

SPV TO START PURCHASING CORPORATE BONDS AND CP

The government announced the official launching of the special purpose vehicle intended to support businesses facing liquidity problems by purchasing corporate bonds and CP on July 17.

BACKGROUND

The government, the Bank of Korea and the Korea Development Bank unveiled a joint plan for creating an SPV on May 20.¹ Since then, the relevant institutions have worked toward the official launching of the SPV on July 14. In the meantime, the passage of the 3rd supplementary budget at the National Assembly enabled capital injection of KRW1 trillion to KDB. Between May 20 and July 13, the KDB purchased KRW300 billion worth of low-rated corporate bonds to help stabilize markets before the launching of the SPV. In addition, the Bank of Korea announced its decision to lend KRW8 trillion to the SPV on July 17.

KEY DETAILS

(SIZE) Up to KRW10 trillion made up of KRW1 trillion (10%) in equity capital from KDB, KRW1 trillion (10%) in subordinated loans from KDB and KRW8 trillion (80%) in primary loans from BOK, with the possibility of expanding the size up to KRW20 trillion

(PERIOD) SPV's bond purchasing program will be operated on a temporary basis for six months from July 14, 2020 until January 13, 2021, with the possibility of extension afterwards.

(TARGETS) Investment grade corporate bonds and CP issued by nonfinancial companies with priorities given to low-rated companies (A~BBB ratings) and 'fallen angels,' BB-rated bonds downgraded from investment grades due to COVID-19-related factors

The SPV is expected to help alleviate liquidity problems for many low-rated companies.

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¹ Please click [here](#) to see the press release dated May 20, 2020.