

FINANCIAL POLICY TASKS FOR H2 2020

FSC Chairman Eun Sung-soo held a press briefing on June 11 and laid out the government's financial policy plans for the second half of 2020.

FINANCIAL RESPONSE TO COVID-19 PANDEMIC

For the most part of the first half 2020, the FSC has focused on the financial support measures in response to the COVID-19 pandemic. The FSC will continue to work on the provision of prompt support through the KRW175 trillion-plus financial assistance programs.

(CURRENT STATUS OF RELIEF PROVISION) The key industry stabilization fund launched on May 28 will be operational and begin to provide supports in June. As of the end of May, about KRW1.2 trillion in P-CBOs has been issued in support of the corporate bond market, with the June issuance of more than KRW1 trillion in pending. The KRW10 trillion special purpose vehicle (SPV) will be launched to provide support for purchasing low-rated corporate bonds and commercial paper as soon as the 3rd supplementary budget is passed at the National Assembly.

The government expects that each type of the aforementioned support program will complement the others and helps minimize loopholes in providing financial assistance to the businesses in need.

(CORPORATE ASSET PURCHASE PROGRAM) The government introduced a KRW2 trillion corporate asset sales support program this morning, through which the Korea Asset Management Corporation (KAMCO) will purchase corporate assets at fair prices. The government will also work on additional measures to improve the financing support for SMEs.

PROMOTING INNOVATION IN FINANCIAL SERVICES

With the COVID-19 pandemic, some of the key policy tasks put forward at the beginning of the year have been pushed back in terms of policy priority. During the second half, the FSC will redirect efforts at promoting innovation while also balancing the changes brought about by the pandemic.

(TARGETED SUPPORT FOR 1,000 INNOVATIVE FIRMS) It is expected that the first 20 business areas will be selected within the next month by the relevant ministries, and the government plans to select 200 innovative businesses within this year. The

government will work to provide more investment opportunities to more innovative firms through government-sponsored IR events, and provide comprehensive financial and consulting supports to selected firms.

(INFRASTRUCTURE TO SUPPORT INNOVATIVE FIRMS) Mapo Front 1, the government-backed start-up incubation center is opening up next month. The 20-story building offers office spaces, conference rooms, networking spaces and classrooms.

(MOVABLE ASSET-BASED FINANCING) A special purpose vehicle (SPV) launched by KAMCO will be fully operational at the end of June to facilitate movable asset backed lending and support the management and disposal of movable collateral.

(BUSINESS CREDIT SCORING SYSTEM) The government will work to promote the business credit scoring system modeled after Paydex to improve the business credit rating system.

KEY TASKS IN POST-PANDEMIC ECONOMY

The ensuing changes in a post-pandemic era will be largely unpredictable. Things will be different from pre-COVID-19 era. If we prepare in an adaptable and agile way, it will present us with new opportunities.

I. PROMOTE DIGITAL FINANCE

(IMPROVE PERSONAL AUTHENTICATION & ID VERIFICATION) The Real Name Financial Transactions Act has served as a key regulatory framework since the enactment in 1993. However, it is based on face-to-face ID verification, which requires improvements in a digital era. While maintaining the key tenets of the Real Name Financial Transactions Act and taking into account recent technological advancements and consumer convenience, the government will work to come up with measures to improve the personal authentication and identity verification system in financial services in the third quarter this year.

(STRENGTHEN DATA SECURITY IN FINANCIAL SERVICES) Digital innovation in finance is nothing without public trust on the security and safety of personal information and assets. The government will work on digital risk management by requiring financial companies to establish internal control mechanisms to ensure that data privacy is thoroughly protected.

(PROMOTE BIG DATA) Since the launching of the financial data exchange on May 11, a total of 317 data have been registered with about 120 transactions. Big data has become indispensable in financial services. In addition, some 116 companies have shown interest in launching MyData businesses according to our May demand survey. With the revised Credit Information Act taking effect in August, licensing will begin for MyData businesses as early as October.

II. STRENGTHEN FINANCIAL STABILITY

Based on the pandemic response experiences, the FSC will work to bolster foundations of financial stability by (a) reviewing the necessity of extending or improving the temporary deregulatory measures introduced in April, (b) maintaining our risk management to prepare for future uncertainties, (c) closely monitoring trends in corporate debt, (d) drawing up plans to address liquidity risk in the non-banking sector and (e) considering a new household debt management scheme that sets periodic targets for every two to three years.

III. PROMOTE INCLUSIVE FINANCE

Overcoming the crisis and preparing for the future requires joint efforts and close cooperation of the whole society. To that end, the government will work to protect the vulnerable groups.

The government and financial institutions will join efforts in raising the availability of microfinancing products from KRW3.3 trillion to KRW4.35 trillion.

To help vulnerable debtors get back on their feet, the KAMCO will begin to purchase KRW2 trillion overdue loans at the end of this month. Within this year, the FSC will prepare a consumer credit bill which will incentivize financial companies to assist distressed debtors on their own.

The FSC will work on plans to develop an age-friendly financial services environment to help ensure that elderly consumers are not neglected in a digital finance era. The government will help develop financial products for the elderly to help senior citizens maintain a stable retirement life without being unfairly discriminated.

While pursuing these policies for the second half of this year, the FSC will closely communicate with market experts and related ministries.

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