

## VICE CHAIRMAN VOWS TO MAINTAIN CLOSE MARKET MONITORING AND RISK MANAGEMENT

FSC Vice Chairman Sohn Byungdoo held the 7<sup>th</sup> financial risk assessment meeting on June 9 to assess the financial market conditions and check the implementation status of the COVID-19 financial support.

The following is a summary of Vice Chairman's remarks.

**(CURRENT SITUATION)** There are continuing signs of market stability with stock prices recovering to pre-COVID-19 levels and the yield spreads in corporate bond and CP markets stabilizing. In June, about KRW12 trillion of corporate bonds and KRW53 trillion of CP and short-term bonds are up for maturity. Given the recent improvement in the market conditions and that most of them have AA- or A1 rating, there will not be much difficulty for businesses to raise capital through issuing or refinancing bonds.

For 'fallen angel' companies, various supports are available from the bond market stabilization fund, corporate bond takeover programs by policy banks and the special purpose vehicle aimed at purchasing corporate bonds and CP.

Securities firms ran into liquidity problems in March-April in the process of fulfilling their purchase agreements for asset-backed commercial paper, but the problems large subsided in May with the easing of credit crunch in the short-term money markets.

**(SUPPORTING ECONOMIC RECOVERY)** The Financial Stability Board stressed the important role of the financial sector in supporting the recovery efforts from the pandemic-induced economic crisis while suggesting regulatory flexibility to help facilitate banks' lending function. In this regard, the FSC introduced in April its plans to temporarily ease financial regulations, including the early adoption of Basel III credit risk framework for banks and the easing of rules on banks' liquidity coverage ratio. Among them, 21 measures have now gone into effect with nine others expected to go into effect in July.

### **FINANCIAL SUPPORT PROVIDED**

Between February 7 and June 5, a total of KRW124.7 trillion (1.53 million cases) in loans and guarantees as well as loan and guarantee extensions were provided to the SMEs and small-scale businesses that have been hit by the COVID-19 pandemic.

- ▶ **FINANCING BY TYPE:** KRW64.3 trillion (1.23 million cases) in new loans and guarantees, KRW60.5 trillion (306,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW18.8 trillion (75,000 cases) to machinery & metal manufacturing, KRW15.6 trillion (173,000 cases) to wholesale businesses, KRW9.8 trillion (313,000 cases) to restaurant businesses and KRW10.1 trillion (260,000 cases) to retail businesses
- ▶ **FINANCING BY PROVIDER:** KRW66 trillion (931,000 cases) by policy banks and KRW57.9 trillion (579,000 cases) by private sector financial institutions<sup>1</sup>

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<sup>1</sup> Local banks, insurance companies, credit card companies, credit finance businesses and savings banks