

## AUTHORITIES AND LENDING INSTITUTIONS TO ENSURE SUPPORT FOR SMEs AT RISK OF CREDIT DOWNGRADES

The financial authorities and lending institutions announced the availability of support to help mitigate excessive burdens of borrowing costs for SMEs and small merchants that are facing the risk of credit rating downgrades due to worsening sales performance amid the pandemic.<sup>1</sup>

First, for SMEs that may be experiencing a temporary setback in their sales performance due to COVID-19 but are highly likely to recover soon, banks, insurance companies and state-backed financial institutions that have the credit evaluating function within their institutions will sufficiently take into account their potential for recovery using various non-financial credit data available when evaluating their credit for loans.

Second, for businesses whose credit ratings have been downgraded due to the pandemic-related sales shortfall but have not accrued any overdue payment and are maintaining business operation, the lending institutions will work to minimize negative effects on their borrowing conditions. Each financial institution will draw up its own operating standard to maintain lending caps and minimize increases in lending rates.

The financial regulators will grant exemptions from sanctions on these loans extended to SMEs and small merchants.

By the end of May, lending institutions will draw up their own operating standards on how to take into account the clients' potential for recovery and ways to minimize disadvantages resulting from a downgrade in credit rating, and begin to apply these standards when evaluating credit ratings and extending loans from June 1, 2021.

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<sup>1</sup> According to the Korea Federation of SMEs, about 60.3% of SMEs expressed concerns about worsening borrowing conditions due to their sales decline in 2020.