

## VICE CHAIRMAN SPEAKS ABOUT IMPORTANCE OF MAINTAINING LENDING SUPPORT BY FINANCIAL INSTITUTIONS

Vice Chairman Sohn Byungdoo presided over the 17<sup>th</sup> financial risk assessment meeting on August 19 to review market conditions and monitor the progress in implementing the COVID-19 financial support programs.

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

**(CURRENT PANDEMIC SITUATION)** In response to the recent spike in the number of COVID-19 infections, the government has reinstated the level-2 social distancing measures today. Preventing further waves of infection remains the most urgent task. A successful economic turnaround achieved from earlier this year was made possible through effective K-quarantine measures. In order to maintain the recovery momentum, financial institutions should closely follow the enhanced K-quarantine guidelines within their workplace.

**(FINANCIAL RELIEF FOR TORRENTIAL RAIN VICTIMS)** The longest recorded monsoon this year (54 days) has incurred heavy damages to households and businesses. The victims of torrential rains face extra hardship amid the pandemic-related economic disruptions. In order to help the businesses and households hit by heavy rains, the government will operate one-stop financial support centers throughout the affected regions and make prompt and targeted assistance available.

**(STRONG LENDING SUPPORT AMID PROTRACTED PANDEMIC SITUATION)** As there are concerns about a protracted pandemic situation, the government will work to finalize its decisions on whether to extend the temporary relief measures, such as loan maturity extensions, deferral of interest payments and some of the temporary deregulatory measures, within August. In an economic downturn, individual financial institutions may become passive in lending. However, each institution's "own actions can collectively influence the overall risk in the system," as there is a danger of a fallacy of composition suggested by a BIS report in April.<sup>1</sup> Thus, it is necessary to continue to encourage all financial institutions to support lending in order to maintain the recovery momentum.

**(STRONG PROVISION OF SUPPORT)** Compared to the earlier months of the COVID-19 outbreak, the emergency financial support programs for small merchants, SMEs and key industries now make up a close-knit support system for a variety of groups. Businesses have also bolstered their liquid asset holdings in preparation for a prolonged pandemic situation.

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<sup>1</sup> Please click [here](#) to access the report.

Alongside the existing support measures, the government will work to ensure that the newly operating programs, including the low-rated corporate bond and CP purchase program, financial support for the auto parts suppliers and subcontractors and the working capital support program for key industries are promptly implemented. As there are possibilities that the reinstated level-2 social distancing measures may have negative impact on SMEs and small merchants, the government will work to strengthen the provision of financial support made available to them.

In order to maintain the recovery momentum, the government will bolster the provision of support through strong coordination and cooperation with the financial sector.

### **FINANCIAL SUPPORT PROVIDED**

Between February 7 and August 14, a total of KRW178.0 trillion (1.89 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:** KRW80.2 trillion (1.4 million cases) in new loans and guarantees, KRW97.8 trillion (490,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW28.9 trillion (107,000 cases) to machinery & metal manufacturing, KRW23.1 trillion (223,000 cases) to wholesale businesses, KRW13.1 trillion (313,000 cases) to retail businesses and KRW11.6 trillion (363,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW91.3 trillion (1.1 million cases) by policy banks and KRW85.7 trillion (777,000 cases) by private sector financial institutions

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