

2020 WORK PLAN FOCUSES ON FINANCIAL INNOVATION TO SUPPORT INNOVATIVE BUSINESSES

The Financial Services Commission along with other economic ministries presented the 2020 Work Plan on February 17, 2020. The FSC has outlined 10 key policy tasks for this year, which include a) redirecting capital flow toward SMEs and start-ups with innovative technologies and future growth potential, b) working on bold reforms in financial regulations while fostering convergence between new technologies and finance, and c) promoting inclusive finance and establishing a reliable financial safety net to support a comeback for those who have been discouraged by failed business attempts.

The following are some of the key achievements so far in the areas of financial innovation.

- ▶ Outstanding balance of movable asset lending by local banks doubled from KRW800 billion at the end of 2018 to KRW1.6 trillion by the end of 2019.
- ▶ Outstanding balance of loans to SMEs by local banks increased from KRW610 trillion at the end of 2016 to KRW747 trillion by the end of 2019.
- ▶ Number of newly listed companies on the KOSDAQ market rose from 82 to 108 between 2016 and 2019.

2020 FINANCIAL POLICY TASKS

1. REDIRECT CAPITAL FLOW TOWARD BUSINESSES FROM HOUSEHOLDS & REAL ESTATES

- ▶ Prevent capital concentration in the real estate market¹ and introduce a new loan-to-deposit ratio which will encourage more corporate lending by financial companies.

2. PROVIDE TARGETED SUPPORT TO 1,000 INNOVATIVE FIRMS

- ▶ Select 1,000 innovative firms through a government-wide cooperation with other ministries and provide both financial and non-financial assistance in the amount of KRW40 trillion.

¹ Through measures included in the government's Plan to Curb Housing Price Overheating (December 16, 2019)

3. ALLOW DIVERSE TYPES OF ASSETS TO BE USED AS COLLATERAL

- ▶ Push for a revision of the Act on Security over Movable Property, Claims, etc. to introduce a lump-sum collateral system through which companies are able to collateralize a diverse set of assets including machinery, raw materials and inventory, and set up a movable collateral registry which will help collect collaterals and non-performing loans on behalf of financial companies.

4. EVALUATE COMPANIES BASED ON THEIR TECHNOLOGIES & FUTURE GROWTH POTENTIAL

- ▶ Increase the weight of company's technological innovativeness when reviewing their loan applications, and support businesses with their competitiveness and credit evaluation using big data.

5. REVAMP INDEMNIFICATION PROVISIONS FOR FINANCIAL INDUSTRY WORKERS

- ▶ Improve indemnification provisions for financial industry workers to protect them from taking on a burden of excessive responsibilities if the loans were made through a reasonable evaluation process.

6. PROVIDE SUPPORT TAILORED TO SPECIFIC NEEDS AT DIFFERENT STAGES OF BUSINESS

- ▶ For start-ups, provide a one-stop support at the Mapo Front 1, a government-backed start-up incubation initiative with opportunities for venture capital investment, consulting, overseas expansion, etc.
- ▶ For scale-ups, provide sufficient funding sources through increased lending by stock companies and promoting retail investors to invest more in non-listed companies.
- ▶ To help innovative firms grow into the future and help them with successful KOSPI and KOSDAQ IPOs, make companies' future growth potential an important component of IPO requirements.

7. STRENGTHEN SUPPORT FOR MAJOR INDUSTRIES THROUGH POLICY FUNDS

- ▶ Increase support for facility investments in major industries, such as auto, shipbuilding, and materials, parts and equipment industries, while providing KRW11.2 trillion² to offset shortages of working capital.

8. IMPROVE FINANCIAL REGULATORY SYSTEM FOR A NEW ERA

- ▶ Encourage innovation in the financial services industry while working on the improvement of the current financial regulatory framework through the regulatory sandbox program.

² Includes KRW4.5 trillion in facility investment support for SMEs and KRW3 trillion for advancement of industrial structures

9. PROMOTE MyDATA BUSINESS AND EXPANSION OF OPEN BANKING AND FINTECHS

- ▶ Introduce MyData business which helps collect an array of dispersed personal data for analysis, and continue to promote fintechs and work on expanding open banking's utilities and scale.

10. WORK ON INCLUSIVE FINANCE MEASURES

- ▶ Establish a debt restructuring system focusing on the needs of debtors to support and encourage their comeback from failed business attempts.
- ▶ Provide an institutional foundation to promote financial consumer protection by pushing for the enactment of legislations on consumer credit and financial consumer protection.

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