



# Focus on Busan

JUNE 2020



BUSAN INTERNATIONAL FINANCE CENTER

## Financial Centre Futures





We are pleased to present a short update on the progress being made in the Busan International Finance Center (BIFC). BIFC is a member of Z/Yen's Vantage Financial Centres network. The aim of this update is to provide readers with news about the exciting progress being made by the city of Busan in attracting more financial services activity to the area.

Since 2009, Busan Metropolitan City has been developing a financial hub specialising in maritime finance and derivatives. With its strategic location in the center of an economic bloc in South East Korea and the crossroads of a global logistics route, Busan envisions growing into an international financial city in Northeast Asia.

Following the successful launch of the 63-storey Busan International Finance Center in 2014, the second phase of development of the Busan Financial Hub was completed in 2018 and is expected to provide world-class business infrastructure for financial institutions. In addition, the Busan Metropolitan Government is preparing to expand its external presence as a financial hub through development of a third-phase financial center starting this year.

BIFC offers an attractive incentive package to global financial leaders and cooperation network of Busan Metropolitan City, the BIFC Promotion Center, the Busan Economic Promotion Agency (BEPA) and Financial Hub Korea will support you to identify opportunities in Busan, one of the fastest developing cities in Asia.

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# Introduction: Busan As A Financial City

Busan, a dynamic city with over 3.5 million people, is located in the center of an economic bloc in South East Korea. This bloc encompasses Busan, Ulsan and Gyeongnam Province.

Busan is the second largest city in Korea and home to the largest port in the country, which currently ranks as the sixth largest in the world. Neighboring cities such as Geoje and Ulsan are locations for some of the world's leading shipbuilders. With its strategic location in the center of marine logistics in North East Asia, Busan serves as a gateway to the world for the Eurasian continent.

Busan was designated as a financial hub of South Korea in 2009 and is growing into an international financial center with a focus on maritime finance, derivatives, and back office operations. To enhance its position as a financial center, Busan has prioritised the development of its strategy to attract financial institutions and to improve the business environment to become a more competitive cluster.

The South Korean government has recently selected Busan as a Smart City to act as a test bed for other cities. Through this, Busan Metropolitan Government is working on a project to create an innovative industrial ecosystem and present a leading model for the future Smart City. With advanced IT infrastructure nationwide, Busan has been selected by global leaders such as Amazon and Microsoft as a cloud innovation and technology center and as a data hub for Asian market.

Busan boasts its world-class infrastructure for Meetings, Incentives, Conferences, and Exhibitions (MICE) industry and has been a successful venue for international congresses including the Plenary Meeting of the Financial Action Task Force (FATF) in 2016, the Annual Meeting of the Boards of Governors of the Inter-American Development Bank and the Inter-American Investment Corporation (IDB-IIC) Annual Meeting in 2015, and the Association of Southeast Asian Nations-Republic of Korea Commemorative Summit in 2014 and 2019. In May 2018, Busan became the fifth city outside Africa to hold the Annual Meeting of the African Development Bank.



## BIFC Development Plan

As part of Busan's drive to grow the city into a competitive financial hub, the BIFC, a 63-storey landmark, was completed in 2014 and is the first stage of a development plan. The BIFC is now home to a number of financial institutions including the Korea Exchange, the Korea Securities Depository, the Korea Asset Management Corporation, and the Marine Finance Center. The Marine Finance Center also acts as home to a collaborative body of maritime finance departments of Korea Eximbank, KDB Bank, and K-Sure. In 2016, FATF TREIN, the Financial Action Task Force Training and Research Institute, was created on 53rd floor of BIFC and has successfully delivered a number of training courses involving approximately 500 experts from different countries around the world each year.

The second stage of development of the BIFC was completed in 2018 and added two more high-rise buildings with U-Space BIFC which is a Fintech Startup Support Platform, musical theater, the world's largest securities museum, and hotels.

With the expansion of commercial and residential facilities in the region, BIFC has become better equipped to offer a distinguished environment and atmosphere to those who work in the area.

The third stage development of BIFC is focused on building the cluster of high-tech startups through deregulation in the fintech sector. Busan is confident that the robust IT economy of Korea will provide an unrivaled environment for startups and the plan is for the advanced infrastructure to become the next hotspot for technology startups. Furthermore, Busan is making efforts to create a cluster by attracting additional public financial organizations.

### Incentives

Busan offers attractive incentive packages to organizations that plan to have a visible presence in Busan. There are tax benefits and financial support for those who meet pre-determined criteria. The more the institution delivers in Busan, the larger the benefits are. For more information, please visit <http://www.bifc.kr/eng/>



# Incentives Offered By Busan

## Long Term Rent-free Provision of Landmark Space in BIFC

Busan Metropolitan City provides a long-term free lease for part of the top (63<sup>rd</sup>) floor of the Busan International Finance Center (BIFC) Building in the Munhyeon Finance Complex to Financial institutions for 25 years.

- ▶ Applicable foreign institutions with a sales base (HQ, regional HQ, branch etc.) located in Busan, are expected to benefit from cost reduction and business expansion opportunities.

### Details Of The Offer

- Rental space will be provided free of charge for 25 years, after which it will be possible to continue renting at a low price.
- Offer available for: financial companies and international financial institutions.
- Rental area: The 63rd floor of the Busan International Finance Center (BIFC) Building (165m<sup>2</sup> each for three companies)
- Location: Busan International Finance Center, Munhyeon Geumyoong-ro 40, Nam-gu, Busan
- If more than three companies wish to move in, the successful companies will be selected after being evaluated by Busan Metropolitan City.
- Savings : Annual USD 50,000 x 25 years = USD 1.25 million (for each 165m<sup>2</sup> area)
- Corporate income tax and individual income tax exemption: 100% for 3 years and 50% for next two years (establishing in Busan)/property tax exemption for five years (relocating from Seoul and other metropolitan areas to Busan)

If you are interested in this offer, please contact us at [kianue@korea.kr](mailto:kianue@korea.kr) with a brief introduction to your company.

## Korea's Response To COVID 19

Although the spread of COVID 19 has unfortunately threatened the world and caused many victims, every country in the world is struggling with the virus in its own way. Just as we overcame the MERS and SARS virus, we believe mankind will eventually win this battle.

The epidemic has not yet been completely terminated. However, the Republic of Korea is considered to be coping with the epidemic as the most exemplary country in the world. In the early days of the situation, about 1,000 confirmed cases were reported a day due to the rapid spread of the epidemic, but now it is stabilising around 10 patients a day.

Korea was able to successfully prevent the spread of the epidemic through the implementation of more than 20,000 tests a day, innovative drive-through methods, sharing information on infection routes through real-time text messages, citizens' voluntary efforts to minimize unnecessary social contact and wearing face masks. Also, Korean society shows its natural adaptability to the given environment, such as the spread of telecommuting and flexible work and the rapid transition to the online environment.

There is a saying that real skills come out in a crisis. In response to COVID 19, Korea's fast and transparent administration, advanced IT environment, and mature civic awareness contributed greatly to bringing the situation under control, and various foreign media around the world have paid attention to this. This strength clearly proves that even after the epidemic crisis, Korea is a good place for business and investment.



Korea is currently one of the safest countries in terms of controlling the coronavirus. And Busan is the best city among them. The excellent administration, advanced IT technology, and safe environment proven through the coronavirus will provide a **safe and convenient business environment for you to start a new business.**

# Busan As A Financial Hub

## Support by Government

Since 2009, the central and local governments have worked together to establish an institutional foundation and incentive system to foster a financial hub, prepare tax support measures to attract domestic and foreign financial institutions, and enact laws and ordinances to revitalize marine financing.

With strong support from the government, Busan attracted many major financial service providers to BIFC. In addition to KRX, KSD, KAMCO and seven other public corporations, nine private and five finance-related institutions have located in Busan. So there are currently a total of 30 financial institutions operating in Busan with total assets of GBP 108 billion and 3,800 employees.

In 2018, the Graduate School of Finance was established with the support of the government for the purpose of fostering financial professionals. It is a joint degree program between Pusan National University and Korea Maritime & Ocean University. It provides an international master's degree program that combines practical and theoretical work and produces 40 professionals every year.

Efforts are actively being made to foster the financial industry using new technology, and Busan has been designated as a special blockchain regulatory free zone by the government, providing conditions for new ways to utilise blockchain and other fintech technologies. This makes Busan an attractive place for start-ups to take on new challenges.



## Specialised Finance

KDB, KEXIM and K-Sure play major roles in both market and policy-making to build specialised financial clusters. In 2014, these three institutions invested resources and the "Marine Finance Center", a central control tower in maritime finance, was founded. In addition, Korea Ocean Business Corporation was established in Busan to enhance the competitiveness of Korea's maritime and transport industry through supporting management and providing financial aids such as guarantees and subsidies.

In addition, Korea Ship Finance, Korea Marine Finance Corporation and KAMCO Ship Management, which are leading ship financiers, located in BIFC and are able to provide a one-stop service to customers.

Busan-based Korea Exchange (KRX)'s derivatives market has grown into the world's ninth-largest market by trading volume in more than two decades since its establishment.

Since Busan was designated as a financial hub, KRX has created infrastructure for the development of the derivatives market, including the establishment of a securities & derivatives research center, the opening of a gold market and an emissions trading market, and setting up a Central Counterparty Clearing House (CCP). In the second half of 2020, it will establish an over-the-counter derivatives transaction information repository system (TR system) and is seeking to improve transparency and stability in over-the-counter market transactions.





# Strong IT Ecosystem

## The World's No. 1 High-speed Internet Penetration Rate, The World's No. 1 Internet And Mobile Phone User Population

Korea has the world's second-largest share of the market in smartphone devices and earns \$74.3 billion in IT exports. It is rated as the top OECD country in terms of creating and using the IT environment. Busan offers the best conditions to commercialise the IT ecosystem.

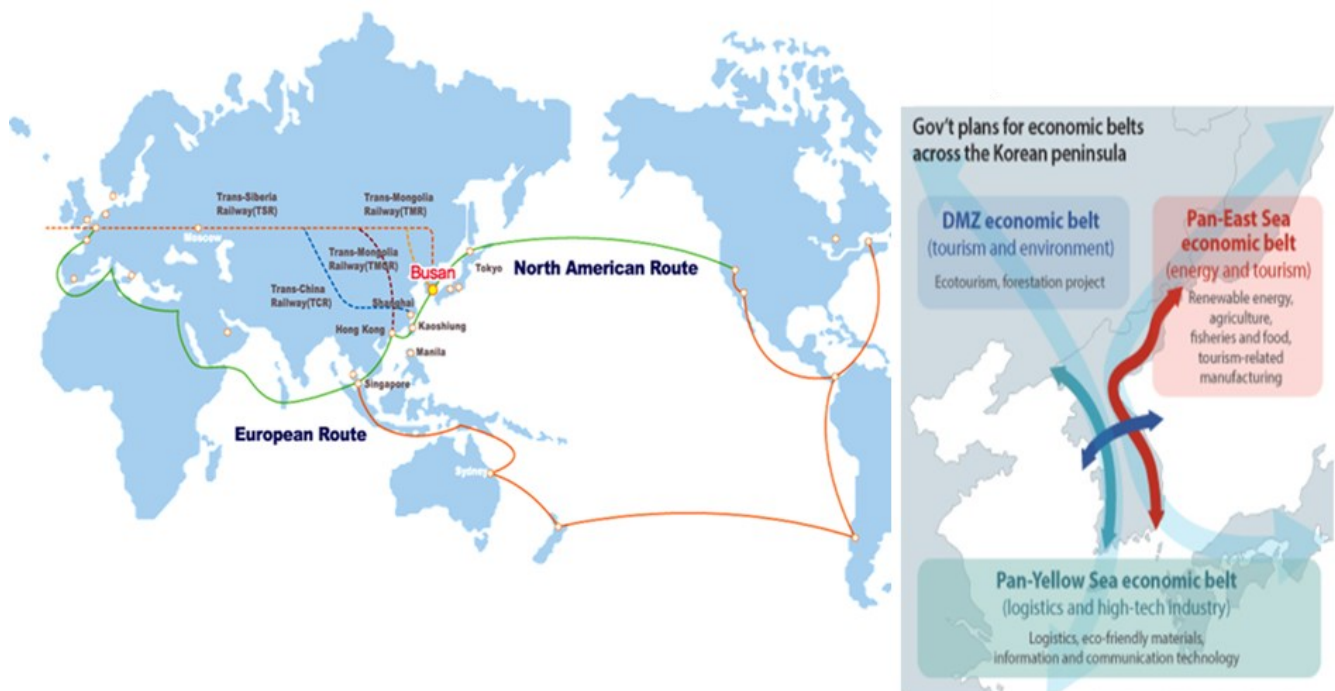
Recently, President Moon announced the designation of Busan as a blockchain regulation-free zone. Busan is the only city with such designation. In 2019, the Korean government introduced a regulatory sandbox system, similar to the UK regulatory sandbox, and has designated 11 areas of Busan including BIFC as special zones in relation to the blockchain for logistics, tourism, public safety video services, etc.

For finance, three applications applied for and were accepted into the regulatory sandbox. To compete with many other financial centers in the world, we see a great need for creating a Fintech Hub. We want to enhance the market through the concept of Digital Vouchers. From issuing currency for banks to exchanging funds and making payments, blockchain-based developments will give the economy a new source of growth. This is why we are providing incentive packages to Fintech Institutions to encourage them to join the hub.



## Strategic Economic Map

Although South Korea is a part of the Asian continent, its capability as a gateway to Asia is to some extent limited since the Korean War. Busan has received much attention recently due to inter-Korean economic cooperation following the "Panmunjeom Declaration For Peace, Prosperity and Unification of the Korean Peninsula". Busan is the starting point of the North Pole Route and the final destination of the Trans-Eurasian railway, with a competent triple logistics system involving railway, port, and airport.



Going forward, the international position of Busan is expected to advance as inter-Korean relations improve. As inter-Korean economic cooperation is expected to expand, Busan will play a central role through cooperation with BIFC public corporations, such as the establishment of the North Korea Development Bank and support for infrastructure development for North Korean capital market development.

# Headline Issue

## Selected as a Blockchain Regulatory Free Zone

Busan Metropolitan City was selected as a special blockchain regulatory free zone in July 2019. As a result, Busan was able to provide various blockchain-based services. It has become possible to develop new technologies and pursue new projects without restrictions in four areas -- logistics, tourism, public safety and finance.

Eleven special cases have been put in place in the regulatory environment, such as easing the obligation to notification when a location-based service provider provides personal location information to a third party under the Location Information Act, recognizing the transfer of prepaid electronic payment means by agreement from the distributed ledger under the Electronic Financial Transactions Act, and recognizing the destruction of personal information and location information by off-chain method as destruction under the Personal Information Protection Act.

Through these special regulations, in the logistics sector, it is expected that these measures will improve the prevention of forgery of origin, reduce logistics costs through rapid reverse tracking, and establish a future logistics system that can shorten the distribution period. In the tourism sector, the aim is the development of tourism products that analyse, for example, consumption patterns through the sharing of transaction information by tourists.

In the public safety sector, the aim is to improve disaster and accident response using video and location information reported by citizens. In the financial sector, the establishment of a Busan-type blockchain ecosystem is expected to create a trust society by increasing transparency in distribution transactions through the issuance of digital vouchers.

Busan Metropolitan City aims to become a core hub of blockchain in Korea, not only within Busan's exclusive blockchain special zone, by allowing blockchain companies nationwide to participate in special zones in the future.

## Building a Cluster of Financial Technology Companies

Busan Metropolitan City is pushing for a cluster of financial technology companies. As part of that, "U (Unicorn)-Space BIFC," a space that supports the growth of fintech firms, opened at BIFC in October 2019. Busan Metropolitan City runs start-up support programs, supports corporate IRs, and is pushing to build a cloud funding platform. It also provides academy and capacity building training to train fintech professionals.

"U (Unicorn)-Space BIFC", jointly created by the city Government and Busan Bank, is a support center for financial technology companies and currently located in the second-stage building of the BIFC. As of February 2020, 33 fintech, blockchain, financial big data and artificial intelligence-related companies have moved in, and 50 companies are expected to move in by the end of 2020. Currently, Busan Metropolitan City provides office space and labour cost support to resident fintech firms, while BNK Financial Group supports investment and fosters the competitiveness of fintech and blockchain companies through various cooperative projects.



In December 2019, Busan Metropolitan City invited a large number of venture investment companies to hold an "investment briefing session for Busan fintech firms". In November 2019, it also held a business briefing session at the Singapore FinTech Festival between local investors and fintech firms operating in U-Space.

In addition, Busan Metropolitan City operates several academies to train fintech personnel. In particular the city plans to hold 'ASEAN Academy Courses' on the basic languages and cultures of ASEAN countries, including Indonesia, Thailand and Vietnam, to companies aiming to advance into ASEAN's New Southern national projects in 2020.

## Strengthening Global Networking

Busan Economic Promotion Agency signed a business agreement with Astana International Financial Center (AIFC) in Kazakhstan in July 2019 to strengthen global cooperation. An official from the Busan International Financial City Promotion Center of Busan Economic Promotion Agency introduced the policy and investment environment of Busan Financial Hub and signed an MOU.

The two institutions plan to work together to support their national companies' advancement into each other's countries, including mutual cooperation in global marketing/data services, exchange of financial-related information, and holding seminars, along with the maritime finance, derivatives and back office specialisation strategies being pursued by Busan Financial Hub.

Through the signing of this agreement, Busan Economic Promotion Agency will be able to expand the scope of activities of Busan Financial Hub by sharing information on the capital market and expanding its global business in Central Asia.

Park Young Ho, Head of Busan International Financial City Promotion Center of Busan Economic Promotion Agency, said, "With this agreement, we will share the development model of the Astana International Financial Center that actively borrows British law and institutions, which will have many implications for the development direction and implementation of Busan Financial Hub. In addition, if inter-Korean economic cooperation strengthens, Kazakhstan will be a good partner for Busan in financial cooperation, such as exploring investment sources and sharing investment through information sharing as a key railway and logistics point linking Asia and Europe. We look forward to finding many opportunities for cooperation."



## Establishment of Busan Finance Center

Busan Metropolitan City is working to set up the Busan Finance Center (BFC), an organisation that will serve as a control center for the Busan financial hub, in 2020.

The BFC will draw on Busan's vision of Northeast Asia's financial hub and develop the financial industry in a systematic manner. In addition, the BFC will play a role in think tanks responding to future changes in financial markets, and develop unique, Busan-style financial specialisation models such as maritime, logistics and derivative financing. It will also actively attract domestic and foreign financial institutions, train financial professionals through financial-related education and the establishment of industry-academic networks, and actively attract financial seminars and forums.

One of the most important features of the BFC is that local government, financial institutions and local representative financial institutions will work together to gather opinions and cooperate in creating a financial hub. Through the experience of the past 10 years, we have learned that it is difficult to achieve the goal only with the efforts of one agency. The BFC is an organisation established by public-private partnerships with local governments and seven institutions, which will be able to create synergy by converging the capabilities of various financial entities.



# Past Events in Busan

## 2019 Busan International Financial Week

In November 2019, Busan Metropolitan City hosted the "2019 Busan International Financial Week (BIFW)". BIFW is a festival of live financial industry events designed to show the best of finance while offering networking, social, learning and business opportunities to all.

BIFW was first held in 2019 with the aim of promoting the Busan financial hub and forming a civic consensus to revitalize the financial industry. The main events of the financial week consisted of exhibitions and seminars on various topics related to regional trends and development, as well as financial technologies such as the Busan Global Financial Forum, the Korea Ship Finance Forum and Money Show. By doing so, it helped citizens to have a better understanding of the local financial industry and to gain favorable responses from citizens to revitalize the financial hub.

## Busan Global Financial Forum

Busan Global Financial Forum with the theme "Envisioning the Future of Financial City Busan" was held jointly with Busan Metropolitan City, the Busan Financial News, BNK Financial Group, Pusan National University, and Korea Maritime and Ocean University.

## [Marine Money] Korea Ship Finance Forum

Busan Metropolitan City hosted the 13th annual Korea Ship Finance Forum at the Paradise Hotel together with Marine Money Asia. Last year, the annual event focused on the theme "Future Proof Shipping and Capital".

Various speakers from the shipping finance institutions, ship-builders, the legal sector, and relevant organizations shared their insights and perspectives on IMO 2020 challenges and opportunities.

## Busan MONEYSHOW

Busan MONEYSHOW, is an annual finance exhibition that highlights the latest trends and knowledge. In November 2019, it took place in BEXCO. A number of featured lectures related to personal finance and profitable investments designed to enlighten the visitors were held by Busan International Financial City Promotion Center and many other exhibitors.

### South Korea - China Financial Cooperation Forum

In November 2019, the Fourth South Korea – China Financial Cooperation Forum was held with Busan Metropolitan City, the Korea Securities Depository, the city of Qingdao, and the National Institute for Finance & Development of China.

A number of industry experts in finance, related professional services, and government officers participated in intensive discussions on issues relating to cooperation between the local governments of Korea and China in Finance including maritime finance and asset management.





# Forthcoming Events in Busan

## Co-Hosting Marine Finance Mega-Event

In November 2020, several marine finance events will be co-hosted in a Mega-Event. Previously, the Busan Financial Hub Convention on International Marine Finance, the Korea Ship Finance Forum and the KOBC Maritime Conference have been held individually, but they will be integrated into a marine financial mega-event for synergy.

In this event, various investor relations sessions related to shipyards, port development and equipment will be held, which will provide big business opportunities for domestic and foreign companies and investors. In addition, through this event, marine financial development and the revitalization of marine industry and related industries are expected. Also, through integrated hosting, the mega-event is expected to improve global awareness and increase the number of participants.

## Busan MONEYSHOW

Busan MONEYSHOW is an annual finance exhibition that focuses on the latest trends and knowledge. This year it is expected to take place in November.

This show will provide opportunities and space for financial companies and consumers to communicate on-site. A number of featured lectures related to personal finance and profitable investments designed to enlighten the visitors will be organised by Busan International Financial City Promotion Center and many other exhibitors. It will also provide customised asset management know-how through direct communication.

## Busan Global Financial Forum

Busan Global Financial Forum is an annual event that investigates and discusses strategies to grow Busan into a global financial city. This year it is expected to take place around November.

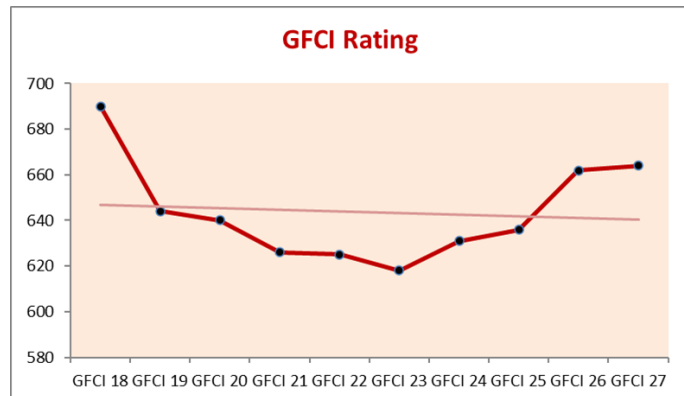
This year's forum will include an in-depth discussion on the development of Busan's financial services functions. Leading academics, financial experts, and supervisory authorities will participate as speakers, and six organizations, including Busan Metropolitan City and Busan Financial News, will co-host the event.

# Busan in The Global Financial Centres Index

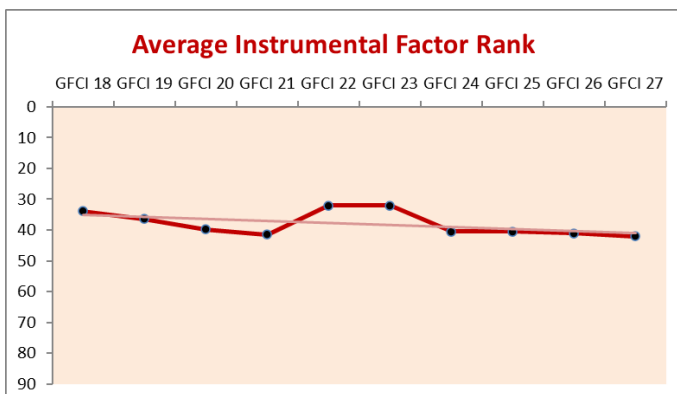
In March 2007, Z/Yen released the first edition of the [Global Financial Centres Index \(GFCI\)](#), which continues to provide evaluations of competitiveness and rankings for the major financial centres around the world.

The GFCI is updated every March and September and receives considerable attention from the global financial community. The index serves as a valuable reference for policy and investment decisions. The 27th edition of the GFCI ([GFCI 27](#)) was published in March 2020.

Busan first appeared in the GFCI in 2014 (GFCI 15) and has been featured ever since. It has a steady history and following a dip in GFCI 23, its rating in the index has been climbing recently. Busan is performing well as a specialist financial centre (focusing on maritime finance and derivatives). Busan’s continued focus on development and collaboration position it well for the future.



The GFCI measures the competitiveness of financial centres across five broad areas - the Business Environment, Human Capital, Infrastructure, Financial Sector Development, and Reputation. GFCI 27 is compiled using 138 ‘instrumental factors’. These quantitative measures are provided by third parties including the World Bank, The Economist Intelligence Unit, the OECD, and the United Nations. The instrumental factors are combined with over 32,000 financial centre assessments provided by respondents to the GFCI online questionnaire.



Busan performs well in all five areas of competitiveness, and particularly in infrastructure, where it ranks in the top 40 centres in the world. Part of this success is illustrated by the average rank it achieves in the instrumental factors. Busan’s average instrumental factor rank is higher than its overall GFCI ranking.

# Notes

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AND



[www.bifc.kr/eng/](http://www.bifc.kr/eng/)

Busan International Financial City Promotion Center supports Busan City to grow into a global financial center specialized in maritime finance, derivatives, and back-up centers. It aims at promoting Busan as an attractive Financial Hub for global financial institutions. The center was established by Busan Metropolitan City in 2008 and is under the umbrella of the Busan Economic Promotion Agency.

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