

GOVERNMENT HOLDS POLICY FORUM ON ENHANCING THE ROLE OF FINANCE TO EXPAND CO-PROSPERITY AND LADDER OF OPPORTUNITY

- Strengthen the role of capital markets to facilitate asset accumulation of the public.
 - Reduce the burden of high interest rates by promoting competition in the financial industry and facilitating the transfer of loan for lower interest rates.
 - Assist vulnerable groups to recover and regain footing through credit recovery support and finance-employment referral support.
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The government held the fourth round of policy forum on the topic of “strengthening the role of finance to foster co-prosperity and expand the ladder of opportunity,” presided over by President Yoon Suk Yeol on January 17.

At the forum, the Financial Services Commission presented the government’s plans to enhance the role of finance to help expand the ladder of opportunity in the following three ways—(a) strengthening the role of capital markets to facilitate asset accumulation of the public, (b) reducing the burden of high interest rates for vulnerable groups, and (c) assisting vulnerable groups to recover and regain footing from financial difficulties and debt problems.

I. STRENGTHENING THE ROLE OF CAPITAL MARKETS

First, the government will strengthen tax incentives to support asset accumulation of the public. In this regard, the previously planned capital gains tax (for introduction in 2025) on financial investment income will be repealed. For individual savings accounts (ISAs), the maximum savings limit (ISA allowance) will be raised from KRW20 million a year for a total of KRW100 million previously to KRW40 million a year for a total of KRW200 million. The tax deductible limits for dividend and interest income will be raised from KRW2 million and KRW4 million (for agro-fishery types) previously to KRW5 million and KRW10 million (for agro-fishery types). A new type of ISA will be created for investments exclusively in domestic stocks and funds. Investors subject to aggregate taxation on financial income will also be eligible to sign up for this type of ISA for which a separate tax rate of 14 percent will be applied without any deductible.

Second, the government will seek regulatory reforms intended to create a more investor-friendly environment in capital markets. To this end, authorities will seek to revise the Commercial Act to enhance protection for the rights and interests of small shareholders through strengthening the accountability of company executives and making regulatory improvements regarding general shareholders’ meetings. In addition, a “corporate value-up program” will be newly introduced to tackle the problem of undervaluation for stock companies and to help boost their market valuation. Under the “corporate value-up program,” companies will specify in their corporate governance reports their plans for improving corporate valuation, and there

will be an incentive given to companies when making a selection for outstanding disclosure practices. In addition, under this program, new indexes and exchange-traded funds (ETFs) made up of companies with high shareholders' values will be introduced. Along this line, authorities will seek to revise the Financial Investment Services and Capital Markets Act (FSCMA) to ensure that information about dividend amounts is available to investors before they make investments in companies for the quarterly and semiannual dividends as well. Moreover, there are various measures intended to broaden investment opportunities and boost transaction convenience for investors, such as the introduction of an alternative trading system (ATS) and establishing a legal ground for the market for unlisted stocks.

Third, the government will continue to make efforts to ensure the establishment of a fair and transparent market order in capital markets. To this end, authorities will seamlessly work to establish a computerized stock short selling system and take steps to make stock borrowing conditions more equal for retail investors and institutional investors. In addition, to stamp out unfair trading activities and illicit practices in capital markets, the government will work on measures to enhance the screening and sanctions mechanisms. The government will also carry out various measures aimed at blocking intentional profiteering by majority shareholders through regulatory improvements on treasury stocks and convertible bonds.

II. REDUCING THE BURDEN OF HIGH INTEREST RATES

First, the self-employed small business owners who took loans at high interest rates previously will be able to get back certain portions of their interest payments in refunds. In the banking sector, a total of KRW1.6 trillion in interest refunds is scheduled to be provided to about 1.87 million individuals starting in February and mostly by March. In the nonbanking sector, a total of KRW0.3 trillion in interest refunds will be given to some 400,000 individuals starting from late March.

The online loan transfer service introduced last year has facilitated competition between financial companies for the provision of lower interest rates. On average, it has given about 1.6 percentage points lower in interest rates to some 110,000 borrowers on credit loans (total loan amount of about KRW2.5 trillion). From January this year, this simple online loan transfer service became available for home-backed mortgage loans. Within just four days of launching the service, about 5,700 individuals have already applied to switch to lower interest rate mortgage loans with the total amount reaching some KRW1 trillion. The simple online loan transfer service will also become available for jeonse loans from January 31.

Authorities are also planning to set up and operate an online one-stop platform for microfinance assistance to help those unable to have access to traditional financial services. This online total platform will provide one-stop assistance for users through personally tailored search and application process. The platform will also make available comprehensive consulting and counseling service (for employment, welfare, debt adjustment support, etc.) online for those who are unable to visit inclusive finance support centers in person. With the ease of online application and reduction of time from maximum five days previously to within thirty minutes on average, authorities expect a significant increase in the number of users to up to 700,000 individuals.

III. ASSISTING VULNERABLE GROUPS TO RECOVER AND REGAIN FOOTING

First, credit recovery support in the form of a removal of past delinquent payment history will be provided to up to 2.9 million individuals and small business owners on the condition that borrowers have fully paid their late payments. This will help them to break free from their past overdue records, which have been a source of disadvantage and restriction in terms of their credit scores and access to financial transactions, and facilitate a return to normal economic activities. Through close cooperation between the FSC and the Ministry of Science and ICT, the personal debt adjustment program currently unavailable for late payments on mobile phone bills will be upgraded to incorporate payment history for telecommunications services. This will ensure that individuals who have graduated from the personal debt adjustment program do not end up in delinquency again due to the burden of paying mobile phone bills.

The government also plans to seamlessly implement the newly enacted legislation on individual debtor protection as planned from October 2024. For those who have borrowed less than KRW50 million in loans, this legislation applies an upgraded method of calculating interest payments to help to ease burden. Those who have borrowed less than KRW30 million in loans can directly ask for debt workout from their creditor financial institutions. The legislation also prohibits excessive debt collection practices by restricting the total number of debt collection attempt to seven times over seven days. With this law in place, the government expects that delinquent debtors will face much less burden for repayment and debt collection but have more possibility to recover and regain their footing.

In addition, through close cooperation between the FSC and the Ministry of Employment and Labor, the government will work to increase the effectiveness of the finance-employment referral assistance program and strengthen self-recovery support for vulnerable groups. By building a closely coordinated network between inclusive finance support centers and employment welfare support centers, visitors to one of these support centers will be automatically eligible to receive service made available from the other. About 260,000 individuals currently receiving support either through policy funds or debt adjustment will be able to receive employment support programs according to one's own needs and situation. The finance-employment referral support will also be made available to some 200,000 individuals experiencing difficulties in paying back microloans after receiving support from policy funds or are at risk of debt relapse after going through debt adjustment.

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