Financial Services Commission

Press Release

January 12, 2023

AUTHORITIES HOLD MEETING TO MONITOR FINANCIAL MARKET SITUATION AND DISCUSS STABILIZATION MEASURES

FSC Vice Chairman Kim So-young presided over a meeting with the Financial Supervisory Service and policy financial institutions on January 12 to check the corporate bond and CP (commercial paper) market situations and discuss the effects of market stabilization measures currently in place as well as the support plan for 2023.

At today's meeting, participants shared a common assessment that the corporate bond and CP market conditions have been improving recently as interest rates on corporate bonds and CPs are continuing to decline, and in particular, as the level of purchase demand surpassed the volume of newly issued higher-grade corporate bonds and CPs.[1] Also, in order to ensure that recent market movement toward stability can become sturdier, authorities agreed on the need to maintain active implementation of the market stabilization programs, and shared a common view on the need to boost the effectiveness of support on higher-grade corporate bonds and CPs and strengthen support for non-higher-grade corporate bonds and CPs, so that the movement toward stability can spread to non-higher-grade corporate bonds and CPs as well.

The market stabilization programs introduced last year still have a total of KRW40 trillion or more in their support capacity, and thus, authorities will continue to actively put them into use going forward.

a) The bond market stabilization fund currently has about KRW6.4 trillion in its remaining capacity (additional capital call of KRW9 trillion possible), and it will continue to reinforce market demand for higher-grade corporate bonds, while authorities consider an expansion of both the target and the size of purchase.
b) The corporate bond and CP purchase program run by the Korea Development Bank (KDB) and Industrial Bank of Korea (IBK) currently has about KRW7.6 trillion in its remaining capacity, and it will continue to actively operate to purchase corporate bonds and CPs with a focus on non-higher-grade ones.
c) The P-CBO (primary collateralized bond obligation) support program, which helps bond issuance of SMEs and is run by Korea Credit Guarantee Fund (KODIT), will be restructured to increase its support size by newly adding KRW5 trillion to its reserve, and it will expand eligible enterprises.[2]

---

[1] Corporate bond interest rate (AA-, 3-yr, %): 5.73 (Oct. 21, 2022, annual high), 5.44 (Nov. 30), 4.78 (Jan 11, 2023) CP (A1, 3M) interest rate (%, change from previous day in bp): 5.53 (+1) (Nov. 30, 2022), 5.54 (-) (Dec. 9, annual high), 4.90 (-4) (Jan. 11, 2023)

[2] Non-financial businesses (BB- rating or above), specialized credit finance business companies (BBB- rating or above) → Support target expanded from those with A- rating or above previously to BBB- rating or above

d) The real estate PF-ABCP (project finance asset-backed commercial paper) purchase programs for those guaranteed by securities firms and construction companies each have KRW1.3 trillion and KRW0.9 trillion[3] in their remaining capacity currently and they will continue to provide support as planned.
e) Along with a business loan guarantee program that supports businesses to make a transition from a bridge loan to a takeout loan (which currently has KRW12.9 trillion in its remaining capacity), a new business loan guarantee program that will support businesses to make a transition from a PF-ABCP (short-term financing) to a long-term business loan will be launched in January 2023 to strengthen support for real estate-related businesses in sound financial conditions.
f) The liquidity support programs for securities firms currently under operation by the Korea Securities Finance Corporation will continue to operate as planned.

Meanwhile, at today's meeting, authorities also shared the result of stress test conducted on financial sectors under assumptions of contingency situations. As of now, there is low probability that a problem stemming from any individual financial institution will spread to a systemic risk. However, as there are high uncertainties looming this year, too, participants agreed to closely monitor and examine situations in the future.

SUMMARY OF REMARKS BY FSC VICE CHAIRMAN

Financial authorities will regularly hold meetings to check financial market situations in 2023. Authorities will keep close communication with relevant institutions and financial sectors to closely examine market situations and seek to preemptively respond when deemed necessary. In particular, regarding the real estate PF market, it is crucial that authorities attentively review market situations together with relevant institutions, financial sectors and market experts. In 2023, it is necessary to stay vigilant for newly emerging risk situations, such as risk contagion from the real economy to financial sectors as well as expansion of risk originating from advanced or emerging economies.

\# \# \#

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

[3] Included in the corporate bond and CP purchase program's support capacity.