

AUTHORITIES TO EXPAND SUPPORT FOR CORPORATE BOND AND CP MARKETS

Vice Chairman Doh Kyu-sang held the 39th financial risk assessment meeting virtually on May 3 to review the implementation of the COVID-19 financial support programs for small merchants and SMEs. At the meeting, Vice Chairman Doh discussed ways to increase support for the corporate bond and CP markets and help businesses struggling with temporary credit rating downgrades.

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

(CURRENT SITUATION) Recent economic indicators suggest that the pace of the recovery back to the pre-pandemic level is taking place faster than previously expected. The IMF has recently revised up global growth forecast from 5.5 percent in January to 6.0 percent in April, and the recovery is accelerating in Korea backed by strong exports. However, a multi-speed recovery is becoming more apparent across different sectors as small merchants and self-employed business owners, especially in close contact businesses, continue to experience difficulties. As such, today's meeting will go over the progress of the existing financial support programs and find ways to draw up more targeted support for vulnerable areas in response to the multi-speed recovery taking place.

(COVID-19 FINANCIAL SUPPORT) The financial sector has drawn up KRW81.5 trillion in lending support for small merchants and SMEs and KRW73.5 trillion in backstop for financial markets. With the spread of the vaccine supply and expectations for a recovery, the authorities also set up a diagnosis-response framework to more effectively work on the normalization of COVID-19 financial support measures. Based on these response measures, the authorities plan to regularly monitor conditions, make appropriate adjustments and strengthen the provision of targeted support on vulnerable areas.

The COVID-19 financial support for small merchants and SMEs has extended about KRW78.3 trillion in lending support. The second batch of lending support in the amount of KRW7 trillion has so far extended about KRW5.6 trillion mostly to businesses in the retail, accommodation and food services and other services sectors. The KRW3 trillion lending program prepared in January this year to support small merchants affected by social distancing measures also provided about KRW0.5 trillion (15.7%) so far. Considering the implementation status and market demands, the authorities will work to draw up additional support or reshuffle existing programs as needed to ensure that financial support is made available to vulnerable sectors.

In addition, the government will provide active support for businesses at risk of

temporary credit rating downgrades due to their sales decline amid the pandemic. First, the government will bolster support for the corporate bond and CP markets. While ensuring the operation of corporate bond and CP markets according to market principles, the authorities will increase the maximum amount of P-CBO support for SMEs with low ratings¹ and expand the eligibility for the corporate bond and CP refinancing support.² In order to increase the utility of the corporate bond and CP refinancing support program, the authorities will also work to provide support for the issuance of new securities and that of privately placed corporate bonds with refinancing purpose. Second, in close coordination with financial sectors, the authorities will encourage lending institutions to consider the potential for a rebound when evaluating credit ratings of businesses. For businesses with no overdue payments, the authorities will work to minimize disadvantages even in the case of a credit rating downgrade.

(BOOSTING SUPPORT FOR POST-PANDEMIC ECONOMIC GROWTH) In response to rapid changes taking place in term of digital transition and industrial transformation, the government will strengthen support for innovative enterprises. First, the authorities will prepare a guideline to enhance the predictability of to whom and what type of support is being provided under the government-wide initiative to cultivate one thousand innovative businesses. At the selection stage, each business' innovativeness and technological prowess will be considered as well as the information on credit, capital impairment, etc. At the support stage, the maximum lending support will be determined based on the business' innovativeness, technological prowess, etc. Second, the government will help turn around struggling businesses in the key industries. Improvements will be made to the working capital support program³ for suppliers and subcontractors in the key industries in order to introduce more flexible lending terms and payment methods, etc. In the meantime, the authorities will also seek to expand the types of liquid assets considered for business loans to help suppliers and subcontractors in the key industries.

With regard to the partial resumption of short selling on KOSPI 200 and KOSDAQ 150 stocks which went into effect today, the authorities expect that the enhanced penalties and monitoring mechanisms will help prevent illegal trading activities. The government will maintain close market monitoring and apply strict sanctions on market disturbances.

¹ Manufacturing or promising/specialized services sectors: from 1/4 of sales turnover to 1/3 of sales turnover

All other sectors: from 1/6 of sales turnover to 1/4 of sales turnover

² Corporate bond: from A rating or above to BBB rating or above

CP: from A2 or above to A3 or above

³ Please [click](#) here to see the press release dated June 19, 2020.

COVID-19 FINANCIAL SUPPORT PROGRAMS⁴

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7, 2020~)	16.4	14.8
- 2 nd round of financial support (May 25, 2020~)	10.0	6.0
Existing program	7.0	5.56
Special lending program for those affected by social gathering restrictions	3.0	0.47

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans and guarantees (Mar 16, 2020~)	37.8	40.2

(In trillion won)

▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~Dec 31, 2020)	5.0	10.5
- Corporate bond and CP underwriting and refinancing programs (Mar 30, 2020~)	6.1	2.2
- Low-rated corporate bond & CP purchase program (Jul 24, 2020~)	20.0	3.0
- P-CBO issuance (Apr 1, 2020~)	11.7	4.2

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⁴ From February 7, 2020 to April 23, 2021