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Busan: Flying Faster and Higher Toward a Global Financial Hub



Vice Mayor of Economic Affairs,
Busan Metropolitan City

Mr. Park Sung-hoon

It has already been 10 years since the seeds of finance were sown in the empty field of Munhyeon-dong. When I look at the Busan International Finance Center (BIFC), which is growing into a Busan Landmark through the hopes of Busan citizens and the cooperation of the public and private sectors, I am amazed at how much things have changed. When Busan was designated as a financial hub along with Seoul in 2009, there were not only high expectations, but a lot

of concern as well. With domestic and foreign financial institutions concentrated in Seoul, it was questionable whether Busan could become a true financial hub.

However, thanks to the efforts of finance officials, including the staff at the Busan Metropolitan City, and the passionate support of citizens, the first phase of BIFC was completed in 2014, and the second phase of the project was finished in 2018, creating a convergent and complex cluster with business facilities, cultural entities, and educational infrastructure. Five public institutions, Korea Exchange, private financial institutions, and fintech companies have moved into BIFC one after another, creating a financial town both in name and reality, where more than 4,400 financial professionals currently work. In 2019, Busan was designated as a 'Blockchain Free Regulatory Zone' by the government and is working toward becoming a block chain capital in Korea and far beyond Asia. Despite these achievements, there are tasks that the Busan financial hub should solve in the future such as not enough accumulation of private financial companies and some remaining legal·institutional limitations.

It is generally expected that there will be a restructuring of the Asian financial hub due to the recent developments in Hong Kong. Fierce competition from Asian cities, including Singapore and various Chinese cities, to take over Hong Kong's financial industry is already ap-



parent. Furthermore, due to COVID-19, a non-face-to-face (or ‘un-tact’) economy is emerging, and the 4th Industrial Revolution is threatening us at a breathtaking pace. Crisis always rewards those who prepare for it and Busan is currently establishing a post-corona financial hub strategy to turn this crisis, amid these changes in the global economic environment, into an opportunity.

First, the Munhyeon Financial Complex, to be completed in the third phase of the BIFC and the general-purpose land development, will be expanded in conjunction with the development of Dong-cheon and the Busan North Port to enlarge its financial hub. It will be developed as a new center for the economy in the Korea’s southern region. We will also actively promote the relocation of the headquarters of state-owned banks to Busan, which has a great ripple effect on related industries, including maritime finance, to create an opportunity for the Busan financial hub to take a further step forward.

We are actively supporting the creation of the blockchain-based Fin-Tech sector, which will take a leading role in the financial sector in the 4th Industrial Revolution era, and we are also seeking to grow the financial industry using artificial intelligence (AI) and big data. In September, the Financial Big Data Platform Lab was established so that more than 40 financial start-ups that moved into the BIFC could use this facility for technology development. Imagine the potential

that we could accomplish here, creating great companies, even unicorn companies, from our own home-grown talent.

In addition, in July, Busan Metropolitan City, together with public institutions and local financial companies, launched the Busan Finance Center, an incorporated association built on public-private partnership, to develop strategies for Busan to become an international finance hub and act on policy initiatives to attract foreign and domestic financial institutions. We expect that it will play a bigger role as a financial think-tank in the development of the financial industry in Busan. Currently, Busan Metropolitan City and the Busan Finance Center form a task force team with domestic financial experts to build a new model for the development of the Busan financial hub that reflects changes in the post-corona era and financial environments at home and abroad. After identifying the problems of its financial hub policy so far, probable solutions on the legal/institutional improvement and the implementation for the future development of the Busan financial hub will be presented in detail as well.

Until now, the ‘global financial hub’ is not living up to its name due to the absence of overseas financial companies in the BIFC. But global banks and FinTech companies, including those from the United States, Hong Kong and Israel, are currently preparing to move into the top floor of the 63rd floor of the BIFC landmark building. It is expected that they will start their businesses next year. This year, Busan has laid the groundwork to becoming a global city in various fields besides its financial sector. In January, it was selected as an ‘International Tourism City’ and in March, the Haeundae-Bexco area was chosen as an ‘International Conference Complex’. Thus, it will establish itself as a global tourism hub. Recently, the Gimhae New Airport expansion plan was abolished, and the promotion of the new airport on Gadeok Island is expected to be discussed again. It is evident that the construction of an international airport that can operate 24 hours a day will be a tremendous opportunity for Busan and will have a profound impact on the development of the financial industry in Busan. Busan, which has been neglected by financial professionals around the world due to its uncomfortable accessibility, will soon become a popular city attracting people with its natural environment and tourism resources.

Despite various difficulties, such as the rapid changes in the financial and economic environment, we can steadily prepare, change, and innovate with the belief that we should be the prime mover in overcoming challenges ahead of us. And I believe that we will be able to proudly see Busan as the financial hub of Northeast Asia, which the citizens of Busan began dreaming of more than a decade ago. *inside* Busan Finance



The Establishment and Major Functions of the Busan Finance Center



After being designated as a financial hub in 2009, Busan began to become a global financial city with physical infrastructure built around the Busan International Financial Center (BIFC) in the Munhyeon district and 30 financial institutions integrated there. However, with the rapidly changing environments surrounding the financial industry and the progress of the 4th industrial revolution, it has been argued that in order to compete with major financial cities around the world, it is necessary to establish an independently dedicated organization in a public-private partnership (PPP) that will establish domestic and global financial networks and lead the development of the financial industry in the region. In this situation, the Busan Finance Center (BFC) was launched July 2020, for the purpose of promoting the Busan financial hub and coordinating the development of the financial industry in the region. The BFC, which was established in cooperation with eight institutions – Busan Metropolitan City, Korea Exchange, Korea Securities Depository, Korea Asset Management Corporation, Korea Housing Finance Corporation, Korea Ocean Business Corporation, BNK Busan Bank, and Korea Technology Finance Corporation – will formulate plans and implement strategies to develop Busan into a world-class financial city and carry them out systematically with related institutions.



Establishment History

Date	Main Contents
August, 2018	Signed a 'Business Agreement for Creation of a New 10-year Busan Financial Hub Promotion Strategy' - Busan Metropolitan City, Korea Exchange, Korea Securities Depository, Korea Asset Management Corporation, Korea Housing Finance Corporation, Korea Ocean Business Corporation, BNK Financial Group, and Korea Technology Finance Corporation
December, 2018	The need for PPP was raised as a result of 「Busan Financial Hub Development Plan 2030」 by Korea Institute of Finance
December, 2019	Held a public hearing for the establishment of the BFC - The Financial Services Commission, the Financial Supervisory Service, and civic organizations attended the event jointly organized by eight institutions participating in the establishment.
January, 2020	Held a general meeting of founding members for the establishment of the BFC
April, 2020	Received permission from the Financial Services Commission to establish a non-profit corporation
June, 2020	Held the founding board of directors meeting of BFC
July 1, 2020	Launched BFC

Current Status and Main Functions

- **Legal form of the organization:** Non-profit corporation
- **Member organizations:** Busan Metropolitan City, Korea Exchange, Korea Securities Depository, Korea Asset Management Corporation, Korea Housing Finance Corporation, Korea Ocean Business Corporation, BNK Busan Bank, and Korea Technology Finance Corporation

The Busan Finance Center consists of three offices-Planning & Development Division, Finance Research Division, International Finance Division, and currently has 10 employees, but plans to expand the number of professionals to 20 in the future. The Center will seek to strengthen the financial environment in Busan by consolidating the financial capabilities in the Busan region through cooperation between related financial institutions. In addition, through continuous research and study, it will present a financial development model tailored to Busan, as well as a direction for Busan to become a financial hub, in a rapidly changing financial environment. In order to achieve its goal of becoming Northeast Asia's financial hub, it will actively promote activities to attract domestic and foreign financial institutions, as well as international organizations, into Busan. It will also contribute to the creation of an environment that is beneficial to the financial industry through cooperative projects that meet the needs of both domestic and foreign financial institutions. *inside Busan Finance*

Main Businesses

- Conduct research on developing Busan as an international financial city and fostering financial industry
- Establish and implement mid- to long-term development strategies for the Busan financial hub
- Implement projects for the development of marine finance
(conduct research and devise strategies to foster financial transactions related to the shipping and port industry)
- Devise and implement strategies to attract domestic and foreign financial institutions, and international financial organizations
- Conduct financial-related education (including training of professionals), and manage industry-academia-research institute-government networks
- Host financial-related fairs, seminars, forums, and conferences
- Conduct financial policy research and establish financial databases
- Find and carry out joint cooperative projects between Busan Metropolitan City and public institutions in finance or between the public institutions
- Improve the environment at the Busan International Finance Center (BIFC)
- Other matters related to the promotion of the financial industry



Essential Steps to Promote Busan as an International Maritime Financial Hub



Former Adjunct Professor, KDI School of Public Policy and Management

Mr. Tony Michell



Your speech at the 2020 World Knowledge Forum Busan in September titled Essential Steps to Promote Busan as an International Maritime Financial Hub created a lot of interest. Why was that?



I think because I could break the process down into four easy to understand steps.

Step One: Without a family of financial companies located in Busan there is not enough grist in the oyster for a pearl to be formed.

Step Two: Developing international maritime fintech with local support is an essential ingredient in the promotion of the hub.

Step Three: Without a more intensive national promotion of the ownership of ships as an asset class in Korea, Busan cannot capture a sizable business from Hong Kong.

Step Four: The majority of maritime financial firms will not leave Hong Kong because they are not motivated by politics, but by being where the business is. The emergence of Busan as a enhanced major global maritime business node is essential. It requires funding new maritime needs, new energy sources, the arctic trade, refitting old ships and resources of the different universities in Busan supporting maritime business and the local economy.





The idea of creating an international financial hub in Busan is not new, but there is not much progress, why now?



I was a member of an Financial Services Commission (FSC) on creating a second hub in Korea about 2007-2008 which chose Busan as the most suitable candidate. I was impressed by the potential to build a maritime hub, based round the city's focus as one of the top five ports in the world. But although a number of financial institutions – or their maritime functions – were moved to Busan, Busan has never taken on the identity of a major international hub.

One of the ideas behind the conference was that the changed security law in Hong Kong would see financial institutions moving away from Hong Kong. As I ran through the large number of maritime finance related operations in Hong Kong, I saw little hope that any of them would move to Busan, unless we changed the image of Busan as a maritime centre.

From this point of view it would be possible to build on the various recent founded organizations in Busan, if there was a more integrated and public focus on maritime finance. This would start with my first step of creating a family of financial companies.



What do you mean by a family of financial companies?



I used the term “family” to imply a closer cooperation between the different institutions that exist in Busan today, so that the strength of existing and future maritime financial organizations would be emphasised. At the heart I wanted a bank with the name Maritime Bank, because this is unusual but timely. Nearly all the big banks in maritime business are also banks with a wide range of other interests. There is an annual survey by the Greek company Petrofin which puts BNP Paribas as having the largest shipping finance book at US\$18bn at the end of 2019. Only one of the top 40 banks has a maritime title, No.20 Danish Shipping Finance.

Maritime finance is a complicated business and a single institution cannot deal with that complexity. That's why we need a family of companies. But also the maritime section in a big bank is an isolated group of specialists because maritime finance is quite unlike normal finance.

If you go to any of the global centres of marine finance, London, Hong Kong, Singapore, Tokyo or New York, you will find an enormous diversity of companies and organizations large and small handling different parts of the business. It is the same in Busan. There are hundreds of ship brokers, shipping agents and others assisting the maritime businesses to find the business, service and credit that they need to continue their business. But all of these institutions are essentially inward looking, and have a domestic mandate rather than a global mandate.





You put great emphasis on creating a global financial system in maritime finance.



Yes, collecting together the shipping business of KDB and KEXIM and calling it a Maritime Bank is not difficult if the parties involved are agreed on the structure, governance and mandate. But not a great deal would change. Busan would have an interesting financial institution, but it would not become a global centre of maritime business.

My idea is that by making the bank a maritime bank Busan can develop specializations and centres of excellence which other banks do not have.

My proposed name is the Northeast Asia Maritime Bank, because immediately that suggests a regional bank, and attracts investors from all over the world who recognize Northeast Asia as a region of highest interest, especially in 2021-22 when it will be the fastest growing part of the world economy, containing Korea, Japan and China, the Russian Far East and the Bering Straits.

It is necessary to ensure the equity participation of global investors in this bank, and operations performed in Busan have to be integrated with the global maritime network. For Northeast Asia Maritime Bank I propose, half of the capital will have to be invested by foreign and private institutions, and the other half by Korean public institutions, including Korea Development Bank (KDB) and Korea Export-Import Bank (KEXIM). It should also be possible for institutions in the maritime financial sector to invest in this bank. This proposal could be quite attractive, especially for domestic commercial banks, including BNK Busan Bank.

The global economy is really a network rather than a single entity. The key is to make Busan's maritime family a key node in the network, the link with the other major outlets,

and at the same time a regional centre of expertise for the surrounding countries.

This means that Busan needs partners in the other major centres, or its own affiliate institution or representative office in all those centres.



Tell me more about Fintech we hear a lot about it but what does it really do?



Fintech is the application of digital technology to finance. Sitting at my fintech platform I can be linked with partners all around the world, whereas an old style bank has to have dedicated people in every location, communicating with one another by phone, email etc where delay is probable.

Worse its customers have to come to the bank for many businesses. Fintech is a digital platform operating 24/7. Fintech can handle business which is too small or unprofitable for a normal bank because it operates as an intermediary with low commissions, but can aggregate business.

Fintech of course comes in many varieties. The most successful maritime fintech companies to date deal with either with some particular aspect of shipping – for example crew savings and remittances, or local weather and risk, or they are platforms linking users with bigger institutions.

I believe that within five years, many shipping interests will be members of this platform dealing with both the minutiae of shipping like a maritime credit card, and large items will pass across the platform from ship repairs to locating funding for the purchase of small ships, or the lease back of ships.





So this would be step two?



Yes. It begins at the same time as step one and could be in partial operation before step one is functioning. It will help attract international attention to Busan as a centre of innovation and activity and create employment



What about step three?



Step three is relatively simple. There are already government schemes which assist Koreans in buying ships and in lease back schemes. The role of my family of institutions is to popularise owning shares of ships as an alternative asset class. The goal is to move Korean ship owning up to the level of Chinese and Japanese, and perhaps create what we might call a Maritime REIT – MEIT? This entity could also take part in offshore wind farms and other infrastructure.



And step four?



Step four is really a simple step too, if the first three steps are completed. Businesses move where the action is. By creating a complete financial architecture in Busan, by encouraging global investors into the operation, and connecting actively with the other nodes in the global system and channeling regional maritime finance through Busan, we will attract more international businesses to Busan and it will be on track to become a maritime finance hub in the global system.

But we also need to talk to everyone in the shipping and shipbuilding industry as well as maritime finance to ensure that we know what the current and future needs of the industry and the strengths and weaknesses of the other nodes.



So what has happened since the conference to start making this a reality?



I was surprised at the warmth of support for this idea. At the moment, I and a small group of Korean experts are sounding out the different Korean institutional players, and I am beginning to talk to foreign banks. I am fortunate in having a range of interested foreign financial institutions through my membership of the NEAEF (North East Asia Economic Forum) which is run from Hawaii. I mentioned this proposal briefly as a panelist in the financial session about a week before the conference (2020 World Knowledge Forum Busan), and got an immediate response from participants from Tianjin, Japan and Alaska.

There are three more essential steps we need to talk.

1) First telling the Korean authorities that this idea can happen and making sure that there are no regulatory or policy obstacles.

2) Clarifying the specialisms that our family of institutions can have, which are world class and will be the leaders in the system. These include Busan's existing assets

- Shipbuilding and ship design
- Being the fifth largest container port in the world
- Handling maritime bad debt - something
- Buying and lease back of second-hand ships
- Green maritime developments and producing low or non emission ships and refitting to handle low sulphur fuel and natural gas.
- Education of all aspects of maritime affairs and research including BNU, KMOU, Pukyong University, KMI and others.
- Numerous other capabilities which remain to be identified or boosted as our research into the needs of the industry and strengths and weaknesses of the other maritime financial hubs proceeds.

3) Telling the Korean public and the world what is happening.

At the current rate things are happening quite quickly, and I would like to see some elements of the family in enhanced action in 2021. *inside* Busan Finance

Busan Finance Center NEWS

Busan Metropolitan City – Hana Card, FinTech Challenge

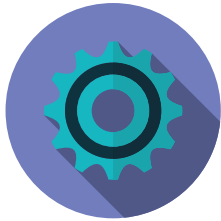
Project Period: September – December, 2020

Participating Companies: FinTech Start-ups residing in U-Space BIFC

Scale of Project: six companies whose commercialization is supported

Hosted/Organized by: Busan Metropolitan City, Busan Finance Center, Hana Card, and Global FinTech Industry Promotion Center

Project Details: Incubating FinTech companies through the FinTech Challenge



2020 World Knowledge Forum in Busan

Date/Venue: September 21, 2020 (Monday) / Grand Ballroom on the 2nd floor of Paradise Hotel, Busan (Hybrid operation: simultaneous online and offline presentations)

Hosted by: Maeil Business News Korea, MBN

Organized by: Busan Economic Promotion Agency, UNIST

Sponsored by: Busan Metropolitan City, Busan Chamber of Commerce & Industry, BNK Busan Bank, Korea Exchange, Korea Securities Depository, Korea Housing Finance Corporation, Korea Asset Management Corporation, and Korea Technology Finance Corporation

Key details: Pandemics, New Opportunities for Busan

Session 1: Post COVID-19 Manufacturing / Session 2: HongKong Crisis and Restructuring of the ASEAN Financial Hub



Held the 7th Busan Global Financial Forum

Date/Venue: October 7, 2020 (Wednesday) / Conference Hall of Busan Port International Exhibition and Convention Center (BPEX)

Hosted by: Busan Metropolitan City, Busan Financial News, Financial News, BNK Financial Group, Graduate School of Finance at Pusan National University, and Graduate School of Maritime Finance at Korea Maritime & Ocean University

Organized by: Busan Finance Center

Sponsored by: Financial Services Commission, Financial Supervisory Service, Korea Exchange, and Korea Financial Investment Association

Key details: Develop Global Competitiveness of Financial Hub Busan



Held the 2020 14th Annual Korea Ship Finance Forum

Date/Venue: November 18, 2020 (Wednesday) / Held online in consideration of the COVID-19 situation

Hosted by: Busan Metropolitan City, Korea Development Bank, Korea Export-Import Bank, Korea Trade Insurance Corporation, and Marine Money

Organized by: Busan Finance Center, Marine Money Asia

Sponsored by: Korea Maritime and Ocean University, Korea Ship Owners Association, Korea Ocean Business Corporation, Korea Ship Finance, and Korea Register of Shipping

Key details: Discussion of domestic and overseas ship finance market trends and major issues after the COVID-19 pandemic



Korea Asset Management Corporation (KAMCO) OnBid

01 What is OnBid?

OnBid is short for Online Bidding System, an online public auction system operated by Korea Asset Management Corporation (KAMCO). Onbid sells or leases various assets, such as seized property due to tax arrears, state-owned/public property that is not being used for administrative purposes, or real estate, automobiles, and machinery that are sold by public institutions or local governments. It is no exaggeration to say that OnBid is a leader in today's non-face-to-face (un-tact) era. Unlike a court auction in which people have to visit the court in person in order to bid, Onbid allows them to participate in bids and acquire a variety of items through the OnBid website (www.onbid.co.kr) or the Smart OnBid app. OnBid was first opened in 2002. It is an innovative system created from the idea that public auctions could be made online rather than at physical sites. Until 2002, auctions had been held every week at KAMCO's auditorium on a designated date. OnBid was developed after a brainstorming session aimed at providing better convenience to bidding participants.

< Major History of OnBid >

2002	▶ System opened.
2004	▶ Full-scale Internet public auction announced.
2006	▶ Notice made by the Ministry of Economy and Finance and the Ministry of Government Administration and Home Affairs (designated as an information processing device for the disposal of government/public property)
2010	▶ Improvement (enhanced its stability and reorganized for user-friendly menus)
2012	▶ Smart On-Bid launched (mobile-based service)
2016	▶ Next generation system opened.
2018	▶ Linked to the Electronic Contract System for Real Estate Transactions operated by the Ministry of Land, Infrastructure and Transport.
2020	▶ Smart OnBid renewal opened.



Back when OnBid first opened, the risks were high because e-commerce was in its infancy and online financial transactions had not been activated yet. However, KAMCO succeeded in launching OnBid after piloting its various procedures, such as participation in bidding, completion of public auction deposits, and successful/unsuccessful bids, and with its employees' innovative thinking and spirit to take on the challenges of the new frontiers of business.

With the ease and convenience of searching for and acquiring goods on the Internet, OnBid not only reduces transaction time and costs but also has been receiving favorable responses through word of mouth for its high transparency and easy accessibility of transactions. As of October 2020, OnBid has accumulated 1.74 million bids with 440,000 successful bids totaling KRW 83 trillion since the OnBid system was opened in 2002.

02 What kind of items are there in OnBid?

On Onbid, a variety of public auction items including state-owned property to assets sold by public institutions are being traded. It is known as an online all-in-one store that has everything, ranging from real estate, such as apartments, land and stores, to movable property such as automobiles, precious metals, and artworks.

Among the noted items that were auctioned off were luxury watches, 7-carat diamond rings, gold bars, helicopters, the famous traditional painter Kim Hong-do's own portrait, and the site of Korea Electric Power's former headquarters in Samsung-dong, Seoul, which was bought by the Hyundai and Kia Motors Group for KRW 10.55 trillion in 2014. Also auctioned off were subway advertisement rental rights, store lease rights, and school cafeteria lease rights.

In addition, OnBid helped sell off 63 types of supplies (10,584 items in total) worth KRW 4.2 billion in total that were used during the 2018 PyeongChang Winter Olympics, including smartphones, refrigerators and TVs. This helped the Olympics to finish successfully. This is the first case in which a bidding method was used to sell off sports supplies with the proceeds going to the government treasury. Based on its experience in selling off supplies at the

PyeongChang Winter Olympics, KAMCO plans to expand its business scope to various international competitions held in Korea.

03 How can I use OnBid?

On-Bid has no time and space constraints as it allows easy item search and bidding participation anytime and anywhere online.

< Website / Mobile App Screen >



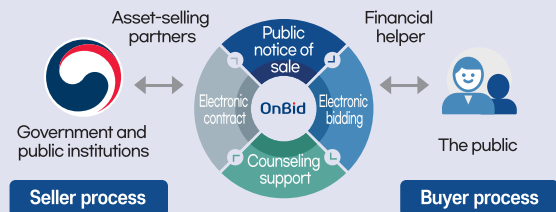
Anyone can easily participate in the bidding by simply issuing a general-purpose accredited ID certificate after signing up through the OnBid website (www.onbid.co.kr) or the Smart OnBid app. You can handle related procedures, including contracts or registrations, easily and conveniently online as well. It is even more helpful in that you can easily find the items you want through a conditional search, such as the purpose of the item, region, and minimum bid price. You can also find out which items other investors are interested in by using themed items, such as the BEST 20 items of interest or TOP 20 click rankings. KAMCO has continued to upgrade its OnBid service and system, including the introduction of 'Ondabee,' an OnBid 24-hour online chatbot in April this year, drawing more attention as it embraces the current non-contact consumption trend. In addition, in August of this year, the Smart On-Bid app was upgraded to expand some functions (e.g. document submission, bidding diversification) that were only available on the Internet portal services to mobile devices and opened this new version that enhances user convenience, such as applying UI/UX to suit current trends.

< OnBid Theme Items, etc. >



In the meantime, KAMCO has been striving to improve its services, including the development of Smart OnBid, the reorganization of the OnBid website, and the launch of counseling chatbots, so that customers can trade public assets more safely and conveniently through OnBid, and will continue to work on developing its systems and upgrading services. *inside* Busan Finance

< Additional Information >



Overview

OnBid is a public asset disposal system that allows the disposal of property and goods online, including seized property in tax arrears, state-owned property, held by approximately 19,000 institutions, including government agencies, local governments, and public corporations.

- It supports easy and convenient processing of related procedures, such as item searching and bidding contracts, in two ways, the OnBid website (www.onbid.co.kr) and the Smart OnBid App.
- Since the opening of the OnBid system in 2002, the cumulative number of bids surpassed 1.74 million bids, with 440,000 successful bids worth KRW 83 trillion (as of October 2020).

Ground for Performance of Duties

In accordance with the National Tax Collection Act, the Government Property Act, the Goods Management Act, the Public Property and Goods Management Act, the State (Local) Contract Act, the Public Corporations and Quasi-governmental Agency Contract Rules, and the Local Public Corporation Act.

- It integrates various public auction information from public institutions, such as national institutions, local governments and public corporations, and supports direct online bidding.

How to Use

The institution that owns and manages the asset directly registers the item information and public announcement, and then begins the process of selecting the winning bidder.

Selling Institutions

Register owned or managed real property and movable property, including disused goods.

General Members

Those who wish to bid, such as individuals or corporations, participate in electronic bidding through OnBid.

The 5th Master Plan for the Creation and Development of the Financial Hubs



On May 15, the Financial Services Commission (FSC) unveiled that the Financial Hub Promotion Committee had met to review and approve the 5th Master Plan (2020 - 2022) for the creation and development of financial hubs. Under the Act on the Creation and Development of Financial Hubs, which was enacted in 2007, the FSC has established three-year master plans for financial hubs on five occasions since 2008 and has responded to rapidly changing financial environments while maintaining a consistent policy stance for financial hubs. It has currently unveiled the 5th Master Plan (2020 - 2022), which aims to 'create opportunities through enhancing global capabilities of the financial industry,' and suggests three major strategies: inducing private-centered innovation through active regulation improvement; establishing financial innovation growth infrastructure, including data utilization; and selecting and concentrating global capabilities. To achieve these objectives, the commission has established three major tasks for each sector: supporting financial sectors that have comparative advantages; developing financial infrastructure on a par with global standards; providing effective support for financial hubs

Overview of the Financial Hub Promotion Committee and the History of Financial Hub Promotion

Overview

The Financial Hub Promotion Committee is a deliberative body under the Financial Services Commission established under the Act on the Creation and Development of Financial Hubs.

- Establishing major policies related to financial hubs, reviewing matters that require checking the status of policy implementation, and coordinating opinions among related agencies

Member Composition

A total of 21 members each serving a two-year term, including the Chairman of the Financial Services Commission (President) and representatives from the private sector (10 people), the government (5 people), and related agencies (6 people).

- Five ex officio members from the government: Chairman of the Financial Services Commission, Deputy Minister of Economy and Finance, Deputy Minister of Commerce, Industry and Energy, Mayor of Seoul Metropolitan City, and Mayor of Busan Metropolitan City.

- Six members from related institutions: President of Korea Federation of Banks, President of Korea Financial Investment Association, President of Korea Life Insurance Association, Chairman of Korea Exchange, and CEO of Korea Investment Corporation

Master Plan Timeline

In April 2008, the Financial Hub Promotion Committee was formed to deliberate on important policies, such as the master plan related to financial hubs.

August, 2008: 'The 1st Master Plan for Financial Hubs' (2008 - 2010)

- In September 2008, established the Financial Hub Korea to develop financial hubs and establish a support system to attract overseas financial institutions
- In January 2009, designated Seoul and Busan as financial hub

September, 2011: 'The 2nd Master Plan for Financial Hubs' (2011 - 2013)

- Improving capital markets, strengthening competitiveness of the financial industry, advancing financial infrastructure, and fast-tracking the creation of the financial hubs

October, 2014: 'The 3rd Master Plan for Financial Hubs' (2014 - 2016)

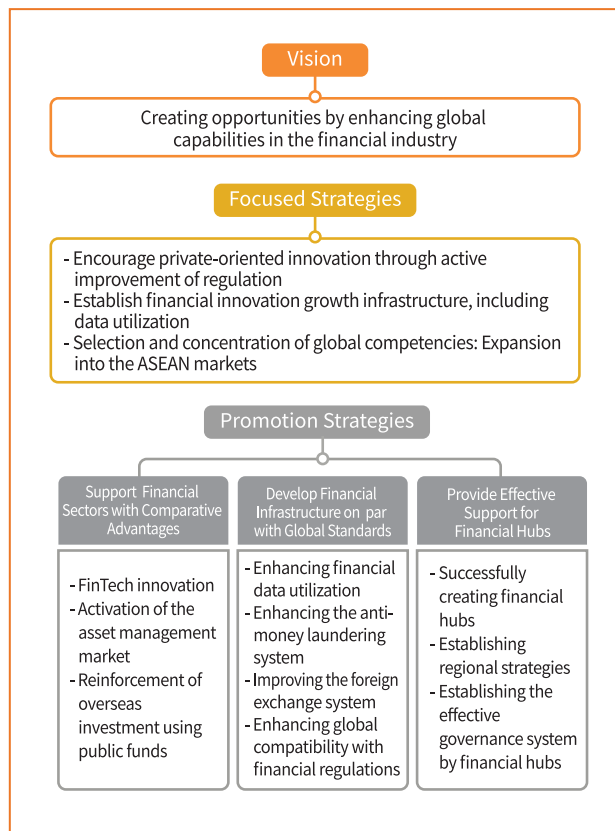
- Globally competitive capital markets, enhancing global capabilities in the financial industry, establishing global financial infrastructure, and vitalizing the financial hubs

October, 2017: 'The 4th Master Plan for Financial Hubs' (2017 - 2019)

- Globalizing the capital market, enhancing global competitiveness of the financial industry, enhancing the global coherence on the financial system, and solidifying the financial hubs

Since the designation of Seoul and Busan as financial hubs in 2009, the Financial Services Commission has developed a fifth master plan for financial hubs after receiving proposals from related administrative agencies and others to implement projects for financial hubs in order to actively respond to changes in the global financial environment, such as intensifying competition among global financial hubs.

Promoting the 5th Master Plan for Financial Hubs



Support Financial Sectors with Comparative Advantages

The commission plans to foster FinTech by expanding the foundation for financial support, including funds and budgets, and establishing a virtuous cycle of financial regulation sandboxes and regulatory innovation. It also plans to induce innovation in the asset management sector by activating the operation of retirement pensions and pension funds, and improving regulations related to funds. Furthermore, the commission will encourage the National Pension Service and Korea Investment Corporation to expand their overseas investment while enhancing the competitiveness of the domestic asset management industry.

Develop Financial Infrastructure on par with Global Standards

The commission plans to establish legal and institutional foundations to enhance the utilization of data in the financial sector, including big data, which is the basis for financial innovation, and to enhance the global congruence with the anti-money laundering system and strengthen its anti-money laundering capabilities in response to changes in the financial-environment, including FinTech. In addition, the commission will endeavor to streamline foreign exchange transactions, promote small-scale overseas remittance businesses, and raise global confidence in the domestic financial industry by establishing a financial regulation system that conforms to global standards.

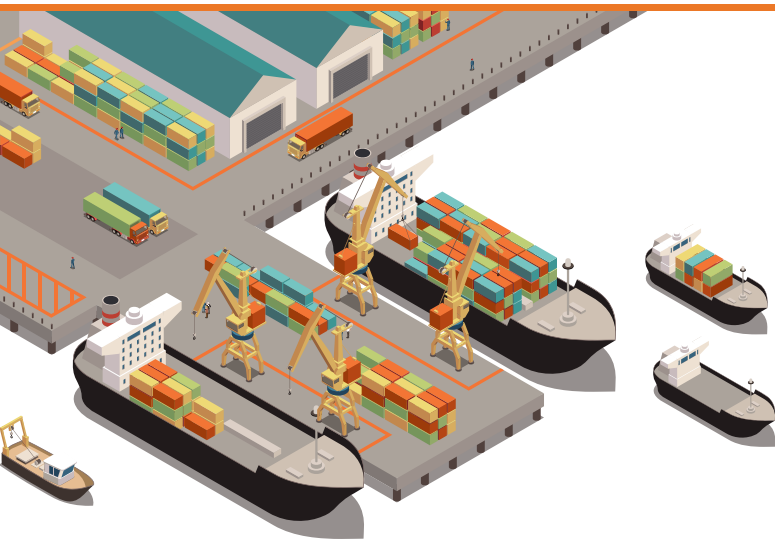
Provide Effective Support for Financial Hubs

In order to successfully create financial hubs, the Commission plans to attract overseas financial institutions by improving their management conditions, as well as support overseas expansion and expansion of its base of domestic financial institutions. In addition, it plans to successfully create financial hubs by formulating specialized strategies for the Seoul and Busan financial hubs based on the advantages of each region, and through the establishment of a regional governance system that can effectively carry out them. It is expected that the 5th Master Plan for Financial Hubs will contribute to strengthening competitiveness by maximizing the advantages of the domestic financial industry. The financial authorities will respond to further changes in the financial environment through the 'Financial Hub Policy and Trends' which is prepared annually based on the policy directions established in the master plan. *inside Busan Finance*

※ References

- Financial Services Commission, 'The 42nd Financial Hub Promotion Committee Meeting Held and the 5th Master Plan for Financial Hubs Resolved', press release on May 15, 2020.
- Financial Services Commission, 'The 5th Master Plan for the Creation and Development of Financial Hubs', press release on May 15, 2020.





Trends in Shipping and Ship Financing Markets in 2020

Research Fellow, Global Economic Research Center,
Korea Exim Bank

Mr. Yang Jeong-seo

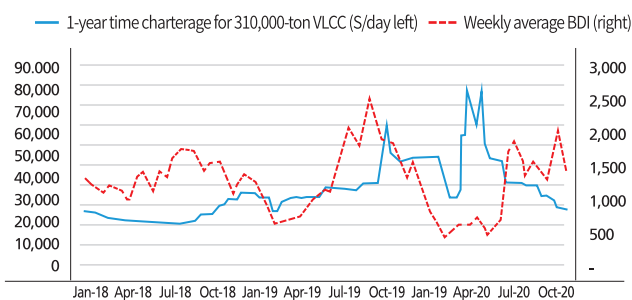
1 Shipping and Shipbuilding Markets

2020 was a series of unexpected events worldwide, not just in the economy, but across all sectors. The unexpected emergence and epidemic of COVID-19 resulted in situations that in the past would have been unthinkable. The shipping market also showed volatility to the point where it was meaningless to make predictions about the future. And the volatility affected each shipping market differently, such as bulk carriers, tankers, or container carrier market.

Let's take a look at the bulk carrier market first. At the beginning of this year, the COVID-19 epidemic broke out, causing the utilization rate of factories in China to drop significantly. When it began to spread across the globe, many countries instituted lockdowns, causing the bulk carrier market to fall sharply. The BDI fell to 393 on May 14, reminding many of the spring of 2016 when it reached a record low 290. However, after May, as factories in China were normalized, BDI began to rise. On top of that, freight rates rose rapidly as iron ore imports increased due to demand for construction under China's economic stimulus measures. As the fall grain season

entered, the BDI exceeded 2,000 in early October. Since then, it has fallen again due to slowing demand for grain, showing a decline of around 1,200 in early November. Last year, the collapse of a dam in Brazil also affected the market, but this year's COVID-19 seems to have become a bigger negative factor. By the third quarter of 2020, the average BDI stood at 971.4, 24 percent lower than the same period one year earlier.

< Trends in charterage and BDI of 310,000-ton VLCC >

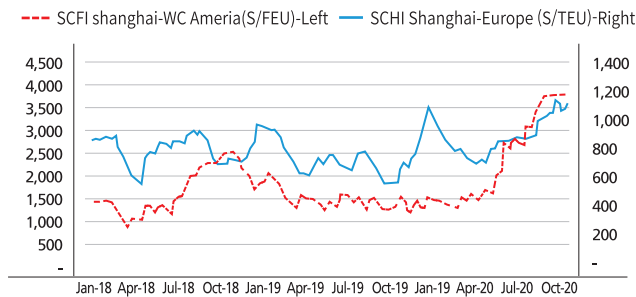


Source: Clarkson

The tanker market also showed high volatility. The 1-year time-charter rate for 310,000 DWT VLCC started at the promising level of \$48,750 per day at the beginning of this year. However, as the COVID-19 pandemic worsened, it fell to \$30,000 in early March due to a sharp decline in oil demand. After that, a dramatic reversal took place in March. International oil prices fell by more than \$10 per barrel in one day as discussions on reduction among oil producing countries failed. Afterward oil prices temporarily dipped below \$20. Oil importing countries borrowed oil tankers in every way possible to import temporarily declining oil volumes. When storage space became scarce, imported crude oil was stored on borrowed tankers and floated on the sea to secure stock. In early May, the total number of tankers mobilized for storage, not for transportation, amounted to 47.2 million tons, equivalent to 11 percent of the total ship volume worldwide.

As ships were mobilized for crude oil storage demand, the resulting shortage of ships' space available for transport caused charter rate for oil tankers to soar. The 1-year time-charter rate for 310,000 DWT VLCC jumped to \$80,000 in early April and remained in the \$60,000-\$80,000 range until early May. Since COVID-19, however, global oil demand has fallen significantly, including a reduction of more than 90 percent in aircraft operations. On top of that, the crude oil inventory of importing countries has increased significantly, with the charter rate for oil tankers beginning to slide in May. At the end of October, time charter rate for 310,000 DWT oil tankers fell to \$24,500, showing a sluggish pace, down 18.3 percent from the spring low.

< Trends in Container Ship Freight Rates >



The container ship market also developed very differently from general expectations. As the COVID-19 pandemic began, consumption contracted due to the lockdowns in countries around the world, and shipping demand decreased significantly. Under these circumstances, container shipping companies responded with a strategy to reduce their deployed ships through reduction or consolidation of their sailing routes. This strategy was successful. In the first quarter, the average freight rate for Shanghai-U.S. West Coast routes was 13.4 percent lower than the same period last year, but that for Shanghai-Europe routes was 5.5 percent higher. In the second quarter, when the reduction of operations was stabilized, the freight rate for Shanghai-US West Coast routes was 31.8 percent and Shanghai-Europe routes 12.6 percent higher than the same period last year, maintaining higher freight rates than the previous year despite the COVID-19 crisis. As oil prices plummeted, fuel costs fell, but freight rates rose, resulting in improved profitability for shipping companies despite shrinking demand.

And in the third quarter, a more surprising phenomenon occurred. Consumption sentiment in the U.S. and Europe, which were lifted from lockdown, has been revived, and as factories in China spurred production, the demand for sea transportation has increased significantly. Moreover, it is also estimated that wholesalers in the United States and other countries, who are concerned about secondary waves of COVID-19, have increased their imports to secure sufficient inventory in preparation for potential hoarding. As these factors overlapped, freight rates rose sharply. In particular, freight rates on the US West Coast routes rose sharply with those on Shanghai-US West Coast routes rising a whopping 148 percent year-on-year to \$3,849 per FEU as of the end of October. Freight rates on Shanghai-Europe routes also rose 43 percent year-on-year to \$1,140 per TEU during the same period. High freight rates continued even when all ships that had been moored after the COVID-19 pandemic were put back into service. Even HMM, a national flag shipping company, reduced the number of ships to call at Busan Port and sent

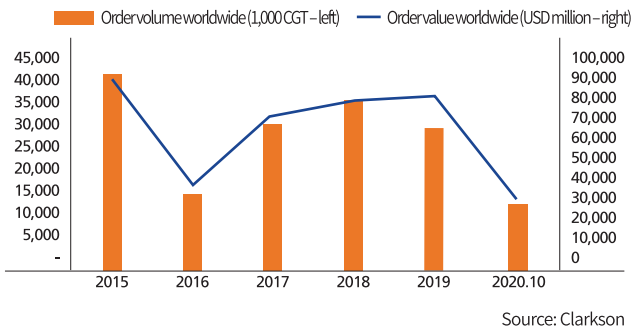
them on routes that run directly between Shanghai and US West Coast. However, it is unlikely to expect such a market to last long. With the IMF's forecast for this year's real economic growth rate in major advanced economies expected to be -5.9% and global trade growth expected to be -8.1%, it is unlikely that the demand for sea transportation will continue to grow significantly for a prolonged period. Demand is likely to decline again at a time when the inventories of importers are secured to a certain level.

The shipping companies that successfully weathered the drop in freight rates in the recent COVID-19 crisis seem to have learned how to cope with the crisis of falling demand. Even in future crises, these experiences are expected to help them cope with the risk of a sharp decline. It is estimated that the container ship industry, which has reduced the number of companies through M&A over the past few years, has increased its market dominance through weakened competition. Despite the global virus pandemic and roller coaster-like volatility, the shipping industry is likely to have made unexpected profits in the second quarter with oil tankers, and in the third quarter with bulk carriers and container ships. Nevertheless, this year's new shipbuilding deals have shrunk very much. By October, global orders for new shipbuilding fell 48.4 percent year-on-year to 11.56 million CGT, with the order values falling 54.7 percent to only \$27.2 billion. It is a shocking level similar to the 2016 global Order Cliff. Orders for all types of ships decreased.

Although the reason for the drop in shipbuilding orders might be the volatility of the shipping market and the decrease in demand for shipping, demand for ships was not initially expected due to improvement in the shipping market or growth of the shipping industry this year. Many analysts initially expected that this year's demand for new shipbuilding would increase as a result of a gradual replacement of aging ships with low fuel efficiency. With IMO sulfur oxide (SOx) regulations going into effect last January, ships are required to use low sulfur dioxide fuel oil, which was expected to greatly increase fuel costs. However, due to the unforeseen COVID-19 crisis, oil prices have plummeted, and the fuel oil costs for ships with low fuel efficiency was rather reduced from the previous year's level, giving ship-owners with aging ships a more relaxed position. As a result, an increasing number of ship-owners have taken a wait-and-see attitude and orders for new shipbuilding have decreased significantly.

Looking at the trend in orders from the five major shipping countries, China's new shipbuilding investment is remarkable in 2020. We can see that Greece and Japan, which had been the first and second largest shipping countries in the world's dominant fleet until 2019, competed with each other to invest in new shipbuilding, and during the same period, China also placed orders at levels compa-

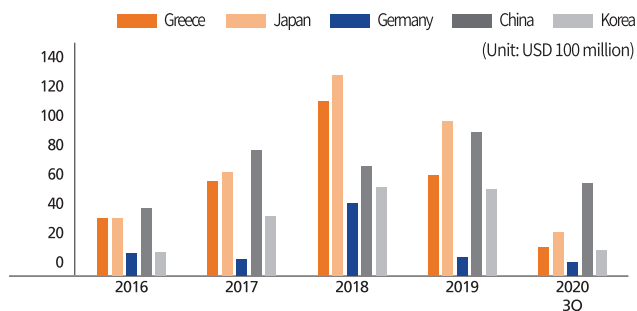
< Trends in Order Volume and Value in New Shipbuilding Markets Worldwide >



able to these countries. In 2020, after the COVID-19 pandemic, while other countries have significantly reduced their orders, China's new shipbuilding orders have not decreased significantly. Compared with the same period a year earlier, orders for new shipbuilding fell 74 percent in Greece, 50 percent in Japan, 33 percent in Germany and 72 percent in Korea, while those in China fell only 13 percent. As a result, China placed more orders for new ships than any other country in 2020.

China's aggressive investment in new shipbuilding is related to its mid- and long-term national strategy, One Belt One Road. The Chinese government appears to be steadily placing orders for ships to be deployed into this project every year in conjunction with its state-run shipping company and major leasing companies. The move is believed to be related to China's recent shift in its response to climate change, replacing its aging fleets with new ones. China has been placing many orders since the first half of this year, even though it was the country where the COVID-19 pandemic began. China's aggressive investment is expected to maintain or further strengthen its position as a major new shipbuilding investor in the future, as it orders new shipbuilding above a certain level regardless of market conditions.

< Trends in Investment in New Shipbuilding by the Top 5 Shipping Countries >



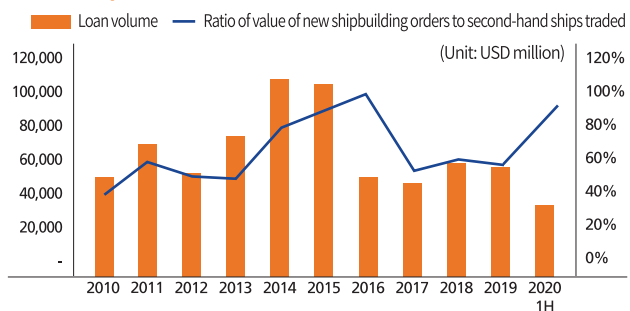
2 Trends in the Ship Financing Market

The global new shipbuilding order volume is showing a sharp decline due to the COVID-19 crisis, but its potential demand has not disappeared. Due to the fall in oil prices this year, ship-owners have been able to buy time for the immediate replacement of aging ships. However, the global move to regulate the marine environment has become tougher, and the pressure to expulse aging, pollution-heavy ships is rising.

In September, the EU parliament passed a bill that mandated the GHG Emission Trading System (EU ETS) for all ships with 5,000 GT or more calling at ports in Europe starting in 2022. This plan will be formulated through negotiations between member countries in 2021. Depending on the strength of the regulations and the price movement of carbon emission rights, an additional 10-70 percent increase in fuel costs is expected to be incurred, which could greatly limit the activities of aging ships with low fuel efficiency. In mid-November, the 75th meeting of IMO MEPC, which failed to take place in spring due to the COVID-19 pandemic, will be held online to resolve the 2023 enforcement of the Energy Efficiency Existing Ship index (EEXI) regulation. The EEXI regulation has strict rules that can force individual ships to reduce their sailing speed, or to be retrofitted. If these ships still fail to meet their energy efficiency standards, they may even be expelled from the European market. It could have a fatal impact on all aging ships worldwide.

The tightening of these maritime environmental regulations is increasing pressure for replacement investment in aging ships, which could lead to a significant increase in demand for ship investment funds in the short term. But so far, no significant changes in the movement have been detected in the ship financing market.

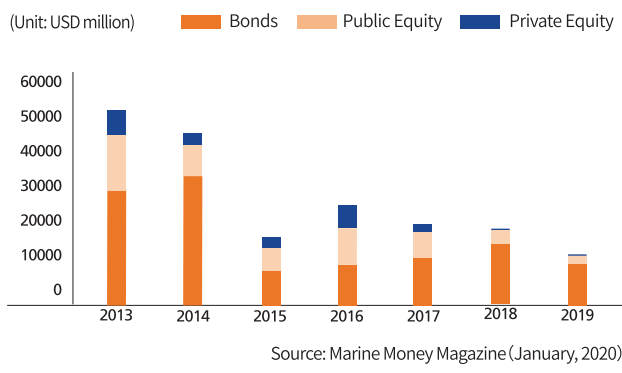
< Transaction Trends in Maritime Financial Syndicated Loans of Banks Worldwide >



The global syndicated loan market, which supplies more than half of the ship investment funds, has been greatly reduced in size since 2016. The ratio of new loans to new shipbuilding and second-hand ships worldwide has remained at around 60 percent. However, in the first quarter of this year, new loan transactions of \$25.3 billion were made. This means that despite the very poor activity of \$4.9 billion in the second quarter due to the COVID-19 crisis, the first half of the year recorded more loan transactions than the previous year. It is estimated that the balances to be paid to some shipyards for the 2018-2019 new shipbuilding contracts were paid this year. It is encouraging that the ratio of value of the new shipbuilding to second-hand ships traded rose to 86 percent in the first half of this year, but it seems necessary to wait and see that the absolute amount has not yet recovered to the level before 2016 due to the COVID-19 crisis in the second quarter.

Investment from the capital market into ships and offshore business is also on the decline. Corporate bonds, public and private equity investments totaled \$10.6 billion in 2019, a 38 percent decrease from the previous year. In particular, corporate bond issuance decreased by 42 percent and public equity investment by 34 percent. We can interpret from this that the attitude of investors in the capital market toward ships and off-shore business is still cautious.

< Trends in Global Maritime Capital Markets >



As such, there is a high concern that the cautious attitude that both banks, which are a traditional ship financing sector, and the capital market have shown toward ship finance will hinder the vitalization of the ship trading market. While container shipping companies are expected to have made considerable profits due to high freight rates in recent years, most shipping companies lack financial investment capacity due to a decade-long slump following the global financial crisis. Amid all of this,

tightened environmental regulations further pressure shipping companies to remove and replace aging ships. The only solution appears to be external financing, yet it is difficult to know whether the financial sector will support it.

3 Implications

The reason why ship-owners are reluctant to place orders for new ships despite the ever-increasing pressure from IMO's sulfur oxides regulations in effect this year, the EU's greenhouse gas emission trading system in 2022, and EEXI in 2023 is because they are confused. First of all, it is difficult for them to decide what to use for fuel. The shipbuilding industry is developing smartships and carbon-free ships, but there is great concern that the ships that have been ordered and then purchased now will turn into uncompetitive old ships within just 10 years. This uncertainty is the same for the global financial industry. Most concerning is that ships with investments or mortgage loans lose their competitiveness prior to payback or repayment of the loan.

This will likely require help from the shipbuilding industry. The shipbuilding industry should share the development status of their ships with ship-owners and advise when it would be best for them to invest. The same information should be provided to the financial sector. Based on this, the financial sector will also be preparing for investment and loans to create a virtuous circle of the market. Currently, both ship-owners and shipping companies are the ones who are most confused and faced with difficulties in the face of stricter environmental regulations. Only when shipyards and the financial sector help them can the ship-market move.

The urgency facing the domestic shipping industry is even greater than that of our competitors. Based on statistics from January 2019, among the top 10 shipping countries with dominant fleets, the average age of Korea's dominant fleet is 14.1 years, second only to the United States, whose aging fleet is almost certainly due to its focus on coastal shipping rather than on the ocean-going shipping. An average age of 14.1 years means that Korea's fleet is 5.2 years older than Japan's. Considering the tightening environmental regulations, there is considerable concern whether it will be possible for this fleet to survive in the global shipping market. In order to strengthen the competitiveness of the domestic shipping industry, it is time to focus on what it needs to do to compete, and how much it will cost. *inside* Busan Finance

APPENDIX**INFO**

- The General Status of Busan
- General Status of Financial Institutions Located in Busan

**The General Status of Busan**

Item	Standard	Unit	Figure	Proportion to whole country(%)
GRDP size				
Busan	2018 Gross Regional	Billion won	89,979	4.7
Busan · Ulsan · Gyeongnam	Domestic Product		274,347	14.4
National total	(at Market prices)		1,902,527	100.0

GRDP by industry in Busan

Agriculture, forestry and fishery	2018 Gross Regional Domestic Product (at Market prices)	%	0.5	1.3
Manufacturing			17.6	2.9
Construction			6.6	5.3
Services(Finance and insurance)			73.8(7.3)	5.7(5.8)
Mining, electricity · gas · steam · water			1.5	4.9
Industry total			100.0	4.7

GRDP by industry in Busan · Ulsan · Gyeongnam

Agriculture, forestry, and fishery	2018 Gross Regional Domestic Product (at Market prices)	%	1.9	13.7
Manufacturing			36.9	17.9
Construction			6.3	15.0
Services(Finance and insurance)			53.0(4.8)	12.1(11.4)
Mining, electricity, gas, and water			1.9	18.3
Industry total			100.0	14.4

Container throughput

Busan	Period of 2019	1000 TEU	21,992	74.5
National total			29,503	100.0

Living environment(Busan)

Area	End of 2019	km ²	770	0.8
Population	End of 2019	Number of people	3,466,536	6.6
Temperature	Average of 2019	°C	15.7	
Rainfall	Period of 2019	mm	1,623.2	

Foreigner related(Busan)

Foreign residents	End of 2019	Number of people	52,772
International schools	End of 2019	Number of unit	7
Foreign tourists	End of 2019	1,000 people	2,690

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

General Status of Financial Institutions Located in Busan

(Unit: Number)

Institution Name	As of the End of 2018	As of the End of 2019	increase
합계	2,250	2,216	-34
Depository Bank	570	567	-3
Commercial Bank	451	448	-3
Nationwide Commercial Bank	222	219	-3
Woori Bank	50	50	0
Standard Chartered Bank	15	14	-1
KB Kookmin Bank	73	72	-1
Citibank Korea	2	2	0
Shinhan Bank	38	38	0
KEB Hana Bank	44	43	-1
Local Bank	226	226	0
DGB Daegu Bank	5	5	0
BNK Busan Bank	209	209	0
Jeju Bank	1	1	0
BNK Kyongnam Bank	11	11	0
Branch of Foreign Banks	3	3	0
Yamaguchi Bank	1	1	0
Industrial & Commercial Bank of China	1	1	0
Metro bank	1	1	0
Specialized Bank	119	119	0
Industrial Bank of Korea	41	41	0
Korea Development Bank	4	4	0
National Agricultural Cooperative Federation	61	61	0
National Federation Fisheries Cooperatives	13	13	0
Non-bank Financial Institution	1,680	1,649	-31
Korea Exim Bank	1	1	0
Trust Company ²⁾	649	636	-13
Asset Management Company ³⁾	667	654	-13
Mutual Savings Banks	30	28	-2
Credit Union ⁴⁾	48	48	0
Mutual Savings and Finance Union ⁴⁾	22	22	0
Community Credit Cooperative ⁴⁾	140	140	0
Korea Post Office ⁵⁾	123	120	-3

Notes 1) Based on number of institutions

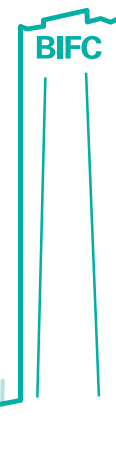
2) Refers to trust accounts of banks, securities companies, and insurance companies

3) Fund retail centers of asset management companies

4) Based on the number of cooperatives (regional headquarters) or unions

5) Excluding postal service offices and local agencies that do not handle post office deposits

Source : The Bank of Korea Busan Branch



INFO

The General Status of
Busan Financial Hub



■ The designation proceeding 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)
- **January 2009** : Designation of Busan for maritime and derivatives specialized financial center and 'Seoul' for comprehensive financial center

■ Busan International Finance Center (BIFC)

- **Location** : 40 Munhyeongeumyung-ro, Namgu, Busan, Korea
- **Land Space** : 102,352 m²
- **Complex development**

	Phase 1	Phase 2	Phase 3
Land size	24,856m ²	12,276m ²	10,292m ²
Usage	Business facility, Commercial Facility	Offices, studio apartments, hotels, concert hall, and commercial facility	Business facility, Community facilities
Construction size	197,169m ² , 63 stories above ground and 4 below	183,132m ² , 49 stories · 36 stories above ground and 7 below (2 buildings shaped of letter U)	147,000m ² 45F
Business period	April 2008~June 2014	August 2015~October 2018	2020~2025 (Expected)
Development status	Completion of moving-in in December 2014	November 2018, Completion	-

- **Individual premises development**

	Korea Technology Finance Corporation	Bank of Korea Busan Branch	BNK Busan Bank
Size	15 stories above ground and 2 below	4 stories above ground and 1 below	23 stories above ground and 3 below
Starting construction	February 2009/ May 2011	January 2011/ June 2013	December 2011/ July 2014
Completion of construction			

■ Fostering and supporting map for Busan financial center

The Financial Hub Promotion Committee

(Chair: Chairman of the Financial Services Commission)

It 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 (Service & Finance Division)

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

Financial Hub Korea (The Financial Supervisory Service)

It 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)

It establishes 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.

Records of fostering Busan Financial Hub

• Establishment of basis for Busan Financial Hub

- July 2009, Master plan of fostering Busan Financial Hub outsourced
- August 2010, Establishment of basic plan of fostering Busan Financial Hub to make it a finance center specialized in maritime and derivatives
- June 2014, Completion of 1st stage of integrated development project (63 story) for Busan International Finance Center ※ Completion ceremony: 22 August, 2014
- The end of 2014, transferred 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, Proceed 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, Begin construction of 2nd phase of Busan International Finance Center
- November 2018, Completion of BIFC Phase 2
- July 2020, The Busan Finance Center launched.

• Result of fostering policy for financial hub specialized in maritime finance and derivatives

< Maritime finance sector >

- Opening the BIFC branch of Korea Marine Finance Cooperation (October 2014)
- Opening the BIFC HQ of KSF Shipping Finance (November 2014)
- Opening Marine Finance Center (November 2014)
- Korea Maritime Guarantee Insurance Inc. is authorized for insurance business (June 2015)
- KAMCO Ship Investment Management moved into Busan (June 2015)
- Establishment of Korea Ocean Business Corporation (July 2018)

< Derivatives sector >

- Establishment of Derivatives R&D Center in Korea Exchange (February 2012)
- Begin interest rate swap settling (CCP) (March 2014)
- Opening gold exchange (March 2014)
- Opening emission trading system (January 2015)

• Securing regional manpower specialized in finance

- Establishment of Busan International Finance Institute (September 2014)

• Promotion of Busan Financial Hub and international and domestic reputation

- Holding overseas IR more than twice every year in Europe, North America and Asia
- Hosting 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, Bex
 - ▷ 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

• Establishment of institutional basis for establishing and developing financial hub

- Extending the period of taxation support for the domestic* and foreign financial institutions opening business in the financial center Amendment of laws and ordinances for vitalizing shipping finance**

* Corporate or individual income tax: extended from December 31, 2018 to December 31, 2021 (pursuant to sub paragraph 1 and 2 of Article 121-21 of the Restriction of Special Taxation Act), Acquisition tax: extended from December 31, 2020.1 to December 31, 2023 (pursuant to sub paragraph 1 of Article 14 of the Ordinance on Tax Reduction and Exemption of Busan Metropolitan City)

** Reduction of and exemption from registration and license tax for ship investment companies (pursuant to Article 3 of the Ordinance on Tax Reduction and Exemption of Nam-gu, Busan Metropolitan City)

Institutions Residing in BIFC

• 63 Story Complex Building

Location	Name of Institution	Employees
50F~62F	KOREA EXCHANGE	353
55F	IBK Changgong	12
53F	FATF TREIN	4
	KAMCO Ship Investment Management	14
	Qingdao International Trade Center Limited	2
52F	Busan Finance Center	10
	Shinhan Bank	5
	Busan International Finance Institute	2
	Busan office of Korea Financial Investment Association	7
	Busan center of Koscom	3
	Korean Commercial Arbitration Board, Asia-Pacific Maritime Arbitration Center	3
40F~47F, 3F	Korea Asset Management Corporation	610
36F~39F, 5F	Korea Securities Depository	345
30F~35F, 4F	Korea Southern Power	462
23F~27F, 12F~13F, 2F, 7F	Korea Housing Finance Corporation	305
22F	KSF Shipping Finance	3
	Korea Marine Finance Corporation	2
20F~22F	Marine Finance Center	76
15F~19F, 10F~11F, 6F	Korea Housing & Urban Guarantee Corporation	559
14F	Korea Credit Guarantee Fund	49
9F	BNK Busan Bank	7
	Korea Securities Finance Corp.	6
	International Plant-quarantine Accreditation Board	20
8F	NH Life Insurance	139
2F	NongHyup Bank	11
	Woori Bank	10
1층	KB Kookmin Bank(BIFC mall)	7

• IFC Busan

11F	Global Fin Tech Industry Promotion center	3
7F~10F	Korea Asset Management Corporation	84

• Independent Premises

Name of institution / Scale of building	Employees
Korea Technology Finance Corporation	
15F, 2 basements	328
Bank of Korea Busan Branch	
4F, 1 basements	69
BNK Busan Bank	
23F, 3 basements	904

■ BIFC Incentive System

· Foreign Financial Organizations

Types	Targets	Establishment of HQ Regional HQ	Establishment of Branch	Relocation of HQ Regional HQ within Korea	Relocation of Branch within Korea
		(Overseas ► Busan)		(Other Regions in Korea ► Busan)	
Corporate Tax ¹⁾ Income Tax ¹⁾	Financial institution with an investment of over 2 billion KRW and more than 10 regular workers	100% tax exemption for 3 years from the first tax year when the first income is made, 50% for the next 2 years		Not applicable	
Property Tax ¹⁾²⁾		100% tax exemption for 3 years from the first date when tax liability is formed		Not applicable	
Acquisition Tax ³⁾		Acquisition tax will be exempted for the assets acquired by startup (or establishment) until 31 Dec. 2023		Not applicable	
Entrance Subsidy ⁴⁾	Financial institution which establishes Regional Headquarters managing more than 3 countries, or Headquarters	Up to 50% of the expenses to purchase land or buildings or rent (Up to 5 billion Won per institution)	Not applicable	Up to 50% of the expenses to purchase land or buildings or rent (Up to 5 billion Won per institution)	Not applicable
Employment Subsidy ⁴⁾	Financial institution with more than 10 regular workers for the last 3 months	Up to 600,000 Won per new employee after movement to BIFC (for up to 6 months, up to 200 million Won per institution)			
Education/ Training Subsidy ⁴⁾	Financial institution with training for more than 1 month to recruit more than 10 Korean employees	Up to 600,000 Won for education/training per new employee after movement to BIFC (for up to 6 months, up to 200 million Won per institution)			
Business Facility Installation Subsidy ⁴⁾	Financial institution with more than 10 regular Korean employees	Up to 10% of the expenses required for installation of business facilities (up to 1 billion Won per institution)			

· Domestic Financial Institutions

Types	Targets	Establishment of the HQ	Establishment of Local HQ or Branch	Relocation of HQ	Relocation of Local HQ or Branch
				(Other Regions in Korea ► Busan)	
Corporate Tax ^{1),...1)}	Financial institution with an investment of over 2 billion KRW and more than 10 regular workers	100% tax exemption for 3 years from the first tax year when the first income is made, 50% for the next 2 years		Not applicable	
Property Tax ¹⁾²⁾		100% tax exemption for 3 years from the first date when tax liability is formed		Not applicable	
Acquisition Tax ³⁾		Acquisition tax will be exempted for the assets acquired by startup (or establishment) until 31 Dec. 2023		Not applicable	
Entrance Subsidy ⁴⁾	Head quarters that have more than 10 regular workers	Up to 50% of the expenses to purchase land or buildings or rent(Up to 5 billion Won per institution)	Not applicable	Up to 50% of the expenses to purchase land or buildings or rent(Up to 5 billion Won per institution)	Not applicable
Employment Subsidy ⁴⁾	Financial institution with more than 10 regular workers for the last 3 months	Up to 600,000 Won per new employee after movement to BIFC (for up to 6 months, up to 200 million Won per institution)			
Education/ Training Subsidy ⁴⁾	Financial institution with training for more than 1 month to recruit more than 10 Korean employees	Up to 600,000 Won for education/training per new employee after movement to BIFC (for up to 6 months, up to 200 million Won per institution)			
Business Facility Installation Subsidy ⁴⁾	Financial institution with more than 10 regular Korean employees	Up to 10% of the expenses required for installation of business facilities (up to 1 billion Won per institution)			

※ Applicable Act

1) 21 of Article 121 of the Restriction of Special Taxation Act and 26 of Article 116 of the enforcement ordinance

2) 1 of Article 7 of Busan Metropolitan City Nam-gu Tax Exemption Ordinance (according to clause 3, 21 of article 121 of the Restriction of Special Taxation Act)

3) 1 of Article 14 of Busan Metropolitan City Tax Exemption Ordinance

4) Ordinance of the Busan Metropolitan City Financial Industry Cultivation (Article 5, 6, 7, 8, 12)

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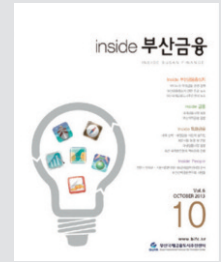
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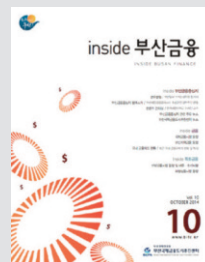
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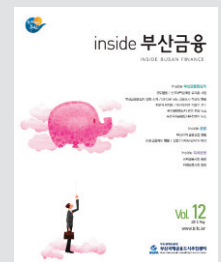
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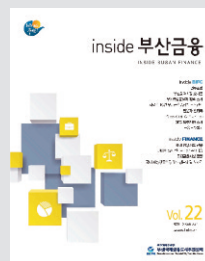
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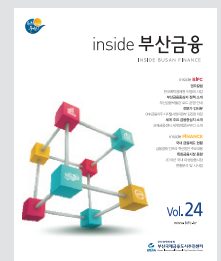
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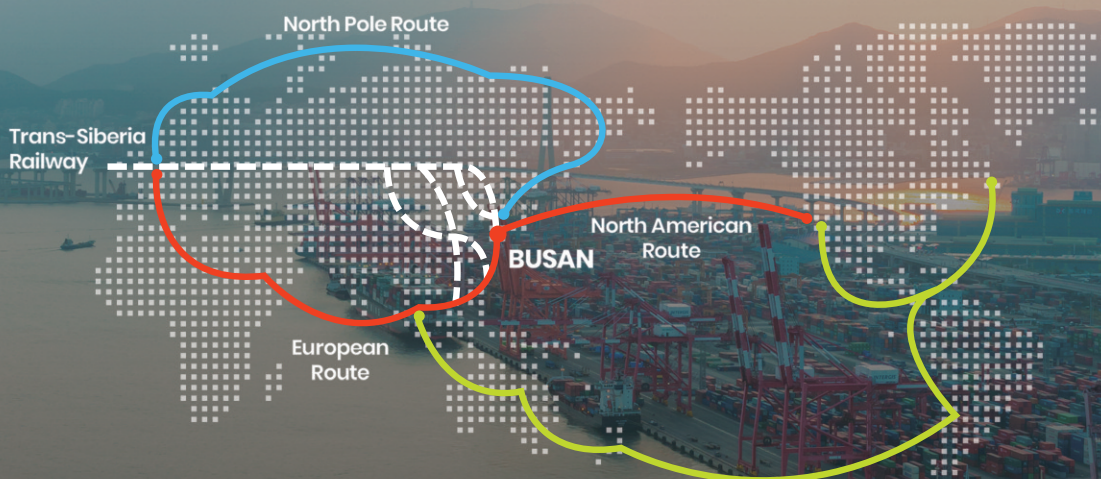


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ALL ROADS LEAD TO BUSAN



INVITATION TO A GATEWAY OF THE WORLD

Busan is a starting point of North Pole Route and the final destination of the Trans-Eurasian railway with a competent triple logistics system involving the railway, port and airport.

Also the city has world's 6th largest port in terms of container cargo volume. With its strategic location, Busan takes the great leap to the maritime finance hub of Asia.

With the attractive incentives and strong support of the government, Busan is ready to support your business.

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