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Busan, Leap to the Global Financial Hub

Inside Busan Finance

Busan is solidifying its position as the Republic of Korea's leading maritime capital while advancing toward becoming a global financial hub. In this issue, we examine the feasibility of introducing English common law in designated areas to support Busan's development as a global financial hub, as well as the potential adoption of a Busan-style Sustainability-Linked Bond (SLB) framework. We also highlight the linkage between Busan's financial hub strategy and financial market infrastructure by introducing the core functions and roles of KOSCOM, located at the Busan International Financial Center (BIFC). In addition, expert interviews examine the global tax landscape and regulatory trends, underscoring the importance of cooperation among global financial hubs. Through innovative policy recommendations aligned with international standards, we anticipate Busan's continued progress toward becoming a leading global financial hub.

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After graduating from the College of Law at Pusan National University, Professor Kim obtained qualification as a New York State attorney and earned both an LL.M. and a Ph.D. in law from the University of Illinois at Urbana–Champaign (UIUC). He currently teaches civil law at Pusan National University Law School and serves as President of the Korea Consumer Law Association, President of the American Law Research Group of the Korean Association of Civil Law, Director of the Pusan National University Law Research Institute, a member of the Korean delegation to the United Nations Commission on International Trade Law (UNCITRAL); an arbitrator at the Korean Commercial Arbitration Board (KCAB), and a legal advisory member for the Busan Blockchain Regulation-Free Special Zone. Professor Kim has conducted extensive comparative legal research bridging U.S. and common law traditions with civil law systems, with a particular focus on contract law and consumer law. Through active engagement in legislative and policy advisory work, he is widely recognized as an expert in U.S. and common law, combining academic expertise with practical insight.

The Significance of Establishing Busan as an International Financial Hub and the Application of Common Law

Busan, Once Again Confronting the Global Question

Discussions on fostering Busan as an international financial hub have continued for many years. Busan has already established itself as a gateway to Northeast Asia, one of the world's top five port cities, and a representative financial city of Korea as the home of the headquarters of the Korea Exchange (KRX). Nevertheless, a certain degree of hesitation still lingers in the eyes of global investors.

At the core of this hesitation lies a difference in legal language. International financial markets operate through a complex interplay of regulation, technology, and capital, yet they are ultimately premised on a legal framework that can be trusted. This is precisely why more than 80 percent of global financial transactions designate English law or New York State law as their governing law. Common law has already become the shared language of international finance—indeed, the lingua franca of global financial markets. For Busan to truly emerge as an international financial hub, it must now advance to a stage where it communicates in this globally recognized legal language.

Why Common Law Became the Language of International Finance

The common law tradition originated in England and subsequently spread to the United States, Canada, Australia, and other jurisdictions. Its defining characteristic lies in its case-law-driven development. Law under this tradition is not a static set of rules but evolves through actual cases and disputes. This characteristic bears a striking resemblance to the rapidly changing nature of financial markets.

Whenever new financial products, derivative transactions, or blockchain-based assets emerge, common law demonstrates remarkable flexibility by offering practical standards grounded in judicial reasoning—essentially asking, "How should this situation be assessed?" During the 2008 global financial crisis, jurisdictions around the world faced unprecedented legal uncertainty. Yet many of the resulting legal issues were ultimately resolved by reference to principles developed under common law. In particular, Lomas v JFB Firth Rixson Inc clarified[1] how close-out netting provisions under the ISDA Master Agreement[2] operate in practice. This decision provided a critical benchmark for financial institutions worldwide in resolving disputes. Common law thus maintains consistency while reflecting market realities—an advantage that distinguishes it from civil law systems, which seek completeness primarily through codified statutes. Financial markets, like living ecosystems, require legal systems capable of swift adaptation. This is precisely why common law continues to be preferred in international finance.

The Limitations of Civil Law and Busan's Current Position

Korea's legal system is a classic civil law structure modeled on German and Japanese traditions. While the clarity and predictability provided by statutory law are significant strengths, the challenge lies in responding to new phenomena. When transaction types or technology-driven financial services emerge outside existing statutory frameworks, the system often struggles to respond effectively. For example, digital asset transactions, blockchain-based trusts, and the legal nature of DAOs (Decentralized Autonomous Organizations) frequently encounter a dead end at the question, "Which statutory provision applies?" Common law, by contrast, poses a different question: "What is the substance of this transaction?" By prioritizing substance over form, it can respond swiftly to legal vacuums created by technological innovation.

Although Busan has been experimenting with financial innovation through fintech and blockchain regulation-free special zones, the underlying legal framework remains constrained by civil law rigidity. For Busan to grow into a city where finance and technology converge, the legal language underpinning its institutions must be fundamentally reimagined.

A Shared Strategy of Global Financial Hubs: Establishing Common Law Zones

Despite their diverse histories and institutional backgrounds, major global financial hubs share a common strategy for attracting international finance: the establishment of independent financial legal regimes based on common law (often referred to as "common law zones").

Singapore and Hong Kong have preserved their common law traditions while carefully adapting them to their own economic and social contexts. As a result, both cities have earned reputations for reliability and predictability in dispute resolution and have developed into Asia's most stable centers for financial dispute settlement.

Dubai followed a similar path in 2004 with the establishment of the Dubai International Financial Centre (DIFC), creating an independent financial zone that applies common law separately from the broader Middle Eastern legal system. DIFC Courts issue judgments in English and employ judges from common law jurisdictions, aligning fully with global

1 Lomas v JFB Firth Rixson Inc [2012] EWCA Civ 419 is a 2012 decision of the Court of Appeal of England and Wales addressing the interpretation of specific provisions of the ISDA Master Agreement (1992 form), clarifying legal standards regarding payment obligations and the exercise of early termination rights.

2 The International Swaps and Derivatives Association (ISDA) is an organization that develops standardized contracts and rules for international over-the-counter derivatives transactions. ISDA primarily develops the ISDA Master Agreement, a standard contractual framework used by financial institutions when trading derivatives in over-the-counter markets. This agreement sets out the rights and obligations of the contracting parties as well as mechanisms for dispute resolution. Through the use of such standardized documentation, complex over-the-counter derivatives transactions can be managed in a structured manner, thereby enhancing legal stability.

standards and positioning DIFC as the most preferred financial transaction platform for international capital in the region. Kazakhstan, a Central Asian nation, likewise established the Astana International Financial Centre (AIFC) in 2018, introducing a special legal regime based on common law. By operating courts and arbitration centers in English and adopting a precedent-based system, AIFC enabled global investors to secure legal certainty even in the unfamiliar market of Central Asia—resulting in a rapid inflow of foreign capital.

The shared trajectory of global financial hubs is clear: legal trust is built by adopting common law, the standard legal language of international finance. If Busan actively draws on these models, it can move beyond its status as Korea's second-largest city and establish itself as a gateway to Northeast Asian finance.

Designing a Busan-Style Common Law Model

Adopting common law is not about replacing Korea's civil-law system. Rather, the key lies in parallel and harmonious operation. While maintaining civil law as the national legal framework, Busan could apply common law principles—limited to designated areas such as the Busan International Financial Center (BIFC)—for financial transactions, contract interpretation, and dispute resolution. By designing a system that permits the use of common law within a defined scope, Busan can secure the legal flexibility and predictability demanded by international financial markets without disrupting the domestic legal order. Three foundational elements are essential for this approach.

First, a legislative foundation is required. A Special Act on the Busan International Financial Center should clearly define the scope and methods of applying common law, as well as the authority of related institutions.

Second, judicial infrastructure must be established. Independent courts and international arbitration centers specializing in financial disputes should be created to ensure swift and professional resolution. Participation by judges and legal professionals from common law jurisdictions such as the United Kingdom, Singapore, and Hong Kong would significantly enhance credibility and international acceptance.

Third, the development of human capital is indispensable. Through integrated education and training programs involving law schools, arbitration institutions, and financial organizations, Busan must cultivate professionals capable of understanding and applying common law in actual financial transactions.

If these elements are developed in stages, Busan can pursue substantive institutional reform aligned with constitutional principles while meeting the demands of international financial markets.

Busan's Differentiated Strategy: A Digital Maritime and Derivatives Finance Ecosystem

Busan's greatest competitive advantage lies in its structural combination of maritime industry and exchange infrastructure. As a city with one of the world's top five ports and a concentration of shipbuilding and logistics industries, Busan is ideally positioned for the growth of shipping and ship finance. When combined with the Korea Exchange's expertise in derivatives markets, Busan can naturally evolve into a global hub for maritime and derivatives finance.

The common law system provides the most suitable legal foundation for this domain. Ship finance, marine insurance, and derivatives contracts have historically developed under common law and function as de facto global standards in international finance and shipping. For example, arbitral awards of the London Maritime Arbitrators Association (LMAA) and the United Kingdom's Marine Insurance Act 1906 have long served as governing norms in global maritime transactions. If Busan establishes itself as a financial specialization zone grounded in common law, global shipowners and shipping companies will be far more likely to choose Busan as a base for contract execution and dispute resolution. This would form a decisive foundation for Busan's rise as a core hub of Northeast Asian maritime finance.

This outlook is further supported by the domestic ship finance market. As of the end of 2024, ship finance for Korean shipping companies reached approximately USD 8.77 billion in annual execution and USD 24 billion in outstanding balances. The steady expansion of shipping and ship finance demand centered on Busan demonstrates the city's capacity to form a maritime finance ecosystem and to strengthen its status as a global financial hub.

Beyond this, Busan is actively integrating emerging technologies such as blockchain and stablecoins into its financial infrastructure. Blockchain can enhance transparency and trust in maritime logistics and transactions, while stablecoins can serve as reliable settlement instruments in international maritime finance. The development of a digital maritime finance ecosystem leveraging these innovations will significantly reinforce Busan's competitiveness and lay the groundwork for setting new global standards in maritime and financial markets.

Challenges in Institutional Adoption

The introduction of such a system entails substantial challenges. Jurisdictional coordination between civil law and common law, constitutional compatibility, and the recruitment of specialized judges, lawyers, and regulatory experts with common law all require careful examination and preparation. However, as demonstrated by the experiences of DIFC and AIFC, these challenges are far from insurmountable with proper institutional design and a phased approach.

The most critical issue ultimately lies in securing and cultivating the professional human resources necessary to operate the system in practice. If Busan's universities and research institutions take the lead in strengthening education and research aligned with global standards—such as international financial law, arbitration, and regulatory policy—Busan can secure not only institutional design capacity but also the human foundation required for sustainable operation. Legal institutions function effectively only when supported by professionals who deeply understand their structure and purpose and can apply them dynamically in real-world contexts. The accumulation of such human capital will be the decisive factor in the success of a Busan-style financial legal framework.

Busan's Vision: A Financial City Embracing Global Norms

Finance is fundamentally an industry built on trust. Before assessing business prospects or expected returns, investors first evaluate the legal stability and predictability of a jurisdiction. For Busan to become an attractive choice for global financial institutions and investors, it requires more than port scenery or cost competitiveness. Above all, it must offer a stable and coherent legal order, as well as a fair and professional dispute resolution system. Only under such conditions will international capital place its trust in Busan.

Busan's pursuit of adopting common law is not merely an attempt to alter part of its legal system. It represents a strategic choice to communicate in the legal language used by global financial markets and to transform legal trust into a new source of financial competitiveness. When Busan can understand and utilize the legal systems that serve as the standard for international financial transactions, it will truly establish itself as a global financial city.

Busan now stands at a critical turning point in its journey toward becoming a financial hub. Beyond physical infrastructure and administrative support, it is time to internationalize its legal foundations. By embracing common law as a global legal language, Busan will solidify its standing as an international financial hub—and, in doing so, mark a new starting point for reimagining the future of Korean finance.

A Study on the Introduction of Sustainability-Linked Bonds (SLBs) by Busan Metropolitan City

Busan's ESG financial market achieves significant quantitative growth, accounting for 55.7 percent of total domestic ESG bond issuance. However, issuance remains heavily concentrated in public-sector social bonds (S), underscoring the need to expand activity in the environmental (E) sector and to encourage greater private-sector participation. This report explores the feasibility and structural design for Busan Metropolitan City to become the first local government in Korea to introduce Sustainability-Linked Bonds (SLBs). By analyzing major international cases and proposing implementation measures tailored to Busan's circumstances, this study provides a practical foundation for Busan to establish itself as a financial hub that systematically advances sustainable finance. Busan's pioneering issuance of SLBs reinforces the roadmap toward becoming a sustainable finance city grounded in policy credibility and serves as a catalyst for more balanced development within Korea's ESG financial market.

01
Background of Review

Globally, ESG (Environmental, Social, and Governance) management serves as a core source of competitiveness for both corporations and nations. This trend extends beyond corporate management strategies and shapes financial transactions and capital-raising structures across the market. Accordingly, Korea's ESG financial market continues to expand rapidly; however, structural imbalances persist, with issuance heavily concentrated in public-sector social bonds and private-sector participation remaining limited.

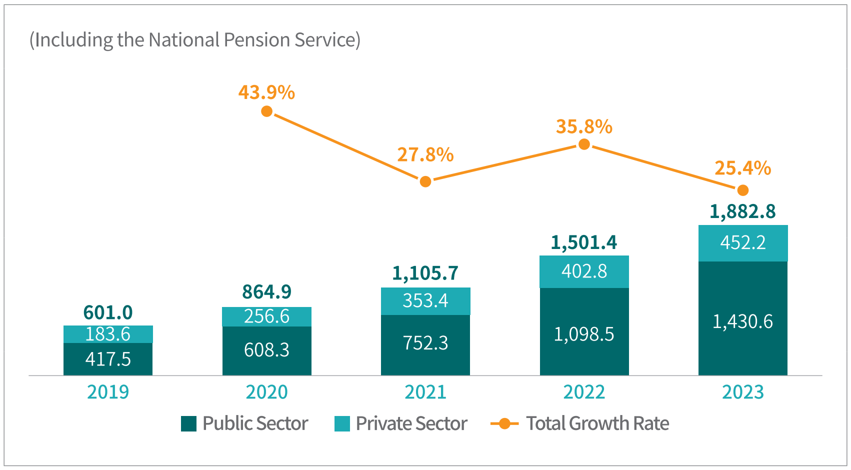
Recently, Sustainability-Linked Bonds (SLBs) have attracted growing attention in global ESG financial markets. SLBs do not restrict the use of proceeds to specific projects. Instead, their interest rates are linked to the issuer's achievement of predefined Key Performance Indicators (KPIs). As performance-based instruments, SLBs incentivize organization-wide ESG performance improvements and can also serve as effective tools for implementing government policy, with strong potential for market growth.

In April 2025, Busan ranks 24th in the Global Green Finance Index (GGFI), placing it ahead of Seoul (26th) and gaining recognition for its potential in green finance. Numerous major public institutions that actively issuing ESG bonds are located in Busan, and the city demonstrates strong policy commitment by identifying "establishing a foundation for green finance growth" as a key task under the Busan Financial Industry Development Plan (July 2023). Accordingly, this is a critical juncture for proactive and strategic measures to strengthen the green finance specialization of the Busan Financial Hub..

02
Current Status of Domestic ESG Finance

Korea's ESG financial market expanded by 213.3 percent over the five years from 2019, reaching KRW 1,882.8 trillion as of the end of 2023. By category, ESG investment accounted for KRW 795.5 trillion (42.2 percent), ESG loans for KRW 761.8 trillion (40.5 percent), ESG bond issuance for KRW 244.7 trillion (13.0 percent), and ESG financial products for KRW 80.7 trillion (4.3 percent).

Figure Growth Trend of ESG Financial Balances by Year



Source: 2023 Korea ESG Finance White Paper (2025)

Table Type Classification and Criteria

Type	Detailed Category	Amount (KRW trillion)	Share (%)
ESG Investment	Equity, bonds, and alternative investments	795.5	42.2%
ESG Loans	Corporate loans, personal loans, and project finance	761.8	40.5%
ESG Bonds	Green bonds, social bonds, sustainability bonds, and sustainability-linked bonds	244.7	13%
ESG Financial Products	Insurance, deposits and savings, credit cards, and funds	80.7	4.3%

ESG bonds are classified into green bonds, social bonds, sustainability bonds, and sustainability-linked bonds (SLBs). In 2023, domestic ESG bond issuance totaled KRW 244.7 trillion, representing a 24.3 percent year-on-year increase. Social bonds accounted for KRW 211.6 trillion (86.5 percent) of total issuance, and most of these social bonds were issued by the Korea Housing Finance Corporation to raise funds to finance housing supply.

Table Types and Characteristics of ESG Bonds

Type	Description
Green Bond	Bonds issued to finance projects related to environmental protection and climate change response; proceeds are limited to environmentally beneficial uses such as carbon reduction, building energy efficiency, electric vehicles, and renewable energy expansion.
Social Bond	Bonds issued to finance projects that generate social value; proceeds are limited to uses addressing social issues such as support for SMEs and microbusinesses, job creation, and assistance for vulnerable groups.
Sustainability Bond	Bonds issued to finance both environmental and social projects, combining green and social uses of proceeds.
Sustainability-Linked Bond	Financial instruments that link the issuer's sustainability objectives to financial conditions, allowing funds to be raised for general purposes regardless of specific eligible projects.

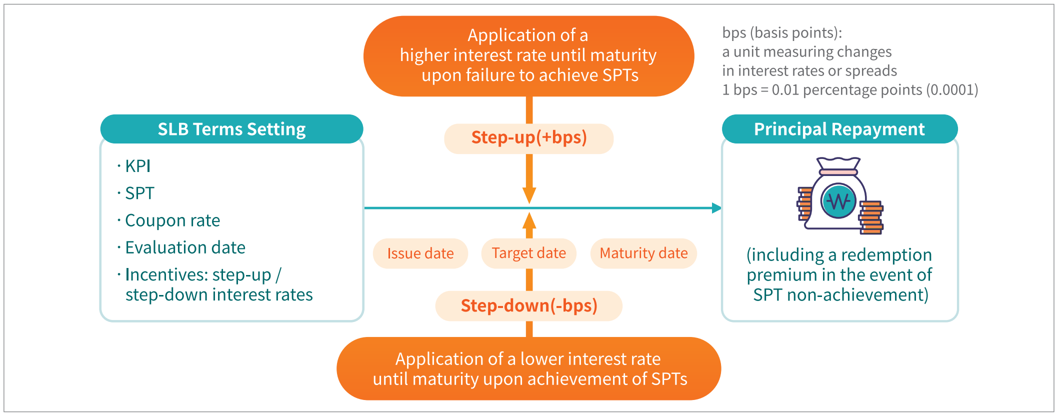
Source: NICE Investors Service (2025)

Busan occupies a pivotal position in Korea's ESG financial market. As of June 2025, institutions located in Busan issued ESG bonds totaling KRW 141 trillion, representing approximately 55.7 percent of total ESG bond issuance nationwide. However, public-sector social bonds dominate, while the shares of green bonds (1.1 percent) and sustainability bonds (0.1 percent) remain relatively low. This indicates that, although Busan's ESG financial market has a solid quantitative base, additional momentum is required to stimulate growth in the environmental (E) sector and to expand private-sector participation.

03 Characteristics of SLBs and Domestic and International Cases

SLBs are performance-linked financial instruments in which the issuer's overall achievement of sustainability objectives affects the bond's interest rate, distinguishing them from conventional ESG bonds. KPIs are indicators used to measure sustainability performance—such as greenhouse gas emissions or the share of renewable energy use—while Sustainability Performance Targets (SPTs) represent specific and ambitious quantitative goals set by the issuer. A typical structure provides for a step-up in the interest rate payable to investors if the issuer fails to meet the SPTs.

Figure Basic Structure of an SLB/Source: Korea Capital Market Institute (KCMI) (2023)



Source : KoreaCapitalMarketInstitute(2023)

Internationally, sovereign-led issuance of SLBs has gained momentum since 2022, with countries such as Chile, Uruguay, Thailand, and Slovenia increasingly adopting SLBs in the public sector. Notably, Chile issued the world's first sovereign SLB in 2022 (USD 2 billion), achieving oversubscription of more than four times. In Korea, following the introduction of the SLB framework through the Korea Exchange in October 2022, Hyundai Capital issued SLBs in 2023, Korea South-East Power (KOEN) in 2024, and Korea Western Power (KOWEPO) in 2025, resulting in three issuance cases to date.

04

Busan's Carbon Neutrality Policy and Policy Recommendations for SLB Adoption

In 2024, Busan Metropolitan City established the First Basic Plan for Carbon Neutrality and Green Growth. From 2024 to 2030, Busan plans to invest KRW 16.9 trillion to reduce greenhouse gas emissions by 45 percent compared to 2018 levels by 2030. This reduction target can also be linked to SLB KPIs and SPTs as part of an issuance strategy. This can be structured as follows.

Accordingly, Busan Metropolitan City needs to introduce SLBs in order to:

① secure momentum for implementing carbon neutrality policies;
② achieve balanced growth within the regional ESG financial ecosystem; and
③ enhance Busan's standing as a global financial hub.

First, issuing SLBs linked to the City's First Basic Plan for Carbon Neutrality and Green Growth can serve not merely as a financing tool but also as a means of implementing climate action goals. Second, encouraging SLB issuance by affiliated public institutions can broaden participation across the public sector and help expand the current structure—heavily concentrated in social bonds (S) — to include the environmental (E) sector. Finally, SLBs can function as a strategic tool to strengthen Busan's international standing.

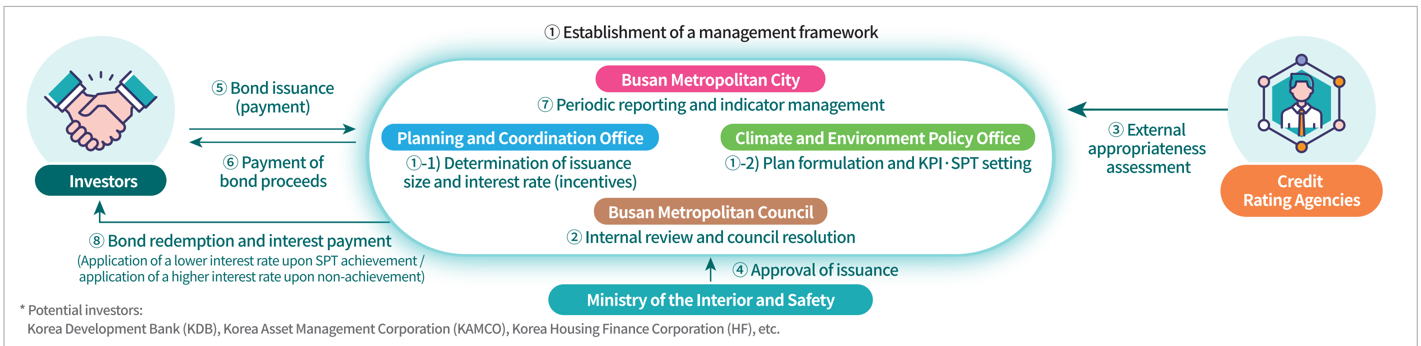
The GGFI, which evaluates the green finance capabilities of financial centers, is closely correlated with the Global Financial Centres Index (GFCI). GGFI reports emphasize that, under current inflation and interest rate conditions, SLBs can be more attractive instrument than traditional bonds. If Busan pioneers the adoption of SLBs, it can solidify its image internationally as a "sustainable finance city," sending positive signal for future international networks and investment attraction.

Practical challenges also remain. SLBs require additional procedures, including target setting and external verification, and require sustained and consistent coordination across relevant departments. From an investor perspective, interest rate variability may also be a concern. Nevertheless, Busan possesses sufficient capacity and enabling conditions to pursue SLBs, including strong ESG capabilities, clear policy commitment, and a robust public-institution infrastructure.

To address these challenges, the Busan Finance Center (BFC) will promote the need for SLB adoption and raise awareness among Busan Metropolitan City and its affiliated public institutions. In parallel, BFC will systematically assess the feasibility in cooperation with external experts, including SLB arrangers and credit rating agencies.

In the era of the climate crisis, sustainable finance is no longer optional but increasingly essential. If Busan issues bonds linked to its carbon neutrality targets, this represents a responsible commitment to citizens, investors, and the international community and sets an important precedent for other local governments and private enterprises in Korea. Busan has already built meaningful capabilities in sustainable finance. Now is the time to translate those capabilities into action.

Figure Role Structure for SLB Issuance by Busan Metropolitan City and Its Affiliated Public Institutions (Draft)



Where Finance Meets Technology: KOSCOM

Powering Korea's Capital Markets IT Infrastructure

Ph.D., CEO, KOSCOM

Yun Chang Hyun

Yun Chang Hyun, CEO of KOSCOM, previously served as a research fellow at the Korea Institute of Finance and as a professor in the Department of Business Administration at the University of Seoul. From 2012 to 2015, he served as the 7th President of the Korea Institute of Finance. Since September 2024, he has been leading KOSCOM's innovation initiatives as CEO, drawing on his extensive experience in capital market infrastructure and digital transformation.

KOSCOM was established when the computerization of Korea's capital markets was still in its infancy to develop, operate, and manage core IT systems for securities-related institutions and brokerage firms. By pioneering the introduction of advanced IT technologies to the capital markets and building a stable, trusted infrastructure, KOSCOM has played a pivotal role in advancing the growth and modernization of Korea's capital markets.

Where Finance Meets Technology: KOSCOM

Powering Korea's Capital Market IT Infrastructure

Business Areas

KOSCOM develops and operates the Korea Exchange's trading and matching systems and provides infrastructure and end-to-end IT services for financial investment companies.

Key Functions of KOSCOM

Capital Market IT Services	· Development and operation of Korea Exchange market systems · Operation of the nighttime derivatives market · Operation of Korea Exchange market surveillance systems	· Operation of foreign investor management systems · Export of capital market IT infrastructure overseas · Development and operation of the Korea Financial Investment Association's OTC stock trading system
IT Services for Financial Investment Companies	· PowerBASE · Mobile solutions	· Financial investment solutions
IT Infrastructure Services	· Ultra-high-speed communications network services	· Data center services
Financial Data Services	· Market price information services · CHECK Expert+	· Processed data services · MyData brokerage services
Financial IT Services	· Cloud services · Authentication services · Joint tokenized securities platform services	· Robo-advisor testbed · Research and development (R&D) · Fintech support programs

01 Operating Stable IT Services for Korea's Capital Markets

KOSCOM is the only institution responsible for developing and operating the trading and matching systems across all markets of the Korea Exchange. By reliably processing millions of orders and quotes per second, KOSCOM strengthens market integrity and enhances the technological competitiveness of Korea's capital markets.

02 Providing Comprehensive IT Services to Financial Investment Companies

KOSCOM provides integrated support for core IT functions of financial investment companies, including account management and the trading and settlement of equities and futures. It also delivers a broad range of solutions, such as mobile trading platforms and non-face-to-face account opening services.

03 Building and Operating Capital Market IT Infrastructure

KOSCOM operates a dedicated securities network and finance-specialized data centers jointly used by the securities and derivatives markets and financial investment companies. Through these capabilities, KOSCOM provides a stable operational foundation for the capital market as a whole.

04 Strengthening the Foundation for Growth in the Financial Data Industry

KOSCOM collects and processes real-time transaction, price, and index data and provides them to financial institutions, information service providers, and investors. By building accurate and reliable financial information infrastructure, KOSCOM contributes to the continued development of the capital market ecosystem.

05 Supporting Digital Transformation and Innovation in the Financial Industry

KOSCOM provides critical technologies for digital transformation, including cloud services, authentication solutions, robo-advisory capabilities, and tokenized securities platform technologies, helping drive innovation across the financial industry.

06 Fostering a Culture of Communication and Shared Growth

KOSCOM works with a broad range of partners—including financial institutions and fintech firms—to build a collaborative ecosystem. Through various social contribution initiatives, KOSCOM also lays the foundation for sustainable growth together with local communities.

Mission	A sustainably growing company that contributes to the development of the capital market by leading IT services			
Vision	A digital innovator that creates new value in finance			
Core Values	Customer orientation	Spirit of challenge	Pursuit of excellence	Shared growth
Management Policy	A company that grows together with its employees by securing momentum for sustainable growth			
Management Strategy	Strengthening competitiveness in capital market IT infrastructure	Providing customer value–oriented financial IT services	Promoting new businesses based on digital technologies	Enhancing internal capabilities

Introduction of Financial Institutions in Busan

Capital Market IT Services

KOSCOM builds and operates all trading systems across Korea's capital markets, including the Korea Exchange's KOSPI and KOSDAQ equity markets and derivatives market.

Key Services

01	02	03	04	05
Development and operation of Korea Exchange market systems	Operation of the nighttime derivatives market	Operation of Korea Exchange market surveillance systems	Operation of foreign investor management systems	Development and operation of the Korea Financial Investment Association's OTC stock trading system

Overseas Export of Capital Market IT Infrastructure

KOSCOM exports capital market IT infrastructure to Malaysia, Thailand, Azerbaijan, Vietnam, Laos, Cambodia, and Uzbekistan.

IT Services for Financial Investment Companies

KOSCOM provides comprehensive IT services that support the core business of capital market participants, including financial investment companies such as securities firms, asset management companies, and futures companies as well as related institutions.

Key Services

01 PowerBASE

A total outsourcing service that supports end-to-end IT operations of financial investment companies, including account management; trading of equities, futures, and financial products; deposits and withdrawals; and accounting.

02 Financial Investment Solutions

Specialized solutions tailored for domestic and overseas institutions, foreign securities firms, and professional investors.

STP-HUB	Real-time financial transaction routing hub system: Enhancing inter-financial institution transaction efficiency and reliability
KOSMOS	Specialized system for foreign securities firms: Providing overseas DMA order placement and global settlement and clearing functions
K-FRONT	High-performance order execution solution optimized for professional traders

IT Infrastructure Services

KOSCOM provides IT infrastructure, including dedicated networks and data centers, to ensure the stable operation of capital markets.

Key Services

01 Ultra-high-speed Communications Network Services
A capital market–dedicated ultra-high-speed network that connects spot and derivatives market orders, executions, and price information in real time and links securities firms, futures companies, and major institutions.

02 Data Center Services
Operation of finance-specialized data centers (Yeouido, Anyang, and Busan) supporting primary and disaster recovery (DR) systems for domestic and overseas institutions.

Financial Data Services

KOSCOM collects and processes real-time capital market transaction data and provides accurate price information to domestic and overseas financial institutions and investors, supporting market credibility and efficient decision-making.

Key Services

01 Market Price Information Services
Real-time provision of execution, quotation, and index information across on-exchange and OTC markets, including equities, bonds, and derivatives.

02 MyData Brokerage Services
Provision of platforms and operational services for MyData mandatory institutions and brokerage institutions, including management of personal credit information transmission requests and standardized API support.

Financial IT Services

KOSCOM delivers innovative financial IT services that lead digital transformation, including cloud and tokenized securities solutions.

Key Services

01 Cloud Services
Provision of cloud computing and solutions necessary for digital transformation of financial services, based on finance-specialized cloud infrastructure.

02 Joint Tokenized Securities Platform Services
Provision of a jointly utilized platform to enhance accessibility to the early tokenized securities market and reduce redundant IT investments among participating entities.

03 Robo-advisor Testbed
Provision of a testing and performance evaluation environment for robo-advisor models to verify AI- and algorithm-based advisory and discretionary services.

Offshore Financial Centers, Tax Havens, and International Taxation

Senior Foreign Attorney
Jung-hong KIM

Dr. Jung-hong Kim built his career in international taxation through roles at the Tax Policy Bureau of the Ministry of Economy and Finance, as a Research Officer for Tax Affairs at the Supreme Court of Korea, and at the OECD Korea Policy Centre. Since joining Lee & Ko in 2021, he has provided advisory and response services across a broad range of cross-border matters, including tax law, tax treaties, and transfer pricing issues.

Offshore Financial Centers (OFCs) = Tax Havens?

"Offshore Financial Center" (Offshore Financial Center; hereinafter "OFC") and "Tax Haven" are indispensable terms in discussions of international finance and international taxation. Are they the same, or are they similar, but distinct concepts?

While OFCs and tax havens are closely related, they are not identical and differ in important respects. An OFC is generally characterized by (i) providing services primarily to non-residents; (ii) operating under a preferential regulatory environment; and (iii) offering low-tax or zero-tax regimes—while delivering financial services to non-residents on a scale that far exceeds the size of the jurisdiction's domestic economy.[1]

By contrast, a tax[2] is generally defined as a jurisdiction where taxes are nonexistent or very low. When the Organisation for Economic Co-operation and Development (OECD) launched its work on Harmful Tax Practices in 1998, it identified four key elements: (i) low or zero taxation; (ii) inadequate information exchange about taxpayers; (iii) lack of transparency; and (iv) a lack of substantial activities (so-called "booking centers").

Among the entities established in OFCs and tax havens, the one most familiar to us is the offshore holding company[3], typically formed to hold equity interests in subsidiaries and to obtain tax advantages, specifically reduced taxation on dividends and capital gains arising from such holdings. Beyond this, OFCs and tax havens are commonly used to establish a range of offshore intermediary entities, including captive insurance companies[4], employee leasing companies[5], international shipping

and aviation companies[6], offshore trading companies[7], offshore banking companies[8], and royalty routing companies[9].

In sum, because an OFC is defined by the provision of financial services tailored to non-residents and often also exhibits the core features of a tax haven, the two concepts largely overlap in practice.

Taking this reality into account, this article treats OFCs and tax havens as effectively synonymous. It then reviews the current regulatory landscape for OFCs and tax havens under the BEPS-driven international tax regime.

Regulatory Trends for OFCs and Tax Havens Before and After BEPS

❶ Various "Leaks" Cases

Tax evasion involving tax havens became a shared concern of the international community in the 2000s. A prominent example was the 2009 UBS whistleblower case in Switzerland. In that case, a U.S. employee of UBS provided the U.S. government with information on accounts held by U.S. clients, triggering a sweeping investigation by U.S. authorities. Ultimately, Switzerland yielded to U.S. pressure: UBS provided the names of approximately 4,500 U.S. clients to the United States and paid a fine of around KRW 880 billion. The case marked a turning point that effectively ended Switzerland's long-standing tradition of bank secrecy.

Subsequently, the media and civil society organizations[10] succeeded in elevating BEPS into an international political issue by releasing leaks that exposed how high-net-worth individuals and multinational enterprises used tax havens for tax avoidance. For example, the LuxLeaks disclosures in November 2014 revealed that the Luxembourg government had facilitated corporate tax avoidance through tax rulings issued to approximately 340 companies between 2002 and 2010[11], triggering global repercussions. Since then, the Panama Papers[12], Paradise Papers[13], Pandora Papers[14], and other major leaks have continued to emerge.

1 This definition is drawn from an IMF Working Paper published in 2007, authored by Ahmed Zoromé.

2 The term "tax haven" is no longer commonly used within the OECD, where "low-tax jurisdictions" is increasingly preferred. In this article, however, the familiar term "tax haven" is retained.

3 Jurisdictions suitable for establishing offshore holding companies vary. In the Asia-Pacific region, Singapore is a representative jurisdiction; in Europe, the Netherlands is commonly cited.

4 A captive insurance company is a subsidiary established to underwrite the business risks of companies within a multinational enterprise group. Representative jurisdictions include tax havens such as Bermuda and the Cayman Islands.

5 An employee leasing company dispatches outsourced personnel to perform business support or administrative functions for client companies. Representative examples include India and the Philippines, and such entities commonly located in low-labor-cost jurisdictions across multiple continents.

6 International shipping is widely known to take advantage of flag-of-convenience regimes, under which shipping companies register vessels in certain jurisdictions to benefit from relaxed regulatory requirements and tax incentives; Panama and Liberia are representative examples. International aviation likewise utilizes jurisdictions such as Bermuda, the Cayman Islands, the Bahamas, and Ireland, which offer regulatory and tax advantages related to aircraft registration and leasing. These jurisdictions attract companies by providing one-stop services encompassing aircraft finance and insurance. More recently, Malta and India have also operated preferential regimes for aircraft leasing.

7 An offshore trading company purchases goods from related parties or third-party suppliers and sells them to importers abroad. Such entities are typically established in jurisdictions that apply low-tax or no-tax treatment to offshore trading profits. Representative examples include Mauritius, the British Virgin Islands, the Cayman Islands, Gibraltar, and the Isle of Man.

8 An offshore banking company is licensed to conduct banking business in its jurisdiction and performs functions such as cash management, group financing, lending to subsidiaries, and other forms of financial risk management. It may also provide deposit services to foreign customers, and withholding tax on interest is often exempt. While bank secrecy previously shielded depositor identities, such secrecy has effectively ceased in the post-BEPS initiative. Representative jurisdictions include Switzerland, the Cayman Islands, Luxembourg, and Liechtenstein.

9 Royalty routing companies hold intellectual property (IP) and license it to foreign companies in exchange for royalties, benefiting from low-tax or no-tax treatment on such income. Representative jurisdictions include Cyprus, Ireland, the Netherlands, and Malta, which attract IP-holding companies through extensive tax treaty networks.

10 Representative civil society and investigative organizations include the Tax Justice Network, the ICIJ (International Consortium of Investigative Journalists), and the BEPS Monitoring Group.

11 The LuxLeaks materials were provided by an employee of PwC and comprised approximately 28,000 pages.

12 The Panama Papers, leaked in April 2016, consist of confidential documents from the Panama-based law firm Mossack Fonseca. They revealed information on approximately 214,000 offshore companies established in tax havens and detailed how wealthy individuals worldwide—including prominent politicians and celebrities—concealed assets and avoided tax scrutiny

13 The Paradise Papers, released in November 2017, consist of internal documents from the Bermuda-based law firm Appleby and exposed tax haven related transaction involving prominent global figures.

14 The Pandora Papers, leaked in March 2021, disclosed secret accounts held by 35 world political leaders and numerous billionaires, along with internal materials from 14 financial institutions.

❷ Harmful Tax Practices Forum

As noted above, the OECD pursued regulatory efforts from the late 1990s onward on the view that tax havens—including OFCs—constituted a root cause of harmful tax competition[15]. In the early 2000s, opposition from the U.S. Bush administration narrowed the debate to information exchange with tax havens ; however, as the BEPS initiative gained momentum in the mid-2010s, the direction of the discussion shifted[16]. Specifically, the debate on harmful tax practices was reorganized under BEPS Action 5 around strengthening the requirements for transparency and substantial activities. Implementation was monitored through peer review under the Inclusive Framework, in which approximately 150 OECD and non-OECD jurisdictions participated each year.

From a transparency perspective, five categories of tax rulings relating to specific taxpayers are designated[17], and jurisdictions issuing such rulings are required to conduct spontaneous exchanges of information with the tax authorities of relevant jurisdictions. According to the OECD, as of the end of 2024, more than 58,000 exchanges of information were conducted in relation to over 26,000 tax rulings on a cumulative basis.

Meanwhile, the substantial activities requirement imposed an obligation on each jurisdiction—whether operating a preferential tax regime or a no-tax (or low-tax) regime—to meet specified substance requirements. These requirements were defined in detail and monitored separately for intellectual property (IP)[18] income and non-IP[19] activity income[20].

❸ Transparency and Exchange of Information

Exchange of information refers to the provision of information by one tax authority to another, as necessary for the assessment and collection of taxes. Since 2009, when the G20 declared an end to bank secrecy in the wake of the global financial crisis, this cooperation framework evolved into an international organization-level consultative body: the Global Forum on Transparency and Exchange of Information for Tax Purposes (the "Global Forum"). Through peer reviews involving approximately 170 jurisdictions, including tax havens, the Global Forum monitors each jurisdiction's exchange-of-information systems and practices.

Information exchange is conducted either on request or through automatic exchange. Exchange of information on request is carried out pursuant to tax treaties or tax information exchange agreements. By its nature, when a request is made with respect to a specific tax case, the requested tax authority obtains the relevant information to the extent possible and transmits it to the requesting jurisdiction. Automatic exchange of information (AEOI) is implemented under the Convention on Mutual Administrative Assistance in Tax Matters as the parent treaty. Separate implementing arrangements are concluded for the automatic exchange of Country-by-Country Reports (CbCR)[21] and for the automatic exchange of financial account information[22], and bilateral exchanges between tax authorities are carried out within this multilateral framework[23]. Automatic exchange of financial information involves domestic financial institutions collecting financial account information on foreign residents in a prescribed format and periodically transmitting it to the relevant foreign tax authorities[24]. The Crypto-Asset Reporting Framework (CARF), scheduled to be introduced in 2026, is likewise expected to become subject to automatic exchange beginning in 2027. Through these mechanisms, exchange of information significantly enhances tax transparency. In addition to preventing tax avoidance and evasion, exchanged information is used in tax audits and contributes substantially to revenue collection. In particular, the expansion of exchange-of-information regimes is assessed to have contributed to an approximately 20% reduction in financial investment flows into OFCs between 2017 and 2024.

❹ Pillar Two (Global Minimum Tax)

As the final component of the 15 BEPS Actions, the OECD has addressed the tax challenges arising from the digitalization of the economy since 2018 through two pillars: Pillar One and Pillar Two. Pillar One reallocates a portion of multinational enterprises' residual profits to the jurisdictions where income is generated (source jurisdictions) based on specified criteria, while Pillar Two introduces a 15% global minimum tax to curb profit shifting to low-tax jurisdictions and the associated tax avoidance. At present, discussions on Pillar One have effectively stalled. Pillar Two, agreed at the OECD level at the end of 2021, has since been implemented through domestic legislation in OECD and EU member states as well as in certain developing economies, with the rules scheduled to take effect from next year. However, since the second Trump administration took office in January 2025, U.S. objections have driven discussions on adjustments to the existing framework, including the OECD's "side-by-side" package. This section examines how traditional tax havens are being affected by Pillar Two.

Pillar Two applies to multinational enterprise (MNE) groups with consolidated revenues of approximately KRW 1 trillion or more and consists of: (i) the Income Inclusion Rule (IIR), (ii) the Undertaxed Profits Rule (UTPR), and (iii) the Qualified Domestic Minimum Top-up Tax (QDMTT). The IIR is a mechanism under which, where the effective tax rate of a constituent entity (subsidiary) in its jurisdiction falls below 15%, the parent jurisdiction imposes an additional tax (top- up tax) equal to the shortfall. The UTPR is a backstop mechanism under which, where the jurisdiction in which the IIR taxing right arises (the parent jurisdiction) does not levy the top-up tax because it has not implemented Pillar Two, the jurisdictions of other constituent entities may impose the top-up tax on a supplementary basis. The QDMTT is a mechanism by which a low-tax jurisdiction levies, domestically, a top-up tax on the portion by which the effective tax rate of constituent entities located in its territory falls below 15%, thereby preventing the ultimate parent jurisdiction or other jurisdictions from imposing tax under the IIR or the UTPR. For example, if Vietnam applies various tax incentives to a local subsidiary of Samsung Electronics such that it is taxed at an effective rate of 10%, then, in principle, Korea would levy the remaining 5% top- up tax under the IIR. To prevent this outcome, Vietnam may levy that additional 5% top-up tax domestically through a QDMTT.

As a result of Pillar Two's structure, many tax havens and low-tax jurisdictions have introduced QDMTTs. Notable examples include the Bahamas, Barbados, Gibraltar, Mauritius, Cyprus, Hong Kong, Singapore, Guernsey, the Isle of Man, and Switzerland.

OFCs and Tax Havens: Where Are They Heading?

The discussion above summarizes the challenges that OFCs and tax havens pose within the international tax system and how they are evolving under the BEPS reform framework. The next question is whether the era of OFCs and tax havens is coming to an end, or whether they will adapt and develop new strategies for survival. The answer is closer to the latter. These jurisdictions continue to adjust to the evolving international tax environment and to attract multinational enterprises and high-net-worth individuals by offering advantages beyond taxation, including convenient residency options, well-developed financial and legal services infrastructure, economic stability, and access to global markets. From this perspective, the ongoing evolution of OFCs and tax havens warrants close attention.

15 "Harmful tax competition" refers to tax competition that distorts international trade, investment, and resource allocation and erodes national tax bases. The OECD's 1998 report on this subject is titled *Harmful Tax Competition: An Emerging Global Issue*.

16 The George W. Bush administration did not support the OECD's then-prevailing criteria for identifying tax havens, which focused on low or zero taxation and the absence of substantial business activity. Following the September 11, 2001 terrorist attacks, regulation of terrorist financing and financial transparency became international priorities, shifting attention toward exchange of information.

17 (i) rulings related to preferential regimes for specific taxpayers; (ii) unilateral advance pricing agreements (APAs) or other unilateral cross-border rulings on transfer pricing; (iii) rulings providing for downward adjustments of taxable profits; (iv) permanent establishment rulings; and (v) rulings on related-party conduit transactions.

18 For regimes granting benefits for IP income, the "nexus approach" applies, linking income derived from IP to the research and development activities that create the IP (e.g., patent box regimes).

19 Regimes granting benefits for non-IP income likewise require that core income-generating activities occur within the jurisdiction and that qualified full-time employees, sufficient operating expenditures, and a transparent compliance framework exist to substantiate such activities.

20 For the OECD's consolidated peer review results on harmful tax practices (preferential regimes) among Inclusive Framework members as of July 2024, see the OECD publication referenced in the original source material. (https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/harmful-tax-practices/harmful-tax-practices-consolidated-peer-review-results-on-preferential-regimes.pdf).

21 A report that includes, on a country-by-country basis, the revenues, taxes paid, and principal business activities of a multinational enterprise group with consolidated revenue of KRW 1 trillion or more, which is filed by the ultimate parent entity with the tax authority of its jurisdiction of residence.

22. Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information.

23 In 2010, the United States enacted unilateral legislation—the Foreign Account Tax Compliance Act (FATCA)—requiring information reporting by foreign financial institutions. Following resistance from many countries, automatic exchange has been conducted on a reciprocal basis through bilateral intergovernmental agreements (IGAs) between the United States and counterpart jurisdictions.

24 In 2023, information on more than 134 million financial accounts was exchanged automatically, representing financial assets with a total value of approximately EUR 12 trillion.

Ranked 25th in GFCI

- Global Financial Centres Index (GFCI), released in September 2025.
- Busan ranked 25th among 120 financial centers worldwide (10th in Asia)
- Achieved a record-high score of 734 points, the highest score ever attained

Appointment to the UNDP FC4S* Steering Committee

FC4S Hosted by UNDP

- Officially appointed as a Steering Committee Member of FC4S (Financial Centres for Sustainability), an international sustainable finance platform under the United Nations Development Programme (UNDP)

* FC4S is a global network of financial centers established in 2018 within the UNDP's Sustainable Finance Hub to support the implementation of the 2030 Agenda for Sustainable Development and the Paris Agreement

APAF* International Academic Conference Presentation

Date	July 16, 2025
Venue	62nd Floor, Busan International Finance Center (BIFC)
Speaker	Soon-gu Ahn, Director, Financial Research Division II
Topic	Toward a Global Financial Center: The Importance of Offshore Financing and Prospects for Busan

* The APAF (Asia-Pacific Association of Finance) International Conference is an academic forum bringing together financial experts and scholars from across the Asia-Pacific region to discuss financial engineering and innovation. The 2025 conference was held from July 15 to July 17 at the BIFC.

Financial Talent Development: BEFF+ Busan Financial Hub Open Campus

Period	July 1 – July 29, 2025
Program Overview	Practical training programs delivered by participating institutions to foster financial talent in the Busan–Ulsan–Gyeongnam region
Participating Institutions (AI Level-Up Training at BIFC)	Korea Exchange; Korea Securities Depository; Korea Asset Management Corporation; Korea Housing Finance Corporation; Korea Ocean Business Corporation; BNK Busan Bank; Korea Technology Finance Corporation; MF Center; Korea Housing & Urban Guarantee Corporation; Korea Financial Investment Association, among others
Participants	Approximately 80 undergraduate, on-leave, and graduate students from universities in Busan, Ulsan, and Gyeongnam

BFC Concert Series in Collaboration with the BIFC

Period	November 6, 2025 – January 27, 2026 (Four special performances: April 1, October 17, December 22, and December 24)
Venue	1st Floor, BIFC Lobby
Objectives	- To revitalize the financial hub through interaction between arts and finance and enhance the brand value of the Munhyeon Financial District in Busan - To support cultural engagement for visitors to the financial center and employees of tenant institutions
Performers	Busan City Art Organization, including the Busan Philharmonic Orchestra and the Busan City Choir

12th Global Finance Forum

Date	October 28, 2025
Venue	Crystal Ballroom, Lotte Hotel Busan
Theme	In the Age of AI, Leading Digital and Maritime Finance
Program Highlights	- Opening remarks by Myung-ho Lee, President, Busan Finance Center - Keynote speech by Michael Mainelli, Former Lord Mayor of the City of London - Lectures, presentations, and panel discussions on strategies for fostering digital finance and maritime finance in Busan

MOU with the Korea Maritime Institute

Date	August 5, 2025
Venue	D-Space, 63rd Floor, BIFC
Purpose	To strengthen cooperation in policy development for the advancement of the maritime finance industry
Key Areas of Cooperation	Analysis of trends and information sharing related to the maritime finance industry, joint research and surveys, development of sustainable maritime finance support systems aligned with green and digital transitions

Co-hosting of Leadership Network Event with the British Chamber of Commerce in Korea

Date	October 28, 2025
Venue	Paradise Hotel Busan
Theme	Inspiring Growth and Empowering Women
Key Participants	Lucinda Walker, President, British Chamber of Commerce in Korea (BCCK) Laura McLuckie, Busan Representative, BCCK Paul Edwards, Busan Chapter Lead, BCCK Michael Mainelli, Chairman, Z/Yen Group Joo-hyun Kim, CEO, Artel Valerie Won Lee, Korea Chapter Lead, WomenTech Network
Key Discussion Topics	Diversity, women's leadership, and governance as core elements in the development of international financial centers

AI–based anti–phishing Sharing & Analysis Platform (ASAP)

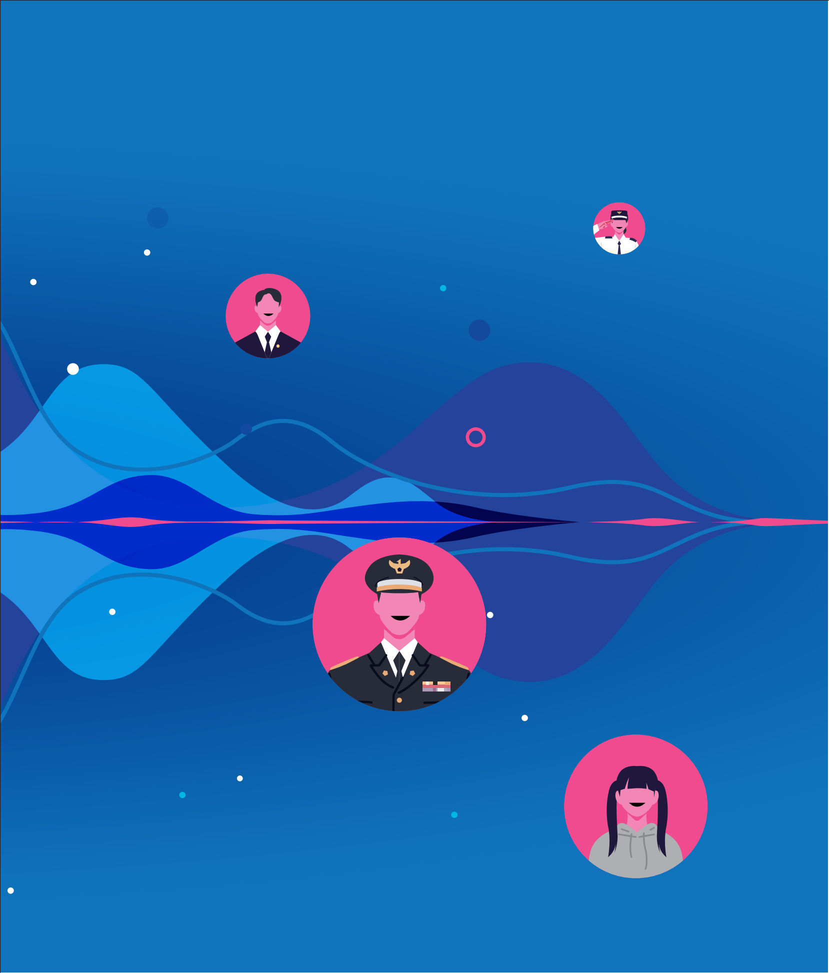
Existing Response Frameworks Face "Structural Limitations" in the Era of Sophisticated Crime

The Cambodian criminal syndicate case drew significant public attention this year. The case demonstrated how overseas criminal organizations meticulously linked domestic financial systems with foreign accounts to rapidly transfer illicit proceeds abroad, laying bare the structural weaknesses of Korea's current financial crime response mechanisms.

Police investigations into voice phishing crimes and individual financial institutions' Fraud Detection Systems (FDS) have identified overseas accounts used in such crimes only via complex and time-consuming administrative procedures.

Nevertheless, even when such information was identified, there was no infrastructure in place to ensure that it could be systematically and promptly shared across the entire financial industry.

As a result, when voice phishing incidents occurred, it was structurally difficult obtain an integrated view of mule accounts and related accounts dispersed across multiple financial institutions. Consequently, once illicit proceeds were transferred to overseas



accounts, it became extremely difficult to apply the payment suspension and refund procedures under the Special Act on the Prevention of Loss Caused by Telecommunications-Based Financial Fraud and Refund for Loss (the "Telecommunications Fraud Refund Act").

This challenge was compounded by the nature of voice phishing, which is typically driven by the misuse of personal information. As a result, information sharing among financial institutions often relied on non-digital channels such as telephone calls and fax transmissions. Ultimately, these legacy practices failed to deliver the speed required to recover stolen funds, resulting in a material gap in response capability.

The government came to recognize that, in preventing increasingly sophisticated voice phishing crimes, neither individual financial institutions nor existing response frameworks were sufficient, and that fundamental difficulties existed in recovering stolen funds within the "golden time."

To address these limitations, the Financial Services Commission (FSC) developed a new platform that integrates and digitizes voice phishing–related information dispersed across financial institutions, telecommunications providers, and investigative authorities. Building on this foundation, the platform enables real-time information sharing and AI-driven analysis to proactively detect and block crimes before losses occur.

Overview of the AI-based anti-phishing Sharing & Analysis Platform (ASAP)

On October 29, 2025, the Financial Services Commission(FSC) held the launch ceremony for the AI-based anti-phishing Sharing & Analysis Platform (ASAP) at the Financial Security Institute (FSI). The event was attended by relevant ministries and agencies—including the Office for Government Policy Coordination, the National Police Agency, the Financial Supervisory Service (FSS), and the Financial Security Institute—as well as industry representatives from the Korea Federation of Banks (KFB), the Korea Federation of Savings Banks, the Credit Finance Association of Korea, the National Agricultural Cooperative Federation, and the National Credit Union Federation, the Digital Asset Exchange Alliance (DAXA), and experts from the major technology companies and legal sectors. Participants engaged in in-depth discussions on the current status of voice phishing losses and the government's response strategy.

ASAP (AI-based anti-phishing Sharing & Analysis Platform; hereinafter "ASAP") is an AI-driven platform for sharing and analyzing voice phishing information. The name reflects its objective of "swiftly" blocking voice phishing losses affecting the public. The platform is jointly designed to enable participating institutions to share suspected voice phishing information identified across financial, telecommunications, and investigative processes in real time, and to detect and block crimes at an early stage through AI-based pattern analysis.

Approximately 130 financial institutions participated in the platform and established a framework that enabled them to share utilize, in real-time through ASAP, voice phishing crime response information spanning nine categories and 90 data items.

Key Features and Operational Framework of ASAP

❶ Scope and Categories of Shared Information (Nine Categories)

The key categories of information shared through ASAP are as follows:

· Account-related information on voice phishing victims (14 items)
· Account information actually used in voice phishing crimes (18 items)
· Information on accounts suspected of being used in or linked to voice phishing crimes (15 items)
· Information on overseas accounts used in voice phishing crimes (8 items)
· Other information required to determine the circumstances of incidents (12 items)
· Information confirmed through forged identification documents (8 items)
· Estimated loss information identified during police investigations (4 items)
· Phishing website detection information (5 items)
· Malicious application detection information (6 items)

Among these, information on accounts actually used in crimes and overseas accounts is shared in real time among ASAP participating institutions, given the need for proactive and rapid blocking.

For example, once a domestic account used by an overseas criminal organization is identified, the relevant account information is immediately disseminated to all financial institutions. Transactions attempting to transfer funds to the same account can then be blocked, thereby preventing illicit proceeds from being moved overseas.

By contrast, information on suspected and linked accounts is accumulated as training data for AI analysis and used to develop detection models that reflect emerging criminal techniques.

❷ AI-Based Detection Models and Utilization Methods

Based on data accumulated through ASAP operations, the Financial Security Institute plans to jointly develop AI-based risk indicator models with the financial sector. Participating financial institutions will be able to adopt the model using either of the following two approaches;

- Direct Operation Model

Financial institutions receive the jointly developed model from ASAP and operate it directly within their own AI infrastructure. This approach is suitable for large financial institutions with sufficient infrastructure and a high volume of suspected voice phishing transactions.

- API-Based Model

The joint model is operated within the Financial Security Institute's AI infrastructure. Financial institutions transmit suspected account information to ASAP, and the system returns a risk level (e.g., high, medium, or low) generated by the model. The results can then be used for each institution's internal screening and detection processes. This method is advantageous for institutions with limited infrastructure or relatively low volumes of suspected transactions.

AI analysis outputs and risk assessments will be rolled out to participating institutions in the first half of next year, following further data accumulation and model development.

Expected Effects

The launch of ASAP marks a transition from a response framework centered on individual financial institutions to a collective response system involving the entire financial sector and related agencies, thereby enhancing overall response effectiveness.

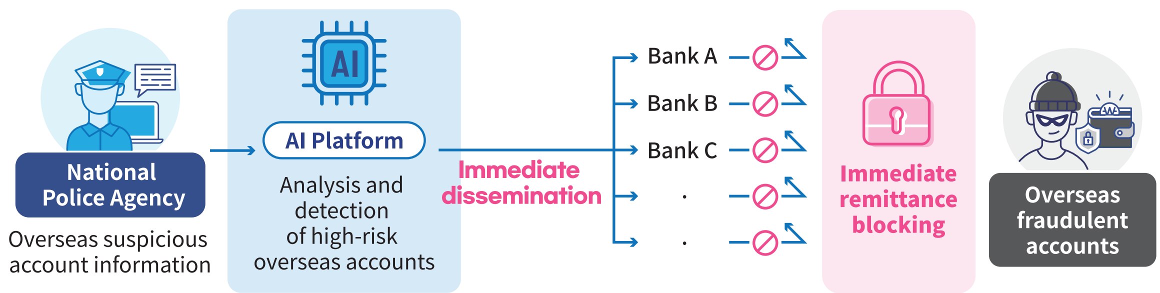
Figure 1 Timely Response to International Fraud Schemes

AI Monitoring of Cross-Border Transfers in Real Time

BEFORE → **AFTER**

BEFORE	AFTER
Information Utilization	**Information Utilization**
✓ Limited sharing of overseas suspicious account information held by the National Police Agency with financial institutions	✓ Real-time sharing of overseas suspicious account information ✓ Advance detection of high-risk overseas accounts and suspicious remittance patterns
Operational Process	**Operational Process**
✓ Even when overseas remittances appear suspicious, bank staff must manually contact other institutions for verification, during which time victim funds may be transferred and leaked overseas ✓ Once funds are transferred abroad, tracing and refunds are nearly impossible, severely limiting victim relief	✓ Immediate alerts and blocking measures upon identification of high-risk overseas accounts ✓ Transactions can be blocked directly at the transaction stage without manual confirmation or cross-institutional contact

Expected Effects



- Proactive prevention of international voice phishing crimes involving overseas criminal organizations
- Establishment of a system to prevent irreversible losses before remittance occurs

❶ Enhanced Response to Overseas Voice Phishing Organizations

Previously, even when overseas accounts used in crimes were identified, no mechanism existed to share such information rapidly across the financial industry. Once illicit proceeds were transferred overseas, payment suspension or refunds were, in practice, impossible in many cases. As of October 29, 2025, however, information on overseas accounts confirmed to have been used in voice phishing crimes is shared in real time among all ASAP participating institutions. In addition, outbound transfers to such accounts can be proactively blocked, enabling faster prevention of the outflow of stolen funds to overseas criminal organizations. (Figure 1).

❷ Improved Blocking of Organized Fraud Crimes

In the past, criminal organizations opened multiple mule accounts across various financial institutions and exploited fragmented information to design complex fund transfer routes. Individual institutions could identify only suspicious accounts within their own systems, making it difficult to grasp the entire network of crime-linked accounts. With ASAP, suspicious and linked account information across all financial sector is aggregated and shared, enabling a more comprehensive understanding of criminal fund flows. This also establishes a foundation for the rapid measures to freeze and recover funds when losses occur, thereby enhancing the practical effectiveness of blocking organized fraud. (Figure 2).

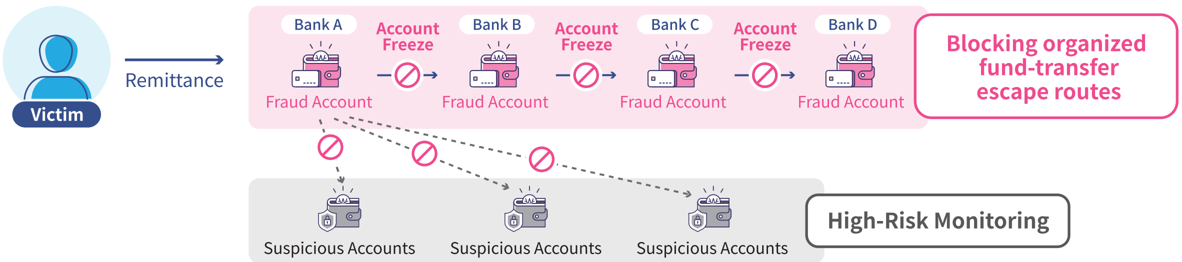
Figure 2 Blocking Organized Fraud

AI Connects Disparate Signals to Cut Off Organized Fraud at the Source

BEFORE → **AFTER**

BEFORE	AFTER
Information Utilization	**Information Utilization**
✓ Financial institutions can only use fragmented information held within their own institutions	✓ Comprehensive sharing of victim accounts, fraud-used accounts, and suspicious accounts across the entire financial sector *Transaction types, transaction methods, and account categories
Operational Process	**Operational Process**
✓ Each institution can take immediate action only on fraud-used accounts(offenders' personal accounts)	✓ Real-time intervention on victim and fraud-used accounts across the entire financial sector ✓ Even accounts not directly identified as fraud-used but frequently transacting with such accounts are classified as high-risk, incorporated into AI models, and managed systematically

Expected Effects



Rapid identification and blocking of organized fund-transfer escape routes used by voice phishing criminal networks

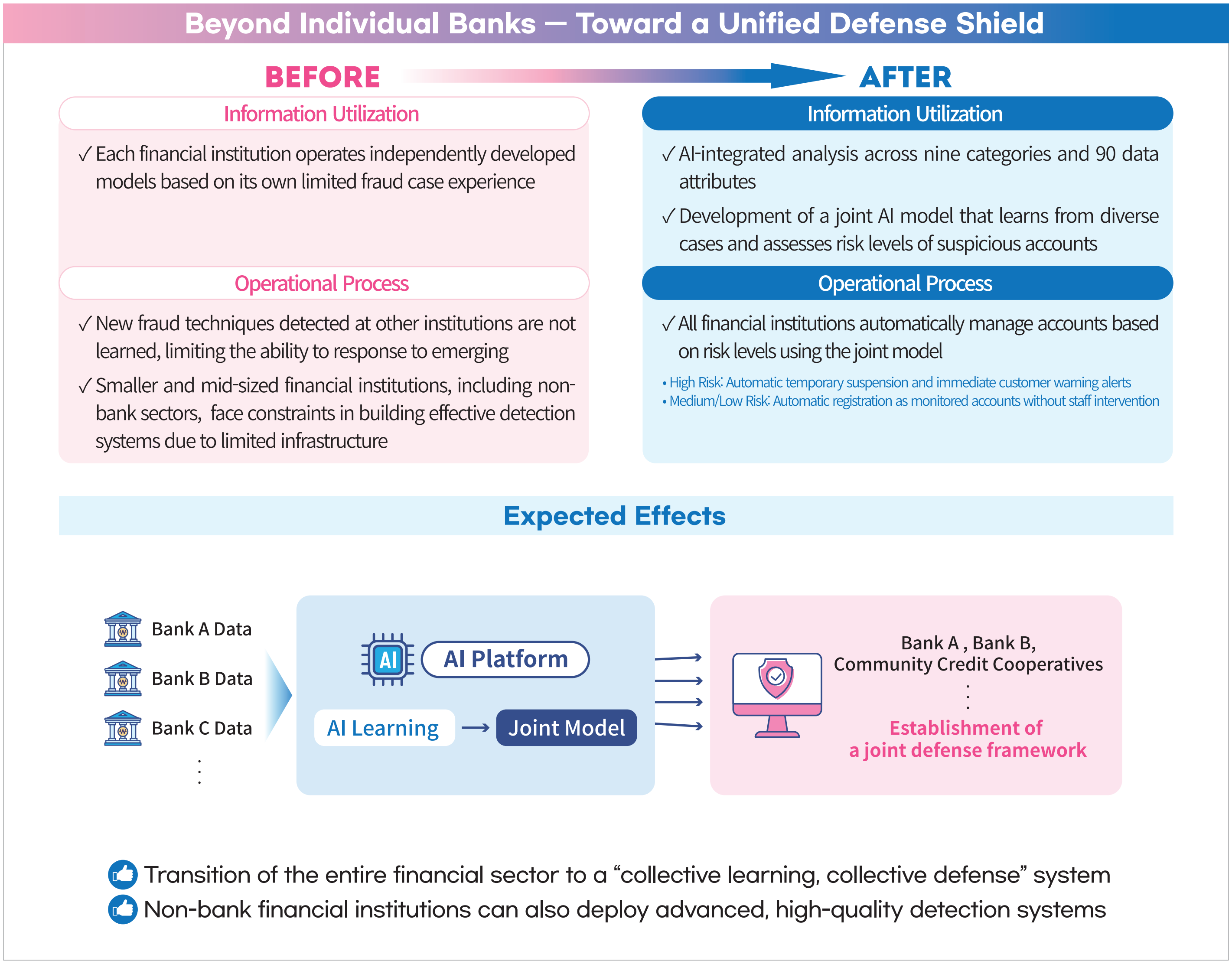
❸ Strengthened AI-Based Response to Emerging Crime Techniques

Voice phishing techniques have evolved into technology-intensive forms involving sophisticated scenarios, psychological manipulation, deepfakes, and malicious applications. Detection models based solely on limited proprietary data held by individual financial institutions have faced structural limitations in reflecting these latest techniques. Through ASAP, jointly developed detection models leveraging data from all participating institutions can be developed and shared. Large institutions can operate advanced models directly within their own infrastructure, while non-bank financial institutions with limited resources can achieve comparable detection capabilities through an API-based approach. This enables a shift from isolated response systems to a collective learning and defense framework (Figure 3).

❹ Rapid Information Exchange and Securing the Golden Time

Previously, identifying account information dispersed across multiple financial institutions required manual exchanges via telephone or fax, repeatedly delaying victim relief. With ASAP, victim and suspected account information is now shared in real time through a digital platform. This enables faster payment suspension, prevention of additional fund leakage, and initiation of recovery procedures at an early stage of incidents, thereby securing the golden time for victim protection (Figure 4).

Figure 3 Effective AI-Based Crime Detection



❺ Functioning as a Cross-Agency Collaborative Platform

Voice phishing is a cross cutting crime that spans multiple domains-such as the theft of personal information, telecommunications fraud, and financial account exploitation, underscoring the necessity of close collaboration among financial, investigative, and telecommunications sectors. ASAP expands participation beyond banks and non-bank financial institutions to include telecommunications providers and investigative agencies. It is also designed to link with the Integrated Response Task Force for Telecommunications and Financial Fraud to operationalize a one-stop victim relief framework (Figure 5).

Future Directions for Legal and Institutional Frameworks

Following the launch of ASAP, cross-agency consultations discussed the following directions for institutional improvement to eradicate voice phishing and strengthen financial security:

❶ Strengthening the Legal Grounds for Information Sharing and Expanding Victim Relief

Legal grounds for providing and sharing information—including personal data—will be clarified through legislation to enable concentrated sharing of suspicious information from investigative and telecommunications sectors via ASAP.

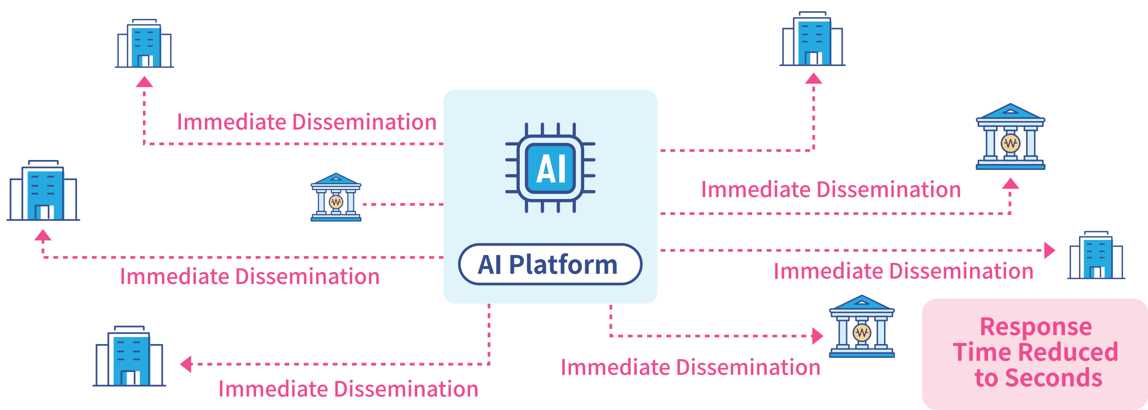
Figure 4 Digitized and Automated Interbank Information Exchange

From Phone Calls to AI — Near-Instant Payment Suspension

BEFORE → **AFTER**

BEFORE	AFTER
Information Utilization	**Information Utilization**
✓ Manual sharing of suspected fraud account information via telephone or fax	✓ Immediate, real-time sharing of suspected fraud account information through an integrated digital network across the entire financial sectors
Operational Process	**Operational Process**
✓ Detection → phone confirmation → internal approval → payment suspension, often taking tens of minutes ✓ Delays caused by staff unavailability risk missing the critical "golden time" for victim protection	✓ the all AI platform automatically executes alerts and payment suspension without staff intervention ✓ Full digitization of interbank confirmation processes eliminates loss incidents caused by "a single missed phone call"

Expected Effects



- The end-to-end process from detection to warning and suspension is reduced to seconds
- A 24/7 automated response system is enabled by real-time AI detection and alerts

Amendments to the Special Act on the Prevention of Loss Caused by Telecommunications-Based Financial Fraud and Refund for Loss will be pursued to allow broader victim relief, including cases involving virtual assets.

❷ Discussion on Introducing No-Fault Compensation Liability

In considering the introduction of no-fault compensation liability for financial institutions, both the effectiveness of consumer protection and the acceptability to financial institutions will be comprehensively evaluated. In consultation with the financial sector, legislative amendments addressing compensation requirements, limits, and procedures are to be prepared within the year.

❸ Strengthening the Overall Financial Security Framework

With CEOs across the financial sector held accountable, a comprehensive inspection of information security systems will be promptly completed. Legislative amendments to the Electronic Financial Transactions Act will be prepared, including the introduction of punitive surcharges for security breaches such as hacking, disclosure requirements for information security in the financial sector, and the

Figure 5 Integration of Non-Financial Data, Including Investigative and Telecommunications Information

AI Brings Invisible Clues to Light

BEFORE

Information Utilization

- ✓ Financial institutions can only use internal transaction data
- ✓ Non-financial data (e.g., device compromise, forged IDs, multiple line registrations) is managed separately by the National Police Agency and telecommunications providers, creating information gaps and time lags

Operational Process

- ✓ When fraud is not detected due to limited information, payment suspension is possible only after victims directly report losses
- ✓ Delays arise from fragmented coordination among banks, telecommunications providers, and investigative agencies

AFTER

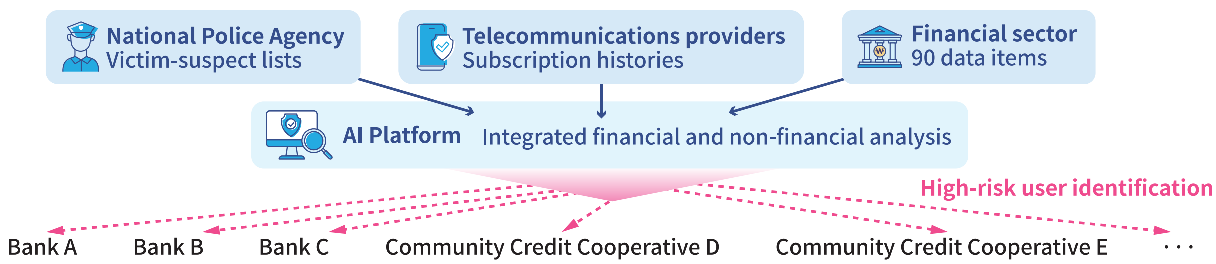
Information Utilization

- ✓ Centralized integration of non-financial data—such as victim-suspect lists from the National Police Agency and telecom subscription histories—into the AI platform
- ✓ AI performs combined analysis of financial and non-financial data to detect fraud attempts in advance, including such as personal data leaks, newly activated devices, multiple-line usage patterns

Operational Process

- ✓ AI platform automatically flags "high-risk users," prompting enhanced identity verification, temporary suspension, and other measures upon transaction attempts
- ✓ Continuous inter-agency cooperation is enabled through linkage with the Integrated Voice Phishing Response Task Force

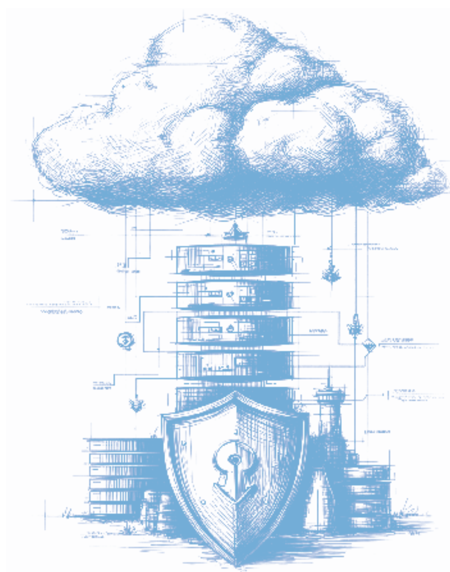
Expected Effects



- Integrated blocking of non-financial crime vectors such as malicious applications
- Significant reduction in victimization probability through proactive response to voice phishing driven by personal data-leaks

strengthened authority of Chief Information Security Officers (CISOs).

The Financial Services Commission will continue to build a comprehensive voice phishing response framework that reflects the reality of voice phishing crimes evolving into international and organized form of crimes. By strengthening financial institutions' preventive capabilities and accountability, enhancing AI and digital capabilities across the financial sector, and advancing cross-agency collaboration, the government aims to protect the lives and property of the public.



What Makes a Trusted International Finance Centre : The Jersey Experience

Chief Executive Officer, Jersey Finance
Joe Moynihan

Joe Moynihan, CEO of Jersey Finance, is an internationally recognized financial services professional with over 40 years of experience in the global finance industry. He previously served as CEO of the Jersey and Isle of Man operations of Allied Irish Banks (AIB), where he oversaw trust and investment businesses.
He later served as Director of Financial Services for the Government of Jersey, working closely with industry stakeholders and regulatory authorities, and played a key role in positioning Jersey as a leading international financial center.
Since February 2019, he has been CEO of Jersey Finance, leading its global promotion and international engagement strategy. He currently also serves as a Board Member of the World Alliance of International Financial Centers (WAIFC), contributing to the strengthening of cooperation among international financial centers worldwide.

Q.1 Please briefly introduce Jersey Finance and the role it plays for Jersey as an international financial center.

Jersey Finance, which is run as a not-for-profit organisation, represents and promotes Jersey as a forward-thinking international finance centre (IFC) of excellence. Jersey Finance is also the industry representative body, coordinating with the government and regulator on behalf of the industry on legislative and policy matters. Jersey's IFC has been independently assessed and recognised by leading bodies such as the World Bank, International Monetary Fund (IMF) and has been endorsed by authorities such as the Organisation for Economic Cooperation and Development (OECD) on tax transparency. Jersey ranks among the world's top jurisdictions for FATF compliance and was "compliant" or "largely compliant" with 39 of the 40 recommendations in its latest MONEYVAL evaluation. This level of technical compliance is achieved by only a few jurisdictions worldwide.

Q.2 How is Jersey's status as an international financial center defined in legal and institutional terms, and how does this differ from designated special zones such as Dubai?

Jersey is a self-governing Crown Dependency of Great Britain and is not, nor has it ever been, a member of the EU. It therefore has the independence to set its own legislation, regulations and taxes, while also adhering to international standards.

Q.3 Is there a dedicated governance or institutional framework that leads and coordinates Jersey's development as an international financial center?

The Government of Jersey sets the high-level financial policy and maintains relationships with the finance industry and the regulator under the Financial Services Policy Framework. Jersey's mature financial services ecosystem is underpinned by a sophisticated and expert governance framework involving stakeholders working together to protect and enhance Jersey's offer as a leading IFC. The Minister for External Relations has responsibility for financial services legislation and policy in Jersey. They are assisted by the Minister for Treasury and Resources.

Q.4 How has Jersey's common law tradition contributed to building trust and credibility among international investors?

Our legal certainty is built on the Island's history and professional experience. The stability and quality of Jersey's trust law, for example, a template adopted by many other jurisdictions worldwide, remains highly attractive to international clients, including those focussed on philanthropic and socially responsible wealth management. Jersey's independent and experienced judiciary and strong body of case law precedents provide a strong basis of trust and credibility.

> "The competitiveness of international financial centers is rooted not in institutions alone, but in trust. For Busan to advance as a global financial city, applying world-class regulatory standards, and engaging in strategic collaboration with global financial hubs is essential."

Q.5 What are the key strengths that have enabled Jersey to establish itself as a global financial hub?

Political independence with economic stability, an independent judiciary, the breadth and depth of the expertise found in Jersey, as well as the experience built over 60 years, are some of our IFC's key strengths.

Q.6 Which financial products or platforms are currently the most active and internationally connected within Jersey Finance?

The core solutions provided to global clients are banking, corporate services, funds, investment management and private wealth. This diverse and dynamic financial ecosystem is underpinned by expert accounting, law, insurance, and technology professional services firms.In July 2025, a series of targeted enhancements to the Jersey Private Fund (JPF) regime were announced[1]designed to meet the evolving needs of international professional investors and reaffirm Jersey's position as a cutting-edge alternative funds jurisdiction. The updates are intended to align Jersey's offering with the expectations of global investors, managers and fund promoters, while maintaining robust oversight and regulatory standards.

1 More information on these enhancements can be found on our website: Jersey Finance Welcomes Enhancements to Jersey Private Fund Regime | News | Jersey Finance

Q.7 Do you think the Dubai-style model—featuring separate governance bodies, a common law legal system in the financial sphere, and other unique features—plays an important role in the development of an international financial center?

While it would not be appropriate to comment on the specific models adopted by other IFCs, it is clear that each jurisdiction develops a framework best suited to its own strategic objectives, legal traditions and economic priorities.

Q.8 For Busan to strengthen its global recognition as a leading international financial center, differentiate itself from existing hubs, what key steps would you recommend?

For Busan to enhance its position and global recognition as a leading international finance centre (IFC), it should prioritise strategic collaboration with other well-established and reputable IFCs. Building strong partnerships will enable the exchange of best practices, expertise, and innovation across jurisdictions. Equally important is continued alignment with the highest international regulatory, tax, and transparency standards, ensuring confidence among global investors and stakeholders. By demonstrating a commitment to excellence, sound governance, and sustainable growth, Busan can strengthen its global profile, attract quality business and reinforce its reputation as a competitive and trusted IFC.

APPENDIX Info

General Status of Busan

	Unit	Figure	Proportion to whole country(%)
GRDP size			
Busan	Billion won	114,165	4.7
Busan·Ulsan·Gyeongnam	Billion won	341,701	14.2
National total	Billion won	2,404,191	100
GRDP by industry in Busan			
Agriculture, forestry and fishery	%	0.4	1.2
Mining and manufacturing	%	17.4	3
Construction	%	5.2	4.3
Services (finance and insurance)	%	75.8(6.8)	5.7(5.3)
Electricity, gas and steam industries	%	1.1	4.4
GRDP by industry in Busan·Ulsan·Gyeongnam			
Agriculture, forestry and fishery	%	1.4	12.8
Mining and manufacturing	%	38.1	19.4
Construction	%	5.2	10.2
Services (finance and insurance)	%	53.6(4.6)	11.9(10.4)
Electricity, gas and steam industries	%	1.6	18.1
Container throughput			
Busan	1000 TEU	23,154	76.8
National total	1000 TEU	30,147	100
Living environment of Busan			
Area	㎢	771.3	0.8
Population		3,278,280	6.4
Temperature	℃	16	
Rainfall	mm	2,191.4	
Foreign communities in Busan			
Registered Foreign Population		49,409	
International Schools		7	
Multicultural Schools		2	
Foreign Tourists		1,900,632	

Sources: Korean Statistical Information Service(KOSIS), Busan Metroplitan City website, Ministry of Oceans and Fisheries

Financial Institution Branch in the Busan-Ulsan-Gyeongnam Region

As of the End of 2024

Name of institutions	End of 2024
Total	**3,221**
Commercial Banks	**291**
Woori Bank	68
Standard Chartered Bank Korea	16
KB Kookmin Bank	85
Citibank Korea	3
Shinhan Bank	54
KEB Hana Bank	65
Regional Banks	**336**
Busan Bank	192
Jeju Bank	1
BNK Kyongnam Bank	143
Specialized Banks	**290**
IBK Industrial Bank of Korea	79
Korea Eximbank	3
Korea Development Bank	16
Nonghyup Bank	176
Suhyup Bank (SH)	16
Foreign Banks	**1**
Industrial and Commercial Bank of China	1
Securities Firms	**100**
Kyobo Securities	1
Sangsangin Securities	1
Yuanta Securities	5
Hana Securities	5
IBK Investment & Securities	3
BNK Investment & Securities	3
Mirae Asset Securities	8
Meritz Securities	1
Standard Chartered Securities Korea	1
Daishin Securities	5
Eugene Investment & Securities	2
DB Financial Investment	4
Korea Investment & Securities	8
Hyundai Motor Securities	5
NH Investment & Securities	6
Shinhan Investment Corp Shinhan Securities	5
KB Securities	11
Hanwha Investment & Securities	6
Samsung Securities	4
Shinyoung Securities	3
SK Securities	7
Hi Investment & Securities	6
Real Estate Trust	**1**
Woori Asset Trust	1
Investment Advisory	**2**
Orient Investment Advisory	1
Value Eye Investment Advisory	1
Asset Management	**6**
Haedives Asset Management Co., Ltd.	1
Dandi Asset Management Co., Ltd.	1
IGIS Asset Management	1
iM Investment Partners	1
Hana Alternative Asset Management Co., Ltd.	1
Eutteum Asset Management Co., Ltd.	1
Online Small Investment Brokerage	**2**
OpenTrade	1
Titan Invest Co., Ltd.	1
Life Insurance	**293**
ABL Life Insurance	11
KB Life Insurance	1
Samsung Life Insurance	96
Kyobo Life Insurance	87
Shinhan Life Insurance	19
KDB Life Insurance	10
DB Life Insurance	10
MetLife Life Insurance	17
Dongyang Life Insurance	15
BNP Paribas Cardif Life Insurance	1
NH Nonghyup Life Insurance	13
Heungkuk Life Insurance	11
Fubon Hyundai Life Insurance	2
Non-life Insurance	**516**
Carrot Insurance	2
Hanwha General Insurance	47
Hyundai Marine & Fire Insurance	80
Samsung Fire & Marine Insurance	80
SGI Seoul Guarantee	11
AXA General Insurance	5
Hana Insurance Co., Ltd.	7
KB Insurance	68
DB Insurance	81
MG Insurance	7
Lotte General Insurance	15
Nonghyup Insurance	7
Heungkuk Marine & Fire Insurance Co., Ltd.	9
Meritz Fire & Marine Insurance	97
Credit Cards	**76**
Woori Card	1
BC Card	1
Hyundai Card	3
Lotte Card	12
Samsung Card	33
KB Kookmin Card	4
Hana Card	1
Shinhan Card	21
Lease & Installment Financing	**68**
ORIX Capital	1
Meritz Capital	2
Intops Investment Co., Ltd.	1
Acuon Capital	1
Lotte Capital Co., Ltd.	4
JB Woori Capital Co., Ltd.	11
Toyota Financial Services Korea	2
JM Capital	1
KDB Capital	1
Hyundai Commercial	1
KB Capital	3
Synergy IB Investment Co., Ltd.	2
Hyundai Capital	7
MG Capital	1
RCI Financial Services Korea	3
Mercedes-Benz Financial Services Korea	2
NH Nonghyup Capital	2
Korea Capital Co., Ltd.	1
Woori Financial Capital	6
BMW Financial Services Korea	3
OK Capital	1
BNK Capital	9
Porsche Financial Services Korea	1
Volkswagen Financial Services Korea	1
Hana Capital	1
New Technology Finance	**3**
SB Partners Co., Ltd.	1
Lotte Ventures Co., Ltd.	1
Nongshim Capital	1
Credit Information	**56**
F&U Credit Information Co., Ltd.	1
IBK Credit Information Co., Ltd.	1
Agricultural Cooperative Asset Management Co.	5
SGI Credit Information	4
Sale Credit Information Co., Ltd.	6
Koa Credit Information	2
Shinhan Credit Information	2
Saehan Credit Information Co., Ltd.	6
Korea Credit Information Co., Ltd.	6
Mirae Credit Information	6
SM Credit Information	4
BNK Credit Information	2
AND Credit Information	1
OK Credit Information	2
eCredible Co., Ltd.	1
KB Credit Information	1
KS Credit Information	3
JM Credit Information	2
Woori Credit Information	1
Savings Banks	**38**
Acuon Savings Bank	1
Solbrain Savings Bank	1
Welcome Savings Bank	1
Heungkuk Savings Bank	1
DH Savings Bank	1
Woori Savings Bank	2
Dongwon Jeil Savings Bank	3
OSB Savings Bank	2
Daishin Savings Bank	2
IBK Savings Bank	6
International Savings Bank	1
Korea Savings Bank	3
BNK Savings Bank	3
Jinju Savings Bank	6
Yegarim Savings Bank	2
Choheung Savings Bank	2
S&T Savings Bank	1
Credit Unions	**209**
Nonghyup Credit Union	**770**
Suhyup Credit Union	**138**
Forest Cooperatives	**25**

Sources: Financial Supervisory Service

BIFC Tenant Status

As of September 2025 / Unit: Persons

63 Story Complex Building

	Total Personnel	3531
63(d-space)	Citibank Korea	2
	UIB Korea	1
50~51, 55~62	Korea Exchange	478
55	IBK Changgong	20
53	KAMCO Ship Investment Management	15
	FATF Training Institute Busan	0
52	Shinhan Bank	5
	Busan International Finance Training Center	2
	Koscom	2
	Korea Financial Investment Association	7
	Busan Finance Center	23
	Korean Commercial Arbitration Board, Asia-Pacific Maritime Arbitration Center	2
3, 40~47	Korea Asset Management Corporation	632
5, 36~39, 54, 63	Korea Securities Depository	342
4, 30~35	Korea Southern Power	420
7, 12~13, 23~27	Korea Housing Finance Corporation	651
22	Korea Development Bank	23
8~9	Busan Techno Park	90
21~22(b-space)	Busan Blockchain Convention	30
21	Korea Trade Insurance Corporation	15
20	Korea Exim Bank	40
6, 10~11, 19	Korea Housing & Urban Guarantee Corporation	395
14	Korea Credit Guarantee Fund	50
9	BNK Busan Bank	6
	Korea Securities Finance Corp.	6
	International Plant Quarantine Accreditation Board	20
2	Woori Bank	15
	NH Bank	12
1	KB Kookmin Bank	8
Daycare centers	HF Bogumjari Daycare Center	47
	Blue Sea Daycare Center	49
	BIFC Daycare Center	108

Individual Buildings

Total Personnel	1462
Korea Technology Finance Corporation	392
Bank of Korea Busan Branch	75
Busan Bank Headquarters	995

BIFC Ⅱ Tenants

	Total Personnel	545
7~10	KAMCODigital Space	138
11~15 (U-space BIFC)	Fintech Companies	281
16~17	Samsung Heavy Industries R&D Center	120
11	Global Fintech Industry Promotion Center	6

General Status of Busan Financial Hub

The designation process of Busan Financial Hub

- December 2007 : Establishment of the law and its implementing ordinances about the construction and development of financial hubs
- April 2008 : Composition of the Financial Hubs Establishment Committee
- November 2008 : Application for designation as a financial hub (Seoul, Busan, Incheon, Jeju and Gyeonggi)
- In January 2009, Busan was designated as a financial hub specialized in marine and derivative finance, and Seoul as a comprehensive financial hub.

Busan International Finance Center (BIFC)

- Location : 40 Munhyeongeumyung-ro, Namgu, Busan, Korea
- Site Area : 102,352㎡
- Complex development

	Phase 1	Phase 2	Phase 3
Land size	24,856㎡	12,276㎡	10,293m²
Usage	Business facility, Commercial facility	Offices, studio apartments, hotels, concert hall, and commercial facility	Business facility, Commercial facility
Construction size	197,169㎡, 63 stories above ground and 4 below	183,132㎡, 49 stories · 36 stories above ground and 7 below (2 buildings shaped of letter U)	147,000㎡ 45F
Business period	April 2008~June 2014	August 2015~October 2018	2020~2025 (Expected)
Development status	Occupied December 2014	Occupied December 2018	-

- Individual premises development

	Korea Technology Finance Corporation	Bank of Korea Busan Branch	BNK Busan Bank
Size (Stories and basement levels)	15F / 2B	4F / 1B	23F / 3B
Groundbreaking / Completion	February 2009/ May 2011	January 2011/ June 2013	December 2011/ July 2014

Support framework for Busan Finance Center

The Financial Hub Promotion Committee (Chair: Chairman of the Financial Services Commission)

Establishes major policies related to financial centers, reviews policy progress status, and deliberates on matters requiring coordination of opinions among related agencies (or organizations)

Busan Metropolitan City (Financial Blockchain Officer)

Establishes and implements plans to develop the financial industry for the creation and development of Busan as a global financial city

Fn Hub Korea (Financial Supervisory Service)

Assists attracting overseas financial companies to Korea, creating financial hubs center, and supporting the advancement of domestic financial companies into overseas markets

Busan Finance Center (BFC)

Develops and implements strategies for Busan to become a global financial city, and contributes to developing Busan financial hub and vitalizing the financial industry through mid- and long-term financial-related research and study.

Milestones of Fostering Busan Financial Hub

· **Establishment the foundation for Busan Financial Hub**
- July 2009, Outsourced master plan for fostering Busan Financial Hub
- August 2010, Established basic plan for fostering Busan Financial Hub into a specialized center for maritime finance and derivatives
- June 2014, Completed Phase 1 of integrated development project (63rd floor) for Busan International Finance Center
  ※ Completion ceremony: 22 August, 2014
- End of 2014, public financial institutions and regional financial institutions moved in
  ※ Transferred public institutions (5), regional institutions (3), maritime finance institutions(4), individual institutions (3)
- April 2015, Conducted 12 projects in 4 sectors* until 2020
  (*Establishment of financial hub specialized in maritime-derivatives, establishment of world-class infrastructure for finance, vitalization of regional finance industry, establishment of basic environment for financial hub)
- August 2015, Began construction of 2nd phase of Busan International Finance Center
- November 2018, Completed BIFC Phase 2 construction
- July 2020, Launched Busan Finance Center
- In May 2021, BFC joined as an official member of the international network of the Financial Centres for Sustainability "FC4S".
- In March 2022, construction of the third phase of the Busan International Finance Center began.
- Designated as the Opportunity Development Special Zone in June 2024

· **Outcomes of Policies for financial hub specialized in maritime finance and derivatives**

< Maritime finance sector >
- Opened the BIFC branch of Korea Marine Finance Cooperation (October 2014)
- Opened the BIFC HQ of KSF Shipping Finance (November 2014)
- Opened Marine Finance Center (November 2014)
- Korea Maritime Guarantee Insurance Inc. is authorized as insurance business (June 2015)
- KAMCO Ship Investment Management moved to Busan (June 2015)
- Established Korea Ocean Business Corporation (July 2018)

< Derivatives sector >
- Established Derivatives R&D Center in Korea Exchange (February 2012)
- Initiated interest rate swap settling (CCP) (March 2014)
- Opened gold exchange (March 2014)
- The ETS Exchange opened (January 2015)
- Launched Korea Exchange's Clearing Division (May 2021)

· **Securing regional financial talent**
- Established Busan International Finance Institute (September 2014)

· **Expansion of educational and research functions related to international finance**
- Opened Financial Action Task Force Training and Research Institute (September 2016)

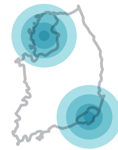
· **Raising the domestic and global visibility of Busan Financial Hub**
- Held overseas IR more than twice annually across Europe, North America and Asia
- Hosted international conference including Korea Ship Finance Forum and Busan International Finance Conference since 2011
  · General meeting of IOMA (International Option Market Association): 5 May ~ 7 May, 2013, Paradise Hotel
  · Conference of FIA (International Futures Industry Association): 12 Jun. ~ 13 Jun., 2013, Paradise Hotel
  · General meeting of ACSIC (Asian Credit Appendixation Institution Confederation): 12 Nov. ~ 14 Nov., 2013, Chosun Hotel
  · General meeting of IDB (Inter-American Development Bank): 26 Mar. ~ 29 Mar., 2015, Bexco
  · FATF/APG(International conference of money laundering): 18 Jun. ~ 24 Jun., 2016, Paradise Hotel
  · General meeting of AfDB(African Development Bank): 21 May ~ 25 May, 2018, Bexco
  · KOAFEC (Korea-Africa Ministerial Economic Cooperation Conference): September 12-15, 2023, Busan Ananti Hilton
  · Global Financial Centres Index (GFCI 36) Launch Symposium: September 24, 2024

· **Establishment of institutional basis for establishing and developing financial hub**
- Extension of Tax Support Sunset Deadline for Domestic and International Financial Institutions Launching Startups in Financial Hubs*
  * Corporate or individual income tax: Extended until December 31, 2025 (Article 121-21, paragraphs 1 and 2 of the Restriction of Special Taxation Act); acquisition tax: extended until December 31, 2026 (Busan Metropolitan City Tax Reduction Ordinance Article 14-1)

· **Designation as a Special Financial Opportunity Development Zone**
- A designated area that offers a comprehensive support package—including tax and financial incentives, regulatory exemptions, and improvements to living conditions—to attract large-scale corporate investments.
  · Location: BIFC Phase 3 and Phase 2 of the North Port Redevelopment Area
  · Area: 750,976 m² (Munhyeon: 27,266 m² / North Port: 723,710 m²)

Incentive Guide for Financial Hubs and Special Financial Opportunity Zone

Reference Classification of Entry Types by Mode of Entry

			
Mode of Entry	Establishment of a new corporation / branch within the Special Financial Opportunity Zone	Closure of an existing corporation / branch in the Seoul Metropolitan Area and relocation to the Special Financial Opportunity Zone	Maintenance of an existing corporation / branch outside the Special Financial Opportunity Zone with establishment of a corporation / branch within the Special Financial Opportunity Zone
Entry Type	Start-up New Establishment	Relocation	Start-up New Establishment

* Liaison office: non-revenue generating, not subject to taxation
** Start-up: based on corporate registration / New establishment: based on business registration

1. Tax Reductions and Subsidy Schemes for Financial Hubs

❶ National and Local Tax Reductions

Tax Type		Eligible Entity	Scope and Extent of Tax Reduction	Legal Basis
National Tax	Income Tax / Corporate Income Tax	Start-up New Establishment* **within a financial hub** – Financial & insurance businesses – ≥ Investment KRW 2 bn, ≥ 10 regular employees	– First **3 years: 100% exemption** – Next **2 years: 50% reduction**	Financial Hubs Act, Art. 5(5) Special Taxation Act, Art. 121-21
	Corporate Income Tax on Capital Gains (from Transfer of Real Estate)	Relocation **to regional areas** – Transfer completed by Dec. 31, 2028	- Corporate income tax on capital gains: 5-year deferral + installment payment over 5 years	Special Taxation Act, Art. 61(3)
	Corporate Income Tax	Relocation **to regional areas** – ≥ HQ maintained in Seoul Metropolitan Area 3 years – New HQ constructed and business commenced by Dec. 31, 2028	– First **5 years**: 100% exemption – Next **2 years**: 50% reduction	Special Taxation Act, Art. 63-2
Local Tax	Acquisition Tax (4–8% of acquisition value)	Start-up New Establishment **within a financial hub** – Financial & insurance businesses – ≥ Investment KRW 2bn, ≥ 10 regular employees	**100% exemption**	Financial Hubs Act, Art. 5(5) Busan City Tax Reduction Ordinance, Art. 14(1)
		Relocation **to regional areas** – HQ relocated to an area outside the Overconcentration Control Region	**Exemption until Dec. 31, 2027**	Special Taxation Act, Art. 79(1)
	Property Tax (≤ 1% of tax base)	Start-up New Establishment **within a financial hub** – Financial & insurance businesses – Investment ≥ KRW 2 bn, ≥ 10 regular employees	**100% exemption**	Financial Hubs Act, Art. 5(5) Busan Nam-gu District Tax Reduction Ordinance, Art. 9
		Relocation **to regional areas** – HQ relocated to an area outside the Overconcentration Control Region	**– First 5 years: 100% exemption** **– Next 3 years: 50% reduction**	Special Taxation Act, Art. 79(1)

* Tax incentives for start-up / new establishment within a financial hub apply only where the start-up or new establishment is completed by Dec. 31, 2028, unless the application period is extended by future amendments. Seoul is excluded.

❷ Subsidy Support

Subsidy Type	Eligible Entity	Support Details
Location Subsidy	New Establishment Relocation **within a financial hub** – Foreign entities: Regional HQ covering ≥ 3 countries, or Korean HQ – Domestic entities: HQ with ≥ 10 regular employees	**Up to 50%** of land / building acquisition or lease costs **(Cap: KRW 5bn)**
Facility Subsidy **(Business Facility Installation Funds)**	Start-up New Establishment **within a financial hub** - ≥ 10 regular employees during the most recent 3 months	**Up to 10%** of required funds for business facility installation **(Cap: KRW 1bn)**
Education and Training Subsidy	Relocation **to a financial hub** - Education / training conducted for ≥ 1 mon. to ≥ 10 local employees	**Up to KRW 600K per person (Cap: KRW 200M over 6 months)**
Employment Subsidy	Relocation **to a financial hub** - Continuous employment of ≥ 10 local employees	**Up to KRW 600K per person (Cap: KRW 200M over 6 months)**

※ Financial hub subsidies are granted pursuant to **Busan Metropolitan City Ordinance No. 6091 (partially amended on February 5, 2020).**
For location subsidies, employment subsidies, and education and training subsidies, **preferential support may be provided up to twice the standard support ceiling**, in accordance with Article 12(1) of the Ordinance.

2. Tax Incentives and Subsidies for Special Financial Opportunity Zone

❶ National and Local Tax Incentives

Tax Type		Eligible Entity	Scope and Extent of Tax Reduction	Legal Basis
National Tax	**Income Tax / Corporate Income Tax**	Start-up New Establishment **within a SFOZ** – All industries prescribed under Art. 116-36(1)1–18 of the Enforcement Decree of the Special Taxation Act	- **First 5 years: 100% exemption** (income tax or corporate income tax) - Next 2 years: **50% reduction** - Additional reduction: **50% of (cumulative investment in business-use assets** up to the taxable year + (No. of full-time employees in the taxable year × up to KRW 20M)**	Special Act on Balanced National Development, Art. 23(5), Special Taxation Act, Art. 121-33, Special Taxation Act Enforcement Decree, Art. 116-36
	Income Tax / Corporate Income Tax on Capital Gains (from Transfer of Real Estate)	Relocation **to a SFOZ** – Domestic corporations operating ≥ 3 years (≥ 2 years for SMEs) in the Seoul Metropolitan Area – Business-use real estate transferred from: ① HQ, ② factories, ③ in-house research institutes, ④ data centers (land & buildings)	- Capital gains equivalent to gains from transfer of former business-use real estate excluded from gross income or eligible for tax deferral in the relevant taxable year	Special Taxation Act, Art. 121-34
	Inheritance Tax	Relocation **to a SFOZ** Enterprises receiving business inheritance - Full-time employees working in the SFOZ account for ≥ 50% of total workforce	**(Eligible entity)** **- SMEs / mid-sized enterprises with annual revenue ≤ KRW 500bn** **- ≥ 10 years of business management experience by the decedent** **(Deduction cap) up to KRW 60bn** SFOZ benefit (relaxed requirements) ① **Applicable even if the inheritor does not serve as the representative director** ② **Applicable even if the principal line of business is changed**	Inheritance Tax and Gift Tax Act, Art. 18-2(1) Enforcement Decree of the same Act, Art. 15(1), (11), (25)
	Interest and Dividend Income Tax	**SFOZ collective investment vehicles** ① Subscription to a dedicated account (maintained ≥ 10 years) ② Eligible vehicle types: REITs; PPP collective investment vehicles under the Private Investment Act; Collective investment schemes under the Capital Markets Act ③ Investment requirements: ≥ 60% of collective investment assets invested in SFOZ real estate / infrastructure-related assets and in bonds or shares issued by resident enterprises	- Interest / dividend tax rate **reduced from 14% to 9%** **- Separate taxation** (not aggregated into the comprehensive income tax base and the financial investment income tax base)	Special Taxation Act, Art. 121-35
Local Tax	**Acquisition Tax** **(4–8% of acquisition value)**	Start-up **or** Relocation **within a SFOZ** (Applicable through Dec. 31, 2028	**50% + 50% under local ordinance**	Special Local Taxation Act, Art. 80-2(1), (2) Busan City Tax Reduction Ordinance, Art. 6-2
	Property Tax **(up to 1% of the tax base)**	Start-up **or** Relocation **within a SFOZ** (Assessment date: Jun. 1 of each year)	**100% exemption for 5 years + 50% reduction for an additional 5 years under local ordinance**	Special Local Taxation Act, Art. 80-2(1), (2) Busan City Dong-gu Tax Reduction Ordinance, Art. 5 Busan City Nam-gu Tax Reduction Ordinance, Art. 9-2

* Business-use assets include: ① Tangible assets used for business purposes ② Assets under construction and intangible assets prescribed under the Enforcement Rules of the Corporate Income Tax Act ③ Intangible assets such as goodwill, design rights, and patent rights (Enforcement Rules of the Special Taxation Act, Art. 8-3; Enforcement Rules of the Corporate Income Tax Act, [Appendix 3])
※ Income tax and corporate income tax incentives for SFOZs apply to start-up, new establishment, or transfer completed by Dec. 31, 2028, and may be extended subject to future amendments to tax laws.

❷ Subsidy Support

Subsidy Type	Eligible Entity	Support Rate	
Location Subsidy	Relocation to an SFOZ	Jung-gu / Nam-gu (Intermediate Development Area)	Mid-sized enterprises (15% + 8%p): up to 23% SMEs (30% + 10%p): up to 40%
		Dong-gu (Lower Development Area)	Mid-sized enterprises (25% + 8%p): up to 33% SMEs (40% + 10%p): up to 50%
Facility Subsidy (Funds for Installation of Business Facilities)	New Establishment Relocation to an SFOZ	Jung-gu / Nam-gu (Intermediate Development Areas)	Mid-sized enterprises (8% + 8%p): up to 16% SMEs (10% + 10%p): up to 20%
		Dong-gu (Lower Development Area)	Mid-sized enterprises (12% + 8%p): up to 20% SMEs (15% + 10%p): up to 25%

※ Subsidies for Special Financial Opportunity Zones are based on Article 14 and [Appendix 5] of Ministry of Trade, Industry and Energy Notice No. 2025-8.

Reference Ministry of Trade, Industry and Energy Notice No. 2025-8
"Standards for Government Financial Support for Local Governments in Attracting Local Investment Enterprises"
Article 14 [Appendix 5]

Location Category	Subsidy Type	Support Rate			National Government Subsidy Rate
		Large enterprises	Mid-sized enterprises	SMEs	
Intermediate Balanced Development Area (Jung-gu / Nam-gu)	Location Subsidy	—	Up to 15% of land acquisition cost	Up to 30% of land acquisition cost	Up to 65% of the total subsidy amount
	Facility Subsidy	Up to 6% of facility investment amount	Up to 8% of facility investment amount	Up to 10% of facility investment amount	
Lower Balanced Development Area (Dong-gu)	Location Subsidy	—	Up to 25% of land acquisition cost	Up to 40% of land acquisition cost	Up to 75% of the total subsidy amount
	Facility Subsidy	Up to 9% of facility investment amount	Up to 12% of facility investment amount	Up to 15% of facility investment amount	

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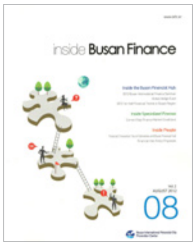
Vol.1 May 2012



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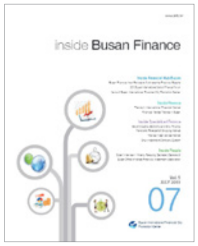
Vol.3 December 2012

Vol.4 April 2013

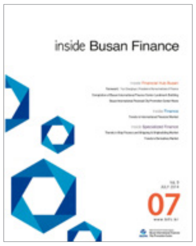


Vol.5 July 2013

Vol.6 October 2013

Vol.7 January 2014

Vol.8 April 2014



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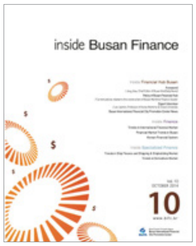

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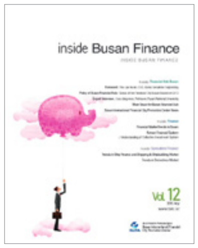
Vol.11 January 2015



Vol.12 May 2015

Vol.13 August 2015

Vol.14 November 2015

Vol.15 December 2015

Vol.16 June 2016

Vol.17 October 2016

Vol.18 December 2016

Vol.19 August 2017

Vol.20 December 2017

Vol.21 August 2018

Vol.22 December 2018

Vol.23 October 2019

Vol.24 December 2019

Vol.25 December 2020

Vol.26 June 2021

Vol. 27 December 2021

Vol. 28 June 2022

Vol. 29 December 2022

Vol. 30 June 2023

Vol. 31 December 2023

Vol. 32 July 2024

Vol. 33 November 2024

Vol. 34 July 2025

The Global Financial Hub, Busan

Busan designated as a Special Financial Opportunity Zone, heralding a new financial ecosystem

Busan, as a Special Financial Opportunity Zone, offers substantial benefits for financial institutions, including corporate tax exemptions and additional incentives. Financial institutions can be exempt from corporate tax for up to five years. For large-scale investments, subsidies and additional incentives are also available. With renewed incentive programs and infrastructure development projects, the Busan International Finance Center aspires to harness the world's premier financial ecosystem, evolving into **a Global Financial Hub.**

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BUSAN METROPOLITAN CITY   Busan Finance Center   **Contact** info@kbfc.or.kr

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