

## GOVERNMENT TO PROVIDE CONSULTING AND FINANCIAL SUPPORT TO BUSINESSES IN RESTRUCTURING

Vice Chairman Sohn Byungdoo presided over the 11<sup>th</sup> financial risk assessment meeting on July 7 to discuss the financial market conditions and monitor the progress in implementing the COVID-19 financial support.

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

**(COVID-19 FINANCIAL SUPPORT)** With the 3<sup>rd</sup> supplementary budget passed at the National Assembly last week, about KRW4.7 trillion in additional funds has become available for policy banks, alleviating concerns about their financial soundness. The government will work to swiftly implement the new support programs as follow.

- (a) Support for suppliers and subcontractors in major industries: Based on the agreement between the automakers and policy banks, loans for auto parts suppliers have become available. A special guarantee program will also become operational this week with KRW10 billion from the supplementary budget. The government is working on final details to promptly begin providing support to the suppliers and subcontractors in key industries through the working capital support program.<sup>1</sup>
- (b) Support for low-rated companies and corporate asset sell-offs: With the passage of the supplementary budget at the National Assembly, KRW1 trillion in capital injection has become available for the launching of a special purpose vehicle aimed at purchasing low-rated corporate bonds and CP. The government will closely work with other institutions to launch the SPV in July. The program to support corporate asset sell-offs has begun a preliminary demand survey and the application process will begin in mid-July for a fast-track review of applications.
- (c) Market stabilization measures: The bond market stabilization fund and the key industry stabilization fund have been functioning as backstops to the financial markets. Corporate bond issuance in May-June recovered to a pre-pandemic level. With interest rates and spreads showing signs of stability, financing conditions appear to have improved in the bond market. The key industry stabilization fund has also begun accepting applications.

**(RESTRUCTURING)** The government has made available a variety of supports for businesses amid the COVID-19 pandemic. However, businesses with structural vulnerabilities that had problems even before the pandemic started should first try to improve financial structures on their own. The relevant ministries and policy banks

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<sup>1</sup> Please click [here](#) to see the press release on WCSP.

are preparing a program to help vulnerable businesses to improve their financial structures and to provide financial assistance. Since the global financial crisis, restructuring has become an essential step to restore the competitiveness of a business in the process of business normalization, and it will become more important and relevant due to the pandemic-related effects. Therefore, the government will help set up a consultative group consisting of diverse entities including businesses, investors, lending institutions and experts to work on improving the effectiveness of the corporate restructuring system.

According to the IMF, adequate capitalization of banks, streamlining the restructuring process and appropriate reallocation of resources should take place to ensure a robust recovery in Asia. The government will work closely with relevant institutions to support rapid economic turnaround and ensure appropriate allocation of resources.

### **FINANCIAL SUPPORT PROVIDED**

Between February 7 and July 3, a total of KRW152.7 trillion (1.74 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:** KRW73 trillion (1.35 million cases) in new loans and guarantees, KRW79.7 trillion (390,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW24.2 trillion (92,000 cases) to machinery & metal manufacturing, KRW19.7 trillion (200,000 cases) to wholesale businesses, KRW11.5 trillion (292,000 cases) to retail businesses and KRW10.8 trillion (344,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW79 trillion (1.02 million cases) by policy banks and KRW72.8 trillion (697,000 cases) by private sector financial institutions

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