

VICE CHAIRMAN DISCUSSES IMPORTANCE OF STEADY FINANCIAL SUPPORT FOR SMEs AND SMALL MERCHANTS

Vice Chairman Sohn Byungdoo held the 24th financial risk assessment meeting via teleconference on October 7 and discussed the implementation status of COVID-19 financial support programs and other market conditions.

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

(COVID-19 FINANCIAL SUPPORT) The latest COVID-19 emergency support programs announced in September have been operating smoothly. The second round of emergency loan program for small merchants began to provide support on September 23, with its recently increased lending cap and broadened recipient base. Since the improvements became effective, some KRW350 billion worth of loans were issued within a week with interest rates also falling compared to earlier periods. More numbers of small merchants chose to apply via contactless channels, which helped avoid long lines at lending institutions and prevent the spread of the virus.

The hardship experienced by SMEs amid a persistent pandemic underscores the importance of having a strong and tightly-woven financial support system to help address their liquidity shortages. In this regard, the government has improved existing programs according to the needs of the SMEs and middle market enterprises, thus responding to changing market conditions in a more flexible way. In terms of the COVID-19 P-CBO support, the government has decided to increase lending caps for companies and lower underwriting ratios for subordinated debt. These changes will begin to be applied with P-CBO issuances in October. In addition, the government has significantly improved the lending support program specifically targeted at the pandemic-hit SMEs and middle market enterprises on September 24, doubling lending caps, offering better interest rates and extending the support period.

(HOUSEHOLD LOANS) In September, the growth of household loans from five major banks declined compared to the previous month. In particular, credit loans fell by about a half due to effective management by banks. In this regard, the financial authorities will closely monitor trends in household debt while continuing to check whether lending institutions are closely looking into borrowers' debt service capacity when issuing loans. If there are continuing risk factors related to the trends in household loans, the financial authorities will come up with a management plan in coordination with other relevant ministries.

(K-NEW DEAL FUND) The pandemic is causing structural and fundamental changes around the world. The IMF in a recent report underscored the need to invest in digital

infrastructures and in preparation for climate change. In this regard, specific investment guidelines and the scope of K-New Deal infrastructures have been determined at the end of September. Within this year, the government will begin the process of selecting fund managers and begin to hold public information sessions to help enhance market participation and facilitate public understanding.

FINANCIAL SUPPORT PROVIDED¹

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.4
- 2 nd round of financial support (May 25~)	10.0	1.02

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	18.8
- Guarantees (Apr 1~)	7.9	6.6

(In trillion won)

▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	8.4
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.4
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	1.6
- P-CBO issuance (Apr 1~)	11.7	2.4

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

¹ From February 7 to September 29, 2020