

FSC TO CLOSELY MONITOR MARKET SITUATIONS AND GRADUALLY ROLL BACK CRISIS RESPONSE MEASURES

Vice Chairman Doh Kyu-sang held the 37th financial risk assessment meeting via teleconference on March 25 and discussed the progress in the implementation of the COVID-19 financial support for small merchants and SMEs.

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

(PANDEMIC RESPONSE MEASURES) In response to the COVID-19 pandemic, the government implemented a KRW175 trillion-plus emergency financial support package to provide support for small merchants and SMEs, stabilize financial markets and help businesses in key industries with liquidity shortages. Thanks to the active support shown by the financial institutions, markets quickly bounced back and financial difficulties experienced by small merchants and other vulnerable groups began to ease. On the Korean government's bold response to the crisis situation, the IMF in January this year released a positive assessment, and the OECD's recent growth forecast expects Korea to achieve a full recovery within this year. Bold and preemptive responses were effective given that the scale of policy response had to exceed market expectation at a time when extreme anxieties were spreading across markets.

However, with signs of an economic recovery in the US, inflation expectations have been rising as well as the long-term bond yields. In this regard, the government will closely monitor market situations and work on preemptive management to prepare for a possible rate hike in domestic markets.

In addition, there have been growing concerns about inappropriate trading activities in stock markets. There are active discussions going on in this regard at the National Assembly to strengthen penalties on unfair and inappropriate trading activities, such as price rigging. The government will closely cooperate with the relevant institutions to work on the prevention of inappropriate trading activities.

(MATURITY EXTENSION & PAYMENT DEFERRAL) Since April 1 of last year, all financial institutions made available maturity extensions and payment deferrals on loans and agreed to extend them twice until the end of September this year. To prepare for a soft-landing of the termination of these support, banks will make available diverse payback options tailored to the different needs and situations of their customers and offer pre-consulting services to minimize payment burdens on borrowers. As such, financial institutions should work on a thorough preparation with regard to the development of their IT systems, simplification of the approval process, accumulation of sufficient loss provisions, etc.

The financial authorities will maintain close monitoring of market situations while continuing to make support available to the vulnerable sectors and working on a gradual and careful rollback of the crisis response measures.

COVID-19 FINANCIAL SUPPORT PROGRAMS¹

(In trillion won)		
▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7, 2020~)	16.4	14.8
- 2 nd round of financial support (May 25, 2020~)	10.0	5.5
Existing program	7.0	5.06
Special lending program for those affected by social gathering restrictions	3.0	0.41

(In trillion won)		
▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans and guarantees (Mar 16, 2020~)	37.8	38.0

(In trillion won)		
▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~Dec 31, 2020)	5.0	10.5
- Corporate bond and CP underwriting and refinancing programs (Mar 30, 2020~)	6.1	2.2
- Low-rated corporate bond & CP purchase program (Jul 24, 2020~)	20.0	3.0
- P-CBO issuance (Apr 1, 2020~)	11.7	3.8

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¹ From February 7, 2020 to March 19, 2021