

FSC UNVEILS WORK PLAN FOR 2022

The FSC announced its work plan for 2022 which will be focused on maintaining stability in the financial system, promoting advancement of the financial industry, supporting an overall growth of the economy and boosting financial inclusion. In order to achieve these goals, the FSC plans to (a) preemptively manage financial imbalances and work on an orderly exit and normalization from the pandemic-era policy, (b) seek innovation in the regulatory framework to promote digital transformation in the financial industry, (c) provide support for structural changes taking place in the economy and (d) ensure tailored support for vulnerable groups and enhance consumer protections.

KEY ACHIEVEMENTS IN 2017-2021

I. STABILITY IN THE FINANCIAL SYSTEM

The FSC has worked to maintain stability in the financial system by pursuing a consistent policy on household debt management and preemptively responding to the COVID-19 pandemic. In terms of household debt management, the pace of the household debt growth that has seen acceleration in 2020 has come down to a stable level in the second half of 2021 with improvements also seen in the quality of debt structure. The FSC has established groundwork for stably managing potential debt-related risks in the future. In response to the COVID-19 pandemic, the FSC has made available financial supports through the KRW175 trillion-plus support programs intended to help SMEs and small merchants as well as suppliers in the key industry sectors.

II. BROADENED HORIZON OF THE FINANCIAL INDUSTRY

The FSC has helped expand the horizon of the financial industry by promoting competition as well as convergence between different sectors. Through regulatory improvements, the FSC has lowered entry barriers for different types of financial companies and fintech firms and promoted innovation and digital transformation in the financial industry by introducing open banking and MyData services as well as an integrated public-sector financial open data platform.

III. PROMOTION OF NEW GROWTH SECTORS

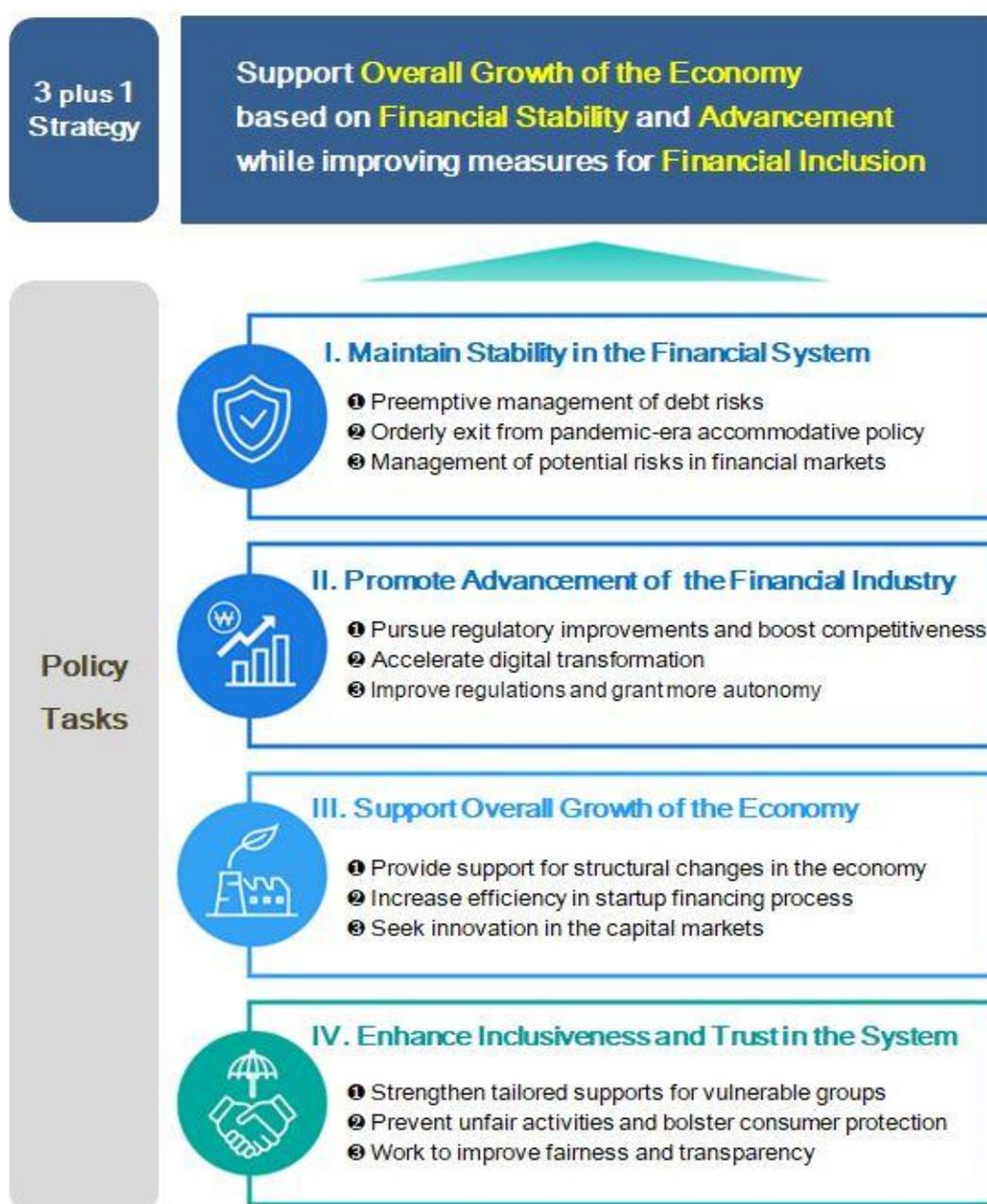
The FSC has expanded funding support for new growth sectors, such as green and digital New Deal sectors and innovative startups with future growth potential. The FSC has built foundations upon which businesses can borrow from lenders based

on their technological prowess and future growth potential. These efforts have made a contribution to the growth in the real economy sector.

IV. IMPROVED MEASURES FOR FINANCIAL INCLUSION

The FSC has helped lower debt servicing burdens for vulnerable debtors by reducing the maximum legal lending rate, providing debt management and counseling programs and ensuring the availability of mid-range interest rate loans. In addition, the FSC has introduced improvements to the consumer protection measures and helped boost consumer convenience.

2022 FINANCIAL POLICY AGENDA



I. MAINTAIN STABILITY IN THE FINANCIAL SYSTEM

- a) Preemptive management of debt risks
 - **(HOUSEHOLD SECTOR)** Work to manage the growth of household debt within a 4 to 5 percent level and improve the qualitative structure of household debt while maintaining the total debt volume control measure, such as the application of debt service ratios on individual borrowers, etc.
 - **(BUSINESS SECTOR)** Closely monitor the pace of growth in lending to small-scale businesses and related risks and draw up appropriate response measures while promoting market-oriented corporate restructuring practices
- b) Orderly exit from pandemic-era accommodative financial policy
 - Work on a gradual normalization from the pandemic-era market stabilization and liquidity support programs while continuing to maintain the support measures for vulnerable groups
 - Pursue a gradual and orderly exit from the pandemic-era deregulatory measures
- c) Management of potential risks in financial markets
 - Promote the use of the new risk-free reference rate (RFR) in place of the certificate of deposit (CD) rate and work on measures to improve efficiency and transparency in the repo market
 - Strengthen monitoring and risk management in the nonbank financial intermediation sectors

II. PROMOTE ADVANCEMENT OF THE FINANCIAL INDUSTRY

- a) Pursue regulatory improvements in different financial sectors and promote prudent management of financial companies
 - Work on regulatory changes to support financial companies to expand their business through platform services
 - Allow card companies to expand their business into MyPayment services and promote their use of big data analytics
 - Draw up measures to improve the competitiveness of financial holding companies in line with digital transformation
 - Improve the performance pay and disclosure system for insurance companies in order to discourage short-term oriented marketing and sales practices
 - Work on measures to prepare for the implementation of IFRS 17 in 2023
- b) Promote digital transformation and platform-based services while ensuring financial consumer protections and laying foundation for fair competition
 - Draw up strategies for introducing more financial services based on new technologies, such as artificial intelligence and big data analytics while promoting provision of platform-based financial services in health care-related sectors, etc.
 - Prepare measures to more effectively manage and regulate risks related to big tech companies while strengthening consumer safeguards for digital services
- c) Work on further advancement of financial regulations and expand the level of autonomy in the financial industry

- Seek improvements in the financial regulatory sandbox program and provide support through the digital data testbed (D-testbed) program
- Improve rules and requirements on the use of cloud services and network separation to upgrade the regulatory framework on network security
- Promote financial companies to develop effective self-regulatory and internal control measures

III. SUPPORT OVERALL GROWTH OF THE ECONOMY

- a) Provide support for structural changes taking place in the economy
 - Make available KRW200 trillion worth of fiscal investments through state-backed financial institutions to support future-oriented and innovative companies
 - Improve relevant regulations and ensure provision of financial support for the government's digital and green New Deal initiatives by creating and operating a New Deal fund, facilitating green finance and promoting market-based ESG disclosure and investment practices
 - Provide financial support for innovative businesses and startups that have been selected under the government-wide initiative to provide comprehensive support for 1,000 innovative firms while promoting an expanded use of tech credit assessment to facilitate tech-oriented business reorganization

- b) Increase efficiency in startup financing process to boost business competitiveness
 - Strengthen financing and infrastructure support available for startup entrepreneurs
 - Seek improvements in the corporate credit evaluation system by promoting the use of big data analytics and digital technology

- c) Seek innovation in the capital markets to facilitate funneling of more venture investments for innovative firms
 - Make improvements in the KONEX market to promote its function of funneling venture investments and providing a growth ladder for innovative startups
 - Allow fractional share trading of both domestic and foreign stocks to increase investor accessibility to stock trading

IV. EXPAND INCLUSIVE FINANCE MEASURES AND TRUST IN THE FINANCIAL SYSTEM

- a) Strengthen provision of tailored support programs for vulnerable groups
 - Provide microloan opportunities worth about KRW10 trillion targeted at different groups and seek improvements to the credit recovery programs for vulnerable debtors
 - Bolster financial support programs intended for young adults and other lower income households

- b) Work to prevent illegitimate and unfair practices to protect financial consumers and make a transition toward a more consumer-oriented financial system
 - Pursue measures to stamp out illegal predatory lending practices and strengthen penalties for violating rules on the maximum legal lending rate
 - Expand the scope of recipients eligible for preferential rates on reverse mortgage

payments for the elderly

- Continue to seek improvements to the indemnity health insurance system in order to help strengthen its role of complementing the state-operated national health insurance (NHI) program

c) Improve fairness in the capital markets and increase transparency

- Work to strengthen fairness in the capital markets by seeking improvements to investor protections, preventing unfair trading activities and seeking more effective penalty measures
- Strengthen oversight of virtual asset service providers by closely inspecting their compliance with the anti-money laundering (AML) requirements
- Introduce measures for increased transparency in financial transactions by seeking revisions to the Act on Reporting and Using Specified Financial Transaction Information

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