

FSC TO WORK ON RISK MANAGEMENT AND INCLUSIVE FINANCE

Vice Chairman Doh Kyu-sang held the 31st financial risk assessment meeting via teleconference on December 9 and discussed the year-end financing situation of businesses as well as the outlook for financial markets in 2021 and risk preparation.

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

(CURRENT MARKET SITUATION) Financial markets have been enduring difficulties presented by the protracted COVID-19 pandemic. The OECD projects Korea's economic growth in 2020 to be the highest among its members and second to China among the G20 economies. KOSPI rose to a record high of 2,700 points on December 4 and KOSDAQ's market capitalization is continuing to set new record highs. The corporate bond market also shows a smooth interplay between demand and supply with interest rates at stable levels. In terms of the recent surge in stock markets, some KRW60 trillion net buying by retail investors this year contributed most to the quick recovery of stock markets. In this regard, the government will continue to work for the fairness and transparency in stock markets and to foster trust from market participants.

(ASSESSING RISK FACTORS) With the availability of vaccines in major economies, there are expectations for normalization. However, it may take a long time to reach a level of herd immunity given the time it takes for mass production and distribution of vaccines. Thus, excessive optimism should be cautioned against and various risk factors should be closely monitored. While many countries are maintaining expansive fiscal and monetary policies at unprecedented levels, BIS and IMF warned against the rise of asset prices detached from the real economy, concentration of liquidity and expansion of leverage. The rise of high-risk asset investments amid an ultra-low rate environment also poses a risk. The financial authorities will closely monitor these risk factors and respond promptly when necessary.

The authorities will also keep a close eye on the business and household debt situation. If the growth of debt outpaces debt service capacity, it may have harmful effects on the financial soundness as well as on the real economy. The authorities will closely monitor the business debt situation especially in the vulnerable sectors. To help small merchants and self-employed business owners, some of the deregulatory financial support measures will be extended until the first half of 2021.

With regard to household loans, credit lending expanded in November compared to the previous month. The accumulation of pandemic-related loans and a large-scale demand for IPO deposits contributed to this. The FSC announced its plans to curb

credit loans recently and established a task force to review diverse measures, including DSR rules.¹ The authorities will work on improvements to be introduced in the first quarter of 2021. Financial institutions should also preemptively bolster loan loss provisions in order to be prepared for the looming possibility of bad debts.

(ECONOMIC RECOVERY & SUPPORT FOR VULNERABLE GROUPS) With the passage of the 2021 budget at the National Assembly on December 2, the FSC announced its fiscal expenditure plan for next year, focusing on pandemic recovery and post-COVID-19 preparation, boosting economic recovery and ensuring support for the financial vulnerable groups.² The FSC will work on the steady provision of the fixed interest rate state-backed housing loans and consider the introduction of ultra-long term home mortgage loans for lower income households. In addition, the FSC will work to ensure an effective implementation of the newly enacted Financial Consumer Protection Act that is scheduled to go into effect in March next year.

COVID-19 FINANCIAL SUPPORT PROGRAMS³

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.7
- 2 nd round of financial support (May 25~)	10.0	3.04

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	25.7
- 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	8.9
- 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	2.2
- P-CBO issuance (Apr 1~)	11.7	3.6

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

¹ Please click [here](#) to see details.

² Please click [here](#) to see details.

³ From February 7 to December 4, 2020