

VICE CHAIRMAN DISCUSSES PREEMPTIVE RESPONSES TO POTENTIAL RISKS AMID GROWING UNCERTAINTY

Vice Chairman Sohn Byungdoo presided over the 18th financial risk assessment meeting on August 24 to review market conditions and monitor the progress in implementing the COVID-19 financial support.

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

(CURRENT MARKET SITUATION) The government's effective response to Covid-19 and aggressive financial support have helped to maintain stability in financial markets. The KOSPI has recovered to pre-crisis levels, gaining 58.1 percent from its lowest in mid-March. Corporate bond and short-term money markets also have shown signs of overall recovery, although some low-rated companies still face difficulties in securing funds. However, the government should remain vigilant as the recent resurgence of Covid-19 cases heightens uncertainty in financial markets and the real economy. In response to the possibility of a protracted pandemic crisis, the government will closely monitor risk factors and take preemptive measures when necessary.

(FINANCIAL MARKET MONITORING) With low interest rates, funds searching for higher returns have been increasingly flowing into stock and property markets, prompting a surge in asset prices. As the concentration of funds to certain assets along with growing debt could pose potential risks to financial markets, the government has been closely monitoring market activities.

For the stock market to grow into a sustainable and attractive investment destination, the government needs to ensure the sound operation of the market and encourage more listings of promising companies. To this end, the government will come up with comprehensive measures for prevention, investigation and punishment to root out unfair transactions such as market manipulation, while improving regulations to help channel more funds into innovative businesses with long-term perspectives.

(IMPLEMENTATION OF HOUSING MARKET MEASURES) The government has taken a series of measures to curb speculative demand in housing markets, while protecting prospective homebuyers with a real demand. The government will work together with financial institutions to ensure whether such measures are implemented as intended, preventing any attempt to circumvent regulations.

(REFORMS OF CD RATES) As part of risk management measures in short-term money markets, the government will reform the regime of CD rates, which are currently being used as benchmark rates for bank loans and interest rate swaps, to improve its credibility and rationality. To this end, the government will shift the calculation method

of CD rates from the current quotation basis to a real transaction basis so that CD rates can more accurately reflect market rates. The improvements will include (i) expanding the scope of indexes from the current 91-day CDs exclusively to 80-day to 100-day CDs, (ii) applying the waterfall methodology for calculating CD rates and (iii) boosting supply and demand of financial instruments using CD rates as a benchmark.

FINANCIAL SUPPORT PROVIDED¹

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	13.9
- 2 nd round of financial support (May 25~)	10.0	0.60

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	14.9
- Guarantees (Apr 1~)	7.9	5.2

(In trillion won)

▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	6.8
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.1
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	0.7
- P-CBO issuance (Apr 1~)	11.7	1.7

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For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

¹ From February 7 to August 19, 2020