

FSC CHAIRMAN EMPHASIZES STABILITY AS KEY POLICY PRIORITY IN MEETING WITH EXPERT GROUP

FSC Chairman Koh Seungbeom held a meeting with a group of experts on January 13 and discussed potential risk factors in domestic and overseas markets and ways to properly respond to them. The expert group consisting of academia, columnists and thinktank officials discussed various issues including the need to find a new equilibrium in policy mix, deepening market volatilities, the need to manage risks in the nonbank sector, loan loss provisions of financial institutions and the shifting paradigm in global value chains. In his keynote address, Chairman Koh stated that maintaining stability in the financial system remains as top policy priority for this year. The following is a summary of Chairman Koh's remarks.

CHAIRMAN'S REMARKS

From the second half of 2021, the financial authorities have been working on measures to prepare for potential risks in markets. The Fed's monetary policy changes, continuing pandemic situation, a slowdown in China's economic growth and dispute between the U.S. and China can have impact on the Korean economy and financial markets. In response to these potential risks, the authorities have made efforts to build foundations for easing financial imbalances by bringing down growths in new lending and housing prices.

To build upon these outcomes, the authorities will first and foremost work on stable management of household debt. Unlike the previous year where the focus was on controlling the total quantity of household debt, the focus this year will be on making systemic improvements through an expanded application of the individual debt service ratio rule, etc. In the meantime, the authorities will ensure that credit extension to the financially vulnerable groups remains available.

Second, the authorities will work to minimize negative effects on vulnerable debtors such as small merchants and self-employed business owners in the process of policy normalization. Looming interest rate hikes amid a continuing pandemic situation can place extra burdens on vulnerable debtors which may lead to an accumulation of nonperforming debts and pose another problem for the economy. Thus, the authorities will ensure that sufficient credit support is provided to small merchants and self-employed business owners until the pandemic situation is over while controlling the possibility of risk transfer from vulnerable sectors to broader markets.

Third, the authorities will strengthen risk management in the financial sector. Financial institutions need to be sufficiently equipped with loss provisions and never underestimate potential risks. The authorities are currently looking into the risk

endurance capacity of the nonbank sector and plan to draw up preemptive measures to ensure stability. In 2022, the financial authorities will continue to focus on maintaining stability in the financial system and minimizing shocks from the changing course of policy situations in both domestic and overseas markets.

While maintaining close communication with experts from diverse fields, the FSC will continue to make efforts for timely identification, accurate analysis and preemptive prevention of risks.

#

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