and FinTech companies, and by extension, Korean and overseas FinTech businesses can develop mutual trust for sustainable growth, and also earn the trust of financial consumers.

Bank, Credit & Loans–Open Banking, Open API and Regulatory Challenges

Jeong Ho Suh
Digital Finance Research Center Head
Korea Institute of Finance

Mr. Jeong Ho Suh, Head of the KIF Digital Finance Research Center discussed the basic concept of open banking as well as open banking policies in Korea and future tasks. Open banking refers to exchanging customer information held at banks with external parties, given that there is explicit consent from the customers. Open banking policies are commonly based on open APIs, the adoption of which improves the transparency of financial transactions, expands the range of options for customer services, and strengthens customers' control over their own information. Open banking policies in Korea are mainly based on the single API platform established by Korea Financial Telecommunications & Clearings Institute, and are aimed at gradually increasing participation of banks and FinTech companies so that FinTech players will be allowed to join the central bank's payment network in the long run. The speaker also touched on the impact of open banking policies on the financial industry, such as aggravating profitability due to declining fees; intensifying competition among banks to become the most preferred bank; increasing account-based mobile payments; changes in communication between financial companies and consumers; expansion of open banking system participants and service areas; and the platformization of finance through cooperation with overseas businesses. On a final note, Mr. Suh cited the challenges with regard to Korea's open banking policies faced by the supervisory authority, starting with the stability and security of single platform use. He then mentioned the possibility of banks' liquidity risk and weaker profitability, and said that although encouraging market entrance of new FinTech players to trigger competition is an important task for supervisory authorities, it is also important to keep the rules of the game consistent so that the existing framework of financial regulation remains intact. Last but not least, the speaker advised that we should be on guard against risks such as data breaches, information theft and money laundering while paying special attention to small FinTech companies' customer information management status.

FinTech in Switzerland: the Driving Forces of Success

Marc Rudolf
Director
Greater Zurich Area AG

Director Marc Rudolf's presentation was centered on the current status of FinTech in Switzerland and the drivers of success. First of all, Switzerland has a very stable political and social environment as well as geological advantages, and is recognized as a global FinTech hub second to Singapore in terms of level of economic development and technological competence. Furthermore, the country is home to two banks—UBS and Credit Suisse—which are Forbes 500 companies, and also to 'Libra,' Facebook's cryptocurrency. The speaker attributed the success of FinTech in Switzerland to the following factors. At a national level, Switzerland is creating a political atmosphere where the FinTech industry is strongly supported, and the financial regulatory sandbox has been adopted to enable FinTech businesses to attract investments up to CHF 100mn without having to acquire a separate license. As such, the regulatory policies are all aimed at encouraging the growth of FinTech companies. Also, the speaker mentioned that the stable value of the Swiss currency and the country's economic and social environment also played a part in the success of FinTech. Furthermore, accessible R&D infrastructure and potential of cooperation across similar FinTech companies contributed to the success story. However, Mr. Rudolf did point out that foreign FinTech companies still face restrictions in financing and banking, and that the Swiss regulations regarding employment of foreigners are overly complex. The Swiss government is aware of these issues and is working to address them, added Mr. Rudolf.

Article:

FinTech Industry : Where We Are & Where We Should Be Headed

Keongwoon Jang | Director | Financial Supervisory Service

1. Introduction

FinTech, a mashup of Finance and Technology, literally translates to the convergence of the two worlds aimed at providing new and innovative financial services. This trend is bringing rapid changes to our way of life, from day-to-day lives to the economy in general. Starting with the payment solutions that enable swift remittance, various lending, investment and insurance products leveraging new technologies such as AI, the blockchain, cloud and big data are appearing in the market. Not only the startups that develop these technologies but also legacy financial institutions and IT giants are also venturing into the FinTech industry, sparking competition and cooperation across diverse players. From an optimistic perspective, FinTech can enhance convenience for consumers and provide new business opportunities to corporations, but there are also concerns over it undermining the existing financial system or hurting consumers. In this feature, I would like to discuss the current status of FinTech, which has already permeated into our daily lives, and its best way forward.

2. Global FinTech Industry Trends

To start with, recent global FinTech industry trends show that both qualitative and quantitative growth are remarkable. The sheer size of FinTech investment attests to the high level of interest and enthusiasm toward the industry. Global FinTech investments have jumped from KRW 70tn in 2016 to KRW 123tn in 2018. Upon studying the characteristics of such global investments, one comes to notice that they are mostly centered on M&A of relatively mature businesses. This is probably because companies with validated business models are a more preferred investment compared to startups in the nascent stage. Also, FinTech companies are striving to become comprehensive financial platforms by expanding their service scope based on a stable user base. For instance, Revolut, a FinTech player providing payment services in Britain, has recently branched out to banking, insurance and fund management upon being accredited as a European bank; and Wealthfront, a US robo-advisor company, is broadening its business area to include a savings program for college tuition and online lending services.

FinTech startups are also growing fast on the domestic front. As of February 2019, the Korea FinTech Industry Association has 291 members, adding 70 members y-o-y, and the total number of FinTech companies in Korea is estimated at around 500. Furthermore, companies with a large young user base such as Viva Republica (Toss) and Rainist (Bank Salad) are trying to merge their business models with various banking, investment and insurance services in order to transform to a comprehensive financial platform business. However, domestic players still tend to rely on direct or indirect financing through VCs or financial institutions rather than opting for M&A.

Secondly, BigTech companies are also rushing to enter the financial industry. The so-called BigTech, or global IT giants and social media companies such as Google, Amazon, Facebook and Apple from the US as well as Alibaba and Tencent from China are making inroads into the payment, lending and insurance industries based on their own platforms, and expanding their dominance in the market by leveraging high customer loyalty. BigTech companies are seeking to set themselves apart from conventional financial institutions by tapping into the vast amount of customer data accumulated thus far to provide tailored financial services or to offer inclusive financial services to the marginalized with low credibility and little history of financial transactions.

Likewise, on the domestic front, large IT platforms like Kakao and Naver are making their way into the financial sector. Under these circumstances where the presence of BigTech companies is expanding in the financial industry and the fine line between finance, IT, telecommunication and e-commerce is increasingly smudged, the imminent challenges are to effectively supervise BigTech companies and to encourage fair competition while preventing certain parties from having excessive much market dominance.

Thirdly, cooperation between FinTech companies and financial institution is strengthening. As BigTech companies entered the financial industry, a completely new form of competition appeared, and thus financial institutions are also pressured to forge partnerships with promising FinTech companies as a means of survival. For example, Monzo, an Internet-only bank in Britain, is collaborating with Transferwise, a FinTech payment solution, to expand overseas remittance services. JP Morgan in the US is joining hands with OnDeck, a P2P lending business, to provide loan products for micro-enterprises.

Such cooperation is also witnessed in Korea, in diverse sectors including payment and settlement, P2P lending and robo-advisors. It is also assumed that once open banking takes off, cooperation between banks and FinTech players will brought to a completely different level. Thus far, domestic financial institutions—especially banks—have operated in-house FinTech incubators to provide support to FinTech startups. However, such incubators are now serving as facilitators of joint business opportunities for financial institutions and FinTech players.

Last but not least, innovative finance for the social good is coming under the limelight. Also nicknamed Impact FinTech, this phenomenon carries great growth potential as the Millennials' high level of interest in social values and financial institutions' needs for new investments are aligned with the development of FinTech. As a case in point, a US Internet-only bank, Aspiration, attracts investments to social enterprises by assessing the sustainability of businesses. Moreover, Motif, a robo-advisor, provides a service where impact investment products are designed and automatically incorporated into investors' portfolios.

In Korea, a P2P lending service that encourages local residents to engage in alternative energy generation projects (Root Energy), and a credit rating service that highlights CSR by analyzing the reputation of companies in the local economy (Institute for Sustainable Development) are being tested in the financial regulatory sandbox. Compared to other companies, activities in the Korean private sector are less pronounced, but Impact FinTech, which values the environment, social issues and governance, is an item of great interest for the supervisory authorities in line with sustainable growth and financial inclusion. It is also something that everyone should be mindful of, going forward.

3. Efforts Made by the FSS to Boost FinTech

The FSS is rolling out various efforts in order to nurture the FinTech industry and inject vitality into it. Internally, the FSS established the FinTech Innovation Office (previously FinTech Support Office), an organization specializing in FinTech support, in February 2018. From then onwards, support for FinTech innovation has begun in full swing, and the office is in charge of providing support to FinTech startups, operating the financial regulatory sandbox, supervising P2P lending platforms and conducting R&D regarding cryptocurrencies and distributed ledger technologies. Also, the FSS is working to enhance the efficiency of oversight and supervision through FinTech. This includes leveraging RegTech, which is to enhance regulatory compliance of financial institutions and FinTech companies, and also SupTech, which is to increase the effectiveness of financial supervision.

Through these efforts, the FSS aims to create an innovative ecosystem of FinTech-RegTech-Suptech jointly with the government and the financial industry.

Operation of Financial Regulatory Sandbox

I would like to touch on some of the progress made to establish the FinTech ecosystem. **First of all, a financial regulatory sandbox is being operated.** With the effectuation of the「Special Act on Financial Innovation Support」 in April 2019, Korea started to operate a financial regulatory sandbox. As such, financial institutions or FinTech players designated as an innovative financial service provider may provide innovative financial services to consumers within a given scope without having to acquire a separate financial license. What is more, they are not subject to financial regulations under which they are considered a special case (exception) over a specified period.

The supervisory authority aims to achieve the following outcomes by adopting the sandbox. To start with, there is establishing the FinTech ecosystem. The sandbox will contribute to building a healthy virtuous cycle where new players constantly appear. Also, although the positive-list regulation in Korea has smothered flexibility in the financial industry thus far, the sandbox will be the starting point of transitioning to negative-list regulation, bringing about a completely new wave of regulatory innovation. It is also anticipated that technology will trigger changes in finance, as opposed to the past where finance took advantage of technology, and complement or even replace legacy financial services.

Ever since the sandbox was introduced, 77 innovative financial service providers were designated as of the end of 2019. In an ideal world, tests will always end successfully, but we should take account of the possibility of users falling victim to inappropriate actions or incidents that cause unrest in the financial market occurring. The FSS supports companies that participate in the sandbox so that they would complete tests successfully, but at the same time, it has crafted plans to supervise of these service providers in order to safeguard the financial system and consumers.

In the initial stage, the FSS aims to provide preliminary consulting to potential service providers' applications and finish the deliberation process as swiftly as possible to facilitate the creation of innovative services. Moreover, even if some candidates fail to meet the requirements to become an innovative financial service provider, they will be given guidance on other available options such as the designated agent system, consignment test system, or regulation quick-check system. The designated agent system was launched so that financial institutions will consign parts of their core businesses to FinTech companies, establishing a partnership. As of the end of 2019 there are 27 such cases. Reversely, the consignment test system allows FinTech companies to consign new financial services created based on their technology to financial institutions in order to test the feasibility of the business. The regulation quick-check system can be used to swiftly verify whether applying a new technology is in violation of existing financial regulations.

During the test stage, FSS will make sure that the service providers do not breach the regulations due to a lack of understanding by preemptively notifying them of the obligations of sandbox participants, and also monitor the progress by reviewing operational status reports in order to prevent financial incidents. When it comes to investigations and sanctions, the underlying principles are 'Responsible Innovation' based on autonomy, and strategic patience. In the case of any minor regulatory violations that arise during the test stage, the service provider will be encouraged to remediate the breach voluntarily. Unless the violation is considered serious, such as in the case of a clear intention, grave negligence or harm cause to a large number of consumers, investigations or sanctions will be kept at a minimum level and on-site inspections will be mainly conducted. Regarding consumer relief, the FSS will seek ways to relieve victims swiftly by strongly urging service providers to join liability insurances and raising awareness on the FSS dispute resolution procedure.

As a reference, I would like to touch on some overseas cases of sandbox implementation. Britain, a sandbox pioneer, has been operating a sandbox since 2015, and Australia, Singapore and Hong Kong have adopted a financial regulatory sandbox in 2016. Now I would like to highlight how Korea's regulatory sandbox differs from that of aforementioned countries which previously adopted the system in 3 ways. First and foremost, the maximum test period is set at 4 years in Korea whereas it is relatively short, such as 6 months, in other countries. This is because the goal of the sandbox in Korea is not only to validate the business feasibility of innovative technologies and ideas but also to reform the existing regulatory system through amendments of laws, etc. Secondly, whereas other countries make exceptions for FinTech startups regarding licensing to give them business opportunities, Korea classifies sandbox participants as exceptions in not only licensing but also other general regulations. It is also possible to lift regulations for them temporarily. This, too, is an effort toward regulatory reform. Thirdly, other countries mostly apply a regulatory sandbox to the financial industry, but Korea, as an economy driven by the manufacturing industry, operates the regulatory sandbox through a collaboration of various government ministries including the Ministry of Trade, Industry and Energy, Ministry of SMEs and Startups and the Ministry of Science and ICT.

Although Korea is a late-comer when it comes to sandboxes, its aggressive efforts bore fruit with a large number of sandbox designated cases (77 cases), comparable to that of Britain (124 cases) and Hong Kong (74 cases). As innovative companies are increasingly trying to expand overseas, we are now witnessing the necessity of not only national sandboxes but also transnational, global sandboxes. We should consider partaking in the global sandbox led by the UK FCA (adopted in January 2019) or jointly building a test bed in the Asian region. Furthermore, upon operating the sandbox system, I have come to ponder about the unique advantages that the Korean sandbox carries, and how to give it a competitive edge. I believe we should also try using the sandbox as a strategic tool to nurture specific sectors such as the distributed ledger and AI, or launching a sandbox that covers two distinct industries such as a test bed for hydrogen car-only insurance products.

P2P Lending Supervision

I will now move on to discuss another major task of the FinTech Innovation Office, which is supervising P2P lending platforms. P2P lending platforms were the definition of innovation during the infant years of FinTech, and some players have even grown into middle-size companies. P2P lending was also regarded as an effective means to save borrowing costs and enhance financial inclusion, as well as a new investment. However, in recent years, a negative perception has been building due to a high default rate, skewed real estate market, and frequent crimes such as fraud and embezzlement. Thus far, we have strived to promote self-regulation in the industry through the 'P2P lending guidelines,' but this fell short in protecting consumers and regulating sales activities. As such, the necessity of a law that governs P2P lending has been underscored.

The P2P lending act, or to be exact, the「Online Investment Linked Financial Business Act」 has passed the national assembly on October 30th and will go into effect in the latter half of this year (August 27th, 2020). If I were to mention some key details, we classified P2P as a separate financial business as an entry regulation, and set registration/maintenance requirements for minimum capital and human/material resources, etc. Regarding investor protection, we made sure that investment capital and repayments funds are kept outside of the P2P company and that receivable loans are managed separately from the P2P company's assets in order to safeguard the funds of investors. Sales activity regulations include stronger information disclosure requirements and interests collected within the ceiling (24%) specified under the Act on Credit Business, as well as explicit prohibition of large shareholder loans and maturity mismatch between investment and loans. There was no law that governed the P2P business thus far, making it difficult to provide protection to investors or borrowers. Through the above mentioned legislation, however, such regulatory blind spots are expected to be largely resolved.

Response to the Blockchain and Cryptocurrencies

Now I would like to outline the supervision on the blockchain and cryptocurrencies. A common misconception among the general public is that the government is trying to crack down on the blockchain, but this is a misunderstanding caused by confusing crypto-assets with the blockchain. **The fundamental stance of the government and the FSS is to draw a line between blockchain technologies and crypto-assets, and to take a two-pronged approach: support and foster blockchain technologies, but be more cautious when it comes to crypto-asset trading.** Under the principle of technological neutrality, we will monitor the adoption and application of various blockchain technologies, and will enable flexible interpretations of laws and regulations if this is deemed necessary to incorporate new technologies. Also, diverse blockchain-based innovative services regarding digital asset trading of real estate and unlisted stock, private securities lending transactions, and digital identity authentication, etc. are already being tested on the sandbox. We plan to identify innovative and promising blockchain startups and provide full support to them in order to jointly establish a healthy blockchain ecosystem.

Meanwhile, in the near future, amendments will be made to the AML related act, introducing a registration system for virtual asset service providers (VASPs) and more stringent AML/KYC requirements. These changes are expected to bring crypto-asset related industries to a whole new level. On top of this, over the mid to long term, we will amend the laws on payment, settlement and securities trading to step up supervision on market manipulation, fraudulent advertising and users' property preservation, etc. We will also clarify the regulations on ICOs of security-type tokens so as to support the constructive growth of the crypto-asset market.

Operation of FinTech On-site Advisory Team

The FSS also operates an advisory service for FinTech startups which I would like to introduce. If the regulatory sandbox represents our efforts to build the infrastructure, the 'FinTech On-site Advisory Service' is close to software support. **In order to assist FinTech players and potential entrepreneurs with financial regulatory compliance and commercialization of innovative ideas, the FSS has been operating the 'FinTech On-site Advisory Team' since May 2017.** 13 experts with more than 20 years of experience in supervision and investigation have been assigned to the team to provide helpful advice for financial regulatory issues. The team has paid visits to and advised around 150 companies thus far, and requests for advice are being filed constantly. The team is fully dedicated to providing the best possible, comprehensive legal advice to FinTech companies.

Future Challenges for FinTech Supervision

The rise of FinTech also poses challenges for the supervisory authorities. **To start with, there is little to no legal grounds to supervise FinTech services.** As for P2P lending platforms, the legislation has just been passed, and the relevant supervisory authority for VASPs is still unclear, which makes it difficult to actively respond to any accidents or harm caused to users. Adding to our woes, **there are cases where it is tricky to identify with whom the supervision responsibility lies because various industries have been converged.** In particular, as BigTech companies are entering the financial service industry, it is becoming increasingly important for the financial supervisory authority, fair trade authority and information security authority to work closely together. **Another important challenge is to support and protect the marginalized who are failing to keep up with the digitalization trend.** We need social discussions on how to respond to senior citizens, who are not tech-savvy, being isolated from FinTech and the diminishing number of jobs due to the adoption of automation technologies. What is more, **there are specific risks that are highlighted in line with the development of FinTech. Crafting plans to resolve such risks is also an imminent challenge.** For instance, small and medium -sized FinTech companies should enhance their capabilities for internal control regarding AML and for dealing with cyber risks such as hacking. As for BigTech companies, we should devise ways to promote fair market competition and prevent risks from failing institutions from spreading.

4. Ideal Direction for Development of FinTech

Future Prospects

Based on the advancement of ICT such as AI, big data analysis and the blockchain, FinTech is leading financial innovation across development financial services and products, marketing and distribution, risk management, and regulatory compliance. Going forward, diverse innovative services will be witnessed in various sectors, and through active M&A and expansion of horizontal service areas, will grow into a large-scale platform business. Recently, as demonstrated by Facebook's attempt to issue a global payment currency (Libra) and the issuance of the Central Bank Digital Currency (CBDC) by the People's Bank of China, global BigTech companies and central banks are enthusiastically pursuing FinTech. As such, in the coming years, the financial ecosystem will be completely transformed through competition and cooperation among existing financial institutions, FinTech startups, middle-sized platform businesses and BigTech players, etc. **The size of the FinTech industry is not yet large enough to erode the financial system, but the various financial services offered by legacy financial institutions are continuously unbundled and rebundled, which is likely to trigger social issues over excessive market dominance of large financial platforms, data monopoly, and employment instability.**

It is thus important for the supervisory authorities to conduct regulatory reform in line with this trend. The FinTech industry still deserves much care and attention, but if we were to be overly fixated on growth or innovation, we may end up overlooking some important values. Once FinTech source technologies develop to a certain extent, they can have wide-ranging repercussions in diverse sectors and regions, thus making it difficult to regulate them by region. Also, rapid technological innovation can dismantle existing industrial structures and regulatory systems, which is why we should craft responses to potential risk factors to safeguard the financial system and consumers.

Under these circumstances, we should abandon the perception that the supervisory authorities should lead every effort related to FinTech innovation, and ponder about a balanced supervisory approach through which we can support the growth of new technologies and markets, and strengthen market stability and consumer protection at the same time. The journey toward FinTech innovation has been continuing for a while now, and here are my thoughts on the ideal direction forward in order to establish an effective FinTech ecosystem.

Ideal Direction

First of all, concerted efforts are required from the government, supervisory authority and the market. To innovate and develop the financial industry, not only the market but also the laws, regulations and supervision have a role to play. That being said, the government and FSS will modernize financial regulations that are catered to the rules of the past. In particular, as for deregulations that have been proved to have minimal side effects through the sandbox will be reviewed swiftly, from a positive perspective. We will also adopt a special licensing system for FinTech companies, boost scale-up investment funds and bolster consulting for overseas expansion to help FinTech players grow into unicorns. As the authority in charge of financial investigations and sanctions, the FSS will apply flexibility to these matters upon taking into account FinTech companies' relatively weak compliance capabilities compared to financial institutions.

Secondly, we will pursue human-oriented FinTech innovation. Developing technologies and creating profit are important of course, but enhancing social values and trust upon understanding people and nurturing the capabilities of people are most important. As such, in order to make sure that FinTech does not end as a fad but takes root as an alternative, we have to put people at the center and go down a different road. In other words, we have to aim for a human-oriented financial innovation that improves consumer convenience, workers' digital competence and cooperation among business partners.

From this standpoint, the FSS plans to encourage financial institutions to reform corporate culture and strengthen internal control so that they can focus on increasing consumer convenience and nurturing digital

talent as opposed to expanding FinTech investments simply to increase sales or reduce payroll so as to boost short-term performance. We will especially prevent companies from setting unreasonable sales targets and KPIs to achieve short-term profits or maintaining a fee structure that is rigged against consumers, and ensure they are managing outsourcing-related risks. Alongside these efforts, we will continuously work to adopt RegTech, which refers to applying innovative technology to regulatory compliance so that financial institutions can implement effective procedures for AML and legal compliance.

Finally, we hope to achieve stable and sustainable growth. Experiencing the global financial crisis, we have already witnessed the social repercussions caused by reckless innovation in the derivatives and wholesale funding market. Ever since the 2008 global financial crisis, we have been extremely cautious about excessive debt piling up in the private and public sectors. Against this backdrop, it may be very dangerous to pursue quantitative growth by investing resources in large amounts, as we have done so in the past. Reversely, we should accept low growth as the new normal and put more thought to the efficient use of resources and fair distribution of profit.

To this end, we should aim for stable and sustainable changes rather than overhauling the existing system or achieving remarkable economic growth through technological innovation. Particularly, when it comes to digital innovation, there is the issue of the digital divide, referring to senior citizens experiencing difficulty in using innovative services such as mobile banking. There is also the negative aspect of the sharing economy, such as data monopoly and the fragmentation of the labor market. Social discussions are desperately warranted on these issues.

In this regard, the FSS will make efforts to create a fair financial ecosystem for financial institutions and FinTech companies to compete and partner with each other based on mutual trust. We will also guide financial institutions and FinTech players to pursue 'Responsible Innovation,' which is all about putting consumers' interests first, and strengthening internal control on cyber security, privacy protection and AML.

In order for FinTech to be sustainable, we should be mindful of Impact FinTech, which places importance on social values. For instance, local residents are generally against building facilities for alternative energy generation. However, if we could help them engage in the project through P2P lending and align their interests with the project, there will be fewer hurdles in moving forward. Other cases in point are corporate assessments to encourage 'Good Investment', 'Good Consumption' and blockchain platforms that boost the culture of donation. P2P businesses centered on social innovation and corporate assessments to encourage good practices are already included in the regulatory sandbox. Going forward, we will continue to foster innovative ideas for sustainable FinTech such as Environmental, Social and Corporate Governance (ESG) platforms and Commons financial platforms for the marginalized and SMEs, centered on enhancing financial accessibility, financial inclusion, joint decision making and profit distribution, through the regulatory sandbox.

5. Conclusion

In a special lecture held in Korea recently, Nobel Economics Prize laureate Professor Robert Merton pointed to participants' mutual trust as the most important factor for successful FinTech innovation. In order to lay fertile ground for success, financial institutions and FinTech players, and by extension, Korean and overseas FinTech players should build mutual trust for sustainable growth, and earn the trust of financial consumers. **The FSS, for its part, will remain committed to building mutual trust and cooperation in the market by striving toward financial innovation that brings the government and market together, financial innovation that puts people at the center, and financial innovation aimed at stable and sustainable growth.**

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