

AUTHORITIES DISCUSS MEASURES TO STRENGTHEN LOSS ABSORBING CAPACITY OF MUTUAL FINANCE BUSINESSES

The FSC and the FSS held the first mutual finance policy council meeting of this year with relevant government authorities¹ and mutual finance business representatives² on March 29. At the meeting, authorities analyzed the mutual finance businesses' level of exposure to the real estate sector and discussed ways to strengthen their loss absorbing capacity.

KEY DISCUSSION DETAILS

With the recent increase in the volume of real estate-related loans issued in the mutual finance sector and the rise in debt overdue ratio, authorities discussed current situations and ways to bolster prudential management of mutual finance businesses. In this regard, authorities proposed raising the loan loss reserve requirement on mutual finance businesses from the current level of 100 percent to 130 percent for loans extended to real estate and construction sectors in order to improve their loss absorbing capacity.

To increase the level of effectiveness in the government's policy measures regarding real estate project finance (PF), authorities plan to seek submission of monthly reports on all mutual finance businesses' real estate PF sites to ensure prompt sharing of information in the event of a default risk.

Moreover, authorities had discussions on unifying current disparities existing between the external audit requirements of different mutual finance sectors by making them all subject to external audit on an annual basis. The mutual finance policy council also discussed ways to strengthen internal control standards of mutual finance businesses.

FURTHER PLAN

Authorities will gather comments on specific improvement measures from relevant ministries and mutual financial businesses until April and seek revision of related laws thereafter.

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

¹ Ministry of Economy and Finance, Ministry of the Interior and Safety, Ministry of Agriculture, Food and Rural Affairs, Ministry of Oceans and Fisheries, Korea Forest Service and Ministry of Employment and Labor

² National Federation of Agricultural Cooperatives, National Federation of Fisheries Cooperatives, National Forestry Cooperative Federation, National Federation of Credit Unions and Korean Federation of Community Credit Cooperatives