

AUTHORITIES HOLD MEETING TO REVIEW FINANCING SITUATION OF SPECIALIZED CREDIT FINANCE BUSINESSES

The FSC and the FSS held a meeting with the Credit Finance Association of Korea and specialized credit finance business companies (credit card firms and “capital” companies¹) on November 4 to review financial market situation. At the meeting, financial authorities checked the borrowing condition (bonds and CPs) of specialized credit finance business companies and listened to their opinions.

Financial authorities have been keeping close tabs on the financing condition of specialized credit finance businesses and have already taken a necessary step to facilitate their bond financing by allowing the bond market stabilization fund to buy financial bonds issued by several specialized credit finance businesses from November 3. In the mean time, the ongoing regulatory plan to reduce the maximum ratio of financial bonds issued by specialized credit finance business companies, which are incorporated into the portfolio of derivatives-linked securities (ELS, DLS, etc.) issued by securities firms to hedge risk, will be applied flexibly. According to the previous plan, the maximum ratio would have been 12 percent until the end of 2022 and lowered to 8 percent from the beginning of 2023. However, that plan is postponed for three months, which will allow those ELS or DLS to incorporate up to 12 percent of financial bonds issued by specialized credit finance business companies for the purpose of risk hedging until the end of March 2023.

At the meeting, financial authorities encouraged specialized credit finance business companies to make persistent efforts to support the stabilization of financial markets by effectively managing their own liquidity condition and the soundness of their assets. Authorities emphasized that financial authorities and the industry should make joint efforts and communicate regularly to stabilize markets.

Financial authorities will continue to closely monitor changes in financial markets and promptly carry out necessary measures to stabilize markets.

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¹ “Capital” companies are specialized credit finance companies that operate facility leasing service, installment financing service, etc. (except credit card business)