

## **FSC APPROVES DGB DAEGU BANK'S TRANSITION FROM REGIONAL BANK TO NATIONWIDE OPERATOR**

- Introducing a new nationwide commercial bank for the first time in 32 years will boost competition in the banking sector and help to improve consumers' access to financial services, while increasing credit supply for SMEs with mid-range credit standings.
  - In deciding to approve DGB Daegu Bank's transition, the FSC has given particular attention to the "appropriateness" of its internal control system, considering recent records of financial accidents.
  - Authorities will continue to check the establishment and implementation of internal control mechanisms on an ongoing basis.
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The Financial Services Commission decided to approve DGB Daegu Bank's application to make a transition from a region-specific operator to a nationwide commercial bank at the 9<sup>th</sup> regular meeting held on May 16. The FSC's approval will introduce a new nationwide commercial bank for the first time in 32 years since 1992, bringing the total number of nationwide banks to seven.

On July 5, 2023, the government announced plans to allow regional banks' transition to become nationwide banking business operators as part of its broader policy to promote fair and effective competition in the banking sector. As a follow-up measure, on January 31, 2024, the FSC and the FSS introduced specific method and procedures for authorizing a regional bank's transition to operate as a nationwide bank.

Following this, on February 7, 2024, DGB Daegu Bank applied for the "modification of conditions" specified under the Article 8 of the Banking Act. Upon receiving the application, the FSC and the FSS then went through a careful review process by having an external review committee and reached a decision that DGB Daegu Bank meets all the regulatory requirements necessary to be authorized to operate as a nationwide commercial bank.<sup>1</sup>

With DGB Daegu Bank making a transition to operate as a nationwide operator, the authorities expect that there will be enhanced competition between banks with increased benefits and convenience afforded to consumers.

DGB Daegu Bank plans to open 14 new branches in the Seoul metropolitan area and across regions spanning from Chungcheong-do and Gangwon-do, which will help to boost the level of access to financial services for consumers residing in these regions.

In addition, DGB Daegu Bank plans to improve customers' access to financial services

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<sup>1</sup> Including (a) capital requirement, (b) major shareholder requirement, (c) business plan (including the "appropriateness" of internal control mechanisms), (d) executive officer requirement, and (e) personnel, facilities, and computer system requirements, etc.

through advancement of its own service application and expanded partnership with third-party platforms, so as to help reduce costs and offer low interest rate products to consumers.

DGB Daegu Bank will also expand credit supply to the small- and medium-sized enterprises and individually own businesses that have mid-range credit standings in ways that fit the needs of operating regions. Even after becoming a nationwide banking business operator, DGB Daegu Bank will have its headquarters located in Daegu and continue to work on expanding credit supply in the region to support the growth of regional enterprises.

During the application review process, the financial authorities have given particular attention to the “appropriateness” of its internal control system.

In this regard, DGB Daegu Bank has taken a series of actions to strengthen its internal control mechanisms in earnest. It has established additional customer due diligence procedures to more effectively control potential accidents, such as fraudulent opening of securities accounts, etc.

Moreover, regarding the level of compliance concerning the measures for improving domestic banks’ internal control system, jointly introduced by the financial authorities and banking sector in November 2022, it was found that DGB Daegu Bank was the most faithful observer of the improvement measures, since it had 19 measures already in place out of 21 task items in total. Along this line, DGB Daegu Bank made relevant upgrades to its compliance monitoring system by establishing detailed standards for preventing accidents and expanding and bolstering real-time surveillance system.

DGB Financial Group plans to continue to work on spreading the culture of internal control within its organizations and pledged to make efforts to that end.

While authorizing DGB Daegu Bank’s transition to operate as a nationwide commercial bank, the financial authorities have required it to periodically report the status of implementation regarding the improvement measures of its internal control and compliance system. Based on this periodic reporting, the financial authorities will continue to check the appropriateness of its internal control system and will require improvement in actions if deemed necessary.

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