

FSC AND FSS HOLD JOINT MARKET MONITORING MEETING

The FSC held a market monitoring meeting jointly with the Financial Supervisory Service (FSS) on October 12, reviewed the impact of the Bank of Korea's recent interest rate hike (+50 bp) on financial markets and financial institutions, and discussed response strategies to mitigate risk.

To ease volatility in stock markets, financial authorities agreed to ensure a timely reactivation of the stock market stabilization fund by promptly carrying out additional purchase agreements with institutional investors. While continuously watching market situations, authorities will spare no effort to prepare for a timely implementation of additional market stabilization measures in need. In addition, authorities shared the same view that institutional investors need to play a responsible role based on a mid- and long-term perspective to prevent the spread of anxiety in financial markets.

Authorities also promised to make efforts to alleviate corporate financial difficulties amid interest rate hikes and to prevent an abrupt one-side movement of market interest rates. To this end, authorities plan to carry out the following.

- a) Strengthen support for businesses with low credit by expanding the corporate bond and CP (commercial paper) purchase capacity of policy financial institutions from current KRW6 trillion to KRW8 trillion.
- b) Actively respond to the recent vulnerabilities in bond markets such as real estate project financing and ABCP (asset-backed commercial paper) and bolster efforts to prevent liquidity crunch of healthy businesses.
- c) Take necessary steps depending on market situations to activate a backstop to reduce volatility in market interest rates. For example, restart purchase of corporate bonds and commercial papers with KRW1.6 trillion residual amount of the bond market stabilization fund.
- d) Actively prepare a liquidity injection mechanism to stabilize financial markets in close coordination with relevant institutions.

Authorities also committed to reduce burdens on vulnerable entities amid high inflation, high interest rates and weakened KRW as shown below.

- a) Ensure seamless implementation of the KRW125 trillion-plus financial measures already announced to stabilize people's livelihoods, and seek additional measures in need depending on market situations.
- b) Promptly prepare a comprehensive financial support package to lessen difficulties SMEs face after inter-ministry discussions and increase financial support for SMEs by adding KRW10 trillion or more to initially planned KRW200 trillion in 2022 from policy financial institutions (KDB, IBK and KODIT).

As market uncertainties remain high due to external risks, financial authorities will maintain efforts to enhance ability to respond preemptively to risk factors, continuously check risk factors and ensure loss absorbing capacity of financial institutions.

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