



International Academy of Financial Consumers

Book Project

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1. Financial Consumer

1) Legal Meaning of Financial Consumer

- ◆ ‘The foundation law of Financial Consumer Protection (Bill)’ stipulates rights and duties of FCs as follows :
- ◆ – Right to be protected from any loss or damage of their property arising out of financial products
 - Right to be informed of knowledge or information in the course of selection and consumption of financial products
 - Right to be heard of their opinions in the national or provincial policy that may influence the financial consumption life
 - Right to be compensated from any loss or damage from consumption of financial products in a quick and fair process
 - Right to be educated necessary for rational life of financial consumption
 - Right to organize entity to promote their privilege and value and to act through the organization

1. Financial Consumer

1) Legal Meaning of Financial Consumer

◆ Duties

– To recognize themselves as a subject to constitute free market economy with financial service institution, to choose financial products in a right way, and to exercise basic rights of financial consumers

1. Financial Consumer

2) Economic Situation of Financial Consumer

- ◆ Population : around 50 million people
- ◆ Age structure

<Table 1> Age structure

Classification		2012	2013	2014	2015	2016
Population	0~14	7,559	7,370	7,199	7,040	6,899
	15~64	36,556	36,712	36,839	36,953	37,039
	over 65	5,890	6,138	6,386	6,624	6,864
Composition (%)	0~14	15.1	14.7	14.3	13.9	13.6
	15~64	73.1	73.1	73.1	73	72.9
	over 65	11.8	12.2	12.7	13.1	13.5
	Total	100	100	100	100	100

Data: National statistical office

1. Financial Consumer

2) Economic Situation of Financial Consumer

◆ Market capitalization

<Table 2> Market capitalization

Classification	2013	2014	2015
Market capitalization* of listed domestic companies (current US\$)	1234548550000	1212759460000	1231199760000
Market capitalization of listed domestic companies (% of GDP)	94.6	85.9	89.4

Data: Worldbank

* Market capitalization (also known as market value) is the share price times the number of shares outstanding (including their several classes) for listed domestic companies. Investment funds, unit trusts, and companies whose only business goal is to hold shares of other listed companies are excluded. Data are end of year values converted to U.S. dollars using corresponding year-end foreign exchange rates.

1. Financial Consumer

◆ Life Insurance and non-life insurance

<Table 3> Life Insurance company's new business (CY'15) (one million won, unit)

Classification		2015	
		Cumulative count	Cumulative amount
General account	Individual	10,657,941	348,976,517
	Pure endowment	1,256,400	47,032,330
	Annuity insurance	1,254,514	46,992,110
	Insurance against death	8,623,217	277,847,361
	Whole life insurance	2,139,252	132,205,969
	Endowment insurance	778,324	24,096,827
	Organization	3,980,258	37,124,575
	Coverage	12,589,312	314,927,855
	Savings	2,048,887	71,173,238
Separate Account	Retirement insurance	583	4,376
	Retirement pension	2,626,049	9,143,946
Data: Financial statistics information system	Variable insurance	877,768	56,609,059

1. Financial Consumer

◆ Life Insurance and non-life insurance

<Table 4> Non-life insurance major performance status (CY'15) (one million won, unit)

Classification	The number of contract	Premium income	Earned premium	The cases of accidents	Payment insurance	Incurred Losses	Loss Ratio (%)
Fire insurance	503,343	301,027	303,381	6,284	149,536	143,752	47.40
Marine insurance	2,825,005	705,082	749,375	22,012	634,457	595,343	79.40
Technology insurance	12,630	297,058	302,728	2,376	94,638	148,982	49.20
Liability insurance	877,566	789,566	760,184	104,646	353,875	422,457	55.60
Accident insurance	3,383,019	1,561,027	1,531,315	1,357,109	1,003,100	1,200,963	78.40
Comprehensive insurance	664,637	1,463,467	1,542,925	142,423	807,092	787,471	51.00

Data: Korea insurance development institute

1. Financial Consumer

◆ Bank deposit

<Table 5> Account holder per bank deposit (A billion won)

Classification	2013	2014	2015
Total deposits	1,009,685.4	1,080,543.3	1,163,727.4
Household(family)	501,701.9	530,539.8	559,199.6
Businesses	310,755.9	321,266.0	348,055.4
Et cetera	197,227.6	228,737.5	256,472.4

Data: Economic statistics system in the Bank of Korea

1. Financial Consumer

◆ Society

<Table 6> Social spending

Name	2013	2014	2015
Social spending, Public, % of GDP	9.332	9.718	10.108
Social spending Private, % of GDP	2.196	2.146	–

<Table 7> Pension spending

Name	2009	2010	2011
Pension spending, Public, % of GDP	2.149	2.186	2.238
Pension spending, Private,% of GDP	1.01	1.334	1.279

<Table 8> Family benefits

Name	2012	2013	2014
Family benefits public spending Total, % of GDP	0.848	1.125	1.115

<Table 9> Social benefits

Name	2013	2014	2015
Social benefits to households In cash,% of GDP	4.714	5.076	5.449

<Table 10> Public spending

Name	2011	2012	2013
Public spending on incapacity Total, % of GDP	0.583	0.614	0.609

Data: OECD data

1. Financial Consumer

Financial Services Firms and Organizations under FSS Supervision¹

	Number	Financial firms and organizations
Banking	68	Financial holding companies (10) · National banks (7) · Regional banks (6) · Specialized banks (5) ² · Foreign bank branches (39) · Korea Federation of Banks
Nonbanking	2,648	Mutual savings banks (80) ³ · Korea Federation of Savings Banks · Agricultural, fishery and forestry cooperatives (1,380) · Credit unions (920) · National Credit Union Federation of Korea · National Agricultural Cooperative Federation · National Forestry Cooperative Federation; Money lenders (190) · Credit-specialized finance companies (73) · Credit Finance Association of Korea
Insurance	61	Life insurance (24) · Foreign life insurance branches (1) · Nonlife insurance (18) · Foreign nonlife insurance branches (13) · Korea Life Insurance Association · General Insurance Association of Korea · Korea Fire Protection Association · Korea Insurance Development Institute · Korea Insurance Institute
Financial investment services	566	Securities companies (47) · Domestic branches of foreign securities firms (11) · Futures companies (7) · Credit rating companies (4) · Bond rating companies (4) · Fund rating companies (4) · Corporate restructuring REITs (96) · Merchant banks (1) · Money brokerage companies (9) · Asset management companies (86) · Investment advisory firms (158) · General administration service providers (6) · Ship investment management companies (5) · Ship investment companies (110) · Real estate investment trusts (11) · Korea Exchange · Korea Financial Investment Association · Korea Securities Depository · Korea Securities Finance Corporation · Korea Listed Companies Association
Others	96	Electronic financial services providers (61) · Credit information service providers (31) · Korea Association of Information & Telecommunication · Korea Asset Management Corporation · Korea Housing Finance Corporation
Total	3,439	

2. Financial Consumer Protection System (Software)

1) Relevant laws and Rules

◆ Banking

- Banking Act
- Korea Development Bank Act
- Industrial Bank of Korea Act

◆ Securities

- Financial Investment Services and Capital Markets Act
- Act on Issuance and Distribution of Short-Term Electronic Bonds, etc.
- Secured Bond Trust Act

◆ Insurance

- Act on The Indemnification for Fire-Caused Loss and The Purchase of Insurance Policies
- Insurance Business Act

2. Financial Consumer Protection System (Software)

1) Relevant laws and Rules

- ◆ Non-Banking
 - Establishment, etc. of Microfinance Foundation Act
 - Korea Housing Finance Corporation Act
 - Act on Credit Guarantees for Agricultural, Forestry and Fishery Enterprisers
 - Mutual Savings Banks Act
 - Corporate Restructuring Investment Companies Act
 - Specialized Credit Financial Business Act
 - Credit Guarantee Fund Act
 - Korea Technology Credit Guarantee Fund Act
 - Act on Registration of Credit Business and Protection of Finance Users
 - Credit Unions Act

2. Financial Consumer Protection System (Software)

2) Rationale and Direction of FCP

- ◆ Mixture of active protection and Disclosure system
- ◆ FCP going with control of malicious consumer control

2. Financial Consumer Protection System (Software)

3) Ex-Ante Protection

- ◆ Consumer Literacy Education : at schools, by financial producers, by supervision agents
- ◆ Product and Price controls lessened since 2015
- ◆ Salesperson license and qualification systems available but not so stringent
- ◆ Information Disclosure system : by law and rule, but not so practical, unclear users and usage
- ◆ Appropriation principle applied to a limited product line
- ◆ Good faith and fair treatment rule not applied yet as in U.S.
- ◆ Anti Competition law applied to contractual clauses and pricing only

2. Financial Consumer Protection System (Software)

4) Ex-Post Protection

- ◆ Complaints and Dispute settlement
 - in-house division of the FSS yet, but possibly independent of it later
 - Inconsistency of decision and impartiality at issue
- ◆ Deposit insurance scheme
 - integrated body to cover all the financial sectors
 - Prepayment system
 - expansive coverage compared to other countries
 - large organization

3. FCP Institution (Hardware)

1) Financial Supervision Organization

◆ Financial Supervisory Service(FSS)

– The FSS conducts prudential supervision of banks, nonbank financial companies, financial investment services providers, and insurance companies in order to ensure they comply with certain safety and soundness guidelines, standards, requirements, and safeguards. In addition, the FSS performs capital market supervision, consumer protection, and other supervision and enforcement activities.

- Prudential Supervision
- Capital Market
- Consumer Protection

3. FCP Institution (Hardware)

2) Deposit Insurance Corporation

- ◆ Korea Deposit Insurance Corporation(KDIC)

- The KDIC was established on June 1, 1996 after the legislation of the Depositor Protection Act (DPA) on December 29, 1995. The KDIC started as a protector of bank depositors, while there were separate funds for non-bank financial sectors.

- A transition was made to a limited coverage of KRW 50 million in 2001. The higher limit was established to ensure sustainable stability in the financial market. As the system is not immune to the risk of moral hazard, the KDIC closely monitors both financial and non-financial risks of insured financial institutions.

3. FCP Institution (Hardware)

3) Dispute Settlement Organization

- ◆ Financial Disputes Settlement Committee(FDSC)
 - The FDSC is a committee that has been created within the FSS specifically to help mediate and resolve financial disputes between consumers and financial service firms. Upon a consumer petition or in response to a consumer complaint, the FSS verifies the relevant facts and makes impartial recommendations so that both the consumer and the financial institution can mutually come to a resolution with resorting to often time-consuming and costly litigation through the court.
 - The FDSC is staffed by 30 specialists that include independent outside experts.
 - Unlike arbitration, the FDSC recommendation is not legally binding, and adjudication through the court is still available to consumers and financial institutions.

4. Special FCP systems

1) for the elderly group

- ◆ Long-Term Care Insurance Program: This is the social insurance system that provides long-term care benefit to the elderly who have difficulty taking care of themselves for a period of at least 6 months due to old age or geriatric disease. It supports them in their physical activities or housework based on the principle of social solidarity.

2) for the poor group

- ◆ Microinsurance: This is the protection of low-income people against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. This definition is exactly the same as one might use for regular insurance except for the clearly prescribed target market: low-income people.

4. Special FCP systems

3) for the young

- ◆ Financial Literacy Pilot Program: The Financial Supervisory Service announced that a total of 667 primary and secondary schools nationwide have been selected for the Financial Literacy Pilot (FLP) program, an educational initiative aimed at advancing financial literacy of students in elementary, middle, and high schools.

5. Marketing Issues

- ◆ Financial Consumer Information Portal “FINE”
(Financial Information Network)
 - The Financial Supervisory Service established a system which enables consumers to search financial products from all areas and compare their characteristics at a single platform.
 - This one-stop service for search and comparison has been operated and considered favorable for financial consumers. The FSS decided to provide additional information regarding loans, bank deposits/installment savings, tax-saving investment products and credit/debit cards.
 - It is expected that the expanded service will help users rationally choose financial products which are suitable for their purposes and also prevent them from wasting times and costs. Furthermore, the service will encourage competition in a free market and contribute to improving information asymmetry.



Thank You !

