

KEY TASKS IN FINANCIAL POLICY FOR 2020

The government introduced the 2020 Economic Policies on December 19, aimed at promoting innovation, restructuring the economy, pursuing inclusive growth and preparing the economy for the future. The Financial Services Commission will pursue the following key financial policies to support the government's economic policies in 2020.

KEY POLICY TASKS

I. INCREASING FINANCIAL SUPPORT TO HELP THE ECONOMY REGAIN GROWTH MOMENTUM

- ▶ Increasing funding for innovation-led growth drivers
 - Reform banks' credit evaluation system to better evaluate corporate borrowers' growth potential and technology
 - (i) financing movable asset-based loans (including intellectual property) in the amount of KRW3 trillion by the end of 2020: introducing a lump-sum collateral system; providing incentives for banks; and establishing a new agency which purchases movable asset collateral or non-performing loans backed by movable assets to facilitate banks' recovery of collateral
 - (ii) introducing an integrated credit evaluation model starting with large banks to incorporate technology evaluation into banks' credit evaluation system
 - Provide more than KRW10 trillion in facilities investment for SMEs as well as for major industries
 - Boost venture capital investments through capital markets by streamlining regulatory frameworks on private equity funds (PEFs) and easing net capital ratio (NCR) on securities firms investing in venture companies and SMEs.
- ▶ Financing new and key industries
 - Support start-ups and scale-ups in high-tech and newly emerging industries
 - (i) establishing the infrastructure to facilitate the use of financial and biohealth data in financial services (e.g. data exchange)
 - (ii) increasing investment and incubating start-ups in 5G sectors
 - (iii) providing government-backed loans and guarantees in the amount of KRW10 trillion in new growth sectors, such as system chips, biohealth and future car industries

- (iv) creating a Scale-up Fund worth KRW3.2 trillion to provide start-ups with growth capital
- (v) creating public-private funds to invest in high-tech growth sectors, such as high-tech manufacturing, new materials, biohealth and contents sectors.

- Support the key industries (e.g. auto, shipbuilding industries) as well as materials, components and equipment industries
 - (i) purchasing corporate bonds worth KRW 1 trillion from SMEs in auto and shipbuilding industries through the issuance of primary collateralized bond obligation (P-CBO)
 - (ii) providing SMEs in materials, components and equipment industries with tax incentives, loan guarantee programs, etc.

► Providing tailored supports to targeted groups

- Boost venture capital investment in start-ups in provincial areas: e.g. expanding the availability of venture capital (Open Innovation Fund) to the regions currently unavailable, such as Daegu and North Gyeongsang Province
- Provide small merchants and self-employed with government-sponsored loans worth KRW2.7 trillion at low interest rates
- Purchase debt obligations by self-employed corporate borrowers with joint surety to provide debt restructuring and defer debt repayment¹
- Provide defaulted self-employed debtors with a package of comprehensive measures – debt restructuring, loans and consulting – to help them regain their footing

II. EXPANDING INCLUSIVE FINANCE

► Promoting microfinance schemes and debt restructuring programs

- Increase funding for Sunshine Loan 17 from KRW400 billion this year to KRW500 billion in 2020 for lower income and lower credit groups, and launch Sunshine Loan Youth in the amount of KRW100 billion for unemployed youths and college students

	Sunshine Loan 17	Sunshine Loan Youth
Target	Low credit & low income individuals	Unemployed youths & college students
Interest rate	17.9% per annum	3~4% per annum
Maximum loan	KRW700 million (up to KRW1.4 billion)	KRW600 million/yr (up to KRW1.2 billion)
Repayment/ Grace period	Up to 5 years (no grace period)	Up to 7 years (up to 8 years of grace period)

- Help delinquent debtors recover through a debt restructuring program which provides tailored support at different stages

¹ By Korea Asset Management Corporation (KAMCO)

- ▶ Improving access to financial services for ordinary consumers
 - Provide more convenient financial services to facilitate consumption through dormant asset recovery program and one-stop reward points redemption service for credit/debit cards
 - Reduce cost burdens associated with housing to prepare for an aging society by
 - (i) introducing a guarantee program for both jeonse loans and jeonse deposits and
 - (ii) lowering the eligibility age for the government guaranteed reverse mortgage program
- ▶ Establishing strong foundation for consumer protection
 - Enact a financial consumer protection bill to introduce new consumer rights, impose stricter punishment and regulation on misselling and provide effective remedies for damages²
 - Improve the current rules to ensure that consumers are able to easily understand insurance policies without worrying about potential sources of disputes
 - Strengthen protection for elderly financial consumers
 - Tighten advertisement regulations on financial products by prohibiting exaggerative and provocative ad materials and requiring a statement of consumer risks
 - Reduce paperwork for consumers in financial transactions
- ▶ Promoting fairness and strengthening foundations to support social economy
 - Legislate a new bill to introduce a comprehensive supervisory framework for financial conglomerates
 - Establish financial infrastructure to support social economy (e.g. improving the standardized assessment system for social economy companies and organizations; and revamping the database system which provides information about social finance institutions)

III. ENSURING STABILITY IN FINANCIAL MARKETS

- ▶ Maintaining sound management of household debt³
 - Tighten lending regulations on mortgages to finance high-priced houses within the designated speculative and overheated speculative areas
 - Strengthen lending regulations on jeonse⁴ to prevent opportunistic investment behavior capitalizing on price gap between jeonse and home purchase
 - Toughen regulations on loan-to-deposit ratios to discourage banks from extending excessive household loans

² For more information, please refer to the press release "[New Bill on Financial Consumer Protection Moves Ahead at National Assembly](#)" (November 27, 2019).

³ For more information, please refer to the press release, "[FSC Chairman Discusses Government Plans to Curb Overheating in Housing Prices](#)" (December 16, 2019).

⁴ A lump-sum deposit for rent without monthly payments

- ▶ Ensuring market-centered approaches in corporate restructuring⁵
 - Provide consulting services for companies undergoing a corporate rehabilitation process and increase the size of the 'corporate restructuring innovation fund' by KRW1 trillion in 2020 to support the key industries, such as manufacturing
 - Expand DIP financing⁶ for rehabilitated companies
 - Provide loans for operating costs⁷ and issue performance bonds⁸ for companies after their completion of corporate rehabilitation process

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr.

⁵ For more information, please refer to the press release, "[Government Promotes Market-based Approach to Corporate Restructuring](#)" (November 18, 2019).

⁶ Debtor-in-possession (DIP) financing is a financing provided for companies in financial distress, typically during the restructuring or rehabilitation process.

⁷ By Korea Asset Management Corporation & Korea SMEs and Startups Agency

⁸ By Seoul Guarantee Insurance Company