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Press Release

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MEASURES TO SUPPORT SMEs HIT BY INTERNATIONAL SANCTIONS AGAINST IRAN

In order to support local small-and medium-sized enterprises (SMEs) that suffered losses from their business with Iran due to reinforced international sanctions against Iran, the Korean government has planned measures to support them.

1. Providing policy funds for SMEs

Government funds such as the SME Business Promotion Fund (SBP Fund) and a fast-track lending program will be utilized to support local SMEs trading with Iran.

(1) For SMEs with large exposure to Iran, the government will provide emergency loans and defer repayment of principal for outstanding loans.

In particular, for those who have a greater chance of recovery from the loss incurred by international sanctions against Iran, the government will offer emergency loans at a 3.7~5.4% interest rate for three years, up to KRW 500 million for one company. Companies who are undergoing corporate restructuring conducted by financial institutions or whose incurred loss exceeds KRW 100 million are qualified for emergency loans.

For companies who experienced losses from their trade with Iran, the government will grant a one-and-half-year grace period for their existing debts while leaving their maturity period (5~8 years) unchanged.

(2) For SMEs temporarily under liquidity crunch, the government will provide liquidity through a fast-track lending program. If companies trading with Iran apply for the fast-track lending, they will be granted special guarantees by the Korea Credit Guarantee Fund (KODIT) and the Korea Technology Finance Corporation (KTFC) on a preferential basis.*

*The KODIT and the KTFC will provide 65%~75% guarantees for newly extended loans, up to KRW one billion.

The banking sector will also provide liquidity for SMEs by extending new loans or rolling over existing debts.



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The Korea Trade Insurance Corporation (KTIC) will also launch a liquidity support program for SMEs.

(1) To ease liquidity constraints for SMEs, the KTIC is to speed up its review process to provide compensation as soon as possible when exporters who already signed an insurance contract report losses from their business with Iran.

(2) The Industrial Bank of Korea (IBK) will provide loan guarantee for SMEs temporarily facing liquidity risk as their export to Iran has been halted. For loans extended by the IBK to support local exporters, the KTIC will provide a fast-track guarantee and lower guarantee fees.

*Since August 19, 2010, the IBK has been offering up to KRW 300 million for a company in loans. To keep the business viable, the KTIC and the IBK plan to sign a MOU.

2. Supporting SMEs through the banking sector

The government will encourage banks to roll over existing debts for SMEs if they have difficulties purchasing export bills or receiving payments on time.

If export bill payment is delayed, companies involved in the transaction will be granted extension of repayment period.

3. Assistance programs by KITA and KFB

The Korea International Trade Association (KITA) will run a call center so that companies trading with Iran can report their difficulties to be addressed in a timely manner.

The Korea Federation of Banks will also create a T/F to assist SMEs exporting to Iran.

<Current Situation of Korea-Iran Trade>

As of 2009, Korea's trade with Iran was valued at USD 9.74 billion, making Korea the 15th trading partner with Iran. Since the first half of this year, the bilateral trade has significantly increased.

There are 2,142 companies trading with Iran, and 80.9% of them are SMEs whose transaction with Iran does not exceed USD one million. The number of SMEs whose Iranian transaction exceeds 50% of their total export is 227, which accounts for 13.7% of local exporters trading with Iran.



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