

## FSC ANNOUNCES FINANCIAL POLICY DIRECTION FOR POST-PANDEMIC ERA

Vice Chairman Sohn Byungdoo presided over a meeting of the financial development review committee on July 24, and discussed the government's financial policy direction for the post-pandemic era.

The following is a summary of Vice Chairman Sohn's remarks.

**(EXPECTED CHANGES & CHALLENGES OF POST-PANDEMIC ERA)** Unlike the previous financial crises, the COVID-19 pandemic has brought not only short-term economic shocks but also fundamental changes to the structure of our economy and society. The whole economy and industries are experiencing changes caused by disruptions in the global value chain and the rapid spread of contactless services and digital transformation. The financial industry is also experiencing changes with the spread of big data and AI in the industry and the emergence of big tech companies as financial service providers. Sharp increases in the share prices of bio-health or internet firms in recent months indicate that the market may be already preparing for a post-pandemic era.

Considering the strength of our real economy, IT infrastructure and soft power, this may serve as a huge opening of opportunities for the Korean economy and financial industry. The past economic crises led to deepening economic polarization. If the current shock to the economy and job market continues to pose risks to the vulnerable groups, the deepening of the so-called 'corona divide' may turn into a wider risk.

In the recovery process, it is necessary to watch out for the accumulation of risk factors due to the continuing trend of low interest rates and liquidity expansion. It is also necessary to closely monitor market instability due to preference for high-yield, high-risk investment products and risks in the non-banking sector.

**(FINANCIAL POLICY DIRECTION FOR POST-PANDEMIC ERA)** The government's financial policy for the second half of this year will focus on the following. First, it will be geared toward supporting the steady growth of the real economy and innovative firms. The government will provide strong support for bio-health firms, businesses making a transition to new growth sectors and companies reshoring due to disruptions in the global value chain. The government will also promote capital market activities through a range of measures.

Second, in order to expand the horizon of the financial industry and prepare for new opportunities, the government will improve the regulatory environment to facilitate the

development of new and innovative business models and the redesigning of their sales channels. The government will work to promote fair competition between big tech companies and traditional financial institutions while ensuring the stability in the financial system as well as consumer protection.

Third, the government will work to prevent a deepening of economic polarization in the post-pandemic era by strengthening the provision of the so-called 'economic ladder' and making available KRW8 trillion in microloans per year. While enhancing the supervision of discriminatory sales practices by financial institutions, the government will expand support for individuals lacking access to digital financial services and work to create an environment for safe 'untact' financial transactions.

Lastly, the government will closely manage risk factors in the financial sectors, ranging from excessive borrowing of credit finance businesses to short-term liquidity risks related to derivatives-linked securities or debt guarantees of securities companies. Protection of privacy data and personal assets is another important policy area for digital finance users.

Today's discussion will serve as a broad guideline of the government's financial policy for the post-pandemic era. As it is difficult to predict the ensuing changes, further discussion and coordination will be required to revise and improve the policy direction, which will be reflected in the FSC's work report for the next year.

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