Financial Reform
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Financial Services Commission

Press Release

January 5, 2017

FINANCIAL POLICY DIRECTION FOR 2017

The FSC outlined its financial policy direction for 2017, focused on *(i)* ***prompt*** *and* ***thorough response to financial market risks****; (ii)* ***financial support for stabilization of household livelihood****; and (iii)* ***financial reforms and innovation to revitalize the economy.***

I. Prompt and thorough response to financial market risks

✓ ***Financial market stability***

- The FSC will closely monitor financial markets to keep risk factors under control through a 24-hour emergency response system.
- Measures will be taken to stabilize corporate bond market to ensure stable funding conditions for companies in response to increased volatility in financial markets.

✓ ***Household debt management***

- Guidelines on stricter screening of loan applications will be expanded to all financial institutions to make sure borrowers take loans that they can afford and repay in installments.
- The FSC will set out a roadmap in the first quarter of 2017 for improved standards for screening a borrower's creditworthiness - e.g. gradual introduction of debt service ratio (DSR) as a tighter standard to assess a borrower's debt repayment ability.

✓ ***Corporate restructuring***

- Corporate restructuring will be carried out under consistent principles that emphasize a troubled company's self-rescue efforts and burden sharing.
- A new framework for corporate restructuring (*'Pre-packaged Plan'*), which combines advantages of creditor-led debt workout and court-led rehabilitation, will be promoted to expedite business normalization of a troubled company.

✓ ***Sound financial market practice***

- The FSC will promote more transparency in corporate management and financial transactions by improving the current accounting and audit system, encouraging the introduction of 'stewardship code' to a wider range of companies and establishing sound financial market practice.

II. Financial support for stabilization of household livelihood

✓ ***Microfinance support for low-income borrowers***
- The government will increase its injection of funds into microfinance programs from KRW 5.7 trillion to KRW 7 trillion per year.
- We will also double provision of mid-rate loans from KRW 1 trillion to KRW 2 trillion.

✓ ***Support for small-and-medium sized companies***
- The government will provide a total of KRW 128.2 trillion, which is an increase of KRW 6.8 trillion from the previous year, to support SMEs.

✓ ***Less burden for mortgage borrowers***
- For mortgage borrowers under temporary financial stress due to joblessness or business shutdown, the FSC will come up with plans to defer their repayment of principal and support debt restructuring for overdue loans.

✓ ***Financial consumer protection***
- The FSC will enact a financial consumer protection law to help financial consumers well informed of financial products and services and better protect them from financial fraud or misconduct.

III. Financial reforms and innovation to revitalize the economy

✓ ***Support for new growth drivers***
- The government will inject KRW 85 trillion into new growth engines such as high-tech manufacturing, cultural content or bio & healthcare industries
- New and innovative financial services – e.g. internet-only bank and fintech businesses – will create more jobs in the financial sector.

✓ ***Support for start-ups & tech firms***
- The government will increase loans and investments for tech start-ups, while channeling more risk capital into venture companies.
- The FSC will help SMEs raise funds through crowdfunding, KOSDAQ and KONNEX.

✓ ***Stronger competitiveness of financial companies***
- The FSC will push forward financial reforms to promote competition and innovation in the financial sector and continue to communicate with both financial institutions and consumers.

✓ ***New and innovative financial services***
- The FSC will encourage financial institutions and fintech firms to further develop more innovative and convenient financial services for financial consumers.
- A ‘regulatory sandbox’ will be launched in the first half of 2017 for fintech firms to test and experiment with their new services and business models free from regulatory burdens.

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