

FSC AND INDUSTRY GROUPS AGREE ON SIX-MONTH EXTENSION OF LOAN SUPPORT FOR SMALL BUSINESSES

FSC Chairman Koh Seungbeom held a meeting with the heads of the financial industry's self-regulatory organizations on September 16 and agreed to provide loan maturity extension and deferment of principal and interest payments to SMEs and small merchants that have been struggling through COVID-19 for six more months until the end of March 2022.¹

Chairman Koh and the heads of financial associations also agreed to work for an orderly normalization process as there are concerns about potential risks to financial institutions and accumulation of payment burdens on debtors.

BACKGROUND

The financial authorities have held a series of meetings recently with relevant groups and institutions over the issue of whether to extend the period of loan maturity extensions and payment deferrals in order to listen to diverse opinions and establish a common ground.

Today, the government and the financial industry groups reached a final agreement to extend the availability of loan maturity extensions and deferments of principal and interest payments for SMEs and small merchants for six more months until the end of March 2022. The financial industry groups agreed on an extension as businesses continue to face difficulties amid rising COVID-19 cases and the total amount of support provided through interest payment deferrals as well as the balance of loans have not grown to significant levels.

WORKING ON ORDERLY NORMALIZATION PROCESS

The government and the financial industry groups agreed to work for an orderly normalization from COVID-19 support measures by implementing the following.

- a) For debtors with repayment capabilities, lenders will offer repayment plans tailored to individual debtors' needs by offering up to one year of non-payment period and up to five years for installment payments.
- b) For vulnerable debtors, assistance programs will be offered through debt adjustment. Pre-workout programs offered by individual lenders will be made available not only to individual business owners but also to small- and medium-

¹ Provision of loan maturity extension and deferment of principal and interest payments was extended twice for six months each previously (click [here](#) and [here](#) to see previous press releases).

sized corporations. Debt adjustment programs offered by Credit Counseling & Recovery Service will be made available to single debt holders just as they have been available to multiple debt holders.

- c) State-backed financial institutions will provide about KRW4 trillion in liquidity to help ease financing burdens of businesses.

OTHER ISSUES

Chairman Koh and the heads of financial industry groups also discussed the issue of extending the period of some of the temporary deregulatory measures, such as the rules on financial institutions' liquidity requirement and loan-to-deposit ratio. The participants also agreed on the need to strengthen management of household debt and pledged to work toward that end. On the issue of large platform businesses entering the financial industry, the participants stressed the importance of an appropriate balance between innovation and consumer protection. Chairman Koh pledged to take into consideration all the things that have been discussed in today's meeting and to continue to maintain close communication.

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