

LIQUIDITY SUPPORT PROGRAMS MADE AVAILABLE FOR SECURITIES FIRMS

The FSC held a meeting with securities firms on October 26 to explain the implementation plan of market stabilization measures, which was announced at the government-wide emergency meeting on macroeconomic and financial stability held on October 23. The meeting also checked the liquidity conditions of securities firms and money market. Authorities announced that liquidity support programs will be available for securities firms as part of the market stabilization measures announced at the earlier emergency meeting. The Korea Securities Finance Corporation (KSFC) begins providing KRW3 trillion-plus of liquidity support for securities firms from today. The Korea Development Bank (KDB) will begin to purchase KRW2 trillion-plus worth of CPs (commercial papers) issued by securities firms from October 27. With these programs in place, authorities expect that securities firms undergoing temporary liquidity shortages will be able to secure liquidity, depending on their situations.

KEY DETAILS OF LIQUIDITY SUPPORT PROGRAMS

a) Korea Securities Finance Corporation

The Korea Securities Finance Corporation (KSFC) begins to provide KRW3 trillion of liquidity support for small and medium-sized securities firms through repurchase agreements (repos) and stock secured loans from October 26. In particular, since the coverage of collateralizable securities for repos and loans is further expanded, securities firms will be able to make better use of this liquidity support program.

b) Korea Development Bank

The Korea Development Bank (KDB) begins to operate the corporate bond and CP purchase program worth KRW10 trillion. The KDB injects KRW2 trillion first to purchase CPs issued by securities firms from October 27. However, as this program exceptionally purchase financial companies' CPs only during this time, the liquidity support will be provided to them with a condition of restructuring efforts.

c) Efforts Aimed for Normalization of Money Markets by Securities Industry

Along with the operation of the government-backed support programs, the securities industry agreed to seek measures on a voluntary basis to absorb high-quality ABCPs (asset-backed commercial papers) and normal CPs within the current capital markets, which will help restore the function of money market and calm market anxieties.

FURTHER PLAN

The FSC and the Financial Supervisory Service (FSS) will check the progress of the liquidity support programs operated by the KSPC and the KDB, and the liquidity conditions of securities firms on a daily basis. If necessary, financial authorities will expand the size of the support and diversify support programs in coordination with relevant institutions, aiming to make all-out efforts to stabilize money markets.

#

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