

FINANCIAL DEVELOPMENT REVIEW COMMITTEE HOLDS MEETING ON 2022 MARKET CONDITIONS AND POLICY TASKS

The FSC announced that the Financial Development Review Committee held a general meeting on January 25 to discuss recent market conditions and key policy measures for this year. The 2022 FDRC is made up of 49 financial market experts of which 21 of them are newly appointed. The FSC will regularly seek policy advice from the FDRC as the authorities draw up and implement financial policies for 2022. The following is a summary of Chairman Koh's keynote address.

CHAIRMAN'S REMARKS

(2021 FINANCIAL POLICY) 2021 was the year that required acute balancing acts in many respects. First, the household debt management plan introduced in October 2021 focused on enhancing control over the total household debt amount. It has helped to bring down the speed of the debt growth to a steady level. Meanwhile, the COVID-19 financial support programs through the KRW175 trillion-plus support packages, loan maturity extensions and payment deferrals for small businesses have provided reliefs to the lower income and vulnerable groups. Amid a rapid transition to digitalization in the financial industry, the FSC has promoted innovation and competition in the financial industry while ensuring stability in the markets and guaranteeing consumer protections.

(2022 ECONOMIC AND FINANCIAL MARKET CONDITION) The financial industry is facing uncertainty and volatility from the onset of 2022. While the economy is on a recovery track, there are threats to the economy such as the spread of the omicron variant and China's growth slowdown. Deepening financial imbalances around the world have exposed potential risk factors. The earlier-than-expected global tapering moves will lead to the end of the easy liquidity environment. The financial landscape is rapidly changing as more convergence and collaboration take place with big tech and fintech companies. As such, there will be growing demand for more public trust and fairness in the financial system.

(2022 FINANCIAL POLICY TASKS) The FSC's policy initiatives for 2022 will be centered on (a) ensuring stability in the financial system, (b) continuing to seek advancement of the financial industry, (c) strengthening support for the real economy and (d) enhancing financial inclusion and fairness in the system. First, the authorities will work on a "soft-landing" of the household debt problem while closely managing the debt levels of small merchants and self-employed business owners, preparing for global policy shifts and preemptively responding to vulnerabilities in the nonbank sector. Second, the authorities will work on regulatory reforms to promote digital

financial services, establish infrastructures for the AI- and big data-based financial services, etc. Third, the authorities will channel public sector investments of about KRW200 trillion in 2022 toward future-oriented sectors while boosting efforts for green finance and carbon net zero goals and building groundworks for the rules on the environmental, social and governance (ESG) factors. Fourth, the authorities will provide KRW10 trillion in microlending support for lower income groups and work to make financial services more consumer-friendly. While working to guarantee fairness and stability in the capital markets, the authorities will seek measures for investor safeguards.

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