

POST OFFICE-BANK PARTNERSHIP EXPANDED TO IMPROVE OFFLINE ACCESS TO BANKING SERVICES

FSC Vice Chairman Kim So-young presided over a memorandum of understanding (MOU) signing event between Korea Post, four major banks and the Korea Financial Telecommunications & Clearings Institute (KFTC) on June 16 for expanding consignment partnership between the banks and the post office. Vice Chairman Kim also announced the government's plan for improving offline access to banking services in order to guarantee consumers' choice in accessing financial services both online and offline and improve convenience for vulnerable groups such as the elderly.

MOU SIGNING

Korea Post, four major banks (Kookmin, Shinhan, Woori and KEB Hana) and the KFTC signed an MOU and agreed to proceed with the consignment of banking services (deposit, withdrawal functions, etc.) to post offices with a goal to make services available within this year.

SUMMARY OF VICE CHAIRMAN'S OPENING REMARKS

Rapid digital transformation taking place recently throughout the financial industry including the banking sector has led to an increase in mobile-based and contactless financial transactions and a continuing decline in the number of bank branches. However, offline financial services will continue to play an important role for maintaining the quality of banking services, ensuring inclusive finance for vulnerable groups such as the elderly and meeting diverse demands of consumers. Moreover, it is necessary that the government and the industry make joint effort to help improve offline access to financial services. To this end, the authorities have prepared a plan for improving offline access to banking services to ensure the availability of offline channels that can serve as an alternative to bank branches.

IMPROVING OFFLINE ACCESS TO BANKING SERVICES

(EXPANDING CONSIGNMENT PARTNERSHIP) The authorities are seeking a diversification in the availability of offline channels offering simple banking services such as deposit and withdrawal functions through consignment of banking services to the post office and convenience stores, which has been already in place on a limited basis.

- a) **(POST OFFICE)** With the signing of an MOU today, four major banks will be newly added to the group of banks that have consignment partnership with the post office.¹

¹ (Currently) Citi, KDB, IBK and Jeonbuk + (Newly added) Kookmin, Shinhan, Woori and KEB Hana

- Customers of four major banks² will be able to use the deposit and withdrawal, balance inquiry and ATM (automated teller machine) services from 2,482 post offices across the country that handle financial transactions (with a goal to make service available this year).

<Scope of Consignment Partnership>

- **(DEPOSIT)** With or without a passbook / - **(WITHDRAWAL)** With a passbook
- **(INQUIRY)** Account balance, transaction records (w/o passbook), transfer fees, records for the issuance of cashier's checks, accident reporting, etc.
- **(ATM)** Deposit, withdrawal, transfer, account balance inquiry with a card

- **(CONSULTATION ON GEOGRAPHICAL SCOPE OF SERVICE AVAILABILITY AND FEE LEVEL)** Korea Post and the banking sector held a series of meetings³ and reached an agreement to make services available nationwide and commission a study for fair calculation of fee level.
- **(DISTRIBUTION OF PASSBOOK READERS)** About 8,380 passbook readers⁴ that can process both types of passbooks issued by the post office and banks will be supplied (or replaced) sequentially to post offices that handle financial transactions.
- **(SETTING UP NETWORK)** The authorities plan to set up a network system within 2022⁵ that can utilize the network intermediary service of the KFTC and work on system advancement until the first half of 2023 in order to ensure swift and stable provision of the consignment work.

b) **(DISTRIBUTION BUSINESS)** The authorities plan to grant permission under the regulation on business consignment and seek changes in relevant terms of agreements to promote the use of service that allows withdrawal of small amount of cash (in the form of cash-back points) as well as bank account deposit of change for cash transactions upon purchase of goods at convenience stores and department stores.

<Account Deposit Service for Cash-back Rewards and Change>

Type	Participating entities	Limit	Problem	Improvement
Cash-back Rewards (2017~)	- 16 banks - Emart24 and CU (convenience stores)	KRW100,000 per use (KRW100,000 daily)	Revision to business consignment regulation in 2017 stipulates payment of deposit as an essential work type, therefore expanding service availability is not viable (Maintain existing agreements only)	Grant permission under the business consignment regulation (FSC approval required)
Change Deposit (2020~)	- 15 banks - Ministop and Emart24 (convenience stores) and Hyundai dept. store	KRW10,000 per use (KRW100,000 daily) ↓ KRW50,000 per use (KRW100,000 daily)	Despite greater use of KRW50,000 bills, the "limit per use" has been low, which requires an upward adjustment.	Change terms of agreements

² # of customers in million (end-2021): 33.17 (Kookmin), 26.67 (Shinhan), 24.70 (Woori), 22.35 (KEB Hana)

of branches (end-2021): 914 (Kookmin), 784 (Shinhan), 768 (Woori), 613 (KEB Hana)

³ Taskforce for improving offline financial access (FSC, Korea Post and banks) held three taskforce meetings and frequent working-level meetings.

⁴ Which can read and process passbooks either with a horizontal or a vertical magnetic line.

⁵ To help prevent accidents and reduce work burden, deposit and withdrawal functions will be available only for checking accounts until the system advancement takes place, and after system advancement, service availability will be expanded to other types of checking and savings accounts.

(INTRODUCING BANK AGENCY SERVICES) The authorities plan to introduce agency banking (through an amendment to the Banking Act) in which authorized non-bank entities (non-bank financial companies, distribution businesses, etc.) will be allowed to perform simple and standardized banking functions such as deposit taking, lending and currency exchange. Regarding their scope of work, licensing requirements, soundness assurance and consumer protection duties, the authorities will collect opinions from the industry and experts before drawing up a revision proposal.

(PROMOTING SHARED BRANCHING) With regard to the idea of shared branching that has been in discussion recently in the banking sector, the authorities will actively engage in discussions for providing assistance with the location and network operation through close consultation with banks and other relevant institutions.

(IMPROVING DIGITAL FINANCIAL ACCESS) The authorities plan to continue to upgrade⁶ the mobile application service (“financial service locator”)⁷ that provides detailed information about bank branches and ATM locations and their service availability.

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⁶ (a) Launched an elderly-friendly mobile application which requires no sign-up process (in service from April).
(b) Expand service availability through other channels such as banking applications, map applications, etc.
(c) Provide additional information such as information about places that offer bank account deposit of card cash-back rewards and change from cash payments upon purchase of goods and partnership status with post offices, branch information for microfinance support centers and their reservation service, information about special offers and events available from each branch, etc.

⁷ Please click [here](#) to see the press release dated November 29, 2021.