

## VICE CHAIRMAN STRESSES IMPORTANCE OF BALANCED APPROACH TO SUPPORT REAL ECONOMY SECTORS

Vice Chairman Sohn Byungdoo presided over the 9<sup>th</sup> financial risk assessment meeting on June 23 to assess the financial market conditions and check the implementation status of the COVID-19 financial support.

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

**(INTERIM ASSESSMENT ON COVID-19 FINANCIAL SUPPORT)** The first- and second-stage financial support programs for small merchants and SMEs provided timely financial support to the businesses in need. Out of the KRW135 trillion-plus package, about KRW54.2 trillion has been provided so far. For SMEs and middle market enterprises facing temporary setbacks in liquidity, policy banks have made available about KRW29.1 trillion worth of special loans and guarantees. The government's market stabilizing measures, such as the bond market and stock market stabilization funds and the corporate bond and CP purchase program have provided backstops to the financial markets. Meanwhile, businesses with unfavorable credit backgrounds are unable to fully take advantage of the financial support being provided. In this regard, the government has been focusing on and will continue to work on filling the gaps by introducing measures specifically intended to help businesses with low credit records.

**(WELL-BALANCED POLICY APPROACH)** With high levels of uncertainties in the global economy, it is necessary to pursue a well-balanced approach between maintaining the soundness of financial institutions and supporting the real economy. Although banks have been able to maintain their financial soundness, they need to boost their loss absorbing capacity through close monitoring and accumulation of loan-loss provisions in preparation for a prolonged pandemic situation.

For securities firms, the government will adjust regulations on their short-term borrowing from call money market in response to market developments. To ease their liquidity shortage, the government temporarily raised the average monthly limit on call market loans by securities firms from 15 percent to 30 percent of equity capital at the end of March. Since then, the limit has been gradually lowered to 25 percent in May and 20 percent in June as financial markets began to stabilize. However, to lessen securities firms' financing burdens at the end of June, the government will maintain the average monthly limit at the current level of 20 percent in July and then restored it back to 15 percent in August.

The post-COVID-19 era will bring about significant changes. The new ways of doing business may serve as an impetus for the growth of the entire financial industry.

## **FINANCIAL SUPPORT PROVIDED**

Between February 7 and June 19, a total of KRW139.2 trillion (1.67 million cases) in loans and guarantees as well as loan and guarantee extensions were provided to the SMEs and small-scale businesses that have been hit by the COVID-19 pandemic.

- ▶ **FINANCING BY TYPE:** KRW67.9 trillion (1.29 million cases) in new loans and guarantees, KRW71.3 trillion (375,000 cases) in maturity extensions and deferred payments
- ▶ **FINANCING BY INDUSTRY:** KRW21.5 trillion (87,000 cases) to machinery & metal manufacturing, KRW17.8 trillion (191,000 cases) to wholesale businesses, KRW11 trillion (279,000 cases) to retail businesses and KRW10.2 trillion (331,000 cases) to restaurant businesses
- ▶ **FINANCING BY PROVIDER:** KRW71.3 trillion (984,000 cases) by policy banks and KRW67.2 trillion (661,000 cases) by private sector financial institutions

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