

CIFC 2018

# ANNUAL REPORT



Council on International  
Financial Cooperation



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Financial Cooperation

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## Message from the Chairman

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

CIFIC has been carrying out local and international financial cooperation fora, invitational trainings for public officials of emerging economies as well as seminars for financial experts and is communicating with international organizations to promote financial cooperation. CIFIC 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. As a result, CIFIC is collaborating with approximately 800 financial experts in 46 countries across the world.

Furthermore, CIFIC is eyeing major financial trends in pursuing cooperation projects. Fintech, the key to the recent paradigm shift in the financial sector, has been selected as an important area for financial cooperation and various events are being arranged to discuss the subject. Last year, a joint workshop was held with international institutions including the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) under the theme of enhancing SMEs' access to finance. These themes highlight the importance of financial inclusion, and carry great significance as a policy priority for many countries currently cooperating with CIFIC.

Over the past 5 years, CIFIC 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 a regional perspective. Besides nations targeted by the New Southern Policy, CIFIC has forged collaborative relationships with countries in Central Asia, the Middle East and Europe. Some partnerships have yet to be formed, but CIFIC continues to aim for 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 6th year, the Council has produced many encouraging outcomes with active participation from member institutions and unwavering support from policy authorities. At this point in time, CIFIC may be facing some major changes ahead in line with the shifting financial environment. However, we pledge to continue to take the initiative in implementing diverse projects and building sound partnerships to fulfill its ultimate mission for global financial cooperation.

**Sangho Sohn**  
Chairman

Council on International Financial Cooperation

“  
**CIFIC shares Korea's experience  
in financial development and embraces  
new changes in the industry.**  
”



## 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 of resource management in implementing 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 organization in concerned countries.

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

### PARTNERS



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

The following 21 domestic financial institutions are currently listed as members.

”



# Message from the CEO of KODIT

## Congratulations to CIFIC on the publication of the Annual Report

Established to provide systematic support for public financial institutions' overseas business, the Council on International Financial Cooperation (CIFIC) has undoubtedly become the best platform to create synergy effects among cooperation projects carried out by different member institutions. Korea Credit Guarantee Fund (KODIT) will continue to actively take part in various international cooperation projects and strengthen ties with member institutions through CIFIC.

KODIT is an SME-specialized policy financial institution established in 1976 that enhances SMEs' access to finance through credit guarantee schemes and serves as an economic safety net that prevents credit crunches in the event of an economic crisis. In line with the 4th industrial revolution, KODIT is committed to creating an ecosystem conducive to SMEs' innovation and growth by providing wide-ranging services such as startup incubation, investment and consulting.

Based on its 40 years of experience in successfully operating a credit guarantee scheme, KODIT is fully involved in global cooperation projects, sharing its know-how with developing countries. In particular, KODIT played an integral role in the government-led 'Knowledge Sharing Program (KSP),' through which it shared the best practices of Korea's credit guarantee schemes with the international community and fueled the financial K-wave.

Starting with Vietnam in 2007, KODIT participated in 8 KSPs thus far, providing policy advice on the establishment of credit guarantee institutions and enhancement of guarantee schemes. In addition, policy advisors were dispatched to the Credit Guarantee Fund of Mongolia and Ministry of Finance of Vietnam to support the amendment of relevant laws. In 2018, Honduras was selected as a collaborating nation, with which KODIT is carrying out a KSP centered on the improvement of credit guarantee systems.

Moreover, the fund is joining hands with international organizations to raise awareness on the importance of KODIT and guarantee schemes in nurturing domestic SMEs. As part of such efforts, KODIT took part in World Bank's 'T/F on Developing Principles for Public Credit Guarantee Scheme for SMEs' in 2015 as Asia's major credit guarantee institution, and is participating in the publication of the ADBI-OECD book on the development of SMEs' access to finance in Asia. The reports to be

published specify guidelines for developing countries to minimize trials and errors when adopting or operating guarantee schemes.

Over the years, CIFIC has been serving as a stepping stone for its member institutions including KODIT to effectively pursue global cooperation projects. The council has provided overwhelming support for its members to manage overseas cooperation projects in an efficient manner by hosting international financial cooperation fora and invitational training for public officials of developing countries.

KODIT has also received much support from CIFIC as a member of the council. Last year, Credit Guarantee Company Egypt was invited to the international financial cooperation forum to sign an MOU, which laid the groundwork for a cooperation project. Furthermore, KODIT led CIFIC's joint training program with the Industrial Bank of Korea, through which it planned a mutually beneficial joint project with the Ministry of Finance of Vietnam in 2016, and the National Bank of Cambodia in 2017.

With each passing year, CIFIC has expanded its area of support and upgraded cooperation projects, serving as a true focal point for overseas business cooperation. The publication of the comprehensive brochure on member institutions' training programs and renewal of the CIFIC website planned for this year will surely facilitate cooperation with foreign governments and financial authorities. KODIT will continue to provide its utmost support for CIFIC's efforts.

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

August 2018

**Dae-hee Yoon**  
Chairman and CEO  
Korea Credit Guarantee Fund

“  
**KODIT will continue to actively take part  
in various international cooperation projects  
and strengthen ties with member institutions through CIFIC**  
”



# Message from the Chairman & President of KOTEC

## Congratulations to CIFIC on the publication of the Annual Report

Founded under the aim of enhancing global financial cooperation for major domestic financial institutions and associations, the Council on International Financial Cooperation (CIFIC) is striving to support member institutions' international projects and expand their overseas network. Korea Technology Finance Corporation (KOTEC) is joining hands with CIFIC to facilitate the globalization of technology assessment projects and will continue to seek ways for further cooperation.

KOTEC is a policy financial institution established in 1989 which first introduced the technology assessment system domestically in 1997, further enhancing and developing it ever since. The institution has charted a new course for technology finance based on the top-notch technology assessment infrastructure including its highly experienced employees, more than 50% of which are technology assessment professionals and 200 of them with a doctoral degree. From the day of its inception, KOTEC has functioned as a comprehensive support center for technology finance, generating a new momentum for the domestic economy by providing KRW 350tn of technology finance and diversifying its support to cater to the changing needs of recipients.

Upon laying the groundwork for technology finance and taking the initiative in introducing technology finance to the market, KOTEC transformed from a guarantee institution to a comprehensive support institution for innovative startups in line with the launch of the Ministry of SMEs and Startups in July 2017. Assuming the new role, KOTEC has established a tailored support system that encompasses SMEs' entire lifecycle from startup to scale-up, and is fully committed to enhancing the institutional framework. Furthermore, in October 2018, KOTEC was designated as a technology trust management institution and is since operating a trust system for promising patents held by SMEs, strengthening technology protection and revitalizing technology transactions.

The institution is actively communicating with overseas institutions and participating in government-led Knowledge Sharing Programs (KSP) and the New Southern Policy initiative, transferring knowledge on the establishment and enhancement of technology assessment systems for SMEs' technological innovation

to Vietnam and Thailand. Peru emulated KOTEC's example in establishing technology assessment indices as well as license, guarantee and technology innovation support systems for companies driven by technological innovation. Moreover, KOTEC is cooperating with international organizations such as the World Intellectual Property Organization (WIPO) to share climate technology information, pursue joint technology transfer projects, transfer climate technology finance systems to emerging countries and support domestic SMEs technology transfer to overseas markets.

Upon signing an MOU with the policy financial institution for the EU, the European Investment Bank (EIB), KOTEC carried out a pilot program for the technology assessment system with companies based in Europe to gauge its potential, and formed a consortium with 8 European counterparts as the first domestic player to take part in a program financed by the EU. Named 'InnoRate,' the project is led by the European Commission and is centered on 'developing a data-based assessment model to support and enhance decision-making on financing innovative SMEs.' As such, the institution is working to raise the prestige of the technology assessment system and improve its quality.

I believe that CIFIC has diverse programs planned for this year as well, including international financial cooperation fora, invitational training for overseas officials and financial experts, and joint invitational training hosted by member institutions. KOTEC will continue to play a pivotal role in CIFIC's overseas cooperation projects, providing inspiring know-how as a comprehensive support institution for innovative startups.

Once again, I would like to offer my sincerest congratulations to CIFIC on the publication of the Annual Report, and wish the best of luck for CIFIC member institutions.

February 2019

**Yoon-Mo Jeong**  
Chairman & President

Korea Technology Finance Corporation

“  
Korea Technology Finance Corporation is joining hands with  
CIFIC to facilitate the globalization of technology assessment  
projects and will continue to seek ways for further cooperation  
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## CIFC HISTORY Key Activities

## CIFC HISTORY 2013 Key Activities

- Mar.** **Established a secretariat for Council on International Financial Cooperation**  
**Workshop** The 1<sup>st</sup> CIFC Cooperation Workshop
- 
- Apr.** **Meeting** April General Meeting  
**Research Project** 「The Role of Public Financial Institutions in the History of Korean Economy and Financial Development」
- 
- May.** **Meeting** May General Meeting
- 
- Jun.** **Meeting** June General Meeting  
**Knowledge Exchange Initiative** Ministry of Finance, Uzbekistan  
**Seminar** Uzbekistan-Korea Financial Cooperation Seminar
- 
- Jul.** **Meeting** July General Meeting
- 
- Sep.** **Established CIFC Website**  
**Knowledge Exchange Initiative** State Securities Commission, Vietnam
- 
- Oct.** **Meeting** October General Meeting  
**Forum** Uzbekistan-Korea Insurance Industry Development Forum
- 
- Nov.** **Meeting** 2013 Annual General Meeting  
**Meeting** Meeting on International Financial Cooperation Hosted by Vice Chairman of Financial Services Commission
- 
- Dec.** **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 2<sup>nd</sup> CIFC Cooperation Workshop



## CIFC HISTORY

### 2014 Key Activities

<b>Jan.</b>	<b>Knowledge Exchange Initiative</b> Financial Regulatory Commission, Mongolia
<b>Feb.</b>	<b>Meeting</b> February General Meeting
<b>Mar.</b>	<b>Meeting</b> March General Meeting
<b>Apr.</b>	<b>Forum</b> The 1 <sup>st</sup> UK-Korea Financial Cooperation Forum <b>Meeting</b> April General Meeting
<b>May.</b>	<b>Meeting</b> Meeting on Spreading Korean Financial Wave Hosted by Chairman of FSC <b>Forum</b> Korea-Myanmar-ADB Financial Cooperation Forum
<b>Jun.</b>	<b>Meeting</b> June General Meeting <b>Research Project</b> 「Establishing Strategies for Korean Financial Institutions Venturing into International Market」
<b>Jul.</b>	<b>Meeting</b> July General Meeting
<b>Aug.</b>	<b>Knowledge Exchange Initiative</b> Securities and Exchange Commission, Thailand <b>Seminar</b> Thailand-Korea Financial Cooperation Seminar
<b>Sep.</b>	<b>Meeting</b> September General Meeting
<b>Oct.</b>	<b>Knowledge Exchange Initiative</b> Danske Bank, Denmark <b>Meeting</b> October General Meeting
<b>Nov.</b>	<b>Knowledge Exchange Initiative</b> Myanmar Insurance, Myanmar <b>Seminar</b> Myanmar-Korea Financial Cooperation Seminar <b>Meeting</b> November General Meeting
<b>Dec.</b>	<b>Forum</b> The 1 <sup>st</sup> International Financial Cooperation Forum - Strengthening Financial Infrastructure: Toward Shared Growth of Financial Markets in Asia <b>Meeting</b> December General Meeting

## CIFC HISTORY

### 2015 Key Activities

<b>Jan.</b>	<b>Meeting</b> January General Meeting
<b>Feb.</b>	<b>Meeting</b> 2015 Annual General Meeting
<b>Mar.</b>	<b>Meeting</b> March General Meeting <b>Knowledge Exchange Initiative</b> IDB Korea Insights Program, Latin America and Caribbean <b>Seminar</b> Latin America and Caribbean - Korea Financial Cooperation Seminar
<b>Apr.</b>	<b>Meeting</b> April General Meeting
<b>May.</b>	<b>Research Project</b> 「In-depths Study on the Indonesian Financial Market」 <b>Research Project</b> 「Examining Korea's Financial Infrastructure Development Process and Evaluating Its Competitiveness」 <b>Meeting</b> Meeting on Overseas Expansion Hosted by the Chairman of Financial Services Commission <b>Meeting</b> Networking Luncheon with Deputy Prime Minister of Economy of Vietnam <b>Forum</b> The 2 <sup>nd</sup> UK-Korea Financial Cooperation Forum
<b>Jun.</b>	<b>Workshop</b> The 3 <sup>rd</sup> CIFC Cooperation Workshop <b>Lecture</b> H.E. John Prasetyo, Ambassador of Indonesian Embassy in Seoul, Korea <b>Survey</b> Overseas Expansion of Financial Organizations for Financial Sales Diplomacy
<b>Jul.</b>	<b>Meeting</b> Meeting on Overseas Expansion of Financial Organizations Hosted by Chairman of Financial Services Commission <b>Meeting</b> July General Meeting
<b>Sep.</b>	<b>Meeting</b> Meeting on Supporting Overseas Expansion Hosted by Standing Commissioner of Financial Services Commission <b>Meeting</b> September General Meeting
<b>Oct.</b>	<b>Knowledge Exchange Initiative</b> Financial Services Authority, Indonesia <b>Seminar</b> Indonesia-Korea Financial Cooperation Seminar
<b>Nov.</b>	<b>Meeting</b> November General Meeting
<b>Dec.</b>	<b>Forum</b> The 2 <sup>nd</sup> International Financial Cooperation Forum - The Launch of ASEAN Economic Community (AEC) and Its Future Prospects <b>Meeting</b> December General Meeting

## CIFC HISTORY

### 2016 Key Activities

<b>Jan.</b>	<b>Meeting</b> January General Meeting
<b>Feb.</b>	<b>Meeting</b> Meeting on Supporting Overseas Expansion Hosted by Standing Commissioner of Financial Services Commission <b>Meeting</b> 2016 Annual General Meeting
<b>Mar.</b>	<b>Knowledge Exchange Initiative</b> Aloqabank, Uzbekistan <b>Workshop</b> The 4 <sup>th</sup> CIFC Cooperation Workshop with World Bank Songdo Office <b>Knowledge Exchange Initiative</b> Central Bank of Myanmar, Ministry of Finance, Ministry of National Planning and Economic Development, Ministry of Construction, Construction and Housing Development Bank, Myanmar <b>Seminar</b> Myanmar-Korea Financial Cooperation Seminar
<b>Apr.</b>	<b>Meeting</b> April General Meeting
<b>Jun.</b>	<b>Forum</b> Myanmar-Korea Financial Cooperation Forum <b>Meeting</b> June General Meeting
<b>Jul.</b>	<b>Knowledge Exchange Initiative</b> Ministry of National Planning and Economic Development, Myanmar <b>Seminar</b> Myanmar-Korea Financial Cooperation Seminar <b>Meeting</b> July General Meeting
<b>Aug.</b>	<b>Knowledge Exchange Initiative</b> Ministry of Finance, Bank of Thailand, Thai Credit Guarantee Corporation, National Science and Technology Development Agency, Thailand <b>Seminar</b> Thailand-Korea Financial Cooperation Seminar <b>Knowledge Exchange Initiative</b> Financial Services Authority, Indonesia <b>Seminar</b> Indonesia-Korea Financial Cooperation Seminar
<b>Sep.</b>	<b>Meeting</b> September General Meeting
<b>Oct.</b>	<b>Meeting</b> October General Meeting <b>Knowledge Exchange Initiative</b> Ministry of Economic Affairs and Finance, Securities & Exchange Organization, Central Securities Depository, Iran Fara Bourse, Iran <b>Seminar</b> Iran-Korea Financial Cooperation Seminar
<b>Nov.</b>	<b>Meeting</b> November General Meeting
<b>Dec.</b>	<b>Forum</b> The 3 <sup>rd</sup> International Financial Cooperation Forum - Financial Innovation Within Reach <b>Meeting</b> December General Meeting <b>Research Project</b> 「Financial Infrastructure Institutions in Korea」 <b>Research Project</b> 「The Role of Policy Financial Institutions During the Crisis」

## CIFC HISTORY

### 2017 Key Activities

<b>Jan.</b>	<b>Meeting</b> January General Meeting
<b>Feb.</b>	<b>Meeting</b> 2017 Annual General Meeting
<b>Mar.</b>	<b>Meeting</b> March General Meeting <b>Lecture</b> Mr. Chungkeun Park, Director, Ministry of Strategy and Finance <b>Lecture</b> Mr. YoungMo Kim and Eunyong Yang, Partner, BAE, KIM & LEE LLC
<b>Apr.</b>	<b>Meeting</b> April General Meeting
<b>May.</b>	<b>Seminar</b> Launch and Panel Discussion of Economic and Social Survey of Asia and the Pacific 2017: Korean Perspective <b>Cooperation Project</b> Korea Securities Depository and Korea Financial Investment Association: Vietnam <b>Meeting</b> May General Meeting
<b>Jun.</b>	<b>Knowledge Exchange Initiative</b> State Bank of Vietnam, Ministry of Finance, National Technology Innovation Fund, National Payment Corporation of Vietnam, Vietnam <b>Seminar</b> Vietnam-Korea Financial Cooperation Seminar <b>Lecture</b> Mr. Byungwon Yoon, Consul, Consulate General of the Republic of Korea <b>Meeting</b> Meeting on Financial Infrastructure Export Plans Hosted by Financial Services Commission <b>Meeting</b> June General Meeting
<b>Jul.</b>	<b>Cooperation Project</b> Korea Credit Guarantee Fund and Industrial Bank of Korea: Cambodia <b>Forum</b> Mongolia-Korea Financial Cooperation Forum
<b>Aug.</b>	<b>Published CIFC BiAnnual Vol.1</b>
<b>Sep.</b>	<b>Cooperation Project</b> Korea Credit Information Services and NICE Information Service: Laos <b>Meeting</b> September General Meeting <b>Forum</b> Thailand-Korea Financial Cooperation Forum <b>Workshop</b> SME Financing Workshop with UN ESCAP, UN ECLAC, AF, ADBI and AFI
<b>Oct.</b>	<b>Meeting</b> October General Meeting <b>Forum</b> Kish2017InveX, Iran Capital Market: Highly Diversified with Great Potential
<b>Nov.</b>	<b>Forum</b> The 4 <sup>th</sup> UK-Korea Financial Cooperation Forum <b>Meeting</b> November General Meeting
<b>Dec.</b>	<b>Forum</b> The 4 <sup>th</sup> International Financial Cooperation Forum – Key Financial Divers for the Era of Cooperation and Shared Prosperity <b>Meeting</b> December General Meeting <b>Cooperation Project</b> Korea Financial Telecommunications and Clearings Institute-CIFC: Cambodia-Korea Financial Cooperation Seminar

# 2018 Key Activities

**Jan.**

**Meeting** January General Meeting  
**Workshop** The 4th Myanmar Housing Finance Workshop

**Feb.**

**Meeting** 2018 Annual General Meeting  
Published CIFIC BiAnnual Vol.2

**Mar.**

**Forum** Vietnam-Korea Financial Cooperation Forum  
**Meeting** March General Meeting

**Apr.**

**Meeting** April General Meeting  
Published CIFIC 2017 Annual Report

**May.**

**Seminar** Invitational Seminar - Cooperation with the World Bank  
**Meeting** May General Meeting

**Jun.**

**Cooperation Project** Korea Asset Management Corporation and Korea Securities Depository with Mongolia  
**Seminar** CIFIC Invitational Seminar : Examining Global Financial Trends and the Government's ODA Project Direction  
**Meeting** June General Meeting

**Aug.**

**Cooperation Project** Industrial Bank of Korea and Korea Federation of Banks with Myanmar  
**Seminar** CIFIC Invitational Seminar : Understanding the New Southern Policy and Strengthening Cooperation with Cambodia  
**Meeting** August General Meeting  
Published CIFIC BiAnnual Vol.3

**Sep.**

**Knowledge Exchange Initiative** Knowledge Exchange Initiative with OJK, MOF and IDIC, Indonesia  
**Seminar** Indonesia-Korea Financial Cooperation Seminar

**Oct.**

**Cooperation Project** Korea Financial Telecommunications & Clearings Institute and NICE Information Service with Laos  
**Meeting** October General Meeting

**Nov.**

**Cooperation Project** Korea Credit Information Services and Korea Credit Bureau with Indonesia  
**Meeting** November General Meeting

**Dec.**

**Forum** The 5th International Financial Cooperation Forum  
**Cooperation Project** Korea Securities and Korea Housing Finance Corporation with Indonesia  
**Meeting** December General Meeting

## Workshop:

## The 4th Myanmar Housing Finance Workshop

As part of the 4th Myanmar Housing Finance Workshop hosted by KB Kookmin Bank at KB Financial Tower on January 29th, CIFIC introduced major overseas cooperation projects led by the council and its members as well as relevant financial infrastructure. Chung-Han Kim, Center Head of CIFIC, Jae-Hoon Hwang, Team Head of Korea Housing Finance Cooperation (KHFC), Yong-Jun Lee, Team Head of Korea Securities Depository (KSD), and Hyun-Seok Kim, Deputy Team Head of Korea Deposit Insurance Corporation (KDIC) delivered presentations during the session, and 14 members of the Myanmar delegation including U Maung Maung Tint, Director General of the Ministry of Planning and Finance, U Min Htein, Director General of the Ministry of Construction, Daw May Khine Win, Deputy Director General of the Central Bank of Myanmar, as well as 20 participants from CIFIC member institutions including Young-Bae Moon, Managing Director of NICE Information Service were present at the event.

## [ Session 3 ] Introduction of CIFIC and Member Institutions

Time	Contents
14:00~14:15	<b>Introduction of Council on International Financial Cooperation</b> Chung-Han Kim, Center Head, Council on International Financial Cooperation
14:15~14:30	<b>Introduction of KHFC's Business Operation</b> Jae-Hoon Hwang, Team Head, Korea Housing Finance Corporation
14:30~14:45	<b>KSD Global Business Introduction</b> Yong-Jun Lee, Team Head, Korea Securities Depository
14:45~15:00	<b>Deposit Insurance Scheme in Korea and International Cooperation</b> Hyun-Seok Kim, Deputy Team Head, Korea Deposit Insurance Corporation
15:00 ~15:30	<b>Q &amp; A</b>



## Session 3

## Introduction of Council on International Financial Cooperation

**Chung-Han Kim** | Center Head | Council on International Financial Cooperation

Chung-Han Kim presented on the history of CIFIC as well as its main activities and cooperation with Myanmar. CIFIC was founded in 2013 under the aim of enhancing resource management efficiency for international financial cooperation projects led by major domestic financial institutions (both public and private) and associations. Mr. Kim mentioned that as of currently, a total of 21 members are sharing their financial knowledge and relevant experiences with collaborating institutions overseas through financial cooperation fora, invitational trainings and seminars, thereby engaging actively in global financial cooperation projects. He went on to point out that various cooperation projects with Myanmar were concluded to much success, including invitational trainings, Korea-Myanmar-ADB Financial Cooperation Forum, Korea-Myanmar Financial Cooperation Forum, Housing Finance Workshop, and etc.

## Introduction of KHFC's Business Operation

**Jae-Hoon Hwang** | Team Head | Korea Housing Finance Corporation

Jae-Hoon Hwang introduced KHFC's guarantee schemes and housing pension system, and touched upon the corporation's international cooperation efforts. Established in 2004, KHFC is a fully government-owned entity with a mission to enhance public welfare and drive the national economy by ensuring long-term, reliable housing finance. According to Mr. Hwang, KHFC designs and offers financial product tailored to every stage of life. Signature products include housing finance credit guarantees for tenants such as fresh graduates, fixed-rate mortgage loans (Bogumjari loan) and conforming loans for house buyers such as newly-weds, and housing pensions for retired senior citizens. Finally, Mr. Hwang stated that KHFC has been signing MOUs with various countries including the Philippines, Myanmar and Kazakhstan as part of its international cooperation program, and is planning to invite delegations from these countries to participate in training programs in Korea.

## KSD Global Business Introduction

**Yong-Jun Lee** | Team Head | Korea Securities Depository

Yong-Jun Lee elaborated on the role of KSD, its main areas of business and overseas projects. KSD is most certainly a central securities depository, but also provides wide-ranging services such as bond registration, electronic voting, OTC clearing and settlement, and fund deposits in addition to serving as a clearing house. Furthermore, it is also pushing forward with projects to kick start new value-added services and facilitate cross-border trading including FundNet, electronic voting platforms and SEIBro. Mr. Lee cited KSD's knowledge sharing programs conducted with Thailand and Uzbekistan as its major international cooperation projects, and shed light on a number of recent overseas projects on consulting, IT advisory and system development. Before concluding his speech, Mr. Lee introduced KSD's joint projects with Indonesia on technical advice, consulting and system development, as well as consulting projects done with Vietnam.

## Deposit Insurance Scheme in Korea and International Cooperation

**Hyun-Seok Kim** | Deputy Team Head | Korea Deposit Insurance Corporation

Hyun-Seok Kim presented on Korea's deposit insurance schemes as well as KDIC's main areas of business and its efforts for international cooperation. Mr. Kim explained that the deposit insurance system was devised in order to protect bank depositors from losses caused by banks' inability to pay its debts when due. Such a scheme promotes financial stability as depositors can prevent the risk of incurring losses and distressed banks can minimize the possibility of a bank run or financial depression. Established in 1996 under the aim of protecting depositors and achieving financial stability, KDIC manages funds, performs risk management to prevent defaults and provides rehabilitation support pursuant to the Depositor Protection Act. Mr. Kim highlighted the fact that the corporation, from 2010 onwards, has been committed to cooperation projects with deposit insurance corporations overseas, communicating with them through secondments, seminars, advisories, invitational training and technical aid. Moreover, the speaker introduced an international cooperation training program titled 'One Asia with KDIC,' developed and operated by KDIC. It was also mentioned that KDIC has previously taken part in international conferences, the Korea-Myanmar-ADB Financial Cooperation Forum, and One Asia with KDIC with Myanmar.

## Forum: Vietnam - Korea Financial Cooperation Forum

CIFC, the Korea Federation of Banks (KFB), and Vietnam Banks' Association (VNBA) jointly hosted the Vietnam-Korea Financial Cooperation Forum in Hanoi on March 22nd, 2018. A Korean delegation comprised of 78 guests from the Financial Services Commission (FSC), CIFC members and members of the KFB were present at the event, accompanied by around 200 experts in the Vietnamese financial industry from the State Bank of Vietnam (SBV), member institutions and corporations of the VNBA and Vietnamese branches of Korean financial institutions. Held under the theme 'Financial Cooperation between Vietnam-Korea in the Era of the 4th Industrial Revolution,' the forum was opened by remarks delivered by Nguyen Toan Thang, Secretary General of VNBA. The opening speech was followed by Welcome Remarks by Tae-Young Kim, Chairman & CEO of KFB and Congratulatory Remarks by Jong-Ku Choi, Chairman of FSC and Le Minh Hung, Governor of SBV. After the opening ceremony, the FSC and SBV signed an MOU on fintech cooperation, taking the initiative in strengthening cooperation between both financial industries. The forum was divided into two sessions respectively titled ① 'Development of Fintech and the Future of Banking Industry' and ② 'Financial Cooperation between Vietnam-Korea,' in which a total of 24 speakers, moderators and panelists participated.



Time	Program	
09:30-09:40	<b>Opening Remarks</b> Nguyen Toan Thang, Secretary General, Vietnam Banks' Association	
09:40-09:50	<b>Welcome Remarks</b> Tae-Young Kim, Chairman & CEO, Korea Federation of Banks	
09:50-10:00	<b>Congratulatory Remarks I</b> Jong-Ku Choi, Chairman, Financial Services Commission	
10:00-10:10	<b>Congratulatory Remarks II</b> Le Minh Hung, Governor, State Bank of Vietnam	
10:10-10:20	<b>MoU Signing Ceremony</b>	
10:20-10:40	<b>Group Photo Session</b>	
<b>[ Session 1 ] Development of Fintech and the Future of Banking Industry</b>		
10:40-12:10	<b>Moderator</b> Tran Nhat Minh, Deputy CEO cum CIO, Vietnam International Bank (VIB)	<b>Speakers</b> Sangho Sohn, President & Chairman, Korea Institute of Finance & CIFC Yoo Shin Jung, Chairman, Fintech Center Hyun Ki Jang, Director of Digital Strategy Division, Shinhan Bank Nghiem Thanh Son, Deputy General Director, Payment Department, State Bank of Vietnam Can Van Luc, Chief Economist, Bank for Investment and Development of Vietnam
12:10-13:30	Networking Luncheon	
<b>[ Session 2 ] Financial Cooperation between Vietnam-Korea</b>		
13:30-14:20	<b>Part A Insurance</b>	<b>Moderator</b> Suk Ho Lee, Director, Korea Institute of Finance <b>Speakers</b> Dai Gou SUNG, Chairman & CEO, Korea Insurance Development Institute <b>Panelists</b> Byeong Jun Kim, General Director, Samsung Vina Insurance Beom Soon Jung, Branch Manager, Seoul Guarantee Insurance-Hanoi Branch Kang Wook Kim, Vice Chairman, Post & Telecommunications Insurance Khamstaya Soukhavong, CEO, Prévoir Vietnam Life Insurance Company Ltd.
14:20-15:10	<b>Part B Capital Market</b>	<b>Moderator</b> Kyung Ryol Choi, Managing Director, Korea Securities Depository <b>Speakers</b> Honghee Shin, Executive Director, Korea Exchange <b>Panelists</b> Nguyen Anh Phong, Deputy CEO, Hanoi Stock Exchange Moonkyung Kang, General Director, Mirae Asset Securities Vietnam Hai Anh Hoang, Vice President, Vietnam Association of Securities Business
15:10-15:20	Break	
15:20-16:30	<b>Part C Financial Infrastructure</b>	<b>Moderator</b> Chung-Han Kim, Center Head, Center for International Financial Cooperation <b>Speakers</b> Chan Hyung Jeong, Executive Director, Korea Deposit Insurance Corporation Inn Goo Kwon, Executive Director, Korea Asset Management Corporation Ha Won Jeong, General Manager, Korea Housing Finance Corporation <b>Panelists</b> Nguyen Linh Nam, Deputy General Director, Deposit Insurance of Vietnam Pham Manh Thuong, Vice CEO, Vietnam Debt and Asset Trading Corporation Sungmee Hong, Partner, Lee & Ko Vietnam

## Session 1 : Development of Fintech and the Future of Banking Industry

In the first session moderated by Tran Nhat Minh, Deputy CEO of Vietnam International Bank, Sangho Sohn, President of Korea Institute of Finance and Chairman of CIFC, Yoo Shin Jung, Chairman of Fintech Center, Hyun Ki Jang, Director of Shinhan Bank, Nghiem Thanh Son, Deputy General Director of State Bank of Vietnam, and Can Van Luc, Chief Economist of the Bank for Investment and Development of Vietnam delivered presentations.

### Fintech Development in Korea and Its Impact on the Banking Industry

**Sangho Sohn** | President & Chairman | Korea Institute of Finance & Council on International Financial Cooperation

Sangho Sohn covered the concept and characteristics of fintech, the impact brought to the banking industry with the growth of fintech and its implications. Summarizing fintech as a wave of technological innovation that enhances financial inclusion through cost-effective and consumer-oriented services, he explained that fintech is becoming ever more necessary in the financial industry owing to changes in consumption patterns and the technological environment. The entry of non-financial institutions that trigger digital innovation into the financial industry has sparked further segmentation of services, and major global banks are embracing changes to their business models and management strategies such as procedures and communication to keep pace with the shifting digital environment. On top of this, Mr. Sohn stated that the use of fintech is rising in payment and money transfer services, P2P lending, and robo-advisory in wealth management backed by the emergence of new technologies such as mobile devices, big data and AI. He then underscored the fact that the Korean banking industry, despite its high asset soundness and capital adequacy, is witnessing aggravated profitability. Mr. Sohn viewed fintech as a promising tool for the local banking industry which has a competitive edge in electronic finance, but added that the restructuring of personnel and branches will pose a long-term challenge. In recent years, major domestic financial groups established fintech centers, and upon providing support for 159 fintech startups over the past 3 years, 30% of the venture investment made in 2017 was in the IT sector. The Korean Government also implemented policies to nurture fintech companies such as abolishing security program installment and authentication key requirements, establishing fintech support centers and testbeds, launching internet-only banks and blockchain associations, and founding fintech advisory groups. Mr. Sohn projected that these market-friendly policies will continue to expand, and that Korea's fintech industry will advance further to bring greater convenience and efficiency to consumers by identifying their needs and providing tailored services at an affordable cost.

### Korea's Fintech Industry and Vietnam-Korea Cooperation

**Yoo Shin Jung** | Chairman | Fintech Center

Yoo Shin Jung expanded on the fintech industry in Korea and Vietnam and introduced the fintech center as well as its plans for cooperation. He mentioned that global fintech investment is picking up speed and growing in volume, and that convergence of IT and financial services ushered in the era of fintech in Korea. After implementing the 4 steps to nurture fintech, namely: ① lowering the entry barrier ② enhancing the fintech environment ③ changing the regulatory paradigm ④ launching internet-only banks and crowdfunding, fintech has now been applied to payment and money transfer services, internet-only banks, crowdfunding and online insurances. Furthermore, efforts to create a better environment for fintech companies are underway such as the introduction of regulatory sandboxes and regulatory reforms, innovation of financial services and launch of the blockchain consortium, and provision of financial support for fintech. Mr. Jung pointed out that Korea's fintech center was established to assist the growth of the fintech industry and that its main function is to ensure that the creative ideas of fintech startups are successfully translated into innovative services. He then touched upon a few cases where Korean financial institutions and fintech startups collaborated to give birth to novel services such as the Small OTP, biometric authentication services and the KTB solution, and introduced cases of Korea-UK and Korea-Malaysia cooperation. According to Mr. Jung, Vietnam carries great potential for startups with the increase in the number of smartphone users, cash-based economy and shifting consumption pattern. He pinpointed mobile payment services as the most promising sector taking account

of the government's unsparing support and internet penetration rate. The Chairman also saw potential opportunities for cooperation with Vietnam in a partnership with fintech-related financial institutions, an MOU with the Vietnamese fintech center, and establishment of investment funds. He stated that under Vietnam's current economic trend and government's policy support, a positive synergy effect may be generated through cooperation with Korean fintech companies. Mr. Jung closed his speech by mentioning cases of Vietnam-Korea cooperation and introducing major fintech companies in Vietnam.

### Shinhan Bank's Digital and Fintech Strategies

**Hyun Ki Jang** | Director of Digital Strategy Division | Shinhan Bank

Hyun Ki Jang presented on Korea's fintech environment, Shinhan Bank's digital strategy, and the Shinhan Future's Lab. Korea's fintech market is home to over 1000 fintech companies as of 2017 with the volume constantly growing, and the scope is also expanding to encompass not only payment and settlement, P2P lending and money transfer but also AI, big data, blockchain and robo advisors. Fintech startups are receiving support from financial groups, government organizations such as the Ministry of SMEs and Startups, and venture capital. Mr. Jang listed TOSS, blocko and HonestFund as examples of fintech cooperation models, and introduced Shinhan Bank's digital platform on which wealth management, authentication and security solutions are provided via mobile devices and PCs based on blockchain, AI and technological R&D of Shinhan Bank's fintech research institute. He then elaborated on Shinhan Bank's customized API and open platform, BaaS, as well as its related service, crowdfunding, and currency exchange services for travelers. He stressed that cooperation between banks and open service platforms in lending, personal finance and remittance can create new values as in the case of BaaS. Mr. Jang also explained about Shinhan Future's Lab, the very first fintech incubator in Korea conducting mentoring, investment, cooperation and global programs. Since being established in 2015, the lab has incubated 40 startups in various sectors including robo advisors, blockchain and IT infrastructure, and is seeking to expand its scope of business into the Vietnamese market as well as insurtech and biometrics in 2018. On a final note, the director spoke about the Vietnamese companies currently engaged in global training programs as part of the Shinhan Future's Lab project.

### Vietnam's Fintech Environment

**Nghiem Thanh Son** | Deputy General Director | State Bank of Vietnam

Nghiem Thanh Son spoke about the growth potential of Vietnam's fintech industry, current trends and challenges. First of all, he mentioned that the fintech market in Vietnam has high potential for growth as the young population and urban population take up a large portion of the country's demographics, and also because Vietnam boasts a great number of trained IT experts, a high smartphone penetration rate and convenient internet usage. Currently, more than 80 fintech companies are doing business in Vietnam in diverse sectors including crowdfunding and personal finance, and the payment business is the most crowded. Most of the fintech startups are collaborating with Vietnamese commercial banks in providing products and services. He also mentioned, however, that Vietnam's fintech industry is still in its infancy and that the relevant environment has yet to be fully established as the legal framework and financial infrastructure are still lacking. Many challenges will be lying ahead, and applicable laws should be enacted swiftly as Vietnam's current legal system only supports companies in the payment business, and a majority of fintech companies believe that regulation and licensing are necessary in operating their business. Also, a 2017 survey shows that most of the Vietnamese fintech companies acquire capital with their own assets, family and friends' assets or venture investment, implying that the amount is likely to fall short of what is required for business. Financing methods, therefore, should also be improved, and the limited network and absence of solutions and business models are additional challenges to be overcome. According to the speaker, the State Bank of Vietnam has established fintech research departments on bitcoin and blockchain in an aim to foster fintech, and is seeking to arrange meetings between foreign fintech companies and local fintech startups. Furthermore, the bank has founded an organization named FCV (Fintech Challenge in Vietnam) jointly with the ADB, and is planning to put in more efforts by designating the National Fintech Day and introducing regulatory sandboxes. Major projects regarding consulting, IT advisory and system development as well as case examples of overseas cooperation with Indonesia were also introduced.

## Digital Finance and Fintech-Bank Cooperation in Vietnam

**Can Van Luc** | Chief Economist | Bank for Investment and Development of Vietnam

Can Van Luc presented on Vietnam's financial system, the opportunities and challenges of digital finance, as well as cooperation between banks and fintech companies. He explained that Vietnam's financial industry is predominantly comprised of the banking and securities industries, and that financial regulation and supervision are conducted by the State Bank of Vietnam and its Banking Supervision Agency, Deposit Insurance Vietnam, the Ministry of Finance and its securities and insurance supervision departments. According to statistics as of the end of 2017, domestic credit to private sector was 130% of the Vietnamese GDP, stock market capitalization was 70% of the GDP, and bond market capitalization was 20% of the GDP. Vietnam's current environment for digital finance (Internet penetration rate, fast economic growth, relatively high smartphone and online banking usage compared to other ASEAN countries, pace of growth of the digital payment market, etc.) and encouraging economic conditions (large young population, continuous GDP increase, etc.) all provide for promising opportunities for the future development of Vietnam's digital finance. The speaker stressed that the government is also working to lay the legal groundwork for the digital banking and fintech industries. However, he implied that challenges will also be posed by changes in business models and corporate culture, IT investment and relevant banking laws, cyber security and threats, and human resources and big data. Last but not least, he explained that in strengthening support between banks and the fintech industry, policies on digital business strategy formation, regulatory uncertainty, data and information sharing, and IT compatibility should be established.

## Session 2: Financial Cooperation between Vietnam-Korea in the Digitalized World

In the second session, presentations and panel discussions took place on cooperation between the financial industries of Vietnam and Korea. The session was divided into several parts, each part themed by a specific business. Part A concerned the insurance industry, and was moderated by Suk Ho Lee, Director of Korea Institute of Finance. Dai Gou SUNG, Chairman & CEO of Korea Insurance Development Institute, delivered a presentation and Byeong Jun Kim, General Director of Samsung Vina Insurance, Beom Soon Jung, Branch Manager of Seoul Guarantee Insurance-Hanoi Branch, and Kang Wook Kim, Vice Chairman of Vietnam Post & Telecommunications Insurance participated as panelists. The topic for Part B was the capital market, and the segment was moderated by Kyung Ryol Choi, Managing Director of Korea Securities Depository. Presentations were given by Honghee Shin, Executive Director of Korea Exchange and Nguyen Anh Phong, Deputy CEO of Hanoi Stock Exchange. Panelists included Moonkyung Kang, General Director of Mirae Asset Securities Vietnam, Hai Anh Hoang, Vice President of Vietnam Association of Securities Business, and Khamsaya Soukhavong, CEO of Prevoir Vietnam Life Insurance. The moderator for Part C, centered on financial infrastructure, was Chung-Han Kim, Center Head of CIFC, and Chan-Hyung Jeong, Executive Director of Korea Deposit Insurance Corporation, Inn-Goo Kwon, Executive Director of Korea Asset Management Corporation, and Ha Won Jeong, General Manager of Korea Housing Finance Corporation each presented. The panel discussion was held with Nguyen Linh Nam, Deputy General Director of Deposit Insurance of Vietnam, Pham Manh Thong, Vice CEO of Vietnam Debt and Asset Trading Corporation, and Sungmee Hong, Partner at Lee & Ko Vietnam.

## The 4th Industrial Revolution and the Insurance Industry

**Dai Gou SUNG** | Chairman & CEO | Korea Insurance Development Institute

Dai Gou SUNG touched upon the trends and challenges of insurtech. He stated that in step with the 4th industrial revolution, characterized by new technologies such as the internet of things, AI, and big data, the insurance industry is

entering into a new era of insurtech. The wave of insurtech can be witnessed through the increase in insurtech investment and growing number of startups, and Korea is no exception. Samsung Fire & Marine Insurance, Kyobo, Hanwha and other major domestic insurers are adopting insurtech, leveraging blockchain and big data, and new players are also emerging, explained Mr. SUNG. As cases of IoT application, he introduced the UBI program, which lowers loss ratios by encouraging safe driving patterns, and car insurances and travelers insurances based on GPS information. He went on to underline the fact that blockchain technologies streamlined the insurance claim process, enhancing consumer satisfaction and convenience, and that big data can be used for developing health prediction models and AI for automobile risk analysis and coverage calculation. In addition, Mr. SUNG commented that new regulatory frameworks such as regulatory sandboxes and the duty of explanation should be clarified, and that the new online banking industry should receive regulatory approval. He concluded by projecting that insurtech is sure to innovate the insurance industry's value chain, and that Korea's partnership with Vietnam will be strengthened going forward, based on Knowledge Sharing Programs and Vietnam's CarHistory service.

## Vietnam-Korea Capital Market Cooperation

**Honghee Shin** | Executive Director | Korea Exchange

Honghee Shin delivered an overview on the KRX market, its major success factors and plans for capital market cooperation. Launched in 2005, the KRX is comprised of the Management Strategy Division, KOSPI Market Division, KOSDAQ Market Division, Derivatives Market Division, and Market Oversight Division, and is operating diverse market services. The KRX market can largely be divided into the stock market, which includes stocks, bonds and hybrid products, and the derivatives market, encompassing derivatives, commodities and overseas markets. The stock market boasts high volume and liquidity in terms of market capitalization and trading, and the derivatives market ranks 11th across the globe based on trading volume. He also listed the factors for KRX's success, which are as follows: ① Balanced growth of the stock market and derivatives market ② Ideal market conditions for greater investment including rapid economic growth and high volatility ③ Optimal market operation catered to diverse needs through appropriate product structuring and price risk management tools ④ Comprehensive regulatory approach in line with the paradigm shift from a government-led financial market to a private sector-led financial market ⑤ Solid international relations based on around-the-clock participation in the global trading market. Furthermore, Mr. Shin remarked that Vietnam is a country with great potential for development considering the rising stock index, economic growth rate and FDI. Last but not least, he stressed that KRX and the Vietnamese capital market have been maintaining strong ties of cooperation thorough MOUs, consulting, and training programs, and expressed hopes for greater cooperation between the respective derivatives and derivatives-linked markets in the future.

## History and Challenges of the Derivatives Market in Vietnam

**Nguyen Anh Phong** | Deputy CEO | Hanoi Stock Exchange

Nguyen Anh Phong spoke about the establishment and development of Vietnam's derivatives market, as well as the trading trends, challenges and future goals. The Vietnamese derivatives market first opened in August 2017, and issuing Decision No.366, a precondition for market establishment, was a very lengthy and rigorous process. The speaker introduced the 3-stage development plan approved by Decision No.366. With the efforts of the Vietnamese government and various authorities including the Ministry of Finance and State Security Commission of Vietnam and support from international partners, futures products were first listed in August 2017. Ever since, the market has been garnering attention from investors and the trading volume and amount have subsequently been rising rapidly. Compared to 2017, the average trading amount as of early 2018 increased by 2.4-fold and the average trading volume by 2-fold. However, the speaker pointed out that the Vietnamese derivatives market currently faces challenges such as product diversification, securing market stability, and facilitation of stock market development. He also commented that the market should now focus on operating a stable system for existing products, launching new products pursuant to Decision No.366, developing products that reflect new indices, researching into novel and complex derivatives, and advancing the trading system for market expansion and oversight. To this end, the Hanoi Stock Exchange is conducting research and training, as well as receiving support from foreign partners. Among the various partnerships, Vietnam's cooperation with Korea is sure to drive the growth of the Vietnamese derivatives market going forward, remarked the presenter.

## Korea's Deposit Insurance Scheme and KDIC-DIV Cooperation

**Chan Hyung Jeong** | Executive Director | Korea Deposit Insurance Corporation

Chan Hyung Jeong presented on the creation and development of the deposit insurance scheme, main functions of Korea Deposit Insurance Corporation (KDIC) and its experience in problem resolution as well as cooperation between KDIC and Deposit Insurance of Vietnam (DIV). He referred to the deposit insurance scheme as a system to protect depositors in cases where banks become insolvent and unable to repay their depositors. Mr. Jeong explained that the KDIC, in such a situation, makes deposit payouts to depositors on behalf of the concerned bank. Likening the KDIC to a fire station, he went on to say that although the corporation's main role is to extinguish fires, it also serves as a core financial infrastructure that prevents fires in advance and manages risks to minimize damages in the unfortunate event of a fire. Moreover, he stated that this system was first introduced in the US after experiencing the Great Depression in the 1930s, and came under the limelight as the international community went through the global financial crisis. As a result, an international standard (Core Principles for Effective Deposit Insurance Systems) was established in 2009 based on which the compliance of each nation is evaluated. Mr. Jeong underscored the fact that the number of regular members of the International Association of Deposit Insurers (IADI) rose by 3.5-fold in the past 15 years, demonstrating how the deposit insurance system has become a key financial infrastructure. According to the presenter, KDIC was established in 1996 pursuant to the Depositor Protection Act, aimed at maintaining stability of the financial system and safeguarding depositors. The corporation's main activities include management of deposit insurance funds, risk surveillance of insured financial institutions, resolution of insolvent financial institutions, management of bankruptcy estates and insolvency-related investigations. Upon experiencing the Asian Financial Crisis in 1998, global financial crisis in 2008 and savings bank restructuring from 2011 to 2014, KDIC has resolved more than 500 insolvent financial institutions ranging from large-scale commercial banks to microfinance institutions, striving to protect depositors. Mr. Jeong concluded his speech by expanding on the cooperation between KDIC and DIV. The two institutions have been maintaining a sound partnership since signing an MOU on comprehensive cooperation in the deposit insurance sector in October 2006. From 2007, KDIC has conducted invitational training programs of various themes for DIV and Vietnamese financial authorities. In particular, cooperation on IT system development is gaining traction of late.

## Management and Transfer of NPLs

**Inn Goo Kwon** | Executive Director | Korea Asset Management Corporation

Inn Goo Kwon gave an introduction on Korea Asset Management Corporation (KAMCO), introduced the legal and financial environment regarding non-performing loans (NPLs), and explained ways to transfer individual and collective NPLs. KAMCO is a public asset management company (AMC) established to contribute to the development of the financial industry and national economy, which serves to protect the domestic economy through comprehensive management of corporate, government and household assets. The Executive Director then emphasized the necessity to enhance the legal environment for NPLs concerning the sale of collateral and voluntary repayment, and also the financial environment such as implementing advanced methods including JV-AMC, and asset backed securities (ABS). Regarding the legal environment, the speaker commented that in the case of collateral-backed loans, it is most important to sell the collateral in a swift manner via court auctions. For credit loans, identifying the debtor's hidden assets and encouraging voluntary repayment are priorities. In the case of a collective transfer, the individual NPLs should be resolved well enough for NPL business plans to be implemented. As such, Mr. Kwon remarked that it is imperative to pool NPLs and coordinate the transfer method. Individual NPLs are transferred through any of the following methods: ① Loan sales where the bonds are sold to a 3rd party upon the court's verdict (bond transfer contract) ② Voluntary payments upon sending a debt collection notice to the debtor ③ Liquidation of collaterals through auctions. Collective transfer methods include: ① Outright sales, where NPLs are sold after being restructured into appropriate sizes ② Asset backed securities, or derivatives with the loan amount, lease or credit card debt as the underlying asset ③ A joint investment method where KAMCO holds 50% percent of the shares as a Special Purpose Company (SPC).

## Mortgage Market Reform in Korea

**Ha Won Jeong** | General Manager | Korea Housing Finance Corporation

Ha Won Jeong covered KHFC's mortgage market, the basic structure of public mortgages, the history of KHFC, mortgage-backed securities (MBS) issuance, public mortgage products and their performance. As opposed to most of the other OECD countries that apply a fixed rate to mid to long-term mortgages, the majority of Korean mortgage products apply floating rates, and there is basically no demand for long-term fixed rate mortgages taking account of the declining treasury bond yields and housing price index. Many of the existing mortgages are sensitive to changes in house prices and the interest rate due to short-term floating rates and lump-sum payment at maturity. However, the speaker explained, the KHFC plans to lower the DTI ratio to below 60%, and adopt public mortgage products unaffected by fluctuating house prices and interest rates by applying long-term fixed rates and installment payments. KHFC was first established in 1999 as Korea Mortgage Corporation (KOMOCO), specializing in MBS issuance. In 2004, it was revamped into KHFC, a public financial institution in charge of housing finance and in general and mortgage market reform. Mr. Jeong mentioned that various entities including banks and investment institutions are involved in MBS issuance, one of the corporation's main functions, and that the issuance volume has been on the rise ever since the inception of the KHFC. In addition, he introduced a couple of KHFC's signature public mortgage loan products, such as the Bogeumjari loan, a long-term fixed rate installment product, and conforming loans, which are also long-term fixed rate mortgage loans fit for securitization. The corporation's public mortgages are set apart from mortgage loans offered by commercial banks in that they are targets of government policies and that fixed rates as well as a ceiling for collaterals' value are applied. According to the presenter, the share of these public mortgages in the Korean mortgage loan market has been rising from 2014 onwards. Bogeumjari loans provide interest rate discounts to single-parent families, multi-ethnic families and the disabled, and the KHFC serves as a one-stop-shop for the entire lending process. Conforming loans do not restrict issuance based on income or house ownership, and have relatively shorter maturities and higher DTI ratios compared to Bogeumjari loans. As examples of public mortgages' performance, Mr. Jeong also touched upon the loan transfer program implemented in 2015 to restructure household debt, and highlighted the corporation's international cooperation programs such as various MOUs and its plan for a partnership with Vietnam in 2018.





## CIFC Invitational Seminar: Cooperation with the World Bank

CIFC held an invitational seminar with the World Bank Seoul Center for Financial Development to enhance members' capabilities for overseas program implementation by providing information on consulting programs led by international organizations and reflecting upon recent financial trends. Sameer Goyal, Program Manager, and You-Jin Choi, Financial Sector Specialist, were invited from the World Bank Seoul Center for Financial Development. The event was held at the 8th floor of KIF Conference Room of the KFB building on May 11th, 2018.



### Seoul Center Partnering for Development

**You-Jin Choi** | Financial Sector Specialist | World Bank Seoul Center for Financial Development

You-Jin Choi gave an overview on the cooperation between the World Bank Seoul Center for Financial Development and its partner institutions in the domestic financial industry, and plans for further development. The World Bank Seoul Center for Financial Development is the first regional center of an international financial organization to be established in Korea, with a mission to support financial market development in Northeast Asia and the Pacific region. The MOU on the formation of the Seoul Center was signed in 2011, which initiated technical support, policy advice and opening of seminars. The establishment of the center in 2015 enabled direct cooperation with local players, and based on Korea's experience of financial development, the center came to provide effective support for other financial markets in Northeast Asia. The Seoul Center and CIFC have been maintaining a longstanding partnership ever since the center's inception. Furthermore, the center has been cooperating with many of CIFC member institutions to facilitate the development of the financial sector.



### World Bank-Korean Financial Industry Cooperation

**Mongolia**  
Korea Securities Depository provided technical support on the payment and settlement systems for securities markets.

**Zimbabwe**  
Korea Credit Guarantee Fund delivered a presentation of credit guarantee schemes at the World Bank International Conference held in Zimbabwe.

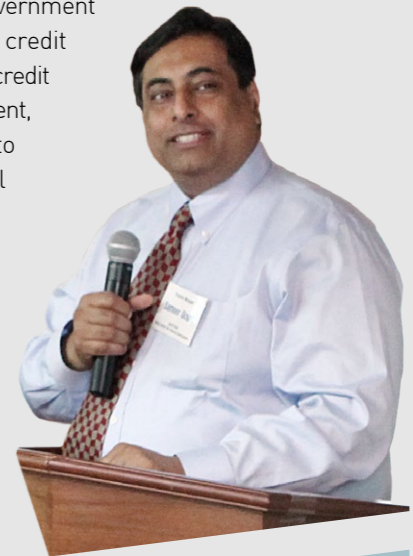
**Cambodia/Myanmar**  
Bank of Korea, Financial Supervisory Service, and Korea Deposit Insurance Corporation provided invitational training in Korea for managers from Cambodia and Myanmar.

**Indonesia**  
Korea Deposit Insurance Corporate hosted capacity building training for Indonesia Deposit Insurance Corporation as part of World Bank's Advisory Services & Analytics program.

### Seoul Center Partnering for Development

**Sameer Goyal** | Program Manager | World Bank Seoul Center for Financial Development

Sameer Goyal discussed the global trends of credit information systems. Mr. Goyal remarked that credit information schemes play a pivotal role in maintaining financial stability and enhancing accessibility and fairness. As such, he pointed out, the necessity to implement these systems is increasingly being felt all around the world. According to the World Bank's 「Doing Business 2018」 report, the number of credit bureaus and public credit registries has been rising, and as of the end of 2016, 165 out of 190 countries have established a credit information bureau. Moreover, Mr. Goyal commented that in the case of emerging markets, government agencies tend to play an integral role in the initial stage of introducing a credit information system, but as the market advances, the participation of private credit bureaus that are capable of swift product development, infrastructure investment, data refining and customer service enhancement, are crucial. According to Mr. Goyal, applying a credit assessment system that utilizes non-financial information to thin-filers (those with no records of financial transactions who pose difficulty in credit evaluation) will go a long way in improving financial inclusion. Out of the 1.7 billion unbanked adults worldwide, two-thirds own a cellphone, which means that utility bill payment records, electronic currency accounts, online commercial transaction records and other information can be reflected into credit assessment. Establishing a credit information system that leverages such innovative information will surely provide emerging economies with a tool to achieve financial inclusion and secure a competitive edge in the credit information business of CIFC member institutions to facilitate the development of the financial sector.



**8 Countries**  
Newly established a credit bureau or public credit registry

**38 Countries**  
2016-2017  
Conducted policy reform

**165 Countries**  
as of 2016  
165 out of 190 countries have a credit information bureau

**Q Can you tell us about World Bank Seoul Center for Financial Sector Development in general? What are your main goals and objectives? Also, how is the Seoul Center 1.0 different from Seoul Center 2.0?**

**A** The World Bank Seoul Center for Financial Development (hereinafter referred to as 'Seoul Center') was born out of the partnership of the Korean Government (Ministry of Economy and Finance) and the World Bank in October, 2011. Its mission is to advance financial industries by providing technical assistance and policy advice to developing countries in the Asia Pacific based on Korea's experience of overcoming financial crises and the expertise of top financial institutions and research centers (for more details, please refer to MEF's press release on October 11th, 2011). The center is being operated by a trust fund with capital contributions from the Korean government, the volume of which was around 16mn USD for phase 1 (2012-2017), and will be 9mn USD for phase 2 (2017-2020). The center is an agency under World Bank Group's Finance, Competitiveness & Innovation Global Practice (FCIGP), and approximately 750 employees are supporting financial advisor programs run by 120 countries across the globe. Among FCI's programs in East Asia and the Pacific, the Korean government's trust fund is quite significant in size.

If the goal of phase 1 was to kick off a solid partnership between Korea and the World Bank, phase 2 will be aimed at sharpening the center's competitive edge based on the experience and insights from the previous phase. During phase 1, we found that the best sector to meet the needs of developing countries in the region and share Korea's strengths in finance was 'financial stability and soundness,' which is why we have decided to focus our activities on promoting financial stability

for the next 3 years. Specifically, our work will include the following:

- *Monitoring and addressing systemic risk and vulnerabilities*
- *Building resilient financial institutions and financial infrastructure*
- *Aligning legal, regulatory, and supervisory frameworks with international standards*
- *Improving resolution regimes and policies, enhancing crisis preparedness and strengthening financial safety nets*
- *Supporting financial integrity initiatives*
- *Fostering capital markets and other long-term finance*
- *Promoting innovative financial products and services*

Furthermore, as we have paved the way for constructive partnerships with various Korean financial institutions during the previous phase, the overall aim of phase 2 is to leverage such ties to the advantage of both parties.

**Q Please tell us about the Seoul Center's contributions to the EAP regional cooperation.**

**A** Korean financial players are known to have successfully overcome two financial crises, and are highly recognized for the sound systems and institutions they have established and improved over the years. With new financial risks constantly emerging in various regions, Korea's experience regarding financial stability will provide great insights to other countries and help them prevent and manage financial crises effectively. Moreover, Korea boasts a unique history of transforming from an underdeveloped economy to an advanced economy over a short span of time, which draws eyes within the World Bank and makes the country a model case for other developing countries to emulate.



**You-Jin Choi**

Financial Sector Specialist | World Bank Seoul Center for Financial Development

**Q What are the strengths of Korea's financial public and private institutions? How could these strengths contribute to global financial cooperation?**

**A** The World Bank provides various financial and advisory services to assist the economic development of practically all developing and less-developed economies around the world, in which the Seoul Center plays a significant role. As the trust fund is operated independently from the World Bank's regional budget, the Seoul Center can support programs that concern not only a single nation, but an entire region. During phase 1 we implemented 4 programs targeting East Asia and the Pacific in general, with East Asia Regional Integration Program as the most notable example.

**Q Please tell me how CIFC members could enhance and strengthen cooperation with the World Bank on a regular basis.**

**A** Our hope is to bring our ties with CIFC member institutions even closer and build a mutually beneficial partnership. However, due to hurdles such as a shortage of manpower (currently 2 regular employees), we find it challenging to communicate frequently and do cooperative business with each and every one of the institutions. As such, we would like to ask our partners to be mindful of us, and share with us any information that is relevant in the planning stage of international cooperation projects. We would then be able to connect you with experts in the concerned field from the FCI, and provide you with necessary knowledge and manpower. What is most important is for you to reach out to us in advance.

**Q What are some of your prospective cooperative relationships among CIFC and our members? Also, how are they related to World Bank Seoul Center's business direction?**

**A** As I have mentioned earlier, the focus of Seoul Center phase 2 is promoting financial stability. Consequently, we are hoping to actively cooperate with certain institutions that show a strong presence in this area in dispatching personnel, etc. (Apologies for not being able to go into more detail regarding the partnerships we have with each institution).

**Q Would you like to make any final comments?**

**A** I would like to take this opportunity to express my gratitude to all of CIFC's members that spare no efforts in collaborating with our work. I look forward to creating even better outcomes by joining hands with various partner institutions through Seoul Center phase 2.

## CIFC Invitational Seminar: Examining Global Financial Trends and the Government's ODA Project Direction

CIFC hosted the 'CIFC Invitational Seminar: Examining Global Financial Trends and the Government's ODA Project Direction' at the Korea Securities Depository's Grand Meeting Room on the 39th floor of Busan International Finance Center on June 21st, 2018. The seminar featured segments that discussed each of the following themes: ① Global blockchain themes and success stories ② Government's ODA and KSP project operation ③ International cooperation project experience sharing. Before the presentations were delivered, Young-Ho Park, Head of the Busan International Financial City Promotion Center, gave a special lecture on 'Progress and Challenges of Busan's Emergence as a Financial Hub' to celebrate the opening of the seminar in Busan, the financial hub of Korea.

### Global Blockchain Trends and Success Stories

Se-Youl Park | CTO | IBM Korea

Se-Youl Park in his presentation titled 'Global blockchain trends and success stories,' touched upon the main trends, case examples and their implications in the blockchain industry. He mentioned 5 major blockchain trends that warrant our attention:



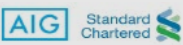

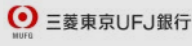



<p><b>01</b> The shift from pilot stage to production</p>	<p>We are witnessing a growing number of cases where blockchain is applied to the production server. The scope started off narrow, but is constantly expanding. The number of trainings and PoC are also increasing.</p>
<p><b>02</b> Maturation of blockchain technology</p>	<p>In 2018, the base technologies that meet the needs of corporations will become more advanced. Through a more mature approach, companies will identify potential use cases and analyze potential risks.</p>
<p><b>03</b> Incumbent players and financial institutions embrace cryptocurrencies</p>	<p>At least one commercial bank will provide cryptocurrency services in 2018, and ICOs will completely transform the way companies did business. IPO experts will utilize tokens as a technology platform.</p>
<p><b>04</b> Continued focus on specific use cases</p>	<p>Sectors such as trade finance, global payments, tracking of assets/provenance, smart contracts, KYC, security, ID management, internet of things and document management/saving will draw more attention.</p>
<p><b>05</b> Blockchain ecosystem as the key success factor</p>	<p>The number of consortiums and cross-industry partnerships is increasing. Business partners drive the expansion of ecosystems through convenient API/tools, marketing support and clearly defined profit-sharing plans.</p>

Furthermore, Mr. Park explained that compared to existing practices, business processes married with the blockchain have the following advantages.

Key Features of Blockchain		Advantages of Blockchain Technology	
	<b>Business Network</b> Transaction consensus is reached among nodes of a business network		<b>Time Saving</b> Transaction processing time has been reduced from several days to real-time
	<b>Provenance</b> Clear visibility is ensured on which node conducted which transaction and when.		<b>Cost Reduction</b> Intermediaries, overhead and cost can be eliminated
	<b>Consensus</b> All of the transaction information of the business network is shared through a single view, which promotes coherence and trust.		<b>Risk Minimization</b> Forgery, fraud and cybercrimes will diminish
	<b>Immutability</b> Disputes among nodes are resolved easily and swiftly.		<b>Trust Building</b> Process sharing and immutability of records enhance trust
	<b>Finality</b> Flexible responses can be formulated in the event of an error, fraud or forgery.		

Mr. Park summarized that these merits provide incentives for many companies to adopt the blockchain technology, and that many of such cases can be seen within the financial sector as well.

Company	Details
	<ul style="list-style-type: none"> <li>A number of banks took part in applying the blockchain-based consumer digital identity management platform.</li> <li>Provides an identity information system integrated with a permissioned blockchain to enhance privacy protection and security, and enable consumers to manage their own information.</li> </ul>
	<ul style="list-style-type: none"> <li>A leading provider of FX settlement services that has resolved the problem of additional costs due to the lack of a standardized multilateral netting and settlement process by leveraging the blockchain.</li> <li>Standardized and automated FX settlement processes based on the blockchain, lowering costs and liquidity</li> </ul>
	<ul style="list-style-type: none"> <li>7 major European banks (KBC, Deutsche Bank, HSBC, Natixis, Rabobank, Societe Generale, UniCredit) collaborated in building the Digital Trade Chain platform.</li> <li>The blockchain-based DTC platform enhances the efficiency of cross-border trade transactions in Europe, saving costs for European players.</li> </ul>
	<ul style="list-style-type: none"> <li>Tracks and traces the provenance of diamonds using a distributed ledger secured from tampering and revision.</li> <li>First in the industry to innovate the diamond market and ultimately prevent fraud and black market trades. By using smart contracts built on IBM's Watson, the previously paper-based diamond authentication system is digitalized.</li> </ul>
	<ul style="list-style-type: none"> <li>Converged the blockchain with the IGF channel's financing business among suppliers, business partners and IBM.</li> <li>Time required to settle disputes, which could take up to 44 days in the existing system, is reduced to under a day.</li> </ul>
	<ul style="list-style-type: none"> <li>Deploys a cryptocurrency-based payment and settlement system.</li> <li>Based on a secure, permissioned, private blockchain, the settlement process is greatly streamlined.</li> </ul>
	<ul style="list-style-type: none"> <li>Built a blockchain platform for private equity that enables authenticated users such as managers, investors and administrators to directly manage, support, and supervise funds' lifecycle events.</li> <li>Eliminates inconvenient and costly elements that were outdated and conducted manually, thereby enhancing the safety, transparency and efficiency of private equity management and investment processes.</li> </ul>
	<ul style="list-style-type: none"> <li>Resolves the risks arising from the delay and mismatch of asset custody services in which many parties are involved.</li> <li>Blockchain-based real-time information sharing eliminates the necessity of credit verification, reduces operational processes by 60-80% and increases the efficiency of information exchange.</li> </ul>

Company	Details
	<ul style="list-style-type: none"> <li>Automation of processes with a blockchain-based securities lending platform.</li> <li>Information sharing among Chilean securities lending companies, banks, securities exchanges, institutions and regulatory authorities and streamlining of back-office processes by 40%.</li> </ul>
	<ul style="list-style-type: none"> <li>Applied the distributed ledger to audits of banks' capital adequacy. The ledger will be expanded further to enable access of outside auditors.</li> <li>Effective and cost-efficient Asset Quality Review (AQR) processes provide accurate information on banks' major assets in real time.</li> </ul>
	<ul style="list-style-type: none"> <li>Made use of blockchain technologies to boost trust and transparency for insurance review processes.</li> <li>Converted multinational master policies and local policies to smart contracts for real-time sharing of policy data and various documents. Consequently, insurance benefit calculation and payment processes were automated with heightened efficiency and visibility among parties.</li> </ul>
	<ul style="list-style-type: none"> <li>Enhanced inefficient and manual trade finance processes using blockchain technologies and smart contracts.</li> <li>Eliminated manual steps and mismatches by applying shared access and smart contracts to trade workflows and documents.</li> </ul>
	<ul style="list-style-type: none"> <li>Established a secure system based on blockchain smart contracts as a SLA (Service Level Agreement) management platform for internal operational procedures.</li> <li>Employees are granted secure shared access to SLA workflows and documents, and manual steps and mismatches are addressed through smart contracts.</li> </ul>
	<ul style="list-style-type: none"> <li>Built a blockchain-based KYC platform that integrates customer authentication services previously offered separately by different affiliates in retail banking, credit card business and insurance, etc.</li> <li>Reduces redundant and unnecessary information and requests, streamlines management processes and enhances user satisfaction.</li> </ul>
	<ul style="list-style-type: none"> <li>Replaced the existing platform for unlisted stock and bond trading that processed transactions manually with blockchain technologies.</li> <li>Operational costs and settlement/payment time are reduced. The decentralized environment increases accessibility, and cost is saved by eliminating intermediary systems and processes.</li> </ul>
	<ul style="list-style-type: none"> <li>Created a platform for exchanging bonus points for different banks.</li> <li>By scanning with an intelligent POS device at offline supermarkets and shopping malls, bonus points can be exchanged with products.</li> </ul>

Mr. Park stressed that blockchain technologies are being introduced to not only cryptocurrencies but various industries such as finance, food, logistics, energy and authentication, and etc., driving digital innovation across the board. By shortening transaction process time and saving intermediary costs as well as minimizing cyber risks and building trust based on its immutable nature, blockchain has emerged as a key technology that will innovate the existing business environment. He closed his speech by remarking that, as the technology has great potential and promise, we should plan ahead and prepare thoroughly based on a roadmap.

## Government's ODA and KSP Project Operation

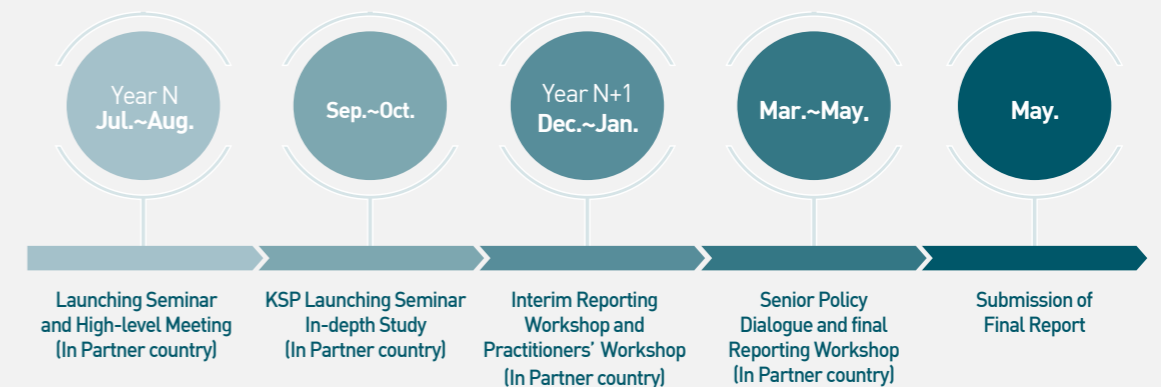
Hyun-Ji Song | Deputy Director | Ministry of Economy and Finance

Hyun-ji Song presented on the ODA projects implemented by the government and other public institutions to assist developing countries' economic growth and social welfare expansion. In particular, he went into detail about the Knowledge Sharing Program aimed at sharing experience related to economic development, in which many CIFC member institutions are participating. He underlined that Knowledge Sharing Programs are not about simply transferring technology and experience from one country to another. Programs should be catered to the needs of the partner country and joint research should be conducted to provide policy advice that best fit the policy environment of the collaborating nation and strengthen its policy capabilities. As of 2017, Korea has collaborated with 61 nations including Vietnam, Uzbekistan, Hungary, Cuba and Iran through its KSP program, and led 996 projects in total.

### KSP Procedure 1 – Planning



### KSP Procedure 2 – Implementation



## International Cooperation Project Experience Sharing

The final session was about sharing the obstacles and future challenges in implementing overseas projects with fellow overseas project managers. Sang-Seung Oh, Team Head of Korea Financial Telecommunications & Clearings Institute, Sung-Wook Yoon, Team Head of Korea Deposit Insurance Corporation, and Sun-Joon Choi, Team Head of Korea Asset Management Corporation, who all have extensive experience in overseas project teams, each spoke about the outcomes of their cooperation projects and difficulties they have faced. Before wrapping up the seminar, a networking session was held to facilitate cooperation among CIFIC members and encourage synergy effects.



## Interview



**Hyo-Sup Han**

Head of KDIC Office of International Cooperation | Korea Deposit Insurance Corporation

**Q Thank you very much for complying with the interview. Could you start by briefly introducing the work the KDIC Office of International Cooperation is doing?**

**A** The KDIC Office of International Cooperation is divided into the Multilateral Cooperation Team and the Bilateral Cooperation Team. The Multilateral Cooperation Team is engaged in the corporation's business with international organizations, participating in the activities of the International Association of Deposit Insurers (IADI), International Forum of Insurance Guarantee Schemes (IFIGS) and other major international organizations of which KDIC is a member. Also, it is implementing deposit insurance advisory projects in developing countries upon signing an MOU with the World Bank. The Bilateral Cooperation Team, on the other hand, is conducting information and human resources exchange such as dispatching advisors and researchers based on the MOUs signed with deposit insurance institutions in various countries. Furthermore, it hosts trainings and advisory programs for officials of overseas deposit insurance institutions, and held a specialized training program titled 「One Asia with KDIC」 last year, centered on global deposit insurance schemes.

**Q Please explain more about the International Association of Deposit Insurers (IADI), and the role of the KDIC in the association.**

**A** The International Association of Deposit Insurers (IADI) is an international organization formed in May 2002 with 25 deposit insurers in Basel, Switzerland. The association develops international standards and guidelines to enhance deposit insurance systems and undertakes relevant policy development and research. In the aftermath of the

global financial crisis, the importance of deposit insurance schemes in the financial safety net was acutely recognized, which led to an increase in IADI membership. As such, as of June 2018, the association represents 107 members and major international financial institutions such as BIS, FSB, IMF and World Bank are partnering with IADI. In 2008, upon the request of the FSB, IADI published the 「Core Principles for Effective Deposit Insurance Systems (Core Principles)」, setting an important benchmark for the Financial Sector Assessment Program (FSAP) operated by the IMF and World Bank to gauge the competitiveness of financial industries across the globe.

The KDIC is a founding member of IADI and takes part in the executive council, showing a strong presence and actively contributing to IADI's mission to promote international cooperation in the field of deposit insurance by establishing and amending the Core Principles.

KDIC hosted the IADI's most high-profile event, the Annual General Meeting, in 2003 and 2006 as well as receiving the Deposit Insurer of the Year Award on two occasions, in 2012 and 2015. On top of this, the corporation has been transferring secondees to the IADI Secretariat since 2006. KDIC also actively participates in IADI main area of business, research and policy development regarding deposit insurance. The corporation played a part in the research on Differential Premium Systems and risk management, as well as spearheading the research on integrated deposit insurance systems and resolution methods for non-viable financial institutions (Purchase and Assumption Transaction, P&A). Last year, KDIC served as the chair of the operational regulation amendment review committee of the IADI Advisory Council and successfully concluded the organizational reform that had not been making headway for more than

2 years. Leveraging its KSP and training know-how, KDIC also provides advice on and is in charge of training programs in the Asia-Pacific Regional Committee due to the request of other member institutions.

In the future, KDIC plans to step up its participation in IADI's activities to strengthen its global leadership and promote cooperation with other members.

**Q Can you tell us about KDIC's Knowledge Sharing Programs and global training programs?**

**A** Following the 2008 global financial crisis, the importance of deposit insurances came to be globally recognized and KDIC thus began in 2010 to share Korea's experience and know-how in operating an advanced deposit insurance scheme with its overseas counterparts in Mongolia, Tanzania, Cambodia, etc. The corporation provides end-to-end support from laying the legal groundwork, such as formation of depositor protection laws, establishment of deposit insurance institution and IT system building, to helping the scheme take root seamlessly. In the case of Mongolia, KDIC is offering its full support from the planning stage to implementation, enabling the institution of the Deposit Insurance Law (Jan. '13), establishment of the Deposit Insurance Corporation of Mongolia (Jun. '13), risk management · deposit reimbursement system building consulting (Mar.-Nov. '16, Ministry of Interior's E-Government Overseas Expansion Project) and secondment of policy advisors ('14-).

Based on its several years of training and advisory experience, the corporation launched a deposit insurance-specialized global training program, 「One Asia with KDIC」, in 2017 to provide regular and more systematic training. 24 officials of deposit insurers in 9 Asian countries including Myanmar, Vietnam, and Indonesia were the first to join in the program in June 2017, and the first round of training was concluded successfully with requests

for follow-up training being filed by participating nations. In particular, the Peer Benchmark Program received a positive response, where participants discuss the current deposit insurance systems in their respective nations and related issues. Starting from this year, the corporation is planning to break the program down into 2 courses, 'basic' and 'advanced,' and hold it biannually for a wider range of countries including those in the Middle East, Central Asia and Africa. In order to be recognized as a truly global training program, the basic course has been hosted with 16 officials from 8 countries including Kenya and Jordan in May, and the advanced course is set to be held in November.

What is more, KDIC is striving to tap into its know-how in nurturing deposit insurance systems in developing countries and capacity building by signing an MOU with the World Bank in September 2017 and carrying out joint projects. The joint effort was 「Indonesia Deposit Insurance Advisory



Project」 implemented in December last year. The Indonesia Deposit Insurance Corporation, seeking to strengthen its resolution function, requested the training and KDIC designed a training program centered on resolution of non-viable financial institutions and acquisition · management of non-performing assets with sponsorship from the World Bank. 5 experts from KDIC visited Jakarta to undertake training with 70 officials from the Ministry of Finance, Financial Services Authority, Bank Indonesia, Indonesia Deposit Insurance Corporation and other members of the Indonesia financial safety net. The response to the training was very encouraging, and a follow-up training is in plan for September this year.



**Q KDIC has been a CIFC member since 2014. Please share with us your insights from the experience over the years.**

**A** As you mentioned, KDIC has been an active member since the establishment of the CIFC, serving as the administrator in 2014 and an auditor in 2015. It was a privilege to have been able to accompany CIFC in its journey and grow together.

The corporation believes that taking part in the meetings and events hosted by CIFC was an effective way to maintain and expand ties with financial institutions at home and abroad, as was the case in March at the Vietnam-Korea Financial Cooperation Forum where the commissioner of the Financial Services Commission was present. The importance of a solid network with foreign financial authorities or relevant institutions in implementing

an overseas project cannot be emphasized enough. It is highly challenging for public institutions' overseas exchanges to produce tangible outcomes over the short run. However, I firmly believe that it goes a long way in raising the prestige of a nation. For instance, people are raving about the 'Northern European style' lately and I believe that the trust in the Northern European social system naturally leads to a preference for their products. Likewise, if Korea's deposit insurance system can become advanced enough for other countries to aspire, this, in and of itself, will build greater trust in Korea's financial system. I would like to take this opportunity to express my gratitude to all of the CIFC staff for investing such efforts in planning global events to support members' overseas cooperation projects and global network expansion, as well as each and every one of our fellow members. The corporation hopes to maintain its ties with other members, sharing each other's experience and difficulties and providing mutual support.

## CIFC Invitational Seminar:

# Understanding the New Southern Policy and Strengthening Cooperation with Cambodia

## Overview

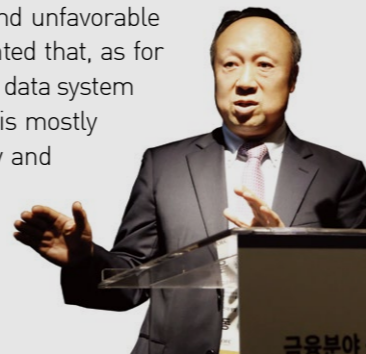
CIFC hosted an Invitational Seminar to deepen the understanding of the New Southern Policy and discuss ways to strengthen cooperation with Cambodia, one of its major partners, on August 31st 2018 at the Nuri Ballroom, Four Seasons Hotel Seoul. Dong-Hyun Choi, Professor of the Bank of Korea Academy, Yong-Jin Park, CEO of KB Kookmin Bank Cambodia, and Jin-Soo Lee, Director of Financial Services Commission, delivered presentations at the event.



## Cambodia's Economy and Finance

**Dong-Hyun Choi** | Professor | Bank of Korea Academy

Dong-Hyun Choi gave a speech on the Cambodian economy and financial market. He remarked that Cambodia is undertaking a comprehensive structural reform across all sectors, and is showing great potential as a member of the ASEAN Economic Community. Although the country's economy was mainly driven by clothing, agriculture and tourism industries in the past, the construction industry generated the greatest momentum since 2012, the growth of which led to higher demand for new residential and commercial buildings and the expansion of public development projects. Furthermore, Mr. Choi pointed out that the continuous increase in tourists, rising consumption among the young generation and the middle class, the government's expansionary fiscal policies, and higher minimum wage are serving to improve the outlook for Cambodia's economic growth. However, he also mentioned that tighter competition in the region, monetary and trade policies of the US, China's credit tapering policies, and rising oil prices pose challenges for the country's economy going forward. Moreover, on the domestic front, the dramatic increase in the minimum wage, weak momentum for economic diversification, rapid credit expansion in the real estate sector, and unfavorable climate conditions may also be stumbling blocks. The speaker also commented that, as for Cambodia's interbank FX market, the National Bank of Cambodia is building a data system to be launched in 2019. He went on to say that the indirect financial market is mostly centered on deposits and lending, the insurance sector is still in its infancy and asset management and trusts have yet to be introduced. When it comes to financial infrastructure, the National Bank of Cambodia is in charge of banking supervision and financial payments, while the deposit insurance system has yet to be adopted.



## Fintech Application in the Cambodian Financial Market

**Yong-Jin Park** | CEO | KB Kookmin Bank Cambodia

Yong-Jin Park shared insights on the experience of applying fintech to the Cambodian financial market. According to the speaker, Cambodia is a youthful, fast-growing country with a low volatility, cash-oriented dollar economy. Cash payments account for approximately 98%, with the credit card infrastructure woefully underdeveloped and usage very low. Mr. Park explained that the Cambodian financial market, despite its small size, is growing amidst intense competition and showing high profitability, but regulations are being tightened. Around 130 financial companies are in the market and foreign capital accounts for 67% of the total asset volume of USD 337bn. Currently, Cambodia is a mobile-friendly country that encourages fintech adoption and the supervisory authorities are also highly interested in the new trend. The global digital bank, Liiv KB Cambodia, is providing convenient and accessible financial services catered to the Cambodian lifestyle via a mobile bank based on top-up wallets. What is more, the country is striving to enhance services to meet local needs by reflecting social circumstances and the regulatory environment.



## The New Southern Policy in the Financial Sector and Achievements

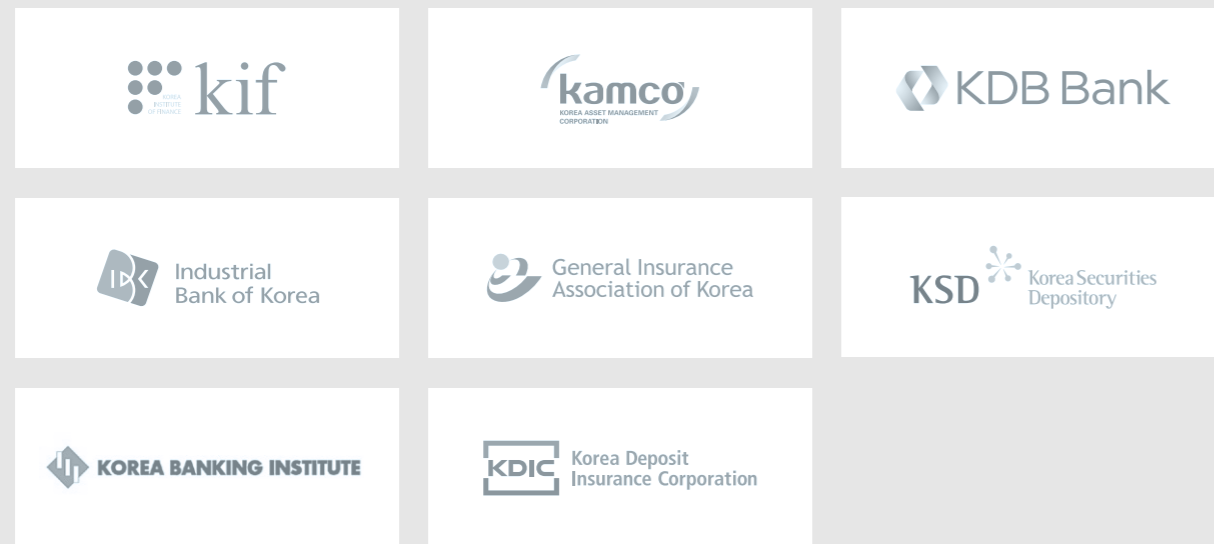
**Jin-Soo Lee** | Director | Financial Services Commission

Jin-Soo Lee spoke about the introduction of the New Southern Policy to the financial sector, and the subsequent achievements made. He remarked that the goal of the New Southern Policy is, using its key strategies of people, peace and prosperity, to strengthen the ties between Korea and ASEAN · India, bringing them up to par with Korea's relations with its 4 neighboring countries. Mr. Lee explained that it was imperative to adopt the New Southern Policy in the financial sector taking note of the high growth potential of ASEAN countries and India, greater investment in infrastructure and equipment, and high profitability of financial companies. By pursuing this policy, growth in the ASEAN · India region can be facilitated, shared growth achieved, and Korean financial companies' profitability enhanced. On a final note, the speaker elaborated on the future plans for the financial sector, including supporting financial companies' ventures into mutual financial markets, assisting financial infrastructure establishment in New Southern Policy countries, and deepening financial cooperation with these countries.



## Knowledge Exchange Initiative (KEI): KEI with Indonesia

CIFC invited 11 officials from the Indonesian Financial Services Authority, Ministry of Finance and Indonesia Deposit Insurance Corporation to Korea, from September 14th to 19th, 2018, to discuss Korea's experience in developing the financial industry and share ideas on both countries' financial and supervisory system. The Indonesian delegation participated in the 'Indonesia-Korea Financial Cooperation Seminar' jointly hosted by CIFC and the Financial Services Commission, and paid visits to the Korea Institute of Finance, Korea Asset Management Corporation, Korea Development Bank, Industrial Bank of Korea, General Insurance Association of Korea, Korea Securities Depository, Korea Banking Institute and Korea Deposit Insurance Corporation to learn from their experience and know-how and explore potential areas of cooperation.



The Indonesian delegation visited the Korea Institute of Finance on September 17<sup>th</sup>, 2018, to take stock of financial cooperation between CIFC and Indonesia, and listen to lectures on the structure of Korean conglomerates and their efforts for financial inclusion.



The Indonesian delegation visited the Seoul office of Korea Asset Management Corporation on September 17<sup>th</sup>, 2018, and learned from the institution's know-how as a public asset management corporation that reduces corporate distress and vulnerability, as well as its experience in resolving NPLs.







The Indonesian delegation visited the Korea Development Bank on September 17<sup>th</sup>, 2018, to sit in a meeting with the Head of the International Business Division and receive training from the IR team of the Treasury Department on the bank's role and function as a policy financing institution.



The Indonesian delegation visited the head office of the Industrial Bank of Korea on September 18<sup>th</sup>, 2018, to engage in a meeting with the Head of the Global Markets Division and participate in a seminar centered on the economic outlook of Korean SMEs, the role of the Industrial Bank of Korea, and the difference between the Industrial Bank of Korea and commercial banks.



The Indonesian delegation visited the General Insurance Association of Korea on September 18<sup>th</sup>, 2018 and was greeted by the Chairman. They learned about Korea's non-life insurance industry, online insurance supermarket and response to insurance fraud, and etc.



The Indonesian delegation visited the Yeouido office of Korea Securities Depository on September 18<sup>th</sup>, 2018 and was welcomed by the Head of the Global Business Department. The delegation was briefed on the institution's main area of business and infrastructure as well as fintech trends at home and abroad, and its future outlook.





The Indonesian delegation visited the Korea Banking Institute on September 19<sup>th</sup>, 2018, and was introduced to the institute's background and membership, types of financial training and lectures, and cooperation with overseas financial authorities.



The Indonesian delegation visited the Korea Deposit Insurance Corporation on September 19<sup>th</sup>, 2018, met with the Vice President, and learned about the institution's role and function as a financial safety net as well as its know-how.



## Seminar:

# Indonesia-Korea Financial Cooperation Seminar

The 'Indonesia-Korea Financial Cooperation Seminar' was held on September 14<sup>th</sup>, 2018 at the Four Seasons Hotel Seoul. The Indonesian delegation and representatives from the Financial Services Commission, Financial Supervisory Service and 21 CIFIC member institutions were present at the event, and the seminar was centered on topics of greatest interest for the Indonesian delegation; namely, Korea's consolidated supervision of financial conglomerates and risk-based supervision. Sang-Ho Sohn, Chairman of CIFIC, delivered the Opening Remarks and Sung-Ho Lee, Standing Commissioner of Financial Services Commission, gave the Welcome Remarks. On behalf of the Indonesian delegation, Standing Commissioner Imansyah and Director Henry Rialdi of Financial Services Authority gave presentations. On behalf of the Korean side, Director Dong-Yeop Lee of Financial Services Commission and Senior Researcher Jung-Hyun Park of Financial Supervisory Service gave presentations.



## Forum: The 5<sup>th</sup> International Financial Cooperation Forum

### Overview

Since 2014, CIFIC and Financial Services Commission (FSC) have been co-hosting the International Financial Cooperation Forum annually under the aim of supporting domestic financial institutions' international cooperation projects. The International Financial Cooperation Forum provides an opportunity to invite high-level officials from CIFIC 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 member institutions and cultural experiences to strengthen bilateral ties and lay fertile ground for additional cooperation projects in the future.

The 5<sup>th</sup> International Financial Cooperation Forum was held under the theme of 'Harnessing Financial Technology to Promote Financial Inclusion' on December 4<sup>th</sup>, 2018, at Four Seasons Hotel Seoul. Discussions were centered on the development of fintech fueled by digital innovation and the enhancement of financial inclusion. High-level officials from overseas financial authorities including Ha Huy Tuan, Vice Chairman of the National Financial Supervisory Commission of Vietnam, and Vu Thi Chan Phuong, Vice Chairwoman of the State Securities Commission of Vietnam were present at the event, as well as 39 representatives from financial authorities and institutions in 15 countries such as the



Kyrgyzstan National Housing Corporation, Credit Information Bureau Nepal, and Deposit Insurance of Vietnam. Furthermore, around 120 representatives from 21 CIFIC members including Yong-Beom Kim, Vice Chairman of FSC and Sangho Sohn, Chairman of CIFIC took part in the event, making it the largest event of its kind. Moreover, representatives from international organizations that have closely cooperated with the CIFIC over the past 5 years such as International Monetary Fund, World Bank and United Nations Economic and Social Commission for Asia participated in the event and offered insights on the trends in the Middle East and North Africa region and Cambodia, Laos, Myanmar and Vietnam, allowing for a lively debate on 'Harnessing Financial Technology to Promote Financial Inclusion.'

### Opening Ceremony

Celebrating its 5<sup>th</sup> anniversary, this year's forum was opened with a special video illustrating CIFIC's background, structure, history and major accomplishments as well as the International Financial Cooperation Forum's significance, history and expected effects. Furthermore, a network of more than 800 financial experts across the globe forged through international cooperation projects implemented over the past 5 years was highlighted, and pledges were made to continue diverse projects and exchanges to facilitate financial knowledge and experience sharing.



## Opening Remarks

**Sangho Sohn** | Chairman | Council on International Financial Cooperation

Sangho Sohn underscored in his Opening Remarks that innovative digital technologies and fintech are enhancing access to finance and bringing financial benefits to a greater number of financial consumers, thereby placing more importance on the role of finance and laying the groundwork for sustainable economic growth. He introduced Kenya's M-Pesa, a mobile-based financial service, as a prime example of achieving financial inclusion through digital technologies, and emphasized the importance of the engagement and cooperation of all relevant parties including international organizations, aid organizations, private companies and governments in promoting financial inclusion through fintech. Mr. Sohn closed his speech by expressing hopes for CIFIC's International Financial Cooperation Forum to become a platform for global financial leaders to exchange their visions for finance and expand cooperation.



## Welcome Remarks

**Yong-Beom Kim** | Vice Chairman | Financial Services Commission

Yong-Beom Kim mentioned in his Welcome Remarks that fintech, the marriage of innovative technologies such as artificial intelligence and blockchain and finance, is accelerating innovation in the financial industry and that the theme of this year's forum, "Harnessing Financial Technology to Promote Financial Inclusion," could not be more timely. Furthermore, he remarked that fintech is already playing a pivotal role in enhancing access to finance for the marginalized by lowering prices using digital technologies, and that G20 countries also consider digital financial inclusion an important priority. On a final note, he emphasized that international cooperation should be strengthened to drive the continuous growth of fintech, and that the international community should work together to share information on fintech industries and technologies, establish the regulatory framework for fintech industries, and stabilize the financial system.



## Congratulatory Remarks

**Ha Huy Tuan** | Vice Chairman | National Financial Supervisory Commission of Vietnam

Ha Huy Tuan highlighted in his Congratulatory Remarks that imbalanced development across Southeast Asian countries is hampering the rollout of fintech, but the infinite growth potential of the industry is sure to provide brilliant opportunities to governments, citizens, businesses and investors. He also expressed high anticipations for this forum to serve as a platform to discuss the opportunities and challenges brought by fintech and share information and experience on successful cases where fintech promoted financial inclusion. Last but not least, he thanked the organizers on behalf of the 39 participants from abroad, and humbly requested that events such as the International Financial Cooperation Forum be held continuously to boost global financial cooperation.



## Keynote Speech: Three Aspects on Fintech and Inclusive Finance

**Tae-Yoon Sung** | Professor | Yonsei University

Tae-Yoon Sung delivered a Keynote Speech titled 'Three Aspects on Fintech and Inclusive Finance.' To start with, he proposed that policy authorities, supervisory authorities and international organizations should regard fintech as a policy tool that should be utilized to overcome challenges such as information asymmetry and credit rationing, and achieve financial inclusion. Secondly, he urged the policy and supervisory authorities to dismantle the monopolies in the financial market, thereby creating a more competition-friendly environment for innovative technology-based financial institutions. To this end, flexible policies should be implemented to help financial institutions use fintech to resolve information asymmetry and establish a financial environment conducive to competition, further expanding the market and promoting financial inclusion. Finally, the speaker stressed that the authorities should improve consumers' access to financial knowledge, deepening their understanding of finance and enabling them to take account of not only their current income but also future income when making decisions and leverage diverse financial services for risk management.



## Presentation 1: Financial Inclusion and Fintech: A Global Perspective

**Sameer Goyal** | Program Manager | World Bank Seoul Center for Financial Development

Sameer Goyal, presented on a global perspective on financial inclusion and fintech. Based on the 'The Global Findex Database,' researched and released by the World Bank to analyze and quantify the fintech revolution and financial inclusion, the speaker touched upon the potential of fintech in promoting financial inclusion, World Bank's goals regarding financial inclusion to be achieved until 2020, and their implications. According to the report, the global unbanked population amounts to 1.7bn as of 2017, 1.1bn of which use cellphones. Advanced financial technologies are diversifying digital transaction methods, which will enhance women's access to finance and promote financial inclusion. As such, Mr. Goyal introduced a number of projects pursued by World Bank. On a final note, the speaker remarked that with fintech entailing many challenges including cybersecurity risks, financial stability risks and money-laundering risks, the role of governments is more important than ever, as they should achieve a balance between fintech's opportunities and risks.



## Presentation 2: Harnessing Financial Technology to Promote Financial Inclusion: Lessons from the Middle East and North Africa (MENA)

**Inutu Lukonga** | Senior Economist | International Monetary Fund

Inutu Lukonga, spoke about promoting financial inclusion using fintech in the MENA region. Explaining that the pace of adoption does vary across countries, the speaker mentioned that the introduction of fintech in the MENA region is picking up speed. UAE stands out the most in utilizing fintech, but other countries in the region have also achieved significant progress, and an increasing number of countries are starting to provide mobile payment services for the financially marginalized. In order to successfully adopt and develop fintech, advanced IT infrastructure, effective incentive systems and an influx of private capital are crucial, remarked the speaker. Also, in order to realize fintech's potential for promoting financial inclusion, a policy environment that maintains financial stability and revitalizes fintech should be established. Specifically, managing cybersecurity risks and improving legal, regulatory and supervisory frameworks, developing prudential regulations are important challenges. The speaker underscored that, in order to promote financial inclusion through fintech, governments should carry the responsibility to establish a business-friendly environment through regulatory frameworks, incentive systems and capability strengthening schemes, and to improve the regulatory environment through public-private partnerships and growth-friendly policies.



## Presentation 3: How to Leverage Fintech to Enhance Financial Inclusion in Cambodia, Laos, Myanmar and Vietnam (CLMV)

**Alberto Isgut** | Economist | United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP)

Alberto Isgut presented on fintech and financial inclusion in CLMV countries. The speaker introduced the regulatory environment in the 4 countries and notable examples, and touched upon the importance of promoting financial inclusion by expanding SME financing and relevant projects implemented by the UN ESCAP. As the main momentum behind the growth of the fintech industry in these countries, the speaker pointed to the size of the economy, population and the potential of the mobile banking sector. Moreover, Mr. Isgut also expanded on the organizations in charge of the development of the fintech industry and regulatory solutions in these countries, which have become much systematized though slightly underdeveloped compared to those of ASEAN-5 countries. Introducing model cases of neighboring countries such as Singapore, the speaker called upon the 4 countries to develop the fintech sector through regional cooperation, and highlighted the importance of communication between regulatory authorities and the private sector. Finally, Mr. Isgut spoke about UN ESCAP's fintech projects centered on expanding financial support for female entrepreneurs and financial education.



## Presentation 4: Financial Inclusion and Fintech in India

**Vivek Belgavi** | Partner | PwC India

Based on India's experience, Vivek Belgavi talked about the close connection between financial inclusion and fintech. He shared information on the fintech industry in India, the Indian government's policies to support fintech, and case examples of several fintech companies. First of all, the speaker mentioned that India was able to promote financial inclusion by nurturing the fintech industry over the past 5 to 7 years thanks to a regulatory environment that encourages innovative companies to explore and experiment, government-led fintech platforms such as NPCI, comprehensive initiatives such as IndiaStack, and a wide talent pool. By extension, he introduced Capital Float, a microfinance institution, and Acko, an insurance company, as successful cases of breaking stereotypes and creating a new market based on innovative technologies and ideas, thereby promoting financial inclusion. The speaker concluded his speech by remarking that as non-conventional players will contribute greatly to expanding the fintech market, traditional financial institutions should become their partners, giving rise to new financial services and garnering the momentum for the growth of the financial industry.



## Presentation 5: The 4<sup>th</sup> Industrial Revolution in Korea and North East Asia

**Jong-Hoon Kim** | Regional Head | Standard Chartered Bank

Jong-Hoon Kim delivered a presentation on the 4th industrial revolution in Korea and Northeast Asia, and illustrated how traditional financial institutions such as Standard Chartered Bank are responding to the changes in the financial industry brought on by fintech and technological innovation. Furthermore, he spoke about model cases of fintech utilization in Korea, Japan, Taiwan and China. Contrary to the concerns that were raised when fintech was first introduced to the market, the innovative technologies sparked competition and cooperation in the financial industry. Standard Chartered Bank has launched a specialized group on digital innovation and is cooperating with blockchain-based payment companies such as Ripple and big data-based fintech companies such as Paxata. Furthermore, the bank is striving to sharpen its competitive edge and tailor to the fast-changing environment and consumer needs by developing new financial services such as 'keyboard banking.' As cases to emulate, the speaker listed Korea's payment application, Toss, and China's WeChat.



## Interview

**Hicham Zanati Serghini** | CEO | CCG Finance



**Q First of all, thank you for complying with the interview. Can you tell us about your impression of the 5th IFCF in general? What did you like most about the event?**

**A** Thank you for having invited our institution. This is the first time we take part in the International Financial Cooperation Forum and we were impressed by the quality of the event, including the organization, the quality of the speakers and the relevance of the content.

**Q Please explain briefly about the access to finance in Morocco and the role of CCG Finance in the current system.**

**A** Access to finance has improved recently in Morocco thanks to both Government and Banking sector. There are many funding solutions (bank credit, leasing, capital markets...) but banking represents the first financing source for SMEs (67% of the external funding mix). CCG Finance plays a key role in the financing system via its guarantee, credit and private equity solutions covering the entire lifecycle of SMEs.

**Q How are Morocco's policies and regulations changing to respond to the new financial environments in terms of access to finance for MSMEs and Start-ups?**

The key developments are related to the regulatory framework with the future implementation of Basel 3 regulations (Morocco is currently applying Basel 2), the increase of microcredit funding ceilings and the streamlining of the regulations governing the private equity vehicles. These developments would introduce some important changes to the MSMEs risk assessment by banks due to new regulatory capital and IFRS 9 standards, but they would also improve access to credit to formal micro enterprises and innovative start-ups.

**Q How important is international partnership for CCG? Please share your short-term and long-term goals regarding these partnerships.**

**A** Our partnerships are aiming at enhancing experience sharing with peers in addition to carrying out projects looking at developing innovative responses to the MSMEs funding needs. We have developed a strong partnership network including guarantee and international development institutions from French speaking Africa countries, MENA region, European Union and USA. We are also members of SME Finance Forum and we took part to the task force established by the World Bank to develop a framework to assess public credit guarantee institutions in addition to our regular participation in the events and workshops held by the European Guarantee Association (AECM). Within our current strategy, international partnership is expected to gain more importance as we intend to cover more challenging needs of Moroccan Start-ups and MSMEs.

**Q Which areas, in your opinion, would strategic partnership with Korea be of a help in meeting CCG's goals and objectives?**

**A** Korea has one of the largest and most effective and successful credit guarantee systems in the world which makes its experience very rich. We can benefit from the lessons learned from the Korean experience, especially those related to the funding of the guarantee system and to products targeting innovative firms and industrial SMEs development.

**Q Please share with us your partnership experience with Korea Technology Finance Corporation (KOTEC).**

**A** Our experience with KOTEC is recent as they took part at our first innovative start-ups forum in Morocco in 2018. Based on our discussion, we have decided to deepen our partnership to benefit from the proven expertise and track record of KOTEC in capability building related to innovative start-ups funding, especially in the fields of project assessment, financing solutions and technology appraisal which are strategic topics for our institution.

## Cooperation Project

The Council on International Financial Cooperation provides partial expenses for Cooperation Project when two or more member institutions jointly host an event (training, seminar, etc.) as part of an international project (invitational training, etc.). The project was launched in an aim to prevent business overlaps and encourage collaboration among member institutions.

### Korea Asset Management Corporation and Korea Securities Depository with Mongolia

Korea Asset Management Corporation (KAMCO) and Korea Securities Depository (KSD) invited 5 employees of the Bank of Mongolia and Bankruptcy Administration Office of the Mongolian Savings Bank to Korea from June 18<sup>th</sup> to 22<sup>nd</sup>, 2018. Carried out at KAMCO and KSD head offices in the Busan International Finance Center, KAMCO gave lectures on efficient non-performing assets resolution mechanisms as well as the history and operation of the corporation. KSD introduced its business areas and discussed future cooperation plans. The Mongolian delegation also took part in the CIFIC Invitational Seminar hosted in Busan during their stay and had a networking session with representatives from CIFIC members.



### Industrial Bank of Korea and Korea Federation of Banks with Myanmar

The Industrial Bank of Korea (IBK) and the Korea Federation of Banks (KFB) invited 9 high-level officials including the Vice Governor of the Central Bank of Myanmar, Administrative Officer of the Ministry of Finance, and the Director General of the Ministry of Industry to Korea from August 27th to 31st, 2018. IBK, KFB and Myanmar delegation discussed ways to strengthen Korea-Myanmar financial cooperation and support Korean banks' ventures into Myanmar. Furthermore, IBK and KFB shared Korea's know-how regarding financial support schemes for SMEs and explored ways to deepen cooperation between SMEs in Korea and Myanmar.



### Korea Financial Telecommunications & Clearings Institute and NICE Information Service with Laos

Korea Financial Telecommunications & Clearings Institute (KFTC) and NICE Information Service (NICE) invited 4 officials from Laos Ministry of Finance and Ministry of Planning and Investment to Korea from October 20th to 24th, 2018. While KFTC provided consultations on the establishment of a comprehensive payment system for utility fees in Laos, NICE introduced Korea's credit information infrastructure and the role of NICE Information Service in Korea.



### Korea Credit Information Services and Korea Credit Bureau with Indonesia

Korea Credit Information Services (KCIS) and Korea Credit Bureau (KCB) invited 6 officials from Financial Services Authority of Indonesia to Korea from November 5th to 10th, 2018. The program was centered on supporting the establishment of Korea-style credit information systems in Indonesia and featured a seminar as well as visits to KCIS and KCB to provide opportunities to share Korea's knowledge on credit information systems and technologies.



### Korea Securities Depository and Korea Housing Finance Corporation with Indonesia

Korea Securities Depository (KSD) and Korea Housing Finance Corporation (HF) invited officials from Indonesia Central Securities Depository to Korea from December 17th to 20th, 2018. At the event, KSD reviewed topics such as crowdfunding and FundNet, and challenges in operating S-INVEST and solutions as well as Indonesia's SLB market trends. By extension, HF introduced and explored successful cases of policy mortgages and areas for potential cooperation.



## Article:

# Harnessing Financial Technology to Promote Financial Inclusion: Lessons from the Middle East and North Africa (MENA)

Inutu Lukonga <sup>1)</sup> | Senior Economist | International Monetary Fund



Financial technology (fintech) is emerging as an innovative way to promote financial inclusion and the broader objective of inclusive growth. In addition to boosting efficiencies in the delivery of financial services, fintech has potential to enhance access to affordable financial services for unbanked populations, unlock new funding avenues for small and medium sized enterprises (SMEs) and help SMEs achieve operational efficiencies.

For the MENA region, promoting inclusive growth is a strategic priority. The MENA is home to countries with significant unbanked, rural, and displaced populations, gender disparities in access to financial services, high youth unemployment, undiversified economies and large income disparities. High youth unemployment has, in the recent past, triggered social tensions while the public sector, which previously absorbed a large share of new labor market entrants, is reaching saturation. Fiscal policy—the engine of growth in oil dependent economies—has been weakened by the decline and volatility in oil prices.

The combination of economic, social and geopolitical factors has given urgency to the need to diversify economies, create private sector jobs, and ensure that growth is inclusive. Promoting SMEs has taken center stage as the vehicle for generating sustainable employment opportunities. Similarly, financial inclusion of households is being promoted as a tool to increase formal savings, facilitate secure payments and reduce poverty and inequalities.

The factors hampering SMEs' growth potential and the financial inclusion of households in the MENA region are well researched and documented.<sup>2)</sup> Limited access to finance is cited as a major constraint hampering the growth of SMEs but bureaucratic and regulatory hurdles also present challenges. The limited access to finance reflects a combination of internal and external factors, including weak managerial expertise of SMEs, deficiencies in financial infrastructure (auditing and accounting standards, credit registries/bureaus, collateral, and insolvency regimes) and gaps in banks' risk management capabilities.

High finance charges, excessive documentation requirements for account opening related to Know Your Customer (KYC) regulations also discourage some households from opening accounts.

Emerging technologies and innovations can ease many of these challenges. Digitizing government processes can improve delivery of public services. Mobile technologies can facilitate access to financial services for unbanked populations and reduce the rural-urban divide. Digital technologies can enhance SMEs operational efficiencies as well as access to international markets and to finance.<sup>3)</sup> Fintech startups also help create technology-oriented jobs commensurate with digital age millennials.

The MENA region was slow to adopt fintech, but momentum is growing albeit at an uneven pace across countries. The UAE has made the greatest advances in adopting fintech but several other countries—Lebanon, Jordan, Egypt, Bahrain, Iran and Saudi Arabia—are also making significant advances. An increasing number of countries (Egypt, Iran, Iraq, Jordan, Mauritania, Morocco, Qatar, Somalia) are also offering mobile payments for the unbanked.

Factors driving fintech in the MENA region vary across countries but there are some common elements. Countries making the most progress in adopting fintech are those that have advanced Information, Communication and Technology (ICT) infrastructure, addressed regulatory gaps, established accelerators, incubators, and funding programs, instituted regulatory sandboxes and digitized government services. Availability of private

capital has also been a distinguishing factor in the comparatively stronger performance of the UAE. Regulations that provide legal clarity and certainty on the participation of non-bank payments providers have been particularly instrumental in spurring growth of mobile accounts and payments. In selected countries (Somalia, Afghanistan), weak banking infrastructure catalyzed the wider adoption of mobile payments.

The progress notwithstanding, fintech adoption in MENA remains below its growth potential and is yet to make a significant impact on financial inclusion and funding for SMEs. Surveys of fintech firms indicate that growth is being hampered by restrictive regulations and gaps in talent, private capital and infrastructure. This is coupled with demand factors related to the lack of trust, cyber security risks and financial literacy. Adoption of digital technologies —blockchain, cloud computing, machine learning—by banks is also in very early stages, thus potential improvements in banks' risk management are yet to materialize. Governments and SMEs have equally been slow to adopt digital technologies.

To unlock the transformative potential of fintech, MENA countries will need to be proactive in promoting fintech while ensuring that risks are mitigated. A broader adoption of fintech by governments, banks and corporates is needed to realize the full benefits that digital technologies offer. The policy priorities will vary given the differences in the stage of fintech development across the countries, but generally a functional and proportional approach to regulation can help level the playing fields to ensure that innovations

<sup>1</sup> Ms. Inutu Lukonga is a Senior Economist and Financial Sector Expert in the Middle East and Central Asia Department of the International Monetary Fund. This article is drawn from the findings of the IMF Working Paper WP/18/201 entitled "Fintech, Inclusive Growth and Cyber Risks: A Focus on the MENAP and CCA Region. Views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board or IMF Management.

<sup>2</sup> See for instance the World Bank studies entitled "Overcoming Constraints to SME Development in MENA Countries and Enhancing Access to Finance" and "Islamic Banking Opportunities Across Small and Medium Enterprises in MENA", both published in 2017.

<sup>3</sup> Specifically, predictive analytics using big data can enhance banks' abilities to assess SMEs' creditworthiness and manage money laundering risks, thereby unlock the credit for SMEs. Digital payments create a data trail that enables banks to lend to SMEs against cashflow. Blockchain can provide superior record-keeping for collateral registries and enable SMEs to pledge movable collateral. Crowdfunding and P2P lending platforms can provide alternative funding sources.

do not fall outside the regulatory perimeter and regulation does not stifle innovation. Policy priorities include managing cybersecurity risk, strengthening the legal, regulatory and supervisory frameworks, and addressing structural bottlenecks.

In particular:

- **Cyber security frameworks should include prevention, detection, information sharing, monitoring, financial and technology literacy and recovery plans.**
- **A review of legal and regulatory frameworks is needed to identify gaps and restrictions that hamper innovation<sup>4</sup>, including insolvency, operations of electronic money institutions, liquidity of agency networks, crowdfunding and online lending platforms, consumer and investor protection, outsourcing, data and privacy.**
- **Supervisory frameworks and capacities need to be aligned with the evolving financial landscape to ensure that digital technologies do not become tools for fraud, money laundering and terrorist financing. Regulatory sandboxes can help balance promotion with risk management.**
- **Structural constraints need to be addressed in a comprehensive and well sequenced medium-term reform programs. These include strengthening infrastructure (reliable electricity, interoperable payment systems, and interagency networks to deliver payments in both rural and urban areas), introducing targeted policies for disadvantaged groups (women), introducing financial literacy**

**programs, creating an enabling environment for private equity and venture capital, and undertaking education reforms to reduce talent gaps.**

Overall, governments have an important role to play by creating enabling environments in terms of regulatory frameworks, institutions, incentives and capacity building. Public private partnerships can improve the regulatory climate and facilitate design of pro-growth policies.



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<sup>4</sup> Closing legal and regulatory gaps is very important particularly for the MENA where most legal frameworks are based on civil law. In civil law, what is not stipulated in the law is prohibited, thus legal clarity and certainty is a precondition for fintech to grow in civil law countries. By contrast, in common law what is not stated in the law is permitted, thus there is more leeway for innovation.