

FINANCIAL AUTHORITIES TO WORK ON RISK MANAGEMENT AND SUPPORT TRANSITION TO FIRST-MOVER ECONOMY

Vice Chairman Doh Kyu-sang held the 33rd financial risk assessment meeting via teleconference on January 26 to discuss key risk factors in 2021 and review the implementation of the COVID-19 lending support for SMEs and small merchants.

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

(RISK MANAGEMENT) With the pandemic response measures put in place, the public and private sector debt increased throughout the world and asset prices have seen a rapid acceleration with abundant market liquidities. The accumulation of excessive debt may pose a risk to the economic recovery, and the financial authorities will continue to work on the management of the household and corporate debt. The FSC plans to introduce measures to more effectively manage household debt in the first quarter, which will focus on the application of DSR rules to individual borrowers. On corporate debt, the authorities will set up a monitoring system to check the status of corporate financing across different industries.

Stock prices have gone up due to strong trading activities by retail investors. However, there are possibilities of a rising market volatility and the authorities will closely monitor the conditions in the stock markets. In addition, the authorities will work to strengthen the oversight of illegal and unfair trading activities including illegal short selling, while preparing tax incentives for longer-term stock investment. The FSC will also soon introduce measures to improve the competitiveness of the publicly offered funds to make the process more investor-oriented.

(CHANNELING FUNDS TO PRODUCTIVE SECTORS) The authorities will work to ensure that the abundant market liquidities are flowing into productive sectors and toward the vulnerable groups in need. In this regard, the FSC will work on a seamless implementation of its policy on New Deal fund, which will be raised up to KRW4 trillion in 2021 with its first investment project hoped to be announced in March. In April, another round of selection will be made on the government-designated innovative firms in the areas of cultural content, smart farming and smart city that will be eligible for comprehensive support. The authorities will also work to strengthen the role of securities firms in providing venture capital and to authorize them new functions in corporate financing.

(REDUCING INEQUALITY) The corporate earnings of listed companies saw a quick turnaround starting from the end of the third quarter last year despite concerns of a prolonging downturn at the onset of the crisis. However, many small business owners are undergoing hardships due to additional waves of COVID-10 and the continuing

social distancing rules. This points out the pandemic-induced “inequality in shock” and the deepening of socioeconomic polarization. To help address this problem, the government will continue to provide strong support through its KRW175 trillion-plus emergency lending programs for small merchants and SMEs. Another extension of the period on the temporary financial support measures for SMEs, such as the maturity extension and deferment of principal and interest payments, appears to be inevitable. Meanwhile, for companies in need of lending support for business transformation or other structural reasons, the government will make available KRW13 trillion in lending support through the state-backed financial institutions.

COVID-19 FINANCIAL SUPPORT PROGRAMS¹

(In trillion won)		
▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.8
- 2 nd round of financial support (May 25~)	10.0	3.84

(In trillion won)		
▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	27.1
- Guarantees (Apr 1~)	7.9	6.9

(In trillion won)		
▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	10.5
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.2
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	2.5
- P-CBO issuance (Apr 1~)	11.7	3.8

#

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

¹ From February 7, 2020 to January 22, 2021