

## 2024 Financial Policy Agenda

Vision		
A caring and reliable finance, standing by the people.		
3 Key Objectives		
A credible finance, safeguarding people's livelihood.	A robust finance, capable of withstanding risks.	A dynamic finance, propelling growth into the future.
9 Policy Tasks		
Credible finance	1) (People's livelihood)	Reduce the burden of high financing costs for the public.
	2) (Fairness in market)	Build a fair ladder of opportunity in capital markets.
	3) (Safety and protection)	Prevent financial crimes and strengthen consumer protection.
Robust finance	4) (Property market risk)	Support an orderly normalization of the project finance market.
	5) (Household debt)	Ensure a stable management of household debt growth.
	6) (Market stability)	Eliminate risk factors and strengthen response capabilities.
Dynamic finance	7) (Support for growth)	Support businesses to growth and regions to develop.
	8) (Financial innovation)	Seek responsible innovation to boost competitiveness.
	9) (Preparing for future)	Cultivate future growth drivers and prepare for future changes.

### **A credible finance, safeguarding people's livelihood**

#### 1) (People's livelihood) Reduce the burden of high financing costs for the public.

- Alleviate the burden of high interest payments for the self-employed and small merchants through (a) an interest refund program worth KRW2 trillion-plus offered by the banking sector, (b) the interest rate support for loans from the nonbanking sector that have interest rates between 5 to 7 percent, (c) an expansion of low interest rate refinancing support offered by Korea Credit Guarantee Fund, and (d) an expanded scope of eligibility for New Start Fund, a debt adjustment program for the self-employed and small merchants.
- Work to ease interest rate burden in more systematic ways by expanding the operation of the online loan transfer service and making improvements to the interest rate disclosure system in the banking sector.
- Ensure the provision of support for vulnerable borrowers by setting up an online total platform for microfinance assistance in June, working to seamlessly implement the new legislation on personal credit management and debtor protection from October, and making improvements to the personal debt workout program.
- Provide assistance tailored to the needs of different groups through strengthened support for young adults, homebuyers and the retirees.
- Help to bring down costs in various financial services by establishing a guideline on early loan repayment charges and seeking a reasonable adjustment in premiums for auto insurance and indemnity health insurance products.

#### 2) (Fairness in market) Build a fair ladder of opportunity in capital markets.

- Overhaul the entire stock short selling system to prevent illegal and unfair trading activities by setting up a completely computerized system for short selling

transactions, making the conditions and requirements for borrowing stocks equal for both institutional and retail investors, and introducing and imposing stern penalties against illegal trading activities.

- Bolster measures to handle unfair trading activities in capital markets by improving rules on whistleblowers and self-reporters, clarifying the method for calculating the amount of unfairly gained profits, diversifying the availability of administrative sanctions on violators, and strengthening the management and supervision over quasi-investment advisory services.
- Increase transparency in capital markets by bolstering the disclosure requirement on convertible bonds, improving rules on treasury stocks, introducing a “corporate value up program,” streamlining the delisting process, upgrading the operation of overnight derivatives market, and making improvements to the internal control mechanisms of businesses.

### 3) (Safety and protection) Prevent financial crimes and strengthen consumer protection.

- Stamp out illegal private lending activities by bolstering investigation and detection in a government-wide taskforce effort, strengthening the crackdown on key online brokerage sites, and continuing to provide legal representation service for debtor assistance.
- Crack down on emerging types of financial crimes by carrying out measures to prevent blackmailing using passbooks as well as phishing scams and encouraging financial companies to promptly report suspicious transactions to the authority.
- Revise the Special Act on Prevention of Insurance Fraud to more effectively respond to insurance scams.
- Promote fairness in the use of financial products by applying consumer safeguard measures guaranteed under the Financial Consumer Protection Act to all mutual finance businesses, preparing a guideline on the online advertisement and brokerage of financial products, enhancing the effectiveness of the do-not-call system, and strengthening the duty of user protection on electronic prepayment service providers.

## **A robust finance, capable of withstanding risks**

### 4) (Property market risk) Support an orderly normalization of the project finance market.

- Enhance the effectiveness of market normalization measures by (a) bolstering the review on the real estate development projects that are financed by the support made available through the PF lending institutions’ consortium agreement, (b) seeking to diversify Korea Housing Finance Corporation’s guarantee methods, and (c) allowing different ways for the PF market normalization fund to acquire debt from real estate development projects.
- Upgrade prudential regulations on financial institutions by subjecting nonbanks to an additional loan loss reserve requirement for their real estate related credit extensions, and updating securities firms and real estate investment trusts’ net capital ratio (NCR) and maximum credit extension limits to promote more stable and sound investment practices.

→ Prepare to immediately expand the size of market stabilization measures from the current level of KRW85 trillion-plus if it becomes necessary.

5) (Household debt) Ensure a stable management of household debt growth.

- Control the pace of household debt growth within the level of annual economic growth in 2024 by making sure that the pace of household debt growth is tightly managed for the financial companies whose credit extension is deemed to be excessive, and forming an inter-ministerial consultative body on housing finance.
- Encourage borrowers to use loans according to one's own debt service capability by introducing the stressed debt service ratio (DSR) rule in 2024 and taking steps to expand the application of DSR to jeonse loans.
- Prepare measures to more systematically manage the risk of interest rate volatility by fostering conditions where commercial lenders can more actively supply longer-term mortgage loans and providing incentives to financial companies commensurate with their risk reduction efforts.

6) (Market stability) Eliminate risk factors and strengthen response capabilities.

- Preemptively upgrade the crisis response system by (a) establishing a legal ground for setting up a "financial stability account," (b) introducing a fast-track resolution process to allow prompt handling of financial companies' insolvency, and (c) making improvements to the deposit insurance scheme to guarantee more stability in the operation of the deposit insurance fund.
- Bolster support for corporate restructuring by strengthening the linkage with the debt workout process and preparing additional funds for the corporate restructuring innovation fund.
- Strengthen the soundness and liquidity management in each financial sector by (a) establishing a legal ground to require banks to maintain a stress capital buffer, (b) allowing savings banks to sell nonperforming debt of individual business owners to third parties, (c) allowing specialized credit finance businesses to expand ways to raise funds, and (d) subjecting mutual finance businesses to the mandatory stress test requirement.
- Draw up response strategies to ensure that there is no risk contagion from one market to another by thoroughly analyzing potential scenarios of risk transfer and working to ease the risk of large scale money moves in the pension funds market toward year's end.
- Ensure stable protection of the financial system from catastrophes and security breaches by fostering conditions to induce financial companies to build sturdy security networks and by bolstering business continuity plans and expanding disaster relief centers.

**A dynamic finance, propelling growth into the future**

7) (Support for growth) Support businesses to grow and regions to develop.

- Maintain strong cooperation with financial companies in the private sector to help to boost the real economy by ensuring a seamless implementation in supplying policy funds worth about KRW212 trillion and providing a public-private joint financing support program tailored to the needs of enterprises.
- Support regional economies by seeking to launch an investment fund designed to

spur economic activities in non-Seoul metropolitan areas and pursuing KDB's headquarter relocation to Busan as planned.

- Boost corporate growth and their competitive edge by introducing business development companies (BDCs), improving the quality of external audits, and expanding the supply of accounting professionals.
- Seek to enhance support for small business owners through introduction of MyData service available for individually owned businesses.

8) (Financial innovation) Seek responsible innovation to boost competitiveness.

- Draw up measures for each sector taking into account the changing needs and newly emerging demands in the industry by promoting data sharing and joint marketing operation by affiliated companies and lowering the bar for financial holding companies' investment in fintech businesses.
- Facilitate innovation in financial services by ensuring a seamless transition to the online insurance claim service for indemnity health insurance policies, seeking ways to introduce a simple online pet insurance service, and launching a platform-based insurance comparison and recommendation service.
- Foster fintech businesses and strengthen foundation for their growth by promoting cooperation between fintechs and financial companies, making improvements to the sandbox application process, and promoting the use of big data in finance.
- Promote overseas expansion of domestic financial services by strengthening cooperation with ASEAN, expanding the role of the Council on International Financial Cooperation (CIFIC), and facilitating foreign financial firms' inbound business operation.
- Establish a solid ground to boost the competitiveness of the industry by ensuring a close follow-up on the plans to improve internal control mechanisms and seeking ways to improve the corporate governance practices of financial companies (e.g. rules on CEO succession, bonus compensation, etc.).

9) (Preparing for future) Cultivate future growth drivers and prepare for future changes.

- Foster future growth industries by supplying policy funds for investments in high-tech industries, providing venture capital to emerging industries and promising businesses, and revamping the technology-guaranteed firm financing system.
- Prepare regulatory foundations for newly emerging areas including big tech platform businesses, security tokens, fractional investments, CBDC feasibility test, etc.
- Strategically respond to the deepening of climate risk and demographic crisis by supporting transition to eco-friendly and low-carbon facilities, supplying venture capital to new renewable energy sectors, making ESG disclosure rules more concrete, and examining ways to effectively deal with demographic crisis.