

## VICE CHAIRMAN HIGHLIGHTS ROLE OF FINANCE IN GOVERNMENT'S NEW DEAL INITIATIVE

Vice Chairman Sohn Byungdoo presided over the 13<sup>th</sup> financial risk assessment meeting on July 21 to review market conditions and monitor the progress in implementing the COVID-19 financial support.

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

**(NEW DEAL INITIATIVE)** The government's new deal initiative aims to turn the pandemic-induced crisis into an opportunity in order to facilitate the country's leap forward and reshape the future of Korea's economy. By investing about KRW160 trillion, the government plans to create 1.9 million new jobs. To maximize the impact of the government's new deal policy, it is necessary to mobilize other types of financial resources alongside the government's budget. In this regard, the FSC will actively support new investment projects and encourage private sector investment in new growth areas to help channel more funding sources into the new deal projects.

**(CAPITAL MARKETS)** The pace of the recovery in domestic stock markets has been faster compared to the past crisis situations. A major difference with the COVID-19-induced crisis has been a rise in the number of retail investors in domestic stock markets.<sup>1</sup> This has helped the stock markets to quickly bounce back in difficult times. As there are still risks related to uncertainties about a second wave and concerns over a delayed recovery, the government will work to create a safe and stable investment and asset management environment for retail investors while preparing for market volatility. In addition, the government will continue to implement various market stabilization measures and business support programs.

To help strengthen foundations of capital markets and promote stock market activities, the government will a) improve the listing requirements to enable more innovative firms to be listed on stock markets based on their future growth potential while working to improve the listing and takeover rules to ensure high standards of professionalism and accountability from securities companies, b) continue to look for areas of improvement for retail investors, and c) work to create a safe investment environment by strengthening the crackdown and penalties on disorderly conducts and market disturbances.

**(SUPPORTING ECONOMIC RECOVERY & PREPARING FOR POST-PANDEMIC ERA)** The government has been pursuing policies aimed at supporting a recovery in the real economy backed by stable financial market conditions. The SPV created for

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<sup>1</sup> No. of retail investors' active accounts: 29.35 million (end of 2019) → 32.08 million (end of June 2020, up 9.3%)

purchasing low-rated corporate bonds and CP will begin its operation on July 24. The working capital support program for the suppliers in key industries will also begin to provide support at the end of July. The government-wide program to nurture a thousand innovative firms in new growth sectors will complete its first selection process in July. In addition, the government will soon introduce comprehensive plans to promote digital finance, which will include measures to bolster consumer protection and strengthen financial data security.

As the government's new deal initiative is aimed at building foundations for the next hundred years, finance will play an active role not only in creating a momentum of change but also in leading the post-pandemic era.

### **FINANCIAL SUPPORT PROVIDED**

Between February 7 and July 17, a total of KRW161 trillion (1.79 million cases) in loans and guarantees as well as loan and guarantee extensions were provided to the SMEs, small merchants and middle market enterprises that have been hit by the COVID-19 pandemic.

- ▶ **FINANCING BY TYPE:** KRW75.1 trillion (1.37 million cases) in new loans and guarantees, KRW85.9 trillion (424,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW25.7 trillion (97,000 cases) to machinery & metal manufacturing, KRW20.8 trillion (208,000 cases) to wholesale businesses, KRW12.1 trillion (300,000 cases) to retail businesses and KRW11.1 trillion (351,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW82.9 trillion (1.04 million cases) by policy banks and KRW77.2 trillion (725,000 cases) by private sector financial institutions

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