



Fintech Trade Mission to South Korea

Insights and impressions



From 15 to 19 June, Cullen International participated in the fintech economic mission to the Republic of Korea, organised by hub.brussels and Fintech Belgium.

This short report provides some insights and impressions from Cullen International on the telecommunications, digital economy, and fintech regulatory environments in South Korea.

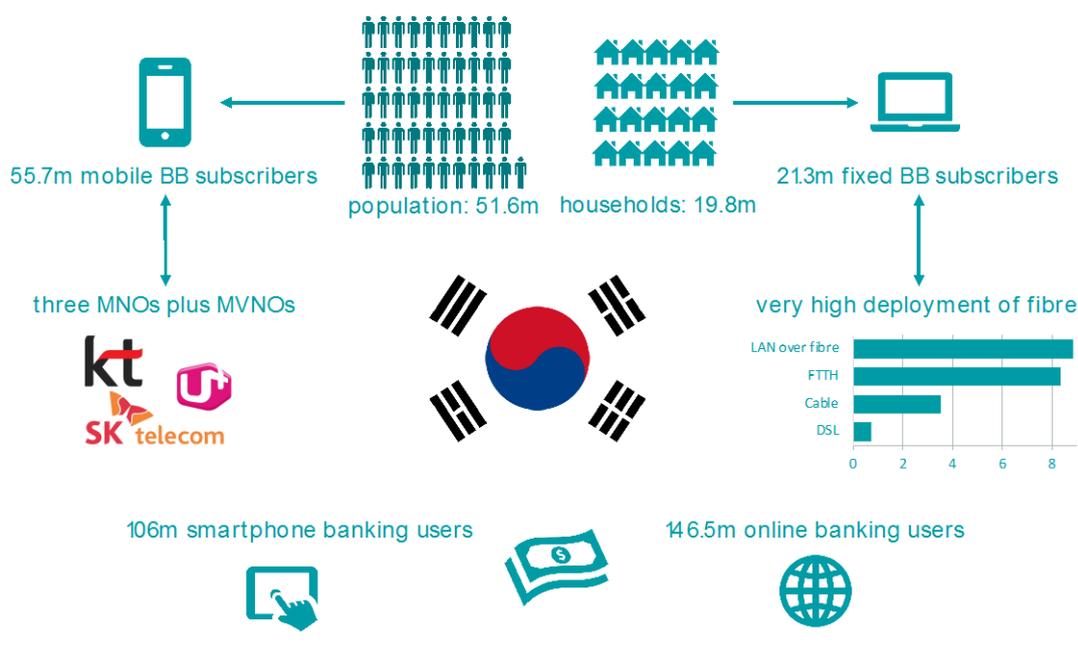


For more information on Cullen International's regulatory intelligence services or on the communications sector in the region please contact elena.scaramuzzi@cullen-international.com and ioana.voicu@cullen-international.com

Many thanks again to the organisers and all the professionals we met in South Korea!



South Korea: an overview



The Republic of Korea is the first country in the world to commercialise 5G

Since April 2019, three operators (SK Telecom, KT and LG U+) have been the first in the world to offer 5G services to consumers. Supporting the new offer, local manufacturers released 5G compatible smartphones. In less than two months since commercial launch, 5G take up has exceeded 1m subscribers.

The Korean Ministry of Science and ICT (MSIT) identified spectrum bands at 3.4-3.7 GHz and 27.5-29.5 GHz for 5G services. However, the 5G deployments to date use of only the mid-band spectrum (3.5 GHz band).

South Korea awarded 5G spectrum in an auction completed in June 2018. KT and SK Telecom secured 100 MHz each and LG U+ won 80 MHz in the 3.5 GHz spectrum band. Licences have a 10-year term. In the 28 GHz spectrum band, each operator acquired 800 MHz with licences having a five-year duration (renewable).

In April 2019, in parallel with the 5G commercial launch, the Korean government published a 5G+ Strategy, to prompt innovative growth and leadership of the global 5G market.

In its strategy, the government emphasises growth in ten core industries (network equipment, next-generation smartphones, VR-AR devices, wearable devices, intelligent CCTV, drones, connected robots, 5G V2X, information security, edge computing) and for five core services based on 5G (immersive content, smart factories, autonomous vehicles, smart cities, and digital healthcare).

I-KOREA 4.0

In November 2017, the MSIT adopted the I-KOREA 4.0 strategy to address the 4th industrial revolution and “*switch to a people-centred economy*” to achieve innovation. The plan puts forward large-scale technology innovation projects, setting up specific goals to be realised by 2022.

The projects focus on industrial innovation (healthcare, manufacturing, vehicles, energy, finance and logistics, agriculture and fisheries) and the resolution of social problems (city, transportation, welfare, environment, safety and defence).

One of the major tasks of the plan is to improve regulations and to create an innovation-friendly regulatory ecosystem. The MSIT planned significant deregulatory measures affecting autonomous vehicles, drones, autonomous ships, smart grid and finance.

Korean tech giants to enter the financial market

Several local technology companies and telecoms operators have taken advantage of the beneficial environment for innovative financial solutions to release new services and products, for example, Kakao Corp – Kakaobank, Samsung Electronics - Samsung Pay, KT Corp - K Bank, and Naver - Naver Pay).

The Financial Services Commission (FSC) is the Korean governmental authority responsible for financial policy, the supervision of financial institutions and financial markets, and consumer protection.

In the recently established [financial policy roadmap for 2019](#), the FSC actively promotes innovation in the financial sector:

- The FSC will amend relevant regulations in order to reduce decrease entry barriers to the financial market.
- A regulatory sandbox programme specifically targeting the financial sector was introduced in South Korea on 1 April 2019. Selected fintech firms can test innovative services and benefit from regulatory exemptions for two years.
- The FSC will facilitate through amendments to the Credit Information Act the use of big data in this sector.

The FSC also [promotes](#) internet-only banking for consumers, defined as the delivery of banking services using information and communication technologies.

During Cullen International’s trip to Seoul, our delegation met representatives from Samsung Pay, Kakao Bank and the KEB Hana Bank.

Kakaobank

Kakao is a popular Korean mobile platform providing a variety of services such as messaging, mail, search, news, advertising, gaming, e-commerce, music, and maps.

In 2017, after receiving final approval from the FSC, Kakao Corp launched a mobile finance subsidiary. In March 2019, Kakaobank had 9.3m customers.

Kakao defines its internet-only banking as an innovative business model offering synergies between existing fintech services through a unified platform.

Through the Kakaobank services, users can open new accounts, apply for credit and overdrafts, and view transactions. They can also send and receive money to/from other Kakaotalk contacts without account number and transfer money without certificate/security card.

Samsung Pay

Samsung Pay is the new e-wallet service offered by Samsung Electronics.

Used both online and as an in-store payment method, Samsung Pay enables customers to carry credit, debit, gift and membership cards on their devices. Users may be offered coupons and rewards if they use the e-wallet on a daily basis.

Samsung wants to create a new financial platform, progressively increasing the offer of value-added services (VAS), e.g. using artificial intelligence technologies to recommend products.

The application is available on Samsung devices. A light version exists for other types of Android devices. However, Samsung Pay is not supported on the iOS operating system.

Samsung Pay is currently available in 24 countries across all continents, including in Australia, Brazil, Canada, China, France, Hong Kong, India, Italy, Malaysia, Mexico, Puerto Rico, Russia/Belarus, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom, United States, and Vietnam.

KEB Hana Bank

KEB Hana Bank is a Korean bank with domestic operations and overseas branches, providing expertise in corporate, international and retail banking, and currency services.

The bank launched an e-banking service using digital technologies, including artificial intelligence, big data and blockchain.

The KEB Hana Bank service includes features such as online and offline payment solutions, augmented reality applications to win discount coupons in partner shops, robo-advising (bot providing financial advice to customers) and a messaging application.