

# inside Busan Finance

INSIDE BUSAN FINANCE

inside **BIFC**

## **Foreword**

Possibilities and Future of Busan,  
and the Role of Public Sector Financing Policy  
President of Korea Housing Finance Corporation, Joon Woo Choi

## **Policy of Busan Financial Hub**

Busan Financial Hub and the World EXPO 2030 Busan, Korea

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Leading the Future of "Busan Financial Hub"  
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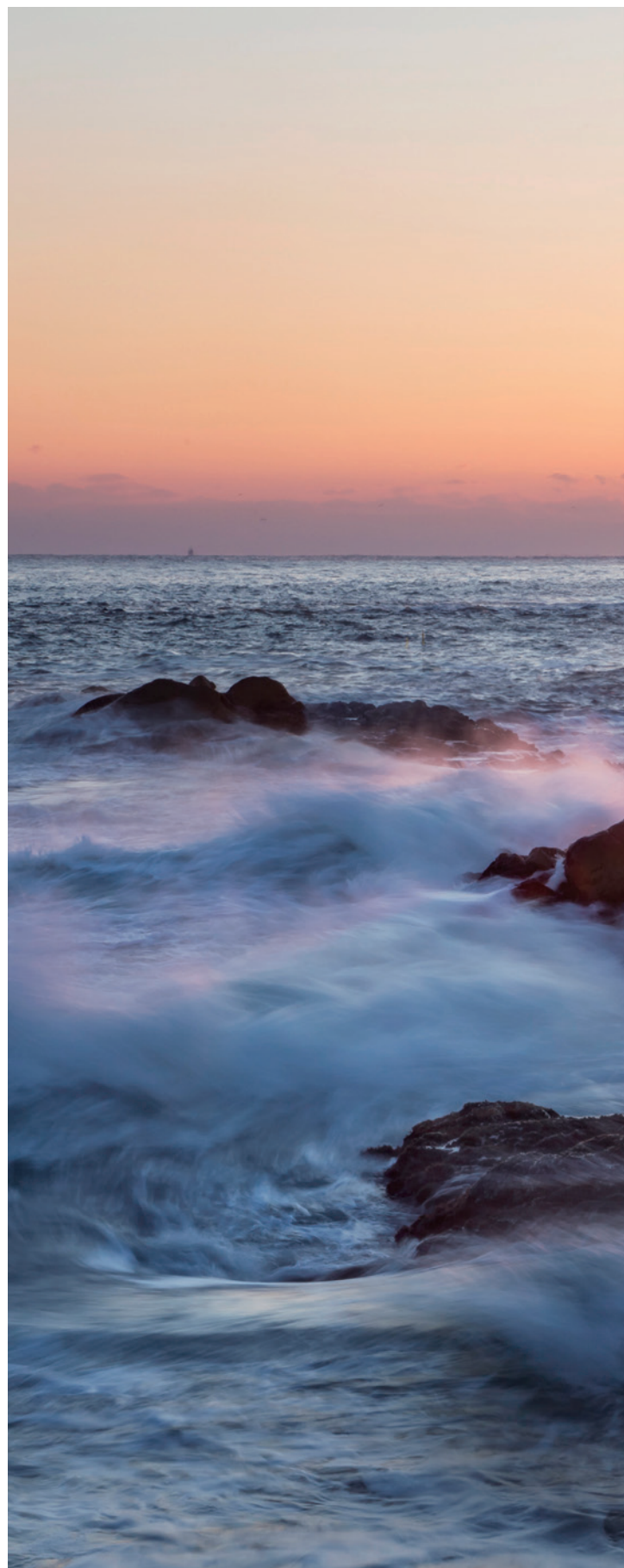
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Gijang-gun Jukseong, Sunrise



## Possibilities and Future of Busan, and the Role of Public Sector Financing Policy



President of Korea Housing Finance Corporation

**Joon Woo Choi**

Busan is a city full of potentials, rooting in its rich urban diversity. Geographically speaking, the mountainous city lacks plains, which in turn led industrial facilities and tourist attractions clustered near the shorelines. These geographical conditions promoted a unique structure for the development of Busan; beaches, the sea, rivers, mountains, skyscrapers, new towns, industrial zones, and mega ports all in one single administrative district. A metropolis populated with 3.5 million citizens and surrounded by such dynamic and complex environment is rarely found not only in Korea, but around the world. Busan is the only city in Korea where massive clusters of residential areas are developed on and around the mountains.

Urban development projects are also showing multi-dimensional aspects under these geographical conditions. To the east of Busan are the 2<sup>nd</sup> Lotte World amusement park and large-scale resort complete or under construction. To the south is the New Busan North Port redeveloping into an urban area after relocating the port infrastructure. To the west is Eco Delta Smart City currently in development to propose a new concept of urban lifestyle. Likewise, various types of urban development and redevelopment are in full fledge.





It is a well known fact that urban redevelopment, supply of residential land, and infrastructure construction such as roads and subways can be implemented appropriately only when 1) policies are well aligned and budgets are distributed adequately between the local and central governments, and 2) projects benefit from a favorable economic cycle for urban expansion and redevelopment. By relocating the largest trade port in Korea, remaining sites and reclaimed lands are currently under redevelopment. While the East Busan Tourism Complex development project is in full sail, it was once mired for 10 years due to difficulties in attracting investment. Indeed, the different progresses made by two projects for the last ten years clearly show distinctive aspects which 1) payability of redevelopment, 2) timely coordination procedure, and 3) financial support for business development can have on urban development or redevelopment projects.

To overcome various side effects accompanied by total demolition when redeveloping, urban regeneration is gaining momentum. While urban regeneration is understood as a different term to redevelopment, the term in fact includes

redevelopment, and encompasses the holistic concept of urban recycling. Still, it seems that redevelopment is considered as a total eviction of residents and destruction of community, while urban regeneration is deemed as preservation of community and buildings as well as settlement of residents. In other words, while redevelopment and urban regeneration are not separated terms, there is a growing tendency that urban redevelopment is being disregarded even in urban regeneration, due to extreme aftermath of redevelopment.

Busan is on top of the list when it comes to urban regeneration, including urban redevelopment. To this end, Gamcheon Culture Village is often referred to as a model case of urban regeneration in Busan. However, a deep dive into this case shows that the reality does not exactly reflect the meaning of urban regeneration. The population of the village has been falling more than 60 percent since 1995, and remaining residents are experiencing enormous difficulties such as traffic congestion caused by significant rise in tourists. With decreasing population and weekends crowded by non-residents, the urban regeneration of Gamcheon Culture Village needs reevaluation.



The group of residential areas and roads dotted along the hillsides of Busan are severely deteriorated, structurally risky, and inconvenient to access. Haphazard development around the mountains left lots fragmented, let alone perplexing legal rights and obligations. Moreover, given the unique geological features in Busan, the traditional approach of constructing apartment complex after total demolition is unfeasible due to high development costs and low profitability.

Therefore, the most appropriate and timely type of redevelopment for Busan will be in small-scale, given the years and scale of deteriorated buildings in residential complexes. It is encouraging to see live public discussions on activating small-scale housing maintenance projects. When these policy-led housing maintenance projects are supported,



purchased, and leased seamlessly by the government, they may fully reflect the preservation of local community in line with the concept of urban regeneration.

However, small-scale development after purchasing deteriorated residence may not be effective without support for infrastructure development. To this end, maintenance and development in block units, including mountainside roads shall be closely designed by the government at the pilot stage. Furthermore, various policies and maintenance project models are required to converge the advantages of urban regeneration and small-scale redevelopment for pilot projects.

And this is where public sector financing kicks in. Urban redevelopment or urban regeneration projects are currently taking place at regions which are likely to generate high profitability. Nonetheless, there are regions widespread in urban Busan where profitability is limited due to various reasons but urgently require urban environmental maintenance. To this end, financial support from the public sector is required to improve urban environment.

A successful model which can recreate the future of urban Busan will lay a milestone for Korean urban regeneration, and at the same time provide a meaningful best practice in solving the aggravating regional development. Once new residential complexes harmonize with the unique urban scenery, Busan will revamp into a city where citizens live happily.

To build the future of Busan, cooperation among local government, public financial institutions, and various market players are required. Sitting on numerous potentials, it is time to tap into the diversity of Busan. The importance of support from public sector financing policies is on the rise, not only for developing new cities, but also for regenerating deteriorated ones. Korea Housing Finance Corporation will also prepare to play various roles to unleash many potentials of Busan. ⚡





# Busan Financial Hub and the World EXPO 2030 Busan, Korea



## The World Expo: The Foundation of Busan Financial Hub

Starting with the Expo 1851 London held for the first time in Europe and the world, the World Expo (Exposition Internationale) showcases products from countries from around the world. According to the Paris International Fair Treaty of 1928, it is held every five years hosted by member countries. Today, it is mainly held with the aim of showing off a country's national power through the products of its own advanced scientific innovation. Korea held its first expo in Daejeon in 1993 and its second in Yeosu in 2012, both of which were Recognized Expositions (also known as International Expos).

The World EXPO 2030 Busan, Korea, which the financial hub of Busan is striving to host, will be the world's 12<sup>th</sup> Registered Exposition (also known as World's Fair). If Busan succeeds in hosting the expo, it will be the first registered expo to be held in Korea, and Korea will become the 7<sup>th</sup> country in the world to host all three world major events (the Olympics, the World Cup, and a Registered Expo). The **World Expo 2017 Astana** held for three months under the theme of "future energy", was the first expo held in Central Asia. Kazakhstan established its International Financial Center in Astana around the time of the Expo, promoting the convergence of finance and the Expo.

The World Expo 2021 Dubai was the first in the Arab world, and with the entire city being used as an expo exhibition hall, it was the largest expo ever held. Under the theme of "Connecting Minds, Creating the Future," it is currently being held under the sub-themes of "Opportunity", "Mobility", and "Sustainability".

The United Arab Emirates actively utilizes Dubai's international financial network for the promotion and events of the Expo. The Busan Finance Center (BFC) also attended the General Assembly of the World Alliance of International Finance Centers (WAIFC) held at the Dubai International Financial Centre, and signed an MOU for mutual international cooperation. We will look at the significance and the current status of promotion efforts of the **World EXPO 2030 Busan, Korea**, which Korean government and Busan Metropolitan City are striving to host under the theme of "Transforming Our World, Navigating Toward a Better Future" in the area of the Busan North Port, the hinterland of the Busan International Financial Center (BIFC).



## 1 The Significance of Hosting an Expo

### Enhancing national and regional brands by hosting Korea's first "Registered Expo"

※ Registered Expo: A large-scale expo with a 5-year cycle registered in the Bureau International des Expositions (BIE) with the theme of human progress

※ Recognized Expo: A medium-scale expo held between two registered expos (with a specific subject)

- The first expo to be hosted by Korea in 137 years since its first participation in the Chicago Expo in 1893\*
  - \* Korea first participated at the invitation of the World Expo Committee. Its first national pavilion was opened at the Paris Expo in 1900
- World's 12<sup>th</sup>\* country (4<sup>th</sup> in Asia) to host a Registered Expo
  - \* The other countries are Belgium, France, the United States, Haiti, Canada, Japan, Spain, Germany, China, Italy, and UAE
- The world's 7<sup>th</sup>\* country to host all three world major events (the Olympics, the World Cup, and a Registered Expo).
  - \* The other countries are France, the United States, Canada, Japan, Germany, and Italy

### An opportunity to promote Korea's status as a smart innovation powerhouse in 2030

- Realizing a hyper-connected future society led by innovative technologies, including AI, next-generation mobility, and 6<sup>th</sup> generation communication (6G) based on the strengths of its ICT and manufacturing industries
- Securing technological initiatives related to MaaS\*, smart airports and ports, and smart cities
  - \* Transportation sharing service that integrates airplanes, buses, and taxis into one platform

### Global expansion of K-Culture (also known as "the Korean Wave") based on Busan's soft power

- An opportunity to promote Busan's innovations and K-Culture globally, including Busan International Film Festival, Busan Fireworks Festival, webtoons, games, and virtual reality.
- Strengthening Busan's role as a maritime hub for cultural exchange and peace on the Korean Peninsula and Northeast Asia that begins in Busan utilizing the advantages of the maritime capital of Northeast Asia

### Promoting a balanced national development with the revival of Korea's second economic zone in the Southeast region

- The World Expo powers the redevelopment of the Busan North Port\* and the major reconstruction of Busan, creating a prime motivation for the development of old downtown areas.
  - \* Creation of a world-class maritime industry cluster and exhibition and convention town in the Busan North Port area
- The southeast area of Korea, including Busan, Gyeongnam, Changwon, and Ulsan emerges as a core economic zone in Northeast Asia.



## 2 Current Status of Promotion

### Event Overview

- Period: May 1, 2030 to October 31, 2030 (6 months)
- Venue: 3.44 million m<sup>2</sup> in the Busan North Port area  
(land: 2.83 million m<sup>2</sup> and sea: 610,000 m<sup>2</sup>)
- Estimated visitors: 32.18 million people

### Promotion Target Organizations

- Bureau International des Expositions (BIE)

\* Chairman: Choi Jai-chul (Korea), Secretary-General: Dmitry Kerkentez (Greece), and  
Chairman of the Executive Committee: Alain Berger (France)



Photo: The World EXPO 2030 Busan, Korea Promotion Team, Busan Metropolitan City

## 3 Promotional Messages for Attracting Expo

### Why EXPO

#### Declaration of a new leap forward for Korea

- EXPO is a venue to show Korea's capabilities and Busan's charm
- EXPO is an igniter that opens the future of Korean society

### Why Korea

#### Positioning Korea as a developed nation

- Opportunity for Korea to present standards to the world through soft power science and technology, ICT, innovation, and industry, as well as the recent K-Quarantine and K-Culture
- Korea will position itself as a country bridges the differences and that mediates the interests of developed and developing countries.

### Why Busan

#### Busan, a new growth axis of Korea

- The Busan, Ulsan and Gyeongnam region will take another leap forward through the 4<sup>th</sup> industrial revolution and smartification of the manufacturing industry.
- Realistic alternatives to overcrowding in the Seoul metropolitan area and the opportunities available to youth
- Securing a new growth axis for Korea and preparing an opportunity for balanced national development

## A Platform of Great Transformation and Coexistence



### Logistics and Transportation Hub

#### Connection of sea, land and sky

- Emphasizing the connectivity that brings together the sea, land, and sky with the construction of Gadeok New Airport and expansion of the railway network.
- Clearly conveying the message that Busan is the 2<sup>nd</sup>-largest transshipment hub port in the world and the largest port in Korea.



### The Hub of the Smart Economy

#### Decarbonization technology that opens the future

- Highlighting the Busan, Ulsan and Gyeongnam region as an area of innovation for New Deal for a carbon-free economy and smart technology for a future society.



### A Hub of Coexistence and Culture

#### From the Korean War to the World

- Highlighting Busan's valuable contributions to collecting and connecting ideas from around the world, including K-Culture
- A city that has experienced healing and recovering from poverty and war

**The World EXPO 2030 Busan, Korea will connect the present and future of mankind at the hub port of Busan in Korea.**

[Reference material] Please also refer to Busan Metropolitan City website (<https://www.busan.go.kr/expo/index>)

## A Plan for Nurturing Global Financial Professionals Leading the Future of “Busan Financial Hub”



Dean, Graduate School of Finance,  
Pusan National University

**Kim Jin-woo**

**Q.** Pusan National University's Graduate School of Finance was established to foster global financial professional with practical skills at a time of rapid change in the financial industry in line with the development of innovative technologies such as big data, blockchain, fintech, and AI. Please tell us about the curriculum and how it is different from other graduate schools.

**A.** Pusan National University's Graduate School of Finance was opened in September 2018 with financial support from the Financial Services Commission and Busan Metropolitan City with the goal of “cultivating financial professionals with a high level of ethical awareness and expertise in derivative finance and global mindset.” Accordingly, we teach basic financial theory on derivative financial products and markets, as well as practice-oriented case studies hold and financial seminars to keep pace with the recent changes in the financial environment.

In addition, we are continuously developing and providing educational programs to cope with changes in both the financial industry following the 4<sup>th</sup> Industrial Revolution and digital innovation. Today's financial industry is experiencing new financial innovation using new technologies such as big data, cloud computing, blockchain, and AI. In order to foster talent who can understand and lead these changes, our graduate school offers fintech, blockchain, AI, and digital finance-related subjects every semester, and operates courses where students can intensively study Python and R programs to cultivate their coding skills necessary for financial big data analysis.

In addition, in order for students to develop their global competitiveness and abilities as financial professionals, it is mandatory for them to study at famous overseas universities



during vacation to acquire at least six credits. We are not sparing any financial support for this. In addition, we provide a variety of student support programs, including support for obtaining global professional financial certificates such as CFA and FRM, dormitories and individual study spaces.

**Q. I would like to ask about the major achievements of your Graduate School of Finance over the past four years and how it can make real contributions to the development of Busan Financial Hub.**

**A.** Our graduate school has produced a total of 65 graduates since its inception, and currently the fourth-year students are studying hard. Our graduates have been successfully achieving the original goal of fostering financial professionals by working mainly at famous domestic banks, public financial corporations, and asset management companies.

In addition, about half of our graduates and enrolled students are the employees of Korea Exchange, financial public corporations located in Busan (Korea Asset Management Corporation, Korea Housing Finance Corporation, Housing and Urban Guarantee Corporation, Korea Securities Depository), which signed an MOU with our graduate school, and Busan Bank and Kyongnam Bank, which are the major banks of the Busan and Gyeongnam region. As such, our graduate school is taking the lead in enhancing the financial expertise of those working in the financial industry by providing professional education on derivative financial products and digital finance.

The top priority of educational institutions is to nurture

talented people. In order to achieve the goal of cultivating financial professionals who have expertise in derivative finance, a global competitiveness, and a high ethical awareness, our graduate school we always considers what education is most necessary for employees in the financial industry, and strives to provide it. We will continue to contribute to the development of the Busan Financial Hub by becoming the best financial education institution in Korea which trains the best financial professionals to lead the Korean financial industry.

**Q. There are many who feel that in order for Busan to become a global financial hub, it is necessary to secure financial professionals and foster professional groups in finance, law, accounting, and taxation with global-level capabilities. I am curious as to how you plan to operate Pusan National University's Graduate School of Finance in the future with a focus on training financial professionals.**

**A.** Currently, our graduate school is operating an education program that focuses on professional education on derivative finance and digital finance. Through this, we want to cultivate derivative finance experts who are proficient in financial big data analysis. Pusan National University is working hard to develop our graduate school into the best financial education institution in Korea. In order to achieve this, it is essential, above all, to provide the curriculums which are necessary for the real world of business. In this regard, our graduate school is always thinking about what education and support are most needed for students and, subsequently, how to provide it.



We are also paying a lot of attention and effort to providing education programs for the employees in the financial industry. Currently, new digital financial services are being provided in the financial industry through the introduction of new digital transformation technologies. We can see how the structure of the financial industry is rapidly changing due to the entry of non-financial IT companies such as fintech companies and big tech companies into the financial industry.

In order to respond to these changes in the financial industry, continuous retraining of the employees of the financial industry is essential. Accordingly, our graduate school strives to provide more admission opportunities to the employees of financial institutions and public financial corporations, and to develop and provide necessary educational programs for them. When these efforts are put together, we will provide a separate training course only for those already employed in financial institutions and public financial corporations.

In the long term, we are planning to convert our graduate school, which is currently a special graduate school, into a graduate school specializing in finance. In order for our graduate school to provide more diverse educational

programs to more students, it is essential that they receive these programs in a graduate school specializing in finance.

**Q.** Please tell us what needs to be done to encourage the talents produced by Pusan National University's Graduate School of Finance to settle in Busan and develop into experts who will lead the Busan Financial Hub.

**A.** First of all, I think continuous work at the individual level is most important. To become a financial expert, you need professional knowledge and rich practical experience in the financial industry, financial markets, and financial products. However, it is not easy to become an expert at both theory and practice. That's why students' continuous self-development and learning are important. I personally think it is a good choice for people with abundant career experience in financial practice to enroll in Ph.D. programs in the field of finance and conduct professional academic research based on their practical experience.

In addition to these personal efforts, sufficient employment opportunities must be provided for Busan to develop as a financial hub and retain talented people in Busan. Although





Busan is designated as a financial hub along with Yeouido in Seoul, the reality is that there are still not enough jobs for our graduating financial professionals to find employment in Busan. With the exception of Korea Exchange, the five public financial corporations, and BNK Financial Group, which is a financial institution representing the Busan and Gyeongnam region, there are no publicly trusted financial institutions headquartered in Busan. Under these circumstances, it is not easy for talented people who have graduated from our graduate school to settle in Busan and contribute to the development of the Busan Financial Hub as financial experts.

Increasing the number of jobs related to the financial industry in Busan will not be possible in a short period of time. This is because it is not easy for existing large financial institutions to relocate their headquarters to Busan. Therefore, following in line with new changes in the financial industry, I think it is necessary to actively consider ways to increase new employment opportunities by attracting and supporting non-financial IT companies that are leading recent financial innovations, attracting crypto-asset exchanges represented by bitcoin, and supporting the

development of derivative finance products using crypto-assets as the underlying assets through active collaboration with the local government, industry, academia and research institutes in the Busan region.

**Q. I would like to ask if there are any future plans for the development or operation of a joint education program to foster financial experts through collaboration with the local government and (public) financial institutions in the Busan area.**

**A.** As mentioned earlier, half of our graduates and enrolled students are already employed at financial institutions, public financial corporations or otherwise. Therefore, our graduate school is very interested in retraining employees in the financial industry. Accordingly, we have had in-depth discussions on the development and operation of a separate curriculum exclusively for those working in the financial industry.

Various financial institutions exist within the financial industry, and each financial institution provides different financial services. For this reason, the professional education content required for employees of each institution should be structured differently according to their characteristics or role. We will actively respond to requests for curriculum development from local governments, industries, or research institutes.

For example, our graduate school recently received a request from an institution located in Busan to develop and provide a specialized financial education program for its employees as an in-house education program, so we proceeded with the development of a separate education program required by that institution. Unfortunately, in-person education was not possible due to COVID-19, so we had to give up developing that curriculum midway through it. If we have such an opportunity again in the future, our graduate school will actively work towards providing customized education programs. ⚡

1

## Citibank Korea Busan Office Opens at the BIFC

**Date/Place** July 30, 2021 (Friday) / 63<sup>rd</sup> floor, Busan International Financial Center (BIFC)

**Key details** The first global financial institution has opened at the BIFC after Busan Metropolitan Government selected six companies from four countries as priority tenants to move into the BIFC over an 11-year period starting from the creation of the Munhyeon Financial Complex.



2

## BFC Co-hosts the 2021 International Conference with the Association of Korean Economic Studies

**Date/Venue** August 26 (Thursday) to 27 (Friday), 2021 / Paradise Hotel Busan (offline) and Zoom (online)

**Topic** Korea and the World Economy Facing COVID-19 Pandemic and Regional Development

**Hosted and organized by** The Association of Korean Economic Studies, Busan Finance Center

**Key details** Seeking strategies for developing Busan Financial Hub through the Strategic Agenda for Korean Financial Industry and Busan International Financial Hub policy sessions.



3

## BFC Hosts the 8<sup>th</sup> Busan Global Financial Forum

**Date/Venue** October 6, 2021 (Wednesday) / Conference Hall A and F, Busan Port International Exhibition and Convention Center (BPEX)

**Topic** Leading financial innovation in the post-COVID-19 era!

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

**Organized by** Busan Finance Center

**Key details** Seeking ways to support Busan Financial Hub and enhance its global competitiveness



4

## BFC Holds Awards Ceremony for the 2021 University (Under/graduate) Student UCC Contest for Busan Financial Hub Promotion

**Date/Venue** October 22, 2021 (Friday) / BFC conference room, 53<sup>rd</sup> floor, BIFC

**Topic** 1) Development strategy of Busan Financial Hub to develop Busan into a green smart city  
2) Free topics related to Busan Financial Hub

**Key details** Producing UCC videos that can effectively promote Busan Financial Hub by utilizing creative perspectives and various ideas of university students (both undergraduates and graduates) to actively use them to attract domestic and foreign financial institutions





5

## BFC Hosts the Busan Maritime & Finance Week 2021 (BMFW)

<b>Date/Venue</b>	November 2 (Tuesday) to 4 (Thursday), 2021 / Grand Ballroom, The Westin Josun Hotel Busan
<b>Topic</b>	Opportunities and challenges for Busan as a maritime financial hub
<b>Hosted and organized by</b>	Busan Metropolitan City, Financial Supervisory Service, Korea Ocean Business Corporation, MarineMoney, Busan Finance Center
<b>Key details</b>	Events held separately for each institution at a similar period were integrated for the first time to increase the synergistic effect of events, such as conventions, conferences, forums, IR, and “biz meetings”, and to promote investment attraction



6

## BFC Holds the 2021 Busan Money Show

<b>Date/Venue</b>	November 4 (Thursday) to 6 (Saturday), 2021 / Exhibition Hall 2, BEXCO
<b>Hosted by</b>	Busan Metropolitan City, Maeil Business Newspaper
<b>Co-organized by</b>	Global Fintech Industry Promotion Center, Busan Finance Center, Blockchainus, Korea Exchange, Korea Financial Investment Association
<b>Featuring</b>	70 financial institutions and companies participated with 165 booths operated
<b>Key details</b>	Finance seminars on stocks, real estate, digital assets, etc., recruitment briefing sessions for public financial institutions, Metaverse Expo, etc.



7

## Busan Metropolitan Government and the International Protocols Committee for AI Security Signs an MOU on the Establishment of its Busan Headquarter

<b>Date/Venue</b>	November 8, 2021 (Monday) / Protocol Office, Busan Metropolitan Government
<b>Key details</b>	Busan Metropolitan City and the IEEE* “Protocol Committee” plan to form the first Busan HQ Establishment Preparation Committee and then gradually promote the establishment of the Busan headquarters while laying the foundation for active international exchanges, such as participating in various AI events hosted by the city, supporting domestic startups and promoting joint research on AI, plus other events.

\* IEEE was established in the United States in 1963, and is an organization leading the international standardization of electrical and electronic fields consisting of 500,000 experts in electricity and electronics from 175 countries around the world. It is playing the role of a de facto international standardization organization in related fields.



8

## Busan Finance Center Signs an MOU with Dubai International Financial Center (DIFC\*)

<b>Date</b>	December 15, 2021 (Wednesday)
<b>Key details</b>	Both centers plan to expand cooperation in a wide range of fields, including environmental, social, and corporate governance (ESG), fintech, joint webinars, and future finance, and strengthen financial market information sharing and collaboration

\* Since its establishment in 2004, the Dubai International Financial Center (DIFC) has been a key financial center in the Middle East, Africa and South Asia (MEASA), with approximately 28,000 financial experts and 3,200 companies. It has acted as an investment brokerage between Europe and the US and emerging economies in the MEASA region. DIFC is a financial free trade zone with an independent judicial system based on British common law. It is focusing on fostering future finance through the latest technology, innovation, and business alliances. It has an optimal environment in relation to fintech and venture capital, especially accelerator programs and startup funding for the early stages of business.



# Housing Finance Research Institute of



**The best housing finance research institute to realize the happiness of the people and the housing welfare of average consumers**



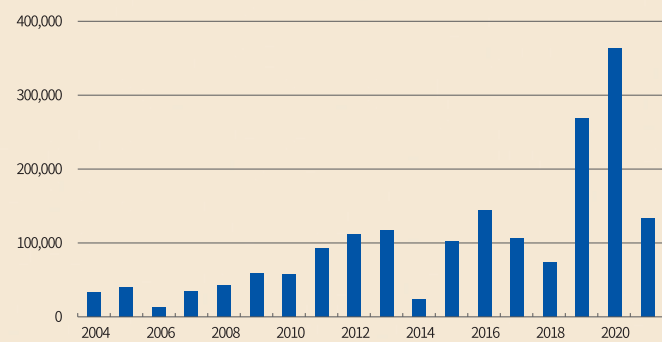
## 1 The beginning of the Housing Finance Research Institute and its major projects

The Housing Finance Research Institute began as a research department established along with Korea Housing Finance Cooperation in 2004. It expanded and reorganized as the Housing Finance Research Institute in 2016 to strengthen its research capabilities. The organization consists of two offices (the Research Support Office and the Research Office), six teams (research planning statistical analysis, international business, household finance research, securitization research, and fund research team), staffed by 35 people, including ten Ph.D. professional researchers.

In addition to policy mortgage supply (Bogeumjari Loan, qualifying loan), housing finance credit guarantees, and reverse mortgages, which are KDHC's own businesses, the institute is conducting research on a variety of topics directly or indirectly related to housing finance, such as the housing market, real estate statistics and index development, and household debt management. In particular, the government-approved statistical analysis titled "Survey on Demand for Housing Finance and Bogeumjari Loan" is being used as basic data for the long-term and stable supply of public housing finance.

Through the publication of statistical indices, such as the Korea Housing Affordability Index (K-HAI) and the Korea Housing Opportunity Index (K-HOI), among other publications, it is also continuously providing information for the realization of housing welfare and improving the quality of life for the average consumer. In addition, the institute is in charge of international cooperation projects that strengthen joint research capabilities through business agreements with overseas housing finance-related institutions and create a leading research agenda.

<Figure.1> Bogeumjari Loan Supply by Korea Housing Finance Corporation



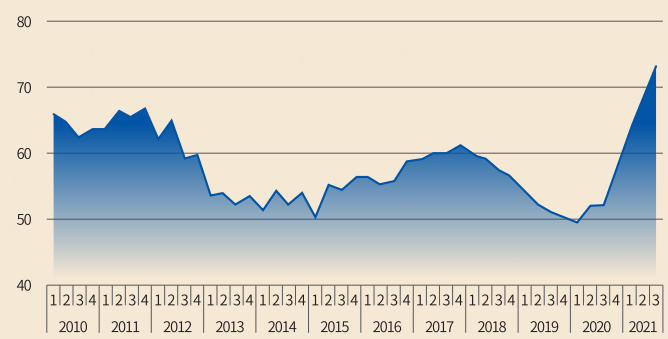
Unit: KRW in 100 million / Note: 2021 data is as of the end of October / Source: Korea Housing Finance Corporation



## 2 The role of housing finance and the trend of changes in the housing market

Since COVID-19 pandemic began last year, excess liquidity in the financial market has caused overheating in the asset market and rising housing prices. The burden of purchasing a house for average consumer increased <Figure.2> as well, and concerns over the deteriorated soundness of the macro-financial economy due to household debt are also rising. Amid lingering uncertainties in the internal and external economy, comprehensive and in-depth research is needed more than ever to stabilize the housing market, which is the basis of life for the average consumer, and to substantially improve the housing welfare of people.

<Figure.2> Trend of the Korea Housing Affordability Index (K-HAI)



Note: Household loan repayment burden when a median-income household purchases a median-priced house with standard loans / Source: Housing Finance Research Institute

In addition to macroeconomic factors, social factors, including demographic changes, are expected to heavily burden the housing market in the future. There is growing concern that the low fertility rate and aging population may reduce the economically active population and increase the burden of government support, which could weaken the national growth engine itself in the long term. It is necessary for the institute to prepare for the demand for practical policy research to encourage marriage and childbirth by alleviating the housing burden of the young, and to support stable housing of the elderly.


In particular, the digital transformation caused by COVID-19 has significant implications for the housing market and

housing finance as well. Personalized finance product design based on big data has already begun to enter the housing market, and the demand for safe and convenient housing finance through AI and blockchain technology is also increasing. Digital housing finance is taking off as a new paradigm in the housing finance market.

The Housing Finance Research Institute is also carrying out research projects in stages to respond to new digital environmental demands, such as the establishment of an automated valuation model, a real estate fraud detection system, and big data-based housing market volatility analysis, and will continue to use them to promote innovative businesses of Korea Housing Finance Corporation.

## 3 Housing finance research for the improvement of residential welfare and quality of life for the average consumer

The demand for housing finance-related research in the domestic housing market will continue to expand. Amid concerns about financial imbalances and uncertainty in the economic environment, the need for close-up and in-depth research in response to social and economic changes in the housing finance market will increase further. This research could cover subjects such as stable management of household debts, responding to an aging society through reverse mortgage (stable retirement lifestyle), digital innovation in housing finance, securing liquidity of housing funds through MBS activation, and efficient financial support.

The Housing Finance Research Institute is carrying out tasks from various perspectives to effectively respond to these social and economic changes and to provide timely research results to the governmental policy research needs. In the future, we will strive to strengthen our status as a leading research institute in housing finance by focusing on enhancing the external utilization of research results and creating social values. 

# Tangible Results of the Financial Regulatory Sandbox System

Announced on August 18, 2021 by the Financial Regulatory Sandbox Team of the Financial Services Commission, this is the main content of “Quality jobs are being created and the fintech industry is growing with the financial regulatory sandbox.”



- The financial regulatory sandbox system has created tangible results, such as an increase of 1,237 dedicated personnel and KRW 273.2 billion in investment attraction
- So far, a total of 153 innovative financial services have been approved, of which 88 services (58%) have been released to the market and are undergoing testing.

## 1 Overview of the financial regulatory sandbox system

- Since April 1, 2019, the Financial Services Commission has been operating the “Financial Regulation Sandbox” system to promote consumer benefits as well as competition and innovation in the financial industry.
  - When designated as an innovative financial service with this system, innovative ideas and technologies can be quickly tested and commercialized by deferring or exempting regulatory applications such as permit and business activities for up to four years.
- When the test results through sandboxes show that consumer benefits are large and the stability is verified, the Commission will promptly initiate regulatory improvement work to support stable service provision.
  - In addition, since the amendment to the “Special Act on Support for Financial Innovation” has come into effect on July 21, 2021, innovative financial business operators may request regulatory improvement, and if the government decides to improve the regulations, the special exemption period can be extended by up to one year and six months.

## 2 Current status of job growth and investment attraction

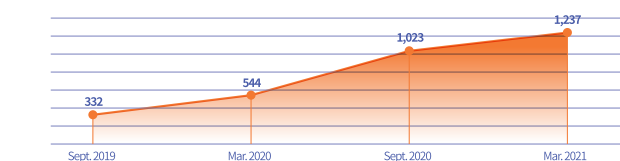
- Since April 1, 2019, a total of 153 innovative financial services have been designated, and 88 services are currently being tested in the market (as of July 2021), and a total of 132 services (cumulative) will be released in the second half of 2021.
  - These straightforward market launches are leading to the growth of the fintech industry by creating new jobs and attracting investment.

### 1 : Job Growth

Current status of dedicated service personnel (as of March '21, cumulative)

Category	Number of dedicated personnel
Financial companies, etc.	639 persons
Fintech companies	598 persons
<b>Total</b>	<b>1,237 persons</b>

Trend of dedicated personnel (Unit: person, cumulative)



- There has been an increase in the number of dedicated personnel of 1,237 at companies approved for financial regulatory sandbox. With the growth of fintech companies, high-quality jobs have been created for young and talented people such as programmers, designers, and marketers.
  - The financial regulatory sandbox system has led to job creation, which in turn forms a virtuous cycle that serves as a foothold for various innovative services.

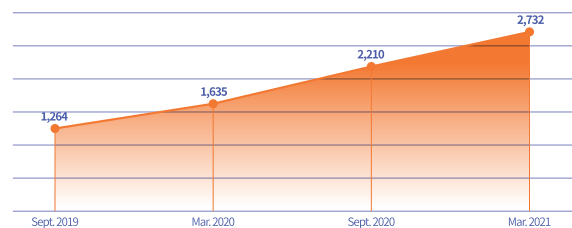


## 2 : Investment Attraction

Current status of investment attraction by innovative financial business operators (as of March 2021, cumulative)

Investor	Investment Attraction Amount
Venture capitals	KRW 105.1 billion
Financial companies	KRW 89.6 billion
Companies	KRW 59.9 billion
Individuals	KRW 18.6 billion
<b>Total</b>	<b>KRW 273.2 billion</b>

Trends in investment attraction (Unit: KRW in 100 million, cumulative)



A total of KRW 273.2 billion\* has been invested in projects related to the financial regulatory sandbox system from venture capital, etc.

\* This amount covers new investment into 31 fintech companies, excluding financing for big tech, which has a high proportion of businesses other than innovative financial services such as banks.

- This shows that services that are recognized for their business feasibility are emerging in the market through the financial regulatory sandbox and are leading the development of new technologies in various fields.

## 3 Future Plans

Based on the performance of the financial regulatory sandbox system over the past two years, the Commission will continue its efforts to substantiate the system so that innovation through the financial regulation sandbox system can smoothly take place in the third year of operation.

- The Committee will heed to issues and suggestions of the fintech industry and financial companies and seek expedited support through operating a sandbox for continuous on-site communication, conducting interviews with prospective innovative financial business operators along with related institutions (Korea Fintech Support Center, etc.).
- Based on the verification of the safety and effectiveness of existing approved projects, the Commission will focus its efforts on improving regulations and actively support convenient and safe services so that they can take root in people's financial lives.
- In addition, it will preemptively discover new projects through various channels, including the Digital Finance Council.
  - It will implement the D-test bed without delay to establish an environment in which new fintech companies and startups can test their business profitability and the feasibility of innovative ideas.

### Reference : Major Cases of Innovative Financial Services

A variety of services have been launched through the approval of the financial regulatory sandbox system, enhancing the convenience of financial consumers and promoting competition and innovation in the financial industry.

- (Loan comparison service) About 310,000 people have taken out a total of KRW 5,537.8 billion in loans, and financial consumers benefitted from the loan interest reduction effect\* to the tune of about KRW 21 billion

\* Competition among financial companies using the platform is leading to preferential interest rate agreements.

- (Trading of overseas stocks in decimal points) About 740,000 people have traded a total of KRW 857.7 billion in trading of overseas stocks in decimal points.

\* The average monthly transaction amount doubled (from KRW 73.6 billion in 2020 to KRW 140.7 billion in 2021) and the number of investment-enabled stocks doubled from 354 stocks in 2020 to 735 stocks in 2021, expanding investors' options available.

- (Credit card remittance service) About 880,000 people have used this service for a total of KRW 46 billion. This service repays the credit card debts in the payment month after remitting using a credit card even when one's bankbook balance is insufficient.

- (Credit card payment) Due to the impact of COVID-19, non-face-to-face credit card payments using O2O services have increased significantly. About 550,000 people have paid a total of KRW 112.2 billion.

- On the other hand, about 23,000 people paid a total of KRW 47.6 billion through this service allowing sellers to easily receive consumers' payment using their smartphone app.

- (ID verification service) 88,000 people have used this service allowing one's ID to be easily confirmed using facial recognition technology or blockchain technology.

[Reference Material] Press release on August 18, 2021 by the Financial Services Commission: "Quality jobs are being created and the fintech industry is growing with the financial regulatory sandbox system."

# Trends in the Ship Trading Markets and Ship Finance Markets in 2021

Research Fellow, Global Economic Research Center, Korea Exim Bank

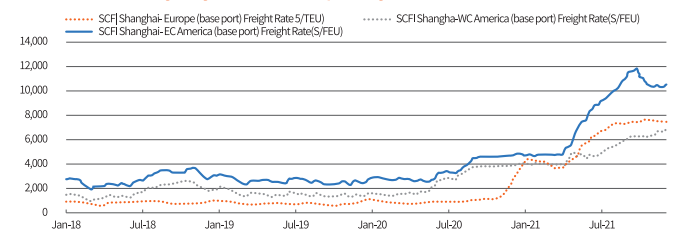
Yang Jeong-seo

## 1 Trends in the Ship Trading Market

The year 2021, which arrived with the COVID-19 pandemic continuing to cause havoc, encountered many other unexpected events. Despite global vaccinations, global trading and exchanges have still not been smooth and chaos continues in the logistics sector. Such confusion resulted in a short supply of ships, causing freight rates to increase significantly. The international trade market was in turmoil, but it was unexpectedly favorable for the shipping and shipbuilding industries.

Since the second half of last year, consumption has soared, led by the US, and containership freight rates have also begun to soar. Despite the increase in container shipping demand, the US ports and logistics sector began to suffer from the impact of COVID-19, delaying cargo discharges and slowing down the circulation of ship space and container equipment. Similarly, the logistics flow in developed countries was blocked COVID-19, for example, in Europe, container trailer drivers were not able to work due to vaccine regulations. This led to a supply shortage of ship space, which, in turn, led to a surge in container freight rates after the fourth quarter of 2020. This trend continued into 2021.

### Trends in Ocean-going Containership Freight



\* Source: Clarksons, Shanghai Shipping Exchange

From the beginning of 2021 to early December, freight rates for ocean-going containerships rose by 99.8% on the Shanghai-Europe route, 72.0% on the Shanghai-US west coast route, and 117.9% on the Shanghai-US east coast route, respectively. Although these rates of increase are high, this is only a comparison with the end of last year, when freight rates were already high. Compared to

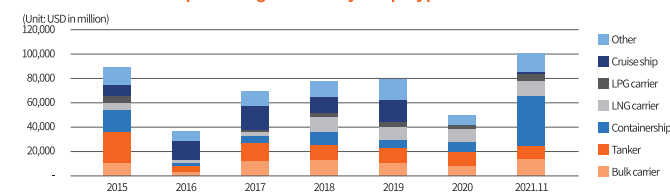
the end of 2019, before the outbreak of COVID-19, the Shanghai-Europe route is 7.4 times higher, the Shanghai-US west coast route is 4.9 times higher, and the Shanghai-US east coast route is 4.1 times higher. Freight rates on all ocean routes hit an all-time high.

Bottlenecks in ship circulation due to mix-ups in logistics result in losses for shipping companies. However, freight rates have soared to a level where even after making up for such losses, container carriers have recorded their highest profits ever. Accordingly, they were able to earn high operating profits for the first time since the 2008 financial crisis and generate large amounts of cash flow.

The high profits of container carriers led to a boom in the shipbuilding market. Since the fourth quarter of last year, when ocean container freight rates soared, a large number of ship building orders for containerships have been placed, and the shipbuilding market, which had contracted due to COVID-19, reversed. These trends continued into 2021. From the beginning of the year, the number of shipbuilding orders for containerships surged, and the market conditions continued to strengthen.

This trend seems to have ended the slump in shipbuilding demand that started in 2016. Shipbuilding orders for containerships, which were concentrated in the first half, slowed significantly in the second half. However, considerably more shipbuilding orders for LNG carriers, which had seen little demand in the first half, were made in the second half, following the strong trend in the shipbuilding industry as a whole.

### Trends of Global Shipbuilding Orders by Ship Type



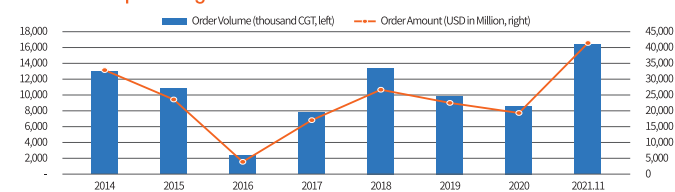
\*Source: Clarksons

Global shipbuilding orders have exceeded \$100 billion for the first time since 2014. Until November, 2021, global orders for new ships increased by 150.1% year-on-year to \$100.99 billion. Among them, containership orders accounted for an overwhelming portion of 41%, followed by bulk carriers (14%) with significant improvement in shipping market conditions, and with Baltic Dry Index (BDI) exceeding 5,000 in 11 years. The proportion of LNG carriers accounted for 13%. The proportion of tankers, which had been sluggish in the shipping market, was about 11%, showing a somewhat weak demand.



With such a booming market, the Korean shipbuilding industry also succeeded in securing a large volume of orders for the first time in a long time. The industry has succeeded in winning a large number of orders from the beginning of last year based on its competitive edge in mega-containerships and LNG carriers with a total of 16.61 million CGT and \$41.9 billion in orders until November 2021. Their order volume received for new ships increased by 188.4% and order amount by 215.2% year-on-year. These figures are similar to those in 2013, when there was a shipbuilding boom with the advent of eco-ships, surpassing the 2014-2015 performance, which is considered to be recovery level, and far exceeding the expectations and targets of the domestic shipbuilding industry.

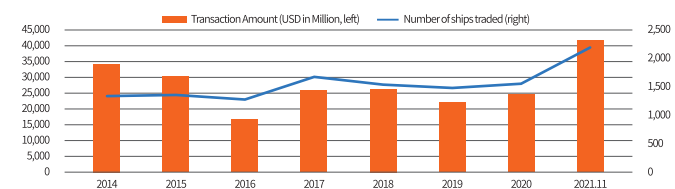
#### Trends in Shipbuilding Orders in Korea



\*Source: Clarksons

When the shipping market improves, the second-hand ship trading market responds immediately. With the booming shipping market for containers and bulk carriers, second-hand ship transactions have also increased significantly. By November 2021, the transaction amount of second-hand ships was \$41.59 billion, an increase of 94.6% compared to the same period of the previous year.

It is the first time in 14 years that the annual transaction amount surpassed \$40 billion. 2007 was the year when ship prices recorded an all-time high due to the shortage of bulk carriers. The transaction volume of second-hand ships this year until November was 2,179 ships and 136.11 million Deadweight Tonnage (DWT), which is the highest volume (excluding the price effect) since 1995.<sup>1)</sup>



\*Source: Clarksons

The factor behind the sharp increase in second-hand ship transactions this year seems to lie in the improvement in

shipowners' financial earnings amid the booming shipping market. However, the rise in freight rates due to logistical setbacks is a temporary factor. It is difficult to explain why the shipping industry, which suffered from overcapacity before COVID-19, started to invest heavily in ships. There is a saying that "it is shipowners' instinct to invest in ships when funds are available". However, there is a more fundamental reason why the containership industry is placing orders for a huge volume of new ships, equivalent to 17% of the total capacity at the beginning of the year, and trade in second-hand ships is recording an all-time high. The containership industry is placing a record number of orders in response to marine environmental regulations.

Two strong regulations, Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) by the International Maritime Organization (IMO) will come into effect starting in 2023. That same year, the EU will enforce the Emissions Trading System to the shipping industry on its own. With these regulations to be enforced in 2023, many ships are obliged to slow down their ship operation according to the level of greenhouse gas emission, invest in improving energy efficiency of ships, and all ships calling at EU ports must purchase emissions trading rights. Therefore, business is expected to become a challenge with aging ships or ships with severe fuel inefficiency and greenhouse gas emissions.

A more serious problem for shipping companies is that, despite these stricter regulations, there have been no breakthrough in low-carbon or carbon-free fuel measures yet. For recently-ordered ships, the majority of shipowners choose LNG dual fuel as an alternative. Nonetheless, it only reduces greenhouse gas by about 20% compared to the existing petroleum fuel. Shipping companies are in turmoil, but no clear strategy is in place. Only the world's largest shipping companies, including Maersk, are investing in green methanol production and firmly pursuing their strategy.

Despite this turmoil, second-hand ship trading volume is expected to remain at a high level for a considerable period of time. From 2023, when many ships start to operate at a reduced speed due to the EEXI regulation, additional demand for ships will occur due to the supply shortage. Replacement demand will also arise starting in 2025, when ships are expected to begin to be scrapped due to CII regulations. The trading volume of second-hand ships is expected to increase due to shipowners who have established a strategy of disposing their of old ships and replacing them with second-hand ships of a lower age that can hold out for

1) Clarksons, who provides the data, has been providing transaction record data since 1995, so it is described as the highest since 1995 and is estimated to be an all-time high in fact.

a considerable period of time. However, as the quantity of usable second-hand ships is limited and prices are expected to soar, they do not seem likely to become a possible alternative. As a result, demand for new ships that use the most recently commercialized alternative fuels, such as LNG fuel, is also expected to increase.

At a time when new investment in ships, new or second-hand, is expected to increase, the ship finance market is expected to become a key factor influencing the direction of the shipping industry. There is news of surprising earnings from container carriers due to the recent surge in containership freight rates, but it is estimated that they also have limited investment potential due to the recession that has lasted for more than ten years. The recent newspaper article reporting that although HMM, a leading domestic container carrier, earned huge profits in 2021, there is no dividend payable under the Commercial Act to prove this. Ultimately, the direction of ship investment by shipping companies in response to environmental regulations depends on the vitalization of ship finance.

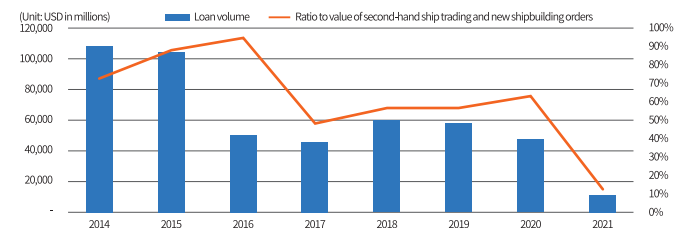
## 2 Trends in the Ship Finance Market

After the 2008 financial crisis and the Southern European crisis at the end of 2010, European banks, the traditional financier of ships, have turned a cold shoulder to ships. During the economic turmoil that occurred immediately after the boom, banks specializing in ship financing suffered huge losses due to ships. As a result, ship financing became considerably more difficult to acquire. In particular, since 2016, when the recession in the shipping and shipbuilding industries was the most severe, ship finance syndicated loans from the banking sector have significantly decreased.

Even in 2021, when both the shipping and shipbuilding industries are doing well, the banking sector does not seem to have changed much. In contrast, syndicated loans from banks have significantly contracted. According to Marinemoney citing Dealogic, the total global new maritime finance syndicated loans in the first half of the year was only \$11.6 billion, only 1/3 of those in the first half of the previous year. This may partially be due to the sluggishness of the new shipbuilding in 2020 as there are frequent cases of a financial transaction being made after a shipbuilding contract has been concluded in the cases of shipbuilding contracts.

However, the figure is somewhat difficult to understand, considering that the shipping market has improved sharply since the fourth quarter of last year and the number of new and

second-hand ship transaction contracts has soared. In the first half of 2021, syndicated loan performance was only 13% of the shipbuilding and second-hand ship transactions during the same period. It is estimated to be the lowest level ever.



\* Source: Marinemoney, Dealogic, Clarksons

If the banking sector's financing is insufficient in spite of the large number of ship transactions, it can be inferred that other sectors of finance are actively working to replace it. China's lease finance has also increased its proportion in the ship finance market over the past ten years, filling the gap left by European banks, and it is estimated that this will be the case this year as well. In addition, equity financial markets, such as investment through stocks or bonds also seem to have played a role.

Freshly Minted, published by Marinemoney, delivers some of the relevant information in an article titled "Yields Drop, Equities Soar and the Ship Finance Markets are Open!" on July 22 of this year. The article reported that various financial instruments, such as corporate bonds, IPOs, and M&As, are actively used in ship transactions based on analyses of 21 ship transactions in recent months. The article explained that after the COVID-19 crisis, a large amount of money flowed into the investment markets as a result of each country's economic stimulus measures. And the ship market is providing refinancing and equity investment opportunities in a situation where it is difficult to find an investment destination for these funds with ultra-low interest rates and high-priced asset values.

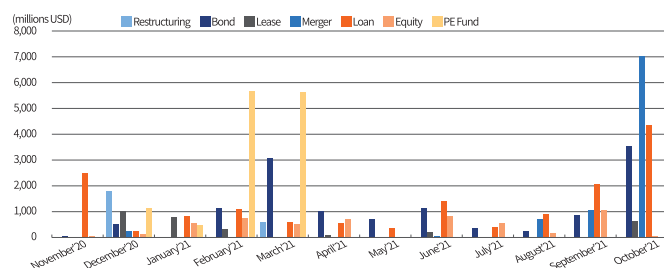
The Deal Database collected by Marinemoney shows similar results. When we look at the "Deals at a Glance" graph, which comprehensively shows the results of the collected transaction database, we can see that the investment amounts from private equity funds, bonds, and M&As have increased significantly in some months in 2021.

In February and March, private equity funds accounted for an overwhelming proportion, and in March and October, bond participation increased significantly. In October, M&A transactions took up a large proportion. As such, the equity sector



showed a higher participation than the banking sector in the ship finance market this year. Their activities appear to have played a major role in facilitating both new ship orders and trading of second-hand ships.

However, in the graph, loan performance also shows a sharp increase from August to October. This is in contrast to the extremely sluggish results in the first half of 2021 as described above. There is also an expectation that this positive trend will continue. However, we will have to wait a little longer for the banking sector to move.



\*Source: Captured from Marinemoney website

### 3 Implications

A booming shipping market and rapid orders for shipbuilding in 2021 were very encouraging to both the shipping and the shipbuilding industries. In addition, market conditions are rapidly changing due to carbon neutrality and stricter marine environmental regulations, and the resultant demand for ship transactions is expected to be considerable in the future as well. However, there is some concern whether the current status of the ship finance market will meet these transaction demands and support the ship market to continue its smooth flow. As described earlier, global liquidity, which has soared in order to offset the damage caused by COVID-19, seems to have provided more finance than the banking sector.

However, it seems difficult to expect such liquidity to continue for a considerable period of time in the future. Vaccinations are increasing and efforts are being made to overcome the COVID-19 pandemic. In this process, global inflation has been spotlighted as a serious problem due to an increase in liquidity supply, and monetary authorities in each country, including the US Federal Reserve, are considering a schedule to taper off the liquidity recovery. It may be difficult to expect any more investment from private equity in the ship market, and the cost of issuance of corporate bonds may increase. Concerns have been raised that

the financial means that shipowners have relied on to purchase ships may become increasingly limited.

It is necessary to recover and expand the loan contributions from the banking sector, particularly banks that have a history of specializing in ship finance. It is difficult to predict how the banking sector will respond to the future demand for funds for ship transactions, but it is likely that effort from the shipping and shipbuilding industries will be required as well.

Facing new marine environmental regulations, the shipping industry is in a chaotic situation. Rather than considering the technology level of recently-developed ships, the IMO and the EU try to present guidelines to prevent global warming and implement regulations accordingly. On top of that, the shipping industry has not established a clear alternative to comply with this, and the shipbuilding industry has not yet presented any optimal solution.

This can be interpreted as a significant increase in risk from the financial sector's point of view. There is no doubt that shipping companies' environmental costs will increase significantly. However, it is unclear whether they will be able to reflect this in freight rates and maintain their current operating performance. Alternatives are needed to lower the cost of responding to environmental regulations and ensure mutually sound profitability between shippers, shipowners, and shipbuilders.

In the future, the shipbuilding industry will continue to focus on technology development and will gradually find solutions by communicating with shipowners. However, this communication must include financial institutions. Financial institutions should also recognize that there is a way to make the shipping market sustainable without recognizing the current situation as a vague concern. In order to do this, it seems that a high level of mutual communication is required that has never been done in the past. The demand for change in the current shipping market is stronger than it was in the past when innovation would be phased in.

In the past, innovations in transportation efficiency and economic feasibility were the motives for change. However, the change at this time is completely different. The reason for the demand for rapid change is that the marine transportation sector is no exception in overcoming the crisis the whole world is currently facing. Responding to these radical changes should be done with the collective wisdom of all sectors and all people. Financial institutions should also play a role, and this will be possible through mutual cooperation and communication.

# APPENDIX

# INFO

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



## General Status of Busan

	Standard	Unit	Figure	Proportion to whole country(%)
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### GRDP size

Busan	2019	Billion won	92,445	4.8
Busan-Ulsan-Gyeongnam	Gross Regional Domestic Product (at Market prices)	Billion won	280,223	14.6
National total		Billion won	1,923,977	100.0

### GRDP by industry in Busan

Agriculture, forestry and fishery	2019 Gross Regional Domestic Product (at Market prices)	%	0.4	1.1
Manufacturing		%	17.6	3.1
Construction		%	6.8	5.4
Services(Finance and insurance)		%	73.8(7.0)	5.7(5.7)
Mining, electricity-gas-steam-water		%	1.4	4.6
Industry total		%	100.0	4.9

### GRDP by industry in Busan-Ulsan-Gyeongnam

Agriculture, forestry and fishery	2019 Gross Regional Domestic Product (at Market prices)	%	1.7	13.8
Manufacturing		%	37.2	19.2
Construction		%	5.8	13.7
Services(Finance and insurance)		%	53.3(4.7)	12.1(11.1)
Mining, electricity-gas-steam-water		%	2.0	18.5
Industry total		%	100.0	14.3

### Container throughput

Busan	Period of 2020	1000 TEU	21,824	75.5
National total			28,916	100.0

### Living environment(Busan)

Area	End of 2020	km <sup>2</sup>	770	0.8
Population	End of 2020	Number of people	3,391,946	6.5
Temperature	Average of 2020	°C	15.2	
Rainfall	Period of 2020	mm	2,281.6	

### Foreigner related(Busan)

Foreign residents	End of 2019	Number of people	45,999	
International schools	End of 2020	Number of unit	5	
Foreign tourists	End of 2020	1,000 people	359	

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



General Status of Financial Institutions Located in Busan<sup>1)</sup>

(Unit: Number)

Institution Name	As of the End of 2019	As of the End of 2020	Increase
<b>TOTAL</b>	<b>2,216</b>	<b>2,091</b>	<b>-125</b>
<b>Depository Bank</b>	<b>567</b>	<b>528</b>	<b>-39</b>
<b>Commercial Bank</b>	<b>448</b>	<b>408</b>	<b>-40</b>
<b>Nationwide Commercial Bank</b>	<b>219</b>	<b>195</b>	<b>-24</b>
Woori Bank	50	45	-5
Standard Chartered Bank	14	12	-2
KB Kookmin Bank	72	60	-12
Citibank Korea	2	2	0
Shinhan Bank	38	37	-1
KEB Hana Bank	43	39	-4
<b>Local Bank</b>	<b>226</b>	<b>210</b>	<b>-16</b>
DGB Daegu Bank	5	5	0
BNK Busan Bank	209	193	-16
Jeju Bank	1	1	0
BNK Kyongnam Bank	11	11	0
<b>Branch of Foreign Banks</b>	<b>3</b>	<b>3</b>	<b>0</b>
Yamaguchi Bank	1	1	0
Industrial & Commercial Bank of China	1	1	0
Metro bank	1	1	0
<b>Specialized Bank</b>	<b>119</b>	<b>120</b>	<b>1</b>
Industrial Bank of Korea	41	42	1
Korea Development Bank	61	61	0
National Agricultural Cooperative Federation	13	13	0
National Federation Fisheries Cooperatives	4	4	0
<b>Non-bank Financial Institution</b>	<b>1,649</b>	<b>1,563</b>	<b>-86</b>
Korea Exim Bank	1	1	0
Trust Company <sup>2)</sup>	636	593	-43
Asset Management Company <sup>3)</sup>	654	614	-40
Mutual Savings Banks	28	28	0
Credit Union <sup>4)</sup>	48	48	0
Mutual Savings and Finance Union <sup>4)</sup>	22	22	0
Community Credit Cooperative <sup>4)</sup>	140	140	0
Korea Post Office <sup>5)</sup>	120	117	-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

BIFC

# INFO

## 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)
- 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
- Land Space : 102,352m<sup>2</sup>
- Complex development

	Phase 1	Phase 2	Phase 3
Land size	24,856m <sup>2</sup>	12,276m <sup>2</sup>	10,293m <sup>2</sup>
Usage	Business facility, Commercial facility	Offices, studio apartments, hotels, concert hall, and commercial facility	Business facility, Commercial facility
Construction size	197,169m <sup>2</sup> , 63 stories above ground and 4 below	183,132m <sup>2</sup> , 49 stories · 36 stories above ground and 7 below (2 buildings shaped of letter U)	147,000m <sup>2</sup> 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
Groundbreaking / Completion	February 2009/ May 2011	January 2011/ June 2013	December 2011/ July 2014

### ■ Fostering and supporting map for Busan financial 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 (Blockchain Division)

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)

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)

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, Outsourced master plan for fostering Busan Financial Hub
- August 2010, Established basic plan for fostering Busan Financial Hub in to a finance center specialized in maritime and derivatives
- June 2014, Completed Phase 1 of integrated development project (63 story) 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 2<sup>nd</sup> 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".

### • Result of fostering policy 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)
- Opened Carbon Emission Exchange (January 2015)
- Launched Korea Exchange's Clearing Division (May 2021)

### • Securing regional manpower specialized in finance

- 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)

### • Promotion of Busan Financial Hub and international and domestic reputation

- Held overseas IR more than twice every year in Europe, North America and Asia
- Hosted international conference including Korea Ship Finance Forum and Busan International Finance Conference since 2011
  - ▷ General meeting of IOIMA (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

### • Establishment of institutional basis for establishing and developing financial hub

- Extended 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 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

63F	Citibank Korea	2
50F~62F	KOREA EXCHANGE	353
55F	IBK Changgong	12
53F	FATF TREIN	4
	KAMCO Ship Investment Management	14
52F	Busan Finance Center	12
	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
	Woon Bank	10
1F	KB Kookmin Bank(BIFC mall)	7

### • IFC BUSAN

11F	Global FinTech Industry Promotion Center	3
7F~10F	Korea Asset Management Corporation	84

### • Independent Premises

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 <sup>1)</sup> Income Tax <sup>1)</sup>	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 <sup>1)2)</sup>		100% tax exemption for 3 years from the first date when tax liability is formed		Not applicable	
Acquisition Tax <sup>3)</sup>		Acquisition tax will be exempted for the assets acquired by startup (or establishment) until 31 Dec. 2023		Not applicable	
Entrance Subsidy <sup>4)</sup>	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 <sup>4)</sup>	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 <sup>4)</sup>	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 <sup>4)</sup>	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 <sup>1)</sup> Income Tax <sup>1)</sup>	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 <sup>1) 2)</sup>		100% tax exemption for 3 years from the first date when tax liability is formed		Not applicable	
Acquisition Tax <sup>3)</sup>		Aquisition tax will be exempted for the assets acquired by startup (or establishment) until 31 Dec. 2023		Not applicable	
Entrance Subsidy <sup>4)</sup>	Head quaters 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 <sup>4)</sup>	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 <sup>4)</sup>	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 <sup>4)</sup>	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

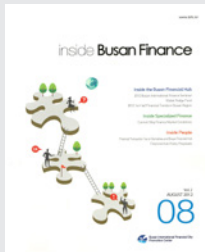
4) Ordinance of the Busan Metropolitan City Financial Industry Cultivation (Article 5, 6, 7, 8, 12)



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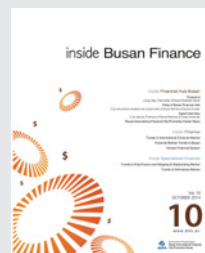
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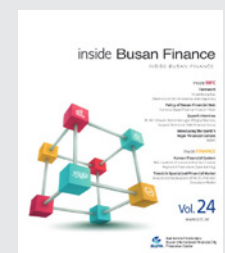
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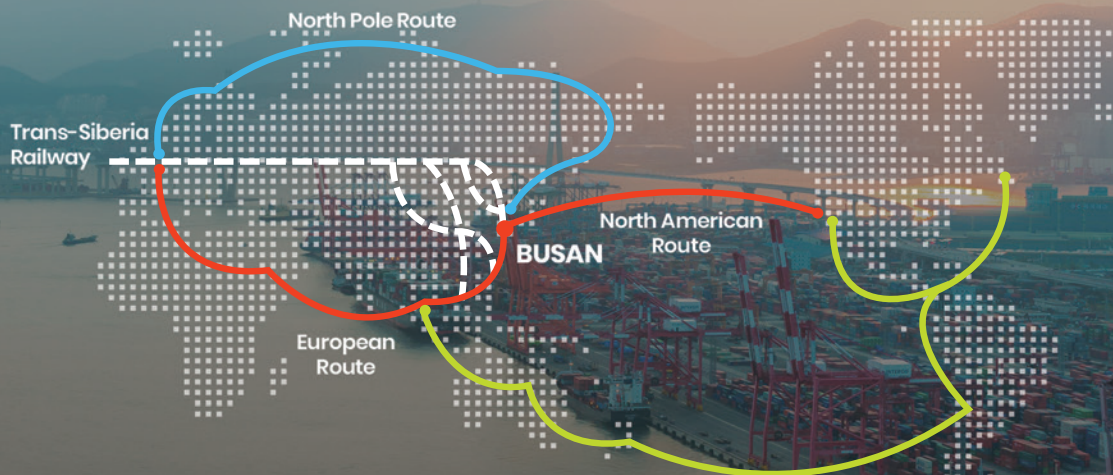


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Vol.26 June 2021

# 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.

**Dynamic  
BUSAN**



**Busan Finance Center**

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