

## VICE CHAIRMAN PLEDGES TO STAY ALERT FOR POTENTIAL RISKS IN FINANCIAL MARKETS

Vice Chairman Sohn Byungdoo held the 22<sup>nd</sup> financial risk assessment meeting via teleconference on September 23 and discussed market conditions and issues concerning household loans, soundness of financial institutions and corporate credit situation with relevant authorities.

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

**(FINANCIAL MARKET CONDITIONS)** The corporate bond and short-term money markets showing signs of liquidity crunch at the end of March have largely improved due to prompt market stabilization measures taken by the government. Market experts forecast that the current stability will continue throughout the end of September given sufficient liquidity in the market. However, as there are potential risks related to COVID-19, relevant authorities should continue to closely monitor markets. The financial authorities will work to prevent an end-of-quarter credit crunch through various market stabilization measures already put in place.

With regard to stock market conditions, there are possibilities of rising volatility given uncertainties surrounding the US presidential election, US-China relations, etc. There are also concerns about a growing number of retail investors taking out loans to invest in stocks including in overseas stock markets where there may not be adequate information available to them. As such, retail investors should be well aware of the risks involved in overseas stock investment, and financial institutions should make sure that investor protection measures are closely being observed in this regard.

**(HOUSEHOLD LOANS)** The recent spike in household loans was caused in part by rising demand for loans by those undergoing difficult situations. However, a recent trend reveals that high income earners with high credit scores are increasingly turning to credit-based loans. As such, lending institutions should closely review borrowers' debt service capabilities and monitor concentration of excessive liquidity in property markets, etc.

**(SOUNDNESS OF FINANCIAL INSTITUTIONS)** Financial institutions should work for preemptive management of their soundness and reassess the appropriateness of their internal risk management process to adequately support the real economy. The government will keep a close eye on vulnerable businesses and pandemic-hit industries to provide prompt and adequate support to them.

The government will continue to stay alert for potential risks in financial markets.

## **FINANCIAL SUPPORT PROVIDED<sup>1</sup>**

(In trillion won)

<b>▶ EMERGENCY LOANS FOR SMALL MERCHANTS</b>	TARGET	PROVIDED
- 1 <sup>st</sup> round of financial support (Feb 7~)	16.4	<b>14.3</b>
- 2 <sup>nd</sup> round of financial support (May 25~)	10.0	<b>0.66</b>

(In trillion won)

<b>▶ FINANCIAL SUPPORT FOR SMEs &amp; MIDDLE MARKET ENTERPRISES</b>	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	<b>17.2</b>
- Guarantees (Apr 1~)	7.9	<b>6.5</b>

(In trillion won)

<b>▶ LIQUIDITY SUPPORT FOR CORPORATE BOND &amp; SHORT-TERM MONEY MARKETS</b>	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	<b>7.3</b>
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	<b>2.3</b>
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	<b>1.3</b>
- P-CBO issuance (Apr 1~)	11.7	<b>1.9</b>

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<sup>1</sup> From February 7 to September 18, 2020