

## FSC ANNOUNCES 2021 WORK PLAN

The FSC unveiled its work plan for 2021 on January 18, highlighting the four areas of policy tasks as follows—(a) maintaining the COVID-19 financial support and managing potential risks, (b) supporting K-New Deal initiatives for a green and digital economy, (c) promoting financial innovation and digital finance and (d) strengthening financial consumer protection and support for vulnerable groups.

### **KEY ACHIEVEMENTS IN 2017-2020**

#### **A. STEADY MAINTENANCE OF FINANCIAL STABILITY AMID COVID-19 PANDEMIC**

Over the past four years, the FSC has focused on maintaining stability in the financial system as its utmost policy priority. In the wake of the COVID-19 pandemic, the FSC responded by quickly drawing up and providing financial support packages worth KRW175 trillion-plus and worked to prevent the crisis from spreading further into the financial markets.

#### **B. SUCCESSFUL CHANNELING OF FUNDS TO PRODUCTIVE SECTORS**

The FSC has worked to expand the supply of capital into more productive sectors by introducing innovative ways to assess corporate credit and through revisions to the relevant capital markets rules. In addition, the public sector has provided equity-based funding sources via growth ladder fund and other government-backed financing channels.

#### **C. ACTIVE PROMOTION OF COMPETITION AND INNOVATION IN FINANCIAL INDUSTRY**

The FSC has granted new business licenses to internet-only banks, insurance firms and real estate trust companies based on an industry-level competition assessment. In order to promote and expand financial innovation, the FSC has also worked to establish the necessary infrastructures, including the regulatory sandbox, open banking and MyData in financial services.

#### **D. ENHANCED INCLUSIVENESS VIA MICROFINANCE SUPPORT AND CONSUMER PROTECTION**

The FSC has worked to reduce the interest payment burdens of lower income households by lowering the maximum interest rate that can be charged on loans from 24% to 20%.

## E. IMPROVED FAIRNESS BASED ON RULES AND PRINCIPLES

The FSC has also worked to establish a more transparent and fair financial services environment through the new legislation on the supervision of non-holding financial groups, improvements to corporate disclosure rules and the strengthening of oversight and penalties on unfair and illegal financial transactions.

### 2021 FINANCIAL POLICY AGENDA

2021 Financial Policy Agenda				
<b>Vision</b>	<i>Transforming crises into opportunities</i> <i>Building foundations for new growth sectors</i> <i>Working toward a more inclusive finance</i>			
<b>Mission</b>	 Overcoming pandemic-induced crisis in an orderly manner	 Providing active support for making investments in future-oriented projects	 Promoting advancement of financial industry by boosting competitiveness	 Strengthening consumer protection and improving financial inclusiveness
<b>Policy Tasks</b>	<b>I. COVID-19 Financial Support &amp; Risk Management</b>		<b>II. Support for K-New Deal Initiatives</b>	
	1. Continue to ensure the provision of COVID-19 financial support 2. Work on a gradual rollback of the pandemic-related temporary support measures 3. Ensure stable management of potential risks		1. Work on a seamless implementation of the New Deal fund and NewDeal financing agenda 2. Promote green finance 3. Establish the financial infrastructure appropriate for digital finance 4. Facilitate the provision of financing assistance to innovative firms	
	<b>III. Financial Innovation &amp; Further Advancement of Digital Finance</b>		<b>IV. Financial Consumer Protection &amp; Support for Vulnerable Groups</b>	
	1. Promote the development and use of contactless financial services 2. Accelerate the growth of fintechs 3. Pursue sound development of region-based financial institutions 4. Seek innovation in insurance industry 5. Improve rules on sanctions and licensing procedures and strengthen rules on corporate governance structure		1. Seek additional lowering of the legally permitted maximum interest rate on loans 2. Strengthening investor protection in capital markets 3. Work on improvements to the support programs intended for different groups 4. Tighten supervision on the damage-prone areas	

The 2021 financial policy agenda will focus on overcoming the pandemic-induced crisis, preparing for a future-oriented economy, continuing to seek innovation in financial services and ensuring financial consumer protection.

Due to the continuing spread of COVID-19 and the subsequent social distancing measures, there are still many small-scale businesses in need of continued financial support. However, such relief measures including liquidity provision may inevitably increase potential risks such as the household and corporate debt buildup, growth of marginal firms, etc. In this regard, it is necessary to plan a gradual withdrawal of the pandemic-related temporary support measures.

With an aging society and low birth rates and due to the acceleration of the fourth industrial revolution, investment in future growth areas has become essential. The

government is pursuing a strategy to make a transition toward a first-mover economy through its New Deal initiative, 2050 net zero carbon plan and innovation-led growth strategies. In this regard, the financial sectors should play the supporting role in the distribution of financing sources to new industries.

With the softening of the boundaries between the traditional financial institutions and IT companies and the acceleration of innovation in digital finance, it has become necessary to establish a regulatory and supervisory framework appropriate for the newly emerging types of financial services. The legacy financial institutions are facing the need to reinvent themselves amid a changing business environment. In this regard, insurance companies and region-based financial institutions are required to seek more innovative ways to provide financial service.

In order to improve the public's trust in the financial sector, it is essential to strengthen policy efforts aimed at protecting financial consumers and investors. Expanding the provision of microfinancing opportunities and improving the consumer experience for the financially vulnerable groups will also help narrow the deepening wealth gap that has accumulated from past crisis situations.

#### **A. MAINTAIN COVID-19 FINANCIAL SUPPORT AND MANAGE POTENTIAL RISKS**

- (1) Continue to ensure the provision of COVID-19 financial support
  - Ease financing burdens of small merchants, especially those hit by social gathering restrictions, through a reduction in guarantee fees, etc.
  - Extend the operation period of the SPV set up to purchase low-rated corporate bonds and CP for six months until July 13, 2021 and expand the proportion of purchase for lower-rated (A to BBB) bonds
  - Expand the availability of P-CBO support, which is currently available exclusively for large companies and middle market enterprises, to include SMEs<sup>1</sup>
  - Seek an extension of the application period for key industry stabilization fund, which is currently set at the end of April 2021
  - Maintain operation of the bond market stabilization fund to ensure the provision of backstops until risks subside
  - Seek an extension of the operating period of the working capital support program for suppliers and subcontractors in key industries, which is currently set to expire in early February 2021
  - Contribute KRW1 trillion in 2021 to the corporate asset purchase program and work to boost KAMCO's capital base to ensure the provision of effective support for corporate asset selloffs
  - Conduct site inspections to closely communicate with small merchants and businesses hit by the pandemic to make prompt assistance available
  - Continue to closely monitor the progress in the implementation of the COVID-19 financial support programs through financial risk assessment meetings
- (2) Work on a gradual rollback of the pandemic-related temporary support measures
  - Decide and announce in February 2021 whether to extend the loan deferment of

---

<sup>1</sup> Expected provision of KRW11.7 trillion for 2020-2022 (KRW3.6 trillion provided in 2020)

principal and interest payments currently offered to small merchants and SMEs from all financial sectors after surveying industry opinions and considering market conditions

- Work on a soft-landing of the rollback to prevent an overburdening in borrowers' repayment capabilities
- Encourage financial institutions to build up adequate levels of loan loss provision and capital base
- Work on a gradual rollback of the pandemic-related temporary deregulatory measures while considering whether to extend the deregulated measures, including the easing of the liquidity coverage ratio and loan-to-deposit requirement for banks set to expire at the end of March and June, respectively.
- Allow sufficient time for adjustment prior to reinstatement

(3) Ensure stable management of potential risks

- **(HOUSEHOLD DEBT)** (a) Work on a long-term management plan for household debt, (b) prepare a comprehensive plan to improve the management of household debt in Q1 2021 which will be centered on the application of DSR on individual borrowers and addressing the need to effectively manage the recent surge in credit loans and (c) continue to maintain adequate financing assistance to lower income households and small merchants
- **(CORPORATE DEBT)** Set up a platform with industry-specific databases on corporate financing status to allow close monitoring of companies' financial conditions and debt risks and carry out a two-track management based on the needs of companies

**(TRACK 1)** For companies facing temporary liquidity shortages amid the pandemic-induced economic crisis, additional lending assistance programs will be available through state-backed financial institutions in addition to the existing KRW175 trillion-plus pandemic relief program.

**(TRACK 2)** For companies in need of assistance for business transformation, a total of KRW13 trillion in funding assistance will be available in 2021 for making adjustments and facilities investment.

## **B. PURSUE NEW DEAL FINANCING & PROMOTE GREEN FINANCE**

(1) Work on a seamless implementation of the New Deal fund and New Deal financing agenda

- **(NEW DEAL FUND)** (a) Create New Deal funds in the amount of up to KRW4 trillion in 2021 and (b) launch publicly offered private funds in the amount of about KRW140 billion through which retail investors can share profits made from New Deal projects
- **(NEW DEAL FINANCING)** Provide KRW17.5 trillion in New Deal projects in 2021 by providing (a) special lending program and on-lending support in the amount of KRW11.9 trillion, (b) investment capital worth KRW0.2 trillion for SMEs and startups, (c) preferential guarantees worth KRW5.4 trillion tailored to the needs of different business stages and (d) opportunities for promotion and information sessions to continue to encourage participation from the private sector

(2) Promote green finance

- Increase the supply of funds from state-backed financial institutions to green industries, businesses or projects from 6.5 percent in 2019 to 13 percent in 2030 while providing assistance to businesses making a transition toward a green and low carbon business model
- Set up regulatory foundations to encourage voluntary efforts from businesses in making a transition to a low carbon society by drawing up a financial industry guidance on climate change risk management and through the implementation of an administrative guideline on green finance (H1 2021)
- Improve rules to encourage responsible investing and the consideration of ESG factors for businesses and investors by (a) introducing a plan to gradually strengthen corporate disclosure on ESG (Q1 2021), (b) making improvements to the Korea stewardship code (Q4 2021) and (c) establishing an open data platform on green statistics and relevant data to allow information sharing (H1 2021)

(3) Establish the financial infrastructure appropriate for digital finance

- **(DATA)** Draw up a plan to promote accounts receivable financing for SMEs and small merchants using their non-financial, e-commerce transactions history (H1 2021)
- Build an open data network for financial institutions to promote the use of data convergence and integration with other sectors, such as healthcare, telecommunications, medical, transportation, etc.
- **(AI)** Set up the infrastructure necessary to promote the development and use of the AI-based financial services by providing the necessary data and testbeds to fintechs and financial institutions while preparing a guideline on the operation of AI-based financial services to ensure the safety in AI-based services
- **(DATA PRIVACY)** Work to create an effective data privacy environment through MyData businesses and by seeking improvements to the data transfer consent form

(4) Facilitate the provision of financing assistance to innovative firms

- **(1,000 INNOVATIVE FIRMS)** Expand the scope of business sectors and diversify the support targets to designate more innovative firms in different fields with a goal of selecting more than 400 firms in 2021 while promoting private sector investments (including New Deal funds) into the selected firms
- **(MOVABLE ASSETS & TECH-BASED FINANCING)** (a) Work for the recognition of inventory assets and sales receivables as collaterals, promotion of intellectual property-backed financing, utilization of a new business credit scoring system based on non-financial transactions data and test-launching of the non-recourse accounts receivable factoring service, (b) develop a standardized tech-based credit assessment model and gradually introduce an integrated credit assessment system using both the traditional credit ratings and tech evaluation factors and (c) improve the listing rules to support IPOs of innovative firms in KOSPI
- **(VENTURE CAPITAL)** Strengthen the role of securities firms in supplying venture capital to SMEs and innovative startups by lowering their net capital requirements (NCR) and allowing financial investment businesses to provide loans for M&A refinancing purposes and on businesses with improved financial structures

- **(CROWDFUNDING)** Work to improve the role of crowdfunding in providing more financing opportunities for innovative firms by expanding the scope of securities issuers and the maximum issuance cap and investment for both issuers and investors while allowing a greater role for intermediaries in carrying out advisory services in business management, etc.

### **C. PROMOTE FINANCIAL INNOVATION AND FURTHER ADVANCEMENT OF DIGITAL FINANCE**

#### **(1) Promote the development and use of contactless financial services**

- Establish clear standards on the use of mobile-based contactless authentication and identity verification system in financial services, such as fingerprint scanning and facial recognition technologies (H1 2021)
- Allow credit card companies to provide open banking services (H1 2021) and work to further expand the participation for financial investment businesses
- Encourage the use of big data in financial services, such as credit evaluation, and promote platform businesses
- Work to establish clear rules and regulations on the platform businesses offering financial services through legislative efforts to revise the Electronic Financial Transactions Act, etc.

#### **(2) Accelerate the growth of fintechs**

- Strengthen support for fintechs by (a) making financial assistance from policy banks available throughout the different growth stages and business cycle and expanding the size of the private sector investment (fintech innovation fund) to be invested more on early stage fintechs, (b) working on a draft bill in support of fintech development that will promote fintech investment from financial institutions and encourage a convergence between finance and IT, (c) providing more consulting on fintechs through the financial regulatory sandbox program and (d) holding the Korea Fintech Week twice this year in May and November
- Test run a digital sandbox program using CreDB managed by the Korea Financial Information Services to provide testbeds for early stage startups and fintechs (H1 2021)
- Work for the enactment of the revisions to the Special Act on Support for Financial Innovation to ensure the provision of a seamless support to the FSC-designated 'innovative financial services'

#### **(3) Pursue sound development of region-based financial institutions**

- Work to ensure the establishment of an appropriate oversight and supervisory system on region-based financial institutions, including region-based banks, mutual finance companies and savings banks, to promote their role of liquidity provision
- Promote sound management of risks to ensure accountability

#### **(4) Seek innovation in insurance industry**

- Introduce indemnity health insurance 4.0 (July 1, 2021), promote an increased role of insurers in providing digital healthcare (H1 2021) and develop auto accident compensation standards on minor accidents to prevent excessive hospital visits and overtreatment (H1 2021)

- Introduce an insurer category that specializes in small-sum, short-term insurance policies with the capital requirement of KRW2 billion at the time of business setup (H1 2021), work to improve rules on subsidiaries to promote insurance companies' investment in platform, MyData and healthcare businesses (H1 2021) and draw up rules on platform-based insurance services and ease rules on contactless and digital insurance sales methods
  - Improve consumer trust and strengthen the soundness of business management by working toward a seamless implementation of the IFRS 17 from 2023 and introducing improvements to the insurance companies' pay and benefits system (H1 2021)
- (5) Improve rules on sanctions and licensing procedures and work to strengthen rules on corporate governance structure
- Make the current monetary sanctions standards more reasonable for violations of financial regulations
  - Work to improve transparency and predictability in the licensing process
  - Enhance the soundness of financial companies' governance structures by improving their autonomy in business management while strengthening responsibility

#### **D. WORK ON FINANCIAL CONSUMER PROTECTION AND STRENGTHEN SUPPORT FOR FINANCIALLY VULNERABLE GROUPS**

- (1) Seek additional lowering of the legally permitted maximum interest rate on loans
- Expand the availability of microloans at lower interest rates and work to provide new types of microloan products designed by the financial industry (H2 2021)
  - Encourage financial institutions to actively provide microfinancing opportunities to lower income households by providing incentives to financial institutions, etc.
  - Continue to work on the prevention of illegal predatory lending
- (2) Strengthen investor protection in capital markets
- Improve rules on short selling by introducing measures aimed at granting retail investors more access to short selling and improving rules on market makers (H1 2021), while strengthening the monitoring and penalties on illegal short selling practices
  - Increase share allocation for retail investors and improve allocation method (H1 2021) and draw up a plan to enhance the competitiveness of publicly offered funds (Q1 2021)
  - Ensure smooth implementation of the measures to strengthen investor protection with high-risk investment products, strengthen the monitoring of illegal and unfair trading activities in stock markets, improve the transparency in corporate disclosure rules and continue to work on restoring market confidence
- (3) Work on improvements to the support programs intended for different groups
- Launch housing loans for young adults that can help them cut costs (H1 2021) and consider introducing a government-backed ultra-long term (40-year) home mortgage product (H2 2021)
  - Improve the reverse mortgage and individual retirement trust systems to promote

their use by the elderly (H1 2021)

- Work to increase access to digital finance and improve convenience for consumers
- Expand funding opportunities for social enterprises and strengthen support

(4) Tighten supervision on the damage-prone areas

- Work to ensure a seamless implementation of the newly enacted Financial Consumer Protection Act
- Strengthen the management of damage-prone areas including phishing scams, crypto assets, etc.

# # #

For press inquiry, please contact Foreign Media Relations Team at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr).