

FSC CHAIRMAN DISCUSSES KEY POLICY ISSUES WITH HEADS OF STATE-BACKED FINANCIAL INSTITUTIONS

FSC Chairman Koh Seungbeom met with the heads of eight state-backed financial institutions on September 28 and held talks on key policy issues and the role of state-backed financial institutions.

The following is a summary of Chairman Koh's remarks.

(COVID-19 CRISIS MANAGEMENT, ORDERLY EXIT & FUTURE PREPARATION) Chairman Koh first talked about the need to consider an orderly normalization process and preparation for the future along with the COVID-19 crisis management measures. In this regard, Chairman Koh put forward four key policy tasks—(a) provision of adequate support for vulnerable sectors, (b) management of financial imbalances aimed at maintaining stability, (c) restoration of market functions in a gradual manner and (d) enhancing the role of finance to support new growth industries. With regard to the role of state-backed financial institutions, Chairman Koh urged them to provide sufficient buffer to vulnerable sectors and work to make a transition from the current paradigm of “emergency support” to “recovery support” in the area of industrial financing. As these tasks require an accurate understanding about the situation, clear analysis about policy effects as well as future forecasts, Chairman Koh pledged to closely communicate with experts from diverse areas.

(LOAN SUPPORT EXTENSION) As a first step toward an “orderly exit,” Chairman Koh discussed the provision of loan maturity extensions and principal and interest payment deferments, which was recently made available for six more months until March next year.¹ In this regard, participants agreed to work on a speedy provision of support through acquisition of nonperforming loans, debt adjustment programs, as well as through liquidity provision worth KRW4 trillion. To provide a strong backstop to lower income groups, Chairman Koh urged them to continue to expand the availability of microfinance support.

(STRENGTHENING HOUSEHOLD DEBT MANAGEMENT MEASURES) In order to maintain stability in the financial system, Chairman Koh said that the authorities will work to strictly manage the pace of household debt growth in both quantitative and qualitative terms. As a way to achieve a proper balance between the policy goals of providing support for vulnerable groups and managing household debt, Korea Housing Finance Corporation will consider various ways to distribute state-backed mortgage programs, while Korea Deposit Insurance Corporation will work to improve the differential insurance premium rates, etc.

¹ Please click [here](#) to see the press release dated September 16, 2021.

(FINANCING NEW GROWTH INDUSTRIES) Chairman Koh urged the state-backed financial institutions to play a leading role in financing the industries related to the government's New Deal and carbon net zero initiatives. With the 2050 carbon net zero scenario and the 2030 greenhouse gas reduction plan soon to be decided in October, Chairman Koh said that state-backed financial institutions should provide active support for green projects in diverse sectors. Chairman Koh also talked about the government-wide support program to cultivate innovative firms through which 600 business entities have already been selected to receive funding and support through other means, such as consulting, etc.

In addition, Chairman Koh touched upon the need to maintain active support for some of the existing industries that have been the backbone of past economic development. As the government announced its strategy to rebuild the country's shipbuilding industry on September 9, Chairman Koh said that state-backed financial institutions should provide sufficient support for small- and medium-sized shipbuilders by issuing refund guarantees and to help them make their business more eco-friendly and operation-efficient.

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