

INTEREST RATE DISCLOSURE TO BE EXPANDED IN BANKING SECTOR TO PROMOTE COMPETITION

Financial authorities announced a plan to expand banks' disclosure of the differences between interest rates on deposits and loans at the 1st working group meeting of the taskforce on improving the management and operating practices of banks and banking system held on March 2. The following are specific measures of the plan.

- a) Along with the current comparative disclosure on the differences between interest rates on newly transacted deposits and loans across different banks, the banking sector will additionally provide comparative public disclosure on the differences between interest rates on outstanding balance of deposits and loans among different banks, which will show the profitability level of each bank. In addition, the banking sector will also provide information on detailed interest rate of loans (household loans, business loans, etc.) and deposits based on outstanding balances.
- b) Interest rates on jeonse loans, which are highly relevant to people's daily life, offered by individual banks will be comparatively disclosed in order to facilitate clear comparison of interest rates on jeonse loans (interest rates on home mortgages and credit loans are currently being disclosed).
- c) The banking sector will comparatively disclose individual banks' interest rates on household loans in a more detailed manner, which subdivide them into base rate, spread, and preferential rate, intended to help customers compare respective characteristics of banks' interest rates calculation.
- d) Each bank will voluntarily add a new webpage to put up explanations of the factors that bring about changes in their interest rates, such as expansion of loans to low- and mid- credit borrowers or increased ratio of short-term bank borrowings.

Authorities plan to revise the detailed regulations on supervision of banking business and set up a computer network system between the Korea Federation of Banks and individual banks with a goal to begin implementation of these measures in July this year.

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