

NATIONAL REMITTANCE PLAN 2015 REPUBLIC OF KOREA

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Background

The cost of sending remittances from the Republic of Korea is 6.0%, which is not only the fourth lowest figure across G20 countries but also close to 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 in certain conditions, sending remittances via foreign Money Transfer Operators (MTOs) is also permitted.

Although the remittance cost in Korea is relatively low, it is necessary to improve the system (or legislation) to enhance the convenience of remitters and to take part in the G20's plan to reduce the cost of remittance.

2014 Call to Action on Remittances

Korea is in the process of building 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.

Korea has also made publicly available comparative information of 17 commercial banks based in Korea and their remittance fees to increase competition and transparency in Korea's remittance market.

2015 Country plan for reducing remittance transfer costs

1. Increase Remittance Market Competitiveness

- a. There is little need for MTOs in Korea as numerous bank branches and efficient online banking infrastructure make sending and receiving remittances convenient. Yet, there is room for improvement in frequent transfers of small amount of money. As a result, measures to permit the operation of MTOs as a separate service provider are being reviewed to reduce the cost of remittance through competition and improve services.
- b. The revised bill for the Foreign Exchange Transactions Act is planned to be submitted to the National Assembly in 2015 after setting permission conditions and management measures (particularly, anti-money laundering (AML)/ counter financing for terrorism (CFT) responsibilities).

2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

- a. The Korean government is providing support to the launch of the Cross Border Fund Transfer (CBFT) service, which enables real-time transactions with lower fees by connecting Korea's retail payment system with that of other countries. As clearing and settlement institutions exchange messages and settle with net amount basis among countries without any intervention of intermediary banks and SWIFT, transaction fees can be lowered.

The service was launched in Vietnam in December 2014. It will be expanded to include Thailand, Indonesia, Malaysia, and the Philippines, which are member countries of the Asian Payment Network (APN), a regional cooperative network for retail payment system in Asia.

In addition, banks will set up additional channels like mobile app and ATM to help migrant workers easily access the service. The service will also improve the transparency, as remitters pay all the fees and banks disclose them to customers.

CBFT Service

