

CIFC 2020 ANNUAL REPORT

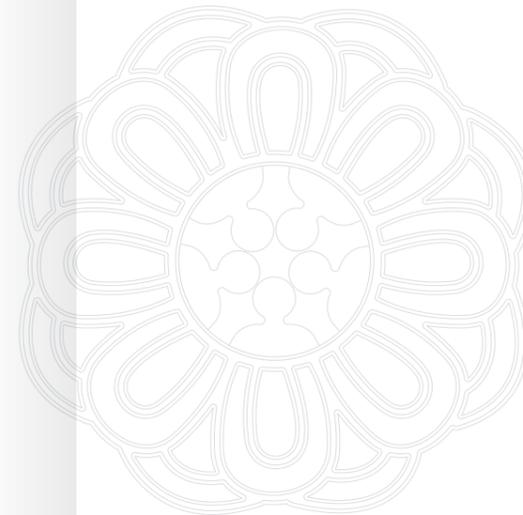


CIFC 2020 ANNUAL REPORT



Council on International
Financial Cooperation

SHARING KOREA'S BEST FINANCIAL PRACTICES & EXPERIENCES



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Message from the Chairman



CIFIC shares Korea's experience in financial development and embraces new changes in the industry

The Council on International Financial Cooperation (hereinafter 'CIFIC'), since its inception in 2013 with 34 domestic institutions, has been undertaking various financial cooperation projects across the globe. Financial cooperation was centered on a selected number of Asian countries in the nascent years of CIFIC, but has now been expanded to all of Asia backed by the government's New Southern Policy and New Northern Policy. By extension, CIFIC is communicating, and forging cooperative partnerships with around 950 financial experts around the world.

Such remarkable growth was possible thanks to the high level of interest and engagement from CIFIC's 22 members, which form Korea's core financial infrastructure. The development of our member institutions represented the development of Korean finance in the past, and now their global financial cooperation is an indicator of Korea's global financial competitiveness. Furthermore, CIFIC's members are leveraging Korea's experience and knowledge in financial development to set new trends in finance, collectively and individually, contributing to the growth of the global financial industry.

The year 2020 was a tough year for the international community due to the COVID-19 pandemic, and also a year in which the digital transition was accelerated, bringing fast changes to the financial environment. Moreover, face-to-face exchange became impossible and much uncertainty was created as to when it can be resumed, posing many difficulties and challenges for global cooperation projects. However, in the face of such challenges, our members managed to find breakthroughs by tapping into various channels such as webinars and online training. CIFIC was also committed to implementing projects as planned, in line with such changes.

Taking into account the possibility that the COVID-19 era can be prolonged, CIFIC aims to respond actively to changes at home and abroad, as opposed to relying on the existing way of global financial cooperation. The council will continue to pursue global financial cooperation projects via diverse channels. In particular, we will tap into the advantages of online platforms in order to facilitate exchange with countries that were less accessible, as a way to build capacity for the era of global digital financial cooperation going forward.

With our members' unwavering support and the help of the financial authorities, CIFIC marks its 8th anniversary this year. COVID-19 has put the international community through an unprecedented risk and many changes, but the council pledges to weather such challenges by driving global financial cooperation projects to support member's overseas expansion and building partnerships with even more diverse countries across the globe.

April 2021

Jongkyu Park

Chairman

Council on International Financial Cooperation

Background & Members

BACKGROUND

The Council on International Financial Cooperation (CIFC) is comprised of major domestic financial institutions and associations working to achieve global financial cooperation. CIFC was established in 2013 with 22 member institutions under the overarching aim of enhancing the efficiency in conducting global financial cooperation projects.

Member institutions carry out global financial cooperation projects by sharing financial knowledge and experience they have accumulated thus far with our overseas partners. CIFC, on its part, provides systematic support to strengthen member institutions' ties with their overseas counterparts, and is striving to build a solid network with political authorities, collaborating institutions and international organizations globally.

CIFC hosts financial cooperation fora, seminars and invitational training programs called the Knowledge Exchange Initiative for foreign financial officials as part of its active efforts to promote global financial cooperation.

PARTNERS



“The Council on International Financial Cooperation (CIFC) is comprised of 22 domestic financial institutions and associations listed below.”

MEMBERS

 Korea Financial Telecommunications & Clearings Institute	 FINANCIAL SECURITY INSTITUTE
 KIBO Korea Technology Finance Corporation	 KOREA INSURANCE DEVELOPMENT INSTITUTE
 KCGIT KOREA CREDIT GUARANTEE FUND	 Korea Deposit Insurance Corporation
 KOSCOM	 KRX KOREA EXCHANGE
 KSD Korea Securities Depository	 KAMCO KOREA ASSET MANAGEMENT CORPORATION
 HF KOREA HOUSING-FINANCE CORPORATION	 Korea Securities Finance Corp.
 KCS Korea Credit Information Services	 KCB
 NICE Information Service	 Industrial Bank of Korea
 KDB Bank	 KOREA FEDERATION OF BANKS
 Korea Financial Investment Association	 Korea Life Insurance Association
 General Insurance Association of Korea	 THE CREDIT FINANCE ASSOCIATION OF KOREA

Message from the Chairman & CEO of KRX

Congratulations to CIFC on the publication of the Annual Report

Founded in March 2013, the Council on International Financial Cooperation (hereinafter 'CIFC') has 22 financial institutions and associations as its members, with which it is rolling out various activities. Over the past 8 years, CIFC has shared its experience and know-how in global financial cooperation with member institutions and formed networks with international organizations. As a CIFC member, the Korea Exchange (KRX) is also making efforts to globalize the Korean capital market and seek joint growth with the financial industry.

KRX manages the listed stock of around 2,400 countries and operates a bond-derivatives market. Also, we have a comprehensive product line-up ranging from ETPs and commodities such as gold-oil-emission allowances, etc. KRX provides companies with a channel to finance their business, and the general public with an opportunity to constructively increase their assets, contributing to the growth of the national economy.

The Korean capital market has become very strong upon weathering various crises from the Asian financial crises to the economic recession triggered by COVID-19. As such, the stock market index broke 3,000 points, and the daily average stock trading value in 2020 reached 21 trillion won, putting the market at 7th place globally. KRX is implementing various overseas projects in line with the global reputation of the Korean capital market and putting in diverse efforts to become a global premium exchange.

As part of such efforts, we are operating training-consulting programs to share know-how and the secret to a successful capital market with emerging economies without a stock market. Joining forces with international organizations such as KOICA and EBRD, we provided consulting on the establishment of stock markets in Vietnam, Cambodia, and Ukraine. Korea has finally become a country that can return the kindness and the lessons learned 65 years ago. In 2019, KRX and CIFC jointly held an invitational seminar for staff members at Central and Latin American exchanges. Taking this opportunity, we shared know-how on domestic ESG projects and strengthened our partnership with financial institutions in the region.

By leveraging knowledge-sharing projects based on our experience of building and operating a stock market, we are exploring new business opportunities in overseas capital markets.

Secondly, KRX is exporting Korean-style stock market infrastructure including IT systems. Starting from Malaysia in 2008, we have rolled out 14 projects in 5 countries such as the Philippines and Thailand. KRX has helped Laos and Cambodia open their first securities market, and have been closely collaborating with Vietnam from the establishment of stock exchanges to the introduction of next-generation systems. In particular, the invitational seminar for the State Securities Commission of Vietnam and capital market participants held by CIFC greatly facilitated new southern countries' understanding of the securities market.

Thirdly, we are forging networks with international organizations such as AOSEF and the UN SSE Initiative in order to expand the scope of influence. Moreover, KRX has been playing a key part in the decision-making of the global exchange industry, with its 7th consecutive nomination as a director of the World Federation of Exchange (WFE), which represents 70 capital markets across the globe.

Lately, COVID-19 is posing many challenges for overseas projects. However, CIFC is still holding various programs such as invitational seminars with experts, financial market development project seminars, and members' joint invitational seminars. We believe the members and financial institutions pursuing overseas projects will find such events very helpful. KRX will continue to fully engage in and cooperate with CIFC's activities going forward.

Once again, I extend my congratulations on the publication of the annual report and wish the best of luck for CIFC and all of its members.

April 2021

Byungdoo Sohn

Chairman & CEO
Korea Exchange



CIFIC HISTORY

Key Activities

2013

Key Activities

Established a secretariat for Council on International Financial Cooperation

- 03 Workshop** The 1st CIFIC Cooperation Workshop
- 04 Meeting** April General Meeting
- Research Project** 「The Role of Public Financial Institutions in the History of Korean Economy and Financial Development」
- 05 Meeting** May General Meeting
- 06 Meeting** June General Meeting
- Knowledge Exchange Initiative** Ministry of Finance, Uzbekistan
- Seminar** Uzbekistan-Korea Financial Cooperation Seminar
- 07 Meeting** July General Meeting
- 09** Established CIFIC Website
- Knowledge Exchange Initiative** State Securities Commission, Vietnam
- 10 Meeting** October General Meeting
- Forum** Uzbekistan-Korea Insurance Industry Development Forum
- 11 Meeting** 2013 Annual Meeting
- Meeting** Meeting on International Financial Cooperation Hosted by Vice Chairman of Financial Services Commission
- 12 Lecture** Dr. Ilhyock Shim, Principal Economist, Bank for International Settlements
- Knowledge Exchange Initiative** Financial Services Authority, Indonesia
- Seminar** Indonesia-Korea Financial Cooperation Seminar
- Workshop** The 2nd CIFIC Cooperation Workshop

2014

Key Activities

- 01 Knowledge Exchange Initiative** Financial Regulatory Commission, Mongolia
- 02 Meeting** 2014 Annual Meeting
- 03 Meeting** March General Meeting
- 04 Forum** The 1st UK-Korea Financial Cooperation Forum
- Meeting** April General Meeting
- 05 Meeting** Meeting on Spreading Korean Financial Wave Hosted by Chairman of Financial Services Commission
- Forum** Korea-Myanmar-ADB Financial Cooperation Forum
- 06 Meeting** June General Meeting
- Research Project** 「Establishing Strategies for Korean Financial Institutions Venturing into International Market」
- 07 Meeting** July General Meeting
- 08 Knowledge Exchange Initiative** Securities and Exchange Commission, Thailand
- Seminar** Thailand-Korea Financial Cooperation Seminar
- 09 Meeting** September General Meeting
- 10 Knowledge Exchange Initiative** Danske Bank, Denmark
- Meeting** October General Meeting
- 11 Knowledge Exchange Initiative** Myanmar Insurance, Myanmar
- Seminar** Myanmar-Korea Financial Cooperation Seminar
- Meeting** November General Meeting
- 12 Forum** The 1st International Financial Cooperation Forum
- Meeting** December General Meeting

CIFIC HISTORY

Key Activities

2015

Key Activities

- | | | |
|-----------|--|--|
| 01 | Meeting | January General Meeting |
| 02 | Meeting | 2015 Annual Meeting |
| 03 | Meeting
Knowledge Exchange Initiative | March General Meeting
IDB Korea Insights Program, Latin America and the Caribbean |
| 04 | Meeting | April General Meeting |
| 05 | Research Project
Research Project

Meeting

Meeting

Forum | 「In-depths Study on the Indonesian Financial Market」
「Examining Korea's Financial Infrastructure Development Process and Evaluating Its Competitiveness」
Meeting on Overseas Expansion Hosted by the Chairman of Financial Services Commission
Networking Luncheon with Deputy Prime Minister of Economy of Vietnam
The 2 nd UK-Korea Financial Cooperation Forum |
| 06 | Workshop
Lecture
Survey | The 3 rd CIFIC Cooperation Workshop
Mr. H.E. John Prasetyo, Ambassador of Indonesian Embassy in Seoul, Korea
Overseas Expansion of Financial Organizations for Financial Sales Diplomacy |
| 07 | Meeting

Meeting | Meeting on Overseas Expansion of Financial Organizations Hosted by Chairman of Financial Services Commission
July General Meeting |
| 09 | Meeting

Meeting | Meeting on Supporting Overseas Expansion Hosted by Standing Commissioner of Financial Services Commission
September General Meeting |
| 10 | Knowledge Exchange Initiative

Seminar | Financial Services Authority, Indonesia
Indonesia-Korea Financial Cooperation Seminar |
| 11 | Meeting | November General Meeting |
| 12 | Forum
Meeting | The 2 nd International Financial Cooperation Forum
December General Meeting |

2016

Key Activities

- | | | |
|-----------|---|--|
| 01 | Meeting | January General Meeting |
| 02 | Meeting

Meeting | Meeting on Supporting Overseas Expansion Hosted by Standing Commissioner of Financial Services Commission
2016 Annual Meeting |
| 03 | Knowledge Exchange Initiative
Workshop
Knowledge Exchange Initiative

Seminar | Aloqabank, Uzbekistan
The 4 th CIFIC Cooperation Workshop with World Bank Songdo Office
Central Bank of Myanmar, Ministry of Finance, Ministry of National Planning and Economic Development, Ministry of Construction, Construction and Housing Development Bank, Myanmar
Myanmar-Korea Financial Cooperation Seminar |
| 04 | Meeting | April General Meeting |
| 06 | Forum
Meeting | Myanmar-Korea Financial Cooperation Forum
June General Meeting |
| 07 | Knowledge Exchange Initiative
Seminar
Meeting | Ministry of National Planning and Economic Development, Myanmar
Myanmar-Korea Financial Cooperation Seminar
July General Meeting |
| 08 | Knowledge Exchange Initiative
Seminar
Knowledge Exchange Initiative
Seminar | Ministry of Finance, Bank of Thailand, Thai Credit Guarantee Corporation, National Science and Technology Development Agency, Thailand
Thailand-Korea Financial Cooperation Seminar
Financial Services Authority, Indonesia
Indonesia-Korea Financial Cooperation Seminar |
| 09 | Meeting | September General Meeting |
| 10 | Meeting
Knowledge Exchange Initiative
Seminar | October General Meeting
Ministry of Economic Affairs and Finance, Securities & Exchange Organization, Central Securities Depository, Iran Fara Bourse, Iran
Iran-Korea Financial Cooperation Seminar |
| 11 | Meeting | November General Meeting |
| 12 | Forum
Meeting
Research Project
Research Project | The 3 rd International Financial Cooperation Forum
December General Meeting
「Financial Infrastructure Institutions in Korea」
「The Role of Policy Financial Institutions During the Crisis」 |

CIFIC HISTORY

Key Activities

2017

Key Activities

- | | | |
|-----------|--|---|
| 01 | Meeting | January General Meeting |
| 02 | Meeting | 2017 Annual Meeting |
| 03 | Meeting
Lecture
Lecture | March General Meeting
Mr. Chungkeun Park, Director, Ministry of Strategy and Finance
Mr. YoungMo Kim and Eunyong Yang, Partner, BAE, KIM & LEE LLC |
| 04 | Meeting | April General Meeting |
| 05 | Seminar
Cooperation Project Meeting | Launch and Panel Discussion of Economic and Social Survey of Asia and the Pacific 2017: Korean Perspective
Korea Securities Depository and Korea Financial Investment Association
May General Meeting |
| 06 | Knowledge Exchange Initiative
Seminar
Lecture
Meeting | State Bank of Vietnam, Ministry of Finance, National Technology Innovation Fund, National Payment Corporation of Vietnam, Vietnam
Vietnam-Korea Financial Cooperation Seminar
Mr. Byungwon Yoon, Consul, Consulate General of the Republic of Korea
Meeting on Financial Infrastructure Export Plans Hosted by Financial Services Commission |
| 07 | Meeting
Cooperation Project Forum | June General Meeting
Korea Credit Guarantee Fund and Industrial Bank of Korea
Mongolia-Korea Financial Cooperation Forum |
| 08 | | Published CIFIC BiAnnual Vol.1 |
| 09 | Cooperation Project Meeting
Forum
Workshop | Korea Credit Information Services and NICE Information Service
September General Meeting
Thailand-Korea Financial Cooperation Forum
SME Financing Workshop with UN ESCAP, UN ECLAC, AF, ADBI and AFI |
| 10 | Meeting
Forum | October General Meeting
Kish2017Invex, Iran Capital Market |
| 11 | Forum
Meeting | The 4 th UK-Korea Financial Cooperation Forum
November General Meeting |
| 12 | Forum
Meeting
Cooperation Project | The 4 th International Financial Cooperation Forum
December General Meeting
Korea Financial Telecommunications & Clearings Institute and CIFIC |

2018

Key Activities

- | | | |
|-----------|--|---|
| 01 | Meeting
Workshop | January General Meeting
The 4 th Myanmar Housing Finance Workshop |
| 02 | Meeting | 2018 Annual Meeting
Published CIFIC BiAnnual Vol.2 |
| 03 | Meeting
Forum | March General Meeting
Vietnam-Korea Financial Cooperation Forum |
| 04 | Meeting | April General Meeting
Published CIFIC Annual Report 2017 |
| 05 | Seminar
Meeting | Cooperation with the World Bank
May General Meeting |
| 06 | Seminar
Meeting
Cooperation Project | Examining Global Financial Trends and the Government's ODA Project Direction
June General Meeting
Korea Asset Management Corporation and Korea Securities Depository |
| 08 | Seminar
Cooperation Project Meeting | Understanding the New Southern Policy and Strengthening Cooperation with Cambodia
Industrial Bank of Korea and Korea Federation of Banks
August General Meeting
Published CIFIC BiAnnual Vol.3 |
| 09 | Knowledge Exchange Initiative
Seminar | Financial Services Authority, Ministry of Finance Indonesia and Indonesia
Deposit Insurance Corporation, Indonesia
Indonesia-Korea Financial Cooperation Seminar |
| 10 | Cooperation Project
Meeting | Korea Financial Telecommunications & Clearings Institute and
NICE Information Service
October General Meeting |
| 11 | Cooperation Project
Meeting | Korea Credit Information Services and Korea Credit Bureau
November General Meeting |
| 12 | Forum
Cooperation Project
Meeting | The 5 th International Financial Cooperation Forum
Korea Securities Depository and Korea Housing Finance Corporation
December General Meeting |

CIFIC HISTORY

Key Activities

2019

Key Activities

- 01 **Meeting**
Cooperation Project 2019 Annual Meeting
Korea Financial Investment Association and Korea Securities Depository
- 02 **Meeting** February General Meeting
Published CIFIC BiAnnual Vol. 4
- 03 **Meeting** March General Meeting
- 04 **Seminar**
Meeting Cooperation with the ADB
April General Meeting
Published CIFIC Annual Report 2018
- 05 **Cooperation Project** Korea Federation of Banks, Korea Credit Information Services and
Industrial Bank of Korea
Meeting May General Meeting
Seminar Understanding the New Northern Policy and Examining Cooperation
Opportunities with Central Asia
- 06 **Knowledge Exchange**
Initiative Knowledge Exchange Initiative with Armenia
- 07 **Cooperation Project** Korea Exchange and KOSCOM
Seminar LAC-Korea Financial Cooperation Seminar
Cooperation Project Korea Asset Management Corporation and Korea Deposit Insurance Corporation
Seminar The Role of Finance in the World of Digital Sharing Economy
Meeting July General Meeting
- 08 **Cooperation Project** Korea Life Insurance Association and General Insurance Association of Korea
Published CIFIC BiAnnual Vol. 5
- 09 **Forum**
Meeting Indonesia-Korea Financial Cooperation Forum
September General Meeting
- 10 **Seminar**
Meeting The Changes Shaping the Future of the Insurance Industry
October General Meeting
- 11 **Knowledge Exchange**
Initiative Knowledge Exchange Initiative with Uzbekistan
Cooperation Project Korea Technology Finance Corporation and Korea Housing Finance Corporation
Meeting November General Meeting
- 12 **Forum**
Meeting The 6th International Financial Cooperation Forum
December General Meeting

2020

Key Activities

- 01 **Meeting** 2020 Annual Meeting
- 02 Published CIFIC BiAnnual Vol. 6
- 03 **Meeting** March General Meeting
- 04 **Meeting** April General Meeting
Published CIFIC Annual Report 2019
- 06 **Meeting** June General Meeting
- 07 **Meeting** July General Meeting
Published CIFIC Brochure
Research Project 「In-depth Study of Financial Environment and System in Kazakhstan」
Research Project 「In-depth Study of Financial Environment and System in Uzbekistan」
Research Project 「In-depth Study of Financial Environment and System in Azerbaijan」
- 09 **Seminar**
Meeting Overseas Business Strategy for Financial Institutions in the Era of Covid-19
September General Meeting
- 10 **Seminar**
Meeting Examining the Development of Financial Infrastructure in Central Asia
October General Meeting
- 11 **Seminar**
Meeting Exploring New Business Strategies for the Insurance Industry after Covid-19
November General Meeting
- 12 **Seminar**
Meeting Understanding the Capital Market of Uzbekistan and Exploring Cooperation
Opportunities with ADB
December General Meeting



2020
Key Activities

CIFC Invitational Seminar : Overseas Business Strategy for Financial Institutions in the Era of Covid-19

Overview

The Council on International Financial Cooperation hosted an invitational seminar under the theme 'Overseas Business Strategy for Financial Institutions in the Era of COVID-19' on Friday, September 25th, 2020 at the Bankers' Club, 16F of the Korea Federation of Banks. The seminar was held in an effort to identify changes in the overseas business environment brought on by COVID-19, and to craft new expansion strategies and business plans. Jeongmin Kim, partner at PwC, who has extensive experience in the development of overseas expansion strategies was invited as the presenter.



Overseas Expansion of Financial Institutions in the Era of COVID-19

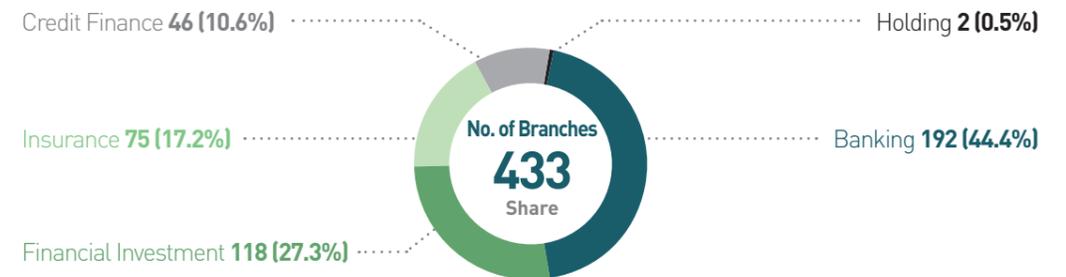
Jeongmin Kim | Partner | PwC



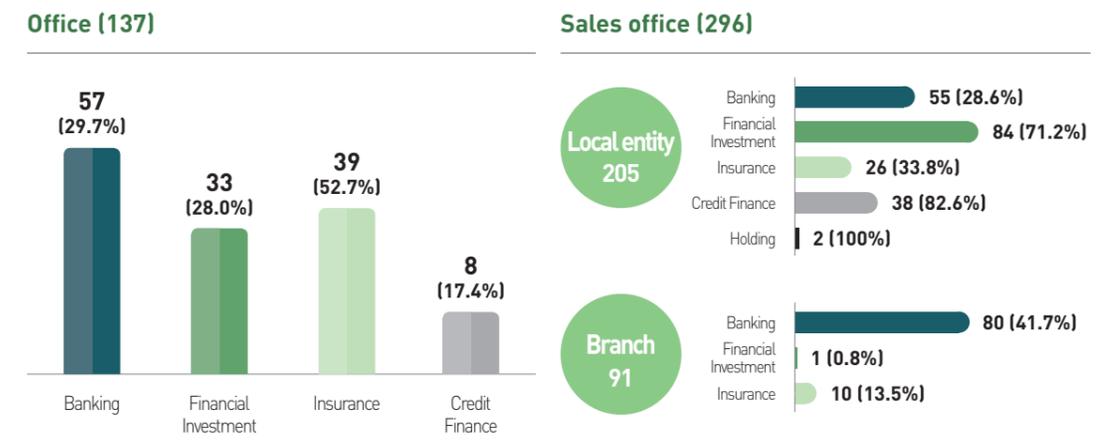
Senior In his presentation, Mr. Kim discussed the following: ① Overseas expansion of Korean financial institutions prior to COVID-19, ② Major considerations for Korean financial institutions to contemplate while expanding overseas business in the face of COVID-19, ③ Overall direction of Korean financial institutions' overseas expansion.

The pre-COVID trends of overseas expansion show that Korean financial institutions have mainly ventured into Asian countries, especially those in the Southern region with high growth potentials such as Vietnam and Indonesia. Banks and financial investment companies accounted for the lion's share.

Number of overseas branches for each segment



Type of overseas expansion for each segment



Furthermore, Mr. Kim explained that due to the pandemic, the size of corporate loans is growing on the domestic front as shipbuilding, aviation, and petrochemical companies are securing funds and raising working capital. Meanwhile, significant volatility is witnessed in the U.S. stock market and the global economy is facing a challenge, he said. As such, Mr. Kim highlighted that the possibility of overseas investment and expansion on account of domestic and international circumstances should be reviewed thoroughly before heading overseas. Also, he introduced several successful cases of foreign companies' overseas expansion to point out that it is important to cater the expansion strategy to the target country.

The presenter then proposed 3 ways for Korean financial institutions to navigate their way in overseas markets. The first strategy is to minimize people-to-people exchange and increase capital investment. Due to the barriers posed by COVID-19, it will be effective to reduce face-to-face interaction and ramp up capital investment to leverage the overseas global network and eliminate trials and errors as well as opportunity costs. Next is to secure a foothold for overseas expansion by acquiring a license through M&A, considering that the banking and financial business is a highly regulated industry. The third and final strategy is to join forces with specialized fintech platforms in each region. Bringing his presentation to an end, Mr. Kim underscored that as trade is recovering from the impact of COVID-19, companies should turn this crisis into an opportunity by affiliating with specialized local platforms and conducting aggressive M&A.

CIFC Invitational Seminar :

Examining the Development of Financial Infrastructure in Central Asia

Overview

The Council on International Financial Cooperation hosted an invitational seminar under the theme 'Examining the Development of Financial Infrastructure in Central Asia' on Wednesday, October 21st, 2020 at the grand conference room, 8F of the KIF building. The seminar was centered on exploring the current status of financial infrastructure (payment systems, financial security, credit information, etc.) in Central Asia and discussing the way forward. Ahmed Faragallah, Senior Financial Sector Specialist from the World Bank Group, and Seong Yeob Oh, team head at KDB Bank took part as presenters.

Payment System Infrastructure in Central Asia

Ahmed Faragallah | Senior Financial Sector Specialist | World Bank Group

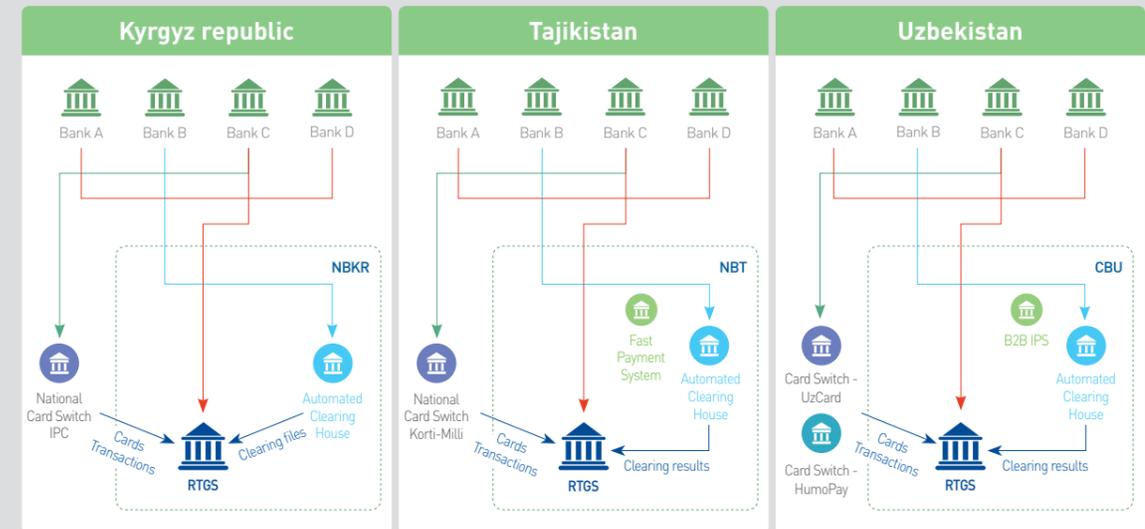
Mr. Faragallah presented on the payment infrastructure in Central Asia (Kyrgyz Republic, Tajikistan, Uzbekistan) and the way forward. As an introduction to his presentation, the speaker touched on some statistics regarding access to financial services, financial and payment infrastructure and mobile network services in Central Asia. Citing the indices, Mr. Faragallah explained the current status of access to finance and financial services infrastructure in these countries and went on to introduce the payment systems in the regions.

To start with, Mr. Faragallah mentioned that in the Kyrgyz Republic, most commercial banks are connected with the central bank through the Real-Time Gross Settlement System (RTGS) and that an automated clearinghouse is operated based on RTGS. Also, he stated that although IPC is functioning as a payment infrastructure by providing nationwide credit card services, operating credit card infrastructure, and payment systems as well as acting as a third party processor, more advanced services such as fast payments should be introduced.

Next, the speaker pointed out that Tajikistan has established a payment system and financial infrastructure similar to those of the Kyrgyz Republic with financial support from the World Bank. However, he mentioned, their usage is low compared to the high level of access to finance and financial services. Mr. Faragallah expressed hopes for the fast payment system, which is currently under development, to facilitate transactions between e-money or card service providers, boosting the number of use cases. Also, according to Mr. Faragallah, the national card switch, Korti-Milli, serves the same function as IPC in the Kyrgyz Republic, and regulatory improvements are required as only banks can currently issue e-money accounts.

Finally, Mr. Faragallah went on to discuss Uzbekistan, which has a central bank with internally developed payment systems, and a B2B transfer system for corporations instead of a fast payment system. He explained that although UzCard and Humo (HumoPay), the two card brands, are fairly widely accepted, there is a lack of interoperability between the two cards. On a final note, Mr. Faragallah wished that Uzbekistan's card and e-money usage would grow, offering a wider range of services going forward. He also named a few projects on legal and regulatory improvement, supervision, and infrastructure that the World Bank implemented jointly with the Kyrgyz Republic, Tajikistan, and Uzbekistan, adding that this has led to the constant advancement of payment and financial infrastructure in the three countries.

National Payment Infrastructure



Uzbekistan's Financial Environment and Expansion Experience

Seong Yeob Oh | Team Head | KDB Bank



Mr. Oh spoke about the financial environment in Uzbekistan and KDB Bank's experience of expanding to Uzbekistan. He started by briefly discussing the political and economic circumstances in Uzbekistan and moved on to assess the financial environment. According to Mr. Oh, Uzbekistan's financial environment underwent revolutionary changes as President Shavkat Mirziyoyev announced and implemented measures of economic and financial reform such as liberalization of the currency and introduction of a single payment currency (UZS) in 2017. The dual exchange rate system was abolished as the government started to post exchange rates in line with the market rate, which led to a 50% depreciation of the local currency in a single day. Subsequently, inflation has been fairly high. Mr. Oh then emphasized that such an economic reform took place because the Uzbekistan Ministry of Finance believed that the underground economy was derived from flaws in the banking system such as payment and settlement systems, service quality, and high interest rates. Prior to the September 2017 financial reform conducted by President Mirziyoyev, the Uzbekistan banking industry faced restrictions in money exchange due to the constant lack of foreign currencies, and the local currency was controlled based on the unified accounting system. However, these days, the country is planning to privatize banks and overhaul financial services by introducing VISA cards, fintech, QR codes, and NFC payment systems. Mr. Oh also shared his experience in creating profit with funds raised from foreign companies based on the high credit rating of KDB bank in ways such as the commission business (foreign exchange, trade finance, T/B), conservative credit extensions as well as managing excess assets in overseas money markets. Moreover, he owed the success of the company to localization based on talented local personnel and advanced risk management. Concluding his speech, Mr. Oh commented that he anticipates higher demand for payment systems, fintech, and online banking in Uzbekistan in the future.

CIFC Invitational Seminar : Exploring New Business Strategies for the Insurance Industry after Covid-19

Overview

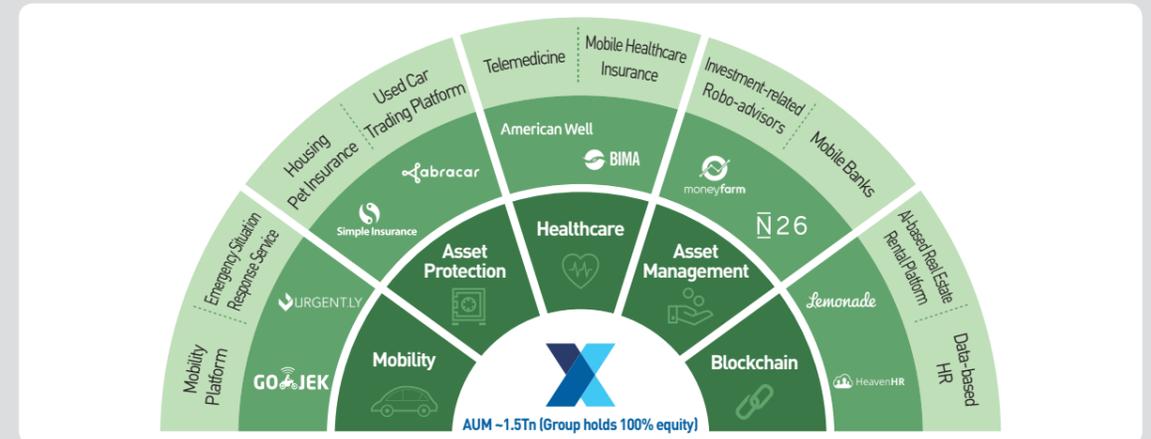
The Council on International Financial Cooperation hosted an invitational seminar under the theme 'Exploring New Business Strategies for the Insurance Industry after COVID-19' on Thursday, November 19th, 2020 at the grand conference room, 8F of the KIF building. The seminar was held in order to go over the venture investments of insurance companies and partnerships between insurance companies and to discuss expansion strategies in the post-COVID era. Hyungkon Kim, managing director, and partner at Boston Consulting Group, Shinae Lee, COO of justInCase, and Andrew Hare, managing director & head of Asia at Asia Aon Inpoint, participated as presenters.



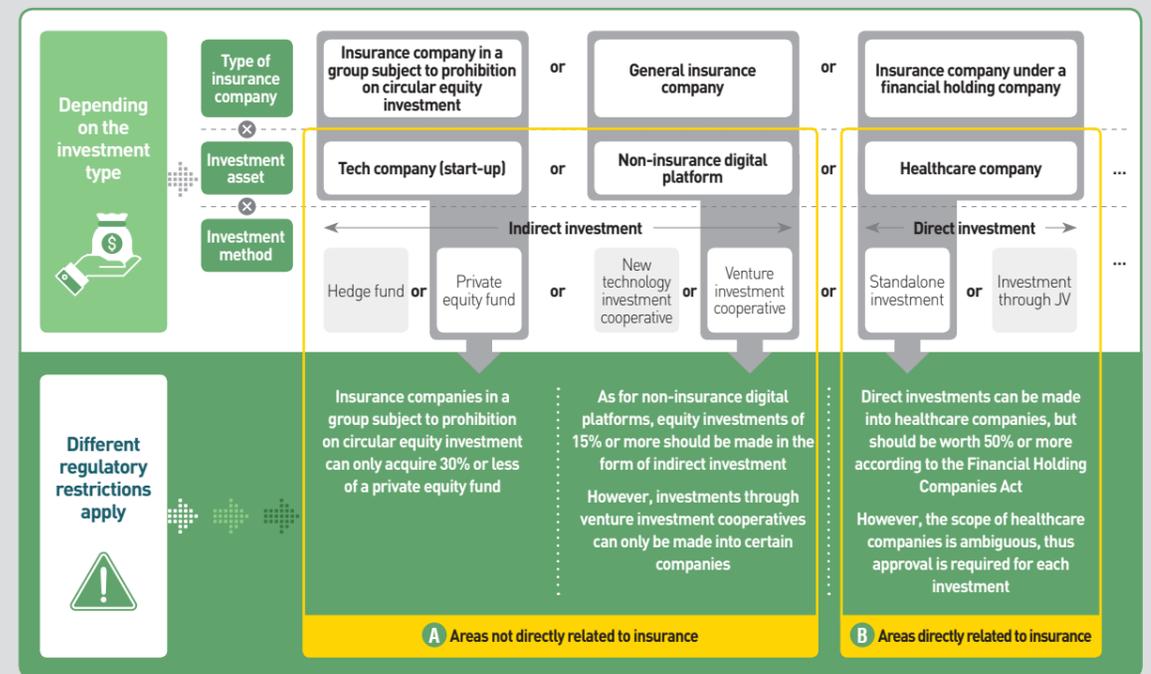
Venture Investments by Insurance Companies: Case Examples and Future Direction

Hyungkon Kim | Managing Director & Partner | Boston Consulting Group

Mr. Kim presented on ① venture investments by foreign financial companies and insurance companies, ② local regulations and restrictions, ③ insurance companies' asset management strategies, and ④ future challenges. Mr. Kim argued that due to increased liquidity in the local market, investment environment conducive to venture capital, and decline in mortality profit and expense savings, insurance companies should expand venture investments. In addition, Mr. Kim introduced several cases of venture investments by foreign financial companies and insurance companies. According to him, VCs directly controlled by insurance companies are rather common in overseas. Citing Allianz X as an example, Mr. Kim explained that venture capital directly controlled by insurance companies are rather common in overseas. Allianz X made investments into Southeast Asian mobility platforms, not only to secure return on capital but also to facilitate insurance sales by leveraging digital channels in order to boost synergy effects across the group through venture capital. Mr. Kim also added that many insurance companies are increasing direct investments in order to branch out to related businesses.



Moreover, Mr. Kim underscored that it is important to analyze local regulations and restrictions since this is a regulated industry. He expanded that different regulations are applied depending on the type of the insurance company, investment asset, and investment method, etc. This involves higher complexity in investment and a political grey zone.



On top of these regulatory restrictions, there are various challenges regarding the structure and implementation of investment, although regulations are gradually being lifted. Against this backdrop, the speaker reviewed asset management strategies that insurance companies could leverage. The players that are making preemptive efforts to establish a digital ecosystem in the market are making venture investments of around 100Bn KRW annually, but fundraising is limited under the existing risk management system of insurance companies. As such, Mr. Kim highlighted the necessity of a new process unlike conventional asset management by mentioning Allianz X and Manulife as examples. Mr. Kim also pointed out that CPC strategies based on new contracts specifically for financing or highly conservative risk management are suggested to consider. Last but not least, he emphasized that the future challenge for insurance companies is to innovate risk management systems and advance asset management capabilities, whereas policy authorities should strive to ensure political coherence, applying regulations in a flexible manner and guaranteeing consumer protection amidst heightening risks across various investment areas.

CIFC Invitational Seminar : Exploring New Business Strategies for the Insurance Industry after Covid-19

The Business Model of justInCase in Japan and its Partnerships with Insurance Companies

Shinae Lee | Chief Operating Officer(COO) | justInCase

Director Lee presented on the business model of justInCase in Japan and its cooperation with other insurance companies. According to COO Lee, justInCase is a small amount & short term insurance company that develops and sells insurance products but is different from typical insurers in that it has adopted innovative tools and has internally developed new systems for insurance assessment, etc. There has been growing demand from overseas companies for these processes, and hence in 2019, the company established justInCase Technologies under the same umbrella and is in the process of partially extracting successful systems of justInCase and developing No-code tools with them. Furthermore, director Lee touched on the partnerships justInCase has had with various financial companies and insurers such as Dai-ichi Life Insurance Company, Ponta, DeNA, Lifenet, and Nissay. The speaker specifically talked about using applications to enhance accessibility or target younger age groups and mentioned that justInCase's products such as leisure insurance, accident insurance, and P2P cancer insurance can be sold by life insurers if they obtain certification as agents. Further to this, justInCase is reportedly engaging in a wide range of partnerships.



Insights on Global Expansion and the Future of Growth

Andrew Hare | Managing Director & Head of Asia | Asia Aon Inpoint

Mr. Hare discussed the global expansion strategies of insurers and the trends that are shaping the future growth of the insurance industry. Mr. Hare explained that macroeconomic factors such as the COVID-19 pandemic, geopolitical conflict between the United States and China, and Brexit-related trade negotiations are sparking change across the globe. Against this backdrop, insurers have 6 options to consider as they craft their growth strategies. To start with, he presented organic options which are aimed at facilitating growth on the domestic front: ① increasing penetration in the local market, ② entering into new customer segments, and ③ developing new products and solutions for existing markets. Then he introduced strategic options aimed at seeking growth overseas: ④ international expansion, ⑤ forming strategic partnerships, and ⑥ merging with or acquiring competitors. With regard to the 6 options, Mr. Hare recommended that insurers aiming to expand overseas should select the target region upon evaluating market attractiveness by factoring in combined ratio, premium growth, GDP growth, and political stability. According to Mr. Hare, it is important to grasp the market volatility of the nation based on such information. By touching on the success and failure of European insurers' overseas expansion strategies, Mr. Hare underscored that insurance companies should identify factors that will impact the market and product portfolio as part of their long-term strategy. In this regard, Mr. Hare pointed to several factors that will likely influence the growth of insurers going forward, such as demographics, urbanization, reliance on technology, and digitalization, and said that players will be able to secure a growth momentum by leveraging these trends.



CIFC Invitational Seminar :

Understanding the Capital Market of Uzbekistan and Exploring Cooperation Opportunities with ADB

Overview

The Council on International Financial Cooperation hosted an invitational seminar under the theme 'Understanding the Capital Market of Uzbekistan and Exploring Cooperation Opportunities with ADB' on Tuesday, December 1st, 2020 at the grand conference room, 8F of the KIF building. Syed Ali-Mumtaz H. Shah, principal financial sector specialist at Asian Development Bank, and Zulf Mir, executive director at International Securities Consultancy, were invited as speakers.

Overview of ADB's development program for Uzbekistan's financial market

Syed Ali-Mumtaz H. Shah | Principal Financial Sector Specialist | Asian Development Bank

Mr. Shah introduced the programs aimed at developing Uzbekistan's financial market pursued by the Asian Development Bank(ADB). He mentioned that the goal of the program is to design and implement the fundamental reforms for sharpening the competitive edge of the Uzbekistani financial market. According to Mr. Shah, the Uzbekistani financial sector is currently failing to play the brokerage function and is disproportionately reliant on the banking sector, to the point that bank assets account for around 75% of the nation's entire financial assets. As such, diversification of financial brokerage is imperative. While designing relevant programs, ADB identified 3 issues with the Uzbekistani financial market's low capacity and small scale which are: ① inefficient market activities, ② limited demand for securities, and ③ limited supply of securities. Based on this understanding, the objective of the program became providing technological support for capacity building, etc. so as to address the aforementioned three problems, in turn to expand and develop Uzbekistan's financial system. The detailed programs regarding each reform sector are as follows.

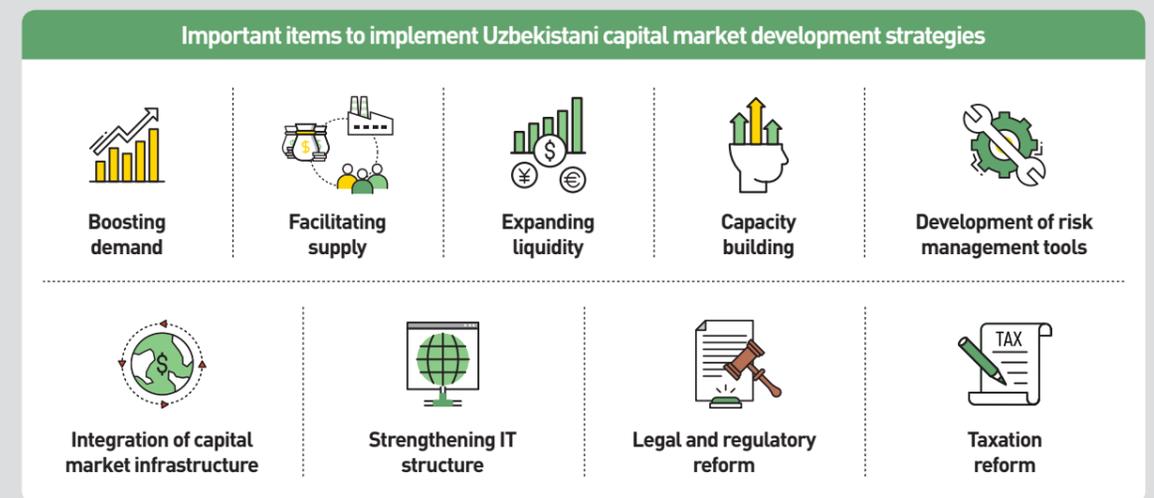
	1 st Detailed Program (tentative)	2 nd Detailed Program (tentative)
Reform sector ① market facilitation	<ul style="list-style-type: none"> Approval of long-term financial market development strategy 	<ul style="list-style-type: none"> Submission of the Capital Markets Law and CMDA Law to the congress
Reform sector ② improving demand for securities	<ul style="list-style-type: none"> Submission of the Public Debt Law to the cabinet Streamlining the customer on-boarding process 	<ul style="list-style-type: none"> Establishment of a regulatory institute for pension funds Establishment of regulations on strengthening supervision of the insurance sector
Reform sector ③ improving supply of securities	<ul style="list-style-type: none"> Introduction of appropriate MMF products 	<ul style="list-style-type: none"> Approval of regulations on the issuance of mutual funds, REITs, and ETFs

Last but not least, Mr. Shah said that the program is set to receive approval from the board in June 2021 and that discussions with the Uzbekistani government are still ongoing. The president has to sign off on the Uzbekistani government's long-term financial market development strategy in order for ADB to finally implement relevant development programs to enhance Uzbekistan's financial market.

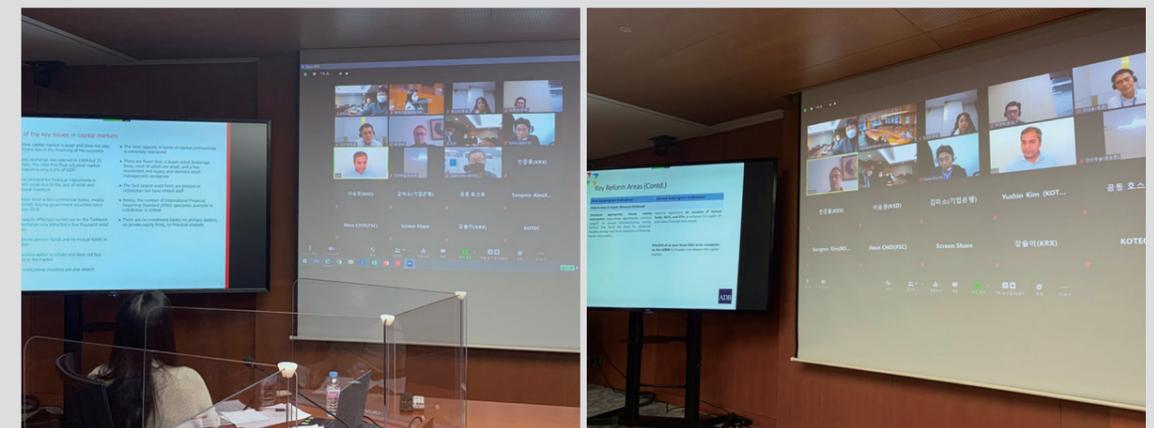
Uzbekistan's National Financial Market Development Strategies (tentative)

Zulf Mir | Executive Director | The International Securities Consultancy

Mr. Mir spoke about the Uzbekistani government's strategies to develop the national financial market with support from the International Securities Consultancy (ISC). Specifically, he touched on capital market development strategies. The Uzbekistani capital market is relatively small and is failing to play an effective function in the Uzbekistani economy, which is why the Uzbekistani government is aiming to conduct a sweeping overhaul of the capital market in order to facilitate economic growth. The Uzbekistani capital market development strategy captures the opportunities and risks faced by the country and reflects them into the goals leading up to 2025. These goals can largely be divided into three segments: ① expanding market size, ② increasing market participants, and ③ improving the quality of the market. Based on such strategic goals, Mr. Mir mentioned, the following 9 items can contribute to realizing the development of the Uzbekistani capital market.



Out of the 9, Mr. Mir explained that it is particularly important to solidify the legal and regulatory foundation, and underscored the necessity to establish or amend the Capital Markets Law, CMDA Law, Investment Fund Law, and legal framework for pension funds.



CIFC Research Project :

In-depth Study of Financial Environment and System of Countries in Central Asia and Caucasus Region

Overview

The Council on International Financial Cooperation conducted in-depth studies into the economic, financial environment, and institutions of three countries: Kazakhstan, Uzbekistan, and Azerbaijan. Out of the Northern countries that carry high potential for expansion (size of the economy, financial environment, etc.), CIFC members were most keen to venture into these regions. The goal of the research project was to look into the financial supervision policies, markets of each financial sector, and size of industries in order to deepen our understanding of the countries and contribute to mutual cooperation. Also, by analyzing cases of success and failure, the aim was to help identify promising sectors for financial companies' expansion into these regions. Participants were recruited externally, and the research team included senior researcher fellow Sangche Lee from the Korea Institute of Finance (research on Kazakhstan), assistant professor Dongki Sung from Inha University (research on Uzbekistan), and professor Jae-Joon Han from Inha University (research on Azerbaijan), who conducted research for 4 months from July 29 (Wed) to November 27 (Fri).



In-depth Study of Financial Environment and System in Kazakhstan

Sangche Lee | Senior Research Fellow | Korea Institute of Finance



The research project on Kazakhstan's financial environment and system was centered on conducting in-depth analyses of the Kazakhstani financial industry and infrastructure. The overarching goal is to deepen domestic financial institutions' understanding of the region's financial industry so as to strengthen mutual cooperation. The research captured details on Kazakhstan's macro-economy and overall trends, as well as the financial industry in general including the financial supervision system, banking sector, financial investment sector, insurance sector, mortgage lenders, non-bank financial institutions, and microfinance institutions. Furthermore, the research also covers Kazakhstan financial infrastructure such as the Kazakhstan Deposit Insurance Fund, Kazakhstan Interbank Settlement Center, Credit Bureau, Stock Exchange, Central Securities Depository, and the Astana International Financial Centre established in 2018. In particular, since the Astana International Financial Centre is set to become the financial hub of not only Kazakhstan but also Central Asia and Eurasia, the research project also touched on its organizational structure as well as laws and regulations, so that Korean financial institutions can use it as reference when expanding to the region.

In-depth Study of Financial Environment and System in Uzbekistan

Dongki Sung | Assistant Professor | Inha University



The research project on Uzbekistan's financial environment and system was aimed at conducting an in-depth analysis of the overall Uzbekistani economy as well as the legal foundation, operation, and supervision, current status of the local financial industry (banking sector, insurance sector, securities sector, credit sector, etc.) in order to deepen Korean financial institutions' understanding of the local financial industry and facilitate mutual cooperation. Following the announcement of the 2017~2021 5-year development strategy by president Mirziyoyev, who took office in 2016, the Uzbekistani economic system is undergoing significant reforms and rapid changes. The study was centered on carrying out a multi-dimensional analysis of the Uzbekistani policies, economy, and society so as to grasp these changes in the financial environment and system. Moreover, a survey was conducted with Korean companies that have had a business presence in Uzbekistan for a long time to identify the current problems of the Uzbekistani financial environment. The goal is to go beyond the legal and regulatory perspective and provide practical insights for Korean financial institutions to consider prior to expanding to the region.

In-depth Study of Financial Environment and System in Azerbaijan

Jae-Joon Han | Professor | Inha University



The research project on Azerbaijan's financial environment and system was conducted to explore the overall economic and financial environment as well as foreign investment trends and the investment environment to help Korean financial institutions shape their direction for expansion in the future. The study looked at macro-economic indices, economic structure, growth potential, and external transactions, etc. to explain the economic environment and also at the financial industry such as the banking industry, capital industry, foreign currency industry, insurance industry, and the financial supervision system. Furthermore, considering the possibility of Korean financial institutions' expansion overseas, the study also touched on the national economic development strategy and successful or unsuccessful cases of local investment and expansion. Additionally, it also introduced foreign investment trends and discussed the presence of foreign and Korean financial companies in the region.

Please refer to the research project tab on the CIFC website (cfc.or.kr) for the full text of the research.



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