

OPEN BANKING LAUNCHED IN BANKING SECTOR

The open banking system will be pilot-launched in the banking sector on October 30. During the pilot-run period, the government will conduct a comprehensive assessment of the system and make adjustments if necessary before opening the system to fintech firms on December 18.

At first, open banking will be offered by 10 banks,¹ and gradually expanded to the other 8 banks² as well as fintech businesses.

BACKGROUND

The government recognized that financial payment services and data sectors have a significant potential for innovation, and announced on February 25 this year its plan to establish an open banking system, which would allow fintech firms' access to banks' payment network through open API³ initiatives.

KEY FEATURES

Lower transaction fees and enhanced user convenience

- ▶ The current fee of KRW400 to 500 per transaction will be lowered to about KRW40 to 50 for large service providers, and KRW20 to 30 for small- and medium-sized firms.⁴
- ▶ Bank customers can choose any mobile banking application to manage all their accounts in a single application without having to use separate applications for different banks.

Ensuring security and protection for consumers

- ▶ Fintech firms attempting to participate in the open banking system are subject to a security check by the Financial Security Institute.
- ▶ The storage capacity of the current operating system will be upgraded from 4TB to 60TB before the system becomes open to fintech firms, and a 24-hour Fraud Detective System will closely monitor fraudulent activities and automatically shut down suspicious transactions.

¹ NH Bank, Shinhan Bank, Woori Bank, KEB Hana Bank, IBK, KB Kookmin Bank, Busan Bank, Jeju Bank, Jeonbuk Bank and BNK Kyongnam Bank.

² KDB, SC Bank Korea, Citibank Korea, SH Bank, Daegu Bank, Kwangju Bank, K Bank and Kakao Bank

³ Application Programming Interface

⁴ Small- and medium-sized service providers have monthly money transfers amounting to less than KRW10 billion and account viewing activities less than 100,000.

EXPECTATION

The government expects that open banking will boost innovation and competitiveness in the financial sectors by introducing a comprehensive financial service platform, allowing fintech businesses to adopt open banking, and improving user experience for consumers.

The lowered entry barrier for fintech firms will lead to the provision and development of better services tailored to the needs of consumers at lower costs. Banks will be able to diversify and widen their customer base, and grow as comprehensive financial service platforms.

For consumers, increased ability to choose between different financial services and enhanced control over personal information will lead to improved user experience.

SCHEDULE

The government will ensure that open banking is operating in a stable and secure manner, and introduce new types of payment services, such as “My Payment” in order to encourage participation by more fintech businesses.

In 2020, the government will review an expansion of the open banking system to non-bank financial institutions, including mutual finance, savings banks and postal service. The government also plans to diversify API functions and will review a possible expansion to data sectors through an increased connectivity with “My Data” service.

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