

FSC TO WORK ON COVID-19 RECOVERY, CULTIVATING INNOVATIVE FIRMS & ENSURING MARKET STABILITY

The FSC held the 28th financial risk assessment meeting via teleconference on November 3, chaired by Secretary General Kim Tae-hyun. During the meeting, officials discussed the progress in implementing the COVID-19 financial support including the small merchant support program and market stabilization measures.

(CURRENT ECONOMIC AND MARKET SITUATION) Recent economic indicators suggest that the Korean economy is on a track to recovery. The economy grew 1.9 percent in the third quarter while industrial production, consumption and investment all increased in September. Consumer sentiment and the Business Survey Index rose in October as well. Domestic financial markets have also shown signs of stability. The volume of corporate bond, CP and short-term debt issuances has grown in September while credit spreads have been falling steadily, backed by the government's efforts of launching the bond market stabilization fund and the SPV aimed at purchasing low-rated corporate bonds and CP. However, there still exist uncertainties surrounding the US presidential election and the scale of economic stimulus measures as well as concerns over a possible second wave of virus outbreaks. Thus, the government will closely monitor risk factors and take preemptive measures when necessary.

(PROMOTING INNOVATION THROUGH STRONG FINANCING SUPPORT) Promoting the development of new technologies by innovative businesses is crucial to ensure a further progress in the post-pandemic era. The recently published banking sector technology assessment result for the first half of 2020 shows that the banking sector has been steadily working to improve their own technology capabilities and providing lending support to innovative businesses while serving as a conduit of the government's emergency financial support programs. In addition, the best practice guidelines on sanctions exemptions for banks,¹ established by the Korea Federation of Banks on October 26, provides more consistency in line with the rules enforced by the government while eliminating grey areas.

(SUPPORTING CORPORATE RESTRUCTURING TO BOOST COMPETITIVENESS) In order to stimulate the economy and prepare for a prolonged pandemic situation, there needs to be continuous efforts to improve the competitiveness of businesses. In July, the government launched the corporate asset purchase program to help assist businesses with their self-rescue efforts. The program began to provide assistance in September and is expected to show meaningful results starting in November. This program will promote voluntary restructuring efforts of businesses. The government

¹ As part of the [Plans to Improve Rules on Exemption for Misconduct in Financial Services](#) (April 8, 2020)

will continue to work to provide prompt and effective support to ensure that the program benefits companies of all sizes. Meanwhile, the working capital support program for suppliers and subcontractors in the key industries has provided a total of KRW210 billion in lending support to about seventy companies. The FSC will continue to work to strengthen the promotion of the program while encouraging commercial banks to grant loans more actively.

The Korean New Deal initiative is a national strategy to transform the Korean economy from a “fast follower” to a “first mover” economy. In this regard, the FSC will work to ensure an effective implementation of the Korean New Deal fund and the financial market stabilization measures. To this end, the government will begin to hold IR events in the Digital New Deal areas on November 6 to raise public awareness and look for new investment opportunities.

FINANCIAL SUPPORT PROVIDED²

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.6
- 2 nd round of financial support (May 25~)	10.0	2.35

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	22.6
- Guarantees (Apr 1~)	7.9	6.7

(In trillion won)

▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	8.6
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.2
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	2.0
- P-CBO issuance (Apr 1~)	11.7	3.0

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

² From February 7 to October 30, 2020