

VICE CHAIRMAN DISCUSSES COVID-19 PREVENTION IN FINANCIAL SECTOR AND INVESTMENT IN K-NEW DEAL

Vice Chairman Sohn Byungdoo presided over the 20th financial risk assessment meeting via teleconference on September 8, and discussed enhanced social distancing measures being implemented in the financial industry, the progress of the COVID-19 financial support and the newly introduced ‘Korean New Deal fund.’

The following is a summary of Vice Chairman Sohn’s remarks.

(COVID-19 PREVENTION) As the government decided to extend the period of enhanced social distancing rules for one more week, financial institutions should take all necessary measures to prevent the spread of COVID-19. Meanwhile, financial institutions should check their business continuity plans and ensure digital security and seamless operation of key functions in the financial system.

(PROVISION OF STRONGER FINANCIAL SUPPORT) The heightened social distancing rules pose difficulties for many small merchants and SMEs. The government will continue to work on the provision of emergency lending support through its KRW175 trillion-plus pandemic relief programs. The government will work to improve the provision of the 2nd phase financial support program for small merchants by adjusting its lending cap. Financial institutions should also ensure a seamless provision of loan maturity extensions and deferment of interest payments for small merchants and SMEs in need. The government will also provide support for heavy rain and typhoon victims via one-stop financial support centers set up throughout affected regions.

(MID- TO LONG-TERM PREPARATION) Aside from providing short-term financial reliefs to overcome the COVID-19 crisis, the government will also take forward-looking measures to manage risks in preparation for the future. Amid the pandemic economy, the volume of credit-based loans by households has increased significantly. As such, the government will continue to work on preemptive management of household debt. In this regard, the government has begun to look into the application of debt service ratio by credit-based lenders to prevent credit loans from becoming an alternative channel for home mortgage lending in government-designated ‘speculative’ and ‘overheated speculative’ areas. As such, the government will continue to closely monitor trends in credit finance market and money flows around stock markets while working on systematic management of household debt.

In addition, the government will work on follow-up measures to ensure a seamless implementation of the ‘Korean New Deal Fund and New Deal Finance’ plans.¹ The

¹ Please click [here](#) for details.

Korea Exchange announced the development of K-New Deal indexes yesterday, and the government will work on determining the specific investment scope through inter-ministerial coordination. The government will also launch a working group in preparation of the public sector led New Deal fund.

Viewed in light of an offense-defense paradigm, the KRW175 trillion-plus pandemic-related financial support programs are short-term crisis relief packages with 'defensive' purposes. On the contrary, the KRW170 trillion-plus investment programs for the Korean New Deal initiative have 'offensive' purposes, geared toward the preparation of the post-COVID-19 era. In this regard, close cooperation should be maintained between the government and the financial sector.

FINANCIAL SUPPORT PROVIDED²

(In trillion won)		
▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.1
- 2 nd round of financial support (May 25~)	10.0	0.64

(In trillion won)		
▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	16.3
- Guarantees (Apr 1~)	7.9	5.7

(In trillion won)		
▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	6.9
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.1
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	1.1
- P-CBO issuance (Apr 1~)	11.7	1.9

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For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

² From February 7 to September 4, 2020