

REVISION TO THE MICROFINANCE SUPPORT ACT TO EXPAND THE POOL OF MICROFINANCE FUNDS

The National Assembly passed a partial revision to the Microfinance Support Act during its plenary session held on May 21. The revision will expand the types of financial institutions that are mandated by the law to make contributions to the pool of microfinance funds.

Under the revised Act, all financial institutions that extend credit to households, such as banks, insurance businesses and specialized credit finance companies, will have to make contributions to the pool of microfinance funds managed by the Korea Inclusive Finance Agency (KINFA). Prior to the revision, mutual finance companies and savings banks were the only types of financial institutions that are subject to the contribution requirement. Specific contribution rates and procedures will be determined through lower regulations.

The revised Act also improves the internal management and governance structures of KINFA to enhance efficiency in its management of dormant deposits while establishing a legal ground for the microfinance support center that is jointly operated by KINFA and Credit Counseling & Recovery Service.

The revised Act will take effect four months after promulgation.

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