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HAMBURG

REPUBLIC OF KOREA
G20 National Remittance
Plan



GPFI

Global Partnership
for Financial Inclusion



COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS [Republic of Korea]

Background

The cost of sending remittances from Korea recorded 4.81%(Sep. 2017, World Bank), exceeding the objective of reducing the global average cost to 5%. Major remittance corridors for Korea are China and Vietnam, in the order of the size of the foreign resident population in Korea.

Currently, most remittances are being transferred via commercial banks, but under certain conditions, sending remittances via foreign Money Transfer Operators(MTOs) is also permitted as the revision of laws is completed .

Although remittance cost in Korea is relatively low, it is necessary to enhance the competitiveness and the transparency in Korea's remittance market.

Call to Action on Remittances

Korea has built the infrastructure that directly links remittance service providers in Korea with those in receiving countries to provide real-time remittance services at affordable costs. By removing intermediary services such as SWIFT and establishing bilateral partnerships between clearing and settlement institutions (e.g. the Korea Financial Telecommunications and clearing institutions), the remittance process became more efficient and cost effective. The Service was launched for the first time in 2014 in Vietnam.

The environment of Korea's remittance market moves towards making the market more competitive. The Foreign Exchange Transactions Act is revised as stated in 2015 National Remittance Plan. Accordingly, it laid the legal foundation to allow Money Transfer Operators (MTOs) including fin-tech companies to operate in the market.

The revised bill has taken effect in July this year. In line with this, a variety of fin-tech companies are fully prepared to enter the remittance market. Once these fin-techs take part in the market, it is expected to enhance competitiveness in the market with further lower remittance transfer costs.

In this respect, Korea's 2014 Call to Action is considered to be successfully implemented. Consequently, the cost of sending remittances from Korea recorded 4.81% in the second quarter of 2017, which is 1.38%p lower than the figure of 2015.



2017 Country plan for reducing remittance transfer costs

1. Increase Remittance Market Competitiveness: Increase of MTOs

As for transfers of small amount of money, the Foreign exchange Transactions Act is revised to permit the operation of Money Transfer Operators (MTOs) with certain requirements in order to increase remittance market competitiveness with lower costs. To put the introduction of MTOs in place through effective competition, Korea plans to continue monitoring and improve the system.

- For the revised law to enable more Money Transfer Operators (MTOs) to enter the remittance market, the Korean government is going to explain registration requirements and process, and operating system during presentations on transfers of small amount of money. This will allow MTOs to better understand the revised law and enter the remittance market so as to enhance competitiveness in the market.
- For the sake of remittance service providers' convenience, the Korean government plans to establish the joint infrastructure in the banking sector to share information of remitters. Currently, service providers have to identify real names of remitters for each transfer. However, once this infrastructure is put in place, shared information of transfers between financial companies will enable them to go through this identification process only for the first time of transfer and skip this process for additional transfers. Using such services will make providing remittance services much easier and lower the entry barrier. In line with this, 15 commercial banks are committed to participate in building such a platform. And this system is slated to be established within this year and begin providing services by early next year.

2. Improve Financial System Infrastructures and Transparency: Enlargement of the Cross Border Fund Transfer(CBFT) Service

- The Cross Border Fund Transfer (CBFT) Service launched between Korea and Vietnam will be expanded to cover overall member countries of Asia Payment Network (APN), a regional cooperative network for payment clearing institutions in Asia. Accordingly, cross border transfers is going to be available through settlement institutions rather than by using SWIFT in 10 countries including China, Japan, Malaysia, Singapore, Indonesia, the Philippines, Thailand, Australia, New Zealand as well as Vietnam. This service is expected to cut remittance fees and improve the speed of transfer and transparency. The APN and Korean government aim to complete building this system by the end of 2018 and commence the service.