

FSC HOLDS MEETING ON FUTURE OUTLOOK AND COMPETITIVENESS OF FINANCIAL INDUSTRY

The FSC held a meeting on the future outlook and competitiveness of the financial industry chaired by Vice Chairman Doh Kyu-sang on November 25. A new twelve-member expert review committee has been set up to lead the future outlook and competitiveness assessment of the financial industry. It will focus on lowering entry barriers into the financial industry and building financial infrastructures appropriate for the 4th industrial revolution era.

VICE CHAIRMAN'S REMARKS

(CHANGING ENVIRONMENT & TASKS) The financial industry in Korea has continued to grow over the past decade. The size of Korea's financial and insurance industry rose from 5 percent of GDP in 2009 to 5.6 percent of GDP in 2019, and the market capitalization of Korea's capital markets rose to the twelfth in the world. However, there need to be more efforts to bring about qualitative improvements in the areas of global competitiveness and digital innovation. In response to an aging population and the low-rate and low growth environment, it is necessary to look for innovative solutions. With AI, big data and platform-based services being introduced by fintechs and big techs, it is necessary to accelerate digital transformation and gain consumer trust. The 4th industrial revolution has led to the blurring boundaries between financial and non-financial services, the unbundling of manufacturing and sales and the acceleration of the big blur where consumer experience is becoming ever more important.

(ASSESSING THE COMPETITIVENESS OF FINANCIAL INDUSTRY) The future outlook and competitiveness assessment should focus on forecasting the future of the financial industry and looking for appropriate strategies based on long-term perspectives. It should offer an objective analysis on the current status of Korea's financial industry, while checking to see whether the current regulations on entry and sales requirements are appropriate for the advancement of digital finance and innovation.

FUTURE OUTLOOK & COMPETITIVENESS ASSESSMENT

The future outlook and competitiveness assessment will have two broad aims—(a) making entries into the financial industry easier and (b) building financial infrastructures appropriate for the 4th industrial revolution era. The assessment will focus on three specific goals—(a) drawing up strategies based on an analysis of environmental changes and future forecasts, (b) improving entry requirements based

on an analysis of market concentration, profitability, etc. and (c) improving regulatory regimes based on an appropriateness test. Beginning with the insurance sector this year, the assessment will continue into the next year with the credit rating sector in the first half and the banking and credit card sectors in the second half.

(COMMON FACTOR ANALYSIS) The effects of environmental factors, such as an aging population, low interest rates and a protracted pandemic situation, on the profitability of individual financial sectors as well as potential risks will be analyzed. In addition, the level of market concentration and competition in each financial sector will be looked at using net profit measures and Herfindahl-Hirschman Index, etc.

(SECTOR-SPECIFIC ANALYSIS)

- A. INSURANCE:** Draw up plans to promote a sustainable and innovative development of the insurance sector by (i) promoting the establishment of an online-based insurance market based on digital and platform services, (ii) exploring future insurance business models and (iii) looking into new licensing policies.
- B. CREDIT RATING:** Prepare ways to improve the efficiency and accountability of the credit rating sector by closely investigating the relevant trends and regulatory systems in advanced economies while working on improvements to the current licensing requirement system.
- C. BANKING:** Focus on the need to improve regulations by (i) studying the effects of fintechs and big techs on the profitability of traditional banking businesses, (ii) finding strategies for offline branch offices and ways to promote online financial platforms and (iii) assessing the performance and effects of internet-only banks.
- D. CREDIT CARD:** Draw up analyses on the competitiveness of credit card sector's payment business and loan business separately, while considering the effects of allowing credit card businesses to offer MyPayment services and the possibility of expanding the use of consumer big data in credit lending, etc.

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