

Banking Act (Republic of Korea)

By Ministry of Legislation

INTRODUCTION

Details of Enactment and Amendment

- Enactment: This Act was enacted on May 5, 1950, as Act No. 911, in order to contribute to stability of the financial markets and development of the national economy by ensuring the sound operation of banks, by elevating the efficiency of their financial intermediary functions, by protecting the depositors, and by maintaining an order in credit transactions.
- Amendment: This Act was wholly amended on January 13, 1998 and then has arrived at its present form as the result of being amended nine times. The latest amendment was on April 27, 2002.

Main Contents

- Any person who intends to carry on the banking business shall have capital stock of not less than 100 billion won, subject to authorization of the Financial Supervisory Commission.
- The Financial Supervisory Commission shall grant authorization for bank establishment upon verifying the feasibility of business plan, the propriety of capital stock, stockholders' composition, and stock underwriting funds, and the managerial ability, fidelity and public interest orientation of the promoters or management.
- A stockholder and the same person in a special relationship with such a stockholder shall not own stocks of a bank in excess of 10 percent of the total number of its issued voting stocks: *Provided*, That they may own more than 10 percent of such stocks, subject to approval of the Financial Supervisory Commission.
- A bank shall observe the management guidance standards set forth by the Financial Supervisory Commission in order to secure the adequacy of capital, the soundness and liquidity of assets, and the soundness of management. The management guidance standards set forth by the Financial Supervisory Commission shall fully reflect the principle of asset quality for financial institutions which is recommended by the Bank for International Settlements.
- A bank shall not grant a credit line in excess of 25 percent of its equity capital to the same individual/corporation and persons who share the credit risks with him/it (the same borrowers).
- For the purpose of preventing the control of a bank by a non-financial business operator (industrial capital), such operator may not hold more than 4 percent of the stocks of a bank: *Provided*, That such operator may own such stocks up to 10 percent if such operator obtains

approval from the Financial Supervisory Commission therefor after satisfying the requirements of financial soundness, etc. on condition that he will not exercise any voting rights to the stocks in excess of such 4 percent.

● The Financial Supervisory Commission may examine whether or not a stockholder holding more than 10 percent of stocks of a bank is eligible for such holding, and if it finds him ineligible for such holding as a result of such examination, order him to dispose of the stocks of the bank held by him in excess of such 10 percent.

● An officer or employee of a bank may concurrently hold the post of an officer or employee of its subsidiary in the light of the efficient management of the bank, and a bank is allowed to acquire stocks of another bank for enlarging its scale and promoting its multiple management.

● The credits which a bank can extend to all of its large stockholders shall not exceed 25 percent of the relevant bank's equity capital. Where a bank intends to extend each of its large stockholders credits of not less than a certain amount, it shall do so after obtaining a concurrent vote of all the members of its board of directors.

● A bank shall set forth the standards and procedures (internal control standards) to be observed by its officers and employees in performing their duties, in order to observe laws and regulations, conduct a sound asset operation, and protect the investors.

● A bank shall place one or more compliance officers and establish an audit committee in order to verify and investigate whether or not its officers and employees observe the internal control standards.

Wholly Amended by Jan. 31, 1998 Act No. 5499

Amended by Feb. 24, 1998 Act No. 5520

May 25, 1998 Act No. 5540

Feb. 5, 1999 Act No. 5745

May 24, 1999 Act No. 5982

Sep. 7, 1999 Act No. 6018

Jan. 21, 2000 Act No. 6177

Jan. 28, 2000 Act No. 6256

Mar. 28, 2001 Act No. 6429

CHAPTER I GENERAL PROVISIONS

■ Article 1 (Purpose)

The purpose of this Act is to contribute to the stability of financial markets and the development of the national economy by promoting the sound operation of financial institutions, enhancing the efficiency of the fund mediating functions, protecting depositors, and maintaining the credit order.

■ Article 2 (Definitions)

(1) For the purpose of this Act, the definitions of terms shall be as follows:

1. The term "banking business" means a business of lending funds raised by bearing debts from many unspecified persons through the receipt of deposits and issuance of securities and other bonds;

2. The term "financial institutions" means all juristic persons regularly and systematically engaged in the banking business except for the Bank of Korea;

3. The term "commercial financial business" means a business which loans funds primarily raised by receipt of demand deposits within a period of less than a year, or which makes loans for a period of not less than a year but less than three years, within the scope not exceeding the ceiling limit on loans as determined by the Financial Supervisory Commission, taking into account the total amount of deposits;

4. The term "long-term financial business" means a business which loans funds raised by paid-in capital, reserves, other surplus, or time deposits with a maturity of more than one year, or through the issue of debentures or other bonds for a period exceeding one year;

5. The term "equity capital" means the total amount of core capital and supplementary capital according to the standards set by the Bank for International Settlements;

6. The term "payment guarantee" means a guarantee or acceptance of debts of another person by financial institutions; and

7. The term "credits" means loans, payment guarantees and purchase of securities (limited to those whose nature is fund assistance) or other direct and indirect transactions by financial institutions, which involve the credit risk in financial transactions.

8. The term "same person" means the principal and a person having such a special relationship with the principal as prescribed by the Presidential Decree (hereinafter referred to as the "specially related person");

9. The term "non-financial business operator" means a person falling under any of the following items:

(a) The same person with respect to which the total amount of gross capital (referring to the gross amount of assets less the gross amount of debts, on the balance sheet; hereinafter the same shall apply) of persons who are non-financial companies (referring to companies that run such non-financial businesses as determined by the Presidential Decree; hereinafter the same shall apply) is not less than 25/100 of the total amount of gross capital of persons who are companies;

(b) The same person with respect to which the total amount of gross capital of persons who are non-financial companies is not less than such an amount as prescribed by the Presidential Decree, which is not less than two billion won; and

(c) A securities investment company under the Securities Investment Company Act (hereinafter referred to as the "securities investment company") with respect to which a person as referred to in item (a) or (b) holds more than 4/100 of the total number of the issued stocks (referring to the case that the same person owns stocks under his or another person's name or has voting rights to them through a contract, etc.; hereinafter the same shall apply); and

10. The term "large stockholder" means a person falling under any of the following items:

(a) One stockholder of a financial institution in case that the same person including such stockholder holds more than 10/100 [15/ 100 in case of a financial institution which does not operate nationwide (hereinafter referred to as the "local financial institution")] of the total number of voting stocks issued by the financial institution; and

(b) One stockholder of a financial institution in case that the same person including such stockholder holds more than 4/100 of the total number of voting stocks (excluding nonvoting stocks under Article 16-2 (2)) issued by the financial institution (excluding a local financial institution) and the same person is the largest stockholder of the financial institution or exercises a substantial influence over the major managerial matters of the financial institution in a manner of appointing or dismissing its officers, etc. as prescribed by the Presidential Decree.

(2) The specific scope of equity capital and credits under paragraph (1) 5 and 7 shall be determined by the Financial Supervisory Commission on such terms and conditions as the Presidential Decree provides.

■ Article 3 (Applicable Provisions)

(1) All financial institutions in the Republic of Korea shall be operated under this Act, the Bank of Korea Act, the Act on the Establishment of Financial Supervisory Organizations, and regulations and orders issued thereunder.

(2) This Act and the Bank of Korea Act shall prevail over the Commercial Act and other Acts and subordinate statutes.

■ **Article 4 (Juristic Persons)**

No person other than juristic persons shall be engaged in the banking business.

■ **Article 5 (Special Cases for National Federation of Agricultural Cooperatives, etc.)**

Any credit business sector of the National Federation of Agricultural Cooperatives and the National Federation of Fisheries Cooperatives shall be deemed to be financial institutions.

■ **Article 6 (Insurers, etc.)**

Insurers and companies engaged exclusively in mutual savings bank business or trust business shall not be deemed financial institutions.

■ **Article 7 (Determination on whether Juristic Persons are Financial Institutions)**

(1) Whether a juristic person is a financial institution shall be determined by the Financial Supervisory Commission.

(2) The Financial Supervisory Commission may require any juristic person concerned to submit books and other documents as necessary to make determinations referred to in paragraph (1).

CHAPTER II AUTHORIZATION, ETC.

OF BANKING BUSINESS

■ **Article 8 (Authorization of Banking Business)**

(1) Any person who intends to conduct the banking business shall obtain the authorization from the Financial Supervisory Commission.

(2) In determining whether to grant authorization under paragraph (1), the Financial Supervisory Commission shall confirm the feasibility of a business project, the appropriateness of paid-in capital, stockholders' composition and stock subscription capital, the managerial abilities and sincerity of the promoters or the management, and the public-interest. In this case, the matters necessary for the methods, etc. of such confirmation shall be determined by the Presidential Decree.

(3) The Financial Supervisory Commission may set conditions for authorization under paragraph (1).

■ **Article 9 (Minimum Paid-In Capital)**

The paid-in capital of a financial institution shall be not less than one hundred billion won:
Provided, That the paid-in capital of a financial institution which does not operate nationwide may be not less than twenty-five billion won.

■ Article 10 (Report on Amendment of Articles of Association and Reduction in Paid-In Capital)

(1) Where any financial institution intends to perform any of the following activities, it shall, in advance, report on it to the Financial Supervisory Commission:

1. Amendment of the articles of association: *Provided*, That this shall not apply where it intends to alter minor matters as determined by the Financial Supervisory Commission; and
2. Reduction in the paid-in capital as determined by the Presidential Decree.

(2) Where a financial institution amends the articles of association under the proviso of paragraph (1) 1, or makes a change in the paid-in capital which does not fall under subparagraph 2 of the same paragraph, it shall report on it to the Financial Supervisory Commission within seven days from the date on which such a cause occurs.

(3) The Financial Supervisory Commission may, in case where the content which was reported under paragraph (1) is deemed to violate the related Acts and subordinate statutes or to infringe on the rights and interests of the users of financial institutions, recommend the financial institutions concerned to correct or supplement it.

■ Article 11 (Submission of Application)

(1) Any person who intends to obtain authorization under Articles 8 (1) shall submit an application to the Financial Supervisory Commission.

(2) The contents and types of the application under paragraph (1) shall be determined by the Financial Supervisory Commission.

■ Article 12 (Public Notice of Authorization, etc.)

Where the Financial Supervisory Commission grants authorization under Article 8 (1) or cancels the authorization under Article 53 (2), it shall make public notice of the contents in the Gazette and make them known to the public through the use of computer communications, etc.

■ Article 13 (Establishment and Relocation, etc. of Branches)

The financial institution shall, in case where it intends to newly establish branches, agents or other business places or offices in foreign countries, or to relocate its head office in the areas of other Special Metropolitan City, Metropolitan City, or Do, prepare in advance the plans for new establishment or relocation and make a consultation with the Financial Supervisory Commission.

■ Article 14 (Ban on Use of Similar Trade Names)

No person other than the Bank of Korea and financial institutions shall use the denotation "bank" in his trade name, or the denotations "banking business" or "banking operations" in indicating his business.

CHAPTER III HOLDING LIMITS, ETC. OF

FINANCIAL INSTITUTION'S STOCKS

■ Article 15 (Stock-holding Limit, etc. by Same Persons)

(1) The same person shall not hold stocks of a financial institution in excess of 10/100 of the total number of its issued voting stocks: *Provided*, That this shall not apply to cases falling under any of the following subparagraphs and cases of paragraph (3) and Article 16-2 (3):

1. Where the Government or the Korea Deposit Insurance Corporation established under the Depositor Protection Act holds stocks of a financial institution; and
2. Where he is holding not more than 15/100 of the total number of issued voting stocks of a local financial institution.

(2) Where the same person (excluding a person as prescribed by the Presidential Decree) falls under any of the following subparagraphs, he shall make a report thereon to the Financial Supervisory Commission under the conditions as prescribed by the Presidential Decree:

1. Where he holds more than 4/100 of the total number of issued voting stocks of a financial institution (excluding a local financial institution; hereafter in this paragraph the same shall apply);
2. Where the same person falling under subparagraph 1 becomes the largest stockholder of the financial institution concerned; and
3. Where the ratio of stockholding by the same person falling under subparagraph 1 is changed to the extent of not less than 1/100 of the total number of issued voting stocks of the financial institution concerned.

(3) Notwithstanding the text of paragraph (1) exclusive of its subparagraphs, the same person may hold stocks of a financial institution with approval of the Financial Supervisory Commission for any excess of each such limit as set in any of the following subparagraphs: *Provided*, That the Financial Supervisory Commission may grant approval by fixing separate specified limit of stockholding other than the limit as set in each subparagraph only where it is deemed necessary in view of the possible contribution to the efficiency and soundness of the banking business and the stock distribution of stockholders of the financial institution, and if the same person intends to hold stocks in excess of the approved limit, he shall obtain additional approval from the Financial Supervisory Commission:

1. The limit as set in the text of paragraph (1) excluding its subparagraphs (the limit as set in paragraph (1) 2 in case of a local financial institution);
2. 25/100 of the total number of issued voting stocks of the financial institution concerned; and

3. 33/100 of the total number of issued voting stocks of the financial institution concerned.

(4) Where the Financial Supervisory Commission refuses to grant approval under paragraph (3), it shall specify and notify such cause to the applicant within the period as determined by the Presidential Decree.

(5) In applying the provisions of paragraph (3), the qualifications for any person capable of holding stocks of a financial institution, the requirements and procedures for approval related to stockholding, and other necessary matters shall be determined by the Presidential Decree in consideration of the possible risk of undermining the soundness of the financial institution concerned, the propriety of the size of assets and the financial standing of the financial institution concerned, the size of credits from the financial institution concerned, and the possible contribution to the efficiency and soundness of the banking business.

(6) Where a securities investment company holds stocks of a financial institution with the approval under paragraph (3), the provisions of Article 28 (2) 1 and 2 of the Securities Investment Company Act shall not apply with respect to the securities investment company.

[This Article Wholly Amended by Act No. 6691, Apr. 27, 2002]

■ Article 16 (Restriction, etc. on Voting Right of Limit Excess Stocks)

(1) Where the same person holds stocks of financial institutions beyond the stockholding limit referred to in Article 15 (1) and (3) or 16-2 (1) and (2), the scope for exercising the voting right of relevant stocks shall be restricted to the limit referred to in Article 15 (1) and (3) or 16-2 (1) and (2), and he shall, without delay, make sure that he conforms to the relevant limit.

(2) Where the same person does not observe the provisions of paragraph (1), the Financial Supervisory Commission may order him to dispose of the stocks beyond the relevant limit within a specified period of not more than six months.

■ Article 16-2 (Restriction, etc. on Stockholding by Non-Financial Business Operator)

(1) A non-financial business operator (including a person who is excluded from an enterprise group subject to the limitations on mutual contribution, etc. under Article 14-2 of the Monopoly Regulation and Fair Trade Act and so does not fall under any non-financial business operator, and for whom a period as determined by the Presidential Decree has not yet passed since the date of the exclusion; hereafter in paragraph (2) the same shall apply) may not hold more than 4/100 of the total number of issued voting stocks of a financial institution (15/100 in case of a local financial institution), notwithstanding the provisions of Article 15 (1).

(2) Notwithstanding the provisions of paragraph (1), if a non-financial business operator obtains approval from the Financial Supervisory Commission for stocks of a financial institution which he intends to hold beyond the limit as set in paragraph (1) (excluding the case related to a local financial institution) on condition that he will not exercise the voting rights to the stocks, after

satisfying the requirements as determined by the Presidential Decree including financial soundness, he may hold such stocks up to the limit as fixed in the text of Article 15 (1) excluding its subparagraphs.

(3) With respect to a non-financial business operator falling under any of the following subparagraphs, the text of Article 15 (1) excluding its subparagraphs and Article 15 (3) shall apply, notwithstanding the provisions of paragraphs (1) and (2):

1. A non-financial business operator who has submitted to the Financial Supervisory Commission a plan for converting himself into a person who is not any non-financial business operator within two years (hereinafter referred to as the "conversion plan") and has obtained approval therefor; and

2. A non-financial business operator who holds stocks within the scope of the ratio of holding stocks of a financial institution by a foreigner under the Foreign Investment Promotion Act (hereinafter referred to as the "foreigner").

(4) Where a non-financial business operator comes to exceed the ratio of holding stocks by a foreigner as a result of holding stocks of a financial institution under paragraph (3) 2, he may not exercise voting rights to stocks held in excess.

(5) The Financial Supervisory Commission may order a non-financial business operator to dispose of the stocks held in excess under paragraph (4) within a specified period of not more than one year: *Provided*, That if the Financial Supervisory Commission deems it inevitable in the light of the number of the stocks held in excess by a non-financial business operator and the situation of the securities market, etc., it may extend the period of disposing of the stocks within a specified limit.

(6) The number of financial institutions of which the stocks may be held by a non-financial business operator under paragraph (3) 2 shall be limited to one.

(7) Requirements for approval of the conversion plan under paragraph (3) 1 and other matters necessary for the examination of approval shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 16-3 (Appraisal, Checkup, etc. of Conversion Plan)

(1) A non-financial business operator who intends to apply for approval under Article 16-2 (3) 1 shall submit a conversion plan to the Financial Supervisory Commission, and if the appraisal of the conversion plan by a specialized institution is necessary, the Financial Supervisory Commission may have the specialized institution conduct such appraisal under the conditions as determined by the Financial Supervisory Commission.

(2) The Financial Supervisory Commission shall regularly check up the situation of executing a conversion plan by a non-financial business operator (hereinafter referred to as a "person subject to conversion") who holds stocks of a financial institution in excess of the limit as set in Article 16-2 (1) with approval on the conversion plan under paragraph (3) 1 of the same Article, as prescribed by the Presidential Decree, and shall disclose its results through computer network, etc.

(3) Where the Financial Supervisory Commission deems that a person subject to conversion fails to execute the conversion plan as a result of checkup under paragraph (2), it may order him to execute it within a fixed period of not more than six months.

(4) A person subject to conversion falling under any of the following subparagraphs may not exercise the voting rights to the stocks of a financial institution held by himself in excess of the limit as set in Article 16-2 (1):

1. A person subject to conversion who is under the execution order of paragraph (3) by the Financial Supervisory Commission; and

2. A person subject to conversion whose illegal transaction with a financial institution is confirmed from the inspection of the Governor of the Financial Supervisory Service due to any cause as referred to in Article 48-2 (1) 2.

(5) Where a person subject to conversion falls under any of the following subparagraphs, the Financial Supervisory Commission may order him to dispose of the stocks of a financial institution held in excess of the limit as set in Article 16-2 (1) within a specified period of not more than six months:

1. Where he fails to comply with the execution order under paragraph (3); and

2. Where he falls under paragraph (4) 2.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ **Article 16-4 (Examination of Limit Excess Stockholders' Qualifications, etc.)**

(1) The Financial Supervisory Commission shall examine whether or not a person holding stocks of a financial institution under Articles 15 (3) and 16-2 (3) (hereafter in this Article referred to as the "limit excess stockholder") continues to meet the qualifications and approval requirements under Article 15 (5) (hereafter in this Article referred to as the "excess holding requirements") after the holding of the stocks, under the conditions as prescribed by the Presidential Decree.

(2) The Financial Supervisory Commission may, where necessary for the examination as referred to in paragraph (1), ask a financial institution or a limit excess stockholder to furnish necessary data or information.

(3) Where the Financial Supervisory Commission deems, as a result of the examination under paragraph (1), that a limit excess stockholder fails to meet the excess holding requirements, it may order him to meet such requirements within a specified period of not more than six months.

(4) The limit excess stockholder who is ordered under paragraph (3) may not exercise any voting rights to the stocks of a financial institution held in excess of the limit as set in Article 15 (3) 1 (referring to the limit as set in Article 16-2 (1) in case the limit excess stockholder is a nonfinancial business operator; hereafter in paragraph (5) the same shall apply) before he executes the order.

(5) Where the limit excess stockholder who is ordered under paragraph (3) fails to comply with the order, the Financial Supervisory Commission may order the limit excess stockholder to dispose of the stocks of a financial institution held by him in excess of the limit as set in Article 15 (3) 1 within a specified period of not more than six months.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 17 (Exercise of Minority Stockholder's Right)

(1) Any person, who holds the stocks in excess of 5/100,000 of the total number of the issued stocks of financial institutions continuously for more than six months as determined by the Presidential Decree, may exercise the stockholder's right as referred to in Article 403 of the Commercial Act (including the cases applicable *mutatis mutandis* in Articles 324, 415, 424-2, 467-2 and 542 of the Commercial Act).

(2) Any person, who has held the stocks equivalent to not less than 250/100,000 (not less than 125/100,000 in case of financial institutions prescribed by the Presidential Decree) of the total number of the stocks issued by financial institutions for not less than six months as prescribed by the Presidential Decree, may exercise his right as a stockholder as prescribed in Articles 385 (including the case where the provisions are applied *mutatis mutandis* under Article 415 of the Commercial Act) and 539 of the Commercial Act.

(3) Any person, who has held the stocks equivalent to not less than 25/ 100,000 (not less than 125/1,000,000 in case of financial institutions prescribed by the Presidential Decree) of the total number of the stocks issued by financial institutions for not less than six months as prescribed the Presidential Decree, may exercise his right as a stockholder as prescribed in Article 402 of the Commercial Act.

(4) Any person, who has held the stocks equivalent to not less than 50/ 10,000 (not less than 25/10,000 in case of financial institutions prescribed by the Presidential Decree) of the total number of the voting stocks issued by financial institutions for not less than six months as prescribed the Presidential Decree, may exercise his right as a stock holder as prescribed in Article 363-2 of the Commercial Act.

(5) Any person, who has held the stocks equivalent to not less than 5/ 10,000 (not less than 25/100,000 in case of financial institutions prescribed by the Presidential Decree) of the total number of the stocks issued by financial institutions for not less than six months as prescribed the Presidential Decree, may exercise his right as a stockholder as prescribed in Article 466 of the Commercial Act.

(6) Any person, who holds the stocks in excess of 150/10,000 (75/10,000 in case of financial institutions as prescribed by the Presidential Decree) of the total number of the issued stocks of financial institutions continuously for more than six months as determined by the Presidential Decree, may exercise the stockholder's right as referred to in Articles 366 and 467 of the Commercial Act. In this case, where exercising the stockholder's right as referred to in Article 366 of the Commercial Act, it shall be based on the voting stocks.

(7) The stockholder under paragraph (1) may, in case where he institutes a suit pursuant to Article 403 of the Commercial Act (including the cases applicable *mutatis mutandis* in Articles 324, 415, 424-2, 467-2 and 542 of the Commercial Act) and wins the case, claim the financial institution to pay the expenses for suit and all other expenses arising from the suit.

CHAPTER IV OFFICERS AND EMPLOYEES

■ Article 18 (Qualifications, etc. for Officers)

(1) No person falling under any of the following subparagraphs shall be an officer of any financial institution, and if he falls hereunder after becoming one, he shall lose the office:

1. Deleted;
2. A minor or a person who is incompetent or quasi-incompetent;
3. A bankrupt who has not been reinstated;
4. A person who has been sentenced to imprisonment without prison labor or more severe punishment and for whom five years have not elapsed since he completed the sentence (including where he is deemed to have completed the sentence) or was exempted from the sentence;
5. A person who has been sentenced to a fine or more severe punishment under this Act or any foreign country's banking Acts and subordinate statutes and other finance-related Acts and subordinate statutes as determined by the Presidential Decree and for whom five years have not elapsed since he completed the sentence (including where he is deemed to have completed the sentence) or was exempted from the sentence;
6. A person who has been granted a suspended sentence of a sentence to imprisonment without prison labor or more severe punishment and who is under a stay of execution;
7. A person who has been dismissed or removed from office by disciplinary punishment under this Act, the Bank of Korea Act, the Act on the Establishment, etc. of Financial Supervisory

Organizations, the Act on the Structural Improvement of the Financial Industry, or any foreign country's finance-related Acts and subordinate statutes, and for whom five years have not elapsed since he was dismissed or removed by disciplinary punishment;

8. A person (limited to any person directly or likewise responsible for grounds for such timely corrective measures, etc. being taken, and who is determined by the Presidential Decree) who is or was an officer or employee of a financial institution (referring to financial institutions under subparagraph 1 of Article 2 of the Act on the Structural Improvement of the Financial Industry, hereinafter, the same shall apply in this subparagraph) which was subject to timely corrective measures by the Financial Supervisory Commission pursuant to Article 10 (1) of the said Act or administrative dispositions such as decision on contract transfer pursuant to Article 14 (2) of the said Act, and for whom two years have not passed since such timely corrective measures, etc. were taken; and

9. A person who is or was an officer or employee of a juristic person or company whose permission or authorization for business has been cancelled by this Act or finance-related Acts and subordinate statutes as determined by the Presidential Decree (limited to any person directly or likewise responsible for the occurrence of relevant cancelling causes, and who is determined by the Presidential Decree), and for whom five years have not passed since the date when such cancellation was made against the relevant juristic person or company.

(2) The officers of any financial institution shall be those who are equipped with experience and knowledge in finance and who are unlikely to impede the public-interest, the sound management and the credit order of financial institutions.

(3) The specific matters on the qualifications for officers of financial institutions shall be determined by the Financial Supervisory Commission.

■ **Article 19 Deleted.**

■ **Article 20 (Restriction on Concurrent Posts Held by Officers, etc.)**

(1) No officer or employee of a financial institution shall be an officer or employee of the Bank of Korea or any other financial institution or a bank holding company under the Financial Holding Companies Act (hereinafter referred to as the "bank holding company"): *Provided*, That this shall not apply to cases falling under any of the following subparagraphs:

1. Where he becomes an officer or employee of a subsidiary bank under Article 37 (5);
2. Where he becomes an officer or employee of a bank holding company having the financial institution to which he belongs, as a subsidiary; and
3. Where he becomes an officer of a financial institution which is a subsidiary of a banking holding company having the financial institution to which he belongs, as another subsidiary.

(2) No permanent officer of a financial institution shall be engaged in the day-to-day operations of other profit-making corporations: *Provided*, That this shall not apply to cases falling under any of the following subparagraphs:

1. Where he falls under any subparagraph of paragraph (1);
2. Where he is appointed as a manager under the Company Reorganization Act; and
3. Where he becomes an officer or employee of such a subsidiary as referred to in Article 37 (2) (excluding the cases prescribed by the Presidential Decree).

[This Article Wholly Amended by Act No. 6691, Apr. 27, 2002]

■ Article 21 (Prohibition of Bribery, etc.)

No officers or employees of a financial institutions shall request, accept or promise any gifts or other bribes, whether directly or indirectly, in connection with his duties.

■ Article 22 (Composition of Board of Directors)

(1) Deleted.

(2) The financial institution shall appoint more than three directors, who are not engaged in the day-to-day duties (hereinafter referred to as the "directors outside the company"), to the board of directors, and the number of the directors outside the company shall be in excess of 50/100 of the total number of directors.

(3) Any financial institution shall have a committee as referred to in Article 393-2 of the Commercial Act in order to recommend candidates for outside directors (hereinafter referred to as the "outside director candidate recommendation committee"). In this case, 1/2 or more of the total members of the outside director candidate recommendation committee shall be composed of outside directors.

(4) Outside directors shall be selected and appointed by the general meeting of stockholders among persons recommended by the outside director candidate recommendation committee.

(5) The latter part of paragraph (3) shall not apply where a newly established financial institution first organizes the board of directors.

(6) Where the composition of the board of directors fails to meet the requirements under paragraph (2) due to the resignation or death of the outside directors, the composition of the board of directors shall be adjusted to meet the requirements under paragraph (2) by the date of the general meeting of stockholders convened for the first time after the date when such a cause occurs.

(7) and (8) Deleted.

(9) Deleted.

(10) The necessary matters on the operation, composition, and procedures of the board of directors other than those provided in this Act shall be determined by the Presidential Decree.

■ Article 23 (Powers of Board of Directors)

(1) The following matters shall be subject to deliberation and decision by the board of directors:

1. Matters on management objectives and evaluation;
2. Matters on the amendment of the articles of association;
3. Matters on the budget and settlement of accounts, including the remuneration of officers and employees;
4. Deleted;
5. Matters on major changes in organization such as dissolution, business transfer, and merger, etc.; and
6. Matters on internal control standards under the provisions of Article 23-3.

(2) Of the powers of the board of directors under Article 393 (1) of the Commercial Act, the powers of appointment or dismissal of managers and establishment, relocation or closure of branches may be delegated on conditions as the articles of association of a financial institution may determine.

■ Article 23-2 (Audit Committee)

(1) The financial institution shall establish the audit committee (referring to the audit committee under the provisions of Article 415-2 of the Commercial Act; hereinafter the same shall apply) in the board of directors.

(2) The audit committee shall consist of the directors outside of the company not less than two thirds of the total members.

(3) The members of the audit committee who are not the directors outside of the company shall not fall under any subparagraphs of Article 191-12 (3) of the Securities and Exchange Act: *Provided*, That a person holding office of the audit committee member who is not the director outside the company may, notwithstanding the provisions of Article 191-12 (3) 6 of the Securities and Exchange Act, become the member who is not the director outside the company.

(4) Where the composition of the audit committee fails to meet the requirements under paragraph (2) due to the resignation or death, etc. of the audit committee members, the composition of the audit committee shall be adjusted to meet the requirements under paragraphs (2) at the regular

general stockholders' meeting convened for the first time after the date when such a cause occurs.

(5) The proviso of Article 415-2 (2) of the Commercial Act shall not be applicable to the composition of the audit committee under the provision of paragraph (1).

■ **Article 23-3 (Internal Control Standards, etc.)**

(1) The financial institutions shall lay down the basic procedures and standards (hereinafter referred to as the "internal control standards") to be observed by the officers and employees of the relevant financial institutions in performing their duties, in order to observe the Acts and subordinate statutes, to make a sound operation of assets and to protect the depositors.

(2) The financial institutions shall appoint one or more persons (hereinafter referred to as the "supervisor for lawabiding") who are to inspect whether the internal control standards are observed, and in case of any violation of the internal control standards, investigate it and report on it to the audit committee.

(3) Where a financial institution intends to appoint a compliance officer, it shall go through a resolution of the board of directors: *Provided*, That this shall not apply with respect to a branch office of a foreign financial institution under Article 58 (1).

(4) A compliance officer shall meet the following requirements:

1. He is required to be the person with the experience falling under any of the following items:

(a) A person who has served not less than 10 years in the Bank of Korea or an institution subject to inspection (including any foreign financial institution corresponding thereto) under Article 38 of the Act on the Establishment, etc. of Financial Supervisory Organizations;

(b) A person with a master's degree or higher in the finance-related area who has served not less than 5 years in a university as a full-time lecturer or higher or in a research institute as a researcher or higher;

(c) A person with the qualification of an attorney-at-law or a certified public accountant who has served not less than 5 years in the service area related to such qualification; and

(d) A person who has served not less than 5 years in the Ministry of Finance and Economy, the Financial Supervisory Commission, the Securities Futures Commission, or the Financial Supervisory Service under Article 44 and for whom 5 years or more have elapsed since he resigned or retired from each of such institutions;

2. He is required not to fall under each subparagraph of Article 18 (1); and

3. He is required not to have been subject to any such measures as demand for caution or warning, etc. for violating finance-related Acts and subordinate statutes from the Financial Supervisory

Commission or the Governor of the Financial Supervisory Service under Article 47 in the past 5 years.

(5) Necessary matters concerning the internal control standards and compliance officers shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6177, Jan. 21, 2000]

■ **Article 24 (Recommendation of Candidates for Members of Audit Committee)**

Candidates for the members of the audit committee shall be recommended by a candidate recommendation committee which is composed of all outside directors. In this case, the candidate recommendation committee shall make decisions by an affirmative vote of not less than two-thirds of all outside directors.

■ **Article 25 (Restriction on Voting Rights of Interested Persons)**

Any director who has special interests in any relevant agenda under consideration by the board of directors shall not cast his vote.

■ **Article 26 (Exclusion from Application)**

The provisions of Articles 23 and 24 shall not apply to financial institutions established by foreigners in accordance with the Presidential Decree and financial institutions in which foreigners hold more than 50/100 of the total number of issued voting stocks under Article 15 (3).

[This Article Wholly Amended by Act No. 6691, Apr. 27, 2002]

CHAPTER V BANKING OPERATIONS

■ **Article 27 (Scope of Operations)**

(1) Financial institutions may be engaged in all the operations in the banking business (hereinafter referred to as "banking operations") within the scope of this Act and other related Acts.

(2) The scope of banking operations referred to in paragraph (1) shall be determined by the Presidential Decree.

■ **Article 28 (Authorization on Concurrent Businesses)**

(1) Where any financial institution intends to directly conduct the business as determined by the Presidential Decree which is other than the banking business, it shall be subject to authorization by the Financial Supervisory Commission. In this case, the provisions of Article 8 (2) and (3) shall apply *mutatis mutandis* to the authorization.

(2) Where engaged in the business under paragraph (1), the financial institution shall separate the relevant business from the banking operations and maintain separate books and recorded documents.

■ **Article 29 (Trust Business)**

(1) Any financial institution which operates a trust business as an additional business shall separate funds, securities, or properties pertaining to the relevant business and maintain separate books and recorded documents.

(2) The provisions of Article 30 (1) shall not apply to a trust business referred to in paragraph (1).

■ **Article 30 (Matters to be Observed on Reserves for Deposits and Interests, etc.)**

(1) Financial institutions shall hold not less than the minimum ratio of reserves for deposits and reserve assets for deposits under Section 2 of Chapter IV of the Bank of Korea Act as the reserve requirement for deposit liabilities.

(2) Financial institutions shall abide by the following decisions and restrictions taken or placed by the Monetary Policy Committee under the Bank of Korea Act:

1. Decision on the maximum rates of interest on all kinds of deposits or other payments of financial institutions;
2. Decision on the maximum rates of interest for the credit business, such as all kinds of loans or other charges of financial institutions;
3. Restriction on the maximum time limit for loans and on kinds of securities handled by financial institutions;
4. Restriction on the maximum limit on loans and investment of financial institutions, or maximum limits by sector for financial institutions within a certain period in case of national economic emergencies such as hyperinflation; and
5. Prior approval on loans by financial institutions in case of national economic emergencies such as hyperinflation.

■ **Article 31 (Commercial Financial and Long-term Financial Businesses)**

(1) Financial institutions may conduct their commercial financial business and long-term financial business concurrently.

(2) Deleted.

■ **Article 32 (Handling of Current Accounts)**

Current accounts may be handled only by financial institutions which are engaged in the commercial financial business.

■ **Article 33 (Issuance of Debentures, etc.)**

The necessary matters on the conditions and method for issue of debentures or equivalent bonds of financial institutions shall be determined by the Presidential Decree. In this case, the issue ceiling on debentures, etc. shall be determined by the Presidential Decree within the limits of five times of any equity capital.

■ **Article 34 Deleted.**

■ **Article 35 (Credit Line on Same Borrowers, etc.)**

(1) No financial institution shall extend credits exceeding 25/100 of the relevant financial institution's equity capital to the same individual, corporation and person with whom it shares the credit risk as determined by the Presidential Decree (hereinafter referred to as the "same borrowers"): *Provided*, That this shall not apply to any of the followings as determined by the Presidential Decree:

1. Where it is necessary for the national economy or for a financial institution to promote the effectiveness of securing claims; and
2. Where a financial institution exceeds the line referred to in the text due to changes in its equity capital or changes in the composition of the same borrowers although it has not extended further credits.

(2) Where a financial institution exceeds the lines referred to in the texts of paragraphs (1), (3) and (4) pursuant to paragraph (1) 2, it shall ensure that it meets the lines under the texts of paragraphs (1), (3) and (4) within one year from the date on which it exceeds such lines: *Provided*, That in any inevitable cause as determined by the Presidential Decree, the Financial Supervisory Commission may extend it by setting such period.

(3) No financial institution shall extend credits exceeding 20/100 of the relevant financial institution's equity capital to the same individual or corporation, respectively: *Provided*, That this shall not apply where it falls under the proviso of paragraph (1).

(4) Where credits which a financial institution extends to the same individual, corporation, or the same borrower exceeds 10/100 of the relevant financial institution's equity capital, the total amount of such large credits shall not exceed five times of the relevant financial institution's equity capital: *Provided*, That this shall not apply where it falls under the provisions of paragraph (1).

■ **Article 35-2 (Credit Limit on Large Stockholders of Financial Institutions, etc.)**

(1) The credits which a financial institution can extend to its large stockholder (including any person specially related to him; hereinafter the same shall apply) shall not exceed an amount falling under the ratio as determined by the Presidential Decree within the scope of 25/100 of the relevant financial institution's equity capital or an amount falling under the ratio of any contribution by the relevant large stockholder to the relevant financial institution, whichever is less.

(2) The credits which a financial institution can extend to all of its large stockholders shall not exceed an amount falling under the ratio as determined by the Presidential Decree within the scope of 25/100 of the relevant financial institution's equity capital.

(3) No financial institutions shall extend credits to their large stock holders under mutual crossing for the purpose of avoiding the credit limit as referred to in paragraphs (1) and (2).

(4) Where a financial institution intends to extend its large stockholders credits of not less than an amount as prescribed by the Presidential Decree (including any such transaction as prescribed by the Presidential Decree; hereafter in this Article the same shall apply), it shall do so after going through a prior resolution of the board of directors. In this case, the resolution shall be made by a concurrent vote of all the members of the board of directors.

(5) Where a financial institution extends its large stockholders credits of not less than an amount as prescribed by the Presidential Decree, it shall make a report thereon to the Financial Supervisory Commission without any delay and disclose it through computer networks, etc.

(6) A financial institution shall disclose the matters relevant to credits extended to its large stockholders through computer networks, etc. every quarter under the conditions as prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ **Article 35-3 (Acquisition Limit on Stocks Issued by Large Stock- holders, etc.)**

(1) No financial institution shall acquire (including to acquire through trust business; hereafter in this Article the same shall apply) stocks (including investment share; hereafter in this Article the same shall apply) issued by large stockholders of the financial institution in excess of an amount falling under the ratio as determined by the Presidential Decree within the scope of 1/100 of the relevant financial institution's equity capital. In this case, the Financial Supervisory Commission may set a separate acquisition limit on stocks by class within the acquisition limit as determined in the provisions of the former part.

(2) Where a financial institution exceeds the limit as referred to in paragraph (1) as a person who is not its large stockholder becomes its large stockholder newly, it shall dispose of the limit excess stocks within such a period as determined by the Presidential Decree.

(3) Where a financial institution intends to acquire stocks issued by its large stockholders not less than such an amount as determined by the Presidential Decree, it shall go through a resolution of the board of directors in advance. In this case, the resolution shall be made by a concurrent vote of all the members of the board of directors.

(4) Where a financial institution acquires stocks issued by its large stockholders not less than such an amount as prescribed by the Presidential Decree, it shall make a report thereon to the Financial Supervisory Commission without any delay and disclose it through computer networks, etc.

(5) A financial institution shall disclose the matters relevant to the acquisition of stocks issued by its large stockholders through computer networks, etc. every quarter under the conditions as prescribed by the Presidential Decree.

(6) A financial institution shall exercise its voting rights to the stocks issued by its large stockholders in such a manner as not affecting the contents of resolution by the number of stocks at the general meeting of the large stockholders less the number of stocks owned by the financial institution: *Provided*, That this shall not apply to the cases of a merger of large stockholders, transfer or takeover of business, appointment of officers, or other similar matters, which would obviously cause any loss to the financial institution.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 35-4 (Ban on Exercise of Improper Influence by Large Stockholders)

No large stockholder of a financial institution shall do any of the following acts with intent to gain his own profits against the financial institution's interests:

1. An act of demanding from the financial institution its internal data or information not yet disclosed with intent to exercise any improper influence: *Provided*, That this shall not include the cases falling under Article 17 (5);

2. An act of exercising an improper influence over the personnel affairs or management of the financial institution in collusion with another stockholder on condition of providing any such consideration as economic gains;

3. An act of exercising an influence over the management of the financial institution in such a manner as urging it to demand the advanced return of credits from a rival company with intent to obstruct the business activities of the rival company; and

4. Other acts similar to those as referred to in subparagraphs 1 through 3, as prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 35-5 (Request of Data to Large Stockholders, etc.)

(1) Where the Financial Supervisory Commission deems that a financial institution or its large stockholder is suspected of any violation of Articles 35-2 through 35-4, it may request the financial institution or its large stockholder to submit necessary data.

(2) Where the Financial Supervisory Commission deems that the soundness of management of a financial institution might be considerably undermined due to such insolvency of its large stockholder's financial structure as the debts of the large stockholder (limited to a company) exceed his own assets, as prescribed by the Presidential Decree, it may take such measures as determined by the Presidential Decree against the financial institution, including issuing an order for the financial institution to restrict the extension of credits to the large stockholder.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 36 (Loans to Governmental Agencies)

Loans to governmental agencies under the Bank of Korea Act shall be made only where the Government guarantees the redemption of their principal and interest.

■ Article 37 (Restriction etc. on Investments in Other Companies)

(1) No financial institution shall hold more than 15/100 of the issued voting stocks (including contribution quotas; hereinafter in this Article the same shall apply) in any other company.

(2) Notwithstanding the provisions of paragraph (1), a financial institution, if a company falls under any category of businesses as determined by the Financial Supervisory Commission or, if it obtains approval from the Financial Supervisory Commission as necessary for promoting corporate restructuring, may hold more than 15/100 of the issued voting stocks in the company: *Provided*, That this shall apply only where it falls under any of the following subparagraphs:

1. Where a financial institution invests the total amount not exceeding an amount equivalent to the ratio as determined by the Presidential Decree within the limit of 20/100 of the equity capital of the financial institution in a company in which it holds more than 15/100 of the issued voting stocks (hereinafter referred to as "subsidiaries"); and

2. Where it meets the requirements as otherwise determined by the Financial Supervisory Commission under conditions as the Presidential Decree may determine.

(3) No financial institution shall carry out any of the following activities in doing business with its subsidiaries:

1. Credit extensions to its subsidiaries, exceeding the ceiling as determined by the Financial Supervisory Commission;

2. Credit extensions in which the stocks of the financial institution's subsidiaries are offered as security, and credit extensions in order to have the stocks of the financial institution's subsidiaries purchased; and

3. Loans to officers or employees of the financial institution's subsidiaries (excluding petty loans as determined by the Financial Supervisory Commission).

(4) Where any financial institution makes investments in its subsidiaries under paragraph (2), it shall report to the Financial Supervisory Commission within seven days.

(5) The terms "parent bank" or "subsidiary bank" in paragraphs (6) through (8) mean a financial institution which owns more than 15/100 of the total number of the voting stocks issued by other financial institution, and such other financial institution. In this case, if a parent bank and its subsidiary bank hold altogether more than 15/100 of the total number of the voting stocks issued by a financial institution which is not the subsidiary bank, the financial institution shall be deemed to be a subsidiary bank of the parent bank.

(6) No subsidiary bank shall do any of the following acts:

1. An act of owning stocks issued by the parent bank and another subsidiary bank of the parent bank (hereinafter referred to as the "parent bank, etc.") (excluding the cases as prescribed by the Presidential Decree);

2. An act of owning more than 15/100 of the voting stocks issued by another financial institution;

3. An act of extending credits to the parent bank, etc. above the standards as set by the Presidential Decree; and

4. Other acts of being likely to undermine the own sound management of the concerned subsidiary bank or to infringe on the interests of financial traders, as prescribed by the Presidential Decree.

(7) Where a subsidiary bank and its parent bank, etc. extend credits to each other, they shall do so under proper security meeting the standards as set by the Presidential Decree: *Provided*, That this shall not apply where it satisfies the requirements as set by the Financial Supervisory Commission, such as the extension of credits necessary for restructuring the subsidiary bank and parent bank.

(8) A subsidiary bank and its parent bank, etc. shall not transact mutually such inferior assets as prescribed by the Presidential Decree: *Provided*, That this shall not apply where it satisfies the requirements as set by the Financial Supervisory Commission, such as transactions necessary for restructuring the subsidiary bank and parent bank.

■ Article 38 (Prohibited Business)

No financial institution shall conduct the following activities:

1. Investment in stocks or other securities (excluding state bonds and Bank of Korea currency stabilization bonds) with a period of redemption of not less than three years which exceeds the amount equivalent to the ratio as determined by the Presidential Decree within the limit of 100/100 of its equity capital. In this case, the Financial Supervisory Commission may, if

necessary, otherwise determine, within the said limit on investment, the ceiling on investment in stocks and derivatives which are securities;

2. Holding of real estate (excluding real estate acquired through the exercise of a security interest such as mortgage) other than real estate for business purposes;
3. Holding of real estate used for business purposes in excess of an amount equivalent to the ratio as determined by the Presidential Decree within the limit of 100/100 of the equity capital;
4. Loans of funds to speculate in commodities or securities;
5. Loans (excluding the loans to the enterprisers as prescribed by the Presidential Decree such as the private investment enterprisers for the social overhead capital facilities) in which stocks of the financial institution or stocks exceeding 20/100 of the issued stocks of other stock companies are offered as security, whether directly or indirectly.
6. Loans contingent on the purchase of stocks of the relevant financial institution, whether directly or indirectly;
7. Loans for political funds, whether directly or indirectly;
8. Loans to officers or employees of the relevant financial institution (excluding petty loans as determined by the Financial Supervisory Commission); and
9. Deleted.

■ **Article 39 (Disposal of Assets for Non-Business Purposes)**

A financial institution shall, of its properties or other assets, where it is prohibited from acquiring or holding them or acquires assets through the exercise of a security interest, dispose of them under the conditions as determined by the Financial Supervisory Commission.

CHAPTER VI ACCOUNTING

■ **Article 40 (Accumulation of Earned Surplus Reserve)**

A financial institution shall accumulate not less than 10/100 of its net profits until the reserve comes up to the total amount of the paid-in capital, each time it pays dividends on earned net profits.

■ **Article 41 (Public Notice, etc. of Financial Statements)**

(1) A financial institution shall make public notice of a balance sheet as of closing date, a profit and loss statement for the relevant period for settlement of accounts concerned, and a consolidated financial statement as determined by the Financial Supervisory Commission in accordance with the form as determined by the Financial Supervisory Commission within three

months from the closing date: *Provided*, That for documents which cannot be made public within three months for compelling reasons, the said public notice may be delayed upon approval by the Financial Supervisory Commission.

(2) The balance sheet, profit and loss statement, and consolidated financial statement under paragraph (1) shall be signed and sealed by the representative and the person in charge.

(3) The closing date of financial institutions shall be December 31: *Provided*, That the Financial Supervisory Commission may direct the change of the closing date and financial institutions may change the closing date upon approval by the Financial Supervisory Commission.

■ Article 42 (Submission of Balance Sheets, etc.)

(1) A financial institution shall submit its balance sheet based on the end of every month to the Bank of Korea no later than the end of the following month in accordance with the form as determined by the Bank of Korea, and the Bank of Korea shall publish them in the statistical monthly of the Bank of Korea.

(2) The balance sheet referred to in paragraph (1) shall be signed and sealed by the person in charge or his agent.

(3) A financial institution shall, as prescribed by Acts, provide the Bank of Korea, in addition to the balance sheet referred to in paragraph (1), with the periodical statistical data or information required for carrying out its functions and duties.

■ Article 43 (Refusal to Disclose Materials)

A financial institution may refuse the request for the inspection or copy of account books and documents referred to in Article 466 (1) of the Commercial Act, where it threatens to cause serious damage to the rights and interests of customers.

CHAPTER VII SUPERVISION AND INSPECTION

■ Article 44 (Supervision over Financial Institutions)

The Financial Supervisory Service established under the Act on the Establishment of Financial Supervisory Organizations (hereinafter referred to as "the Financial Supervisory Service") shall supervise, pursuant to the regulations and instructions of the Financial Supervisory Commission whether financial institutions observe this Act, other related Acts, and regulations and orders and instructions of the Financial Supervisory Commission.

■ Article 45 (Guidance for Sound Management)

(1) Financial institutions engaged in the banking business shall secure the sound management such as completing the equity capital and maintaining the adequate liquidity.

(2) The financial institutions shall, in order to maintain the sound management, observe the standards for management guidance set forth by the Financial Supervisory Commission as prescribed by the Presidential Decree in regard to matters falling under any of the following subparagraphs:

1. Matters concerning the adequacy of capital;
2. Matters concerning the soundness of assets;
3. Matters concerning the liquidity; and
4. Other matters necessary for securing the sound management.

(3) In its determining the standards for management guidance pursuant to paragraph (2), the Financial Supervisory Commission shall reflect the principle of supervision over the soundness of financial institutions recommended by the Bank for International Settlements.

(4) Where any financial institution is deemed to threaten to cause serious damage to its sound management, such as failing to meet the guidelines for the management guidance referred to in paragraph (2), the Financial Supervisory Commission may require it to take measures necessary to improve the management such as increase in the paid-in capital and restriction on profits sharing.

■ Article 46 (Measures for Insolvency, etc. of Deposits)

Where any financial institution is deemed to threaten to cause serious damage to the interests of depositors, such as threatening to go bankrupt or insolvent, the Financial Supervisory Commission may order to restrict the receipt of deposits and the credits extensions, suspend the payment of deposits in whole or in part, or take other necessary measures.

■ Article 47 (Submission of Business Report, etc.)

(1) A financial institution shall submit a monthly report of business operations to the Governor of the Financial Supervisory Service in accordance with the form as determined by the Governor of the Financial Supervisory Service (hereinafter referred to as "the FSS Governor") by the end of the following month.

(2) The report under paragraph (1) shall be signed and sealed by the representative and the person in charge or his agent.

(3) Financial institutions shall provide the FSS Governor with materials requested by him for the exercise of his functions.

■ Article 48 (Inspection)

(1) The FSS Governor shall inspect the business and financial standing of financial institutions.

(2) The FSS Governor may, in case where deemed necessary for the inspection under paragraph (1), request the financial institutions to submit the report on the business and assets and the data, to have the persons concerned present and state opinions.

(3) The FSS Governor may request any outside auditor appointed by a financial institution under the Act on External Audit of Stock Companies to submit information which he has learned as a result of auditing the financial institution, or other materials relating to the sound management.

(4) Those who perform the inspection under paragraph (1) shall be equipped with a certificate indicating his powers and produce it to the persons concerned.

■ Article 48-2(Inspection of Persons Subject to Conversion)

(1) In any of the following cases, the Financial Supervisory Commission may have the Financial Supervisory Service Governor inspect the business matters and financial standing of a person subject to conversion within the necessary minimum scope of attaining its objective:

1. Where it is necessary to verify the results of checkup under Article 16-3 (2); and
2. Where it is deemed that a person subject to conversion is very likely to have illegal business connections with a financial institution due to the aggravation of financial standing, such as the sudden increase of borrowings and the occurrence of an enormous loss.

(2) The concrete scope and method of inspection under paragraph (1) and other matters necessary for inspection shall be prescribed by the Financial Supervisory Commission.

(3) The provisions of Article 48 (2) through (4) shall apply *mutatis mutandis* to the inspection under paragraph (1).

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 49 (Contributions)

(1) Financial institutions which are inspected by the Financial Supervisory Service shall pay contributions for meeting the inspection costs to the Financial Supervisory Service.

(2) The sharing rate and limit of contributions under paragraph (1) and other necessary matters on the payment of contributions shall be determined by the Presidential Decree.

■ Article 50 (Request for Holding Reserves and Disposal of Losses)

The FSS Governor may request any financial institution to take any of the following measures as it deems necessary to maintain the sound management of the financial institution:

1. Changes in book values of assets;

2. Holding reserves for unsound assets; and

3. Writing off assets deemed valueless.

■ **Article 51 (Public Notice of Management)**

Financial institutions shall, as the Financial Supervisory Commission may determine, make public notice of the matters as prescribed by the Presidential Decree which are necessary for the protection of depositors and investors.

■ **Article 52 (Modification, etc. of Contractual Standards)**

(1) A financial institution shall protect the rights and interests of the users of the financial institution in conducting business under this Act, and where it intends to establish or modify the contractual standards relating to financial transactions, it shall make a report in advance to the Financial Supervisory Commission: *Provided*, That in such cases as not affecting adversely the rights and interests of the users and as determined by the Financial Supervisory Commission, it may make a report to the Financial Supervisory Commission within ten days of the establishment or modification of the contractual standards.

(2) The Financial Supervisory Commission may, in case where necessary to maintain the sound order in financial transactions, recommend a financial institution to modify its contractual standards referred to in paragraph (1).

(3) The Financial Supervisory Commission may determine the time and procedures for reporting the formulation or modification of the contractual standards under paragraph (1) and other necessary matters.

(4) Financial institutions shall make public notice of the terms and conditions of a contract on financial transactions on conditions as the Financial Supervisory Commission may determine.

■ **Article 53 (Sanctions against Financial Institutions)**

(1) The Financial Supervisory Commission may, in case where deemed there exist concerns about impeding the sound management of a financial institution as it violates this Act or any regulations, orders, or instructions under this Act, take any of the following measures against it upon the recommendation of the FSS Governor, or have the FSS Governor take appropriate measures, such as suspending the relevant offenses and issuing a warning:

1. Orders for correction of the relevant offenses; and

2. Partial suspension of business for less than six months.

(2) The Financial Supervisory Commission may, in case where a financial institution comes to fall under any of the following subparagraphs, order the relevant financial institution to suspend all of

its business for a specified period of less than six months, or cancel the authorization of banking business.

1. Where obtained the authorization of banking business by false or other wrongful means;
2. Where violated the contents and conditions of authorization;
3. Where conducted the business during the business suspension period;
4. Where failed to comply with the correction order under paragraph (1) 1; and
5. Where there exist concerns about seriously damaging the interest of depositors and investors in violation of this Act or orders or dispositions under this Act, in cases of subparagraphs 1 through 4.

■ **Article 54 (Sanctions against Officers and Employees)**

(1) Where any officer of a financial institution intentionally violates this Act or any regulations, orders, or instructions under this Act, or performs an act which seriously damages the sound operation of the financial institution, the Financial Supervisory Commission may, upon the recommendation of the FSS Governor, order the officer to suspend the exercise of his functions or recommend the general stockholders' meeting to dismiss the officer, and may have the FSS Governor take appropriate measures such as issuing a warning.

(2) Where any employee of a financial institution intentionally violates this Act or any regulations, orders or instructions under this Act, or performs an act which seriously damages the sound operation of the financial institution, the FSS Governor may request the head of the financial institution to take appropriate disciplinary measures such as dismissal, suspension, deduction of salary, or reprimand.

CHAPTER VIII MERGER,

CLOSURE, AND DISSOLUTION

■ **Article 55 (Authorization on Merger, Dissolution, and Closure)**

(1) Where any financial institution intends to perform any of the following acts, it shall be subject to authorization by the Financial Supervisory Commission under the conditions as prescribed by the Presidential Decree:

1. A division or a merger with any other financial institution (including a division- merger);
2. Dissolution or closure of banking business; and
3. Transfer or takeover of business operations in whole or in part.

(2) The Financial Supervisory Commission may set conditions for authorization under paragraph (1).

■ **Article 56 (Dissolution Order, etc. for Financial Institutions)**

(1) Deleted.

(2) A financial institution shall be dissolved when its authorization on banking business is cancelled pursuant to Article 53.

(3) Where any financial institution is dissolved pursuant to paragraph (2), the court may, at the request of interested persons or the Financial Supervisory Commission, or ex officio, appoint or dismiss a liquidator.

■ **Article 57 (Appointment of Liquidator, etc.)**

(1) Where any financial institution is dissolved or goes bankrupt, the FSS Governor or one of his employees shall be appointed as a liquidator or trustee in bankruptcy.

(2) The FSS Governor or his employee appointed as a liquidator or trustee in bankruptcy pursuant to paragraph (1) shall not claim remuneration for his functions: *Provided*, That reasonable expenses required for the exercise of his functions may be disbursed from the property concerned.

**CHAPTER IX DOMESTIC BRANCHES OF
FOREIGN FINANCIAL INSTITUTIONS**

■ **Article 58 (Authorization, etc. on Banking Business for Foreign Financial Institutions)**

(1) Where any foreign financial institution (meaning any institution established under the foreign Act or subordinate statute and conducting the banking business in a foreign country; hereinafter the same shall apply) intends to establish any branch, agent or office to conduct the banking business in the Republic of Korea, or to close any branch or agent, it shall be subject to authorization by the Financial Supervisory Commission under the conditions as prescribed by the Presidential Decree.

(2) The Financial Supervisory Commission may set conditions for authorization under paragraph (1).

(3) The foreign financial institution shall, in case where it intends to relocate its branch or agent authorized under paragraph (1) or to close its office, report in advance to the Financial Supervisory Commission.

■ **Article 59 (Application of Act to Foreign Financial Institutions)**

(1) Branches or agents of foreign financial institutions authorized pursuant to Article 58 (1) shall be deemed to be financial institutions under this Act, and the domestic representatives of foreign financial institutions shall be deemed to be officers of financial institutions under this Act:

Provided, That the provisions of Articles 4, 9 and 15 shall not apply.

(2) Where a foreign financial institution establishes two or more branches or agents in the Republic of Korea, the relevant branches or agents in total shall be deemed to be a financial institution.

■ Article 60 (Cancellation, etc. of Authorization)

(1) Where the head office of a foreign financial institution falls under any of the following subparagraphs, the Financial Supervisory Commission may cancel the authorization for any branch or agent of the foreign financial institution referred to in Article 58 (1):

1. Where it ceases to exist due to a merger or transfer of business operations;
2. Where it has been subject to a disciplinary action by the financial supervisory agency due to unlawful acts or unsound business activities, etc.; and
3. Where it suspends or temporarily suspends the business.

(2) Where the head office of a foreign financial institution falls under any of subparagraphs of paragraph (1), any branch, agent, or office of the foreign financial institution shall report to the Financial Supervisory Commission within seven days from the date on which such a cause occurs.

(3) Where the head office of a foreign financial institution is dissolved or goes bankrupt, closes its banking business, or its authorization on banking business has been cancelled, the authorization for branches or agents of the foreign financial institution referred to in Article 58 (1) shall be deemed to have been cancelled on the date on which such a cause occurs.

■ Article 61 (Closure and Liquidation of Branches at Time of Cancellation of Authorization)

(1) Where the authorization of any branch or agent of a foreign financial institution has been or is deemed to be cancelled pursuant to Article 53 or 60 (1) or (3), the relevant branch or agent shall be closed and shall liquidate all properties in the Republic of Korea.

(2) The court may, at the request of interested persons or the Financial Supervisory Commission, or ex officio, appoint or dismiss a liquidator.

(3) The provisions of Article 620 (2) of the Commercial Act shall apply *mutatis mutandis* to the liquidation under paragraph (1).

■ Article 62 (Domestic Assets of Foreign Financial Institutions)

(1) Branches or agents of foreign financial institutions shall hold all or part of their assets in the Republic of Korea on conditions as the Presidential Decree may determine.

(2) Where any branch or agent of a foreign financial institution is liquidated or goes bankrupt, its assets, paid-in capital, reserves, and other surplus shall be preferentially appropriated for nationals of the Republic of Korea and foreigners who have domiciles or residences in the Republic of Korea.

■ **Article 63 (Application of Provisions on Paid-In Capital)**

The application of the provisions of this Act on the paid-in capital of financial institutions with respect to branches or agents of foreign financial institutions shall be governed by the Presidential Decree.

CHAPTER X SUPPLEMENTARY PROVISIONS

■ **Article 64 (Hearing)**

The Financial Supervisory Commission shall hold a hearing where it intends to take any of the following dispositions:

1. Cancellation of authorization under Article 53; and
2. Cancellation of authorization on branches or agents of foreign financial institutions under Article 60 (1).

■ **Article 65 (Entrustment of Powers)**

(1) Deleted.

(2) The Financial Supervisory Commission may entrust part of his powers under this Act to the FSS Governor on conditions as the Presidential Decree may determine.

■ **Article 65-2 (Public Announcement on Electronic Documents, etc.)**

When a financial institution makes a public announcement or submits data under Article 41, 42, or 47, it may do so through electronic documents under the conditions as determined by the Financial Supervisory Commission, the Governor of the Bank of Korea, or the Governor of the Financial Supervisory Service.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

CHAPTER XI IMPOSITION AND COLLECTION OF PENALTY SURCHARGES, ETC.

■ **Article 65-3 (Penalty Surcharges)**

Where a financial institution violates Article 35, 35-2, 35-3, 37, 38, or 62, the Financial Supervisory Commission may impose penalty surcharges thereon according to the following division:

1. Where a financial institution exceeds the credit limit as referred to in Article 35 (1), (3), or (4), or Article 37 (3) 1 or (6) 3: Not more than 10/100 of the amount of credits in excess;
2. Where a financial institution exceeds the credit limit as referred to in Article 35-2 (1) or (2): Not more than 20/100 of the amount of credits in excess;
3. Where a financial institution exceeds the acquisition limit on stocks as referred to in Article 35-3 (1): Not more than 20/100 of the total amount of book values of the stocks acquired in excess;
4. Where a financial institution exceeds the limit on owning of stocks as referred to in Article 37 (1), (2), or (6) 2: Not more than 10/100 of the total amount of book values of the stocks owned in excess;
5. Where a financial institution extends credits in violation of Article 37 (3) 2: Not more than 2/100 of the amount of credits;
6. Where a financial institution owns stocks in violation of Article 37 (6) 1: Not more than 2/100 of the total amount of book values of the stocks owned;
7. Where a financial institution extends credits without securing any proper security in violation of the text of Article 37 (7): Not more than 10/100 of the amount of credits;
8. Where a financial institution trades inferior assets in violation of the text of Article 37 (8): Not more than 10/100 of the book value of the inferior assets;
9. Where a financial institution exceeds the ceiling on investment in securities as referred to in subparagraph 1 of Article 38: Not more than 10/100 of the amount of investment in excess;
10. Where a financial institution owns real estate in violation of subparagraph 2 of Article 38: Not more than 10/100 of the acquisition value of the real estate owned;
11. Where a financial institution exceeds the limit on owning of real estate as referred to in subparagraph 3 of Article 38: Not more than 10/100 of the acquisition value of the real estate owned in excess;
12. Where a financial institution offers loans in violation of subparagraph 4 or 6 of Article 38: Not more than 2/100 of the amount of loans;
13. Where a financial institution make loans by taking its own stocks as a security in violation of subparagraph 5 of Article 38: Not more than 2/100 of the amount of loans;

14. Where a financial institution makes loans by taking as a security stocks exceeding 20/100 of the stocks issued by another company in violation of subparagraph 5 of Article 38: Not more than 10/100 of the amount of loans; and

15. Where a financial institution fails to hold assets under Article 62 (1): Not more than 2/100 of the amount of violation.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ **Article65-4(Imposition of Penalty Surcharge)**

(1) Where the Financial Supervisory Commission imposes a penalty surcharge under Article 65-3, it shall take into account the following matters:

1. Contents and severity of a violation;
2. Period and frequency of a violation; and
3. Amount of profits gained from a violation.

(2) Other necessary matters concerning the imposition of penalty surcharges shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ **Article65-5(Submission of Opinions)**

(1) The Financial Supervisory Commission shall, prior to the imposition of a penalty surcharge, give the party concerned or the persons interested, etc. opportunities to present their opinions thereon.

(2) The party concerned or the persons interested, etc. under paragraph (1) may attend a meeting of the Financial Supervisory Commission to state their opinions or may submit necessary data thereto.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ **Article65-6(Raising of Objection)**

(1) Any person who is dissatisfied with the imposition of a penalty surcharge under Article 65-3 may raise an objection to the Financial Supervisory Commission within 30 days from the date on which he is notified of such disposition, specifying reasons therefor.

(2) The Financial Supervisory Commission shall decide on the objection under paragraph (1) within 30 days: *Provided*, That if it can not decide thereon within the period due to inevitable causes, it may extend the period within the scope of 30 days.

(3) Any person who is dissatisfied with a decision made under paragraph (2) may lodge an administrative appeal thereon.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article 65-7 (Extension of Time Limit for Paying Penalty Surcharge and Payment of Penalty Surcharge in Installments)

(1) Where the Financial Supervisory Commission deems that a person on whom a penalty surcharge is imposed (hereinafter referred to as the "person liable for paying a penalty surcharge") has difficulty in paying the penalty surcharge in lump sum for any of the following causes, it may extend the time limit of the payment or allow him to pay the penalty surcharge in installments. In this case, it may have him offer a security, if necessary:

1. Where he sustains any considerable loss in property due to disasters, etc.;
2. Where his business is in serious crisis due to the aggravation of business conditions; and
3. Where it is expected that his financial conditions will be in significant difficulty if he pays the penalty surcharge in lump sum.

(2) Where a person liable for paying the penalty surcharge intends to get the time limit for paying the penalty surcharge extended or the penalty surcharge paid in installments under paragraph (1), he shall make an application therefor to the Financial Supervisory Commission not later than 10 days before the time limit of the payment.

(3) Where a person liable for paying the penalty surcharge falls under any of the following subparagraphs after he gets the time limit of payment extended or the payment in installments allowed under paragraph (1), the Financial Supervisory Commission may cancel the extension of the time limit of payment or the decision of the payment in installments and then collect the penalty surcharge in lump sum:

1. Where he fails to pay the penalty surcharge, the payment of which has been decided to be made in installments, within the time limit of payment;
2. Where he changes his security or fails to execute orders given by the Financial Supervisory Commission, which are necessary to preserve such security;
3. Where it is deemed impossible to collect his penalty surcharge, in whole or in part, on the grounds that he is subjected to compulsory execution, the commencement of an auction, the declaration of bankruptcy, the dissolution of a corporation, or a disposition taken to collect national or local taxes in arrears, etc.; and
4. Other causes equivalent to subparagraphs 1 through 3, as prescribed by the Presidential Decree.

(4) Matters necessary for the extension of the time limit for paying penalty surcharges, the payment in installments, or the furnishing of a security, etc. under paragraphs (1) through (3) shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article65-8(Collection of Penalty Surcharges and Disposition Taken to Collect Penalty Surcharge in Arrears)

(1) Where a person liable for paying a penalty surcharge fails to pay the penalty surcharge within the time limit of payment, the Financial Supervisory Commission may collect additional dues prescribed by the Presidential Decree from him for a period ranging from the date following the time limit of payment to the date preceding the day he actually pays.

(2) Where a person liable for paying the penalty surcharge fails to pay the penalty surcharge within the time limit of payment, the Financial Supervisory Commission may urge him to pay the penalty surcharge within a specified period. If he fails to pay the penalty surcharge and the additional dues under paragraph (1) within such specified period, it may collect the penalty surcharge according to the examples of disposition on the national taxes in arrears.

(3) The Financial Supervisory Commission may entrust the Commissioner of the National Tax Service with the authority of collecting the penalty surcharge and the additional dues or taking the disposition to collect the penalty surcharge in arrears under paragraphs (1) and (2).

(4) Other matters necessary for collection of penalty surcharges shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

■ Article65-9(Charges for Compelling Compliance)

(1) Where a person who is under order for the disposal of stocks under Article 16 (2), 16-2 (5), 16-3 (5), or 16-4 (5) fails to execute the order within the fixed period, the Financial Supervisory Commission may impose on him charges for compelling compliance therewith within the scope of not exceeding the amount which is obtained by multiplying the book value of stocks to be disposed of per day by 3/10,000.

(2) The charges for compelling compliance shall be imposed for the period ranging from the day following the closing day of the compliance period set in the order for the disposal of stocks to the day the person concerned actually disposes of the stocks (referring to the day of delivering the stock certificates).

(3) In collecting charges for compelling compliance, where the order for the disposal of stocks is not carried out even after the elapse of 90 days from the closing date of the compliance period as

set in the order, the Financial Supervisory Commission shall collect such charges for the elapse of every 90 days reckoning from the closing date.

(4) The provisions of Articles 65-4 through 65-8 shall apply *mutatis mutandis* to the imposition and collection of charges for compelling compliance.

[This Article Newly Inserted by Act No. 6691, Apr. 27, 2002]

CHAPTER XII PENAL PROVISIONS

■ Article 66 (Penal Provisions)

Any person who falls under any of the following subparagraphs shall be punished by imprisonment for not more than five years or by a fine not exceeding two hundred million won:

1. A person who is engaged in the banking business without obtaining authorization under Article 8 (1);
2. A person who violates Article 21;
3. A person who extends credits to a large stockholder in violation of Article 35-2 (1) through (3), and a large stockholder who is given credits from such a person;
4. A person who acquires stocks issued by a large stockholder in violation of Article 35-3 (1);
5. A person who violates Article 35-4; and
6. An officer or employee serving or having served at a financial institution who discloses information which he has learned in the course of business or uses it for non-occupational purposes.

[This Article Wholly Amended by Act No. 6691, Apr. 27, 2002]

■ Article 67 (Penal Provisions)

Any person who falls under any of the following subparagraphs shall be punished by imprisonment for not more than three years or by a fine not exceeding one hundred million won:

1. A person who extends credits in violation of Article 35 (1), (3), or (4); and
2. A person who violates Article 37 (1), (3), or (6) through (8).

[This Article Wholly Amended by Act No. 6691, Apr. 27, 2002]

■ Article 68 (Penal Provisions)

(1) Where any officer, manager, agent representative (where the agent representative is a corporation, any member, officer, manager, or any other corporation's representative executing the functions), or liquidator of a financial institution (hereinafter referred to as "officer, etc. of a financial institution") or his employee performs any of the following acts, he shall be punished by imprisonment for not more than one year or a fine not exceeding thirty million won:

1. Where its paid-in capital falls short of the standard under Article 9;
2. Deleted;
3. Where he violates the provisions of Article 29 (1);
4. Where he violates the provisions of Article 30;
5. Where he violates the provisions of Article 32;
6. Where he issues bonds in violation of Article 33;
7. Deleted;
8. and 9. Deleted;
10. Where he violates the provisions of Article 38;
11. Where he violates the provisions of Article 40;
12. and 13. Deleted;
14. Where he performs acts as prescribed in each item of the same paragraph of the same Article without authorization under Article 55 (1);
15. Where he violates the provisions of Article 58 (1) (excluding those to be authorized in order to establish a new branch, agent or office);
16. Where he violates the provisions of Article 62 (1) or (2); and
17. Deleted

(2) Any person who violates the provisions of Article 14 shall be punished by imprisonment for not more than one year or a fine not exceeding thirty million won.

(3) Deleted.

■ Article 68-2 (Joint Penal Provisions)

When the representative of a juristic person, or an agent, employee or other employed person of a juristic person or an individual has violated Articles 66 through 68 concerning the business of the relevant juristic person or individual, the juristic person or individual shall be punished by a fine as prescribed by each Article concerned in addition to punishment of the offender.

■ **Article 69 (Fine for Negligence)**

(1) Any person who falls under any of the following subparagraphs shall be punished by a fine for negligence not exceeding fifty million won:

1. A person who fails to make a report in violation of Article 15 (2);
2. A person who refuses to comply with the request for submitting data, etc. under Article 16-4 (2) or 35-5 (1);
3. A financial institution which fails to go through resolution by the board of directors in violation of Article 35-2 (4) or 35-3 (3);
4. A financial institution which fails to make a report to the Financial Supervisory Commission or to make a disclosure in violation of Article 35-2 (5) and (6) or 35-3 (4) and (5);
5. A person who refuses, obstructs, or evades the inspection under Article 48-2; and
6. Other financial institutions which violate this Act or any rules, orders, or instructions under this Act.

(2) Where any officer, etc. or employee of a financial institution falls under any case of the following subparagraphs, he shall be punished by a fine for negligence not exceeding ten million won:

1. Where he violates Article 10 (1);
2. Where he violates Article 20;
3. Where he falsely publishes matters as prescribed in Article 41;
4. Where he neglects to submit a report under Article 47 or enters matters different from the facts on the report;
5. Where he refuses, obstructs, or evades the inspection under Article 48;
6. Where he neglects to keep, submit, report, publicly announce, or disclose documents under this Act; and
7. Where he violates this Act or any rules, orders, or instructions under this Act.

(3) Deleted.

(4) A fine for negligence under paragraphs (1) and (2) shall be imposed and collected by the Financial Supervisory Commission on conditions as the Presidential Decree may determine.

(5) Any person who is dissatisfied with the disposition of a fine for negligence under paragraph (4) may make objections to the Financial Supervisory Commission within thirty days from the date of receipt of the notice for such disposition.

(6) Where any person who has been subject to a disposition of a fine for negligence pursuant to paragraph (4) makes objections pursuant to paragraph (5), the Financial Supervisory Commission shall notify the competent court without delay and the court in receipt of such a notice shall bring the case to trial under the Non-Contentious Case Litigation Procedure Act.

(7) Where no objection is made and no fine for negligence is paid within the period under paragraph (5), the Financial Supervisory Commission shall collect the fine following the example of the collection of national taxes in arrears.

ADDENDA

■ Article 1 (Enforcement Date)

(1) This Act shall enter into force on April 1, 1998: *Provided*, That the amended provisions of Article 64 and the amended provisions of Article 7 of the Addenda shall enter into force on January 1, 1998 and the provisions of Articles 15 through 17, 22 (1) through (8) and (10), 26, 35 (3), and the amended provisions of Articles 6 (3) and 10 (2) of the Addenda shall enter into force on the date of its promulgation.

(2) The powers of the Financial Supervisory Commission in connection with the enforcement of the provisions of the proviso of paragraph (1) shall be exercised by the Director of the Board of Bank Supervision at the Bank of Korea from the date on which this Act is promulgated until March 31, 1998.

■ Article 2 (Example of Application on Term of Office of Auditors)

The term of office of auditors under the amended provisions of subparagraph 1 of Article 19 shall apply to the first auditors to be appointed after the enforcement of this Act.

■ Article 3 (General Transitional Measures)

(1) Any authorization, approval, decisions, orders, dispositions, or other acts by the Minister of Finance and Economy, the Monetary Board, or the Director of the Board of Bank Supervision at the Bank of Korea under the previous provisions prior to the enforcement of this Act shall be deemed to be acts by the Minister of Finance and Economy, the Financial Supervisory Commission, or the Financial Supervisory Service Governor under this Act.

(2) Any declarations, reports, or other acts directed to the Minister of Finance and Economy, the Monetary Board, or the Director of the Board of Bank Supervision at the Bank of Korea under the previous provisions prior to the entry into force of this Act shall be deemed to be acts directed to the Minister of Finance and Economy, the Financial Supervisory Commission, or the Financial Supervisory Service Governor.

■ Article 4 (Transitional Measures Pursuant to Adjustment of Component Ratio of Non-Permanent Directors)

The board of directors under the amended provisions of Article 22 shall be composed at the first regular general stockholders' meeting to be convened after January 1, 1998, and until then the board of directors as of January 1, 1998 shall be deemed the board of directors under this Act.

■ Article 5 (Transitional Measures on Penal Provisions)

The application of the penal provisions to acts committed prior to the enforcement of this Act shall be governed by the previous provisions.

■ Article 6 Deleted.

■ Article 7 (Special Cases for Committee on Recommendations for Candidates)

(1) Any financial institution to which the previous provisions of Article 14-7 did not apply as of January 1, 1998 and in which the term of office of the governor or auditors expires at the first regular general stockholders' meeting convened after January 1, 1998, shall compose a provisional committee on recommendations for candidates.

(2) The members of the provisional committee on recommendations for candidates under paragraph (1) shall be composed of candidates for non-permanent directors under the amended provisions of Article 22, and shall not be subject to appointment by a general stockholders' meeting.

(3) The number of members of the provisional committee on recommendations for candidates under paragraph (1) shall be determined by the board of directors.

(4) The chairman of the provisional committee on recommendations for candidates shall be chosen from among members.

(5) The members of the provisional committee on recommendations for candidates shall be recommended as candidates for non-permanent directors at the first regular general stockholders' meeting convened after January 1, 1998.

■ Article 8 (Special Cases for Application of Board of Directors System)

With regard to financial institutions converted under the Act on Structural Improvement of the Financial Industry prior to the entry into force of this Act, the amended provisions of Article 22 (3), (5) through (9) shall not apply.

■ **Article 9** Omitted.

■ **Article 10 (Relation with Other Acts and Subordinate Statutes)**

(1) Where any of Acts or subordinate statutes at the time of the entry into force of this Act cite the previous provisions of the Banking Act, the provisions corresponding to this Act, if included, shall be deemed to have been cited.

(2) Notwithstanding the provisions of Article 2 of the Framework Act on the Management of Government-Invested Institutions, where the Government holds not less than 50/100 of issued stocks of financial institutions, the financial institutions shall not be deemed to be government-invested institutions.

ADDENDA

(1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.

(2) (Transitional Measures concerning Authorization of Financial Supervisory Commission) The approving power of the Financial Supervisory Commission in connection with the enforcement of the amended provisions of Article 37 (2) shall be exercised by the Director of the Board of Bank Supervision at the Bank of Korea from the date on which this Act is promulgated until March 31, 1998.

ADDENDUM

This Act shall enter into force on the date of its promulgation.

ADDENDA

■ **Article 1 (Enforcement Date)**

This Act shall enter into force on April 1, 1999: *Provided*, That the amendments to Articles 15 (7) and 35 (1) through (3) shall enter into force on January 1, 2000.

■ **Article 2 (Transitional Measures on Credit Line)**

(1) A financial institution which extends credits in excess of the line under the amendments to Articles 15 (7) and 35 (1) and (3) pursuant to the proviso of Article 1 of the Addenda at the time of the entry into force of the amendments shall ensure that it conforms to the said amendments not later than December 31, 2002, and shall present a detailed plan for such implementation to and obtain approval from the Financial Supervisory Commission not later than January 31, 2000.

(2) A financial institution which extends credits in excess of the line under the amendments to Article 35 (4) at the time of the entry into force of this Act shall ensure that it conforms to the said amendments not later than March 31, 2000, and shall present a detailed plan for such implementation to and obtain approval from the Financial Supervisory Commission no later than April 30, 1999.

■ **Article 3 (Transitional Measures on Qualification of Officers)**

(1) Where an officer of a financial institution who is in office at the time of the entry into force of this Act falls under Article 18 (1) 7 or 8 for a cause arising prior to the entry into force of this Act, he shall be governed by the former provisions for one year from the date of the entry into force of this Act.

(2) The terms of officers of financial institutions who are in office at the time of the entry into force of this Act shall be governed by the former provisions notwithstanding the amendments to Article 19: *Provided*, That this shall not apply where the financial institution may otherwise determine by the articles of incorporation.

■ **Article 4 (Transitional Measures on Penal Provisions)**

The application of penal provisions to acts committed prior to the entry into force of this Act shall be governed by the former provisions.

ADDENDA

■ **Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

■ **Articles 2 through 6 Omitted.**

ADDENDA

■ **Article 1 (Enforcement Date)**

This Act shall enter into force on July 1, 2000. (Proviso Omitted.)

■ **Articles 2 through 21 Omitted.**

ADDENDA

■ **Article 1 (Enforcement Date)**

This Act shall enter into force after the lapse of three months from the date of its promulgation: *Provided*, That the amended provisions of Articles 17 and 23-2 shall enter into force on the date of its promulgation.

■ **Article 2 (Transitional Measures concerning Qualification Requirements for Officers)**

Where any officer of a financial institution falls under the causes of disqualification under the amended provisions of Article 18 (1) 9 due to causes that have accrued prior to the enforcement of this Act at the time that this Act is enforced, his case shall be governed by the previous provisions notwithstanding the amended provisions.

■ **Article 3 (Transitional Measures concerning Appointments of Outside Directors)**

Any non-standing director who works for a financial institution at the time that this Act is enforced shall be deemed an outside director under the amended provisions of Article 22.

■ **Article 4 (Transitional Measures concerning Establishment of Audit Committee)**

Every financial institution shall establish its audit committee in accordance with the amended provisions of Article 23-2 at the general meeting of stockholders, which is first called after the enforcement of this Act.

■ **Article 5 (Transitional Measures concerning Standing Auditor following Establishment of Audit Committee)**

Any person who works as a standing auditor of any financial institution that has to establish the audit committee at the time that this Act is enforced (referring to the standing auditor designated by the board of directors of the financial institution in case that the financial institution has not less than two standing auditors) shall, if his term of office does not expire by the date on which the ordinary general meeting of stockholders is called to establish the audit committee in accordance with Article 4 of the Addenda and he is not dismissed at the regular general meeting of stockholders, be deemed a member of the audit committee, who is not an outside director. In this case, the standing auditor shall be deemed a director appointed at the general meeting of stockholders under the provisions of Article 382 (1) of the Commercial Act until the expiration of his term of office.

■ **Article 6 (Transitional Measures concerning Internal Control Standards)**

Any financial institution that is in existence at the time that this Act is enforced shall set the internal control standards under the amended provisions of Article 23-3 (1) within six months after the enforcement of this Act.

■ **Article 7 (Transitional Measures concerning Composition of Board of Directors)**

Any financial institution under Article 26 (2) shall constitute the board of directors in a manner consistent with the amended provisions of the same Article at the regular general meeting of stockholders which is first called after the enforcement of this Act.

■ **Articles 8 and 9 Omitted.**

ADDENDA

■ Article 1 (Enforcement Date)

(1) This Act shall enter into force on July 1, 2000. (Proviso Omitted.)

(2) Omitted.

■ Articles 2 through 14 Omitted.

ADDENDA

■ Article 1 (Enforcement Date)

This Act shall enter into force on the date prescribed by the Presidential Decree within the limit not exceeding 2 years from the promulgation date of this Act. (Proviso Omitted.) <>

■ Articles 2 through 11 Omitted.

ADDENDA

■ Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

■ Article 2 (Applicable Cases concerning Qualifications for Compliance Officers of Financial Institutions)

The amendments to Article 23-3 (4) shall apply to compliance officers who are first appointed after the enforcement date of this Act.

■ Article 3 (Transitional Measures concerning Stockholding by Financial Institutions)

The same person who holds stocks of a financial institution in excess of the limit under the amendments to Articles 15 (1) and 16-2 (1), in accordance with the previous provisions of Article 15 (3) and (4), at the time of enforcement of this Act shall be deemed to hold such stocks under the amendments to Articles 15 (3) and 16-2 (3).

■ Article 4 (Transitional Measures concerning Restriction on Concurrent Holding of Office by Officers, etc.)

Any officer or employee of a financial institution who concurrently holds office of an officer or employee of a bank holding company (excluding any bank holding company having such financial institution as a subsidiary) at the time of enforcement of this Act shall make himself compatible with the amendments to Article 20 (1) not later than the day of the general meeting of

stockholders of such financial institution or such bank holding company held for the first time after the enforcement of this Act, whichever comes later.

■ **Article 5 (Transitional Measures concerning Limit on Credits)**

Any financial institution which extends credits beyond the limit under the amendments to Article 35-2 (2) at the time of enforcement of this Act shall make itself consistent with such amendments not later than one year after this Act takes effect, and shall submit a detailed plan for implementation thereof to the Financial Supervisory Commission within three months after this Act enters into force and obtain approval thereon.

■ **Article 6 (Transitional Measures concerning Acquisition Limit on Stocks)**

Any financial institution which holds stocks issued by its large stockholders beyond the limit under the amendments to Article 35-3 (1) at the time of enforcement of this Act shall make itself consistent with such amendments not later than one year from the date this Act enters into force: *Provided*, That the Financial Supervisory Commission may extend the period if it is inevitable in the light of the size of stocks issued by such large stockholders held by the financial institution, and the conditions of the securities market, etc.

■ **Article 7 (Transitional Measures concerning Penal Provisions and Fine for Negligence)**

The application of the penalty and fine for negligence to acts committed prior to the enforcement of this Act shall be governed by the previous provisions.

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