

GOVERNMENT ANNOUNCES ADDITIONAL FINANCIAL SUPPORT FOR SMEs AND SMALL MERCHANTS

The government unveiled on March 19, 2020 additional financial support measures aimed at helping the SMEs and small merchants better cope with the burden of economic slowdown amid the COVID-19 outbreak. This is part of the KRW50 trillion package program announced by the government today to better deal with the impact of the outbreak.

COVID-19 FINANCIAL SUPPORT

The government unveiled financial support programs¹ targeted at the SMEs and small merchants directly hit by the COVID-19 outbreak. The measures including i) extensions on the existing loans and guarantees, ii) new loans and special credit guarantees, and iii) discounts on interest rates and fees, deferment of payments, export-import financing are currently being implemented.

Since the first round of financial support was announced on February 7, about KRW6.4 trillion (81,000 individual cases) was provided to mostly small merchants (68,000 cases, 84%). About 19,000 of them were restaurant businesses and 14,000 retail businesses. About 35,000 cases consisted of loan and guarantee extensions whereas newly issued loans and guarantees made up 46,000 cases. In order to continue to provide a sufficient level of financial support, the government has prepared a KRW12 trillion supplementary budget.

ADDITIONAL MEASURES

I. EXPANDING FINANCIAL SUPPORT FOR SMEs AND SMALL MERCHANTS HIT BY COVID-19

- ▶ **MATURITY EXTENSION:** A minimum of six-month extension on existing loans and guarantees will be provided by all banking and non-banking sectors, including savings banks, insurance companies and credit card companies. The extension will also be applied to deferred payment products and guaranteed loans.
- ▶ **DEFERMENT OF INTEREST PAYMENT:** All financial institutions and microfinance institutions will offer a six-month deferment on interest payments for products with maturity date of September 30 or thereafter. The government will review

¹ On February 7 and February 28, 2020.

measures to support financial institutions if they face liquidity problems.

- ▶ **FULL GUARANTEES FOR SMALL-SCALE BUSINESSES:** State-run credit guarantee institutions will newly make available 100% guarantee products for up to KRW50 million for each business entity to more than 60,000 small-scale businesses. It will be offered promptly through a streamlined application review process and provided with a 0.5%p discounted fee (average guarantee fees: 1.2% → 0.7%)

II. WORKING FOR PROMPT DELIVERY OF FINANCING SUPPORT

Due to a high concentration of credit guarantee applications at regional credit guarantee institutions, it may currently take up to 60 days from the stage of application to loan execution.

In order to reduce the workload of receiving applications and providing information to customers, all regional credit guarantee institutions have entered into contracts with local banks, so that they can subcontract the reception-related functions to local banks while focusing on reviewing applications for a prompt processing.

III. GRANTING IMMUNITY FROM SANCTIONS FOR FINANCIAL EMPLOYEES

For employees of financial institutions, the government will provide immunity from sanctions in order to encourage proactive processing of the COVID-19 financing support to the businesses in need.

The government will continue to listen to the needs and requests of financial institutions in order to better prepare for additional measures if deemed necessary.

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