

FSC PROPOSES RULE CHANGES TO ENSURE STEADY SUPPLY OF FUNDS FOR MICROFINANCE ASSISTANCE

- Financial companies will be subject to increased contribution rates until the end of 2025.
 - Financial companies with proven records of handling policy-based microloan products will receive a reduction of 0.5%p in their contribution amount.
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The Financial Services Commission proposed rule changes in the Enforcement Decree of the Microfinance Support Act to ensure the provision of steady supply of funds for microfinance assistance on May 20. The Korea Inclusive Finance Agency (KINFA) has been expanding the level of microfinance support being provided to vulnerable individuals in recent years against the backdrop of the COVID-19 pandemic, continuation of high interest rates and high prices, and the growing need to protect vulnerable borrowers and prevent damages caused by illegal private lending activities. With interest rates and prices expected to stay higher for longer, there is a continuing need to bolster the provision of microfinance assistance to help vulnerable individuals.

In this regard, the FSC is announcing a revision proposal for the Enforcement Decree of the Microfinance Support Act, which will temporarily increase the rate of contributions financial companies make in relation to the size of their handling of household loans, while providing a temporary reduction in the required amount of contributions for financial companies that are actively supplying policy-based microloan products.

First, the rate of contributions financial companies make in relation to the size of their household loans will increase by 0.005 percentage points in the banking sector to 0.035 percent and by 0.015 percentage points for insurance companies, mutual finance businesses, specialized credit finance businesses, and savings banks to 0.045 percent. Currently, all financial companies are subject to the same contribution rate of 0.03 percent. The increased contribution rates will be in place until December 31, 2025.

Second, a reduction of 0.5 percentage points in contribution amounts will be granted to the financial companies making active efforts in handling policy-based microloan products until December 31, 2025. KINFA will evaluate the performance of financial companies in supplying policy-based microloan products.

With these measures in place, the level of microfinance support contributions extended to KINFA by financial companies is expected to increase by KRW103.9 billion until the end of December 2025. The rule changes will enter a public comment period from May 21 until July 1, and the final revision is expected to go into effect in the second half of 2024.

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