

VICE CHAIRMAN STRESSES IMPORTANCE OF BOTH VIRUS PREVENTION AND EFFECTIVE LENDING SUPPORT

Vice Chairman Sohn Byungdoo presided over the 19th financial risk assessment meeting via teleconference on September 1 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.

(COVID-19 PREVENTION) The resurgence of COVID-19 poses risks to economic recovery as the enhanced social distancing rules put restrictions on economic activities. However, successful prevention is the most effective remedy for economic recovery. As such, the financial industry should focus on implementing preventive measures while continuing to maintain lending support for the businesses and households in need.

Due to the stronger social distancing rules put in place until the end of this week, banks are operating on an hour shortened work hours and insurance companies are refraining from face-to-face sales practices. Despite these enhanced social distancing measures, financial institutions should ensure a continuity in service provision by following their own business continuity plans and through 'untact' channels. Financial infrastructures including trade and payment systems that are highly interconnected with each other need to be closely monitored to prevent a systemic risk. The government will work to improve the system of digital security in financial services to help financial companies more effectively respond to contingencies.

(FINANCIAL SUPPORT) In response to the protracted pandemic situation, the government decided last week to extend the period of (i) the loan deferment of principal and interest payments, (ii) part of the temporary deregulatory measures and (iii) the ban on stock short sale. These measures are aimed at facilitating the financial sector to continue to maintain the role of supporting the real economy while preventing the spread of uncertainties in financial markets.

The government's emergency lending support for small merchants and for SMEs and middle market enterprises still have sufficient capacity with KRW10 trillion and KRW8 trillion each. The market stabilization facilities including the stock market and bond market stabilization funds and the low-rated corporate bond and CP purchase program still have KRW58 trillion available for support. In addition, the key industry stabilization fund in the amount of KRW40 trillion is available as a backstop. As such, the government will continue to work to provide lending support while closely monitoring the conditions of the real economy.

(POST-PANDEMIC ERA) The government's lending support to businesses and households has been inevitable to overcome the current pandemic-induced crisis. However, as the lending support adds burdens on their future debt service capacity, it is important to also invest in the future to ensure that businesses and households remain competitive in a post-pandemic era. The government's new deal initiative maps out a blueprint for fostering new growth industries for the post-pandemic economy. The financial sector's participation in the new deal initiative is strongly encouraged in this regard.

Financial institutions should strengthen inter-departmental cooperation within their companies while maintaining close communication with the government to achieve the dual goal of virus prevention and effective provision of lending support.

FINANCIAL SUPPORT PROVIDED¹

(In trillion won)		
▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.0
- 2 nd round of financial support (May 25~)	10.0	0.62

(In trillion won)		
▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	15.8
- Guarantees (Apr 1~)	7.9	5.6

(In trillion won)		
▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	6.9
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.1
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	0.9
- P-CBO issuance (Apr 1~)	11.7	1.9

#

For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

¹ From February 7 to August 28, 2020