

FSC CHAIRMAN DISCUSSES KEY POLICY TASKS FOR 2022 IN VIRTUAL PRESS BRIEFING

FSC Chairman Koh Seungbeom held an end-of-year press briefing in a virtual format on December 3 to discuss policy outcomes for this year and explain key policy tasks for 2022. At the beginning of his keynote address, Chairman Koh touched upon some of the important policy initiatives and their outcomes for 2021, including policies on household debt management, COVID-19 financial support for small merchants and SMEs, virtual asset service providers, digital transformation in the financial sector and financial consumer protection. Chairman Koh then discussed key policy tasks for 2022 as summarized below.

CHAIRMAN'S REMARKS ON 2022 POLICY FOCUS

The global economy is expected to maintain its recovery momentum in 2022 but market uncertainties are growing due to asset price volatility, rising prices and persistent concerns about inflation. Domestic situations are also concerning. Financial imbalances and potential risks need to be managed while the provision of pandemic-related supports should be maintained. Excessive debt levels should be reduced while assistance for the lower income and vulnerable groups should continue to be available. Ensuring stability in the financial system and pursuing inclusive financial policies may be contradictory in nature but seeking a proper balance between the two is the task of the financial authority. In this regard, the FSC will focus on the following three policy areas.

First, the authorities will continue to work on tackling financial imbalances. Unlike some of the other major economies where debt levels have increased much more in the public sector, Korea has seen debt levels grow much faster in the household and corporate sectors. The household debt management plan for 2022 will be focused on managing the total amount of debt extended with a longer term plan for gradually introducing a more systematic management plan. With the application of the individual borrower-level debt service ratios (DSRs), stable management of household debt is expected. Along this line, the authorities plan to draw up measures for small merchants and SMEs as the maturity extension and payment deferment program for business loans is set to expire in March next year. The authorities are already working on measures to induce a soft-landing of the termination of the support program by helping to alleviate payment burdens and providing assistance via debt adjustment programs.

Second, the authorities will work to strengthen financial support for vulnerable groups and improve measures for financial inclusion. The pandemic-induced economic crisis has deepened economic polarization and income inequality. The FSC has already

announced the increased availability of microloan opportunities to up to KRW10 trillion for 2022. To help facilitate sufficient provision of microloans to vulnerable groups, the authorities plan to provide incentives to lenders while continuing to encourage internet-only banks and other lenders to make available mid-range interest rate loans to the borrowers with mid to low credit standings.

Third, the authorities will closely monitor and comprehensively check the soundness and stability of the financial industry as the rollback of some of the accommodative and deregulatory policy measures introduced amid the pandemic will begin in the next year. The authorities will continue to check the financial sector's capacity of responding to various risks that may materialize in the short term.

The financial authorities will continue to maintain close communication with the public.

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