Financial Investment Services and Capital Market Act

Enacted on Aug. 3, 2007 (Act No.8635)

Part 1 General Provisions

Article 1 (Purpose)
The purpose of this Act is to contribute to the development of the national economy by enhancing the fairness, integrity, and efficiency of the capital market by promoting financial innovation and fair competition in the capital market, protecting investors, and facilitating financial investment services in a sound manner.

Article 2 (Application to Foreign Activities)
This Act shall apply to any activity conducted in the foreign jurisdiction where such activity affects the domestic market.

Article 3 (Financial Investment Products)
(1) The term “financial investment product” in this Act shall mean a product which has a risk (hereinafter, referred to as “investment component”) that the total amount of money, etc. (including the amount prescribed by the Presidential Decree, such as sales commission) paid or to be paid for an acquisition exceeds the total amount of money, etc. (including the amount prescribed by the Presidential Decree, such as termination commission) recovered or to be recovered from disposing of the rights
which are conferred to the product by making contracts to pay money or other property value (hereinafter referred to as “money, etc.”) at present or at a specific future time for the purpose of making profit or avoiding loss: Provided, That the same shall not apply to any case falling under the following subparagraphs:

1. Certificate of deposit denominated in the Korean won; or
2. Beneficial interest of trust (hereinafter referred to as “managing trust”) that a trustee is not entitled to dispose of the trust property (excluding the right to dispose of property under Articles 42 and 43 of the Trust Act).

(2) The financial investment product under paragraph (1) shall be classified as any of the following subparagraphs:

1. Securities; or
2. Derivatives:
   (a) Exchange-traded derivatives;
   (b) Over-the-counter derivatives.

**Article 4 (Securities)**

(1) The term “security” in this Act shall mean a financial investment product issued by a domestic or foreign issuer, which has no obligation under any circumstances (excluding an obligation to pay for the exercise of rights to complete a purchase and sale of underlying assets) to pay anything in addition to the money, etc. paid at the time of acquisition. (2) The security referred to in paragraph (1) shall be classified as any of the following subparagraphs:

1. Debt securities;
2. Equity securities;
3. Beneficiary certificates;
4. Investment contract securities;
5. Derivatives linked securities; or

(3) The term “debt security” in this Act shall mean government bonds, municipal bonds, special bonds (bonds issued by a corporation established in accordance with Acts and subordinate statutes; hereinafter the same shall apply), corporate bonds, commercial papers (referring to bills meeting the requirements prescribed by the Presidential Decree issued for the purpose of raising funds for businesses; hereinafter the same shall apply) and others similar thereto indicating rights to claim.

(4) The term “equity security” in this Act shall mean stock certificates, instruments
representing preemptive rights, certificates of contribution issued by a corporation established in accordance with Acts and subordinate statutes, invested equity of limited partnership companies, limited liability companies, or undisclosed associations under the Commercial Act, invested equity of associations under the Civil Act and others similar thereto indicating invested equity.

(5) The term “beneficiary certificate” in this Act shall mean beneficiary certificates in Articles 110 and 189 and others similar thereto indicating beneficial interests of trust.

(6) The term “investment contract security” in this Act shall mean an indication of rights under a contract to invest money, etc. in a common project and to expect to make a profit from the efforts of others (including other investors; hereafter in this paragraph, the same shall apply) who are responsible for the management.

(7) The term “derivative-linked security” in this Act shall mean an indication of rights to decide the amount paid or recovered through predetermined measures based on changes in the price, interest rate, indicator, unit of underlying assets or index based thereon.

(8) The term “securities deposit receipt” in this Act shall mean a facility indicating rights of securities referred to in subparagraphs 1 through 5 of paragraph (2), which has been issued outside the country where such securities were issued.

(9) Every right that may be indicated or shall be indicated in securities referred to in each subparagraph of paragraph (2) shall be regarded as securities even if such securities have not been issued.

(10) The term “underlying asset” referred to in this Act shall mean an asset falling under any of the following subparagraphs:

1. Financial investment product;
2. Currency (including foreign currencies);
3. Commodity (referring to farm products, livestock products, fishery products, forest products, mineral products, energy goods, goods that are manufactured and processed by using such goods as raw materials and other goods similar thereto);
4. Credit risk (referring to the fluctuation of credit due to the change of credit rating, bankruptcy, or debt rescheduling of the person concerned or third parties); or
5. Other risks derived by natural, environmental, or economical phenomena, etc. whose price, interest rate, index, and unit can be calculated or assessed in a reasonable and appropriate method.
Article 5 (Derivatives)
(1) The term “derivative” in this Act shall mean a right under contracts falling under any of the following subparagraphs:
1. A contract to deliver money, etc. determined by underlying assets, prices, interest rates, indicators, or units thereof, or indexes based thereon at a specific future time;
2. A contract to grant a right to enter into transactions to give or receive money, etc. determined by underlying assets, prices, interest rates, indicators, or units thereof, or indexes based thereon, through notification of one party; or
3. A contract to exchange money, etc. determined by underlying assets, prices, interest rates, indicators, or units thereof, or indexes based thereon at a predetermined price during a specific future period.
(2) The term “exchange-traded derivative” in this Act shall mean a derivative which is traded on the derivatives markets or foreign derivatives markets (referring to markets similar to the derivatives markets which are established in a foreign country or markets where foreign derivatives prescribed by the Presidential Decree are traded).
(3) The term “over-the-counter derivative” in this Act shall mean a derivative which is not an exchange-traded derivative.
(4) The conclusion of any contract other than purchase and sale contracts falling under any of the subparagraphs of paragraph (1) shall be regarded as the conclusion of purchase and sale contracts in the application of this Act.

Article 6 (Financial Investment Services)
(1) The term “financial investment service” in this Act shall mean a service falling under any of the following subparagraphs which is provided on a continuous or repetitive basis for the purpose of profit:
1. Dealing;
2. Brokerage;
3. Collective investment scheme service;
4. Non-discretionary investment advisory service;
5. Discretionary investment advisory service; or
6. Trust service.
(2) The term “dealing” in this Act shall mean a service, for its own account regardless of the title thereof, purchasing and selling financial investment products, issuing and underwriting securities, or soliciting an offer, offering, and accepting an
offer thereof.

(3) The term “brokerage” in this Act shall mean a service, for another person’s account regardless of the title thereof, purchasing and selling financial investment products, soliciting an offer, offering, and accepting an offer or such soliciting, offering and accepting as to issuance and underwriting of securities.

(4) The term “collective investment scheme service” in this Act shall mean a service managing collective investment.

(5) The term “collective investment” referred to in paragraph (4) shall mean an activity to manage money, etc. raised by soliciting more than two investors or extra money raised pursuant to Article 81 of the Finance Act in a way of acquiring, disposing of, or otherwise managing investment assets with property values without any ordinary direction from the investors or each fund manager, and to distribute the result thereof to the investors or each fund manager, Provided That the same shall not apply to cases falling under any of the following subparagraphs:
1. Where the money, etc. raised by means of private placement in accordance with the Acts and subordinate statutes prescribed by the Presidential Decree is managed and distributed, and where the total number of investors is not more than the number prescribed by the Presidential Decree;
2. Where the money, etc. is raised, managed, and distributed pursuant to the asset-backed securitization plan of Article 3 of the Asset-Backed Securitization Act; or
3. Other cases prescribed by the Presidential Decree taking into account the nature of activities and the necessity of the protection of investors.

(6) The term “non-discretionary investment advisory service” in this Act shall mean a service provided upon request for advice on the value of financial investment products or the investment decision on the financial investment products (referring to decisions on kinds, items, acquisition, disposition, ways of transaction, quantities, prices and the timing, etc; hereinafter the same shall apply).

(7) The term “discretionary investment advisory service” in this Act shall mean a service to acquire, dispose of, or otherwise manage financial investment products for each investor after the delegation from investors of all or a part of investment decisions on the financial investment products.

(8) The term “trust service” in this Act shall mean a service carrying on a trust.
Article 7 (Exemptions of Financial Investment Services)

(1) Where a person issues new securities (excluding beneficiary certificates of an investment trust, and derivative-linked securities prescribed by the Presidential Decree, or deposit and insurance with an investment component) as principal, such activity shall not be regarded as dealing.

(2) Where an introducing-broker under Article 51 (9) carries out investment solicitation as an agent, such activity shall not be regarded as brokerage.

(3) Where a person provides advice through periodicals, publications, correspondence, or broadcasting which is available for the public to purchase or receive at any time, such activity shall not be regarded as non-discretionary investment advisory service.

(4) Where a broker needs to be delegated with all or a part of investment decisions on financial investment products in the course of executing transaction orders from investors as prescribed by the Presidential Decree, such activity shall not be regarded as discretionary investment advisory service.

(5) Trust services for secured bonds under the Secured Bond Trust Act, under the Copyright Act and under the Computer Programs Protection Act shall not be regarded as trust service.

(6) Any conduct falling under the following subparagraphs other than paragraphs (1) through (5) shall not be regarded as financial investment service falling under each subparagraph of Article 6 (1) under the conditions prescribed by the Presidential Decree:

1. Where the Korea Exchange (hereinafter referred to as “the Exchange”) incorporated pursuant to Article 373 establishes and operates securities markets and derivatives markets;

2. Where a person designates a dealer as a counter-party, or purchases and sells financial investment products through a broker; or

3. Others prescribed by the Presidential Decree as necessary to be exempt from the application of financial investment services, taking into account the nature of the activity concerned and the necessity of the protection of investors.

Article 8 (Financial Investment Firms)

(1) The term “financial investment firm” in this Act shall mean a person providing financial investment services falling under each of the subparagraphs of Article 6 (1), which are authorized by or registered with the Financial Supervisory Commission.

(2) The term “dealer” in this Act shall mean a financial investment firm that conducts
dealing.
(3) The term “broker” in this Act shall mean a financial investment firm that conducts brokerage.
(4) The term “collective investment manager” in this Act shall mean a financial investment firm that provides collective investment scheme service.
(5) The term “non-discretionary investment advisory company” in this Act shall mean a financial investment firm that provides non-discretionary investment advisory service.
(6) The term “discretionary investment advisory company” in this Act shall mean a financial investment firm that provides discretionary investment advisory service.
(7) The term “trust company” in this Act shall mean a financial investment firm that provides trust service.

Article 9 (Definition of Other Terms)
(1) The term “major shareholder” in this Act shall mean a shareholder falling under any of the following subparagraphs:

1. Where a person itself and those in a special relationship as prescribed by the Presidential Decree (hereinafter referred to as “specially-related person”) hold the largest number of stocks regardless of the title thereof on the basis of the total number of outstanding stocks with voting rights after combining their stocks on their own account, the person itself (hereinafter, referred to as “largest shareholder”);

2. A person falling under any of the following items (hereinafter, referred to as “controlling shareholder”):
   (a) A person holding not less than 10/100 of the total number of outstanding stocks with voting rights regardless of the title thereof on its own account; or
   (b) A person designated by the Presidential Decree as a shareholder who has substantial influence over material management matters of the corporation, including the appointment and dismissal, etc. of an officer;

(2) The term “officer” in this Act shall mean a director or auditor.
(3) The term “outside director” in this Act shall mean a person who does not engage in any regular business of the company and is appointed pursuant to Article 25.
(4) The term “investment solicitation” in this Act shall mean a solicitation to specific investors to purchase or sell financial investment products or enter into a contract for discretionary investment advisory service or non-discretionary investment advisory service, or trust contract (excluding managing trust contracts and trust contracts
without an investment component).

(5) The term “professional investor” in this Act shall mean an investor falling under any of the following subparagraphs who has risk-taking capacity over the investment taking into account its expertise for the financial investment products and its asset size: Provided, That where a professional investor designated by the Presidential Decree notifies a financial investment firm, in writing, of the intention to be treated as a non-professional investor, the financial investment firm shall agree with such treatment unless there is any justifiable cause, and the investor who obtains the agreement from the financial investment firm shall be regarded as a non-professional investor;

1. Government;
2. The Bank of Korea;
3. Financial institutions designated by the Presidential Decree;
4. Stock-listed corporations; or
5. Others prescribed by the Presidential Decree.

(6) The term “non-professional investor” in this Act shall mean an investor who is not a professional investor.

(7) The term “public offering” in this Act shall mean solicitation of an offer to acquire newly-issued securities to not less than fifty investors calculated under the conditions prescribed by the Presidential Decree.

(8) The term “private placement” in this Act shall mean solicitation of an offer to acquire newly-issued securities, which is not included in public offering.

(9) The term “public offering of outstanding securities” in this Act shall mean an offer to sell outstanding securities or a solicitation of an offer to buy them to not less than fifty investors calculated under the conditions prescribed by the Presidential Decree.

(10) The term “issuer” in this Act shall mean a person who has issued or intends to issue any security: Provided, That in respect of issuing securities depository receipts, the term “issuer” shall mean a person who has issued or intends to issue securities which are the basis of such securities depository receipts.

(11) The term “underwriting” in this Act shall mean an activity falling under any of the following subparagraphs in a public offering of new or outstanding securities or a private placement:

1. To acquire all or a part of securities for the purpose of having a third party acquire them; or
2. Where there is no one who acquires all or a part of the securities, to make a contract to acquire the unsold portion.

(12) The term “underwriter” in this Act shall mean a person who conducts any activity falling under any of the subparagraphs of Article 11 in respect of a public offering of new or outstanding securities or a private placement.

(13) The term “securities market” in this Act shall mean a market falling under each of the following subparagraphs which is established by the Exchange for trading securities:

1. A market established for trading securities falling under each subparagraph of Article 4 (2) (hereinafter referred to as “securities market”); and
2. A market established for trading securities prescribed by the Presidential Decree among the securities falling under each subparagraph of Article 4 (2) (hereinafter referred to as “KOSDAQ market”).

(14) The term “derivatives market” in this Act shall mean a market established by the Exchange for purchasing or selling exchange-traded derivatives.

(15) The terms “listed corporation,” “unlisted corporation,” “stock-listed corporation,” and “stock-unlisted corporation” in this Act shall mean a person falling under each of the following subparagraphs:

1. Listed corporation: a corporation that has issued securities listed on the securities market (hereinafter referred to as “listed securities”);
2. Unlisted corporation: a corporation other than listed corporations;
3. Stock-listed corporation: a corporation that has issued stock certificates listed on the securities market; and

(16) The term “foreign corporation, etc.” in this Act shall mean a person falling under any of the following subparagraphs:

1. Foreign government;
2. Foreign municipal government;
3. Foreign public organization;
4. Foreign company established under foreign Acts and subordinate statutes;
5. International institution designated by the Presidential Decree; or
6. Other corporations located in a foreign country as designated by the Presidential Decree.

(17) The term “financial services-related institution” in this Act shall mean a person falling under each of the following subparagraphs:
1. The Korea Financial Investment Association established in accordance with Article 283 (hereinafter referred to as “the Association”);
2. The Korea Securities Depository established in accordance with Article 294 (hereinafter referred to as “the Depository”);
3. A person who obtains an authorization in accordance with Article 324 (1) (hereinafter referred to as “securities finance company”);
4. A merchant bank under Article 336;
5. A person who obtains an authorization in accordance with Article 355 (1) (hereinafter referred to as “fund brokerage company”);
6. A person who obtains an authorization in accordance with Article 360 (1) (hereinafter referred to as “short-term finance company”);
7. A person who obtains an authorization in accordance with Article 365 (1) (hereinafter referred to as “transfer agent”); and
8. Financial services-related organizations established in accordance with Article 370.

(18) The term “collective investment scheme” in this Act shall mean a scheme to make collective investment falling under each of the following subparagraphs:
1. A collective investment scheme in the form of a trust in which an entruster who is a collective investment manager requires a trust company to invest and manage the property entrusted to the trust company under the instructions from the collective investment manager (hereinafter referred to as “investment trust”);
2. A collective investment scheme in the form of a stock company under the Commercial Act (hereinafter referred to as “investment company”);
3. A collective investment scheme in the form of a limited liability company under the Commercial Act (hereinafter referred to as “investment limited liability company”);
4. A collective investment scheme in the form of a limited partnership company under the Commercial Act (hereinafter referred to as “investment limited partnership company”);
5. A collective investment scheme in the form of an association under the Civil Act (hereinafter referred to as “investment limited partnership”);
6. A collective investment scheme in the form of an undisclosed association under the Commercial Act (hereinafter referred to as “investment undisclosed association”);
7. A collective investment scheme that issues equity securities only through a private placement as an investment limited partnership company which invests and
manages equity securities, etc. for the purpose of participating in the management and improving the business structure or the corporate governance, etc. (hereinafter referred to as “private equity company”).

(19) The term “private equity fund” in this Act shall mean a collective investment scheme which issues collective investment securities only through a private placement and whose total number of investors is less than the number prescribed by the Presidential Decree.

(20) The term “collective investment property” shall mean a property of a collective investment scheme including an investment trust, investment company, investment limited liability company, investment limited partnership company, investment limited partnership and investment undisclosed association.

(21) The term “collective investment security” in this Act shall mean a security indicating the invested equity (in case of an investment trust, referring to beneficial interests) of a collective investment scheme.

(22) The term “collective investment agreement” in this Act shall mean an agreement setting out the organization and management of a collective investment scheme and the rights and obligations of investors, including the trust contract of investment trust, the articles of incorporation of investment company, investment limited liability company, and investment limited partnership company, and the partnership contract of investment limited partnership and investment undisclosed association.

(23) The term “general meeting of collective investors” in this Act shall mean a decision-making institution which is composed of all investors of the collective investment scheme, referring to general meetings of beneficiaries or shareholders, and general meetings of partners of investment limited partnership or investment undisclosed association.

(24) The term “trust” in this Act shall mean a trust under Article 1 (2) of the Trust Act.

Article 10 (Relation with Other Acts and Subordinate Statutes)
(1) The financial investment services shall be governed by this Act except for cases specifically prescribed by other Acts and subordinate statutes.

(2) Article 246 of the Criminal Act shall not apply to cases where financial investment firms provide financial investment services.
Part 2 Financial Investment Services

Chapter 1 Authorization and Registration of Financial Investment Services

Section 1 Requirements and Procedure of Authorization

Article 11 (Prohibition on Conducting Unauthorized Business Activity)
No one shall provide financial investment services (excluding discretionary investment advisory service and non-discretionary investment advisory service; hereafter in this Section, the same shall apply) without authorization of financial investment services (including authorization of changes) under this Act.

Article 12 (Authorization of Financial Investment Services)
(1) Any person who intends to provide financial investment services shall obtain an authorization of financial investment services from the Financial Supervisory Commission after selecting all or a part of a business unit prescribed by the Presidential Decree (hereinafter referred to as “authorized business unit”) with components falling under each of the following subparagraphs:

1. Type of financial investment services (referring to dealing, brokerage, collective investment scheme service and trust service, including underwriting business in dealing);

2. Scope (referring to securities, exchange-traded derivatives and over-the-counter derivatives, including government bonds, corporate bonds, and other securities prescribed by the Presidential Decree, derivatives of which underlying assets are stock certificates, and other products prescribed by the Presidential Decree) of financial investment products (in case of collective investment scheme service, referring to the type of collective investment scheme under Article 229, and in case of trust service, referring to the trust properties falling under each of the subparagraphs of Article 103 (1)); or

3. Type of investor (referring to professional investors or non-professional investors; hereinafter the same shall apply).

(2) The person who intends to obtain an authorization of financial investment services pursuant to paragraph (1) shall meet all the requirements falling under each of the following subparagraphs:

1. The person is required to fall under one of the following items: Provided, That the person who intends to carry on electronic securities brokerage under Article 78 among brokerage is required to be a stock company under the Commercial Act,
which is also a member of the Exchange

(a) A stock company under the Commercial Act or a financial institution prescribed by the Presidential Decree; or

(b) A foreign financial investment firm (referring to a person who provides services equivalent to financial investment service overseas in accordance with foreign Acts and subordinate statutes; hereinafter the same shall apply) that has established branches or other business offices necessary to provide financial investment services equivalent to the services that such foreign financial investment firm provides overseas;

2. The equity capital is required to be not less than 500 million won per authorization business unit and to exceed the minimum amount prescribed by the Presidential Decree;

3. The business plan is required to be proper and sound;

4. The person is required to have manpower, data-processing equipment, and other physical facilities sufficient to protect investors and carry on its business;

5. Any officer is required not to fall under any of the subparagraphs of Article 24; and

6. A major shareholder or foreign financial investment firm is required to meet the requirements under the classification falling the following items:

(a) In case of item (a) of subparagraph 1, the major shareholder (including shareholders who are specially-related persons of the largest shareholder and, where the largest shareholder is a corporation, any person who substantially influences material management matters of the corporation as prescribed by the Presidential Decree) is required to have sufficient investment capacity, sound financial status and social standing; or

(b) In case of item (b) of subparagraph 1, the foreign financial investment firm is required to have sufficient investment capacity, sound financial status and social standing;

7. The person is required to establish a system to prevent conflict of interest between investors and between specific investors and other investors.

(3) Details of authorization requirements under paragraph (2) shall be prescribed by the Presidential Decree.

**Article 13 (Application and Review of Authorization)**

(1) Any person who intends to obtain an authorization of financial investment services
under Article 12 (1) shall file an authorization application with the Financial Supervisory Commission.

(2) The Financial Supervisory Commission shall, when it receives an authorization application under paragraph (1), review the authorization application, make a decision on either granting or denying an authorization within three months (one month, if the preliminary authorization is granted pursuant to Article 14), and notify the applicant of the result and the reasons therefor in writing without delay. In the case of denial, the Commission may, when the application is found to be defective, request that the applicant supplement such application.

(3) In calculating the review period referred to in paragraph (2), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for a defective application, shall not be added to the review period.

(4) The Financial Supervisory Commission may, when it grants an authorization of financial investment services pursuant to paragraph (2), add necessary conditions for securing the sound management and for protecting investors.

(5) Any person who has obtained an authorization of financial investment services with conditions pursuant to paragraph (4) may request that the Financial Supervisory Commission change or cancel the conditions where there is any change in the circumstances or any other reasonable cause. In this case, the Financial Supervisory Commission shall make a decision on either accepting or denying such request within two months and notify the applicant of the result and the reasons therefor in writing without delay.

(6) Where the Financial Supervisory Commission grants an authorization of financial investment services pursuant to paragraph (2), or changes or cancels conditions on the authorization pursuant to paragraph (5), the Commission shall make a public notice of the matters falling under each of the following subparagraphs through the Official Gazette and the Internet website, etc. without delay:

1. Details of the authorization of financial investment services;
2. Conditions on the authorization of financial investment services (limited to cases where any condition is added); and
3. Where any condition on the authorization of financial investment services is changed or canceled, the details thereof (limited to the change or cancellation of the conditions).

(7) Matters on the application for the authorization pursuant to paragraphs (1) through
Article 14 (Preliminary Authorization)

(1) Any person who intends to obtain an authorization under Article 12 (hereafter in this Article, referred to as “main authorization”) may file a preliminary authorization application with the Financial Supervisory Commission in advance.

(2) The Financial Supervisory Commission may, when it receives an application for a preliminary authorization, review as to whether the person satisfies each subparagraph of Article 12 (2), make a decision on either granting or denying the preliminary authorization within two months, and notify the applicant of the result and the reasons therefor in writing without delay. When the application for the preliminary authorization is found to be defective, the Financial Supervisory Commission may request that the applicant supplement such application.

(3) In calculating the review period referred to in paragraph (2), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period with respect to the preliminary authorization, shall not be added to the review period.

(4) The Financial Supervisory Commission may, when it grants a preliminary authorization pursuant to paragraph (2), add necessary conditions for securing the sound management and protecting investors.

(5) Where the person who obtains a preliminary authorization applies for a main authorization, the Financial Supervisory Commission shall make a decision on either granting or denying the main authorization after confirming whether conditions for the preliminary authorization under paragraph (4) and conditions under each subparagraph of Article 12 (2) are satisfied.

(6) Matters on the application of preliminary authorization pursuant to paragraphs (1) through (5) including the entries of the preliminary authorization application documents and accompanying documents, etc. as well as the methods and procedures of reviewing the preliminary authorization, and other necessary matters shall be prescribed by the Presidential Decree.

Article 15 (Maintenance of Authorization Requirements)

A financial investment firm shall maintain the authorization requirements (referring to
the eased requirements prescribed by the Presidential Decree in case of Articles 12 (2) 2 and 12 (2) 6) falling under each subparagraph of Article 12 (2) when it obtains an authorization of financial investment services under Article 12 and provides such services.

Article 16 (Addition of Business and Change in Authorization)
(1) Where a financial investment firm intends to add any authorized business unit into the existing authorized business units under Article 12, the financial investment firm shall obtain an authorization of changes from the Financial Supervisory Commission pursuant to Articles 12 and 13. In this case, Article 14 shall not apply.
(2) With respect to the authorization of changes under paragraph (1), the eased requirements under Article 15 shall apply to the authorization requirements under Article 12 (2) 6, notwithstanding such subparagraph.

Section 2 Requirements and Procedures of Registration

Article 17 (Prohibition on Conducting Unregistered Business Activity)
No one shall provide discretionary investment advisory service or non-discretionary investment advisory service without registration of financial investment services (including registration of changes) under this Act.

Article 18 (Registration of Discretionary Investment Advisory Service or Non-discretionary Investment Advisory Service)
(1) Any person who intends to provide discretionary investment advisory service or non-discretionary investment advisory service shall file a registration of financial investment services with the Financial Supervisory Commission after selecting all or a part of business units prescribed by the Presidential Decree (hereinafter referred to as “registered business unit”) with components falling under each of the following subparagraphs:
1. Discretionary investment advisory service or non-discretionary investment advisory service;
2. Scope of financial investment products (referring to securities, exchange-traded derivatives, and over-the-counter derivatives); and
3. Type of investors.
(2) Any person who intends to register financial investment services pursuant to
paragraph (1) shall satisfy all the requirements falling under each of the following subparagraphs:

1. The person is required to fall under one of the following items: Provided, That the same shall not apply to cases where a foreign discretionary investment advisory company (a person who provide a service equivalent to discretionary investment advisory service in a foreign country in accordance with foreign Acts and subordinate statutes; hereinafter the same shall apply) or foreign non-discretionary investment advisory company (a person who provides a service equivalent to non-discretionary investment advisory service in a foreign country in accordance with foreign Acts and subordinate statutes; hereinafter the same shall apply) provides services from the foreign country directly to domestic residents or provides discretionary investment advisory service or non-discretionary investment advisory service through communication methods:
   (a) A stock company under the Commercial Act;
   (b) A person who establishes branches or other business offices necessary for providing non-discretionary investment advisory service as a foreign non-discretionary investment advisory company; or
   (c) A person who establishes branches or other business offices necessary for providing discretionary investment advisory service as a foreign discretionary investment advisory company;

2. The equity capital is required to be not less than 100 million won per registered business unit and to exceed the minimum amount prescribed by the Presidential Decree;

3. The person is required to have investment advisors (referring to an investment advisor under Article 286 (1) 3 (a); hereinafter the same shall apply) or fund managers (referring to a fund manager under Article 286 (1) 3 (c); hereinafter the same shall apply) under the classification falling under each of the following items. In this case, a person prescribed by the proviso of subparagraph 1 other than each item of that subparagraph shall be considered to satisfy the relevant requirements where the person has equivalent investment advisors or fund managers in the country concerned according to the numbers specified in the following items:
   (a) In case of non-discretionary investment advisory service, the person is required to have more than the number of investment advisors as prescribed by the Presidential Decree; or
   (b) In case of discretionary investment advisory service, the person is required to have more than the number of fund managers as prescribed by the Presidential
Decree.

4. Any officer is required not to fall under any of the subparagraphs of Article 24;
5. Any major shareholder, foreign discretionary investment advisory company or foreign non-discretionary investment advisory company is required to meet the requirements under the classification falling under the following items:
(a) In case of item (a) of subparagraph 1, the major shareholder (referring to a major shareholder under Article 12 (2) 6 (a)) is required to have the social standing prescribed by the Presidential Decree; and
(b) In case of the proviso of subparagraph 1 other than each item of that subparagraph and items (b) and (c) of subparagraph 1, the foreign discretionary investment advisory company or foreign non-discretionary investment advisory company is required to have the social credit prescribed by the Presidential Decree; and
6. The person is required to satisfy the requirements prescribed by the Presidential Decree as a system to prevent conflict of interest between financial investment firms and investors and between specific investors and other investors.

Article 19 (Application for Registration)
(1) Any person who intends to register financial investment services under Article 18 shall file a registration application with the Financial Supervisory Commission.
(2) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (1), review the registration application, make a decision on either accepting or denying a registration within two months, and notify the applicant of the result and the reasons therefor in writing without delay. When the application is found to be defective, the Commission may request that the applicant supplement such application.
(3) In calculating the review period under paragraph (2), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period of the registration application, shall not be added to the review period.
(4) The Financial Supervisory Commission shall not, when it makes a decision on the registration of financial investment services under paragraph (2), reject the registration unless any cause falling under the following subparagraphs occurs:
1. Where any requirement for registration of financial investment services under Article 18 (2) is not satisfied;
2. Where a registration application referred to in paragraph (1) is prepared falsely; or
3. Where the request for supplementation in the latter part of paragraph (2) is not complied with.

(5) When the Financial Supervisory Commission decides to accept the registration of financial investment services pursuant to paragraph (2), the Commission shall describe necessary matters in the list of discretionary investment advisory companies or non-discretionary investment advisory companies and publicize the decision on the registration through the Official Gazette and the Internet website, etc.

(6) Matters on the application for registration pursuant to paragraphs (1) through (5) including entries of application and accompanying documents as well as the methods and procedures of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

**Article 20 (Maintenance of Registration Requirements)**

A discretionary investment advisory company or a non-discretionary investment advisory company shall maintain the registration requirements falling under each subparagraph of Article 18 (2) (in case of Articles 18 (2) 2 and 18 (2) 5, referring to the eased requirements prescribed by the Presidential Decree) in providing financial investment services after the registration.

**Article 21 (Addition of Business and Change in Registration)**

(1) Where a financial investment firm intends to add any registered business unit into the existing registered business units under Article 18, the financial investment firm shall make a registration of changes pursuant to Articles 18 and 19.

(2) With respect to the registration of changes referred to in paragraph (1), the eased requirements under Article 20 shall apply to the registration requirements of Article 18 (2) 5, notwithstanding such subparagraph.

**Chapter 2 Corporate Governance of Financial Investment Firms**

**Article 22 (Scope of Application)**

The provisions of this Chapter shall not apply to a financial investment firm that falls under any of the following subparagraphs and provides financial investment services concurrently (hereinafter referred to as “integrated financial investment firm”):

1. Financial institutions in Article 2 of the Banking Act and credit business deemed as a financial institution (hereinafter referred to as “bank”) in Article 5 of the
same Act;
2. Insurance company (hereinafter referred to as “insurance company”) in Article 2 of the Insurance Business Act; or
3. Other financial institutions, etc. prescribed by the Presidential Decree.

Article 23 (Approval of Alteration of Major Shareholders)
(1) Any person who intends to become a major shareholder (referring to a major shareholder under Article 12 (2) 6 (a) and excluding the person prescribed by the Presidential Decree; hereafter in this Article the same shall apply) through acquiring stocks issued by a financial investment firm (excluding a discretionary investment advisory company or non-discretionary investment advisory company) shall obtain an approval from the Financial Supervisory Commission in advance after meeting the requirements for major shareholders under Article 12 (2) 6 (a) which are prescribed by the Presidential Decree for the sound management.
(2) The Financial Supervisory Commission may order the disposal of stocks acquired without obtaining an approval under paragraph (1) within the period up to six months.
(3) Any person who acquires stocks without obtaining an approval under paragraph (1) shall not exercise the voting rights of the portion acquired without obtaining an approval.
(4) Where any major shareholder is altered, a discretionary investment advisory company and non-discretionary investment advisory company shall report thereon to the Financial Supervisory Commission within two weeks. In this case, a person who provides discretionary investment advisory service or non-discretionary investment advisory service along with any other financial investment service falling under any of Articles 6 (1) 1 through 6 (1) 3 and 6 (1) 6 is considered to make a report when the person obtains an approval pursuant to paragraph (1).
(5) Necessary matters on the details for the approval and the disciplinary action under paragraphs (1) and (2) shall be prescribed by the Presidential Decree.

Article 24 (Qualifications of Officers)
Any person who falls under any of the following subparagraphs shall not become an officer of any financial investment firm and shall be discharged from the post where the person falls under any of the following subparagraphs after becoming an officer:
1. A minor, incompetent or quasi-incompetent;
2. A person who has yet to be reinstated after having been declared bankrupt;
3. A person who has been sentenced to imprisonment without prison labor or heavier punishment, or has been sentenced to a fine or heavier punishment in accordance with this Act, finance-related Acts and subordinate statutes prescribed by the Presidential Decree (hereinafter referred to as “finance-related Acts and subordinate statutes”) or foreign finance-related Acts and subordinate statutes (referring to foreign Acts and subordinate statutes equivalent to this Act or finance-related Acts and subordinate statutes; hereafter in this Article, the same shall apply) and for whom five years has yet to expire from the date on which the execution of such sentence was terminated or exempted (including cases where the execution of such sentence is regarded as terminated);

4. A person who is in a stay period after having been sentenced to a stay of the execution of imprisonment without prison labor or heavier punishment;

5. A person who has worked as an officer or an employee for a company or a business entity whose license, authorization, registration, etc. have been revoked in accordance with this Act, finance-related Acts and subordinate statutes, or foreign finance-related Acts and subordinate statutes (limited to any person prescribed by the Presidential Decree, who has direct or equivalent responsibility for incurring the grounds of revocation) and for whom five years has yet to expire from the date on which such license, authorization, registration, etc. of the company or the business entity were revoked;

6. A person who has been dismissed from the post and for whom five years has yet to pass in accordance with this Act, finance-related Acts and subordinate statutes, or foreign finance-related Acts and subordinate statutes;

7. A retired officer or employee who has been notified that if the person were in the post or office, the person would have been required to be discharged pursuant to this Act or finance related Acts and subordinate statutes, and for whom five years has yet to expire from the date on which the person has received such notification (If five years from the date of notification is later than seven years from the date of retirement or resignation, this shall apply to a person for whom seven years has yet to expire from the date of retirement or resignation); or

8. Others prescribed by the Presidential Decree as likely to undermine the protection of investors and sound trade practice.

Article 25 (Appointment of Outside Directors and Composition of the Board)

(1) A financial investment firm (excluding a financial investment firm prescribed by
the Presidential Decree taking into account the size of its assets, etc.; hereafter in this Article, the same shall apply) shall have not less than three outside directors and the number of outside directors shall be not less than half of the total number of directors.

(2) A financial investment firm shall establish a committee to recommend candidates for outside directors (hereinafter referred to as “outside director recommendation committee”) under Article 393-2 of the Commercial Act. In this case, outside directors shall make up not less than half of the total number of members of the outside director recommendation committee.

(3) The latter part of paragraph (2) shall not apply to cases where the financial investment firm falling under paragraph (1) is required to appoint outside directors for the first time.

(4) A financial investment firm shall, when it intends to appoint its outside directors at a general meeting of shareholders, appoint them from among the candidates recommended by the outside director recommendation committee. In this case, the outside director recommendation committee shall, when it recommends candidates for outside directors, include the candidates for outside directors recommended by the shareholders who satisfy the requirements for exercising shareholder proposal rights under Article 29 (6).

(5) A person falling under any of the following subparagraphs shall be prohibited from becoming an outside director of a financial investment firm under paragraph (1), and shall be dismissed from the office of outside director when the person is found to fall under any of the following subparagraphs after being appointed as an outside director: Provided, That a person who becomes a specially-related person of the largest shareholder after being appointed as an outside director may become an outside director in the application of subparagraph 2:

1. The largest shareholder;
2. Specially-related persons of the largest shareholder;
3. Major shareholders and their spouses and lineal ascendants and descendants;
4. Full-time officers or employees of the company concerned or its affiliates (referring to the affiliate under the Monopoly Regulation and Fair Trade Act; hereinafter the same shall apply) or former full-time officers or employees who worked for the company concerned or its affiliates within the preceding two years;
5. Spouses and lineal ascendants and descendants of officers of the company concerned;
6. Full-time officers or employees of a corporation that is in an important business relationship prescribed by the Presidential Decree, a competitive relationship or a cooperative relationship with the company concerned, or a person who worked as a full-time officer or employee for such corporation within the preceding two years;

7. Full-time officers or employees of a company in which an officer or employee of the company concerned works as a non-standing director; or

8. Others prescribed by the Presidential Decree as having potential difficulty to faithfully perform duties as an outside director or likely to influence the management of the company concerned.

(6) Where the number of outside directors fails to meet the requirements for the composition of the board of directors under paragraph (1) due to unexpected causes including resignation, death, etc. of outside directors, the financial investment firm shall meet the requirements under paragraph (1) at the first general meeting of shareholders held after such causes occur.

Article 26 (Establishment of Audit Committee)

(1) A financial investment firm (excluding the financial investment firm prescribed by the Presidential Decree taking into account of the size of its assets; hereafter in this Article the same shall apply) shall establish the audit committee (hereinafter referred to as “audit committee”) under Article 415-2 of the Commercial Act.

(2) The audit committee shall meet all the requirements falling under each of the following subparagraphs:

1. Not less than 2/3 of the total members are required to be outside directors;
2. Not less than one member of the audit committee is required to be an accounting or financial expert as prescribed by the Presidential Decree; and
3. The representative of the audit committee is required to be an outside director.

(3) A person falling under any of the following subparagraphs shall not become a member of the audit committee who is not an outside director, and any person shall be discharged from the post if the person falls under any of the following subparagraphs after becoming an auditor who is not an outside director: Provided, That a person who works or has worked as a member of the audit committee who is not a full-time auditor or outside director of the company concerned may, notwithstanding subparagraph 2, become a member of the audit committee:

1. A controlling shareholder of the company concerned;
2. A full-time officer or employee of the company concerned or a person who has been a full-time officer or employee thereof within the preceding two years; or
3. Others prescribed by the Presidential Decree as having potential difficulty to conduct their duties as a member of the audit committee who is not an outside director, including a person who is likely to influence the management of the company concerned.

(4) Where the number of its outside directors fails to meet the requirements for the composition of the audit committee under paragraph (2) due to unexpected causes including resignation and death, etc. of outside directors, the financial investment firm shall meet the requirements under paragraph (2) at the first general meeting of shareholders held after such cause occurs.

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

(6) Articles 409 (2) and 409 (3) of the Commercial Act shall apply to the appointment of any outside director who becomes a member of the audit committee.

**Article 27 (Full-time Auditor)**

(1) A financial investment firm (excluding a financial investment firm prescribed by the Presidential Decree taking into account the size of its assets, etc.) shall have not less than one full-time auditor: Provided, That the same shall not apply to cases where the financial investment firm has an audit committee in accordance with this Act (including cases where a financial investment firm which has no obligation establishes an audit committee satisfying the requirements under Articles 26 (2) and 26 (3)).

(2) Article 26 (3) shall apply to the qualification of a full-time auditor under paragraph (1).

**Article 28 (Internal Control Standard and Compliance Officer)**

(1) A financial investment firm shall establish appropriate procedures and standards (hereinafter referred to as “internal control standards”) that its officers and employees are required to meet in performing their duties in order to comply with Acts and subordinate statutes, manage assets in a sound manner, and protect investors, including the prevention of conflict of interest, etc.

(2) A financial investment firm (excluding a discretionary investment advisory company or non-discretionary investment advisory company prescribed by the
Presidential Decree taking into account the size of its assets, etc.; hereafter in this Article, the same shall apply) shall have not less than one person (hereinafter referred to as “compliance officer”) who monitors the compliance of the internal control standards, investigates any violation of the internal control standards, and reports the findings thereof to auditors or the audit committee.

(3) Where a financial investment firm intends to appoint or dismiss any compliance officer, the financial investment firm shall go through the resolution made by the board of directors.

(4) A compliance officer shall meet all the requirements falling under each of the following subparagraphs, and shall be discharged from the post if the person fails to satisfy the requirements of subparagraph 2 or 3 after becoming a compliance officer:

1. The compliance officer is required to have a career falling under any of the following items: Provided, That the same shall not apply to a person falling under any of the following items (a) through (d), and for whom five years has yet to expire from the date of resignation from any institution provided for in item (d):

   (a) A person who has worked in total not less than ten years at the Bank of Korea or the institutions subject to inspection (including foreign financial institutions equivalent thereto) provided for in Article 38 of the Act on the Establishment, etc. of Financial Supervisory Organizations;

   (b) A person who has worked in total not less than five years as a researcher or full-time lecturer or in a higher position at research institutes or universities with a master's degree or higher in finance-related fields;

   (c) A person who has worked in total not less than five years as an attorney-at-law or certified public accountant in the fields related to its qualifications; or

   (d) A person who has worked in total not less than five years at the Ministry of Finance and Economy, the Financial Supervisory Commission, the Securities and Futures Commission, the Financial Supervisory Service (referring to the Financial Supervisory Service under the Act on Establishment, etc. of Financial Supervisory Organizations; hereinafter the same shall apply), the Exchange, the Association or other legislative organizations related to finance.

2. The compliance officer is required not to fall under any of the subparagraphs of Article 24; and

3. The compliance officer is required not to have any record of violation of finance-related Acts and subordinate statutes prescribed by this Act or the Presidential Decree in the last five years, which is subject to measures taken by
the Financial Supervisory Commission or the Governor of the Financial Supervisory Service (hereinafter referred to as the “Governor of the Financial Supervisory Service”) and other institutions prescribed by the Presidential Decree, such as disciplinary warning under Article 422 (1) 3 or request of reprimand or heavier measures under Article 422 (2) 4.

(5) A compliance officer is required to perform its duties with good care as a manager and to be prohibited from conducting any business falling under each of the following subparagraphs:
1. Business of managing the property that belongs to the financial investment firm concerned;
2. Financial investment services provided by the financial investment firm concerned and other incidental businesses thereof; or
3. Businesses conducted by the financial investment firm concerned pursuant to Article 40.

(6) A financial investment firm shall ensure that the compliance officer performs its duties without influence.

(7) A financial investment firm shall, when it appoints or dismisses a compliance officer, notify the Financial Supervisory Commission thereof.

(8) Where a compliance officer requests that an officer or employee submit materials or information in performing its duties, the officer or employee of a financial investment firm shall comply with the request with good care.

(9) A financial investment firm shall not put any former compliance officer at an unfair disadvantage in connection with personnel affairs on the grounds of its duty as a compliance officer.

(10) Others necessary for internal control standards and compliance officers shall be prescribed by the Presidential Decree.

Article 29 (Minority Shareholders' Rights)
(1) Any person who has continuously held (including a case of receiving the form of proxy for exercising shareholder's rights or co-exercising shareholder's rights by not less than two shareholders; hereafter in this Article, the same shall apply) stocks in excess of 5/100,000 of the total number of outstanding stocks of a financial investment firm (excluding a financial investment firm prescribed by the Presidential Decree taking into account the size of its assets, etc.; hereafter in this Article, the same shall apply) for not less than six months may exercise the shareholder's rights
provided for in Article 403 of the Commercial Act (including cases which are applied to Articles 324, 415, 424-2, 467-2, and 542 of the Commercial Act).

(2) Any person who has continuously held stocks in excess of 250/1,000,000 (125/1,000,000 in case of a financial investment firm prescribed by the Presidential Decree) of the total number of outstanding stocks of a financial investment firm for not less than six months may exercise the shareholder's rights provided for in Article 402 of the Commercial Act (including cases which are applied to Article 542 of the Commercial Act).

(3) Any person who has continuously held stocks in excess of 50/100,000 (25/100,000 in case of a financial investment firm prescribed by the Presidential Decree) of the total number of outstanding stocks of a financial investment firm for not less than six months may exercise the shareholder's rights provided for in Article 466 of the Commercial Act.

(4) Any person who has continuously held stocks in excess of 250/100,000 (125/100,000 in case of a financial investment firm prescribed by the Presidential Decree) of the total number of outstanding stocks of a financial investment firm for not less than six months may exercise the shareholder's rights provided for in Articles 385 (including cases which are applied to Article 415 of the Commercial Act) and 539 of the Commercial Act.

(5) Any person who has continuously held stocks in excess of 150/10,000 (75/10,000 in case of a financial investment firm prescribed by the Presidential Decree) of the total number of outstanding stocks of a financial investment firm for not less than six months may exercise the shareholder's rights provided for in Articles 366 (including cases which are applied to Article 542 of the Commercial Act; hereafter in this paragraph, the same shall apply) and 467 of the Commercial Act. In this case, the exercise of the shareholder's rights provided for in Article 366 of the Commercial Act shall be based on stocks with voting rights.

(6) Any person who has continually held stocks in excess of 50/10,000 (25/10,000 in case of a financial investment firm prescribed by the Presidential Decree) of the total number of outstanding stocks with voting rights of a financial investment firm for not less than six months may exercise the shareholder's rights provided for in Article 363-2 of the Commercial Act.

(7) Paragraphs (1) through (6) shall not affect the exercise of minority shareholders' rights under the corresponding provisions of the Commercial Act, which are referred to in each paragraph.
(8) Where any shareholder referred to in paragraph (1) files a lawsuit under Article 403 of the Commercial Act (including cases which are applied to Articles 324, 415, 424-2, 467-2 and 542 of the Commercial Act) and wins the lawsuit, such shareholder may ask the financial investment firm concerned for the payment of all the expenses incurred by filling such lawsuit.

Chapter 3 Maintenance of Prudent Management

Section 1 Supervision of Prudent Management

Article 30 (Maintenance of Financial Prudence)
(1) A financial investment firm (excluding integrated financial investment firms and any other financial investment firm prescribed by the Presidential Decree; hereafter in this Article the same shall apply) shall maintain the amount (hereinafter referred to as “net operating capital”) calculated by deducting the aggregate amount of subparagraph 2 from the aggregate amount of subparagraph 1 above the sum of the risks, in monetary terms, which are immanent in assets and liabilities or incidental to the businesses of the financial investment firm (hereinafter referred to as “total risk amount”):
   1. Capital, reserves and any other amount prescribed by the Ordinance of the Ministry of Finance and Economy; and
   2. Non-current assets and any other assets with little liquidity for a short term as prescribed by the Ordinance of the Ministry of Finance and Economy.
(2) Detailed standards and measures in the calculation of the net operating capital and total risk amount referred to in paragraph (1) shall be established and publicized by the Financial Supervisory Commission.
(3) A financial investment firm shall prepare a written document indicating the amount deducting the total risk amount from the net operating capital, and report thereon to the Financial Supervisory Commission within the period prescribed by the Presidential Decree up to forty five days from the last day of each quarter, and the financial investment firm shall keep the documents for three months at the head office, branches or any other business offices, and publicize them through the Internet website, etc.

Article 31 (Standards of Prudent Management)
(1) A financial investment firm (excluding an integrated financial investment firm; hereafter in this Section, the same shall apply) shall comply with the standards of prudent management established and publicized by the Financial Supervisory Commission with respect to the following subparagraphs for the purpose of maintaining the prudent management, and establish and implement a proper system for the compliance:

1. Matters on equity capital ratio and other capital adequacy;
2. Matters on the asset prudence;
3. Matters on liquidity; and
4. Others prescribed by the Presidential Decree as necessary to secure the prudent management.

(2) The Financial Supervisory Commission may, when it establishes the standards of prudent management under paragraph (1), determine the contents for each financial investment service, taking into account the type, etc. of financial investment services provided by the financial investment firm.

(3) The Financial Supervisory Commission shall assess actual conditions and risks of the management to secure the prudent management of the financial investment firm.

(4) The Financial Supervisory Commission may give a financial investment firm orders necessary for securing the prudent management including increase in capital, restriction on profit sharing, etc. where the financial investment firm fails to meet the standards under paragraphs (1) and (2) or violates Articles 30 (1) and 30 (2).

**Article 32 (Accounting)**

(1) A financial investment firm shall conduct accounting pursuant to each of the following subparagraphs:

1. A fiscal year for each financial investment service is required to be set as prescribed by the Ordinance of the Ministry of Finance and Economy;
2. Accounting is required to be conducted by separating its own properties, trust properties, and other properties of investors as prescribed by the Presidential Decree; and
3. A financial investment firm is required to comply with accounting standards and corporate accounting standards established and publicized by the Financial Supervisory Commission after the consultation of the Securities and Futures Commission.

(2) The Financial Supervisory Commission shall determine and publicize accounting,
type and display order of accounts, and other necessary details which are not prescribed in paragraph (1) as accounting matters of properties owned by a financial investment firm.

**Article 33 (Business Report and Disclosure)**

(1) A financial investment firm shall prepare each business report for 3 months, 6 months, 9 months and 12 months, respectively, from the date of the commencement of every business year and file such business reports with the Financial Supervisory Commission within the period prescribed by the Presidential Decree up to 45 days after the expiration of each report period.

(2) A financial investment firm shall keep its disclosure documents which include material matters extracted from the business reports at its head office, branches, or other business offices for one year from the date on which the business reports under paragraph (1) are filed with the Financial Supervisory Commission, and make them available to the public through the Internet website, etc.

(3) Where any matter which the Presidential Decree prescribes as likely to materially affect business circumstances, such as bad debts or special loss, by type of financial investment services, occurs, the financial investment firm shall report thereon to the Financial Supervisory Commission and make it available to the public through the Internet website, etc.

(4) The business reports under paragraph (1), the entries of disclosure documents under paragraph (2), the disclosure of business circumstances under paragraph (3), and other necessary matters shall be prescribed by the Presidential Decree.

**Section 2 Restrictions on Transactions with Major Shareholders**

**Article 34 (Restrictions on Transactions with Major Shareholders)**

(1) A financial investment firm (excluding an integrated financial investment firm; hereafter in this Article the same shall apply) shall be prohibited from conducting any activity falling under the following subparagraphs except as otherwise prescribed by the Presidential Decree for the efficient provision of financial investment services within the scope of the necessity to exercise rights including collateral right, etc., the stabilization under Article 176 (3) 1 or the market making under Article 176 (3) 2, or other cases that do not undermine the soundness of the financial investment firm:

1. To hold securities issued by major shareholders of the financial investment firm;
2. To hold securities, bonds, or promissory notes (limited to those issued by a company to raise funds needed for its business; hereafter in this Article, the same shall apply) issued by specially-related persons (excluding major shareholders of a financial investment firm) of the financial investment firm, who are prescribed by the Presidential Decree: Provided, That the same shall not apply to cases where such securities are held within the ratio prescribed by the Presidential Decree; or
3. Others prescribed by the Presidential Decree as likely to undermine the sound management of assets by the financial investment firm.

(2) A financial investment firm shall be prohibited from extending credits (referring to lending properties with economic value including money and securities, etc., guaranteeing the repayment of debts, purchasing securities for financial support, or other direct or indirect transactions carrying credit risks as prescribed by the Presidential Decree; hereafter in this section, the same shall apply) to any major shareholder (including specially-related persons of the major shareholder; hereafter in this Article, the same shall apply), and a major shareholder shall be prohibited from taking credit extensions from the financial investment firm: Provided, That the same shall not apply to the credit extensions prescribed by the Presidential Decree as unlikely to undermine the soundness of the financial investment firm.

(3) A financial investment firm shall, when it intends to conduct any activity (excluding those prescribed by the Presidential Decree) falling under the proviso of subparagraph 2 of paragraph (1) or the proviso of paragraph (2), go through the resolution of the board of directors thereon in advance. In this case, a quorum for the resolution shall be all the members of the board of directors with unanimous consent.

(4) A financial investment firm shall, when it has conducted any activity (excluding those prescribed by the Presidential Decree) falling under the proviso of subparagraph 2 of paragraph (1) or the proviso of paragraph (2), report thereon to the Financial Supervisory Commission without delay, and make it available through the Internet website, etc.

(5) A financial investment firm shall collect the matters prescribed by the Presidential Decree among the reporting matters under paragraph (4) and report thereon to the Financial Supervisory Commission on a quarterly basis, and make it available through the Internet website, etc.

(6) Where a financial investment firm or its major shareholder is found to violate paragraphs (1) through (5), the Financial Supervisory Commission may request that such financial investment firm or its major shareholder file necessary data.
The Financial Supervisor Commission may restrict a financial investment firm from newly acquiring securities issued by major shareholders and from extending credit pursuant to the proviso of paragraph (2) in cases prescribed by the Presidential Decree as likely to materially undermine the sound management of the financial investment firm due to a defective financial structure such as liabilities exceeding the assets of a major shareholder (limited to a company) of the financial investment firm.

**Article 35 (Prohibition on Major Shareholders’ Unjust Influence)**
A major shareholder (including specially-related persons; hereafter in this Article, the same shall apply) of a financial investment firm shall be prohibited from conducting any activity falling under the following subparagraphs for its own benefit at the expense of the financial investment firm:

1. Requesting that the financial investment firm provide undisclosed materials or information in order to exercise unjust influence: Provided, That the same shall not apply to the exercise of rights pursuant to Article 29 (3) of this Act or Article 466 of the Commercial Act;
2. Exercising unjust influence on personnel affairs or management of the financial investment firm by means of collusion with other shareholders in return for economic benefits, etc.; or
3. Others prescribed by the Presidential Decree as corresponding to subparagraphs (1) and (2).

**Article 36 (The Financial Supervisory Commission's Order to File Materials)**
The Financial Supervisory Commission may order a financial investment firm or major shareholders of the financial investment firm to file necessary materials when the major shareholders of the financial investment firm have been suspected to violate Article 35.

*Chapter 4 Regulations on Conduct of Business*

*Section 1 Common Regulations on Conduct of Business*

*Sub-section 1 Duty of Good Faith*
Article 37 (Duty of Good Faith)

(1) A financial investment firm shall provide its financial investment services fairly under the principle of good faith.

(2) A financial investment firm shall not, when it provides its financial investment services, gain its own benefit or have a third party gain benefits at the expense of investors without any justifiable cause.

Article 38 (Trade Name)

(1) Any person who does not conduct brokerage or dealing of securities shall be prohibited from using the letter of “securities” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree in its trade name: Provided, That a collective investment scheme of securities under subparagraph 1 of Article 229 may use the letter of “securities” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree in accordance with Article 183 (1).

(2) Any person who does not conduct brokerage or dealing of exchange-traded derivatives or over-the-counter derivatives shall be prohibited from using the letter of “derivative” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree in its trade name.

(3) Any person who is not a collective investment manager shall be prohibited from using the letters of “collective investment,” “investment trust,” and “asset management” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree in its trade name: Provided, That a collective investment scheme that is an investment trust may use the letter of “investment trust” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree.

(4) Any person who is not a non-discretionary investment advisory company shall be prohibited from using the letter of “non-discretionary investment advisory” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree in its trade name: Provided, That a real estate investment advisory company under the Act of Real Estate Investment may use the letter of “investment advisory” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree.

(5) Any person who is not a discretionary investment advisory company shall be prohibited from using the letter of “discretionary investment advisory” or other foreign letters with the same meaning thereof as prescribed by the Presidential Decree in its trade name.

(6) Any person who is not a trust company shall be prohibited from using the letter
of “trust” or other foreign letters with the same meaning thereof as prescribed by the
Presidential Decree in its trade name: Provided, That a collective investment manager
or a person conducting business under Article 7 (5) may use the letter of “trust” or
other foreign letters with the same meaning thereof as prescribed by the Presidential
Decree in its trade name.

Article 39 (Prohibition on Lending Trade Name)
Any financial investment firm shall not lend its trade name and allow other persons
to provide financial investment services on its behalf.

Article 40 (Conduct of Other Financial Business by Financial Investment Firms)
A financial investment firm (excluding an integrated financial investment firm and any
other financial investment firm prescribed by the Presidential Decree; hereafter in this
Article, the same shall apply) may provide financial investment services falling under
each of the following subparagraphs, which are unlikely to undermine the protection
of investors and sound trade practice. In this case, when a financial investment firm
intends to conduct the businesses under subparagraphs 2 through 5, the financial
investment firm shall report thereon to the Financial Supervisory Commission not later
than seven days before the date on which it intends to start the business:
1. Businesses of an insurance agency or an insurance brokerage company under
   Article 91 of the Insurance Business Act, or other financial businesses prescribed
   by the Presidential Decree among the financial businesses which are required to be
   authorized, licensed, registered, etc. under this Act or finance-related Acts and
   subordinate statutes prescribed by the Presidential Decree;
2. Financial businesses prescribed by this Act or finance-related Acts and subordinate
   statutes designated by the Presidential Decree, which a financial investment firm is
   allowed to conduct under such Acts and subordinate statutes;
3. Agent business for the Government or public institutions;
4. Business of transferring money for an investor using investors’ deposits (referring
   to the investors' deposit under Article 74 (1)) deposited by the investor; or
5. Other financial businesses prescribed by the Presidential Decree as unlikely to
   undermine the protection of investors and sound trade practice even if a financial
   investment firm conducts such financial businesses.

Article 41 (Incidental Business of Financial Investment Firms)
(1) A financial investment firm shall, when it intends to conduct any business incidental to financial investment services, report such business to the Financial Supervisory Commission not later than seven days before the date on which the firm intends to start the business.

(2) Where any content of the report on the incidental business under paragraph (1) falls under the following subparagraphs, the Financial Supervisory Commission may issue an order to restrict or correct the incidental business:

   1. Where the sound management of the financial investment firm is undermined;
   2. Where the protection of investors is impeded as a result of providing authorized or registered financial investment services; or
   3. Where the stability of the financial market is undermined.

(3) A restriction or correction order under paragraph (2) shall be issued by means of written documents specifying the contents and the reasons therefor.

(4) The Financial Supervisory Commission shall disclose the incidental business reported pursuant to paragraph (1) and the incidental business subject to the restriction or correction order pursuant to paragraph (2) through the Internet website, etc. following the methods and procedures prescribed by the Presidential Decree.

**Article 42 (Delegation of Financial Investment Firms)**

(1) A financial investment firm may delegate a part of its business to a third party when it comes to financial investment services, businesses falling under each subparagraph of Article 40 and incidental businesses under Article 41 (1): Provided, That the same shall not apply to the businesses prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

(2) A financial investment firm shall, when it intends to delegate the business to a third party pursuant to the main sentence of paragraph (1), enter into a delegation contract containing details falling under each of the following subparagraphs and report thereon to the Financial Supervisory Commission following the methods and procedures prescribed by the Presidential Decree:

   1. Scope of the delegated business;
   2. Matters on restrictions on the activity of the delegatee;
   3. Matters on the recordkeeping of the delegated business; and
   4. Others prescribed by the Presidential Decree as necessary for the protection of investors and sound trade practice.

(3) Where any content of the delegation contract under paragraph (2) falls under the
following subparagraphs, the Financial Supervisory Commission may order the firm to restrict or correct the delegation concerned:

1. Where the sound management of the financial investment firm is undermined;
2. Where the protection of investors is impeded;
3. Where the stability of the financial market is undermined; or
4. Where any disorder is caused in the financial transactions.

(4) Where the business delegated pursuant to the main sentence of paragraph (1) is the principal business (referring to the essential business prescribed by the Presidential Decree as directly related to the authorized or registered business of such financial investment firm; hereafter in this paragraph, the same shall apply), a person who is delegated with such principal business shall obtain an authorization or registration necessary to conduct such business. In this case, where the person delegated with such business satisfies the requirements prescribed by the Presidential Decree as a foreign financial investment firm, the person shall be regarded as authorized or registered.

(5) A person who is delegated with the business referred to in paragraph (1) shall be prohibited from re-delegating such business to a third party: Provided, That the delegated person may re-delegate such business with consent of the delegator in cases prescribed by the Presidential Decree as necessary for harmonious provision of financial investment services to the extent that it does not undermine the protection of investors.

(6) The delegator of the business referred to in paragraph (1) may provide the delegatee with necessary information on the purchase, sale and other transactions of financial investment products as well as money and any other properties entrusted by investors within the scope of the delegated business as prescribed by the Presidential Decree.

(7) A financial investment firm shall, when it intends to delegate business pursuant to the main sentence of paragraph (1), establish operating standards for the delegation with respect to the protection of investors’ information and the management and assessment of risk.

(8) A financial investment firm shall describe details of the delegation pursuant to the main sentence of paragraph (1) in a delegation document under Article 59 (1) and prospectus under Article 123 (1), and where the financial investment firm delegates its businesses or changes any content after entering into a contract with investors, the firm shall notify the investors thereof.
(9) Article 756 of the Civil Act shall apply to cases where the person delegated with the business referred to in paragraph (1) has caused damages to investors in carrying on the delegated business.

(10) Articles 54 and 55 of this Act and Article 4 of the Act on Real Name Financial Transactions and Guarantee of Secrecy shall apply to cases where the delegated person referred to in paragraph (1) carries on the delegated business.

(11) Other necessary matters for the protection of investors or sound trade practice with regard to the standards, methods, and procedures of the delegation and re-delegation shall be prescribed by the Presidential Decree.

Article 43 (Inspection and Disciplinary Actions)

(1) A person who is delegated with businesses pursuant to Article 42 (1) shall undergo an inspection of its businesses and its financial status from the Governor of the Financial Supervisory Service in connection with the delegated business. In this case, Articles 419 (5) through 419 (7) and 419 (9) shall apply.

(2) Where the person who is delegated with the businesses pursuant to Article 42 (1) falls under any of the following subparagraphs, the Financial Supervisory Commission may order either or both parties of the delegation contract to revoke or change the delegation contract:

1. Where Articles 54 and 55 of this Act that are applied to Article 42 (10), Articles 4 (1) and 4 (3) through 4 (5) of the Act on Real Name Financial Transactions and Guarantee of Secrecy are violated;

2. Where the inspection under the former part of paragraph (1) is rejected, interfered with, or evaded;

3. Where the request for report under Article 419 (5) which is applied to the latter part of paragraph (1) is not accepted; or

4. Any case falling under any of the subparagraphs of Schedule 1 (limited to cases related to the delegated business).

(3) The Financial Supervisory Commission shall, when it takes measures pursuant to paragraph (2), record thereon, and keep or manage the record.

(4) A financial investment firm or any person who is delegated with the businesses pursuant to Article 42 (1) (including the person who has been delegated with the business) may request a reference from the Financial Supervisory Commission about whether any measure under paragraph (2) has been taken and, if any, the details thereof.
(5) The Financial Supervisory Commission shall, when it receives the request under paragraph (4), notify the inquirer of the measures and the details thereof unless there is any reasonable cause not to do so.

(6) Article 425 shall apply to the order to revoke or change the delegation contract under paragraph (2).

**Article 44 (Management of Conflict of Interest)**

(1) In order to avoid the conflict of interest between a financial investment firm and investors or between specific investors and other investors with respect to the provision of financial investment services, a financial investment firm shall identify and assess the possibility of conflict of interest and adequately control conflict of interest through the methods and procedures prescribed by the internal control standards.

(2) Where a financial investment firm finds the possibility of conflict of interest after the identification and assessment pursuant to paragraph (1), the financial investment firm shall notify the investors concerned thereof in advance and execute purchase, sale or other transactions after lowering the possibility of conflict of interest to a level that does not undermine the protection of investors through the methods and procedures prescribed by the internal control standards.

(3) A financial investment firm shall not execute purchase, sale or other transactions where it is found to have difficulties in lowering the possibility of conflict of interest pursuant to paragraph (2).

**Article 45 (Information Barrier)**

(1) A financial investment firm shall be prohibited from conducting any activity falling under any of the following subparagraphs in cases prescribed by the Presidential Decree as likely to cause a conflict of interest in providing its financial investment services (including the business of managing its own properties; hereafter in this Article, the same shall apply):

1. Providing information on the purchase and sale of financial investment products and any other information prescribed by the Presidential Decree;
2. Having an officer (excluding a representative director, auditor, or member of the audit committee who is not an outside director) or an employee hold posts concurrently;
3. Sharing any office or data-processing equipment in a way prescribed by the
Presidential Decree; or
4. Others prescribed by the Presidential Decree as an activity with the possibility of conflict of interest.

(2) A financial investment firm shall be prohibited from conducting any activity falling under any of the following subparagraphs in providing financial investment services in cases prescribed by the Presidential Decree as likely to cause conflict of interest with its affiliates or any other company prescribed by the Presidential Decree:
1. Providing information on the purchase and sale of financial investment products and any other information prescribed by the Presidential Decree;
2. Having an officer (excluding a non-standing auditor) or an employee hold posts concurrently or sending them to such works;
3. Sharing any office or data-processing equipment in a way prescribed by the Presidential Decree; or
4. Others prescribed by the Presidential Decree as an activity with the possibility of conflict of interest.

Sub-section 2 Investment Solicitation

Article 46 (Suitability Principle)
(1) A financial investment firm shall confirm whether an investor is a professional investor or non-professional investor.
(2) A financial investment firm shall identify investment objectives, financial status, investment experiences, etc. through an interview, a questionnaire, etc. before soliciting investment from a non-professional investor, and then receive the confirmation from the non-professional investor through signature (including digital signature under subparagraph 2 of Article 2 of the Digital Signature Act; hereinafter the same shall apply), signature stamp, recording, or other methods prescribed by the Presidential Decree, and also the financial investment firm shall keep and manage such confirmation and provide the confirmed contents to the investor without delay.
(3) A financial investment firm shall not solicit investment from non-professional investors where the solicitation is found to be unsuitable for the investors taking into account their investment objectives, financial status, investment experiences, etc.

Article 47 (Duty to Provide Product Guidelines to Investors)
(1) A financial investment firm shall, when it intends to solicit investment from
non-professional investors, provide guidelines on financial investment products, risks associated with the investment, and other details prescribed by the Presidential Decree in order to help the understanding of non-professional investors.

(2) A financial investment firm shall confirm non-professional investors’ understanding of the guidelines provided pursuant to paragraph (1) in more than one way, such as signature, signature stamp, recording, and any other measure prescribed by the Presidential Decree.

(3) A financial investment firm shall not make a false statement or omit any matters that may materially affect the reasonable judgment of investors or value of the financial investment products concerned (hereinafter, referred to as “material matters”) when providing the guidelines under paragraph (1).

Article 48 (Liability for Damages)
(1) A financial investment firm shall, when it violates Article 47 (1) or 47 (3), be liable to non-professional investors for damages caused by such violation.

(2) The damages under paragraph (1) shall be presumed to be the monetary amount calculated by deducting the total amount of money, etc. recovered or to be recovered by non-professional investors through the disposition of a financial investment product or any other method from the total amount of money, etc. paid or to be paid by the non-professional investors for acquiring the financial investment product.

Article 49 (Prohibition of Unfair Solicitation)
A financial investment firm shall not, when it intends to solicit investment, conduct any activity falling under the following subparagraphs:

1. Provide false information;
2. Make a determinative judgment regarding uncertain matters, or suggest misleading information;
3. Use means of real-time communication such as door-to-door meeting or telephone call without requests for investment solicitation from investors: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors and sound trade practice;
4. Continue investment solicitation notwithstanding the rejection from a solicited investor: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors and sound trade practice; or
5. Other matters prescribed by the Presidential Decree as likely to undermine the protection of investors and sound trade practice.

**Article 50 (Working Rules governing Investment Solicitation)**

(1) A financial investment firm shall, when it solicits investment, establish specific procedures and standards (hereinafter referred to as “working rules governing investment solicitation”) which officers and employees of the financial investment firm are required to comply with.

(2) A financial investment firm shall, when it establishes the working rules governing investment solicitation, disclose the working rules through the Internet website, etc. The same shall apply to cases where the financial investment firm changes any working rule.

(3) The Association may establish standard working rules governing investment solicitation that are commonly available to financial investment firms in respect of the working rules governing investment solicitation.

**Article 51 (Registration of Introducing Brokers)**

(1) A financial investment firm may delegate investment solicitation to a person satisfying all the requirements falling under each of the following subparagraphs. In this case, Article 42 shall not apply:

1. The person is required not to be registered with the Financial Supervisory Commission pursuant to paragraph (3);
2. The person is required to have expertise in financial investment products and to satisfy the qualification requirements prescribed by the Presidential Decree; and
3. Where the registration is revoked pursuant to Article 53 (2), three years must have passed from the date of the revocation.

(2) Any person who is delegated with the investment solicitation pursuant to paragraph (1) shall not conduct the investment solicitation until the registration is filed pursuant to paragraph (3).

(3) A financial investment firm shall, when it delegates the investment solicitation pursuant to paragraph (1), register the delegated person with the Financial Supervisory Commission. In this case, the Financial Supervisory Commission may delegate its registration business to the Association under the conditions prescribed by the Presidential Decree.

(4) A financial investment firm shall, when it intends to register the person delegated
with the solicitation pursuant to paragraph (3), file a registration application with the Financial Supervisory Commission (referring to the Association where the Financial Supervisory Commission delegates the business to the Association pursuant to the latter part of paragraph (3); hereafter in this Article, the same shall apply).

(5) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (4), review the registration application and make a decision on either accepting or denying a registration within two weeks, and notify the applicant of the result and the reasons therefor in writing without delay. When the application is found to be defective, the Commission may request that the applicant supplement such application.

(6) In calculating the review period referred to in paragraph (5), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period, shall not be added to the review period.

(7) The Financial Supervisory Commission shall not, when it makes a decision on the registration under paragraph (5), refuse to accept the registration without any cause falling under the following subparagraphs:
   1. Where any requirement under paragraph (1) is not satisfied;
   2. Where a registration application referred to in paragraph (4) is prepared falsely; or
   3. Where the request for supplementation in the latter part of paragraph (5) is not complied with.

(8) When the Financial Supervisory Commission decides to accept the registration pursuant to paragraph (5), the Commission shall describe necessary matters in the list of introducing brokers and publicize the decision on the registration through the Internet website, etc.

(9) The registered person (hereinafter referred to as “introducing broker”) pursuant to paragraph (3) shall maintain the requirements under subparagraph 2 of paragraph (1) in conducting the business after the registration.

(10) Matters on the application of registration under paragraphs (3) through (8) including the entries and accompanying documents of the application as well as the methods and procedures of review, and other necessary matters on the registration shall be prescribed by the Presidential Decree.

**Article 52 (Prohibited Activities of Introducing Brokers)**

(1) A financial investment firm shall not allow a person other than introducing brokers to solicit investment on behalf of the firm.
(2) An introducing broker shall not conduct any activity falling under the following subparagraphs:

1. Enter into a contract on behalf of the entrusting financial investment firm;
2. Accept money, securities, or other properties from investors;
3. Re-delegate a third party with the business of introducing broker delegated by the financial investment firm; or
4. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

(3) An introducing broker shall, when it solicits investment as an agent, notify investors of the matters falling under each of the following subparagraphs in advance, and present an indication that the person is an introducing broker or show a certificate to the investors:

1. The name of the financial investment firm entrusting investment solicitation;
2. The fact that an introducing broker is not entitled to enter into a contract on behalf of the financial investment firm entrusting investment solicitation;
3. The facts that an introducing broker is prohibited from accepting money, securities, and other properties and that the financial investment firm itself shall accept them; and
4. Others prescribed by the Presidential Decree as necessary for the protection of investors or sound trade practice.

(4) In order to ensure that introducing brokers comply with relevant Acts and subordinate statutes and do not undermine sound trade practice in conducting investment solicitation as an agent, a financial investment firm shall faithfully manage the introducing brokers and establish investment solicitation standards for such purpose.

(5) Article 756 of the Civil Act shall apply to cases where an introducing broker causes damages to investors in the course of soliciting investment as an agent.

(6) Articles 46 through 49, 54, and 55 of this Act and Article 4 of the Act on Real Name Financial Transactions and Guarantee of Secrecy shall apply to cases where an introducing broker carries out investment solicitation as an agent.

**Article 53 (Inspection and Measures)**

(1) An introducing broker shall undergo an inspection of its business and financial status from the Governor of the Financial Supervisory Service in connection with soliciting investment as an agent. In this case, Articles 419 (5) through 419 (7) and 419 (9) shall apply.
(2) The Financial Supervisory Commission may revoke a registration of an introducing broker or order an introducing broker to suspend its business for up to six months where the introducing broker falls under any of the following subparagraphs:

1. Where any obligation to maintain the registration requirements under Article 51 (9) is violated;
2. Where Article 52 (2), 52 (3), or 52 (6) (limited to cases where Articles 46, 47, 49, 54, and 55 of this Act, and Articles 4 (1), 4 (3) through 4 (5) of the Act on Real Name Financial Transactions and Guarantee of Secrecy apply) is violated;
3. Where the inspection under the former part of paragraph (1) is rejected, interfered with, or evaded; or
4. Where the request for report, etc. under Article 419 (5), which is applied to the latter part of paragraph (1), is not accepted.

(3) The Financial Supervisory Commission shall, when it revokes the registration of an introducing broker or suspends the business of the introducing broker pursuant to paragraph (2), keep and maintain a record of the contents.

(4) The Financial Supervisory Commission shall, when it revokes the registration of an introducing broker or suspends the business of the introducing broker pursuant to paragraph (2), make it available to the public through the Internet website, etc.

(5) A financial investment firm or introducing broker (including former introducing brokers) may request a reference from the Financial Supervisory Commission about whether any measure under paragraph (2) has been taken and, if any, the details thereof.

(6) The Financial Supervisory Commission shall, when it receives the request under paragraph (5), notify the inquirer of the measures and the details thereof unless there is any justifiable cause not to do so.

(7) Article 423 (excluding subparagraph 2) shall apply to the revocation of registration of an introducing broker under paragraph (2), and Article 425 shall apply to the revocation of registration of an introducing broker and the suspension of the business of the introducing broker under paragraph (2).

Sub-section 3 Prohibitions against Using Information on Duties

Article 54 (Prohibition against Using Information on Duties)

A financial investment firm shall not use undisclosed information acquired in the course of performing its duties for its own interest or the interest of a third party
Article 55 (Prohibition of Compensation for Losses)
A financial investment firm shall not conduct any activity falling under any of the following subparagraphs other than cases where it compensates losses or guarantees profits pursuant to Article 103 (3) or other cases unlikely to undermine sound trade practice with reasonable grounds in connection with the purchase and sale and other transactions of financial investment products. Any officer or employee of the financial investment firm shall be also prohibited from conducting such activity for its own account:
1. Promising an investor, in advance, to undertake all or a part of the losses to be incurred;
2. Compensating all or a part of the loss incurred to an investor later;
3. Promising an investor, in advance, to guarantee a certain amount of profits; or
4. Providing a certain amount of profits to an investor later.

Article 56 (Agreements)
(1) A financial investment firm shall, when it intends to establish or amend agreements concerning its financial investment services, report thereon to the Financial Supervisory Commission in advance: Provided, That the financial investment firm may notify the Financial Supervisory Commission and the Association within seven days after the establishment or amendment of the agreements in a case falling under any of the following subparagraphs:
1. Where any content of the agreements that is not related to the rights or obligations of investors is amended;
2. Where the standard agreement under paragraph (3) is used;
3. Where the contents of the agreement that the financial investment firm intends to establish or amend are the same as the contents that another financial investment firm has already reported to the Financial Supervisory Commission; or
4. Where an agreement only subject to professional investors is established or amended.
(2) A financial investment firm shall, when it establishes or amends its agreements, disclose the fact through the Internet website, etc.
(3) The Association may establish an agreement standardized for providing financial investment services (hereafter in this Article, referred to as “standard agreement”) in
order to establish sound trade practice and prevent the circulation of unfair agreements.

(4) The Association shall, when it intends to establish or amend the standard agreement, report thereon to the Financial Supervisory Commission in advance: Provided, That the Association shall, when it establishes or amends the standard agreement only subject to professional investors, report thereon to the Financial Supervisory Commission within seven days after the establishment or amendment.

(5) Where the agreements are reported or notified pursuant to paragraph (1) or the standard agreement is reported or notified pursuant to paragraph (4), the Financial Supervisory Commission shall inform the Fair Trade Commission of such agreements or standard agreement. In this case, when the informed agreements or standard agreement are found to violate Articles 6 through 14 of the Regulation of Standardized Contract Act, the Fair Trade Commission shall notify the Financial Supervisory Commission thereof and request that the Financial Supervisory Commission take necessary measures for correction, and the Financial Supervisory Commission shall comply with such request unless there is any special cause not to do so.

(6) Where the agreement or the standard agreement is found to violate this Act or finance-related Acts and subordinate statutes, or to be in conflict with the interests of investors, the Financial Supervisory Commission may order the financial investment firm or the Association to amend the agreements or the standard agreement through a written statement specifying the details thereof.

Article 57 (Investment Advertisement)

(1) Any person who is not a financial investment firm shall not advertise businesses of financial investment firms or financial investment products (hereinafter referred to as “investment advertisement”): Provided, That the same shall not apply to the Association, a financial holding company under the Financial Holding Company Act that has a financial investment firm which is its subsidiary company or sub-subsidiary company, and a person who makes a public offering of new or outstanding securities.

(2) A financial investment firm (including the person under the proviso of paragraph (1); hereafter in this Article, the same shall apply) shall, when it intends to run the investment advertisement (excluding the investment advertisement on collective investment securities), include the name of the financial investment firm, details of financial investment products, risks associated with the investment, and other matters
prescribed by the Presidential Decree.

(3) A financial investment firm shall, when it runs the investment advertisement on collective investment securities, include the matters falling under each of the following subparagraphs, and shall not use any matter in the investment advertisement other than the matters prescribed by the Presidential Decree taking into account the name, type, and investment purpose of a collective investment scheme, management strategies, and other nature of the collective investment securities:

1. Recommend that investors read prospectus before acquiring collective investment securities;
2. Inform investors that the collective investment scheme may incur a loss to the investment principal depending on the results of its management and that such loss may revert to investors; and
3. Inform investors that where the investment advertisement includes the management performances of the financial investment firm, the relevant management performances do not guarantee future returns.

(4) A financial investment firm shall not misrepresent the compensation for losses or guarantee of profits in the investment advertisement except for cases of the compensation for losses or guarantee of profits pursuant to Article 103 (3).

(5) In the investment advertisement, the indication and advertisement matters under Article 4 (1) of the Act on Fair Indication and Advertisement shall comply with the provisions prescribed by that Act.

(6) Other necessary matters for the methods and procedures of the investment advertisement shall be prescribed by the Presidential Decree.

**Article 58 (Commission)**

(1) A financial investment firm shall establish the standards and procedures on commissions paid by investors, and disclose them through the Internet website, etc.

(2) A financial investment firm shall not, when it establishes the standards on commissions under paragraph (1), discriminate against any investor without any justifiable cause.

(3) A financial investment firm shall inform the Association of the matters on the standards and procedures on commissions under paragraph (1).

(4) The Association shall disclose the informed matters pursuant to paragraph (3) by comparing each financial investment firm.
Article 59 (Distribution of Contract Document and Cancellation of Contract)

(1) A financial investment firm shall, when it enters into a contract with an investor, provide the investor with a contract document without delay: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors taking into account the details of the contract, etc.

(2) Any investor who enters into a contract with a financial investment firm may cancel the contract (limited to contracts prescribed by the Presidential Decree taking into account the nature of the contract and other circumstances) within seven days from the date of delivery of the contract document under paragraph (1).

(3) The cancellation of the contract pursuant to paragraph (2) shall come into effect when the investor sends its intention to cancel the contract in writing to the financial investment firm.

(4) Where the contract is cancelled pursuant to paragraph (3), a financial investment firm shall be prohibited from claiming damages or penalties associated with the cancellation concerned in excess of the fees, commissions, or other compensations that have been incurred until the cancellation as prescribed by the Presidential Decree.

(5) A financial investment firm shall, when the contract is cancelled pursuant to paragraph (3), return the prepaid compensations related to the contract to the investor: Provided, That the same shall not apply within the amount prescribed by the Presidential Decree.

(6) A special agreement shall be considered null and void when the agreement puts investors at disadvantage and violates paragraphs 2 through 5.

Article 60 (Recordkeeping)

(1) A financial investment firm shall record and keep data with respect to providing financial investment services by type of the data designated by the Presidential Decree during the period prescribed by the Presidential Decree.

(2) A financial investment firm shall establish and implement an appropriate system in order to prevent destroying, falsifying, or altering the data to be recorded and kept pursuant to paragraph (1).

Article 61 (Deposit of Securities Held)

A financial investment firm (excluding integrated financial investment firms) shall deposit the securities (including those prescribed by the Presidential Decree) which are
held as a result of managing its own properties without delay to the Depository: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as holding securities denominated in foreign currencies (referring to the securities denominated in foreign currencies under Article 3 (1) 8 of the Foreign Exchange Transactions Act; hereinafter the same shall apply).

**Article 62 (Public Notice of Discontinuation of Financial Investment Services)**

(1) A financial investment firm shall, when it intends to discontinue its financial investment services or close its branches or other business offices, make a public notice thereon in two or more nationwide daily newspapers not later than thirty days before the date of discontinuation, and inform each creditor who is known to the financial investment firm.

(2) A financial investment firm shall conclude the purchase, sale or other transactions of financial investment products conducted by the financial investment firm in cases falling under any of the following subparagraphs. In this case, such financial investment firm shall be considered as a financial investment firm until concluding the purchase, sale or other transactions.

1. Where an approval of discontinuation of financial investment services pursuant to Article 417 (1) 6 is obtained;
2. Where an approval of discontinuation of financial investment services pursuant to Article 417 (1) 7 is obtained; or
3. Where an authorization or registration of financial investment services is revoked pursuant to Article 420 (1) or Article 421 (1) (including cases which are applied to Article 421 (4)).

**Article 63 (Transaction of Financial Investment Products by Officers or Employees)**

(1) An officer or employee of a financial investment firm (in cases of an integrated financial investment firm prescribed by the Presidential Decree, limited to an officer or employee who undertakes the task of a financial investment services; hereinafter the same shall apply) shall comply with the methods falling under each of the following subparagraphs where it purchases or sells, for its own account, the financial investment products prescribed by the Presidential Decree:

1. To purchase or sell financial investment products by its own name;
2. To purchase or sell financial investment products through a single account by selecting one financial investment firm among brokers (in cases of the officer or
employee of a broker, limited to the broker for which the officer or employee works, and where such broker is not engaged in dealing with financial investment products that the officer or employee intends to sell or purchase, the officer or employee may use another broker): Provided, That in cases prescribed by the Presidential Decree taking into account the type of financial investment products and the nature of the accounts, the transaction may be conducted through more than two financial investment firms or more than two accounts;

3. To report the details of transactions to its financial investment firm on a quarterly basis (on a monthly basis in case of investment advisors, or analysts under Article 286 (1) 3 (b) and fund managers; hereafter in this Article, the same shall apply); and

4. To comply with other methods and procedures prescribed by the Presidential Decree for the purpose of preventing unfair trade or conflict of interest with investors.

(2) A financial investment firm shall establish appropriate procedures and standards which its officers and employees are required to comply with in order to prevent unfair trades or conflict of interest with investors when any officer or employee purchases or sells financial investment products for its own account.

(3) A financial investment firm shall check the details of transactions made by an officer or employee in accordance with the procedures and standard under paragraph (2) on a quarterly basis.

Article 64 (Liability for Damages)

(1) Where a financial investment firm causes damages to investors by conducting any activity in violation of Acts, articles of incorporation, collective investment agreements or prospectus (referring to the prospectus under Article 123 (1)), or by neglecting its business, the financial investment firm shall be liable for such damages: Provided, That the same shall not apply to cases where the financial investment firm proves to have conducted due diligence or investors are aware of the fact at the time of the purchase, sale or other transactions even though the firm alleged to be liable for the damages violates Article 37 (2), 44, 45, 71, or 85 (limited to cases related to the conflict of interest caused by carrying on brokerage or dealing along with collective investment scheme service).

(2) The director engaged with the financial investment firm shall be jointly liable for the damages where the financial investment firm is liable for the damages under
paragraph (1) and the director is responsible for such damages.

**Article 65 (Special Cases for Foreign Financial Investment Firms)**

(1) In the application of this Act to branches or other business offices of a foreign financial investment firm, the business fund prescribed by the Presidential Decree shall be regarded as capital; the aggregate of capital, reserves and retained earnings shall be regarded as equity capital; and a local representative shall be regarded as an officer.

(2) Branches or other business offices of a foreign financial investment firm shall secure assets equivalent to the aggregate of liabilities and business fund referred to in paragraph (1) in the Republic of Korea following the methods prescribed by the Presidential Decree.

(3) When branches or other business offices of a foreign financial investment firm go into liquidation or become bankrupt, its assets secured in the Republic of Korea shall be appropriated preferentially for the repayment to the person who has an address or domicile in the Republic of Korea.

(4) Necessary matters on providing financial investment services by branches and other business offices of a foreign financial investment firm including the matters on the settlement, domestic representatives, etc. shall be prescribed by the Presidential Decree.

**Section 2 Conduct of Business Regulations by Type of Financial Investment Firms**

**Sub-section 1 Conduct of Business Regulations of Broker and Dealer**

**Article 66 (Identification of Type of Transaction)**

A broker or dealer shall, when it receives an order concerning the transactions of financial investment products from any investor, make clear in advance to such investor as to whether it will act as a broker or dealer.

**Article 67 (Prohibition on Representing Both Parties)**

A dealer or broker shall not act as one party and concurrently as a broker of the other party in purchasing and selling the same financial investment product.

**Article 68 (Obligation of Market Trading)**

A broker who has been delegated with transactions on the securities market or the derivatives market shall have such transactions performed only on the securities market
or the derivatives market. In this case, Article 67 shall not apply.

**Article 69 (Exceptional Acquisition of Treasury Stocks)**
A dealer may, when it receives an order from an investor to sell treasury stocks less than the minimum trading unit of the securities markets, acquire them outside the securities markets. In this case, the acquired treasury stocks shall be disposed of within the period as prescribed by the Presidential Decree.

**Article 70 (Prohibition on Arbitrary Transactions)**
A broker or dealer shall not, unless it receives transaction orders of financial investment products from any investor or an agent thereof, purchase or sell the financial investment products with the properties deposited by such investor.

**Article 71 (Prohibition on Unfair Business Practice)**
A broker or dealer shall be prohibited from conducting any activity falling under any of the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors or sound trade practice:

1. Where a broker or dealer is likely to receive a purchasing or selling order from investors which materially affects the price of a financial investment product, purchasing or selling, for its own account, or soliciting a third party to purchase or sell such financial investment product before executing the purchasing or selling order;

2. Where a broker or dealer publicizes documents (hereinafter referred to as “research and analysis documents”) containing opinions or prospects on the value of a financial investment product, purchasing or selling, for its own account, the financial investment product subject to the research and analysis documents before twenty-four hours has yet to expire from the publication after the contents of the documents are virtually confirmed;

3. Paying bonuses linked to the corporate financing business prescribed by the Presidential Decree to the person in charge of preparing research and analysis documents;

4. Providing a specified person or the public with the research and analysis on the stock certificates (including stock-linked debentures prescribed by the Presidential Decree; hereafter in this subparagraph, the same shall apply) within the period
prescribed by the Presidential Decree from the date on which a contract of the public offering of new or outstanding securities is entered into after such stock certificates were initially listed on the securities market;
5. Allowing a person who is not an introducing broker or investment advisor to solicit investment;
6. Acquiring, disposing of, or otherwise managing financial investment products for each investor after being delegated with all or a part of investment decisions on the financial investment products by investors; Provided, That the same shall not apply to cases providing non-discretionary investment advisory service and cases falling under Article 7 (4); or
7. Other activities prescribed by the Presidential Decree as unlikely to undermine the protection of investors and sound trade practice.

Article 72 (Credit Extension)
(1) A broker or dealer may extend credit to an investor in connection with securities by means of lending money or securities: Provided, That a dealer shall not lend money or extend any other credit to an investor in order to have the investor purchase such securities within three months from the date on which such securities are undertaken.
(2) Matters necessary for the standards and methods of credit extension under paragraph (1) shall be prescribed by the Presidential Decree.

Article 73 (Notification of Details on Transaction)
Where any transaction of a financial investment product is concluded, a broker or dealer shall notify investors regarding the details thereof under the conditions prescribed by the Presidential Decree.

Article 74 (Separate Custody of Investors’ Deposits)
(1) A broker or dealer shall deposit or entrust investors’ deposits (referring to the money deposited by investors in connection with purchase, sale, or other transactions of financial investment products; hereinafter the same shall apply) separately from its own property in a securities finance company.
(2) The broker or dealer designated by the Presidential Decree among integrated financial investment firms may, notwithstanding paragraph (1), entrust a trust company (excluding securities finance companies; the same shall apply in this Article) with
investors' deposits in addition to the deposit or entrustment under paragraph (1). In this case, such broker or dealer may enter into a contract as principal notwithstanding Article 2 of the Trust Act when the broker or dealer provides trust service.

(3) Where a broker or dealer deposits or entrusts investors' deposits in a securities finance company or trust company pursuant to paragraph (1) or (2) (hereafter in this Article, referred to as “depository institution”), the broker or dealer shall specify that the investors' deposits are a part of the investors' properties.

(4) No one shall set off or seize (including provisional seizure) investors' deposits deposited or entrusted in a depository institution pursuant to paragraph (1) or (2), and any broker or dealer (hereafter in this Article, referred to as “depositing financial investment firm”) who deposits or entrusts the investors' deposits shall not transfer the investors' deposits deposited or entrusted in a depository institution or offer them as collateral except for cases prescribed by the Presidential Decree.

(5) A depositing financial investment firm falling under any of the following subparagraphs shall withdraw the investors' deposits deposited or entrusted in a depository institution, and then return them to investors preferentially. In this case, such depositing financial investment firm shall publicize the time and place of the payment of investors' deposits and other matters relating to the payment of investors' deposits in more than two nationwide daily newspapers or through the Internet website, etc. within the period determined by the Presidential Decree:

1. Where the authorization is revoked;
2. Where the depositing financial investment firm resolves to dissolve itself;
3. Where bankruptcy is declared;
4. Where the transfer of all the financial investment services under Articles 6 (1) 1 and 6 (1) 2 is approved;
5. Where the discontinuation of all the financial investment services under Articles 6 (1) 1 and 6 (1) 2 is approved;
6. Where an order for suspending all the financial investment services under Articles 6 (1) 1 and 6 (1) 2 is issued; or
7. Where any other cause equivalent to those referred to in subparagraphs 1 through 5 occurs.

(6) A depository institution shall, when it falls under any of the subparagraphs of paragraph (5), return the deposited or entrusted investors' deposits preferentially to a depositing financial investment firm.

(7) A depository institution shall manage investors' deposits through a method falling
under any of the following subparagraphs:

1. To purchase Government bonds or municipal bonds;
2. To purchase debt securities whose payments are guaranteed by the Government, local government or financial institutions; or
3. Others prescribed by the Presidential Decree as unlikely to undermine the stable management of investors' deposits.

(8) The Presidential Decree shall prescribe the scope of investors' deposits to be deposited or entrusted in a depository institution by a broker or dealer pursuant to paragraph (1) or (2), the ratio of the deposit or entrustment, the withdrawal of the deposited or entrusted investors' deposits, the depository institution's management of investors' deposits, or other matters necessary for the deposit or entrustment of investors' deposits. In this case, the ratio of the deposit or entrustment may be determined for each authorized broker or dealer taking into account the financial status, etc. thereof.

**Article 75 (Depository of Investors' Deposit Receipts)**

A broker or dealer shall deposit securities (including those prescribed by the Presidential Decree) held by investors, which come into its custody for the purpose of the purchase, sale or other transactions of a financial investment product to the Depository without delay: Provided, That the same shall not apply to cases where the securities held by investors are securities denominated in foreign currencies as prescribed by the Presidential Decree.

**Article 76 (Special Cases for Sales of Collective Investment Securities)**

(1) A broker or dealer shall sell collective investment securities at the standard price (referring to the standard price under Article 238 (6); hereinafter the same shall apply) which is calculated immediately after investors pay money, etc. for acquiring the collective investment securities: Provided, That the standard price determined by the Presidential Decree shall apply to cases prescribed by the Presidential Decree as unlikely to undermine the interests of investors.

(2) A broker or dealer shall not, when it receives a notification under Article 92 (1) (including cases which are applied to Article 186 (2)), sell the collective investment securities concerned: Provided, That a broker or dealer may resume the sale of such securities where it receives a notification under Article 92 (2) (including cases which are applied to Article 186 (2)).
(3) A broker or dealer shall not sell collective investment securities or advertise them before a collective investment scheme is registered pursuant to Article 182: Provided, That the broker or dealer may advertise a sale where it is unlikely to undermine the interests of investors as prescribed by the Presidential Decree.

(4) Where a broker or dealer receives sales commissions (referring to the money directly received from investors as remuneration for selling collective investment securities or providing services to the investors continuously; hereinafter the same shall apply) and sales fees (referring to the money received from a collective investment scheme as remuneration for selling collective investment securities or providing services to investors continuously; hereinafter the same shall apply) with respect to the collective investment securities, the broker or dealer shall not receive any sales commissions or fees based on the performance of the collective investment scheme.

(5) The limit of sales commissions and fees under paragraph (4), the methods of charging sales commissions or fees, and other necessary matters thereon shall be prescribed by the Presidential Decree.

Article 77 (Special Cases for Deposit and Insurance with Investment components)

(1) Where a bank enters into a contract for deposit with investment components, the bank is considered to obtain an authorization of financial investment services for dealing pursuant to Article 12. In this case, Articles 15, 39 through 45, subparagraph 3 of Article 49, Articles 56, 58, 61 through 65 and Chapters 2 and 3 of Part 2, and Subsection 1 of Section 2 of Chapter 4 of Part 2 shall not apply, and Chapter 1 of Part 3 shall not apply to the contract for foreign savings with investment components.

(2) When an insurance company (including the person falling under subparagraphs 8 through 10 of Article 2 of the Insurance Business Act) enters into a contract for insurance with investment components or acts as a broker or agent, the insurance company is considered to obtain an authorization of financial investment services for brokerage or dealing pursuant to Article 12. In this case, Articles 15, 39 through 45, subparagraph 3 of Article 49, Articles 51 through 53, 56, 58, 61 through 65, Chapters 2 and 3 of Part 2 and subsection 1 of Section 2 of Chapter 4 of Part 2 as well as Chapter 1 of Part 3 shall not apply.

Article 78 (Securities Brokerage in Electronic Form)

(1) A broker shall comply with the standards prescribed by the Presidential Decree (hereafter in this Article, referred to as “business standard”) with respect to the
matters falling under each of the items of subparagraph 2 where the broker conducts brokerage of purchasing and selling listed stocks according to a quotation falling under any of the following items of subparagraph 1 to many persons at the same time by using information communication networks and electronic data-processing equipment (hereinafter referred to as “electronic securities brokerage”):

1. A quotation falling under any of the following items:
   (a) The final quotation of such listed stocks published on the securities market; or
   (b) The single price determined through the methods prescribed by the Ordinance of the Ministry of Finance and Economy.

2. The following items shall be determined by the business standards:
   (a) Matters on listed securities subject to the brokerage transactions;
   (b) Matters on the suspension of transactions of listed securities subject to the brokerage thereof, and the removal of such suspension;
   (c) Matters on the conclusion of purchase and sale contracts and other matters on settlement methods, settlement responsibilities, etc.;
   (d) Matters on the consignment on purchase or sale, including the consignment guarantee money, etc.;
   (e) Matters on the publication and disclosure of issuers of listed securities subject to the brokerage transactions;
   (f) Matters on the publication and notification of the results of transactions;
   (g) Matters on the opening, closing, suspension, or interruption of the brokerage transactions; and
   (h) Others necessary for the brokerage of listed securities subject to the brokerage transactions.

(2) Section 2 of Part 2 (other than Articles 28 and 29), Articles 40, 66, 67, 72, 73 and Article 386 (2) shall not apply to the person who conducts electronic securities brokerage.

(3) Article 413 shall apply to a broker who conducts electronic securities brokerage.

**Subsection 2 Conduct of Business Regulations of Collective Investment Managers**

**Article 79 (Duty of Loyalty and Duty of Care)**

(1) A collective investment manager shall manage collective investment property with good care as a manager.

(2) A collective investment manager shall conduct the business concerned with loyalty
in order to protect the interests of investors.

Article 80 (Instruction on the management of Assets and Its Implementation)

(1) A collective investment manager of an investment trust shall, when it manages investment trust property, give instructions necessary for the acquisition, disposal, etc. of investment assets for each investment trust property to the trust company in charge of the custody and management of such investment trust property under the conditions prescribed by the Presidential Decree, and such trust company shall acquire, dispose of, etc. the investment assets according to the instructions from the collective investment manager: Provided, That the collective investment manager may acquire, dispose of, etc. the investment assets under its own trade name in cases prescribed by the Presidential Decree as inevitable for the efficient management of the investment trust property.

(2) A collective investment manager of an investment trust (including the trust company in charge of the custody and management of the investment trust property; hereafter in this subparagraph, the same shall apply) shall, when it acquires, disposes of, etc. the investment assets pursuant to paragraph (1), take the liability of the delivery using the investment trust property: Provided, That the same shall not apply to the collective investment manager who is liable for damages pursuant to Article 64 (1).

(3) A collective investment manager shall, when it conducts the business of the acquisition, disposal, etc. of the investment assets pursuant to the proviso of paragraph (1), fairly distribute the results of the acquisition, disposal, etc. based on the predetermined details of the asset distribution for each investment trust property. In this case, the collective investment manager shall prepare, keep and manage books and documents containing the details of the asset distribution, the results of the acquisition, disposal, etc., and the results of distribution, etc. under the conditions prescribed by the Ordinance of the Ministry of Finance and Economy.

(4) Necessary matters on the details of the asset distribution, etc. under paragraph (3) shall be prescribed by the Ordinance of the Ministry of Finance and Economy.

(5) A collective investment manager of a collective investment scheme other than investment trusts shall, when it manages its collective investment property, acquire, dispose of, etc. investment assets under the trade name of the collective investment scheme (in case of an investment undisclosed association, referring to the trade name of the collective investment manager concerned), and give instructions necessary for
the custody and management of the assets acquired, disposed of, etc. to the trust
compny of the collective investment scheme, and such trust company shall comply
with the instructions from the collective investment manager. In this case, the
collective investment manager shall specify that it represents the collective investment
scheme in acquiring, disposing of, etc. the investment assets.

Article 81 (Restrictions on Asset Management)

(1) A collective investment manager shall be prohibited from conducting any activity
falling under the following subparagraphs in managing collective investment property:
Provided, That the same shall not apply to cases prescribed by the Presidential Decree
as unlikely to undermine the protection of investors or the stable management of
collective investment property:

1. To conduct any activity falling under any of the following items when investing
collective investment property in securities (including investment assets prescribed
by the Presidential Decree and excluding collective investment securities and other
securities prescribed by the Presidential Decree; hereafter in this subparagraph, the
same shall apply) or derivatives:

(a) To invest in the securities of the same kind in excess of the ratio prescribed by
the Presidential Decree within 10/100 of the total amount of the assets of each
collective investment scheme. In this case, among securities issued by the same
corporation, etc., equity securities (including securities deposit receipts related to
equity securities issued by the corporation, etc.; hereafter in this Subsection, the
same shall apply) and the securities other than equity securities shall be deemed
the same kind, respectively;

(b) To invest in excess of 20/100 of the total number of equity securities issued by
the same corporation, etc. with the total amount of the assets of the entire
collective investment schemes managed by each collective investment manager;

(c) To invest in excess of 10/100 of the total number of equity securities issued by
the same corporation, etc. with the total amount of the assets of the entire
collective investment schemes;

(d) To trade over-the-counter derivatives with the person who fails to satisfy
qualifying requirements prescribed by the Presidential Decree;

(e) To invest in derivatives, so that the risk-assessed amount exceeds the standard
prescribed by the Presidential Decree;

(f) To invest in derivatives, so that the risk-assessed amount accruing from price
fluctuation of the securities (including securities deposit receipts related to the securities issued by the same corporation, etc.) issued by the same corporation, etc. among underlying assets exceeds 10/100 of the total amount of the assets of each collective investment scheme; or

(g) To invest in over-the-counter derivatives with the same counter-party, so that the credit risk-assessed amount exceeds 10/100 of the total amount of the assets of each collective investment scheme;

2. To conduct any activity falling under the following items when investing collective investment property in real estate:

(a) To dispose of real estate within the period prescribed by the Presidential Decree up to five years from the acquisition: Provided, That the same shall not apply to cases where any land, building, etc., which is created or constructed under a real estate development project (referring to the project undertaken to develop any land in any housing site, any factory site, etc. or to newly construct or re-construct buildings or other installations; hereinafter the same shall apply) are sold by contract, or other cases prescribed by the Presidential Decree as necessary for the protection of investors; or

(b) To dispose of any land which does not hold any building or any installation before any real estate development project is launched thereon: Provided, That the same shall not apply to the merger, termination or dissolution of collective investment scheme, or other cases prescribed by the Presidential Decree as necessary to protect investors;

3. To conduct any activity falling under the following items in investing collective investment property in collective investment securities (including foreign collective investment securities referred to in Article 279 (1); hereafter in this subparagraph, the same shall apply):

(a) To invest in the collective investment securities of a collective investment scheme (including a foreign collective investment scheme referred to in Article 279 (1)) managed by the same collective investment manager (including a foreign collective investment manager referred to in Article 279 (1)) in excess of 50/100 of the total amount of the assets of each collective investment scheme;

(b) To invest in the collective investment securities of the same collective investment scheme (including a foreign collective investment scheme referred to in Article 279 (1)) in excess of 20/100 of the total amount of the assets of
each collective investment scheme;

(c) To invest in collective investment securities of the collective investment scheme (including a foreign collective investment scheme referred to in Article 279 (1)) that is eligible to invest in excess of 40/100 of the total amount of the assets;

(d) To invest in collective investment securities of a private equity fund (including a foreign private equity fund equivalent to a private equity fund);

(e) To invest in excess of 20/100 of the total amount of the collective investment securities of the same collective investment scheme (including a foreign collective investment scheme referred to in Article 279 (1)) with the collective investment properties of each collective investment scheme. In this case, the calculation of the ratio shall be based on the date on which the investment is made; or

(f) To invest in collective investment securities, where the aggregate of the sales commissions and fees paid to a broker or dealer who sells collective investment securities of a collective investment scheme and the sales commissions and fees paid to a broker [including a foreign broker (referring to the person who conducts the business equivalent to a brokerage in a foreign country in accordance with foreign Acts and subordinate statutes)] or dealer [including a foreign dealer (referring to the person who conducts the business equivalent to a dealing in a foreign country under foreign Acts and subordinate statutes)] who sells collective investment securities of another collective investment scheme (including a foreign collective investment scheme referred to in Article 279 (1)) in which the collective investment scheme invests exceeds the limit prescribed by the Presidential Decree;

4. To conduct any activity prescribed by the Presidential Decree as likely to undermine the protection of investors or the stable management of collective investment properties.

(2) The Financial Supervisory Commission shall publicize necessary matters on calculation methods, etc. of a risk-assessed amount under item (e) of subparagraph 1 of paragraph (1), a risk-assessed amount referred to in item (f) of such subparagraph and a credit risk-assessed amount referred to in item (g) of such subparagraph.

(3) In case of inevitably exceeding the investment limitation under paragraph (1) due to the grounds prescribed by the Presidential Decree including price fluctuation of investment assets belonging to the collective investment property, the investment limitation shall be considered to be satisfied during the period prescribed by the
Presidential Decree from the date on which the investment limitation is exceeded.

(4) Items (a) and (e) through (g) of subparagraph 1 as well as items (a) and (b) of subparagraph 3 of paragraph (1) shall not apply during the period prescribed by the Presidential Decree up to six months from the date of initial establishment or incorporation of a collective investment scheme.

Article 82 (Restrictions on Acquisition of Treasury Collective Investment Securities)
A collective investment manager of an investment trust or investment undisclosed association shall not acquire collective investment securities of its collective investment scheme for its own account or accept them for the purpose of the right of pledge: Provided, That the same shall not apply to cases falling under any of the following subparagraphs:
1. Where the acquisition is necessary for exercising rights, including collateral rights, etc. In this case, any acquired collective investment securities shall be disposed of under the conditions prescribed by the Presidential Decree; or
2. Where beneficiary certificates are purchased pursuant to Article 191.

Article 83 (Restrictions on Monetary Loan)
(1) A collective investment manager shall be prohibited from borrowing any money for the account of a collective investment scheme in managing collective investment property: Provided, That the same shall not apply to cases falling under any of the following subparagraphs:
1. Where it is temporarily difficult to pay the redemption money due to massive claims for the redemption of collective investment securities pursuant to Article 235; or
2. Where it is temporarily difficult to pay the purchase price due to massive claims for the purchase pursuant to Articles 191 and 201 (4).
(2) Where any collective investment manager borrows any money for the account of a collective investment scheme pursuant to paragraph (1), the total amount of such borrowed money shall not exceed 10/100 of the total amount of the collective investment property at the time of borrowing such money.
(3) Necessary matters on the methods of borrowing money under paragraph (1), restrictions on acquisition of investment assets prior to the repayment of the borrowed money, etc. shall be prescribed by the Presidential Decree.
(4) A collective investment manager shall not lend (except short-term loan with due
date of thirty days for the financial institution prescribed by the Presidential Decree) money using collective investment property when it manages the collective investment property.

(5) A collective investment manager shall not, when it manages collective investment property, guarantee the repayment of debt or provide collective investment property as collateral to any person other than the member of the collective investment scheme concerned.

**Article 84 (Restrictions on Transaction with Interested Person)**

(1) A collective investment manager shall be prohibited from entering into any transaction with the interested persons prescribed by the Presidential Decree (hereafter in this section referred to as “interested person”) in managing collective investment property: Provided, That the same shall not apply to the transactions falling under any of the following subparagraphs, which are unlikely to be in conflict of interests with the collective investment scheme:

1. Transactions under the contract which has been entered into not more than six months before the counter-party becomes an interested person;
2. Transactions through open markets including the securities market in which the public participates;
3. Transactions which are in favor of collective investment schemes compared with common transaction conditions; or
4. Other transactions prescribed by the Presidential Decree.

(2) A collective investment manager shall, when it enters into transactions with the interested person permitted under the proviso of paragraph (1), provide the details to the trust company in charge of the custody and management of collective investment property without delay.

(3) A collective investment manager shall be prohibited from acquiring securities (excluding beneficiary certificates under Article 189) that the collective investment manager has issued for its own account in managing the collective investment property.

(4) A collective investment manager shall, when it manages the collective investment property, be prohibited from acquiring any securities issued by any affiliate (excluding beneficiary certificates under Article 189 and other securities prescribed by the Presidential Decree, and including securities deposit receipts related to the equity securities issued by the affiliates and investment assets prescribed by the Presidential
Decree; hereafter in this Article, the same shall apply) in excess of the limit prescribed by the Presidential Decree.

(5) Others necessary for the restrictions on the acquisition of securities issued by an affiliate under paragraph (4) shall be prescribed by the Presidential Decree.

**Article 85 (Prohibition of Unfair Conduct of Business)**

A collective investment manager shall not conduct any activity falling under the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors and sound trade practice:

1. To purchase or sell, for its own account, or to solicit a third party to purchase or sell financial investment products or other investment assets before executing its decision to purchase or sell the financial investment products or other investment assets whose transactions may materially affect the price thereof in managing collective investment property;

2. To purchase, with collective investment property, securities acquired by the collective investment manager itself or by a relevant underwriter (referred to as “relevant underwriter:” hereafter in this Section, the same shall apply) prescribed by the Presidential Decree;

3. To purchase or sell specific securities, etc. with collective investment property so that the collective investment manager or its relevant underwriter forms an artificial market price (referring to the market price under Article 176 (2) 1) of the specific securities, etc. of the corporation in charge of the underwriting business prescribed by the Presidential Decree (referring to the specific securities, etc. under Article 172 (1); hereafter in this subparagraph, the same shall apply);

4. To pursue its own or a third party’s interest at the expense of specific collective investment scheme;

5. To conduct any transaction of specific collective investment properties with its own property or other collective investment property, discretionary investment property (referring to the property on which the collective investment manager is delegated with investment decision) or trust property that the collective investment manager manages;

6. To make a cross-investment in specific assets through a contract or collusion, etc. with a third party using collective investment property;
7. To allow a person who is not a fund manager to manage collective investment property; or
8. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

Article 86 (Restrictions on Bonus)
(1) A collective investment manager shall not receive any remuneration calculated in a predetermined way based on the performance of a collective investment scheme (hereinafter referred to as “bonus”): Provided, That the same shall not apply to cases falling under any of the following subparagraphs:
   1. Where a collective investment scheme is a private equity fund; or
   2. Where a collective investment scheme other than a private equity fund is prescribed by the Presidential Decree as unlikely to undermine investor protection and sound trade practice taking into account the methods of calculating bonus, the type of investor, etc.
(2) A collective investment manager shall, when it intends to receive a bonus pursuant to the proviso of paragraph (1), specify the calculating methods thereof and other matters prescribed by the Presidential Decree in the prospectus concerned (referring to the prospectus under Article 123 (1)) and collective investment agreements.

Article 87 (Voting Rights)
(1) A collective investment manager (limited to a collective investment manager of an investment trust or undisclosed investment association; hereinafter the same shall apply) shall exercise its voting rights of the stocks belonging to the collective investment property in a case falling under any of the following subparagraphs to an extent that does not affect the results of the resolution of the number of stocks calculated by deducting the number of stocks belonging to the collective investment property from the number of stocks held by the shareholders attending the general meeting of shareholders of the corporation which issues stocks belonging to the collective investment property: Provided, That the same shall not apply to the merger, transfer, acquisition by transfer, appointment and dismissal of officers, and alteration of the articles of incorporation of the corporation which issues stocks belonging to the collective investment property, or other equivalent matters reasonably expected to incur any loss to such collective investment property:
   1. Where the person falling under any of the following items intends to merge any
company whose stocks belong to the collective investment property concerned into its affiliates:
(a) A collective investment manager and any person prescribed by the Presidential Decree as interested with such collective investment manager; or
(b) A person prescribed by the Presidential Decree as in de facto control of the collective investment manager;
2. Where any corporation which issues stocks belonging to collective investment property is in a relation falling under each of the following items with the collective investment manager:
(a) In a relation of affiliates; or
(b) In the relation prescribed by the Presidential Decree as in de facto control of the collective investment manager; or
3. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or the proper management of the collective investment property.
(2) The proviso of paragraph (1) other than each item of that paragraph shall not apply to collective investment managers classified into the business groups subject to the limitations on cross-shareholding (hereinafter referred to as “business group subject to the limitations on cross-shareholding”) under Article 9 (1) of the Monopoly Regulation and Fair Trade Act: Provided, That where the collective investment manager classified into a business group subject to the limitations on cross-shareholding holds outstanding stocks of the stock-listed corporation affiliated thereto using collective investment property and where the loss on such collective investment property is reasonably expected in the case of exercising its voting rights pursuant to the main sentence of paragraph (1) other than each item of that paragraph with respect to the matters falling under any of the following subparagraphs, such collective investment manager may exercise its voting rights pursuant to the proviso of paragraph (1) other than each item of that paragraph, and the number of stocks with voting rights shall not exceed 15/100 of the total number of the outstanding stocks of such corporation by combining the number of stocks on which specially-related persons of such corporation may exercise its voting rights:
1. The merger with other corporation and the transfer of all or a part of the business to other corporation;
2. The appointment and dismissal of officers of the corporation; or
3. The alteration of the articles of incorporation of the corporation.
(3) Notwithstanding paragraph (2), where a collective investment manager classified
into a business group subject to the limitations on cross-shareholding holds outstanding stocks of a corporation affiliated thereto using collective investment property, the voting rights of the stocks acquired in excess of the investment limitation under Article 81 (1) 1 (a) pursuant to Article 81 (1) other than each item of that subparagraph shall be exercised to an extent that does not affect the content of the resolution of the number of stocks calculated by deducting the number of stocks belonging to collective investment properties from the number of stocks held by the shareholders attending the general meeting of shareholders of the corporation which issues such stocks.

(4) A collective investment manager shall be prohibited from exercising its voting rights on the stocks acquired in excess of the investment limitation provided for in Articles 81 (1) and 84 (4).

(5) A collective investment manager shall not conduct any activity in an attempt to avoid the application of paragraphs (1) through (4), including cross execution of voting rights by means of a contract with a third party.

(6) The Financial Supervisory Commission may order a collective investment manager to dispose of its stocks within a period of up to six months where the collective investment manager exercises its voting rights on the stocks belonging to the collective investment property in violation of paragraphs (1) through (5).

(7) A collective investment manager shall keep the records on whether or not it exercises its voting rights and the details thereof (where the voting rights are not exercised, the grounds thereof) on the corporation (hereafter in this Article, referred to as “corporation subject to the disclosure of voting rights”) which issues stocks in excess of the amount or ratio prescribed by the Presidential Decree for each collective investment scheme by methods prescribed by the Presidential Decree.

(8) A collective investment manager shall disclose the details of the exercise of its voting rights on the stocks belonging to the collective investment property under the classification falling under the following subparagraphs. In this case, necessary matters on the methods of disclosure, etc. shall be prescribed by the Presidential Decree:

1. Where the collective investment manager exercises its voting rights on the management change including the merger, transfer and acquisition by transfer, the appointment and dismissal of officers, and the alteration in the articles of incorporation in accordance with paragraphs (1) through (3), the details of the exercise of the voting rights;

2. Where the collective investment manager exercises its voting rights on the
corporation subject to the disclosure of voting rights, the details of the exercise of the voting rights under paragraph (7); and

3. Where the collective investment manager does not exercise its voting rights on the corporation subject to the disclosure of voting rights, the specific reasons for the failure to exercise the voting rights under paragraph (7).

(9) A collective investment manager shall, when it discloses whether it exercises its voting rights pursuant to paragraph (8), disclose the documents prescribed by the Presidential Decree as necessary for the investors to decide whether it is appropriate to exercise their voting rights.

Article 88 (Asset Management Report)
(1) A collective investment manager shall prepare an asset management report and provide it to the investors of the collective investment scheme concerned at least once every three months after obtaining the confirmation thereof from the trust company in charge of the custody and management of the collective investment property concerned: Provided, That the asset management report may not be given to investors where the investors are frequently changed and it is unlikely to undermine the interests of the investors as prescribed by the Presidential Decree.

(2) A collective investment manager shall enter the matters falling under each of the following subparagraphs in the asset management report under paragraph (1):

1. Assets and liabilities of the collective investment scheme and the base price of collective investment securities as of the day falling under any of the following items (hereafter in this Article, referred to as “reference day”):
   (a) The day on which three months expires from the day on which the accounting period commences;
   (b) The last day of the accounting period;
   (c) The day on which the contract period or the existence period expires; or
   (d) The date of termination or dissolution;

2. A summary of the management performance and the state of profit and loss during the management period ranging from the immediately preceding reference day (referring to the first day on which the collective investment scheme is incorporated or established if the immediately preceding reference day does not exist) to the reference day concerned (hereinafter in this Article, referred to as “management period”);

3. The appraised amount of assets, by type, belonging to the collective investment
property and the ratio of the total amount of each collective investment property as of the reference day;
4. The total number of stocks that are traded, the amount of the trading and the turnover rate of the trading prescribed by the Presidential Decree during the management period; and
5. Others prescribed by the Presidential Decree.
(3) Necessary matters on the time and methods of providing the asset management report referred to in paragraph (1), the defrayment of expenses, etc. shall be prescribed by the Presidential Decree.

**Article 89 (Ongoing disclosure)**
A collective investment manager of an investment trust or undisclosed investment association shall, when any matter falling under the following subparagraphs occurs, disclose such information without delay through the Internet website, etc., under the conditions prescribed by the Presidential Decree:
1. Changes in fund managers;
2. The decision on the delay or resumption of redemption and the reasons therefor;
3. Where any non-performing asset prescribed by the Presidential Decree occurs, its details and depreciation rate;
4. The details of the resolution made by the general meeting of collective investors;
or
5. Other matters prescribed by the Presidential Decree as necessary for the protection of investors.

**Article 90 (Reports on Collective Investment Property)**
(1) A collective investment manager (limited to any collective investment manager of an investment trust or investment undisclosed association; hereafter in this Article, the same shall apply) shall submit the quarterly business report on collective investment property to the Financial Supervisory Commission and the Association within twenty days from the end of each quarter under the conditions prescribed by the Presidential Decree.

(2) A collective investment manager shall submit settlement statements under Article 239 to the Financial Supervisory Commission and the Association within two months from the date on which any cause falling under the following subparagraphs occurs with respect to the collective investment scheme:
1. The expiration of the accounting period of the collective investment scheme;
2. The expiration of the contract period or existence period of the collective investment scheme; or
3. The termination or dissolution of the collective investment scheme.

(3) The Financial Supervisory Commission and the Association shall disclose the document submitted pursuant to paragraphs (1) and (2) through the Internet website, etc.

(4) The Association shall compare the performances including details of changes in the net asset value of each collective investment property and disclose the result thereof through the Internet website, etc. under the conditions prescribed by the Presidential Decree.

**Article 91 (Access and Disclosure of Books and Documents)**

(1) Investors may ask a collective investment manager (limited to a collective investment manager of an investment trust or undisclosed investment association; hereafter in this Article, the same shall apply) for access to the books and documents on a collective investment property or for the distribution of certified or abridged copies thereof with a written document indicating the reasons therefor during business hours. In this case, such collective investment manager shall not reject the request unless there is any reasonable ground prescribed by the Presidential Decree.

(2) Necessary matters on the scope of the documents available for the access or distribution under paragraph (1) shall be prescribed by the Presidential Decree.

(3) A collective investment manager shall disclose a collective investment agreement through the Internet website, etc.

**Article 92 (Notice of Deferment of Redemption)**

(1) A collective investment manager (limited to a collective investment manager of an investment trust or investment undisclosed association; hereafter in this Article, the same shall apply) shall, when any cause falling under the following subparagraphs occurs, notify the broker or dealer who has sold the collective investment securities concerned without delay:

1. Where the redemption of the collective investment securities is deferred pursuant to Article 237 (1); or
2. Where the auditor's opinion on the collective investment scheme under Article 240 (3) is not an unqualified opinion.
(2) A collective investment manager shall, when the causes referred to in paragraph (1) are removed, notify the broker or dealer who has sold the collective investment securities concerned without delay.

**Article 93 (Special Cases for Management of Derivatives)**

(1) Where a collective investment manager invests collective investment properties of a collective investment scheme which is allowed to invest in excess of the limit to the risk-assessed amount accruing from the transactions of derivatives (referring to the risk-assessed amount in Article 81 (1) 1 (3); hereafter in this Article, the same shall apply) as prescribed by the Presidential Decree in derivatives, the collective investment manager shall disclose the contract amount and other risk-related indexes prescribed by the Presidential Decree through the Internet website, etc. In this case, the collective investment manager shall describe the fact that the risk-related indexes and their outlines are available in the prospectus of the collective investment scheme (referring to the prospectus under Article 123 (1)).

(2) Where a collective investment manager invests collective investment properties of a collective investment scheme which is allowed to invest in excess of the limit to the risk-assessed amount accruing from the transactions of over-the-counter derivatives as prescribed by the Presidential Decree in over-the-counter derivatives, the collective investment manager shall prepare methods to manage the risks accruing from the management of over-the-counter derivatives and report such methods to the Financial Supervisory Commission after obtaining a confirmation from the trust company in charge of the custody and management of the collective investment properties.

**Article 94 (Special Cases for Management of Real Estate)**

(1) A collective investment manager may, when it acquires any real estate with collective investment property, borrow money for the account of a collective investment scheme under the conditions prescribed by the Presidential Decree, notwithstanding the main sentence of Article 83 (1) other than each subparagraph of that paragraph.

(2) A collective investment manager may, notwithstanding Article 83 (4), lend money to the corporation (including real estate trust companies and others prescribed by the Presidential Decree) carrying out real estate development projects with collective investment property under the conditions prescribed by the Presidential Decree.

(3) A collective investment manager shall, when it acquires or disposes of any real
estate with collective investment property, prepare and keep a report on actual inspection of the current status of the real estate concerned, its trading price and other matters prescribed by the Presidential Decree.

(4) A collective investment manager shall, when it intends to invest the collective investment properties in any real estate development project, prepare a business plan including the schedule and the methods thereof and others prescribed by the Presidential Decree, obtain a confirmation of whether such business plan is appropriate from appraisers under the Public Notice of Values and Appraisal of Real Estate Act, and make it available to the public through the Internet website, etc.

(5) The names of beneficiaries may not be entered in the written statement attached to the application filed for the registration of trust in the application of Article 123 of the Registration of Real Estate Act where the real estate is acquired using the collective investment property.

(6) Necessary matters on the limit to lend and borrow money pursuant to paragraphs (1) and (2), and restrictions on the management of the borrowed money shall be prescribed by the Presidential Decree.

Article 95 (Liquidation)

(1) The Financial Supervisory Commission shall supervise liquidation affairs of a financial investment firm providing collective investment scheme service.

(2) The Financial Supervisory Commission may review liquidation affairs and financial status, or issue orders to deposit the property or other orders necessary for the supervision of liquidation.

(3) The Financial Supervisory Commission shall appoint a liquidator in accordance with its authority where a financial investment firm providing collective investment scheme service is dissolved due to the revocation of the authorization of financial investment services.

(4) The Financial Supervisory Commission shall appoint a liquidator in accordance with its authority or upon the request of an interested person where a financial investment firm providing collective investment scheme service is dissolved due to the court order or court ruling or where any liquidator has not been appointed.

(5) The Financial Supervisory Commission may, when it appoints a liquidator, require the financial investment firm providing the collective investment scheme service to pay remuneration to the liquidator. In this case, the Financial Supervisory Commission shall prescribe and publicize the amount of the remuneration.
The Financial Supervisory Commission may dismiss a liquidator in accordance with its authority or upon the request of an interested person where the liquidator is found to be clearly unqualified for performing its duties or to be in material violation of Acts and subordinate statutes.

Sub-section 3 Conduct of Business Regulations of Discretionary Investment Advisory Company and Non-discretionary Investment Advisory Company

Article 96 (Duty of Loyalty and Duty of Care)
(1) A non-discretionary investment advisory company shall provide investment advisory service with good care as a manager, and a discretionary investment advisory company shall manage investment discretionary property with good care as a manager.
(2) A discretionary investment advisory company and a non-discretionary investment advisory company shall conduct the business concerned with loyalty in order to protect the interests of investors.

Article 97 (Making a Contract)
(1) A discretionary investment advisory company or non-discretionary investment advisory company shall, when it intends to enter into a contract for discretionary investment advisory service or non-discretionary investment advisory service with non-professional investors, distribute written documents indicating the matters falling under each of the following subparagraphs to the non-professional investors in advance:
   1. The scope of non-discretionary investment advisory service and the methods of providing the service, or the scope of discretionary investment advisory service and the financial investment products subject to investment;
   2. General standards and procedures established by a discretionary investment advisory company or non-discretionary investment advisory company with regard to providing discretionary investment advisory service or non-discretionary investment advisory service;
   3. Names and curriculum vitae of the officers in charge of providing discretionary investment advisory service or non-discretionary investment advisory service;
   4. Standards and procedures established by a discretionary investment advisory company or non-discretionary investment advisory company to prevent conflict of interest with investors;
5. The fact that the results of investment shall revert to the investors, and the matters on the responsibilities of investors with respect to the contract for discretionary investment advisory service or non-discretionary investment advisory service;
6. Matters on commissions and fees;
7. Methods of notifying investors of the assessment of investment performances and investment results (limited to a contract for discretionary investment advisory service); and
8. Other matters prescribed by the Presidential Decree as material standards for investors to make a decision on entering into the contract.

(2) A discretionary investment advisory company or non-discretionary investment advisory company shall, when it enters into a contract for discretionary investment advisory service or non-discretionary investment advisory service with non-professional investors, describe matters falling under each of the following subparagraphs in the contract documents to be distributed to non-professional investors pursuant to Article 59 (1). In this case, the described matters shall not be different from those in the written documents distributed pursuant to paragraph (1):
1. Matters provided for in each subparagraph of paragraph (1);
2. Matters on the parties engaged in the contract;
3. The term and date of the contract;
4. Matters on the alteration and termination of the contract; and
5. The names and business offices of dealers, brokers, and other financial institutions where the discretionary investment advisory property is deposited.

Article 98 (Prohibition of Unfair Business Practice)
(1) A discretionary investment advisory company or non-discretionary investment advisory company shall be prohibited from conducting any activity falling under the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors or sound trade practice:
1. Being delegated with the custody and deposit of money, securities, or other properties from investors;
2. Lending money, securities, or other properties to investors, arranging and intermediating the lending of money, securities, or other properties of a third party to investors, or acting as an agent for that purpose;
3. Allowing any person who is not a fund manager or investment adviser to provide discretionary investment advisory service or non-discretionary investment advisory service; or
4. Receiving additional remunerations in addition to the commissions determined by the contract.

(2) A discretionary investment advisory company shall, when it manages discretionary investment property, be prohibited from conducting any activity falling under the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors or sound trade practice:

1. Purchasing or selling, for its own account, or soliciting a third party to purchase or sell financial investment products or other investment assets before executing its decision to purchase or sell the financial investment products or other investment assets whose transaction may materially affect the price thereof in managing discretionary investment property;
2. Purchasing securities undertaken by the discretionary investment advisory company itself or by a relevant underwriter using discretionary investment property;
3. Purchasing or selling, with discretionary investment property, specific securities, etc. so that a discretionary investment advisory company or a relevant underwriter forms an artificial market price (referring to the market price under Article 176 (2) 1) of the specific securities, etc. of the corporation in charge of the underwriting business prescribed by the Presidential Decree (referring to the specific securities, etc. under Article 172 (1); hereafter in this subparagraph, the same shall apply);
4. Pursuing its own interests or the interests of a third party at the expense of specific investors;
5. Conducting any transaction with other discretionary investment property, collective investment property or trust property it manages, using discretionary investment property;
6. Conducting any transaction with its own property or the property of its interested person using discretionary investment property;
7. Investing discretionary investment property in the securities issued by the discretionary investment advisory company or by its interested person without the consent of investors;
8. Managing the discretionary investment property by collecting assets from many investors, rather than managing it for each investor;
9. Being delegated to conduct any activity under the following items from investors:
   (a) To designate or change the broker, dealer, or other financial institution where the discretionary investment property is deposited;
   (b) To deposit or withdraw the discretionary investment property; or
   (c) To exercise the voting rights of the securities that are a part of the discretionary investment property, or other rights; or
10. Other activities prescribed by the Presidential Decree as likely to undermine the protection of investors or the sound trade practice.

Article 99 (Distribution of Discretionary Investment Advisory Report)
(1) A discretionary investment advisory company shall prepare and provide a report (hereinafter referred to as “discretionary investment advisory report”) on the details falling under each of the following subparagraphs to non-professional investors who enter into a contract for discretionary investment service not less than once every three months:
   1. Current management status of the discretionary investment property; and
   2. Where any transaction between the specific assets subject to the discretionary investment property and the assets of the discretionary investment advisory company is made, the time, performance and balance of the transaction.
(2) Necessary matters on the entries of the discretionary investment advisory report as well as the distribution methods shall be prescribed by the Presidential Decree.

Article 100 (Special Cases for Offshore Non-discretionary Investment Advisory Companies)
(1) Articles 22 through 36, 38, 40, 41, 44, and 45, 50 through 52, 56, and 61 through 63 shall not apply to a foreign discretionary investment advisory company (hereinafter referred to as “offshore discretionary investment advisory company”) or foreign non-discretionary investment advisory company (hereinafter referred to as “offshore non-discretionary investment advisory company”) which provides discretionary investment advisory service or non-discretionary investment advisory service under the proviso of Article 18 (2) 1 other than each item of that subparagraph.
(2) An offshore discretionary investment advisory company or offshore non-discretionary investment advisory company shall name a contact person satisfying the requirements prescribed by the Ordinance of the Ministry of Finance and Economy in the Republic of Korea in order to protect investors.
(3) An offshore discretionary investment advisory company or offshore non-discretionary investment advisory company shall put into contracts for discretionary investment advisory service or non-discretionary investment advisory service with domestic investors the fact that such contracts shall be governed by Korean laws and subject to the jurisdiction of Korean courts.

(4) An offshore discretionary investment advisory company or offshore non-discretionary investment advisory company shall establish appropriate procedures and standards that its officers and employees are required to comply with in performing their duties, and review the current status of the management periodically in order to check the compliance with the provisions under Article 98.

(5) An offshore discretionary investment advisory company or offshore non-discretionary investment advisory company shall prepare business reports under the conditions prescribed by the Presidential Decree and submit them to the Financial Supervisory Commission.

(6) An offshore discretionary investment advisory company shall not provide discretionary investment advisory service to any person who is not designated by the Presidential Decree among professional investors.

(7) An offshore discretionary investment advisory company shall keep the securities denominated in foreign currencies acquired using the discretionary investment property in a foreign custodian designated by the Presidential Decree.

(8) Other matters necessary for the business methods, procedures, etc. of an offshore discretionary investment advisory company or offshore non-discretionary investment advisory company shall be prescribed by the Presidential Decree.

Article 101 (Report of Like-kind Services of Non-discretionary Investment Advisory)

(1) Any person who intends to conduct the business prescribed by the Presidential Decree as advisory service (hereinafter referred to as the “like-kind services of non-discretionary investment advisory”) on the investment decision or the value of financial investment products, which is provided to the public through publications, e-mails, etc. shall report thereon to the Financial Supervisory Commission according to the predetermined form prepared and publicized by the Commission.

(2) Any person providing like-kind services of non-discretionary investment advisory shall, when it falls under any of the following subparagraphs, report thereon to the Financial Supervisory Commission within two weeks:

1. Where the like-kind services of non-discretionary investment advisory is
discontinued;
2. Where the name or location is changed; or
3. Where the representative is changed.

(3) The Financial Supervisory Commission may request that any person who provides like-kind services of non-discretionary investment advisory submit the documents on the contents of the service and the methods thereof where it is necessary to maintain the order of the like-kind services of non-discretionary investment advisory and protect the investors, etc.

(4) Article 98 (1) (excluding subparagraph 3) shall apply to any person who is required to report pursuant to paragraph (1).

**Sub-section 4 Conduct of Business Regulations of Trust Companies**

**Article 102 (Duty of Loyalty and Duty of Care)**

(1) A trust company shall manage trust property for beneficiaries with good care as a manager.

(2) A trust company shall conduct the business concerned with loyalty in order to protect the interests of beneficiaries.

**Article 103 (Limitation on Trust Property)**

(1) A trust company shall be prohibited from being entrusted with any property other than those falling under each of the following subparagraphs:

1. Money;
2. Securities;
3. Money receivables;
4. Personal properties;
5. Real estate;
6. Surface rights, chonsegwon (rights to registered lease on a deposit basis), leasehold rights, rights to make a transfer registration of title, and other real estate related rights; and
7. Intangible property rights (including intellectual property rights).

(2) A trust company may be entrusted with the pool of more than two types of properties referred to in paragraph (1), which are consigned by investors by means of a single trust contract.

(3) The trust of properties referred to in each subparagraph of paragraph (1), and the
type, loss compensation, or profit guarantee of the trust related to the entrustment of the pooled property trust referred to in paragraph (2), and other matters necessary to the conditions on the transaction of trust shall be prescribed by the Presidential Decree.

(4) A trust company may, when it has entered into a trust contract for a real estate development project, be entrusted with properties referred to in subparagraph 1 of paragraph (1) not exceeding 15/100 of the project funds prescribed by the Presidential Decree of each real estate development project in accordance with the trust contract.

**Article 104 (Distinction between Trust Property and Trustee's Own Property)**

(1) The proviso of Article 31 (1) of the Trust Act shall not apply to a trust company.

(2) A trust company may acquire trust property using its own property as prescribed by the trust contract in a case falling under any of the following subparagraphs:

1. Where it is necessary to pay liabilities that the trust company owes to the beneficiary in the course of the trust activities [limited to cases where the property acquired through the management of money trust property is admitted to quotation (referring to the market price under Article 176 (2) 1) on the securities market, the derivatives market, or similar markets in a foreign country]; or
2. Where the trust contract is cancelled, or other cases prescribed by the Presidential Decree as inevitable for the protection of beneficiaries (limited to the trust contract to make up for any loss or guarantee profit pursuant to Article 103 (3)).

**Article 105 (Restrictions on Management of Trust Property)**

(1) A trust company shall manage money subject to the trust property in accordance with the methods falling under any of the following subparagraphs:

1. To purchase securities (limited to the securities prescribed by the Presidential Decree);
2. To purchase exchange-traded derivatives or over-the-counter derivatives;
3. To deposit in the financial institutions designated by the Presidential Decree;
4. To purchase money receivables;
5. To lend;
6. To purchase notes;
7. To purchase real assets;
8. To purchase intangible property rights;
9. To purchase or develop real estate; or
10. Other methods prescribed by the Presidential Decree taking into account the
    stability and profitability of trust properties.

(2) A trust company shall be prohibited from borrowing money, for the account of
the trust, from the assets of such trust company except for cases where the trust
company is entrusted only with the properties referred to in Article 103 (1) 5 and
103 (1) 6 or cases prescribed by the Presidential Decree.

(3) The specific scope, conditions, and limitation of the trust property management
under paragraphs (1) and (2) and other necessary matters concerning the management
of the trust property and restriction shall be prescribed by the Presidential Decree.

**Article 106 (Management of Surplus Fund)**

A trust company shall, when it is entrusted only with the properties under Articles
103 (1) 5 and 103 (1) 6, manage any surplus funds arising from the management of
such trust properties in a manner falling under any of the following subparagraphs:
1. Deposit them in the financial institutions designated by the Presidential Decree;
2. Purchase government bonds, municipal bonds, or special bonds;
3. Purchase securities whose payments are guaranteed by the financial institutions
designated by the Government or the Presidential Decree; or
4. Other methods prescribed by the Presidential Decree as unlikely to undermine the
   stability, profitability, etc. of trust properties under Articles 103 (1) 5 and 103 (1)
   6.

**Article 107 (Duty to Deposit)**

(1) A trust company shall deposit cash or government bonds equivalent to the amount
of not less than 1/10 of its capital as collateral for any damage to beneficiaries
caused by the violation of trust obligations: Provided, That the trust company
prescribed by the Presidential Decree taking into account of the size of capital shall
deposit cash or government bonds equivalent to the amount not less than 25/1000 of
its capital.

(2) With regard to the amount exceeding 3/5 of the deposited amount referred to
paragraph (1), municipal bonds, special bonds, corporate bonds, or stock certificates
may be deposited in lieu of government bonds.

(3) A beneficiary shall have a preferential right to the cash and securities deposited
by the trust company pursuant to paragraph (1) or (2) ahead of other creditors.
Necessary matters on the annual installment limitation, installment time, and methods of the deposited amount referred to in paragraph (1) shall be prescribed by the Presidential Decree.

**Article 108 (Prohibition of Unfair Business Practice)**

A trust company shall be prohibited from conducting any activity falling under the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the protection of beneficiaries and sound trade practice:

1. Purchasing or selling, for its own account, or soliciting a third party to purchase or sell financial investment products or other investment assets before executing its decision to purchase or sell the financial investment products or other investment assets whose transaction may materially affect the price thereof in managing trust property;
2. Purchasing securities undertaken by the trust company itself or by a relevant underwriter, using trust property;
3. Purchasing or selling specific securities, etc. with trust property so that a trust company or a relevant underwriter forms an artificial market price (referring to the market price under Article 176 (2) 1) of the specific securities, etc. of the corporation in charge of the underwriting business prescribed by the Presidential Decree (referring to the specific securities under Article 172 (1); hereafter in this subparagraph, the same shall apply);
4. Pursuing its own interests or the interests of a third party at the expense of specific investors;
5. Conducting any transaction with other trust property, collective investment property, or discretionary investment property it manages, using trust property;
6. Conducting any transaction with its own property or the property of its interested person using trust property;
7. Investing trust property in the securities issued by the trust company or by its interested person without the consent of beneficiaries;
8. Allowing any person who is not a fund manager to manage trust property; or
9. Other activities prescribed by the Presidential Decree as likely to undermine the protection of beneficiaries or sound trade practice.

**Article 109 (Trust Contract)**
A trust company shall, when it enters into a trust contract with an entruster, describe the matters falling under each of the following subparagraphs in the contract documents to be distributed to the entruster in accordance with Article 59 (1):

1. Name or title of the entruster, beneficiary and trust company;
2. Matters on the appointment and change of the beneficiary;
3. Type, quantity, and price of the trust property;
4. Purpose of the trust;
5. Contract period;
6. Where a property acquired through the management of the trust property is specified, the details thereof;
7. Where any loss is made up for or profits are guaranteed, the matters on the ratios, etc. of such compensation or guarantee;
8. Matters on the commissions and fees for the trust company;
9. Matters on the cancellation of the trust contract; and
10. Other matters prescribed by the Presidential Decree as necessary for the protection of beneficiaries or sound trade practice.

Article 110 (Beneficiary Certificates)

(1) A trust company may issue beneficiary certificates indicating the beneficial interest by means of a money trust contract.

(2) A trust company shall, when it intends to issue beneficiary certificates pursuant to paragraph (1), report thereon to the Financial Supervisory Commission in advance, accompanying the documents prescribed by the Presidential Decree.

(3) Beneficiary certificates shall be bearer certificates: Provided, That the certificates may be in non-bearer form upon the request of beneficiaries.

(4) Beneficiary certificates in non-bearer form may be converted into bearer certificates upon the request of beneficiaries.

(5) Beneficiary Certificates shall include each of the following subparagraphs, and bear the signature or stamp of the representative director of the trust company:

1. Trade name of the trust company;
2. Names or titles of beneficiaries in case of bearer certificates;
3. Face value;
4. Where management methods are set forth, the details thereof;
5. Where any contract to make up for losses or guarantee profits pursuant to Article 103 (3) is entered into, the details thereof;
6. Period of the trust contract;
7. Repayment of the principal of trust, and the period and place of profit allocation;
8. Methods of calculating the remunerations for trust; and
9. Others prescribed by the Presidential Decree.

(6) Where beneficiary certificates are issued, the transfer or exercise of the beneficial interest under the trust contract concerned shall be performed only through such certificates: Provided, That the same shall not apply to cases where the certificates are in non-bearer form.

Article 111 (Purchase of Beneficiary Certificates)
A trust company may purchase beneficiary certificates using its own property under the conditions prescribed by the Presidential Decree. In this case, Article 29 of the Trust Act shall not apply.

Article 112 (Voting Rights)
(1) A trust company shall exercise rights of the stocks acquired through the trust property.
(2) A trust company shall, notwithstanding paragraph (1), exercise its voting rights of the stocks belonging to the trust property in cases falling under any of the following subparagraphs to an extent that does not affect the results of the resolution of the number of stocks calculated by deducting the number of stocks belonging to the trust property from the number of stocks held by the shareholders attending the general meeting of shareholders of the corporation which issues stocks belonging to the trust property: Provided, That the same shall not apply to the merger, transfer, acquisition by transfer, and appointment and dismissal of officers of the corporation which issues stocks belonging to the trust property or other equivalent matters reasonably expected to incur a loss to such trust property:
1. Where a person falling under any of the following items intends to merge any corporation which issues stocks belonging to the trust property concerned into its affiliates:
   (a) A trust company, or any person prescribed by the Presidential Decree as specially related to the trust company; or
   (b) A person prescribed by the Presidential Decree as in de facto control of the trust company;
2. Where any corporation which issues stocks belonging to the trust property is in a
relation falling under any of the following items with the trust company concerned:
(a) In a relation of affiliates; or
(b) In the relation prescribed by the Presidential Decree as in de facto control of the trust company; or
3. Others prescribed by the Presidential Decree as likely to undermine the protection of beneficiaries and the proper management of the trust property.
(3) A trust company shall not exercise the voting rights when the stocks belonging to the trust property fall under any of the following items:
1. Where the stocks issued by the same corporation have been acquired in excess of 15/100 of the total stocks, the excess portion of the stocks; or
2. Where a corporation which issues stocks belonging to the trust property has the trust company acquire the stocks in accordance with the trust contract in order to secure its own stocks, the stocks of the corporation;
(4) A trust company shall not conduct any activity in an attempt to avoid the application of paragraphs (2) and (3), including cross execution of voting rights by means of a contract with a third party.
(5) The proviso of paragraph (2) other than each subparagraph of that paragraph shall not apply to a trust company belonging to a business group subject to the limitations on cross-shareholding.
(6) The Financial Supervisory Commission may order the trust company to dispose of its stocks within a period of up to six months where the trust company exercises its voting rights on the stocks belonging to the trust property in violation of paragraphs (2) through (5).
(7) Where a trust company exercises its voting rights on the management changes pursuant to paragraph (2) including the merger, transfer and acquisition by transfer of business, or the appointment and dismissal of officers, the trust company shall make it available to the public through the Internet website, etc. under the conditions prescribed by the Presidential Decree.

**Article 113 (Access and Disclosure of Books and Documents)**
(1) A beneficiary may request that a trust company provide access to the books and documents on the trust property related to the beneficiary or request the distribution of certified or abridged copies thereof with the reasons therefor in writing during business hours. In this case, the trust company shall not refuse such request unless there is any reasonable ground to do so as prescribed by the Presidential Decree.
(2) Necessary matters on the scope of the books and documents available to the access or the distribution of certified copies or abridged copies under paragraph (1) shall be prescribed by the Presidential Decree.

Article 114 (Audit of Accounting of Trust Property)

(1) A trust company shall, when it conducts accounting of the trust property, comply with the accounting standards established and publicized by the Financial Supervisory Commission after going through the deliberation of the Securities and Futures Commission.

(2) The Financial Supervisory Commission may delegate the establishment and amendment of the accounting standards under paragraph (1) to a civilian corporation or group specialized therein as prescribed by the Presidential Decree. In this case, such civilian corporation or group shall, when it establishes or amends accounting standards, report thereon to the Financial Supervisory Commission without delay.

(3) A trust company shall be subject to the audit of the trust property by an auditor under Article 3 (1) of the Act on External Audit of Stock Companies (hereinafter referred to as “accounting auditor”) within two months from the last day of each fiscal year of the trust company: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the interests of beneficiaries.

(4) A trust company shall, when it appoints or dismisses an accounting auditor, report thereon to the Financial Supervisory Commission within one week from the date of such appointment or dismissal.

(5) An accounting auditor shall, when it audits the calculation of base prices of beneficiary certificates and the accounting work of the trust company, inspect whether such trust company complies with relevant Acts and subordinate statutes, and notify the auditor of the trust company with the results (where the audit committee is established, referring to such audit committee).

(6) An accounting auditor shall perform accounting in accordance with the accounting principles under Article 6 of the Act on External Audit of Stock Companies.

(7) An accounting auditor may request the trust company for the access to and the submission of related materials and the copies thereof necessary for its accounting audit, including accounting books of the trust property. In this case, the trust company shall comply with such requests without delay.

(8) Article 9 of the Act on External Audit of Stock Companies shall apply to the
accounting audit of the trust property under paragraph (3).

(9) Necessary matters on the standards for appointing auditors, the standards for performing an audit, the authority of auditors, the methods of conducting accounting, the submission and disclosure of the report on accounting audit, etc. shall be prescribed by the Presidential Decree.

**Article 115 (Auditor’s Liabilities for Compensation for Damages)**

(1) Where an accounting auditor makes any misstatement or omission of material matters in the audit report prepared based on the audit of accounting under Article 114 (3) and causes damages to a beneficiary who uses such audit report, the auditor shall be liable for the damages. In this case, when an audit team under Article 3 (1) 3 of the Act on External Audit of Stock Companies performs an audit, any person participating in the audit of such trust property shall be jointly liable for the damages.

(2) Where any accounting auditor is liable for the damages to the beneficiaries and any director or auditor of the trust company (referring to any member of the audit committee, where such committee is established; hereafter in this paragraph, the same shall apply) is responsible for the damages, the director or auditor shall be jointly liable for the damages.

(3) Articles 17 (5) through 17 (7) of the Act on External Audit of Stock Companies shall apply to the cases under paragraphs (1) and (2).

**Article 116 (Merger)**

(1) Where a trust company merges with another company, a surviving trust company or established trust company after the merger shall succeed the rights and obligations related to the disappearing trust company after the merger.

(2) Articles 11, 17 (1), and 17 (3) of the Trust Act shall apply to the termination of duties of the trust company concerned and the appointment of a new trust company when any beneficiary raises an objection over the merger of trust companies.

(3) Where a trust company changes its purposes and continues to exist as a company to carry on other businesses, the Financial Supervisory Commission may order the trust company to deposit its properties or issue other necessary orders until the trust company pays off its liabilities related to the trust. The same shall apply while a company that is not a trust company after the merger deals with necessary matters to terminate the duties of the trust company.
Article 117 (Liquidation)

Article 95 shall apply to the liquidation of a financial investment firm providing a trust service.

Part 3 Issuance and Distribution of Securities

Chapter 1 Registration Statement

Article 118 (Scope of Application)

This Chapter shall not apply to government bonds, municipal bonds, bonds issued by a corporation directly established in accordance with the Acts prescribed by the Presidential Decree, or other securities recognized by the Presidential Decree as protecting investors in accordance with other Acts, including sufficient disclosure, etc.

Article 119 (Registration of Public Offering of New or Outstanding securities)

(1) A public offering (limited to cases where the total amount of each public offering of new or outstanding securities calculated by the methods prescribed by the Presidential Decree exceeds the amount prescribed by the Presidential Decree) of new or outstanding securities shall be prohibited unless the Financial Supervisory Commission accepts a registration statement of such public offering filed by an issuer.

(2) Notwithstanding paragraph (1), an issuer may make public offerings of new or outstanding securities during a certain period without filing a registration statement required for each public offering where the issuer has filed with the Financial Supervisory Commission a statement (hereinafter referred to as a “shelf registration statement”) indicating the total amount of new or outstanding securities subject to the public offerings during the certain period following the standards and methods prescribed by the Presidential Decree taking into account the type of securities, prospective period for the issuance, frequency of issuance, requirements for issuers, etc., and such registration statement has been accepted by the Commission. In this case, the issuer shall submit the documents (hereinafter referred to as “additional documents of shelf registration statement”) prescribed by the Presidential Decree as related to the shelf registration at the time of each public offering of new or outstanding securities (excluding the securities prescribed by the Presidential Decree among collective investment securities).

(3) An issuer may enter or indicate the matters (hereinafter referred to as
“forward-looking information”) falling under each of the following subparagraphs as a forecast or projection of future financial status or business performance of the issuer (in case of beneficiary certificates of an investment trust or equity securities of an investment undisclosed association, referring to the investment trust and the investment undisclosed association; hereafter in this paragraph, the same shall apply) in a registration statement referred to in paragraph (1) and shelf registration statement referred to in paragraph (2) (hereinafter referred to as “registration statement”). In this case, the entry or the indication of forward-looking information shall comply with the methods under Articles 125 (2) 1, 125 (2) 2, and 125 (2) 4:
1. Matters on the forecasts or predictions of the business performance and other management performance of the issuer, including the size of sales and revenues, etc.;
2. Matters on the forecasts or predictions of the financial status of the issuer, including capital size, cash flow, etc.;
3. Matters on the changes in management performance or financial status due to a particular event or the establishment of a particular plan, and the targeted level at a certain point; and
4. Others prescribed by the Presidential Decree as forecasts or predictions of the issuer.
(4) Where the matters to be entered in a registration statement or accompanying documents thereof are the same as those having already been filed, a written document specifying the reference to the same information may be replaced by the registration statement or accompanying documents.
(5) A representative director and a director in charge of the registration (where there is no representative director or director in charge of the registration, referring to the person who is in the position equivalent thereto) at the time of filing a registration statement shall confirm and review the matters in the registration statement as prescribed by the Presidential Decree including the fact that the registration statement does not contain any misstatement or omission of material matters, and bear the signatures, respectively.
(6) Necessary matters on the entries of a registration statement and accompanying documents thereof referred to in paragraphs (1) through (4) shall be prescribed by the Presidential Decree.

Article 120 (Effective Date of Registration)
(1) A registration of securities under Articles 119 (1) and 119 (2) (hereinafter referred to as “registration of securities”) shall take effect on the date when the period prescribed by the Ordinance of the Ministry of Finance and Economy elapses after the registration statement concerned is accepted by the Financial Supervisory Commission taking into account the type of securities or the nature of transactions, etc.
(2) The Financial Supervisory Commission shall not reject a registration statement unless the registration statement is incomplete in its form or contains any misstatement or omission of material matters.

(3) The effect taken pursuant to paragraph (1) shall not deem that the truth or accuracy of such matters in the registration statement has been recognized, or that the Government has guaranteed or approved the value of the securities specified in the registration statement.
(4) An issuer of securities shall, when it intends to withdraw the registration statement, file a withdrawal statement with the Financial Supervisory Commission by a date preceding the offer to acquire or purchase the securities indicated in such registration statement.

Article 121 (Restrictions on Transactions)
(1) Any person who makes a public offering of new or outstanding securities or an agent thereof shall not accept an offer to acquire or purchase securities whose registration under Article 120 has yet to take effect.
(2) Any person who makes a public offering of new or outstanding securities or an agent thereof shall not accept an offer to acquire or purchase securities where any additional document of shelf registration statement is not submitted pursuant to Article 119 (2).

Article 122 (Amendment Statement)
(1) Where a registration statement is incomplete in its form or contains any misstatement or omission of material matters, the Financial Supervisory Commission may require the person to file a statement which includes amendment of the registration statement concerned (hereafter in this Section, referred to as “amendment statement”) presenting the reasons therefor by a date preceding the offer to acquire or purchase the securities indicated in the registration statement.
(2) Where the requirement is made pursuant to paragraph (1), the registration
statement is regarded as rejected from the date of the requirement.

(3) Any person who has filed a registration statement with the Commission may, when it intends to amend entries in the registration statement, file an amendment statement by a date preceding the offer to acquire or purchase the securities indicated in the registration statement. In this case, when a person intends to amend the material matters prescribed by the Presidential Decree or it is necessary to amend the entries in the registration statement in order to protect investors as prescribed by the Presidential Decree, the person shall file an amendment statement with the Commission.

(4) Any person who has filed a shelf registration statement may, notwithstanding paragraph (3), file an amendment statement before the predetermined issue period is terminated. In this case, the predetermined issue amount and period shall not be revised except for the securities prescribed by the Presidential Decree among collective investment securities.

(5) Where an amendment statement is filed pursuant to paragraph (1), (3), or (4), the registration statement concerned shall be regarded as accepted on the date when the amendment statement is accepted.

**Article 123 (Preparation and Disclosure of Prospectus)**

(1) An issuer shall, when it intends to make a public offering of new or outstanding securities pursuant to Article 119, file a prospectus (hereinafter referred to as “prospectus”) prepared in accordance with the methods prescribed by the Presidential Decree with the Financial Supervisory Commission on the date when the registration of securities comes into effect (where additional documents of shelf registration statement is required to be submitted pursuant to Article 119 (2), referring to the date of the submission of the additional documents of shelf registration statement), keep the prospectus at the place prescribed by the Ordinance of the Ministry of Finance and Economy, and make it available to the public.

(2) A prospectus shall not contain any matter which is different from the entries in a registration statement (including additional documents of shelf registration statement under Article 119 (2); hereafter in this Chapter, the same shall apply) or omit any entry indicated in the registration statement: Provided, That the same shall not apply to the entries prescribed by the Presidential Decree as necessary to be omitted taking into account the balance between confidentiality including corporate management, etc. and the protection of investors.
(3) An issuer of the collective investment securities prescribed by the Presidential Decree shall file a prospectus in addition to the prospectus referred to in paragraph (1) with the Financial Supervisory Commission under the classification falling the following subparagraphs, keep such prospectus at the place prescribed by the Ordinance of the Ministry of Finance and Economy and make it available to the public: Provided, That the same shall not apply where the issuer suspends public offering of new or outstanding collective investment securities:

1. To submit a revised prospectus more than once during the period prescribed by the Ordinance of the Ministry of Finance and Economy after the submission of the prospectus pursuant to paragraph (1); or
2. Where the registration of changes is made pursuant to Article 182 (8), to submit the prospectus reflecting the changes in the registration statement within five days from the date on which the registration of changes is submitted.

**Article 124 (Justifiable Use of Prospectus)**

(1) No one shall be permitted to allow a person (excluding professional investors or others prescribed by the Presidential Decree) who intends to acquire the securities whose registration has taken effect to acquire such securities, or to sell such securities to the person before a prospectus prepared in accordance with Article 123 is distributed. In this case, when a prospectus is provided in the form of electronic documents in accordance with Article 436, the prospectus shall be deemed to be distributed when each of the following requirements is satisfied:

1. A person who receives an electronic document (hereinafter referred to as “recipient of electronic documents”) is required to agree to receive a prospectus in the form of electronic documents;
2. A recipient of electronic documents is required to designate the type of electronically transferable media and the place at which the recipient receives the electronic documents;
3. It must be confirmed whether a recipient of electronic documents has received the electronic documents; and
4. The contents of electronic documents are required to be identical to those of the written prospectus.

(2) Where any person intends to solicit a subscription for a public offering of new or outstanding securities subject to the registration or other transactions, the person shall comply with any method falling under the following subparagraphs:
1. A method in which the prospectus is used after the registration of securities comes into force pursuant to Article 120 (1);

2. A method in which an issuer uses a preliminary prospectus (referred to as the prospectus additionally indicating the fact that the registration has yet to come into force; hereinafter the same shall apply) prepared under the conditions prescribed by the Presidential Decree before the registration of securities comes into force after such registration has been accepted pursuant to Article 120 (1); or

3. A method in which an issuer uses a simple prospectus (referring to a document, electronic document, and any other entry or indication similar thereto that omits a part of matters or includes extracted matters from among the matters to be entered in the prospectus; hereinafter the same shall apply) prepared under the conditions prescribed by the Presidential Decree through advertisements, handbooks, publicity leaflets, or electronically transferable media making use of newspapers, broadcasts, magazines, etc., after the registration of securities is accepted pursuant to Article 120 (1).

**Article 125 (Liability for Damages due to Misstatement)**

(1) Any person falling under each of the following subparagraphs shall be liable for the damages where a purchaser of the securities has sustained damages because a registration statement (including an amendment statement and additional documents; hereafter in this Article, the same shall apply) or prospectus (including a preliminary prospectus and a simple prospectus; hereafter in this Article, the same shall apply) of securities contains any misstatement or omission of material matters: Provided, That the same shall not apply to cases where any person who is liable for the compensation is proved to be unaware of such misstatement or omission despite its due diligence, or where the purchaser of such securities knew the fact at the time of the offer to acquire such securities:

1. A registrant of the registration statement and directors of the issuer at the time of registration (where the issuer has no director, referring to any person equivalent to the director, or where the registration statement is filed before the establishment of a corporation, referring to the promoter);

2. Any person falling under the subparagraphs of Article 401-2 (1) of the Commercial Act, who has been instructed to prepare or is in charge of the registration statement;

3. Any person prescribed by the Presidential Decree as certified public accountant,
appraiser, or credit-rating specialist, etc. (including any organization to which each of them belongs) who agrees to prove the authenticity or accuracy of the entries of the registration statement or accompanying documents thereof and bears a signature;

4. Any person who agrees to enter its opinion on assessment, analysis, and confirmation of entries of the registration statements or accompanying documents in such statements or documents and verifies the entries thereof;

5. Any person who has signed a contract to underwrite the securities (where the number of persons who have signed such contract is not less than two, referring to the person prescribed by the Presidential Decree);

6. Any person who has prepared the prospectus; and

7. In case of public offering of outstanding securities, any holder of the outstanding securities at the time of the registration for the public offering of outstanding securities.

(2) Any person falling under the subparagraphs of paragraph (1) shall not, notwithstanding paragraph (1), be held responsible for the damages where forward-looking information is entered or indicated pursuant to each of the following subparagraphs: Provided, That the same shall not apply where the purchaser of securities was unaware of the misstatement or omission of material matters on forward-looking information at the time of the offer, and where it is proved that any person falling under the subparagraphs of paragraph (1) is responsible for the misstatement or omission by intention or by recklessness:

1. The entry or indication is required to be specified as forward-looking information;

2. The grounds for the assumptions or judgments of the predictions or forecasts are required to be specified;

3. Entries or indications are required to have reasonable grounds or assumptions; and

4. Bespeaks cautions that the projections may differ from the actual result are required to be specified.

(3) Paragraph (2) shall not apply where a stock-unlisted corporation submits a registration statement in order to make a public offering of new or outstanding securities for the first time.

Article 126 (Compensation for Damages)

(1) The amount to be compensated pursuant to Article 125 shall be presumed to be the amount calculated by deducting the amount falling under any of the following
subsection from the amount actually paid by the claimant for the acquisition of the securities concerned:

1. The market price of the securities concerned (where no market price is available, referring to an estimated price at which the securities would be disposed of) when the argument to make claims for compensation is concluded pursuant to Article 125; or

2. Where the disposal is made before the conclusion of the argument under subparagraph 1, the price at which the securities would be disposed of.

(2) Notwithstanding paragraph (1), where the person liable for damages pursuant to Article 125 proves that a claimant has sustained all or a part of the damages without regard to any misstatement or omission of material matters, the person is not bound to compensate for damages of such part.

Article 127 (Extinction of Claims)
The claims for damages under Article 125 shall be extinguished unless the claimant exercises such right within one year from the date on which the claimant has discovered the facts or within three years from the date when a registration statement has come into force.

Article 128 (After-report)
An issuer of securities whose registration has taken effect shall file a report on the result of public offering of new or outstanding securities (hereinafter referred to as “after-report”) following the methods prescribed and publicized by the Financial Supervisory Commission.

Article 129 (Disclosure of Registration Statement and Report)
The Financial Supervisory Commission shall keep the documents falling under each of the following subparagraphs available at a specified place for three years and disclose the documents through the website, etc. In this case, the same shall not apply to the details prescribed by the Presidential Decree taking into account the balance between the confidentiality of corporate management and the protection of investors, etc:

1. Registration statements and amendment statements;
2. Prospectuses; and
3. After-reports.
Article 130 (Public Offering without Filing Registration Statement)
An issuer who makes a public offering of new or outstanding securities without filing a registration statement pursuant to Article 119 (1) shall disclose matters concerning its financial status, and take other measures prescribed by the Presidential Decree in order to protect investors.

Article 131 (Report and Investigation)
(1) The Financial Supervisory Commission may, if necessary for the protection of investors, order a registrant of the registration statements, a person who makes a public offering of new or outstanding securities, an underwriter of the securities, and any other related person to file a report or documents for reference, or the Commission may allow the Governor of the Financial Supervisory Service to investigate the books, documents, and other related materials.
(2) Any person who conducts an investigation pursuant to paragraph (1) shall present a certificate indicating its authority to a related person.

Article 132 (Measures of Financial Supervisory Commission)
In cases falling under any of the following subparagraphs, the Financial Supervisory Commission may make a public notice thereof after providing reasons therefor and order a registrant of the registration statement, a person who makes a public offering of new or outstanding securities, or an underwriter of the securities to make an amendment. If necessary, the Financial Supervisory Commission may suspend or prohibit the issuance and public offering of the new or outstanding securities concerned and other transactions, or take measures as prescribed by the Presidential Decree. In this case, the Financial Supervisory Commission may determine and publicize the procedures and standards necessary for taking such measures:
1. Where a registration statement, amendment statement, or after-report is not submitted;
2. Where a registration statement, amendment statement, or after-report contains any misstatement or omission of material matters;
3. Where the securities are acquired or the offer to purchase stocks is accepted in violation of Article 121;
4. Where Article 123 or 124 is violated with respect to a prospectus;
5. Where Article 124 (2) is violated with respect to a public offering of new or outstanding securities and other transactions by means of a preliminary prospectus...
or simple prospectus; or
6. Where any measure under Article 130 is not taken.

Chapter 2 Corporate Merger and Acquisition

Section 1 Tender Offer

Article 133 (Applicable Object of Tender Offer)
(1) The term “tender offer” in this Section shall mean making an offer to purchase (including exchange with other securities; hereafter in this Section, the same shall apply), or a solicitation of an offer to sell (including exchange with other securities; hereafter in this Section, the same shall apply), stocks with voting rights or other securities prescribed by the Presidential Decree (hereinafter referred to as “stocks, etc.”) to many and unspecified persons, and purchasing such stocks, etc. outside the securities market (including foreign markets similar thereto; hereafter in this Section, the same shall apply).

(2) The term “a person handling tender offer affairs” in this Section shall mean a person in charge of the custody of stocks, etc. subject to purchase, exchange, bid or acquisition by transfer (hereafter in this Section, referred to as “purchase, etc.”), the payment of funds or securities for exchange necessary to make a tender offer, or other administrative affairs related to the tender offer on behalf of any person who intends to make such tender offer.

(3) Any person who intends to purchase stocks, etc. from persons in excess of the number prescribed by the Presidential Decree outside the securities market during the period prescribed by the Presidential Decree shall make a tender offer to acquire stocks, etc. where the total number of stocks, etc. held (including cases prescribed by the Presidential Decree as owning or its equivalent; hereafter in this Section and Section 2, the same shall apply) by the person itself and its specially-related persons (referring to the person who has a special relation prescribed by the Presidential Decree; hereinafter the same shall apply) after the purchase, etc. is not less than 5/100 of the total number of stocks, etc. (including cases where a person and its specially-related persons who have acquired not less than 5/100 of the total number of stocks, etc. purchase stocks, etc.): Provided, That the same shall not apply to the purchase, etc. prescribed by the Presidential Decree taking into account the purpose and type of the purchase and any other possibility to violate the rights of other
shareholders.

(4) In the application of paragraph (3), any purchase prescribed by the Presidential Decree as purchase of stocks, etc. through methods other than auction shall be considered to be executed outside the securities market.

(5) The number of stocks, etc. and the total number of stocks, etc. under paragraph (3) shall be calculated according to the methods prescribed by the Ordinance of the Ministry of Finance and Economy.

Article 134 (Publication of Tender Offer and Submission of Tender Offer Statement)

(1) Any person who intends to make a tender offer shall disclose matters falling under each of the following subparagraphs (hereinafter referred to as “publication of tender offer”) under the conditions prescribed by the Presidential Decree:

1. The person who intends to make a tender offer;
2. Issuer of stocks, etc. (referring to a person designated by the Presidential Decree in case of securities deposit receipts related to the stocks, etc. concerned or other stocks, etc. prescribed by the Presidential Decree; hereafter in this Section, the same shall apply) subject to tender offer;
3. Objective of tender offer;
4. Type and number of stocks, etc. subject to tender offer;
5. Tender offer conditions such as period, price, settlement date, etc. of tender offer; and
6. Details of purchase funds, or others prescribed by the Presidential Decree as necessary for the protection of investors.

(2) A person who has published its tender offer (hereinafter referred to as “tender offeror”) shall file a statement containing the matters falling under each of the following subparagraphs (hereinafter referred to as “tender offer statement”) with the Financial Supervisory Commission and the Exchange on the date on which the tender offer is published (hereinafter referred to as “publication date of tender offer”) under the conditions prescribed by the Presidential Decree: Provided, That the tender offer statement may be submitted on the next day of the publication date of tender offer when the date falls on any holiday or other days prescribed by the Financial Supervisory Commission:

1. Matters on the tender offeror and its specially related persons;
2. Issuers of stocks, etc. subject to tender offer;
3. Objective of tender offer;
4. Type and number of stocks, etc. subject to tender offer;
5. Tender offer conditions such as period, prices, and settlement date, etc.;
6. Where there is a contract for the purchase of stocks, etc. without making a tender offer after the publication date of tender offer, the details of the contract; and
7. Details of purchase funds, or others prescribed by the Presidential Decree as necessary for the protection of investors.

(3) The tender offer period referred to in paragraphs (1) and (2) shall be set within the period prescribed by the Presidential Decree.

(4) A tender offeror may enter or indicate forward-looking information of issuers of stocks, etc. in a tender offer statement. In this case, such forward-looking information shall be entered or indicated through methods under Articles 125 (2) 1, 125 (2) 2, and 125 (2) 4.

(5) Accompanying documents for a tender offer statement and others necessary for tender offer statement shall be prescribed by the Presidential Decree.

**Article 135 (Submission of Copy of Tender Offer Statement)**

A tender offeror shall, when it files a tender offer statement, send copies thereof to the issuer of stocks, etc. subject to tender offer without delay.

**Article 136 (Reporting and Publication of Amendment)**

(1) Where a tender offer statement is incomplete in its form or contains any misstatement or omission of material matters, the Financial Supervisory Commission may require the offeror to file a statement which includes an amendment in the tender offer statement (hereafter in this Section, referred to as “amendment statement”) presenting the reasons therefor by the date on which the tender offer period expires.

(2) Where the requirement is made pursuant to paragraph (1), the tender offer statement shall not be regarded as submitted from the date of the requirement.

(3) A tender offeror shall file an amendment statement with the Financial Supervisory Commission and the Exchange by the date on which the tender offer period expires where the tender offeror intends to amend tender offer conditions or other entries in the tender offer statement or it is necessary to modify entries in the tender offer statement in order to protect investors as prescribed by the Ordinance of the Ministry of Finance and Economy: Provided, That the reduction of purchase price, decrease of the number of stocks, etc. to be purchased, the extension of payment period of purchase amount (excluding the case under subparagraph 1 of paragraph (4)) and other
tender offer conditions prescribed by the Presidential Decree shall not be revised.

(4) Where a tender offeror files an amendment statement pursuant to paragraph (1) or (3), the date on which the tender offer period expires shall be as follows:

1. Where the date on which the amendment statement is filed is within ten days prior to the date on which the tender offer period published pursuant to Article 134 (1) expires, the date on which ten days lapses from the date on which the amendment statement is filed; and

2. Where the date on which the amendment statement is filed is not within ten days prior to the date on which the tender offer period published pursuant to Article 134 (1) expires, the date on which the tender offer period expires.

(5) A tender offeror shall, when it has filed an amendment statement under paragraph (1) or (3), publish the fact and the details thereof (limited to matters contained in the publication of tender offer) without delay. In this case, Article 134 (1) shall apply to the methods of making such publication.

(6) A tender offeror shall, when it has filed an amendment statement, send copies thereof to issuers of stocks, etc. subject to tender offer without delay.

Article 137 (Preparation and Disclosure of Tender Offer Prospectus)

(1) A tender offeror (including a person handling tender offer affairs; hereafter in this Article, the same shall apply) shall, when it intends to make a tender offer, file a prospectus (hereinafter, referred to as “tender offer prospectus”) for the tender offer prepared in accordance with the methods prescribed by the Presidential Decree with the Financial Supervisory Commission and the Association on the publication date of tender offer, keep the tender offer prospectus at the place prescribed by the Ordinance of the Ministry of Finance and Economy, and make it available to the public. In this case, the proviso of Article 134 (2) other than each subparagraph of that paragraph shall apply.

(2) A tender offer prospectus shall not contain any matter that is different from the entries in the tender offer statement, or omit any entry indicated in the statement.

(3) A tender offeror shall be prohibited from purchasing stocks, etc. where it fails to distribute the tender offer prospectus under paragraph (1) in advance to any person who intends to sell stocks, etc. subject to the tender offer. In this case, when the tender offer prospectus is provided in the form of electronic document in accordance with Article 436, the prospectus shall be deemed to be distributed when each of the following requirements is satisfied:
1. A recipient of electronic documents is required to agree to receive a prospectus in the form of the electronic document;  
2. A recipient of electronic documents is required to designate the type of electronically transferable media and the place where the recipient receives the electronic documents;  
3. It must be confirmed to confirm whether a recipient of electronic documents has received the electronic documents; and  
4. The contents of the electronic documents are required to be identical to those of the written prospectus.

**Article 138 (Presentation of Opinion on Tender Offer)**

(1) An issuer of stocks, etc. whose tender offer statement is filed may present its opinion on the tender offer concerned under the conditions as prescribed by the Presidential Decree.  
(2) An issuer shall, when it presents its opinion pursuant to paragraph (1), file a document indicating the content thereof with the Financial Supervisory Commission and the Exchange without delay.

**Article 139 (Withdrawal of Tender Offer)**

(1) A tender offeror shall not withdraw a tender offer after the publication date of tender offer: Provided, That the tender offer may be withdrawn by the last day of the tender offer period in case of a competing tender offer (referring to another tender offer competing with such tender offer during the tender offer period), the death, dismissal, or bankruptcy of the tender offeror, or other cases prescribed by the Presidential Decree as unlikely to undermine the protection of investors.  
(2) A tender offeror shall, when it intends to withdraw its tender offer pursuant to paragraph (1), submit a withdrawal statement to the Financial Supervisory Commission and the Exchange and make a public notification of the contents thereof. In this case, the notification shall be made pursuant to Article 134 (1).  
(3) A tender offeror shall, when it submits a withdrawal statement of tender offer, send copies thereof to the issuer of stocks, etc. subject to the withdrawal of tender offer without delay.  
(4) Any person who accepts an offer to purchase the stocks, etc. subject to the tender offer or makes an offer (hereinafter referred to as “tender”) to sell them (hereinafter referred to as “tendering shareholder”) may revoke such tender at any time during the
tender offer period. In this case, the tender offeror shall not claim damages or penalties against a tendering shareholder due to the revocation of tender.

Article 140 (Prohibition on Purchase of Stocks without Tender Offer)
A tender offeror (including its specially-related persons and any person handling tender offer affairs) shall be prohibited from purchasing, etc. the stocks, etc. concerned without making a tender offer between the publication date of tender offer and the date on which the tender offer period expires: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the rights and interests of other shareholders even if the tender offeror purchases the stocks, etc. by other means than tender offer.

Article 141 (Conditions and Manners of Tender Offer)
(1) A tender offeror shall purchase all the stocks, etc. tendered according to the purchase conditions and manners described in a tender offer statement without delay after the day following the date on which the tender offer period expires: Provided, That the same shall not apply to cases where any condition falling under the following subparagraphs is publicized through the publication of tender offer and such condition is indicated in the tender offer statement:

1. Where the total number of stocks, etc. tendered is less than the number of stocks, etc. to be purchased through tender offer, the condition that the tender offeror does not purchase all the stocks, etc. tendered; or
2. Where the total number of stocks, etc. tendered exceeds the number of stocks, etc. to be purchased through tender offer, the condition that the tender offeror purchases the stocks, etc. tendered by means of proportional allotment within the number of stocks, etc. to be purchased through tender offer and does not purchase all or a part of the excess portion.

(2) The purchase price shall be uniform where a tender offeror makes a tender offer pursuant to paragraph (1).

Article 142 (Liability for Damages of Tender Offeror)
(1) Where any tendering shareholder sustains damages because a tender offer statement (including its accompanying documents; hereafter in this Article, the same shall apply) and its publications, an amendment statement (including its accompanying documents; hereafter in this Article, the same shall apply) and its publications, or a tender offer
prospectus contains any misstatement or omission of material matters, the persons falling under each of the following subparagraphs shall be liable for the damages: Provided, That the same shall not apply where the person who is liable for the compensation proves unawareness of such misstatement or omission despite its due diligence, or where the tendering shareholder knew the fact at the time of the tender offer:

1. A registrant of the tender offer statement and amendment statement thereof (including the specially-related person of the registrant, and including directors where the registrant is a corporation), and its agents; and
2. A person who prepares a tender offer prospectus, and its agents.

(2) Notwithstanding paragraph (1), any person under paragraph (1) shall not be liable for damages where forward-looking information is entered or indicated pursuant to each of the following subparagraphs: Provided, That the same shall not apply where a tendering shareholder was unaware of the misstatement or omission of material matters on forward-looking information at the time of the tender offer and where it is proved that any person falling under the subparagraphs of paragraph (1) is responsible for the misstatement or omission by intention or by recklessness:

1. The entry or indication is required to be specified as forward-looking information;
2. The grounds for the assumption or judgment of the predictions or forecasts are required to be specified;
3. The entry or indication is required to have reasonable grounds or assumptions; and
4. Bespeaks cautions that the projections may differ from the actual result are required to be specified.

(3) The amount to be compensated pursuant to paragraphs (1) and (2) shall be presumed as the amount calculated by deducting the amount actually paid for the tender offer from the market price (where no market price is available, referring to an estimated price at which the securities would be disposed of) of the stocks, etc. at the time when the argument to make claims for the compensation is concluded.

(4) Notwithstanding paragraph (3), where a person liable for the damages pursuant to paragraphs (1) and (2) proves that a tendering shareholder has sustained all or a part of the damages without regard to any misstatement or omission of material matters, the person is not bound to compensate for the damages of such part.

(5) The claims for damages under paragraphs (1) and (2) shall be extinguished unless the tendering shareholder exercises its claim within one year from the date on which it discovers the fact, or within three years from the time when a registration statement
has come into force.

Article 143 (Report on Results of Tender Offer)
A tender offeror shall file a report (hereinafter referred to as “report on the results of the tender offer”) on the results of the tender offer with the Financial Supervisory Commission and the Exchange according to the methods established and publicized by the Financial Supervisory Commission.

Article 144 (Disclosure of Registration Statement)
The Financial Supervisory Commission and the Exchange shall keep the documents under each of the following subparagraphs for three years after the receipt thereof, and make them available to the public through the Internet website, etc.:
1. Tender offer statements and amendment statements;
2. Tender offer prospectuses;
3. Documents under Article 138;
4. Withdrawal statements under Article 138 (2); and
5. Reports on the results of the tender offer.

Article 145 (Restrictions on Voting Rights)
Where stocks, etc. are purchased in violation of Article 133 (3), 134 (1), or 134 (2), the voting rights on such stocks, etc. (including the stocks, etc. acquired by means of the exercise of rights related to the stocks, etc.) shall not be exercised from the date on which such violation is committed, and the Financial Supervisory Commission may issue an order to dispose of such stocks, etc. (including the stocks, etc. acquired by means of the exercise of rights related to the stocks, etc.) within a period of up to six months.

Article 146 (Investigation and Measure)
(1) The Financial Supervisory Commission may, if necessary for the protection of investors, order a tender offeror, its specially-related persons, persons handling tender offer affairs, or other related persons to file a report or material for reference, or have the Governor of the Financial Supervisory Service investigate books, documents and other materials. In this case, Article 131 (2) shall apply.
(2) In cases falling under any of the following subparagraphs, the Financial Supervisory Commission may make a public notice of such fact and order a tender
offeror, its specially-related persons, persons handling tender offer affairs, or other related persons to make an amendment presenting the reasons therefor. If necessary, the Financial Supervisory Commission may suspend or prohibit the tender offer, or take measures as prescribed by the Presidential Decree. In this case, the Financial Supervisory Commission may determine and publicize the procedures and standards necessary for taking such measures:

1. Where any publication of tender offer or any publication under Article 136 (5) is not made;
2. Where a tender offer statement, amendment statement or report on the results of the tender offer for tender offer is not submitted;
3. Where any publication of tender offer, tender offer statement, amendment statement, publication under Article 136 (5), or report on the results of the tender offer contains any misstatement or omission of material matters;
4. Where the copies of the tender offer statement, amendment statement or withdrawal statement are not sent to the issuer in violation of Article 135, 136 (6), or 139 (3);
5. Where the copies of the documents under Article 135, 136 (6) or 139 (3) indicating the contents that differ from the entries in the statement or contain any omission of the contents are sent;
6. Where Article 137 is violated with respect to a tender offer prospectus;
7. Where a tender offer is withdrawn in violation of Article 139 (1) or 139 (2);
8. Where any purchase is made without making a tender offer in violation of Article 140;
9. Where any tender offer is made in violation of Article 141; or
10. Where any voting right is exercised in violation of Article 145 or a disposition order under that Article is violated.

**Section 2 Reports on Substantial Shareholding of Stocks**

**Article 147 (Report on Substantial Shareholding of Stocks)**

(1) Any person who becomes a substantial shareholder of a stock-listed corporation (referring to cases where the number of stocks, etc. held by the person itself and its specially related persons is not less than 5/100 of the total number of such stocks, etc.) shall report the status and purpose (referring to whether the holdings are intended to affect the management of issuers) of such shareholdings, key contents of the
contract for the stocks, etc. and other matters prescribed by the Presidential Decree to the Financial Supervisory Commission and the Exchange according to the methods prescribed by the Presidential Decree within five days (the days as prescribed by the Presidential Decree shall not be counted therein; hereafter in this Section, the same shall not apply) after becoming a substantial shareholder, and where the change in the aggregate of the holding stocks, etc. is not less than 1/100 of the total number of stocks, etc. (excluding cases where there is no change in the number of the holding stocks, etc. and other cases prescribed by the Presidential Decree), the details of the change shall be reported to the Financial Supervisory Commission and the Exchange according to the methods prescribed by the Presidential Decree within five days from the date of the change. In this case, the time and the content of the report may be otherwise determined by the Presidential Decree where the purpose of shareholdings is not intended to affect the management (referring to the appointment and dismissal of officers, the suspension of their duties and changes in the articles of incorporation related to institutions of the company, such as board of directors, as prescribed by the Presidential Decree) of an issuer or where the person concerned is a professional investor prescribed by the Presidential Decree.

(2) The number of stocks, etc. and the total number of stocks, etc. under paragraph (1) shall be calculated according to the methods prescribed by the Ordinance of the Ministry of Finance and Economy.

(3) Where any reason to report changes occurs by the day preceding the date on which the report on the status and purpose of substantial shareholding or the changes therein is required to be made pursuant to paragraph (1), such new changes shall be presented along with the original reports.

(4) Any person who has made a report pursuant to paragraph (1) shall report the changes as prescribed by the Presidential Decree including the purpose of substantial shareholding and the key contents of the contract concerned to the Financial Supervisory Commission and the Exchange within five days.

**Article 148 (Delivery of Report on Substantial Shareholding to Issuer)**

Any person who has made a report pursuant to Article 147 (1) or 147 (4) shall send copies thereof to the issuer (referring to the person prescribed by the Presidential Decree in case of the stocks, etc. prescribed by the Presidential Decree) of the stocks, etc. without delay.
Article 149 (Disclosure of Reports)
The Financial Supervisory Commission and the Exchange shall keep the reports which are submitted pursuant to Article 147 (1) or 147 (4) for three years and disclose such reports through the Internet website, etc.

Article 150 (Restrictions on Exercising Voting Rights of Stocks in Violation)
(1) A person who fails to make a report (including reports on amendment) pursuant to Article 147 (1), 147 (3), and 147 (4), or a person who makes any misstatement or omission of material matters prescribed by the Presidential Decree shall be prohibited from exercising its voting rights of the violating portion of the stocks held in excess of 5/100 of the total number of outstanding stocks with voting rights during the period prescribed by the Presidential Decree, and the Financial Supervisory Commission may order the person to dispose of the violating portion within a period of up to six months.
(2) A person who makes a report pursuant to Articles 147 (1), 147 (3) and 147 (4) that he or she holds stocks, etc. for the purpose of influencing the management of the issuer, shall be prohibited from additionally acquiring stocks of the issuer or exercising its voting rights over the holding stocks, etc. from the date on which any cause for a report occurs up to five days after the date on which it makes the report.
(3) Any person who has additionally acquired stocks in violation of paragraph (2) shall be prohibited from exercising its voting rights of the violating portion and the Financial Supervisory Commission may order the person to dispose of additionally acquired stocks within a period of up to six months.

Article 151 (Investigation and Request for Amendment)
(1) The Financial Supervisory Commission may, if necessary for the protection of investors, order the person who has submitted a report pursuant to Article 147 (1) or 147 (4) and other related persons to file a report or document for reference, or have the Governor of the Financial Supervisory Service investigate the books, documents, and other materials. In this case, Article 131 (2) shall apply.
(2) Where any report submitted pursuant to Article 147 (1) or 147 (4) is not complete in its form, or contains any misstatement or omission of material matters, the Financial Supervisory Commission may issue an order to make an amendment presenting the reasons therefor, and, if necessary, suspend or prohibit transactions or take measures as prescribed by the Presidential Decree.
Section 3 Restrictions on Proxy Solicitation

Article 152 (Proxy Solicitation)
(1) Any person who intends to solicit a proxy (hereinafter referred to as “solicitor”) relating to listed stock certificates (including securities deposit receipts related to the listed stock certificates; hereafter in this Section, the same shall apply) shall distribute a form of proxy and materials to a counter-party to be solicited (hereinafter referred to as “person solicited”) under the conditions prescribed by the Presidential Decree.

(2) The term “proxy solicitation” under paragraph (1) shall mean an activity falling under any of the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree taking into account the number of the persons solicited:
   1. To solicit shareholders to give proxy to itself or a third party;
   2. To request the exercise or non-exercise of voting rights, or the revocation of the proxy; or
   3. To send a form of proxy to shareholders for the purpose of securing voting rights or canceling the proxy voting, or to present opinions through other methods.

(3) In case of a stock-listed corporation prescribed by the Presidential Decree as carrying on an important industry for the national economy such as the national key industry (hereinafter referred to as “public service corporation”), only the public service corporation itself is permitted to solicit the proxy with respect to its stocks.

(4) The form of proxy under paragraph (1) shall be in the format that enables a person solicited to clearly state its approval or disapproval on the subject matters of a general meeting of shareholders.

(5) A solicitor shall be prohibited from exercising voting rights against the person solicited specified in the form of proxy.

(6) Necessary matters on the form of proxy and materials, etc. shall be prescribed by the Presidential Decree.

Article 153 (Access to the Form of Proxy and Materials)
A solicitor shall file a form of proxy and materials with the Financial Supervisory Commission and the Exchange not later than five days (excluding the days prescribed by the Presidential Decree) before the date on which such documents are provided to a person solicited pursuant to Article 152, keep such documents at a place prescribed
by the Ordinance of the Ministry of Finance and Economy, and make them available to the public.

**Article 154 (Justifiable Use of the Form of Proxy)**
A solicitor shall not make any misstatement or omission of material matters in a form of proxy and materials that may materially affect the decision whether or not to exercise proxy voting (hereafter in this section, referred to as “material matters with respect to the proxy”).

**Article 155 (Proxy Statement)**
Where any issuer of the listed stock certificates who is subject to a proxy solicitation states its opinions on the proxy solicitation, the issuer shall file a written statement thereon with the Financial Supervisory Commission and the Exchange without delay.

**Article 156 (Requirement for Amendment)**
(1) Where the form of proxy and materials are incomplete in their form or contain any misstatement or omission of material matters with respect to the proxy, the Financial Supervisory Commission may require an amendment to the form of proxy and materials presenting the reasons therefor.

(2) Where the requirement is made pursuant to paragraph (1), the form of proxy and materials that have already been filed shall not be considered to be submitted.

(3) Where a solicitor intends to amend entries in the form of proxy and materials, the solicitor may submit an amended form of proxy and materials not later than seven days (excluding the days prescribed by the Presidential Decree) before the general meeting of shareholders related to the solicitation. In this case, the solicitor shall submit the amended form of proxy and materials without fail when the solicitor intends to amend material matters prescribed by the Presidential Decree and it is necessary to amend the form of proxy and materials in order to protect investors.

**Article 157 (Disclosure of Form of Proxy)**
The Financial Supervisory Commission and the Exchange shall keep the form of proxy and materials under Article 152, the proxy statement under Article 155, and the amendment documents under Article 156 for three years from the date of the receipt
thereof, and disclose such documents through the Internet websites, etc.

**Article 158 (Investigation and Measure)**

(1) The Financial Supervisory Commission may, if necessary for the protection of investors, order a solicitor and other related persons to submit a report or material for reference or have the Governor of the Financial Supervisory Service investigate the books and documents and other materials. In this case, Article 131 (2) shall apply.

(2) In cases falling under any of the following subparagraphs, the Financial Supervisory Commission may make a public notice thereof and order a solicitor to make an amendment presenting the reasons therefor. If necessary, the Financial Supervisory Commission may suspend or prohibit the solicitation of proxy, or take measures as prescribed by the Presidential Decree. In this case, the Financial Supervisory Commission may determine and publicize the procedures and standards necessary for taking such measures:

1. Where the form of proxy and materials are not distributed to the person solicited in violation of Article 152 (1);
2. Where a person who is not a public service corporation solicits the proxy in violation of Article 152 (3);
3. Where Article 153 or 154 is violated with respect to the form of proxy and materials;
4. Where the form of proxy and materials submitted pursuant to Article 153, 156 (1), or 156 (3) contain any misstatement or omission of material matters with respect to proxy voting; or
5. Where any amended document is not submitted in violation of the latter part of Article 156 (3).

**Chapter 3 Annual Report of Stock-listed Corporations**

**Article 159 (Submission of Annual Reports)**

(1) Any stock-listed corporation and other corporations prescribed by the Presidential Decree (hereinafter referred to as “reporting corporation”) shall file an annual report with the Financial Supervisory Commission and the Exchange within ninety days after the end of each business year: Provided, That the same shall not apply to cases where submitting such annual report is prescribed by the Presidential Decree as impractical or ineffective due to bankruptcy or any other reason.
(2) A reporting corporation shall describe its objectives, trade name, business operation, executive compensation (including stock options under the Commercial Act and other Acts and limited to those prescribed by the Presidential Decree), financial status, and other matters prescribed by the Presidential Decree in the annual report under paragraph (1), and this description shall accompany documents prescribed by the Presidential Decree.

(3) Any corporation required to submit its first annual report pursuant to paragraph (1) shall file the annual report of the latest business year with the Financial Supervisory Commission and the Exchange within five days (where such corporation becomes a reporting corporation during the annual report submission period referred to in paragraph (1), by the time limit for submission) from the last day of such business year referred to in paragraph (1): Provided, That the same shall not apply where such corporation has already disclosed details equivalent to those in the annual report of the latest business year through registration statements, etc.

(4) A reporting corporation shall prepare an annual report referred to in paragraph (1) in accordance with the methods and forms for each business type and each business segment, which are determined and published by the Financial Supervisory Commission.

(5) A reporting corporation which is an affiliate of a conglomerate required to prepare combined financial statements pursuant to Article 1-3 of the Act on External Audit of Stock Companies shall submit the combined financial statements pursuant to subparagraph 3 of Article 1-2 of the same Act to the Financial Supervisory Commission and the Exchange within six months from the end of the business year.

(6) A reporting corporation may enter or indicate forward-looking information of such corporation in its annual report. In this case, such entry or indication shall be prepared pursuant to the methods provided for in Articles 125 (2) 1, 125 (2) 2, and 125 (2) 4.

(7) In cases of submitting an annual report, the representative director of a corporation and a director in charge of the submission of the annual report shall confirm and review the matters prescribed by the Presidential Decree including the fact that the annual report does not contain any misstatement or omission of material matters, and sign it, respectively.

Article 160 (Submission of Semi-annual and Quarterly Reports)
A reporting corporation shall file a business report for six months from the beginning
of its business year (hereinafter referred to as “semi-annual report”) and each business report for three months and nine months from the beginning of its business year (hereinafter referred to as “quarterly reports”), respectively, with the Financial Supervisory Commission and the Exchange within forty-five days after each period expires. In this case, Articles 159 (2), 159 (4), 159 (6), and 159 (7) shall apply.

Article 161 (Submission of Material Change Report)

(1) A reporting corporation shall, when a case falling under any of the following subparagraphs occurs, file a report thereon (hereinafter referred to as “material change report”) with the Financial Supervisory Commission not later than the day following the occurrence. In this case, Articles 159 (6) and 159 (7) shall apply:

1. Where any outstanding note or check is dishonored or any current account transaction with a bank is suspended or prohibited;
2. Where all or an important part of business operation is suspended;
3. Where the initiation of workout process is applied in accordance with the Act on Debtor Workout and Bankruptcy;
4. Where any reason for the dissolution in accordance with this Act, the Commercial Act, and other Acts occurs;
5. Where there is any resolution with regard to the decrease or increase of capital;
6. Where any case provided for in Articles 360-2, 360-15, 522, and 530-2 of the Commercial Act occurs;
7. Where any transfer or takeover of material businesses or assets prescribed by the Presidential Decree is resolved;
8. Where any acquisition (including the conclusion of a trust contract for the acquisition of treasury stocks) or disposal (including the cancellation of a trust contract for the acquisition of treasury stocks) of treasury stocks is resolved; or
9. Where any case prescribed by the Presidential Decree as materially affecting the management and properties of the corporation occurs.

(2) A reporting corporation shall, when it submits a material change report pursuant to paragraph (1), submit accompanying documents prescribed by the Presidential Decree pursuant to each subparagraph of paragraph (1).

(3) A reporting corporation shall prepare a material change report according to the forms and methods determined and publicized by the Financial Supervisory Commission.

(4) The Financial Supervisory Commission may request that an administrative agency
or any other related agency provide or exchange necessary information under the conditions prescribed by the Presidential Decree where a material change report filed is likely to affect the decision of investors and it is required to inform such investors thereof without delay. In this case, such agency shall be cooperative with the request unless there is any specific reason.

(5) The Financial Supervisory Commission shall, when a material change report is filed with pursuant to paragraph (1), send the material change report to the Exchange without delay.

Article 162 (Liability for Damages due to Misstatements)

(1) Any person falling under the following subparagraphs shall be liable for damages where a person who has acquired or disposed of the securities (including securities deposit receipts related to such securities and other securities prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) issued by a reporting corporation sustains damages because an annual report, semi-annual report, quarterly report, or report on material matters under Article 159 (1) and accompanying documents thereof (hereinafter referred to as “annual reports, etc.”) contains any misstatement or omission of material matters: Provided, That the same shall not apply to cases where a person who is liable for the compensation has proved unawareness of such misstatement or omission despite its due diligence, or the person who has acquired or disposed of such securities knew the fact at the time of the acquisition or disposal:

1. A person who has submitted the annual reports, etc. and directors of the reporting corporation at the time of the submission thereof;
2. A person who falls under any subparagraph of Article 402-2 (1) of the Commercial Act and is in charge of the preparation of the annual reports, etc. and the instruction thereof;
3. A person designated by the Presidential Decree as certified public accountant, appraiser, credit-rating specialist, etc. (including any organization to which each of them belongs) who agrees to prove the authenticity or accuracy of the entries of the annual reports, etc. or accompanying documents thereof and signs them; and
4. A person who agrees to enter its opinion on the assessment, analysis, and confirmation of the entries of the annual reports, etc. and its accompanying documents and verifies the details of the entries.

(2) Notwithstanding paragraph (1), any person falling under the subparagraphs of
paragraph (1) shall not be liable for damages where forward-looking information is entered or indicated pursuant to each of the following subparagraphs: Provided, That the same shall not apply where the person who has acquired or disposed of the securities concerned was unaware of the misstatement or omission of material matters at the time of the acquisition and disposal and where it is proved that any person falling under each subparagraph of paragraph (1) is responsible for the misstatement or omission by intention or by recklessness:

1. The entry or indication is required to be specified as forward-looking information;
2. The grounds for the assumptions or judgments of the predictions or forecasts are required to be specified;
3. The entry or indication is required to have reasonable grounds or assumptions; and
4. Bespeaks cautions to render that the projections may differ from the actual result are required to be specified.

(3) The amount to be compensated pursuant to paragraphs (1) and (2) shall be the difference between the amount actually paid or received by the claimant for the acquisition or disposal of the securities concerned and the amount falling under either the following subparagraphs (limited to paragraph (1) in case of the disposal):

1. The market price (where no market price is available, referring to an estimated price at which the securities would be disposed of) of the securities concerned when the argument to make claims for compensation pursuant to paragraphs (1) and (2) is concluded; or
2. Where the disposal is made before the conclusion of the argument under subparagraph 1, the price at which the securities would be disposed of.

(4) Notwithstanding paragraph (3), where a person liable for the damages pursuant to paragraphs (1) and (2) proves that a claimant has sustained all or a part of the damages without regard to any misstatement or omission of material matters, the person is not bound to compensate for the damages of such part.

(5) The claims for damages under paragraphs (1) and (2) shall be extinguished unless the claimant exercises its claim within one year from the date on which it has discovered the fact or within three years from the date when the annual reports, etc. have been submitted.

Article 163 (Disclosure of Annual Reports)
The Financial Supervisory Commission and the Exchange shall keep the annual reports, etc. at a specified place for 3 years and disclose them through the Internet
Article 164 (Investigation and Measure)
(1) The Financial Supervisory Commission may, if necessary for the protection of investors, order a reporting corporation and other related persons to submit a report or material for reference, or have the Governor of the Financial Supervisory Service investigate books, documents and any other materials. In this case, Article 131(2) shall apply.
(2) In cases falling under any of the following subparagraphs, the Financial Supervisory Commission may make a public notice thereof and order a correction to the reporting corporation presenting the reasons therefor. If necessary, the Financial Supervisory Commission may suspend or prohibit the issuance of securities and other transactions, or take measures as prescribed by the Presidential Decree. In this case, the Financial Supervisory Commission may determine and publicize the procedures and standards necessary for taking such measures:
1. Where annual reports, etc. are not submitted; or
2. Where annual reports, etc. contain any misstatement or omission of material matters.

Article 165 (Special Case concerning Foreign Corporations)
Notwithstanding Articles 159 through 161, different regulations including the exemption from an obligation to submit annual reports, etc. or different time limits may apply to foreign corporations, etc. under the conditions prescribed by the Presidential Decree.

Chapter 4 Over-the-counter Transactions

Article 166 (Over-the-counter Transactions)
In cases of the purchase, sale or other transaction of financial investment products (excluding exchange-traded derivatives) outside the securities market or the derivatives market, necessary matters on the methods of such transactions, settlement, etc. shall be prescribed by the Presidential Decree.

Article 167 (Restriction on Ownership of Stocks Issued by Public Service Corporation)
(1) No one shall hold stocks issued by a public service corporation in excess of the limit falling under each of the following subparagraphs for its own account regardless of the title thereof. In this case, stocks without voting rights shall not be counted in the total number of outstanding stocks, and the stocks held in the name of a specially-related person shall be deemed to be held for its own account:

1. In cases of shareholders holding not less than 10/100 of the total number of outstanding stocks at the time of the listing, the rate of ownership; and
2. In cases of any shareholder other than those referred to in subparagraph 1, the rate as determined by the articles of incorporation within the limit of 3/100 of the total number of outstanding stocks.

(2) Notwithstanding paragraph (1), where a person obtains an approval of the limit to the rate of ownership from the Financial Supervisory Commission, the person may own the stocks issued by a public service corporation up to the limit.

(3) Any person holding stocks in excess of the limit under paragraphs (1) and (2) shall not exercise voting rights on the excess portion of stocks, and the Financial Supervisory Commission may order the person to comply with the limit within a period of up to six months.

Article 168 (Restrictions on Transactions of Securities or Exchange-traded Derivatives by Foreigners)

(1) The limit of acquisition with respect to the purchase, sale or other transactions of securities or exchange-traded derivatives by foreigners (referring to individuals who have not been residents in the Republic of Korea for at least six months; hereinafter the same shall apply) or foreign corporations, etc. may be restricted by the standards and methods prescribed by the Presidential Decree.

(2) An acquisition of stocks of a public service corporation by foreigners or foreign corporations, etc. may be restricted separately under the conditions prescribed by the articles of incorporation of the public service corporation in addition to the restriction under paragraph (1).

(3) Any person who has acquired stocks in violation of paragraph (1) or (2) shall not exercise voting rights thereof, and the Financial Supervisory Commission may issue a correction order to the person who has purchased or sold securities or exchange-traded derivatives within a period of up to six months.

(4) Other matters necessary for the protection of investors and sound trade practice
with respect to the purchase, sale or other transactions of securities or exchange-traded derivatives by foreigners or foreign corporations, etc. shall be prescribed by the Presidential Decree.

**Article 169 (Attestation by Accounting Auditors)**

(1) A person prescribed by the Presidential Decree from among persons who file documents concerning financial status with the Financial Supervisory Commission and the Exchange pursuant to this Part shall be audited pursuant to the Act on External Audit of Stock Companies: Provided, That the same shall not apply to cases prescribed by the Presidential Decree taking into account the balance between the confidentiality of corporate management, etc., the burden on the company and the protection of investors.

(2) The Financial Supervisory Commission may, if necessary for the protection of investors, order the accounting auditor who performs an audit or the corporation that is audited pursuant to paragraph (1) to submit materials or to report thereon, or take other necessary measures.

(3) Where any foreign corporation, etc. that has been audited pursuant to foreign Acts and subordinate statutes related to financial investment services and satisfies the conditions prescribed by the Presidential Decree, the corporation shall be considered to have been audited pursuant to the main sentence of paragraph (1). In this case, paragraph (2) shall apply to an accounting auditor (hereinafter referred to as “foreign accounting auditor”) who performs an audit or foreign corporation, etc. that is audited in accordance with foreign Acts and subordinate statutes related to financial investment services.

**Article 170 (Auditor's Liability for Damages)**

(1) Articles 17 (2) through 17 (7) of the Act on External Audit of Stock Companies shall apply to the compensation liabilities of accounting auditors (including foreign accounting auditors) to bona fide investors.

(2) The amount to be compensated pursuant to paragraph (1) shall be presumed to be the difference between the amount (in case of disposal, limited to subparagraph 1) actually paid or received in acquiring or disposing of the securities (including securities deposit receipts related to the securities and other securities prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) by the claimant and the amount falling under either of the following subparagraphs:
1. The market price of the securities concerned (where no market price is available, referring to an estimated price at which the securities would be disposed of) when the argument to make claims for the compensation pursuant to paragraph (1) is concluded; or
2. Where the disposal is made before the conclusion of argument under subparagraph 1, the price at which the securities would be disposed of.

(3) Notwithstanding paragraph (2), where the person liable for damages pursuant to paragraph (1) proves that a claimant has sustained all or part of the damages without regard to any misstatement or omission of material matters, the person is not bound to compensate for damages of such part.

**Article 171 (Payment of Deposit by Listed Securities)**

(1) Deposit or deposit money prescribed by the Presidential Decree from among those which are to be paid to the Government, a local government or a public agency under the Act on Management of Public Agencies (hereafter in this Article, referred to as “public agency”) may be paid with listed securities.

(2) The Government, local government or public agency shall not refuse the payment with listed securities pursuant to paragraph (1).

(3) The listed securities which are eligible for the payment to the Government, local government or public agency pursuant to paragraph (1) and the valuation of such securities shall be prescribed by the Presidential Decree.

(4) Where the listed securities eligible for the replacement payment pursuant to paragraph (1) are depository receipts, etc. referred to in Article 309 (3) 2, the deposit certificate issued by the Depository under the conditions prescribed by the Presidential Decree (hereafter in this Article, referred to as “deposit certificate”) may substitute for such listed securities.

(5) The Depository or a depositor (referring to a depositor under Article 309 (2)) shall, when deposit certificate is issued pursuant to paragraph (4), specify the restriction on the disposal of such listed securities from the date of issuance to the date of returning of the deposit certificate in the depository account book or investor account book.

**Part 4 Regulations on Unfair Trade**

**Chapter 1 Insider Trading**
Article 172 (Disgorgement of Short-term Sales Margin of Insider)

(1) Where any officer (including the person falling under each subparagraph of Article 401-2 (1) of the Commercial Act; hereafter in this Section, the same shall apply), employee (limited to the person prescribed by the Presidential Decree, who is able to access to undisclosed material information under Article 174 (1); hereafter in this Article, the same shall apply), or major shareholder of a stock-listed corporation gains any profits by selling (including the sale of specific securities, etc. which gives a purchaser's position as a counter-party in exercising rights; hereafter in this Article, the same shall apply) any financial investment product under the following subparagraphs (hereinafter referred to as “specific securities, etc.”) within six months after purchasing them or by purchasing (including the purchase of specific securities, etc. which gives a seller's position eligible to exercise rights; hereafter in this Article, the same shall apply) specific securities, etc. within six months after selling them, the stock-listed corporation may request that the officer, employee or major shareholder return the profits (hereinafter referred to as “short-term sales margin”) to the corporation. In this case, necessary matters on the standards for calculating such profits and procedures for return, etc. shall be prescribed by the Presidential Decree:

1. Securities issued by the corporation (excluding securities prescribed by the Presidential Decree);
2. Securities deposit receipts related to the securities under subparagraph 1;
3. Convertible bonds issued by a person other than the corporation, which may be converted into the securities under subparagraph 1 or subparagraph 2; or
4. Financial investment products using only the securities under subparagraph 1 through 3 as underlying assets.

(2) A shareholder (including a person who holds equity securities or securities deposit receipts other than stock certificates; hereafter in this Article, the same shall apply) of the corporation concerned may demand the corporation to claim that the person who has gained the short-term sales margin under paragraph (1) return the short-term sales margin, and such shareholder may make the claim by subrogating the corporation unless the corporation makes the claim within two months after the date on which the request is made.

(3) The Securities and Futures Commission shall, when it becomes aware of the accrued short-term sales margin, inform the corporation concerned of the fact. In this case, the corporation shall make it available to the public through the Internet website,
etc. under the conditions prescribed by the Presidential Decree.

(4) Where a shareholder who has filed a lawsuit in respect of the request under paragraph (2) wins such lawsuit, the shareholder may claim the legal cost and other actual expenses incurred in the proceedings to the corporation concerned.

(5) The claims under paragraphs (1) and (2) shall be extinguished unless the claims are exercised within two years from the date on which the profits has been gained.

(6) Paragraph (1) shall not apply to cases prescribed by the Presidential Decree taking into account the nature of the purchases or sales that have been carried out in the capacity of an officer, employee or major shareholder, and cases where a major shareholder does not hold such capacity at the time when a purchase or sale was made.

(7) Paragraphs (1) and (2) shall apply to a dealer who undertakes a private or public offering of new or outstanding specific securities, etc. made by a stock-listed corporation, during the period prescribed by the Presidential Decree.

Article 173 (Reporting on Ownership of Specific Securities by Officer)

(1) An officer or major shareholder of a stock listed corporation shall report the ownership status of specific securities, etc. held for its own account regardless of the title thereof, and, if any, the changes in the ownership status of such securities, etc. to the Securities and Futures Commission and the Exchange according to the methods prescribed by the Presidential Decree within five days (excluding the days prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) from the date on which such changes occur.

(2) The Securities and Futures Commission and the Exchange shall keep the reports referred to in paragraph (1) and make them available through the Internet website, etc.

Article 174 (Prohibition on Using Undisclosed Material Information)

(1) A person falling under any of the following subparagraphs (including those for whom one year has not passed after they ceased to fall under any of subparagraphs 1 through 5) shall not use, or have another person use, undisclosed material information (referring to information which may materially affect investors' judgment on an investment and has yet to be disclosed to the public under the conditions prescribed by the Presidential Decree; hereafter in this paragraph, the same shall apply) related to affairs, etc. of a listed corporation (including any corporation that is to be listed within six months) for the purpose of the purchase, sale or other transactions of
specific securities, etc.:

1. The corporation concerned (including its affiliates) and its officers, employees and agents who are informed of undisclosed material information with respect to their duties;
2. Major shareholders of the corporation concerned (including its affiliates) who are informed of undisclosed material information in the course of exercising their rights;
3. A person who has the authority of license, authorization, direction, and supervision and other authorities under Acts and subordinate statutes with respect to the corporation concerned and is informed of undisclosed material information in the course of exercising its authority;
4. A person who has entered into a contract or is in the negotiation stage with the corporation concerned and is informed of undisclosed material information in the course of concluding, negotiating or executing such contract;
5. Agents (where a person is a corporation, including its officers, employees, and agents), employees, and other staff personnel (where a person falling under any of subparagraphs 2 through 4 of this paragraph is a corporation, referring to its officers, employees and agents) of the person falling under any of subparagraphs 2 through 4, who are informed of undisclosed material information with respect to their duties; or
6. A person who is informed of undisclosed material information from another person (including those for whom one year has not passed after they cease to fall under any of subparagraphs 1 through 5 of this paragraph) falling under any of subparagraphs 1 through 5 of this paragraph.

(2) A person falling under any of the following subparagraphs (including those for whom one year has not passed after they cease to fall under any of subparagraphs 1 through 5) shall not use or have another person use undisclosed information (referring to information which has yet to be disclosed to the public under the conditions prescribed by the Presidential Decree; hereafter in this paragraph, the same shall apply) of performing or suspending a tender offer of stocks, etc. (referring to the tender offer under Article 133 (1); hereafter in this paragraph, the same shall apply) for the purpose of the purchase, sale or other transactions of specific securities, etc. related to the stocks, etc.: 

1. A tender offeror (including its affiliates) and its officers, employees and agents who are informed of undisclosed information of performing or suspending a tender
offer with respect to their duties;

2. Major shareholders of the tender offeror (including its affiliates) who are informed of undisclosed information of performing or suspending a tender offer in the course of exercising their rights;

3. A person who has the authority of license, authorization, direction, supervision and other authorities under Acts and subordinate statutes with respect to the tender offeror and is informed of undisclosed information of performing or suspending a tender offer in the course of exercising its authority;

4. A person who has entered into a contract or is in the negotiation stage and is informed of undisclosed information of performing or suspending a tender offer in the course of concluding, negotiating or implementing such contract;

5. Agents (where the person is a corporation, including its officers, employees, and agents), employees, other staff personnel (where the person falling under any of subparagraphs 2 through 4 is a corporation, referring to its officers, employees, and agents) of a person falling under any of subparagraphs 2 through 4 who are informed of undisclosed information of performing or suspending a tender offer with respect to their duties; or

6. A person who is informed of undisclosed information of performing or suspending a tender offer from the tender offeror or a person (including those for whom one year has not passed after they cease to fall under any of subparagraphs 1 through 5) falling under any of subparagraphs 1 through 5.

(3) A person falling under any of the following subparagraphs (including those for whom one year has not passed after they cease to fall under any of subparagraphs 1 through 5) shall not use or have another person use undisclosed information (referring to information which has yet to be disclosed to the public under the conditions prescribed by the Presidential Decree; hereafter in this paragraph, the same shall apply) of performing or suspending a substantial acquisition and disposal of stocks, etc. (referring to the substantial acquisition and disposal likely to affect the management as prescribed by the Presidential Decree; hereafter in this paragraph, the same shall apply) for the purpose of the purchase, sale or other transactions of specific securities, etc. related to the stocks, etc. concerned:

1. A person who acquires and disposes of a substantial amount of stocks (including its affiliates) and its officers, employees, or agents who are informed of undisclosed information of performing or suspending a substantial acquisition and disposal with respect to their duties;
2. Major shareholders of the person who acquires and disposes of a substantial amount of stocks (including its affiliates), who are informed of undisclosed information of performing or suspending a substantial acquisition and disposal in the course of exercising their rights;

3. A person who has the authority of license, authorization, direction, supervision and other authorities under Acts and subordinate statutes with respect to the person who acquires and disposes of a substantial amount of stocks and is informed of undisclosed information of performing or suspending a substantial acquisition and disposal;

4. A person who has entered into a contract or is in the negotiation stage with the person who acquires and disposes of a substantial amount of stocks and is informed of undisclosed information of performing or suspending a substantial acquisition and disposal in the course of concluding, negotiating or implementing such contract;

5. Agents (where the person is a corporation, including its officers, employees, and agents), employees, and other staff personnel (where the person falling under any of subparagraphs 2 through 4, referring to its officers, employees and agents) of a person falling under any of subparagraphs 2 through 4 who are informed of undisclosed information of performing or suspending a substantial acquisition and disposal with respect to their duties; or

6. A person who is informed of undisclosed information of performing or suspending a substantial acquisition and disposal from a person who acquires and disposes of a substantial amount of stocks or another person falling under any of subparagraphs 1 through 5 (including those for whom one year has not passed after they cease to fall under any of subparagraphs 1 through 5).

**Article 175 (Liability for Damages against Using Undisclosed Material Information)**

(1) Any person who violates Article 174 shall be liable for damages where a person who has made the purchase, sale or other transactions suffers from such transactions.

(2) The claim for the damages pursuant to paragraph (1) shall be extinguished by means of prescription unless a claimant exercises such claim within one year after the claimant has been informed of the violation of Article 714 or within three years after the offense has occurred.

*Chapter 2 Market Manipulation*
Article 176 (Prohibition on Market Manipulation)

(1) No one shall conduct any activity falling under the following subparagraphs for the purpose of creating a misleading appearance of active trading or causing any person to make a false judgment with respect to the transactions of listed securities or exchange-traded derivatives:

1. Sell securities or exchange-traded derivatives after the person conspires in advance with other person that the other person purchases the securities or exchange-traded derivatives at the same price or at a pre-arranged price at the same time when the person sells such securities or exchange-traded derivatives;
2. Purchase securities or exchange-traded derivatives after the person conspires in advance with other person that the other person sells the securities or exchange-traded derivatives at the same price or at a pre-arranged price at the same time when the person purchases such securities or exchange-traded derivatives;
3. Make fictitious transactions which do not incur the transfer of ownership in the course of purchasing or selling the securities or exchange-traded derivatives; or
4. Entrust, or be entrusted with, the activities provided for in subparagraphs 1 through 3.

(2) No one shall conduct any activity falling under the following subparagraphs for the purpose of inducing the transactions of listed securities or exchange-traded derivatives:

1. Effect, entrust or be entrusted with, the transactions creating a false or misleading appearance of active trading of the securities or exchange-traded derivatives or making the price thereof (referring to a market price formed on the securities market or the derivatives market, a market price formed in the course of arranging for the transactions of the listed securities by an electronic securities broker, and other prices prescribed by the Presidential Decree; hereinafter the same shall apply) fluctuate;
2. Disseminate the rumor that the price of the securities or exchange-traded derivatives fluctuates by means of the manipulation of the person itself or other person;
3. Make a false or misleading representation with respect to material matters in purchasing or selling the securities or exchange-traded derivatives.

(3) No one shall effect, entrust or be entrusted with, a series of transactions with
respect to the securities or exchange-traded derivatives for the purpose of fixing or stabilizing the price thereof: Provided, That the same shall not apply to cases falling under any of the following subparagraphs:

1. Where a dealer (limited to the dealer prescribed by the Presidential Decree who enters into an underwriting contract with an issuer or an owner of the securities subject to the public offering; hereinafter the same shall apply) makes a transaction to facilitate a public offering of new or outstanding securities by stabilizing the price of the securities (hereafter in this paragraph, referred to as “stabilization”) under the conditions prescribed by the Presidential Decree from the date prescribed by the Presidential Decree to the date on which the subscription period of such public offering expires within the limit of thirty days before the date on which such subscription period expires;

2. Where a dealer makes a transaction to create demand and supply of the securities subject to the public offering (hereafter in this paragraph, referred to as “market making”) under the conditions prescribed by the Presidential Decree up to six months from the date on which such securities are listed;

3. Where a person designated by the Presidential Decree such as an officer of the issuer of the securities subject to the public offering entrusts a dealer with the stabilization;

4. Where a dealer is entrusted with the stabilization pursuant to subparagraph 3;

5. Where an underwriter of the securities subject to the public offering entrusts a dealer with market making; or

6. Where a dealer is entrusted with market making pursuant to subparagraph 5.

(4) No one shall conduct any activity falling under the following subparagraphs with respect to the transactions of listed securities or exchange-traded derivatives:

1. Change or fix the price of the underlying asset of exchange-traded derivatives for the purpose of gaining unjust profits or having a third person gain unjust profits in purchasing or selling the exchange-traded derivatives;

2. Change or fix the price of the exchange-traded derivatives whose underlying asset is the securities for the purpose of gaining unjust profits or having a third person gain unjust profits in purchasing or selling the securities; or

3. Change or fix the price of securities prescribed by the Presidential Decree as linked to the securities concerned for the purpose of gaining unjust profits or having a third person gain unjust profits in purchasing or selling the securities.
Article 177 (Liability for Damages against Market Manipulation)
(1) Any person who violates Article 176 shall be liable for damages where a person who has made the purchase or sale of listed securities or exchange-traded derivatives, or the delegation thereof, at the price formed as a result of such violation suffers from such transactions.
(2) The claim for damages pursuant to paragraph (1) shall be extinguished by prescription unless a claimant exercises such claim for damages within one year after the claimant is informed of the violation of Article 176 or within three years after the offense has occurred.

Chapter 3 Unfair Trading

Article 178 (Prohibition on Unfair Trading)
(1) No one shall conduct any activity falling under the following subparagraphs with respect to the purchase, sale or other transactions (in case of securities, including a private or public offering of new and outstanding securities; hereafter in this Article and Article 179, the same shall apply) of financial investment products:
   1. To use an unfair device, contrivance or skill;
   2. To intend to gain money or other benefits which have property value by making a misstatement on material matters, or by using documents and other entries or indications containing an omission of material matters necessary to prevent misleading other persons; or
   3. To use false quotations for the purpose of inducing the purchase, sale or other transactions of financial investment products.
(2) No one shall disseminate rumors, use deceptive schemes, or assault or intimidate others for the purpose of making the purchase, sale, or other transactions of financial investment products or manipulating a market price thereof.

Article 179 (Liability for Damages against Unfair Trading)
(1) Any person who violates Article 178 shall be liable for damages where a person who has purchased or sold financial investment products suffers from such transactions.
(2) The claim for damages pursuant to paragraph (1) shall be extinguished by prescription unless a claimant exercises such claim for damages within one year after the claimant is informed of the violation of Article 178 or within three years after the
offense has occurred.

**Article 180 (Restriction on Short Sale)**

(1) No one shall effect, entrust or be entrusted with, a sale falling under either of the following subparagraphs (hereafter in this Article, referred to as “short sale”) with respect to listed securities (limited to the securities prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) on the securities market: Provided, That the same shall not apply to cases complying with the methods prescribed by the Presidential Decree in order to stabilize the securities market and form a fair price:

1. Sale of listed securities that the person does not own; or
2. Sale for the settlement through borrowed listed securities.

(2) Notwithstanding the main sentence of paragraph (1), any case falling under the following subparagraphs shall not be considered to be short sale:

1. Where listed securities whose purchase contract has been entered into on the securities market are sold within the limit of the number concerned before the settlement date;
2. Where it is likely to be settled because the stocks are listed by the settlement date where the person sells stocks to be acquired through the exercise of the rights of convertible bonds, exchangeable bonds, and bonds with warrants, etc., capital increase with or without consideration, distribution of stocks, etc.; or
3. Others prescribed by the Presidential Decree as unlikely to cause failure of the execution of the settlement.

**Part 5 Collective Investment Scheme**

**Chapter 1 General Provisions**

**Article 181 (Application of Relevant Acts)**

A collective investment scheme shall be governed by the Commercial Act and the Civil Act unless otherwise specified in this Act.

**Article 182 (Registration of Collective Investment Schemes)**

(1) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, investment limited liability company,
investment limited partnership company, or investment limited partnership (hereafter in this Part, referred to as “investment company, etc.”) shall, when a collective investment scheme is established and incorporated, register such collective investment scheme with the Financial Supervisory Commission.

(2) Registration requirements of a collective investment scheme under paragraph (1) shall be as follows:

1. Any person falling under the following items must not be in the suspension of business:
   (a) A collective investment manager managing the collective investment property;
   (b) A trust company in charge of the custody and management of the collective investment property;
   (c) A broker or dealer selling the collective investment securities; or
   (d) In case of an investment company, a general fund administrator (referring to the general fund administrator under Article 254; hereinafter the same shall apply) which is entrusted with the business under Article 184 (6) from such investment company.

2. A collective investment scheme is required to be established and incorporated lawfully in accordance with this Act;

3. A collective investment agreement is required not to violate Acts and subordinate statutes or clearly undermine the interests of investors; or

4. Other requirements prescribed by the Presidential Decree are required to be satisfied taking into account the type of collective investment schemes under each subparagraph of Article 9 (18).

(3) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall, when it registers a collective investment scheme, file a registration application with the Financial Supervisory Commission.

(4) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (3), review the registration application, make a decision on either accepting or denying a registration within twenty days, and notify the applicant of the result and the reasons therefor in writing without delay. When the application is found to be defective, the Commission may request that the applicant supplement such application.

(5) In calculating the review period referred to in paragraph (4), the periods prescribed by the Ordinance of the Ministry of Finance and Economy including the
supplementation period of the registration application shall not be added to the review period.

(6) The Financial Supervisory Commission shall not, when it makes a decision on the registration under paragraph (4), reject the registration unless any cause falling under the following subparagraphs occurs:

1. Where any registration requirement under paragraph (2) is not satisfied;
2. Where a registration application referred to in paragraph (3) is prepared falsely; or
3. Where the request for supplementation in the latter part of paragraph (4) is not complied with.

(7) The Financial Supervisory Commission shall, when it decides to accept the registration pursuant to paragraph (4), describe necessary matters in the register of collective investment scheme, and make a public notice of the decision through the Internet website, etc.

(8) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall, when any matter that has been registered pursuant to paragraph (1) is changed, file registration amendment with the Financial Supervisory Commission within two weeks except for the case prescribed by the Presidential Decree as unlikely to undermine the protection of investors. In this case, paragraphs (2) through (7) shall apply.

(9) Matters on the registration and any change in the registration pursuant to paragraphs (1) through (8) including entries of the registration statement, accompanying documents as well as the methods and procedure of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

**Article 183 (Name of Collective Investment Schemes)**

(1) A collective investment scheme shall use the letters (referring to the letters of securities, real estate, special assets, mixed assets and short-term finance) indicating the type of collective investment scheme referred to in each paragraph of Article 229 in its name or trade name.

(2) Any person who is not a collective investment scheme under this Act shall not use the letters of “collective investment,” “indirect investment,” “investment trust,” “investment company,” “investment limited liability company,” “investment limited partnership company,” “private equity company,” “investment limited partnership,” “investment undisclosed association,” and any other similar letters: Provided, That the same shall not apply to a collective investment manager and the case provided for in
Article 6 (5) 1.

Article 184 (Running the Business of Collective Investment Schemes)

(1) The voting rights of equity securities (including securities deposit receipts related to the equity securities; hereafter in this Article, the same shall apply) that are part of the property of an investment trust or investment undisclosed association shall be exercised by the collective investment manager of such investment trust or investment undisclosed association, and the voting rights of equity securities that are part of the collective investment property of the investment company, etc. shall be exercised by such investment company, etc.: Provided, That an investment company, etc. may delegate the exercise of voting rights of equity securities that are part of the collective investment property of the investment company, etc. to a collective investment manager of such investment company, etc.

(2) The business of managing the property of an investment trust or investment undisclosed association shall be performed by a collective investment manager of such investment trust or investment undisclosed association, and the business of managing the collective investment property of an investment company, etc. shall be performed by the collective investment manager which is a corporate director, or an executive officer of such investment company, etc.

(3) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall delegate the custody and management of the collective investment property to a trust company.

(4) A collective investment manager shall not become a trust company in charge of the custody and management of the collective investment property managed by the collective investment manager itself.

(5) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall, when it intends to sell collective investment securities of a collective investment scheme, enter into a sales contract with a dealer or an entrustment sales contract with a broker: Provided, That the same shall not apply to cases where a collective investment manager of an investment trust or investment undisclosed association sells collective investment securities of a collective investment scheme as a broker or dealer.

(6) An investment company shall delegate the business falling under each of the following subparagraphs to a general fund administrator:

1. The business of issuing stocks of the investment company and transferring the title
of the issued stocks;
2. The business of calculating the property of the investment company;
3. Notification and publication in accordance with Acts and subordinate statutes or the articles of incorporation;
4. The convocation and convention of the board of directors and the general meeting of shareholders and the preparation of minutes thereof; and
5. Other business prescribed by the Presidential Decree as necessary to deal with the affairs of the investment company.

(7) An investment company, etc. shall not have any full-time officer or employee, and establish any branch other than the head office.

Article 185 (Joint Liability)
A collective investment manager, trust company, dealer, broker, general fund administrator, collective investment scheme appraisal company (referring to a collective investment scheme appraisal company under Article 258) and a debt rating company (referring to a debt rating company pursuant Article 263) shall be jointly liable for the damages where they are liable for the damages to investors in accordance with this Act and they are responsible for such damages.

Article 186 (Restrictions on Acquisition of Treasury Collective Investment Securities)
(1) An investment company, etc. shall not acquire collective investment securities issued by the investment company, etc. itself for its own account, or accept them for the purpose of the right of pledge: Provided, That the same shall not apply to cases falling under any of the following subparagraphs.
1. Where it is necessary to exercise rights including collateral rights, etc. In this case, any acquired collective investment securities shall be disposed of under the conditions prescribed by the Presidential Decree;
2. Where the collective investment securities of an investment company, etc. are redeemed pursuant to Article 235; or
3. Where stocks are purchased pursuant to Article 201 (4).
(2) Articles 87 and 89 through 92 shall apply to an investment company, etc. In this case, “a collective investment manager” (limited to a collective investment manager of an investment trust or investment undisclosed association; hereafter in this Article, the same shall apply) under Article 87 shall be deemed “an investment company etc. ” (referring to a collective investment manager where an investment company, etc.
delegate the exercise of the voting rights to an investment management company), “a collective investment manager” under Article 87 shall be deemed “an investment company, etc., ” respectively, “a collective investment manager of an investment trust or investment undisclosed association” under Article 89 shall be deemed “an investment company, etc.,” “a collective investment manager” (limited to a collective investment manager of an investment trust or investment undisclosed association; hereafter in this Article, the same shall apply) and “a collective investment manager” under Articles 90 and 92 shall be deemed “an investment company, etc.,” respectively, and “a collective investment manager” (limited to a collective investment manager of an investment trust or investment undisclosed association, including a broker and a dealer who have sold the collective investment securities concerned; hereafter in this Article, the same shall apply) under Article 91 shall be deemed “an investment company, etc.” (including a broker and a dealer who have sold the collective investment securities concerned; hereafter in this Article, the same shall apply), and “a collective investment manager” under Article 91 shall be deemed “an investment company, etc.,” respectively.

Article 187 (Recordkeeping)
(1) An investment company, etc. shall keep and maintain the records related to the business of such investment company, etc. for each type of data as prescribed by the Presidential Decree for a certain period prescribed by the Presidential Decree.
(2) An investment company, etc. shall establish and implement appropriate measures to prevent the materials required to be kept and maintained pursuant to paragraph (1) from destruction or forgery.

Chapter 2 Composition of Collective Investment Schemes

Section 1 Investment Trust

Article 188 (Conclusion of Trust Contract)
(1) A collective investment manager shall, when it intends to establish an investment trust, enter into a trust contract with a trust company under a trust deed that contains each of the following subparagraphs:
1. Trade names of the collective investment manager and the trust company;
2. Matters on the value of the trust principal and the total number of accounts of
beneficiary certificates;
3. Matters on the operation and management of the investment trust property;
4. Matters on the distribution of profits and redemption;
5. Matters on fees and other commissions paid to the collective investment manager, trust company, etc. and other matters on the methods of calculating commissions and the time and methods of the payment: Provided, That where the collective investment manager delegates the business of calculating the base price, it shall be indicated that the commissions concerned are charged against the investment trust property;
6. Matters on the general meeting of beneficiaries;
7. Matters on disclosure and reports; and
8. Others prescribed by the Presidential Decree as necessary for the protection of beneficiaries.

(2) A collective investment manager that has established an investment trust shall, when it intends to alter the trust contract, enter into a contract for alteration with the trust company. In this case, the collective investment manager shall obtain a resolution made by the general meeting of beneficiaries under the main sentence of Article 190 (5) in advance when matters falling under any of the following subparagraphs are altered:
1. Increase of fees and other commissions paid to the collective investment manager, the trust company, etc.;
2. Change of the trust company (excluding the alteration because of merger, split-off, split-and-merger, or any other reason prescribed by the Presidential Decree)
3. Change of the term of the trust contract; or
4. Others prescribed by the Presidential Decree as material matters related to the interests of beneficiaries.

(3) A collective investment manager that has established an investment trust shall, when it alters the trust contract pursuant to paragraph (2), make the alteration available to the public through the Internet website, etc. and notify the beneficiaries of the alteration in addition to the disclosure where the collective investment manager alters the trust contract pursuant to the latter part of paragraph (2).

(4) A collective investment manager shall, when it establishes an investment trust pursuant to paragraph (1) (including cases where the investment trust concerned is established additionally), pay the total amount of the trust principal prescribed by the trust contract concerned in cash to the trust company.
Article 189 (Beneficiary Certificates)

(1) A collective investment manager that has established an investment trust shall evenly divide beneficial interests of the investment trust and indicate the beneficial interests by means of beneficiary certificates.

(2) A beneficiary shall hold equal rights based on the number of accounts for the beneficiary certificates with respect to the redemption of the trust principal and the distribution of profits.

(3) A collective investment manager that has established an investment trust shall, when the total amount of outstanding beneficiary certificates is paid, issue beneficiary certificates according to the methods under Article 309 (5) after receiving the verification from the trust company.

(4) A beneficiary certificate shall be a non-par value stock in non-bearer form.

(5) A collective investment manager that has established an investment trust shall describe the matters falling under each of the following subparagraphs in the beneficiary certificates, and the representative directors of the collective investment manager and the trust company in charge of the custody and management of such investment trust property shall bear the signature and stamp thereon:

1. Trade name of the collective investment manager and trust company;
2. Name or title of the beneficiary;
3. Value of the trust principal and the total number of accounts of beneficiary certificates at the time of conclusion of the trust contract;
4. Issuing date of beneficiary certificates; and
5. Other matters prescribed by the Presidential Decree as necessary for the protection of beneficiaries.

(6) A collective investment manager that has established an investment trust shall delegate the business of preparing the roster of beneficiaries to the Depository.

(7) The Depository shall, when it is delegated with the business pursuant to paragraph (6), prepare and keep the roster of beneficiaries containing the matters falling under each of the following subparagraphs:

1. Names and addresses of beneficiaries;
2. Number of accounts of beneficiary certificates held by beneficiaries; and
3. Where beneficiary certificates are issued, the item numbers thereof.

(8) The Depository shall not provide information falling under each subparagraph of paragraph (7) to other persons: Provided, That the same shall not apply to cases
where the Depository provides such information to the collective investment manager for the purpose of holding a general meeting of beneficiaries and other cases prescribed by the Presidential Decree.

(9) Articles 336 through 340 and 358-2 through 360 of the Commercial Act shall apply to the beneficial interests and beneficiary certificates, and Articles 353 and 354 of the Commercial Act shall apply to the roster of beneficiaries.

**Article 190 (General Meeting of Beneficiaries)**

(1) An investment trust shall have a general meeting of beneficiaries that is composed of all its beneficiaries, and the general meeting of beneficiaries may make a resolution on the matters prescribed by this Act or the trust contract.

(2) The general meeting of beneficiaries shall be convened by the collective investment manager who has established the investment trust.

(3) Where a trust company in charge of the custody and management of the investment trust property or the beneficiaries holding not less than 5/100 of the total number of accounts of outstanding beneficiary certificates requests that the collective investment manager convene the general meeting of beneficiaries in a written statement indicating the reasons therefor and the objectives thereof, the collective investment manager shall convene the general meeting of beneficiaries within one month from the date on which such request is made. In this case, when the collective investment manager fails to go through the procedures for convening the general meeting of beneficiaries without any justifiable reason, the investment company or beneficiaries holding not less than 5/100 of the total number of accounts of outstanding beneficiary certificates may convene the general meeting of beneficiaries by obtaining an approval from the Financial Supervisory Commission.

(4) Articles 363 (1) and 363 (2) of the Commercial Act shall apply to the convocation notice of the general meeting of beneficiaries. In this case, the “shareholders” shall be deemed the “beneficiaries,” the “roster of shareholders” shall be deemed the “roster of beneficiaries,” and the “company” shall be deemed the “collective investment manager.”

(5) The quorum for the general meeting of beneficiaries shall be a half of the total number of accounts of outstanding beneficiary certificates, and the quorum for the resolution shall be 2/3 of the voting rights held by the beneficiaries who attend the meeting and 1/3 of the total number of accounts of outstanding beneficiaries certificates: Provided, That the quorum may be a half of the total number of voting
rights held by the beneficiaries who attend the meeting and a quarter of the total number of accounts of outstanding beneficiary certificates in case of the resolution of the general meeting of beneficiaries prescribed by the trust contract other than the resolution of the general meeting of beneficiaries prescribed by this Act.

(6) A beneficiary may exercise voting rights by means of a written statement without attending the general meeting of beneficiaries.

(7) A collective investment manager that has established an investment trust (including the trust company or beneficiaries holding not less than 5/100 of the total number of accounts of outstanding beneficiary certificates which convenes a general meeting of beneficiaries pursuant to the latter part of paragraph (3); hereafter in this paragraph, the same shall apply) may defer the general meeting of beneficiaries where the number of accounts of beneficiaries who attend the meeting falls short of a majority of the total number of accounts of outstanding beneficiary certificates until one hour lapses from the scheduled time for the general meeting of beneficiaries. In this case, the collective investment manager shall convene a general meeting of beneficiaries (hereafter in this Article referred to as “deferred general meeting of beneficiaries”) within two weeks from the date on which the general meeting of beneficiaries is deferred.

(8) Where the number of accounts of beneficiary certificates held by the beneficiaries who attend the meeting falls short of the majority of the total number of accounts of outstanding beneficiary certificates until one hour lapses from the scheduled time for the deferred general meeting of beneficiaries, the quorum of such deferred general meeting of beneficiaries shall be the total number of accounts of the beneficiaries who attend the meeting. In the application of paragraph (5) with respect to the resolution made by the deferred general meeting of beneficiaries, “2/3 of the voting rights of beneficiaries who attend the meeting and 1/3 of the total number of accounts of outstanding beneficiary certificates” shall be deemed “2/3 of the voting rights held by the beneficiaries who attend the meeting” and “a half of the voting rights held by the beneficiaries who attend the meeting and a quarter of the total number of accounts of the outstanding beneficiary certificates” shall be deemed “a half of the voting rights held by the beneficiaries who attend the meeting.”

(9) The methods of the convocation for the general meeting of beneficiaries and deferred general meeting of beneficiaries, the methods of exercising voting rights by means of a written statement, and others necessary for the general meeting of beneficiaries shall be prescribed by the Presidential Decree.
Article 191 (Dissident Beneficiary’s Rights to File Claim for Purchase of Beneficiary Certificates)

(1) Any beneficiary who opposes the resolution made by the general meeting of beneficiaries with respect to the alterations in the trust contract under the latter part of Article 188 (2) other than each subparagraph of that paragraph or the merger of an investment trust under Article 193 (2) may file a written claim indicating the number of beneficiary certificates for the purchase of its own beneficiary certificates within twenty days from the resolution date of the general meeting of beneficiaries where such beneficiary has notified the collective investment manager of its opposition against the resolution in writing before the general meeting.

(2) A collective investment manager that has established an investment trust shall not charge the beneficiary who has filed a claim pursuant to paragraph (1) with commissions incurred from the purchase of beneficiary certificates and other expenses.

(3) A collective investment manager that has established an investment trust shall purchase such beneficiary certificates pursuant to the methods prescribed by the Presidential Decree using the investment trust property within fifteen days from the expiration date thereof where any claim is filed pursuant to paragraph (1): Provided, That such collective investment manager may defer the purchase of beneficiary certificates under an approval from the Financial Supervisory Commission when the purchase money is not enough to meet such claim.

(4) A collective investment manager that has established an investment trust shall, when it purchases beneficial certificates pursuant to the main sentence of paragraph (3), retire such beneficial certificates without delay.

Article 192 (Termination of Investment Trust)

(1) A collective investment manager that has established an investment trust may terminate the investment trust after obtaining an approval thereof from the Financial Supervisory Commission: Provided, That in cases prescribed by the Presidential Decree
as unlikely to undermine the interests of beneficiaries, the collective investment manager may terminate the investment trust without an approval from the Financial Supervisory Commission. In this case, the collective investment manager shall report the termination to the Financial Supervisory Commission without delay.

(2) A collective investment manager that has established an investment trust shall terminate the investment trust without delay in a case falling under any of the following subparagraphs. In this case, the collective investment manager shall report such termination to the Financial Supervisory Commission without delay:
   1. Where the period of the trust contract designated by the trust contract expires;
   2. Where the general meeting of beneficiaries resolves to terminate the investment trust;
   3. Where the investment trust is merged; or
   4. Where the registration of the investment trust is revoked.

(3) A collective investment manager that has established an investment trust may, when it terminates the investment trust pursuant to paragraph (1) or (2) (excluding subparagraph 3), transfer the assets that are part of the investment trust property to beneficiaries as prescribed by the trust contract.

(4) Entries on the application and accompanying documents in case of applying for the approval of the termination pursuant to paragraph (1), methods of dealing with uncollected balance and the amount payable in case of terminating the investment trust pursuant to paragraphs (1) and (2), and others necessary for the termination of the investment trust shall be prescribed by the Presidential Decree.

(5) A collective investment manager that has established an investment trust may terminate part of the investment trust in cases prescribed by the Presidential Decree, such as accepting the claims for redemption filed by beneficiaries.

Article 193 (Merger of Investment Trusts)

(1) A collective investment manager that has established an investment trust may merge by absorption with another investment trust that is managed by the collective investment manager.

(2) Where a collective investment manager that has established an investment trust intends to merge investment trusts pursuant to paragraph (1), the collective investment manager shall prepare a merger plan proposal with information falling under each of the following subparagraphs and obtain resolutions made by the general meeting of beneficiaries of each investment trust:
1. The value of the trust principal of the surviving investment trust, which is expected to increase following the merger of investment trusts, and the number of accounts of beneficiary certificates;
2. Matters on the distribution of beneficiary certificates issued for the beneficiaries of the investment trust that is to be terminated following the merger of investment trusts;
3. Where cash is paid to the beneficiaries of the investment trust that is to be terminated following the merger of investment trusts, the details thereof;
4. The date on which the general meeting of beneficiaries of each of the investment trusts to be merged is held;
5. The date on which the merger takes place;
6. Where the trust contract of the surviving investment trust is altered following the merger of investment trusts, the details thereof; and
7. Other matters prescribed by the Presidential Decree.

(3) Article 527-5 (1) and 527-5 (3) of the Commercial Act shall apply where the investment trusts which have creditors are merged. In this case, a “company” shall be deemed a “collective investment manager,” respectively, and a “general meeting of shareholders” shall be deemed a “general meeting of beneficiaries,” respectively.

(4) A collective investment manager that has established an investment trust shall keep the materials falling under each of the following subparagraphs at the head office and branches of a broker or dealer from two weeks prior to the date of the general meeting of beneficiaries until six months after the date of merger. In this case, such beneficiaries and creditors of investment trusts may access the materials and request the distribution of certified or abridged copies thereof during the business hours:
1. The document on the final settlement of accounts of each of the investment trusts to be merged;
2. Matters on the distribution of beneficiary certificates issued for the beneficiaries of the investment trust to be terminated following the merger and a written statement indicating the reasons therefor; and
3. The merger plan proposal.

(5) A collective investment manager that has established an investment trust shall, when it merges investment trusts pursuant to paragraph (1), report thereon to the Financial Supervisory Commission without delay. In this case, when the beneficiary certificates of the merged investment trusts are listed on the securities markets, the collective investment manager shall also report the merger to the Exchange.
(6) The merger of investment trusts shall come into effect where the collective investment manager of the surviving investment trust reports thereon to the Financial Supervisory Commission pursuant to paragraph (5). In this case, the disappearing investment trust shall be regarded as terminated.

(7) The surviving investment trust after the merger shall assume the rights and obligations of the disappearing investment trusts which cease to exist due to the merger.

(8) The methods of calculating the merger value of beneficiary certificates, the notification to beneficiaries of the approvals at the general meeting of beneficiaries, and other matters necessary for the merger of investment trusts shall be prescribed by the Presidential Decree.

Section 2 Corporate-type Collective Investment Schemes

Sub-section 1 Investment Company

Article 194 (Incorporation of Investment Companies)

(1) A person falling under any subparagraph of Article 24 shall be disqualified from becoming a promoter.

(2) A promoter shall, when it establishes an investment company, prepare the articles of incorporation containing the matters falling under each of the following subparagraphs and bear the signature or stamp thereon:
   1. Objectives;
   2. Trade name of the investment company;
   3. The total number of stocks to be issued;
   4. The total number of stocks and the issue price of each stock at the time of incorporation;
   5. Location of the company;
   6. Matters on the operation and management of the property of the investment company;
   7. The minimum amount of net assets (hereinafter, referred to as the “minimum amount of net assets”) that the investment company is required to maintain;
   8. Matters on the distribution of profits and redemption;
   9. Matters on disclosure and reports;
   10. Methods of making a public notice; and
11. Other necessary matters prescribed by the Presidential Decree for the protection of shareholders.

(3) The capital of an investment company shall be the total amount of the stocks issued at the time of its incorporation.

(4) The total number of the stocks issued by an investment company at the time of its incorporation may be prescribed by setting the maximum number and the minimum number thereof.

(5) The minimum amount of net assets of an investment company shall be not less than the amount prescribed by the Presidential Decree up to one billion won.

(6) A promoter of an investment company shall underwrite (referring to the underwriting under Article 293 of the Commercial Act; hereafter in this Chapter, the same shall apply) the total number of the stocks issued at the time of its incorporation.

(7) A promoter who underwrites stocks pursuant to paragraph (6) shall pay the amount of the underwritten stocks in cash without delay.

(8) A promoter shall, when it completes the payment of the underwritten stocks issued at the time of its incorporation, appoint directors with the consent of a majority of the voting rights without delay, and the appointed directors shall check any violation of the Acts and subordinate statutes or the articles of incorporation with respect to the incorporation of their investment company and report the result to the board of directors.

(9) A director shall, when it finds any violation of the Acts and subordinate statutes or the articles of incorporation as a result of the check under paragraph (8), report its findings to the promoter without delay.

(10) A promoter of an investment company shall register its incorporation with accompanying documents prescribed by the Presidential Decree within two weeks from the date on which the report on the matters under each of the following subparagraphs is made in accordance with paragraph (8).

1. Matters under subparagraphs 1 through 3, 5, 7, and 10 of paragraph (2);
2. Where the period of existence and reasons for dissolution are set forth under the articles of incorporation, the details thereof; and
3. Names and resident registration numbers of directors (in case of a corporation, the trade name and business registration number of the corporation).

(11) A promoter of an investment company shall not establish any investment company falling under either of the following subparagraphs, or alter the articles of
incorporation in order to have the investment company fall under either of the following subparagraphs even after its incorporation:

1. An investment company that invests exceeding 70/100 of its property in real estate; or
2. An investment company that invests its property in ships.

Article 195 (Alteration of Articles of Incorporation)

(1) An investment company may alter articles of incorporation by obtaining a resolution of the board of directors; Provided, That the company shall obtain a resolution made by the general meeting of shareholders under the proviso of Article 201 (2) where the company intends to alter the matters falling under any of the following subparagraphs of the articles of incorporation:

1. Increase of fees and other commissions paid to the collective investment manager, trust company, etc.;
2. Changes of the collective investment manager or trust company;
3. Where the articles of incorporation provide for the existence period or the reasons for dissolution of an investment company, the changes therein; or
4. Others prescribed by the Presidential Decree as material matters related to the interests of shareholders.

(2) Notwithstanding paragraph (1), an investment company may alter the articles of incorporation without resolutions made by the board of directors and the general meeting of shareholders where the change of the collective investment manager or trust company is caused by merger, split-off, split-and-merger or any other reason prescribed by the Presidential Decree.

(3) Where an investment company alters the articles of incorporation pursuant to paragraph (1) or (2), the investment company shall disclose the alterations through the Internet website, etc. and where the company alters the articles of incorporation pursuant to the proviso of paragraph (1), the company shall notify shareholders thereof in addition to the disclosure.

Article 196 (Stocks of Investment Companies)

(1) A stock of an investment company shall be a non-par value stock in non-bearer form.

(2) An investment company shall issue stocks under the conditions prescribed by Article 309 (5) without delay on the date when it is incorporated or the price for
new stocks is paid.
(3) Where an investment company issues new stocks after its incorporation, the board of directors shall determine the number of new stocks, the issue value of new stocks and the date of the payment thereof: Provided, That the same shall not apply to cases where the articles of incorporation prescribe otherwise.
(4) Where an investment company that is permitted to purchase stocks of shareholders upon the request of the shareholders (hereafter in this Article, referred to as “open-end investment company”) issues new stocks after its incorporation, the board of directors may determine the matters falling under each of the following subparagraphs. In this case, the open-end investment company shall publish the daily issue price confirmed based on the methods under subparagraph 3 at the branches or other business offices of a broker or a dealer who sells stocks issued by the investment company, and make it available to the public through the Internet website, etc.:
1. The issue period of new stocks;
2. Ceiling on the number of new stocks that are issued within the period referred to in subparagraph 1; and
3. Methods of setting the daily issue price during the period referred to in subparagraph 1 and the date on which the subscription money is paid.
(5) An investment company shall, when it issues new stocks after its incorporation, equally set the issue price of new stocks issued on the same day and other issue conditions thereof. In this case, the issue price of new stocks shall be calculated based on the amount of net assets held by the investment company under the conditions prescribed by the Presidential Decree.
(6) Article 194 (7) shall apply to an underwriter of newly-issued stocks.

(7) An underwriter shall assume the rights and obligations of a shareholder at the time when the underwriter pays its subscription money.

Article 197 (Classification of Directors)
(1) Directors of an investment company shall be classified into a director who is a collective investment manager (hereafter in this Subsection, referred to as “corporate director”) and a supervisory director.
(2) An investment company shall appoint one corporate director and more than two supervisory directors.
Article 198 (Corporate Director)

(1) A corporate director shall represent an investment company and perform the businesses thereof.

(2) A corporate director shall, when it intends to perform the business falling under any of the following subparagraphs, obtain a resolution made by the board of directors:

1. The business of entering into a business entrustment contract (including an alteration contract) with a collective investment manager, trust company, broker, dealer, or general fund administrator;
2. The business of paying fees for the custody or management of assets;
3. The business of distributing money and stock dividends; or
4. Others prescribed by the articles of incorporation as important for the operation of the investment company.

(3) A corporate director shall report the performance of its business and details of the asset management to the board of directors more than once every three months.

(4) A corporate director may appoint a person who performs duties designated by the corporate director from among employees. In this case, the collective investment manager shall notify the investment company of such appointment in writing.

(5) Any activity conducted by the person of whom the investment company has been notified pursuant to paragraph (4) within the scope of its duties shall be deemed an activity performed by a corporate director.

Article 199 (Supervisory Director)

(1) A supervisory director shall oversee the businesses of a corporate director, and may, if necessary to identify the business and the current financial status of the investment company, request that the corporate director, trust company in charge of the custody and management of the property of the investment company, broker or dealer who has sold stocks of the investment company, or general fund administrator delegated with the business pursuant to article 184 (6) report on their work related to the investment company and the current financial status.

(2) A supervisory director may, if necessary to perform its duties, request that an accounting auditor under Article 240 (3) report on the audit.

(3) Any person who receives a request from the supervisory director pursuant to paragraph (1) or (2) shall respond to the request unless there is any reasonable ground not to do so.
(4) A person falling under any of the following subparagraphs shall not become a supervisory director, and shall be discharged from the post where the person falls under any of the following subparagraphs after becoming a supervisory director:

1. A person who falls under any of the subparagraphs of Article 24;
2. A promoter of the investment company (limited to the initial appointment of supervisory director of the investment company pursuant to Article 194 (8));
3. Major shareholders and specially-related persons of such investment company;
4. A person who is continuously paid by a corporate director or specially-related persons thereof;
5. A dealer selling stocks of the investment company or the specially related person of a broker;
6. Where the director of the investment company works for another corporation as a director, full-time officer or employee of the corporation; or
7. Other persons prescribed by the Presidential Decree as likely to undermine impartiality as a supervisory director.

(5) Article 54 shall apply to a supervisory director.

**Article 200 (Board of Directors)**

(1) The board of directors shall be convened by each of the directors.
(2) A director shall, when it intends to convene the board of directors, notify each of the directors thereof at least three days before the meeting: Provided, That the notification period may be shortened as prescribed by the articles of incorporation.
(3) The board of directors shall make a resolution only on the matters prescribed by this Act and the articles of incorporation.
(4) Where any vacancy occurs in the board of directors, the board of directors shall convene a general meeting of shareholders without delay to appoint a director.
(5) The quorum for the board of directors shall consist of a majority of directors and the quorum for resolution shall consist of a majority of directors who attend the meeting.

**Article 201 (General Meeting of Shareholders)**

(1) The board of directors shall convene a general meeting of shareholders of an investment company.
(2) The quorum for the general meeting of shareholders shall consist of the attendance of the shareholders holding at least a half of outstanding stocks, and the quorum for
the resolution shall consist of a half of the number of voting rights held by the shareholders who attend the meeting and not less than a quarter of the total number of outstanding stocks: Provided, That the quorum shall consist of the number of not less than 2/3 of such voting rights and not less than 1/3 of outstanding stocks where the resolution under Article 434 of the Commercial Act applies.

(3) Articles 190 (3) and 190 (6) through 190 (9) shall apply to the general meeting of shareholders of an investment company. In this case, a “collective investment company that has established an investment trust” and a “collective investment manager” shall be deemed the “board of directors of investment company,” respectively, an “investment trust property” shall be deemed a “property of an investment company,” “beneficiary certificates” shall be deemed “stocks,” respectively, “total number of accounts” shall be deemed “total number,” respectively, a “beneficiary” shall be deemed a “shareholder,” respectively, a “general meeting of beneficiaries” shall be deemed a “general meeting of shareholders,” respectively, an “account” shall be deemed a “number,” respectively, and “paragraph (5)” in Article 190 (8) shall be deemed “paragraph (2).”

(4) An investment company shall apply Article 191 to the shareholders who oppose the resolution made by the general meeting of shareholders with respect to the alteration of articles of incorporation under the proviso of Article 195 (1) or the resolution on the merger under Article 204 (2). In this case, a “trust contract” shall be deemed “articles of incorporation,” an “investment trust,” “collective investment manager,” and “collective investment manager that has established an investment trust” shall be deemed an “investment company,” respectively, a “general meeting of beneficiaries” shall be deemed a “general meeting of shareholders,” respectively, a “beneficiary” shall be deemed a “shareholder,” respectively, “beneficiary certificates” shall be deemed “stocks,” respectively, and “investment trust property” shall be deemed “property of investment company.”

Article 202 (Dissolution)

(1) An investment company shall be dissolved for a reason falling under any of the following subparagraphs. In this case, liquidators shall report the reasons for dissolution, the date thereof, and the names and resident registration numbers of liquidation supervisors (where a liquidator is a corporate director, the trade name and its business registration number) to the Financial Supervisory Commission within thirty days from the date of dissolution:
1. Expiration of the existence period prescribed by the articles of incorporation, and
   the occurrence of other reasons for dissolution;
2. Resolution made by the general meeting of shareholders;
3. Merger of the investment company;
4. Bankruptcy of the investment company;
5. Order or adjudication given by the court; or
6. Revocation of registration of the investment company.

(2) An investment company shall, when it is dissolved, register the matters falling
under each of the following subparagraphs with accompanying documents prescribed
by the Presidential Decree within two weeks from the date of dissolution when a
corporate director becomes a liquidator, and within two weeks from the date of
appointment when a liquidator is appointed:

1. Names and resident registration numbers of liquidators (where a liquidator is a
   corporate director, the trade name and its business registration number); and
2. Where a representative liquidator is selected from among liquidators or not less
   than two liquidators represent the investment company, the details thereof.

(3) An investment company shall, when it is dissolved, register the name and resident
registration number of a liquidation supervisor with accompanying documents
prescribed by the Presidential Decree within two weeks from the date of dissolution when a
corporate director becomes a liquidation supervisor, and within two weeks from the date of
appointment when a liquidation supervisor is appointed.

(4) An investment company shall, when it is dissolved (excluding cases where the
investment company is dissolved for the reasons under subparagraphs 3 and 4 of
paragraph (1)), form a team of liquidators that is composed of liquidators and
liquidation supervisors.

(5) Where an investment company is dissolved for the reason under subparagraph 1 or
2 of paragraph (1), a corporate director and supervisory directors shall become a
liquidator and liquidation supervisors, respectively, except for cases prescribed by the
articles of incorporation or the general meeting of shareholders.

(6) Where an investment company falls under any of the following subparagraphs, the
Financial Supervisory Commission shall appoint a liquidator and a liquidation
supervisor upon the request of interested persons.

1. Where the investment company is dissolved for the reason under subparagraph 5
   of paragraph (1);
2. Where any liquidator or liquidation supervisor is not existent; or
3. Where the liquidation is executed pursuant to Article 193 (1) of the Commercial Act.

7. Where the investment company is dissolved for the reason under subparagraph 6 of paragraph (1), the Financial Supervisory Commission shall appoint a liquidator or liquidation supervisor in accordance with its authority.

8. Where any liquidator or liquidation supervisor is found to be clearly unqualified for its duties or in material violation of the Acts and subordinate statutes in performing its duties, the Financial Supervisory Commission may dismiss the liquidator or liquidation supervisor in accordance with its authority or upon the request of interested persons. In this case, the Financial Supervisory Commission may appoint a new liquidator or liquidation supervisor in accordance with its authority.

9. In a case falling under any of the following subparagraphs, the Financial Supervisory Commission shall delegate the registration concerned to a registry office in the jurisdiction over the location of the investment company, accompanied by a written statement with the cause of such registration:

1. Where the investment company is dissolved for the reason under subparagraph 6 of paragraph (1); or

2. Where the Financial Supervisory Commission dismisses any liquidator or liquidation supervisor in accordance with its authority.

Article 203 (Liquidation)

1. A liquidator shall review the financial status of the investment company without delay after its appointment, prepare the list of properties and balance sheet within the period prescribed by the Ordinance of the Ministry of Finance and Economy, and file such documents with a team of liquidators and obtain an approval therefrom, and then file the certified copies thereof with the Financial Supervisory Commission without delay.

2. Where a liquidator is found to be in violation of Acts and subordinate statutes or the articles of incorporation in performing duties, or where it is likely to cause material damages to the investment company, the liquidation supervisor shall report thereon to the Financial Supervisory Commission.

3. A liquidator shall give preemptive notice to creditors of the investment company not less than twice through public disclosure within one month from the date of its appointment of the fact that the creditors are required to report their credits within a certain period; otherwise they shall be excluded from liquidation. In this case, the
reporting period shall be not less than one month.

(4) Notwithstanding paragraph (3), a liquidator may omit the preemptive notice to the creditors under the conditions prescribed by the Presidential Decree in respect of an investment company for which fund borrowings, debt-repayment guarantee or the offering of collateral is restricted: Provided, That the same shall not apply to cases where the investment company is liable to execute the contract for exchange-traded derivatives transaction and other cases prescribed by the Presidential Decree.

(5) A liquidator shall prepare a settlement statement without delay after completing the liquidation work, and obtain an approval from the general meeting of shareholders. In this case, the liquidator shall disclose the settlement statement and file it with the Financial Supervisory Commission and the Association.

(6) Where a liquidator or liquidation supervisor has been appointed pursuant to Article 202 (5), the liquidator or liquidation supervisor may receive commissions from an investment company as prescribed by the articles of incorporation or the general meeting of shareholders, and where a liquidator or liquidation supervisor has been appointed pursuant to Articles 202 (6) and 202 (7), the liquidator or the liquidation supervisor may receive commissions from an investment company as prescribed by the Financial Supervisory Commission.

(7) A liquidator shall keep the list of properties and the balance sheet approved pursuant to paragraph (1) at the investment company until the completion of liquidation, and deliver the documents to the collective investment company, dealer, or broker so that such person can keep the documents at the branches.

Article 204 (Merger)

(1) An investment company shall not merge with another company unless the investment company merges by absorption with another investment company that has the same corporate directors.

(2) An investment company shall, when it intends to merge pursuant to paragraph (1), obtain a resolution made by the general meeting of shareholders under the proviso of Article 201 (2).

(3) Articles 193 (4), 193 (5), and 193 (8) shall apply to the merger of an investment company. In this case, “a collective investment manager that has established an investment trust,” “an investment trust,” “a collective investment manager of an investment trust” shall be deemed “an investment company,” respectively, “the general meeting of beneficiaries” shall be deemed the “general meeting of shareholders,”
respectively, “beneficiaries” shall be deemed “shareholders,” respectively, and “beneficiary certificates” shall be deemed “stocks,” respectively.

Article 205 (Special Cases for Investment Company)

(1) Section 3 of Chapter 3 shall not apply to an investment company.

(2) Article 29 shall apply to the shareholders of an investment company. In this case, a “financial investment firm” (excluding a financial investment firm prescribed by the Presidential Decree taking into account of the size of its asset; hereafter in this Article, the same shall apply) in Article 29 (1) shall be deemed an “investment company,” “5/100,000” in Article 29 (1) shall be deemed "1/10,000," a “financial investment firm” in Article 29 (2) through 29 (8) shall be deemed an “investment company,” respectively, “250/1,000,000” and “125/1,000,000” in Article 29 (2) shall be deemed “50/100,000” and “25/100,000,” respectively, “50/100,000” and “25/100,000” in Article 29 (3) shall be deemed “10/10,000” and “5/10,000,” respectively, “250/100,000” and “125/100,000” in Article 29 (4) shall be deemed “50/10,000” and “25/10,000,” “150/10,000” and “75/10,000” in Article 29 (5) shall be deemed “30/1,000” and "15/1,000," respectively, and “50/10,000” and “25/10,000” in Article 29 (6) shall be deemed “10/1,000” and “5/1,000,” respectively.

Article 206 (Relations with the Commercial Act)

(1) In the application of the Commercial Act with respect to an investment company, the "court" under Articles 259 (4), 298 (4), 299, 299-2, 300, 325, 422, 467 (1) through 467 (3), 536, 539, and 541 shall be deemed "the Financial Supervisory Commission" and the "public prosecutor" under Article 176 shall be regarded as "the Financial Supervisory Commission," respectively.

(2) Articles 19, 177, 288, 289 (2), 292, 298 (1) through 298 (3), 301 through 313, 329 (1), 329 (4), 330, the proviso of Article 335 (1), 335-2 through 335-7, 341 through 351, 365, 370, 374-2, 383, 389 (1), 409 through 415-2, 417 through 420-4, 438, 439, 449, 450, 458 through 461 and 604 of the Commercial Act shall not apply to an investment company.

Sub-section 2 Investment Limited Liability Company

Article 207 (Establishment of Investment Limited Liability Companies)
A collective investment manager shall, when it establishes an investment limited liability company, prepare the articles of incorporation containing the matters falling under each of the following subparagraphs and bear the signature or stamp thereon:

1. Objectives;
2. Trade name;
3. Trade name and business registration number of the corporate director under Article 209 (1);
4. Location of the company;
5. Matters on the operation and management of the property of the investment limited liability company;
6. Matters on the distribution of profits and redemption;
7. Matters on disclosure and report; and
8. Other matters prescribed by the Presidential Decree as necessary for the protection of partners.

A collective investment manager shall pay contributions in cash at the time of the establishment of an investment limited liability company after preparing the articles of incorporation.

A collective investment manager shall provide the matters falling under each of the following subparagraphs with the accompanying documents prescribed by the Presidential Decree and register its incorporation within two weeks from the date on which the contributions are paid:

1. Matters under subparagraphs 1 through 4 of paragraph (1); and
2. Where the articles of incorporation prescribe the period of existence and the reasons for dissolution of an investment limited liability company, the details thereof.

The objective of contributions by partners shall be limited to monetary interest.

An investment limited liability company shall not enlist any person as a partner other than a collective investment manager until the investment limited liability company is registered pursuant to Article 182.

**Article 208 (Equity Securities)**

(1) A partner of an investment limited liability company shall hold equal rights based on the number of equity securities with respect to the return of contributions and the distribution of profits, etc.

(2) An investment limited liability company shall indicate the matters falling under
each of the following subparagraphs on the equity securities, and the corporate
director under Article 209 (1) shall bear the signature or stamp thereon:
1. Trade name of the company;
2. Establishment date of the company;
3. Issue date of the equity securities;
4. Names of the partners (in case of a corporation, its trade name); and
5. Others prescribed by the Presidential Decree as necessary for the protection of
partners of the investment limited liability company.
(3) Article 196 shall apply to the equity securities of an investment limited liability
company. In this case, an "investment company" shall be deemed an "investment
limited liability company," respectively, "stocks" shall be deemed "equity securities,"
respectively, "new stocks" shall be deemed "new equity securities," respectively, the
"board of directors" shall be deemed a "corporate director," respectively, "shareholders"
shall be deemed "partners," respectively, and "subscription money" shall be deemed
"money for equity securities," respectively.

**Article 209 (Corporate Director)**
(1) An investment limited liability company shall have one corporate director who is a
collective investment manager (hereafter in this Subsection, referred to as “corporate
director”).
(2) Articles 198 (1), 198 (4), and 198 (5) shall apply to the corporate director of an
investment limited liability company. In this case, an “investment company” shall be
deeded an “investment limited liability company,” respectively.

**Article 210 (General Meeting of Partners)**
(1) A general meeting of partners of an investment limited liability company shall be
convened by the corporate director.
(2) The quorum for the general meeting of partners of an investment limited liability
company shall consist of the attendance of the partners holding at least a half of
outstanding equity securities, and the quorum for the resolution shall be a half of the
voting rights held by the partners who attend the meeting: Provided, That the quorum
for the resolution shall be 2/3 of voting rights of the partners who attend the meeting
and 1/3 of the total number of outstanding equity securities where the resolution
under Article 585 (1) of the Commercial Act applies.
(3) Articles 190 (3), 190 (4), and 190 (6) through 190 (10) shall apply to the general
meeting of partners of an investment limited liability company. In this case, “a collective investment manager that has established an investment trust” and “a collective investment company” shall be deemed “a corporate director of the investment limited liability company,” respectively, “the investment trust property” shall be deemed “the property of the investment limited liability company,” respectively, “beneficiary certificates” shall be deemed “equity securities,” respectively, “the total number of accounts” shall be deemed “the total number,” respectively, “the roster of beneficiaries” shall be deemed “the roster of partners,” “the general meeting of beneficiaries” shall be deemed “the general meeting of partners,” “the number of accounts” shall be deemed “the number,” “paragraph (5)” in the latter part of Article 190 (8) shall be deemed “paragraph (2),” “2/3 of the voting rights of the beneficiaries who attend the meeting and 1/3 of the total number of accounts of outstanding beneficiary certificates” shall be deemed ’2/3 of the voting rights held by the beneficiaries who attend the meeting’ and ‘a half of the voting rights held by the beneficiaries who attend the meeting and a quarter of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘a half of the voting rights held by the beneficiaries who attend the meeting’ shall be deemed “2/3 of the voting rights of the partners who attend the meeting and 1/3 of the number of outstanding equity securities’ shall be regarded as ‘2/3 of the number of the voting rights of the partners who attend the meeting.”

Article 211 (Application)

(1) Article 195 shall apply to the alteration of the articles of incorporation of an investment limited liability company. In this case, an “investment company” shall be deemed an “investment limited liability company,” “by obtaining a resolution of the board of directors” in Article 195 (1) shall be deemed “by the corporate director”, “the proviso of Article 201 (2)” shall be deemed “the proviso of Article 210 (2),” “a resolution made by the general meeting of shareholders” in Article 195 (2) and “resolutions of the board of directors and the general meeting of shareholders” in 195 (2) shall be deemed “a resolution made by the general meeting of partners,” respectively, and “shareholder” shall be deemed “partner,” respectively.

(2) Articles 202 (excluding paragraph (3) and (4)), 203 (excluding paragraph (2)), and 204 shall apply to the dissolution, liquidation and merger of an investment limited liability company. In this case, an “investment company” shall be deemed an “investment limited liability company,” respectively, “the general meeting of
shareholders” shall be deemed “the general meeting of partners,” respectively, a “corporate director and supervisory directors” shall be deemed “the corporate director,” “liquidators and liquidation supervisors” as well as “liquidators or liquidation supervisors” shall be deemed “liquidators,” respectively, “prepare the list of properties and balance sheet, file such documents with a team of liquidators, and obtain an approval therefrom, and then file the certified copies thereof” shall be deemed “prepare the list of properties and balance sheet and file the certified copies thereof,” “the proviso of Article 201 (2)” shall be deemed “the proviso of Article 210 (2),” and “stocks” shall be deemed “equity securities,”.

**Article 212 (Relation with the Commercial Act)**

(1) In the application of the Commercial Act with respect to an investment limited liability company, the “court” under Articles 582 and 613 (1) (limited to cases which are applied to Articles 259 (4), 536 (2) and 541 (2)) and 613 (2) (limited to cases where Article 539 applies) shall be deemed the “Financial Supervisory Commission,” respectively.

(2) Articles 543 (3), 546 (2), 560 (limited to cases where Articles 341-3, 342, and 343 (1) apply), 568 through 570, the proviso of Article 575, 583 (limited to cases where Articles 449 (1), 449 (2), 450, and 458 through 460 apply), 584 through 592, 597 (limited to cases where Articles 439 (1) and 439 (2) apply), and 607 shall not apply to an investment limited liability company.

**Subsection 3 Investment Limited Partnership Company**

**Article 213 (Establishment of Investment Limited Partnership Companies)**

(1) A collective investment manager shall, when it intends to establish an investment limited partnership company, prepare the articles of incorporation containing the matters falling under each of the following subparagraphs and a general partner and a limited partner shall bear their signatures or stamps thereon:

1. Objectives;
2. Trade name;
3. Trade name and business registration number of the executive officer;
4. Location of the company;
5. Matters on the operation and management of the property of the investment
limited partnership company;
6. Matters on the distribution of profits and redemption;
7. Matters on disclosure and reports; and
8. Other matters prescribed by the Presidential Decree as necessary for the protection of partners.

(2) A collective investment manager shall pay contributions in cash at the time of the establishment of the investment limited partnership company after preparing the articles of incorporation.

(3) A collective investment manager shall prepare documents on the matters falling under each of the following subparagraphs with the accompanying documents prescribed by the Presidential Decree and register its incorporation within two weeks from the date on which the contributions are paid:
   1. Matters under subparagraphs 1 through 4 of paragraph (1); and
   2. Where the articles of incorporation prescribe the period of existence and the reasons for dissolution of an investment limited partnership company, the details thereof.

(4) The objective of contributions by partners of an investment limited partnership company shall be limited to monetary interest.

(5) An investment limited partnership company shall not enlist any person as a partner other than the partners under paragraph (1) until the investment limited partnership company is registered pursuant to Article 182.

Article 214 (Executive Officer)
(1) An investment limited partnership company shall not have any general partner other than one executive officer. In this case, the executive officer shall be a collective investment manager, notwithstanding Article 173 of the Commercial Act.
(2) Articles 198 (1), 198 (4), and 198 (5) shall apply to the executive officer of an investment limited partnership company. In this case, a “corporate director” shall be deemed an “executive officer,” respectively, and an “investment company” shall be deemed an “investment limited partnership company,” respectively.

Article 215 (General Meeting of Partners)
(1) An investment limited partnership company shall establish a general meeting of partners that is composed of all its partners, and the general meeting of partners may make a resolution only on the matters provided for in this Act or the articles of
incorporation.

(2) The general meeting of partners of an investment limited partnership company shall be convened by an executive officer.

(3) The quorum for the general meeting of partners shall consist of the attendance of the partners holding at least a half of the total number of outstanding equity securities, and the quorum for the resolution shall consist of the number of not less than \(2/3\) of the voting rights of the partners who attend the meeting and not less than \(1/3\) of the total number of outstanding equity securities.

(4) Articles 190 (3), 190 (4), and 190 (6) through 190 (10) shall apply to the general meeting of partners of an investment limited partnership company. In this case, a “collective investment manager that has established an investment trust” and a “collective investment manager” shall be deemed an “executive officer of an investment limited partnership company,” respectively, “beneficiary certificates” shall be deemed “equity securities,” “the total number of accounts” shall be deemed “the total number,” a “beneficiary” shall be deemed a “partner,” respectively, “the general meeting of beneficiaries” shall be deemed “the general meeting of partners,” respectively, “the roster of shareholders” shall be deemed “the roster of partners,” “the number of accounts” shall be deemed “the number,” respectively, “paragraph (5)” in the latter part of Article 190 (8) shall be deemed “paragraph (3),” “‘2/3 of the voting rights of the beneficiaries who attend the meeting and 1/3 of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘2/3 of the voting rights held by the beneficiaries who attend the meeting and ‘a half of the voting rights held by the beneficiaries who attend the meeting and a quarter of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘a half of the voting rights held by the beneficiaries who attend the meeting’ shall be deemed ‘2/3 of the voting rights of the partners who attend the meeting and 1/3 of the number of outstanding equity securities’ shall be regarded as ‘2/3 of the number of the voting rights of the partners who attend the meeting.’”

**Article 216 (Application)**

(1) Article 195 shall apply to the alteration of the articles of incorporation of an investment limited partnership company. In this case, an “investment company” shall be deemed an “investment limited partnership company,” respectively, “by obtaining a resolution of the board of directors” under Article 195 (1) shall be deemed “by the executive officer,” “the proviso of Article 201 (2)” shall be deemed “Article 215 (3),”
“a resolution made by the general meeting of shareholders” under Article 195 (1) and “resolutions made by the board of directors and the general meeting of shareholders” under Article 195 (2) shall be deemed “a resolution made by the general meeting of partners,” respectively, and “shareholders” shall be deemed “partners,” respectively.

(2) Article 208 shall apply to the equity securities of an investment limited partnership company. In this case, an “investment limited liability company” shall be deemed an “investment limited partnership company,” respectively, “the corporate director under Article 209 (1)” and the “corporate director” shall be deemed the “executive officer,” respectively, and “partners” under Article 208 (1) shall be deemed “limited partners,” respectively.

(3) Article 202 (excluding paragraphs (3) and (4)), 203 (excluding paragraph (2)), and 204 shall apply to the dissolution, liquidation and merger of an investment limited partnership company. In this case, an “investment company” shall be deemed an “investment limited partnership company,” respectively, “the general meeting of shareholders” shall be deemed “the general meeting of partners,” respectively, “a corporate director” and “a corporate director and supervisory directors” shall be deemed “the executive officer,” “liquidators and liquidation supervisors” as well as “liquidators or liquidation supervisors” shall be deemed “liquidators,” respectively, “prepare the list of properties and balance sheet, file such documents with a team of liquidators, and obtain an approval therefrom, and then file the certified copies thereof” shall be deemed “prepare the list of properties and balance sheet and file the certified copies thereof,” “the provisos of Article 201 (2)” shall be deemed “the proviso of Article 210 (2),” and “stocks” shall be deemed “equity securities,” respectively.

**Article 217 (Relations with the Commercial Act)**

(1) In the application of the Commercial Act to an investment limited partnership company, the “court” in Articles 200-2, 205, 295 and 277 of the same Act shall be deemed the “Financial Supervisory Commission,” respectively.

(2) Articles 198, 217 through 220, 224, 280, and 286 of the Commercial Act shall not apply to an investment limited partnership company.

(3) A limited partner of an investment limited partnership company shall be liable for the debt of the investment limited partnership company to the extent of the amount paid for the contributions notwithstanding Article 279 of the Commercial Act.

(4) An investment limited partnership company may, when it distributes profits as
prescribed by the articles of incorporation, differentiate dividend rates or distribution priority of general partners and limited partners.

(5) An investment limited partnership company shall not, when it distributes losses, differentiate distribution rates or distribution priority of general partners and limited partners.

Section 3 Partnership-type Collective Investment Schemes

Sub-section 1 Investment Limited Partnership

Article 218 (Establishment of Investment Limited Partnership)
(1) A collective investment manager shall, when it establishes an investment limited partnership, prepare a partnership contract indicating each of the following subparagraphs, and one executive officer and one limited partner under Article 219 (1) shall bear their signatures or stamps thereon:

1. Objectives;
2. Name of the investment limited partnership;
3. Trade name and business registration number of the executive officer;
4. Location of the investment limited partnership;
5. Matters on the operation and management of the property of the investment limited partnership;
6. Where the existence period and reasons for dissolution are set, the contents thereof;
7. Matters on the distribution of profit and redemption;
8. Matters on disclosure and reports;
9. Others prescribed by the Presidential Decree as necessary for the protection of partners.

(2) The objective of contributions by partners shall be limited to monetary interest.
(3) The investment limited partnership shall not enlist any person as a partner other than the person under paragraph (1) until the investment limited partnership is registered in accordance with Article 182.

Article 219 (Executive officer)
(1) An investment limited partnership shall consist of executive officers that are collective investment managers who are liable for the debt of the investment limited
partnership and a partner with a limited liability to the extent of the contributions.
(2) Articles 198 (1), 198 (4), and 198 (5) shall apply to an executive officer of an investment limited partnership. In this case, a “corporate director” shall be deemed “an executive officer,” respectively, and “an investment company” shall be deemed “an investment limited partnership,” respectively.

Article 220 (General Meeting of Partners)
(1) An investment limited partnership shall have a general meeting of partners that is composed of all its partners, and the general meeting of partners may make a resolution only on the matters prescribed by this Act or the partnership contract.
(2) The general meeting of partners of an investment limited partnership shall be convened by the executive officer.
(3) The quorum for the general meeting of partners shall consist of the attendance of the partners holding at least a half of outstanding equity securities, and the quorum for the resolution shall be 2/3 of the voting rights of the partners who attend the meeting and 1/3 of the total number of outstanding equity securities.
(4) Articles 190 (3), 190 (4), and 190 (6) through 190 (10) shall apply to the general meeting of partners. In this case, a “collective investment manager that has established an investment trust” and a “collective investment manager” shall be deemed an “executive officer of the investment limited partnership,” respectively, the “investment trust property” shall be deemed the “property of the investment limited partnership,” “beneficiary certificates” shall be deemed “equity securities,” respectively, “the total number of accounts” shall be deemed “the total number,” respectively, “beneficiaries” shall be deemed “partners,” respectively, “the general meeting of beneficiaries” shall be deemed “the general meeting of partners,” respectively, “the roster of beneficiaries” shall be deemed “the roster of partners,” “the number of accounts” shall be deemed “the number,” “paragraph (5)” under the latter part of Article 190 (8) shall be deemed “paragraph (3),” “2/3 of the voting rights of the beneficiaries who attend the meeting and 1/3 of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘2/3 of the voting rights held by the beneficiaries who attend the meeting’ and ‘a half of the voting rights held by the beneficiaries who attend the meeting and a quarter of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘a half of the voting rights held by the beneficiaries who attend the meeting’ shall be deemed “2/3 of the voting rights of the partners who attend the meeting and 1/3 of the number of outstanding equity securities’ shall be regarded as
The explanatory note: ‘2/3 of the number of the voting rights of the partners who attend the meeting.’”

**Article 221 (Dissolution and Liquidation of Investment Limited Partnership)**

(1) An investment limited partnership shall be dissolved for a reason falling under any of the following subparagraphs. In this case, a liquidator shall report the matters prescribed by the Presidential Decree to the Financial Supervisory Commission:

1. Expiration of the existence period determined by the partnership contract, and occurrence of other reasons for dissolution;
2. Resolution made by the general meeting of partners of the investment limited partnership; or
3. Revocation of registration of the investment limited partnership

(2) An executive officer of an investment limited partnership shall become a liquidator at the time of dissolution unless a case has been determined otherwise by the partnership contract or the general meeting of partners

(3) The Financial Supervisory Commission shall appoint a liquidator in accordance with its authority where any liquidator referred to in paragraph (2) has not been appointed in the investment limited partnership.

(4) The Financial Supervisory Commission may dismiss a liquidator in accordance with its authority or upon the request of interested persons where the liquidator is unable to perform its work or fails to comply with Acts and subordinate statutes. In this case, the Financial Supervisory Commission may appoint a new liquidator in accordance with its authority.

(5) A liquidator may, when it distributes remaining properties of the investment limited partnership, provide properties belonging to the investment limited partnership under the conditions prescribed by the partnership contract.

(6) Article 203 (excluding paragraph (2)) shall apply to the liquidation of an investment limited partnership. In this case, an “investment company” shall be deemed an “investment limited partnership,” respectively, “prepare the list of properties and balance sheet, file such documents with a team of liquidators, and obtain an approval therefrom, and then file the certified copies thereof” shall be deemed “prepare the list of properties and balance sheet and file the certified copy thereof,” “general meeting of shareholders” shall be deemed “general meeting of partners” and “a liquidator and liquidation supervisors” shall be deemed “liquidators.”

**Article 222 (Application)**
(1) Article 195 shall apply to the alteration of an investment limited partnership. In this case, an “investment company” shall be deemed an “investment limited partnership,” respectively, “by obtaining a resolution made by the board of directors” under Article 195 (1) shall be deemed “by the executive officer,” “the proviso of Article 201 (2)” shall be deemed “Article 220 (3),” “a resolution made by the general meeting of shareholders” under Article 195 (1) and “resolutions made by the board of directors and the general meeting of shareholders” under Article 195 (2) shall be deemed “a resolution made by the general meeting of partners,” respectively, and “shareholders” shall be deemed “partners,” respectively.

(2) Article 208 shall apply to the equity securities of an investment limited partnership. In this case, an “investment limited liability company” and a “company” shall be deemed an “investment limited partnership,” respectively, “the corporate director under Article 209 (1)” and “the corporate director” shall be deemed the “executive officer,” respectively, “the articles of incorporation” shall be deemed the “partnership contract,” a “partner” under Article 208 (1) shall be deemed a “limited partner” and a “partner” under Articles 208 (2) and 208 (3) shall be deemed a “partner,” respectively.

Article 223 (Relations with Civil Act)

(1) Articles 703 (2), 706, 707, 710 through 713, and 716 through 724 of the Civil Act shall not apply to an investment limited partnership.

(2) An investor shall, when it purchases equity securities of an investment limited partnership, be regarded as holding the partnership thereof.

(3) An investment limited partnership may, when it distributes benefits as prescribed by the partnership contract, differentiate dividend rates or distribution priority of general partners and limited partners.

(4) An investment limited partnership shall not, when it distributes losses, differentiate distribution rates or distribution priority of general partners and limited partners.

Sub-section 2 Investment Undisclosed Association

Article 224 (Establishment of Investment Undisclosed Associations)

(1) A collective investment manager shall, when it establishes an investment undisclosed association, prepare a contract for the investment undisclosed association
containing the matters falling under each of the following subparagraphs, and one manager and one member shall bear their signatures or stamps thereon:

1. Objectives;
2. Name of the investment undisclosed association;
3. Trade name and business registration number of the manager;
4. Location of the investment undisclosed association;
5. Matters on the operation and management of the property of the investment undisclosed association;
6. Where the existence period and reasons for dissolution are set, the details thereof;
7. Matters on the distribution of profit and redemption;
8. Matters on disclosure and reports; and
9. Others prescribed by the Presidential Decree as necessary for the protection of members.

(2) The objective of contributions by the member shall be limited to monetary interest.

(3) The manager of the investment undisclosed association shall not enlist any person as a member other than the person under paragraph (1) until the investment undisclosed association is registered pursuant to Article 182.

**Article 225 (Manager)**

(1) Properties of an undisclosed investment association shall be managed by one manager that is a collective investment manager.

(2) Articles 198 (1), 198 (4), and 198 (5) shall apply to the manager of an undisclosed investment association. In this case, a “corporate director” shall be deemed a “manager,” respectively, and an “investment company” shall be deemed an “undisclosed investment association,” respectively.

**Article 226 (General Meeting of Members)**

(1) An investment undisclosed association shall have a general meeting of members that is composed of all its members, and the general meeting of members may make a resolution only on the matters prescribed by this Act or the contract for the investment undisclosed association.

(2) The general meeting of members of an investment undisclosed association shall be convened by the manager.

(3) The quorum for the general meeting of members shall consist of the attendance of
the members holding at least a half of the outstanding equity securities, and the quorum for the resolution shall be 2/3 of the voting rights of the members who attend the meeting and 1/3 of the total number of the outstanding equity securities.

(4) Articles 190 (3), 190 (4) and 190 (6) through 190 (10) shall apply to the general meeting of members of an investment undisclosed association. In this case, a “collective investment manager that has established an investment trust” and a “collective investment manager” shall be deemed a “manager of the investment undisclosed association,” respectively, the “investment trust property” shall be deemed the “property of the investment undisclosed association,” “beneficiary certificates” shall be deemed “equity securities,” respectively, “the total number of accounts” shall be deemed “the total number,” respectively, “beneficiaries” shall be deemed “members,” respectively, “the general meeting of beneficiaries” shall be deemed “the general meeting of members,” respectively, “the roster of beneficiaries” shall be deemed “the roster of members,” “the number of accounts” shall be deemed “the number,” “paragraph (5)” under the latter part of Article 190 (3) shall be deemed “paragraph (3),” and “2/3 of the voting rights of the beneficiaries who attend the meeting and 1/3 of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘2/3 of the voting rights held by the beneficiaries who attend the meeting’ and ‘a half of the voting rights held by the beneficiaries who attend the meeting and a quarter of the total number of accounts of outstanding beneficiary certificates’ shall be deemed ‘a half of the voting rights held by the beneficiaries who attend the meeting’ shall be deemed “2/3 of the voting rights of the partners who attend the meeting and 1/3 of the number of outstanding equity securities’ shall be regarded as ‘2/3 of the number of the voting rights of the partners who attend the meeting.’”

**Article 227 (Application)**

(1) Article 195 shall apply to the alteration of the contract for an investment undisclosed association. In this case, an “investment company” shall be deemed an “undisclosed investment association,” respectively, “by obtaining a resolution of the board of directors” in Article 195 (1) shall be deemed “by the manager,” “the proviso of Article 201 (2)” shall be deemed “Article 226 (3),” “a resolution made by the general meeting of shareholders” in Article 195 (1) and “resolutions made by the board of directors and the general meeting of shareholders” in Article 195 (2) shall be deemed “a resolution made by undisclosed association,” respectively, and “shareholders” shall be deemed “members of an investment undisclosed association,”
respectively.

(2) Article 208 shall apply to equity securities of an undisclosed investment association. In this case, an “investment limited liability company” and a “company” shall be deemed an “undisclosed investment association,” respectively, “the corporate director under Article 209 (1)” and the “corporate director” shall be deemed “the manager,” respectively, “partners” shall be deemed “members of an investment undisclosed association,” and “articles of incorporation” shall be deemed “contract for investment undisclosed association.”

(3) Article 221 shall apply to the dissolution and liquidation of an undisclosed investment association. In this case, an “investment association” shall be deemed an “investment undisclosed association,” respectively, “the general meeting of partners” shall be deemed “the general meeting of members,” respectively, and “the executive officer” shall be deemed “the manager,” respectively.

Article 228 (Relations with Other Acts)

(1) Articles 82 (3), 83 and 84 of the Commercial Act shall not apply to an investment undisclosed association.

(2) Chapter 3 of the Trust Act shall apply to an investment undisclosed association. In this case, “trust property” shall be deemed “property of the investment undisclosed association,” a “trustee” shall be deemed a “manager,” “trust” shall be deemed the “entry into the investment undisclosed association,” and “trustee” and “beneficiaries” shall be deemed “members,” respectively.

(3) An investor shall, when it purchases equity securities of an investment undisclosed association, be deemed to have joined the investment undisclosed association.

Chapter 3 Forms of Collective Investment Schemes

Section 1 Forms of Collective Investment Schemes

Article 229 (Forms of Collective Investment Schemes)

A collective investment scheme shall be classified as the following subparagraphs based on the object of management of the collective investment properties:

1. A collective investment scheme of securities: A collective investment scheme excluding those falling under subparagraphs 2 and 3, which invests in securities (excluding securities prescribed by the Presidential Decree, including derivatives
whose underlying asset is securities other than those prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) in excess of the ratio prescribed by the Presidential Decree and not less than 40/100 of the collective investment properties;

2. A collective investment scheme of real estate: A collective investment scheme that invests in real estate (including derivatives whose underlying asset is real estate, loans to a corporation engaged in real estate development, and other investment in securities related to real estate prescribed by the Presidential Decree under the conditions prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) in excess of the ratio prescribed by the Presidential Decree and not less than 40/100 of the collective investment properties;

3. A collective investment scheme of special asset: a collective investment scheme that invests in special properties (referring to investment assets excluding securities and real estate) in excess of the ratio prescribed by the Presidential Decree and not less than 40/100 of the collective investment property;

4. A collective investment scheme of mixed asset: a collective investment scheme that is not restricted pursuant to paragraphs (1) through (3) in managing collective investment properties; and

5. A collective investment scheme of short-term finance: a collective investment scheme that invests all of its collective investment properties in short-term financial products and is managed by the methods prescribed by the Presidential Decree.

Section 2 Collective Investment Schemes in Special Form

Article 230 (Closed-end Collective Investment Scheme)

(1) A collective investment manager or a promoter of an investment company that intends to establish and incorporate an investment trust, investment limited liability company, investment limited partnership company, investment limited partnership and investment undisclosed association (hereafter in this Section, referred to as “collective investment manager, etc.”) may establish and incorporate a collective investment scheme (hereafter in this Article, referred to as “closed-end collective investment scheme”) which has no right to request the redemption of collective investment securities with respect to the collective investment scheme whose existence period is prescribed notwithstanding Article 235.

(2) A collective investment manager of an investment trust or investment undisclosed
association, or an investment company, etc. may additionally issue collective investment securities of a closed-end collective investment scheme only where it is unlikely to undermine the interests of existing investors as prescribed by the Presidential Decree.

(3) A collective investment manager of an investment trust, or an investment company, etc. shall list collective investment securities of a closed-end collective investment scheme on the securities market within ninety days from the date on which such collective investment securities are initially issued unless the trust contract or the articles of incorporation prescribes specific methods of the liquidity guarantee for investors.

(4) Articles 238 (6) through 238 (8) shall not apply to collective investment securities of a closed-end collective investment scheme: Provided, That the same shall not apply to the closed-end collective investment scheme that is permitted to issue additional collective investment securities pursuant to paragraph (2).

(5) In the case prescribed by the Presidential Decree taking into account the possibility of liquidity shortage of the investment assets of a collective investment scheme, a collective investment manager, etc. shall establish and incorporate the collective investment scheme concerned as a closed-end collective investment scheme.

**Article 231 (Multi-class Collective Investment Scheme)**

(1) Notwithstanding Articles 189 (2), 196 (5), and 208 (1) (including cases which are applied to Articles 216 (2), 222 (2), and 227 (2)), a collective investment manager, etc. may establish or incorporate a collective investment scheme (hereafter in this Article, referred to as “multi-class collective investment scheme”) that issues various types of collective investment securities which have different base prices or different sales commissions within the same collective investment scheme due to the disparity in the sales fees under Article 76 (4).

(2) A multi-class collective investment scheme may, when it needs the resolution made by the general meeting of collective investors and only the investors of a specific type of collective investment securities have the interest in the resolution, convene the general meeting of collective investors only with the investors of such specific type.

(3) The establishment or incorporation of a multi-class collective investment scheme, the issuance, sale, or redemption of collective investment securities, and other matters necessary for the multi-class collective investment scheme shall be prescribed by the
Presidential Decree.

**Article 232 (Umbrella Fund)**

(1) A collective investment manager, etc. shall satisfy all the requirements falling under each of the following subparagraphs where it establishes and incorporates a collective investment scheme (hereafter in this Article, referred to as “umbrella fund”) which grants investors with a right to convert the collective investment securities held by the investors into those of other collective investment schemes among multiple collective investment schemes:

1. A collective investment agreement commonly applied to multiple collective investment schemes is required; and
2. The collective investment agreement provides for the prohibition of the conversion among collective investment schemes under Articles 9 (18) 1 through 9 (18) 7.

(2) The conversion of collective investment securities and others necessary for an umbrella fund shall be prescribed by the Presidential Decree.

**Article 233 (Master-feeder Collective Investment Schemes)**

(1) A collective investment manager, etc. shall satisfy all the requirements falling under each of the following subparagraphs where it establishes or incorporates a collective investment scheme (hereinafter referred to as “feeder-type collective investment scheme”) that acquires collective investment securities issued by another collective investment scheme (hereafter in this Article, referred to as “master-type collective investment scheme”):

1. A feeder-type collective investment scheme is not permitted to acquire collective investment securities other than those of the master-type collective investment scheme;
2. Any person other than the feeder-type collective investment scheme is not permitted to acquire collective investment securities of the master-type collective investment scheme; and
3. The same collective investment manager is required to manage collective investment properties of the feeder-type and master-type collective investment schemes.

(2) Article 81 (1) 3 (excluding item (d)) shall not apply where a feeder-type collective investment scheme acquires collective investment securities of the master-type collective investment scheme.
(3) The establishment or incorporation of master-type and feeder-type collective investment schemes (hereafter in this Article, referred to as “master-feeder collective investment schemes”), the sale or redemption of collective investment securities, and other matters necessary for the master-feeder collective investment schemes shall be prescribed by the Presidential Decree.

**Article 234 (Exchange-traded Fund)**

(1) Articles 34 (1) 1 and 34 (1) 2, the proviso of Article 87 (1) other than each subparagraph of that paragraph (including cases which are applied to Article 186 (2)), and the proviso of Article 87 (2) other than each subparagraph of that paragraph (including cases which are applied to Article 186 (2)), Articles 88, 147, 172, 173, and 235 through 237 shall not apply to the collective investment scheme satisfying all the requirements falling under each of the following subparagraphs (hereafter in this Article, referred to as “exchange-traded fund”):

1. The collective investment scheme is required to set the target to manage securities by linking to changes in the index that meets the requirements prescribed by the Presidential Decree among the indexes comprehensively indicating the price level of many items based on the type of securities;
2. The redemption of beneficiary certificates or stocks of an investment company is permitted;
3. Beneficiary certificates or stocks of an investment company are required to be listed on the securities market within thirty days from the date on which the investment trust concerned is established or the investment company concerned is incorporated.

(2) A broker or dealer prescribed by the Presidential Decree shall not be considered to provide discretionary investment advisory service where the broker or dealer purchases or sells securities for its own account or on behalf of others for the purpose of the establishment and incorporation of an exchange-traded fund.

(3) In case of the establishment and additional establishment of an exchange-traded fund or the incorporation and issuance of new stocks thereof, the payment may be made by securities other than money, notwithstanding Articles 188 (4) and 194 (7) (including cases which are applied to Article 196 (6)).

(4) The establishment and incorporation of an exchange-traded fund, the sale and redemption of collective investment securities thereof, listing and de-listing, public notice of assets held, etc. and other necessary matters shall be prescribed by the
Chapter 4 Redemption of Collective Investment Securities

Article 235 (Claim for Redemption and Methods thereof)
(1) An investor may file claims for the redemption of collective investment securities at any time.

(2) An investor shall, when it intends to file claims for the redemption of collective investment securities, file such claims with the broker or dealer who has sold the collective investment securities: Provided, That where the broker or dealer is unable to meet the claims on the grounds of its dissolution, revocation of authorization, or suspension of the business or other grounds prescribed by the Presidential Decree (hereafter in this paragraph referred to as “dissolution, etc.”), the investor may file such claims directly with the collective investment manager of the collective investment scheme concerned according to the methods prescribed by the Ordinance of the Ministry of Finance and Economy due to dissolution, etc., and where the collective investment manager that has received the claims is unable to meet the claims, the investor may file such claims with the trust company in charge of the custody and management of the collective investment property.

(3) A broker or dealer who receives the claims for the redemption pursuant to paragraph (2) shall, where the claims are filed for the redemption of beneficiary certificates or equity securities of an undisclosed investment association, request that the collective investment manager concerned of an investment trust or investment undisclosed association, or, if collective investment securities issued by an investment company, etc., the investment company, etc. meet such claims without delay, and a collective investment manager or trust company which receives the claims for the redemption of collective investment securities issued by an investment company, etc. pursuant to the proviso of paragraph (2) shall request that the investment company, etc. meet the claims without delay.

(4) A collective investment manager (including a trust company in charge of the custody and management of the collective investment property) of an investment trust or investment undisclosed association, or an investment company, etc. that receives the claims for the redemption or is requested to meet the redemption pursuant to paragraphs (2) and (3) shall pay redemption money on the redemption date designated by the collective investment agreement within fifteen days from the date on which the
redemption is filed except for the cases prescribed by the Presidential Decree taking into account the liquidity of the investment assets of the collective investment scheme.

(5) A collective investment manager (including the trust company managing and holding custody of relevant collective investment properties) of an investment trust, or an investment company, etc. shall, when it pays redemption money pursuant to paragraph (4), pay the redemption money in cash held as collective investment property or in cash raised by selling the collective investment property within the scope thereof: Provided, That where the consent from all the investors is obtained, the redemption money may be paid by the collective investment property held by the collective investment scheme.

(6) A broker or dealer that has sold collective investment securities, a collective investment manager that manages the collective investment property, or a trust company that is in charge of the custody and management thereof shall not acquire for its own account, or allow another person to acquire, collective investment securities where the claims for the redemption are filed or there is any request to meet the claims for the redemption: Provided That, the broker or dealer, collective investment manager or trust company may acquire such collective investment securities for its own account in cases prescribed by the Presidential Decree as necessary for the smooth redemption of collective investment securities or as unlikely to undermine the interests of investors.

(7) A collective investment manager (including a trust company in charge of the custody and management of the collective investment property; hereafter in this Chapter, the same shall apply) of an investment trust or undisclosed investment association, or an investment company, etc. shall, when it redeems collective investment securities pursuant to this Chapter, retire the collective investment securities.

**Article 236 (Redemption Prices and Commissions)**

(1) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall meet claims for the redemption at the base price calculated after the date on which the claims are filed: Provided, That the redemption may be made before the date on which the claims are made in cases prescribed by the Presidential Decree as unlikely to undermine the interests of investors or stable management of the collective investment property.

(2) Commissions for the redemption of collective investment securities shall be
charged against the investors who file the claims for the redemption under the conditions prescribed by the Presidential Decree, and such redemption commissions from the investors shall be reverted to the collective investment property.

(3) Necessary matters on the redemption prices such as the base price determined after the date on which the claims are filed under paragraph (1) shall be prescribed by the Presidential Decree.

Article 237 (Deferral of Redemption)
(1) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. may defer the redemption of collective investment securities where it is unable to redeem the collective investment securities on the date of redemption prescribed by the collective investment agreement on the grounds of impracticality of disposal of the collective investment securities and other grounds prescribed by the Presidential Decree. In this case, the collective investment manager of an investment trust or undisclosed investment association or the investment company, etc. shall make a resolution (referring to the resolution in the main sentence of Article 190 (5), the proviso of Article 201 (2), the proviso of Article 210 (2), Articles 215 (3), 220 (3) and 226 (3)) on the matters of the redemption of collective investment securities as prescribed by the Presidential Decree within six weeks from the date on which the redemption is deferred.

(2) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. may defer the redemption continuously where the matters on the redemption of collective investment securities referred to in the latter part of paragraph (1) are not decided at the general meeting of collective investors or where it is unable to implement the decided matters on the redemption.

(3) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. shall, when the general meeting of collective investors under the latter part of paragraph (1) makes a resolution on the matters of redemption or the redemption is deferred continuously pursuant to paragraph (2), notify the investors of the matters under the classification falling under the following subparagraphs without delay:

1. Where the general meeting of collective investors makes a resolution on the matters of redemption:
   (a) Resolutions on redemption; or
   (b) Others prescribed by the Presidential Decree.
2. Where the redemption is deferred continuously:
   (a) Reason for the deferral of redemption;
   (b) Period to defer redemption;
   (c) Where the redemption is resumed, the method of payment; or
   (d) Others prescribed by the Presidential Decree.

(4) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. shall, when all or a part of the grounds for the deferral of redemption is removed, notify the investors whose redemption have been deferred of the redemption and pay the price for the redemption pursuant to the methods prescribed by the Presidential Decree.

(5) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. shall, when all or a part of the grounds for the deferral of redemption is removed, notify the investors whose redemption have been deferred of the redemption and pay the price for the redemption pursuant to the methods prescribed by the Presidential Decree.

(6) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. may establish or incorporate a separate collective investment scheme only with the collective investment property whose redemption is deferred. In this case, Articles 81, 88, 238 (7), 240 (3) through 240 (8), and 248 shall not apply.

(7) The methods for redemption payment under paragraph (5) and necessary matters on the establishment or incorporation of a separate collective investment scheme under paragraph (6) shall be prescribed by the Presidential Decree.

(8) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. may not accept the claims for the redemption pursuant to Article 235 (1) in a case falling under any of the following subparagraphs:

1. Where a collective investment scheme (excluding an investment trust) is dissolved;
2. Where the amount of net assets of the investment company falls short of the minimum amount of net assets prescribed in the articles of incorporation;
3. Where the redemption is restricted by Acts and subordinate statutes or the orders under the Acts and subordinate statutes; or
4. Where a certain date is set to determine which person exercises the rights as beneficiaries of an investment trust, shareholders of an investment company, or pledgees of such beneficiaries or shareholders pursuant to Article 354 (1) of the
Chapter 5 Appraisal and Accounting

Article 238 (Appraisal of Collective Investment Property and Calculation of Base Price)

(1) A collective investment manager shall appraise collective investment property based on the market price under the conditions prescribed by the Presidential Decree, and where there is no reliable market price as of the appraisal date, the collective investment manager shall appraise the collective investment property based on the fair value prescribed by the Presidential Decree: Provided, That the property may be appraised based on the value prescribed by the Presidential Decree where investors are frequently changed and it is unlikely to undermine the interest of investors as prescribed by the Presidential Decree.

(2) A collective investment manager shall establish and operate an appraisal committee mandated to perform the business of appraising the collective investment property under paragraph (1) under the conditions prescribed by the Presidential Decree.

(3) A collective investment manager shall establish standards for appraising the collective investment property and the procedures thereof, including the matters falling under each of the following subparagraphs (hereafter in this Article, referred to as “standards for appraising collective investment property”) after obtaining a confirmation from the trust company in charge of the custody and management of the collective investment property concerned:

1. Matters on the composition and operation of the appraisal committee under paragraph (2);
2. Matters on maintaining consistency of the appraisal of the collective investment property;
3. Where a bond appraisal company (referring to “bond appraisal company” under Article 263) to appraise prices of the collective investment property by kind is
selected, the matters on the selection and its changes, and the application of the prices provided by the bond appraisal company;

4. Others prescribed by the Presidential Decree.

(4) A collective investment manager shall, when the appraisal committee under paragraph (2) appraises the collective investment property, notify the trust company in charge of the custody and management of the collective investment property of the details thereof without delay.

(5) A trust company in charge of the custody and management of the collective investment property shall confirm whether the appraisal of the collective investment property of the collective investment manager is fairly performed in accordance with the Acts and subordinate statutes and the standards for appraising collective investment property.

(6) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall calculate a base price of the collective investment securities following the result of the appraisal of the collective investment property pursuant to paragraphs (1) through (5) under the conditions prescribed by the Presidential Decree.

(7) A collective investment manager of an investment trust or investment undisclosed association or an investment company, etc. shall publish the base price calculated pursuant to paragraph (6) and make it available to the public every day: Provided, That the collective investment agreement may separately prescribe the interval of publication of the base price within the limit of fifteen days where it is difficult to publish the base price and make it available to the public every day as prescribed by the Presidential Decree.

(8) Where a collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. calculates a base price falsely in violation of paragraph (6), the Financial Supervisory Commission may order the collective investment manager of an investment trust or investment undisclosed association, or the investment company, etc. to delegate the business of calculating a base price to a general fund administrator after setting the scope of the delegated business. In this case, the collective investment manager and its affiliates, and affiliates of an investment company, investment limited liability company, or investment limited partnership company shall be excluded from the delegated business.

Article 239 (Preparation of Settlement Statements)
(1) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall prepare the documents and addendum (hereafter in this Article, referred to as “settlement statements”) falling under each of the following subparagraphs every term for the settlement of the collective investment scheme:
   1. Balance sheet;
   2. Income statement; and
   3. Asset management report under Article 88.

(2) A corporate director of an investment company shall file the settlement statements with the board of directors one week before the meeting and obtain an approval therefrom.

(3) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall keep the statements falling under each of the following subparagraphs at the head office (in case of an investment company, etc., the head office of the collective investment manager that manages the collective investment property of the investment company, etc.), and send them to a broker or dealer that has sold the collective investment securities so that the statements are kept at its business offices:
   1. Settlement statements;
   2. Audit report;
   3. Minutes of the general meeting of collective investors; and
   4. Minutes of the meeting of the board of directors (limited to an investment company).

(4) A collective investment manager of an investment trust or undisclosed investment association, or an investment company, etc. as well as a broker or dealer that has sold the collective investment securities shall keep the settlement statements and audit report for five years from the date on which it makes them available pursuant to paragraph (3).

(5) Investors and creditors of a collective investment scheme may have access to the documents kept pursuant to paragraph (3) at any time during business hours, and request certified copies or abridged copies thereof.

(6) Necessary matters on the entries of settlement statements shall be determined and publicized by the Financial Supervisory Commission.

Article 240 (Audit of Accounting of Collective Investment Property)
(1) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall, when it conducts accounting of the collective investment property, comply with the accounting standards established and publicized by the Financial Supervisory Commission after proceeding through deliberation of the Securities and Futures Commission.

(2) The Financial Supervisory Commission may delegate the establishment and amendment of the accounting standards under paragraph (1) to a civilian corporation or group specialized therein as prescribed by the Presidential Decree. In this case, such civilian corporation or group shall, when it establishes or amends the accounting standards, report thereon to the Financial Supervisory Commission without delay.

(3) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall be subject to an audit of the collective investment property by an accounting auditor within two months from the last day of the accounting period and the day falling under each of the following subparagraphs: Provided, That the same shall not apply to cases prescribed by the Presidential Decree as unlikely to undermine the interests of investors.

1. In case of the termination or cancellation of the contract period, its termination date or cancellation date; and

2. In case of the expiration of the existence period or dissolution, its expiration date or dissolution date.

(4) A collective investment manager of an investment trust or investment undisclosed association, or an investment company, etc. shall, when it appoints or changes an accounting auditor for the collective investment property, notify the trust company in charge of the custody and management of collective investment property of the fact, and report thereon to the Financial Supervisory Commission within one week from the date of such appointment or change.

(5) An accounting auditor shall inspect whether the standards for appraising collective investment property are complied with, and report the results to the accounting auditor of the collective investment manager of an investment trust or investment undisclosed association (where the audit committee is established, referring to such audit committee) or the investment company, etc. where the accounting auditor audits the calculation of base prices of collective investment securities of the collective investment manager of an investment trust, or investment undisclosed association, or the investment companies, etc. and the accounting work of the collective investment property.
(6) An accounting auditor shall perform accounting pursuant to the accounting principles under Article 5 of the Act on External Audit of Stock Companies.

(7) An accounting auditor may request that a person falling under each of the following subparagraphs provide access to and the submission of related materials and copies thereof necessary for its accounting audit, including accounting books, etc. of the collective investment property. In this case, the person who is requested or required shall comply without delay:

1. A collective investment manager managing the collective investment property;
2. A trust company in charge of the custody and management of the collective investment property;
3. A broker or dealer who sells the collective investment securities concerned; or
4. A general fund administrator delegated with business from the investment company concerned pursuant to Article 184 (6), or a general fund administrator delegated with the calculation of base prices from the collective investment scheme under Article 238 (8).

(8) Article 9 of the Act on External Audit of Stock Companies shall apply to the accounting of the collective investment property under paragraph (3).

(9) Articles 2 and 2-2 of the Act on External Audit of Stock Companies shall not apply to an investment company.

(10) Necessary matters on the standards for appointing accounting auditors, standards for performing an audit, the authority of accounting auditors, the methods of conducting accounting, or the submission and disclosure of the report on accounting audit, etc. shall be prescribed by the Presidential Decree.

**Article 241 (Liability for Damages of Accounting Auditors)**

(1) An accounting auditor shall be liable for damages to investors where the accounting auditor makes any misstatement or omission of material matters in its audit report based on the results of the audit pursuant to Article 240 (3) and causes the damages to the investors who use such audit report. In this case, when an accounting auditor is a member of an audit team under Article 3 (1) 3 of the Act on External Audit of Stock Companies, any person participating in the audit of such collective investment property shall be jointly liable for the damages.

(2) Where an accounting auditor is liable for the damages to investors and a director or auditor (where the audit committee is established, referring to a member of an audit committee; hereafter in this paragraph, the same shall apply) of the collective
investment manager that manages such collective investment property, or a supervisory
director of an investment company is imputable to such damages, the accounting
auditor, and the director or auditor of the collective investment manager or the
supervisory director of the investment company shall be jointly liable for such
damages.
(3) Articles 17 (5) through 17 (7) of the Act on External Audit of Stock Companies
shall apply to the cases under paragraphs (1) and (2).

Article 242 (Distribution of Profits)
(1) A collective investment manager of an investment trust or investment undisclosed
association, or an investment company, etc. shall distribute the profits generated from
the management of the collective investment property of the collective investment
scheme to investors in cash or through newly-issued collective investment securities:
Provided, That the distribution of profits may be reserved as prescribed by the
collective investment agreement in cases of the collective investment scheme prescribed
by the Presidential Decree taking into account the nature of the collective investment
scheme.
(2) A collective investment manager of an investment trust or investment undisclosed
association, or an investment company, etc. may make a distribution in cash in excess
of the profits where the distribution is needed to be made in excess of the profits
based on the nature of the collective investment scheme: Provided, That an investment
company shall not make a distribution in excess of the amount calculated by
deducting the minimum net asset amount from the net asset amount.
(3) Necessary matters on the distribution of profits under paragraphs (1) and (2) shall
be prescribed by the Presidential Decree.

Article 243 (Reporting of an Insufficient Net Asset Amount to Meet the Minimum
Standard)
(1) An investment Company shall, when the net asset amount falls short of the
minimum net asset amount, report thereon to the Financial Supervisory Commission
pursuant to the methods prescribed by the Presidential Decree within three days from
the date on which such insufficiency occurs.
(2) The Financial Supervisory Commission shall notify an investment company of the
fact that the company’s registration may be revoked where the investment company’s
net asset amount falls short of the minimum net asset amount for three consecutive
Chapter 6 Custody and Management of Collective Investment Property

Article 244 (Fiduciary Duty)
A trust company in charge of the custody and management of collective investment property shall perform the custody and management of the collective investment property with good care of a fiduciary, and protect the interests of investors.

Article 245 (Exemption)
Subsection 4 of Section 2 of Chapter 4 of Part 2 (excluding Articles 116 and 117) shall not apply to an investment trust where the trust company is entrusted with the investment trust properties.

Article 246 (Restrictions on the Business of Trust Company)
(1) A trust company in charge of the custody and management of collective investment property shall not be any affiliate of a person falling under any of the following subparagraphs:
   1. The collective investment scheme concerned (limited to an investment company, investment limited liability company and investment liability partnership company); or
   2. A collective investment manager managing the collective investment property.
(2) A trust company in charge of the custody and management of collective investment property shall manage the collective investment property separately from its own property, other collective investment properties or the properties whose custody are entrusted by a third party. In this case, the trust company shall indicate its entruster and the fact that the property is a part of the collective investment property.
(3) A trust company in charge of the custody and management of collective investment property shall deposit securities among collective investment property and others prescribed by the Presidential Decree in the Depository separately from its own property for each collective investment scheme.
(4) Where a collective investment manager managing the collective investment property gives instructions necessary for the acquisition, disposal, etc. of assets or the custody and management, etc. in accordance with Article 80, the trust company in charge of the custody and management of collective investment property shall implement such
instructions for each collective investment scheme under the conditions prescribed by the Presidential Decree.

**Article 247 (Supervision of Management Activities)**

(1) A trust company in charge of the custody and management of collective investment property (excluding the property of an investment company) shall confirm whether the management instructions or activities of the collective investment manager managing the collective investment property comply with the collective investment agreement, Acts and subordinate statutes, prospectus, etc. (including a preliminary prospectus and simple prospectus; hereafter in this Article, the same shall apply) in accordance with the standard and methods prescribed by the Presidential Decree and, if any violation is found, require that the collective investment manager withdraw, change or correct such instructions or activities.

(2) A trust company in charge of the custody and management of the property of an investment company shall confirm whether the management activities of the collective investment manager managing the property of the investment company comply with Acts and subordinate statutes, the articles of incorporation, prospectus, etc. in accordance with the standard and methods prescribed by the Presidential Decree and, if any violation is found, report thereon to the supervisory director of the investment company, and the supervisory director of the investment company who is reported by the trust company shall require the collective investment manager that manages the properties of the investment company to correct such violations.

(3) A trust company in charge of the custody and management of collective investment property (excluding the property of an investment company) or a supervisory director of an investment company shall, when a collective investment manager that manages the collective investment property concerned fails to comply with the requirements under paragraph (1) or (2) within three business days, report thereon to the Financial Supervisory Commission, and disclose the matters prescribed by the Presidential Decree according to the methods prescribed by the Presidential Decree: Provided, That where the supervisory director of the investment company fails to make a report to the Financial Supervisory Commission or disclose the matters, the trust company in charge of the custody and management of the property of the investment company shall conduct such activities, instead.

(4) A collective investment manager may raise objections to the Financial Supervisory Commission with respect to the requests under paragraph (1) or (2). In this case, any
parties concerned shall follow the decision made by the Financial Supervisory Commission according to the standards prescribed by the Presidential Decree.

(5) A trust company in charge of the custody and management of collective investment property shall confirm the following items with respect to the collective investment property:

1. Whether the prospectus is in conformity with Acts and subordinate statutes and collective investment agreement;
2. Whether the asset management report under Articles 88 (1) and 88 (2) is prepared in an appropriate manner;
3. Whether the methods for managing the risk under Article 93 (2) are prepared in an appropriate manner;
4. Whether the collective investment property under Article 238 (1) is assessed in an appropriate manner;
5. Whether the base price under Article 238 (6) is calculated in an appropriate manner;
6. Details of the implementation of the correction request, etc. under paragraph (1) or (2); and
7. Others prescribed by the Presidential Decree as necessary for the protection of investors.

(6) A trust company in charge of the custody and management of collective investment property may, if necessary for the request under paragraph (1), the report under paragraph (2) and the confirmation of each subparagraph of paragraph (5), request that the collective investment manager or investment company, etc. concerned submit relevant documents. In this case, the collective investment manager or investment company, etc. shall meet the request unless there is any reasonable ground not to do so.

(7) When a trust company in charge of the custody and management of collective investment property needs to confirm the matters falling under each of the subparagraphs of paragraph (5), necessary matters on the timing, procedure, scope, etc. shall be prescribed by the Ordinance of the Ministry of Finance and Economy.

**Article 248 (Reports on Custody and Management of Assets)**

(1) A trust company in charge of the custody and management of collective investment property shall prepare a report on the custody and management of assets including matters falling under each of the following subparagraphs within two months
from the date on which any reason falling under the subparagraphs of Article 90 (2) occurs with respect to the collective investment property, and provide it to the investors: Provided, That the same shall not apply to cases where investors are frequently changed and it is unlikely to undermine the interests of investors as prescribed by the Presidential Decree:
1. Major changes in the collective investment agreement;
2. Changes in fund managers;
3. Resolution made by the general meeting of collective investors;
4. Matters falling under each of the subparagraphs of Article 247 (5); and
5. Others prescribed by the Presidential Decree.
(2) A trust company shall file the report on the custody and management of assets under paragraph (1) with the Financial Supervisory Commission and the Association within the period under paragraph (1).
(3) Necessary matters on the timing and methods of providing the report on the custody and management of assets referred to in paragraph (1), the defrayment of expenses, etc. shall be prescribed by the Presidential Decree.

Chapter 7 Special Cases for Private Equity Funds

Article 249 (Special Cases for Private Equity Funds)
(1) Articles 57, 81 (1) 1, 81 (1) 3, 81 (1) 4 and the proviso of Article 81 (1) other than each subparagraph of that paragraph (limited to the cases prescribed by the Presidential Decree), Articles 88, 89 (including cases which are applied to Article 186 (2)), 90 (including cases which are applied to Article 186 (2)), 91 (3) (including cases which are applied to Article 186 (2)), 93, 230 (3), 238 (7), 239 (3) through 239 (5), 240 (3) through 240 (9), 241, 247 and 248 shall not apply to a private equity fund.
(2) An investor of a private equity fund shall not transfer the collective investment securities to any person by means of division; Provided, That the same shall not apply to the extent that satisfies the requirements of a private equity fund as a result of the transfer.
(3) Notwithstanding Articles 188 (4), 194 (7) (including cases which are applied to Article 196 (6)), 207 (4), 213 (4), 218 (2), and 224 (2), an investor of a private equity fund (in case of an investment trust, referring to the collective investment manager that manages the investment trust property) may pay the price with assets other than money, such as securities, real estate, or tangible assets, etc., according to
the methods prescribed by the Presidential Decree where it is possible to assess the objective value thereof and it is not likely to undermine the interests of other investors.

(4) Matters on the general meeting of collective investors shall not apply to a private equity fund.

(5) A collective investment manager of an investment trust or investment undisclosed association, which is a private equity fund, or an investment company, etc. shall, when it notifies all the investors of the matters required to be disclosed or publicized pursuant to this Act or the Commercial Act according to the methods determined by the collective investment agreement, be deemed to have disclosed or publicized such matters pursuant to this Act or the Commercial Act.

(6) Conditions and special cases for the management of the private equity fund and other necessary matters shall be prescribed by the Presidential Decree.

**Article 250 (Special Rules governing Banks)**

(1) Any bank that obtains an authorization of collective investment scheme service pursuant to Article 12 (hereafter in this Article, referred to as “bank providing collective investment scheme service”) may establish or terminate an investment trust and manage the investment trust property within the scope of its authorization.

(2) In order to make a decision on the management of the collective investment property, a bank providing collective investment scheme service shall establish a management committee for the collective investment property that is composed of three officers (including two outside directors) who do not perform the business referred to in subparagraphs 1, 3, and 4 of paragraph (7). In this case, necessary matters on the operation, etc. of the management committee for the collective investment property shall be prescribed by the Presidential Decree.

(3) A bank providing collective investment scheme service shall not conduct any activity falling under the following subparagraphs with respect to the management of the investment trust property:

1. Acquire beneficiary certificates of the investment trust issued by the bank itself, using its own property;
2. Use the information on the investment trust property of the investment trust managed by the bank itself for the purpose of selling other collective investment securities;
3. Sell beneficiary certificates of the investment trust managed by the bank itself
through other banks; or


(4) A bank carrying on the custody and management of a collective investment property shall not use the information on the collective investment property for the management of the investment trust property managed by the bank itself or the sale of the collective investment securities sold by the bank itself.

(5) A bank carrying on the business of a general fund administrator shall not use the information on the collective investment property for the management of the investment trust property managed by the bank itself or sale of the collective investment securities sold by the bank itself.

(6) A bank carrying on the sales of collective investment securities after obtaining an authorization for brokerage or dealing shall not conduct any activity falling under the following subparagraphs:

1. Use the information on the collective investment property of collective investment securities sold by the bank itself for the purposes of managing the investment trust property the bank manages or selling beneficiary certificates of the investment trust managed by the bank itself; or

2. Discriminate against customers without any justifiable cause by linking the sale of collective investment securities to the business under the Banking Act.

(7) Where a bank provides collective investment scheme service, trust service (excluding the custody and management of the collective investment property; hereafter in this paragraph, the same shall apply), the custody and management of the collective investment property or the business of a general fund administrator pursuant to this Act, the bank shall appoint officers (including other persons prescribed by the Presidential Decree as equivalent to the officer in their positions; hereafter in this paragraph, the same shall apply), prohibit officers and employees from concurrently performing any business falling under each of the following subparagraphs, and establish a system to prevent conflict of interest as prescribed by the Presidential Decree including prohibition from jointly using data-processing equipment or offices and limitation on the exchange of information among the officers and employees who are carrying out different business: Provided, That the officers may concurrently perform the business under subparagraphs 2 through 4 and the business prescribed by the Presidential Decree as unlikely to be in conflict of interest with the business under subparagraphs 2 through 4 among the business under subparagraph 1, and concurrently perform the business under subparagraphs 3 and 4:
1. Business under the Banking Act (excluding subparagraphs 2 through 4) or trust service;
2. Collective investment scheme service;
3. Business of the custody and management of the collective investment property; or

**Article 251 (Special Rules governing Insurance Companies)**

(1) Any insurance company (hereafter in this Article referred to as “insurance company providing collective investment scheme service”) which obtains an authorization of collective investment scheme service pursuant to Article 12 may establish or terminate an investment trust and manage the investment trust property within the scope of its authorization. In this case, the establishment or termination of an investment trust and the management of the investment trust properties shall be limited to a special account (where multiple investment trusts established pursuant to each of the trust contracts within the special account exist, referring to each of the investment trusts; hereafter in this paragraph the same shall apply) under Article 108 (1) 3 of the Insurance Business Act, and the special account shall be deemed the investment trust established in accordance with this Act.

(2) Article 250 (3) (limited to subparagraph 2) shall apply to an insurance company providing collective investment scheme service and Articles 250 (4) through 250 (6) shall apply to an insurance company. In this case, a “bank” shall be deemed an “insurance company,” and the “Banking Act” shall be deemed the “Insurance Business Act.”

(3) Where an insurance company provides collective investment scheme service, trust service (excluding the custody and management of the collective investment property; hereafter in this paragraph, the same shall apply), the custody and management of the collective investment property or the business of a general fund administrator pursuant to this Act, the bank shall appoint officers (excluding officers where investment trust properties are managed under the conditions prescribed by the Presidential Decree and including other persons prescribed by the Presidential Decree as equivalent to the officer in their positions; hereafter in this paragraph, the same shall apply), prohibit officers and employees from concurrently performing any business falling under the following subparagraphs, and establish a system to prevent conflict of interest as prescribed by the Presidential Decree including prohibition from jointly using data-processing equipment or offices and limitation on the exchange of information.
among the officers and employees who are carrying out different business: Provided, That the officers may concurrently perform the business under subparagraphs 2 through 4 and the business prescribed by the Presidential Decree as unlikely to be in conflict of interest with the business under subparagraphs 2 through 4 among the businesses under subparagraph 1, and concurrently perform the businesses under subparagraphs 3 and 4:

1. Business under the Insurance Business Act (excluding paragraphs (2) through (4)) or trust service;
2. Collective investment scheme service;
3. Business of the custody and management of collective investment scheme properties; or

(4) Notwithstanding Article 83 (4), an insurance company providing collective investment scheme service may, when it manages the investment trust properties, loan such investment trust properties to an insurance policy holder pursuant to the methods prescribed by the Insurance Business Act.

(5) Articles 182, 183 (1), 188 (1) 2 and 188 (1) 6, and the latter part of Article 188 (2) other than each subparagraph, Articles 188 (3), 189 through 193, 230, 235 through 237, 238 (2) (limited to the case managing investment trust properties pursuant to the methods prescribed by the Presidential Decree), 239 (3), 253 (1) and 420 (1) shall not apply to the investment trust managed by an insurance company providing collective investment scheme service.

(6) Articles 82, 86, subparagraph 4 of Article 89, Articles 90 and 92 shall not apply to the conduct of collective investment scheme service by an insurance company.

Chapter 8 Supervision and Inspection

Article 252 (Supervision and Inspection of Investment Companies)
(1) The Financial Supervisory Commission shall order an investment company, etc. to take necessary measures for the matters falling under each of the following subparagraphs in order to protect investors and maintain sound trade practice:

1. Matters on the management of collective investment property;
2. Matters on the disclosure of collective investment property; and
3. Others prescribed by the Presidential Decree as necessary for the protection of investors and sound trade practice.
(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of an investment company, etc.

Article 253 (Revocation of Registration of Collective Investment Schemes)
(1) The Financial Supervisory Commission may revoke a registration of a collective investment scheme in a case falling under any of the following subparagraphs:
Provided, That the registration shall be revoked in cases falling under subparagraph 3:
1. Where the registration or registration of change is made by means of false or other fraudulent methods;
2. Where any registration requirement under each of the subparagraph of Article 182 (2) is not satisfied;
3. Where a collective investment scheme is terminated or dissolved;
4. Where the net asset amount of an investment company falls short of the minimum net asset amount under Article 194 (2) 7 for more than three consecutive months;
5. Where any registration of change is not made pursuant to Article 182 (8);
6. Where any correction order or suspension order from the Financial Supervisory Commission is not complied with;
7. Where any case falling under the subparagraphs of Appendix 2 is prescribed by the Presidential Decree;
8. Where any finance-related Acts and subordinate statutes, etc. are violated as prescribed by the Presidential Decree; or
9. Others prescribed by the Presidential Decree as making it difficult to retain the collective investment scheme or likely to undermine the interest of investors.
(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs with respect to the investment company, etc., (including the collective investment manager, its corporate director, or executive officer) where the investment company, etc. falls under any of subparagraphs of paragraph (1) (excluding subparagraph 7) or under any of the subparagraphs of Appendix 2:
1. To suspend all or a part of the business for up to six months;
2. To order transfer of contract;
3. To order correction or suspension of activities in violation;
4. To order the investment company, etc. to publicize or post measures that have been taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may, when the supervisory director of an investment company falls under any of the following subparagraphs, take measures, such as request of dismissal, suspension from office for up to six months, reprimand, cautionary warning, warning or other measures prescribed by the Presidential Decree:

1. Where the articles of incorporation are changed in violation of the proviso of Article 195 (1) other than each subparagraph;
2. Where any information related to the duties is used without reasonable causes in violation of Article 54 which is applied to Article 199 (5);
3. Where any resolution is made in violation of Article 200 (3);
4. Where any correction is not required thus violating Article 247 (2) or any business related to the report or disclosure is not conducted thus violating Article 247 (3); or
5. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

(4) The Financial Supervisory Commission shall hold hearings where the Commission revokes the registration of a collective investment scheme pursuant to paragraph (1) or requests for the dismissal of the supervisory director of the investment company pursuant to paragraph (3).

(5) Articles 424 and 425 shall apply to the measures, etc. to be taken with regard to a collective investment scheme and a supervisory director of the investment company.

**Chapter 9 Related Companies of Collective Investment Schemes**

**Article 254 (General Fund Administrators)**

(1) Any person who intends to carry on the business under each subparagraph of Article 184 (6) after being delegated by an investment company pursuant to Article 184 (6) shall register such business with the Financial Supervisory Commission.

(2) Any person who intends to make a registration under paragraph (1) shall meet all the requirements falling under each of the following subparagraphs:

1. The person is required to fall under one of the following items:
   (a) A stock company under the Commercial Act;
   (b) A transfer agency (including the Depository); or
   (c) Other financial institutions prescribed by the Presidential Decree;
2. The equity capital is required to be not less than 500 million won and to exceed the minimum amount prescribed by the Presidential Decree;

3. The person is required to have the experts satisfying the standards prescribed by the Presidential Decree among its full-time officers and employees;

4. The person is required to have the physical facilities prescribed by the Presidential Decree, such as data-processing equipment;

5. Any officer is required not to fall under any of the subparagraphs of Article 24; and

6. The person is required to establish a system to prevent conflict of interest prescribed by the Presidential Decree (limited to cases where the person carries on any financial business prescribed by the Presidential Decree).

(3) Any person who intends to make a registration under paragraph (1) shall file a registration application with the Financial Supervisory Commission.

(4) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (3), review the registration application, make a decision on either accepting or denying the registration within thirty days, and notify the applicant of the result and the reasons therefor in writing without delay. When the registration application is found to be defective, the Commission may request that the applicant supplement such statement.

(5) In calculating the review period under paragraph (4), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for the registration statements, shall not be added to the review period.

(6) The Financial Supervisory Commission shall not, when it makes a decision on the registration under paragraph (4), reject the registration unless any cause falling under the following subparagraphs occurs:

1. Where any registration requirement under paragraph (2) is not satisfied;
2. Where the registration statement under paragraph (3) is prepared falsely; or
3. Where the requirement for supplementation in the latter part of paragraph (4) is not complied with.

(7) The Financial Supervisory commission shall, when it makes a decision to accept the registration under paragraph (4), describe necessary matters in the register of the general fund administrator, and publicize the decision through the Official Gazette and the Internet website, etc.

(8) Any person who obtains a registration pursuant to paragraph (1) (hereinafter referred to as “general fund administrator”) shall continue to maintain the registration
requirements falling under each subparagraph of paragraph (2) (in the case of paragraph 2 of that paragraph, referring to the eased requirement prescribed by the Presidential Decree) in carrying on the business after the registration.

(9) Matters on the registration pursuant to paragraphs (1) through (7) including entries of the registration statement, accompanying documents as well as the methods and procedures of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

Article 255 (Application)
Articles 42, 54, 60 and 64 shall apply to a general fund administrator.

Article 256 (Supervision and Inspection of General Fund Administrators)
(1) The Financial Supervisory Commission shall order a general fund administrator to take necessary measures for the matters falling under each of the following subparagraphs in order to protect investors and maintain sound trade practice:
   1. Matters on the management of proprietary property;
   2. Matters on the maintenance of business order;
   3. Matters on the methods of business; and
   4. Others prescribed by the Presidential Decree as necessary for the protection of investors and sound trade practice.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a general fund administrator.

Article 257 (Disciplinary Actions against General Fund Administrators)
(1) The Financial Supervisory Commission may revoke a registration under Article 254 (1) where a general fund administrator falls under any of the subparagraphs of Appendix 3.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a general fund administrator falls under any of the subparagraphs of Appendix 3:
   1. To suspend all or a part of the business for up to six months;
   2. To order transfer of contract;
   3. To order correction or suspension of activities in violation;
   4. To order the general fund administrator to publicize or post measures that have been taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of the general fund administrator falls under any of the subparagraphs of Appendix 3:
1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution; or
6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(4) The Financial Supervisory Commission may request that a general fund administrator take any measures falling under any of the following subparagraphs where any employee of the general fund administrator falls under any of the subparagraphs of Appendix 3:
1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other matters prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(5) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. against a general fund administrator and its officers and employees.

**Article 258 (Collective Investment Scheme Appraisal Companies)**

(1) Any person who intends to carry on the business of appraising a collective investment scheme and providing the appraisal results to investors shall register such business with the Financial Supervisory Commission.

(2) Any person who intends to make a registration under paragraph (1) shall meet all the requirements falling under each of the following subparagraphs:
1. The person is required to be a stock company under the Commercial Act;
2. The person is required not to be a broker, dealer, collective investment manager, or affiliate thereof;
3. The equity capital is required to be not less than 100 million won and to exceed the minimum amount prescribed by the Presidential Decree;
4. The person is required to have the experts satisfying the standards prescribed by the Presidential Decree among its full-time officers and employees;
5. The person is required to have the physical facilities prescribed by the Presidential Decree, such as data-processing equipment, etc.;
6. Any officer is required not to fall under any of the subparagraphs of Article 24; and
7. The person is required to establish a system for appraising a collective investment scheme as prescribed by the Presidential Decree; or
8. The person is required to establish a system to prevent conflict of interest prescribed by the Presidential Decree (limited to cases where the person is carrying on any financial business prescribed by the Presidential Decree).

(3) Any person who intends to make a registration under paragraph (1) shall file a registration application with the Financial Supervisory Commission.

(4) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (3), review the registration application, make a decision on either accepting or denying the registration within thirty days, and notify the applicant of the result and the reasons therefor in writing without delay. When the registration application is found to be defective, the Commission may request that the applicant supplement such statement.

(5) In calculating the review period under paragraph (4), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for the registration statements, shall not be added to the review period.

(6) The Financial Supervisory Commission shall not, when it makes a decision on the registration under paragraph (4), reject the registration unless any cause falling under the following subparagraphs occurs:
   1. Where any registration requirement under paragraph (2) is not satisfied;
   2. Where the registration application under paragraph (3) is prepared falsely; or
   3. Where the requirement for supplementation in the latter part of paragraph (4) is not complied with.

(7) The Financial Supervisory commission shall, when it makes a decision to accept
the registration under paragraph (4), describe necessary matters in the register of the collective investment scheme appraisal company, and publicize the decision through the Official Gazette and the Internet website, etc.

(8) Any person who obtains a registration pursuant to paragraph (1) (hereinafter referred to as “collective investment scheme appraisal company”) shall continue to maintain the registration requirements falling under each subparagraph of paragraph (2) (in the case of subparagraph 2 of that paragraph, referring to the eased requirement prescribed by the Presidential Decree) in carrying on the business after the registration.

(9) Matters on the registration pursuant to paragraphs (1) through (7) including entries of the registration statement, accompanying documents as well as the methods and procedures of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

**Article 259 (Working Rules governing Conduct of Business)**

(1) A collective investment scheme appraisal company shall establish working rules governing the conduct of business that includes matters prescribed by the Presidential Decree.

(2) A collective investment manager may provide details of collective investment properties to the collective investment scheme appraisal company according to the methods prescribed by the Presidential Decree.

(3) Necessary matters on the disclosure of the assessment standards of a collective investment scheme appraisal company shall be prescribed by the Presidential Decree.

**Article 260 (Application)**

Articles 54, 60, and 64 shall apply to a collective investment scheme appraisal company.

**Article 261 (Supervision and Inspection of Collective Investment Scheme Appraisal Companies)**

(1) The Financial Supervisory Commission may order a collective investment scheme appraisal company to take measures necessary for the matters falling under each of the following subparagraphs in order to protect investors and maintain sound trade practice:

1. Matters on the management of proprietary property;
2. Matters on the maintenance of business order;
3. Matters on the method of businesses; or
4. Other matters prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a collective investment scheme appraisal company.

**Article 262 (Measures against Collective Investment Scheme Appraisal Companies)**

(1) The Financial Supervisory Commission may revoke a registration under Article 258 (1) where a collective investment scheme appraisal company falls under any of the subparagraphs of Appendix IV.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a collective investment scheme appraisal company falls under any of the subparagraphs of Appendix IV:
   1. To suspend all or a part of the business for up to six months;
   2. To order the transfer of contract;
   3. To order correction or suspension of activities in violation;
   4. To order the company to publicize or post measures that have been taken due to the activities in violation;
   5. Institutional warning;
   6. Institutional caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of the collective investment scheme appraisal company falls under any of the subparagraphs of Appendix IV:
   1. Request for dismissal;
   2. Suspension from office for up to six months;
   3. Disciplinary warning;
   4. Cautionary warning;
   5. Caution; or
   6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(4) The Financial Supervisory Commission may request that a collective investment scheme appraisal company take measures falling under any of the following
subparagraphs where any employee of the collective investment scheme appraisal company falls under any of the subparagraphs of Appendix IV:

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other matters prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(5) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. against a collective investment scheme appraisal company and its officers and employees.

**Article 263 (Bond Appraisal Company)**

(1) Any person who intends to conduct the business of appraising the price of bonds belonging to collective investment properties and to provide such information to a collective investment manager shall register such business with the Financial Supervisory Commission.

(2) Any person who intends to obtain a registration pursuant to paragraph (1) shall meet all the requirements falling under each of the following subparagraphs:

1. The person is required to be a stock company under the Commercial Act;
2. The equity capital is required to be not less than two billion won and to exceed the minimum amount prescribed by the Presidential Decree;
3. Contributions by the business group subject to the limitations on cross-shareholding or by financial institutions prescribed by the Presidential Decree are required to be not more than 10/100, respectively;
4. The person is required to have the experts satisfying the standards prescribed by the Presidential Decree among its full-time officers and employees;
5. The person is required to have the physical facilities prescribed by the Presidential Decree, such as data-processing equipment, etc.;
6. Any officer is required not to fall under any of the subparagraphs of Article 24;
7. The person is required to have a price appraisal system of bonds, etc. as prescribed by the Presidential Decree;
8. The person is required to have a system to prevent conflict of interest prescribed by the Presidential Decree (limited to cases where the person provides any
financial service prescribed by the Presidential Decree).

(3) Any person who intends to make a registration under paragraph (1) shall file a registration application with the Financial Supervisory Commission.

(4) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (3), review the registration application, make a decision on either accepting or denying the registration within thirty days, and notify the applicant of the result and the reasons therefor in writing without delay. When the registration application is found to be defective, the Commission may request that the applicant supplement such statement.

(5) In calculating the review period under paragraph (4), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for the registration statements, shall not be added to the review period.

(6) The Financial Supervisory Commission shall not, when it makes a decision on the registration under paragraph (4), reject the registration unless any cause falling under the following subparagraphs occurs:

1. Where any registration requirement under paragraph (2) is not satisfied;
2. Where the registration application under paragraph (3) is prepared falsely; or
3. Where the requirement for supplementation in the latter part of paragraph (4) is not complied with.

(7) The Financial Supervisory commission shall, when it makes a decision to accept the registration under paragraph (4), describe necessary matters in the register of the bond appraisal company, and publicize the decision through the Official Gazette and the Internet website, etc.

(8) Any person who obtains a registration pursuant to paragraph (1) (hereinafter referred to as “bond appraisal company”) shall continue to maintain the registration requirements falling under each subparagraph of paragraph (2) (in the case of subparagraph 2 of that paragraph, referring to the eased requirement prescribed by the Presidential Decree) in carrying on the business after the registration.

(9) Matters on the registration pursuant to paragraphs (1) through (7) including entries of the registration statement, accompanying documents as well as the methods and procedures of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

**Article 264 (Working Rules)**

(1) A bond appraisal company shall establish working rules including the matters
prescribed by the Presidential Decree.

(2) Necessary matters on a bond appraisal company's disclosing methods, etc. of the standards for appraising securities shall be prescribed by the Presidential Decree.

**Article 265 (Application)**

Articles 54, 60 and 64 shall apply to a bond appraisal company.

**Article 266 (Supervision and Inspection of Bond Appraisal Companies)**

(1) The Financial Supervisory Commission may order a bond appraisal company to take necessary measures for the matters falling each of the following subparagraphs in order to protect investors and maintain sound trade practice:

1. Matters on the management of proprietary property;
2. Matters on the maintenance of business order;
3. Matters on the method of business; or
4. Others prescribed by the Presidential Decree as necessary for the protection of investors and sound trade practice.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a bond appraisal company.

**Article 267 (Measures against Bond Appraisal Companies)**

(1) The Financial Supervisory Commission may revoke a registration thereof pursuant to Article 263 (1) where a bond appraisal company falls under any of the subparagraphs of Appendix 5.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs against the company where a bond appraisal company falls under any of the subparagraphs of Appendix 5:

1. To suspend all or a part of its business for up to 6 months;
2. To order transfer of contract;
3. To order correction or suspension of activities in violation;
4. To order the company to publicize or disclose the measures taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.
(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of a bond appraisal company falls under any of the subparagraphs of Appendix 5:
   1. Request for dismissal;
   2. Suspension from office for up to six months;
   3. Disciplinary warning;
   4. Cautionary warning;
   5. Caution; or
   6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(4) The Financial Supervisory Commission may request that a bond appraisal company take measures falling under any of the following subparagraphs where any employee of the bond appraisal company falls under any of the subparagraphs of Appendix 5:
   1. Dismissal;
   2. Suspension from office for up to six months;
   3. Salary reduction;
   4. Reprimand;
   5. Warning;
   6. Caution; or
   7. Other matters prescribed by the Presidential Decree as necessary to correct or prevent activities in violation.

(5) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. taken against a bond appraisal company and its officers or employees.

Chapter 10 Special Cases for Private Equity Companies

Article 268 (Establishment and Registration)

(1) The articles of incorporation of a private equity company shall include matters falling under each of the following subparagraphs, and all the partners shall bear the signatures or stamps thereon:
   1. Objectives;
   2. Trade name;
   3. Location of the company;
   4. Purpose and price of the contributions made by each partner or standards for appraising the contributions;
5. Existence period of the company (limited to fifteen years from the date on which the establishment of the company is registered);
6. Where the reasons for the dissolution of the company are prescribed, the details thereof;
7. Names and resident registration numbers (in the case of a corporation, its trade name or name and business registration number) and addresses of partners;
8. Classification of general partners and limited partners; and
9. Date on which the articles of incorporation are prepared;
(2) A private equity company shall register the matters falling under each of the following subparagraphs:
1. Matters under subparagraphs 1 through 3, 5, and 6 of paragraph (1); and
2. Names and resident registration numbers (in the case of a corporation, its trade name and business registration number) and addresses of general partners.
(3) A private equity company shall file a registration with the Financial Supervisory Commission within two weeks from the date on which the establishment is registered.
(4) Any person who intends to obtain a registration under paragraph (3) shall meet all the requirements under each of the following subparagraphs:
1. The private equity company is required to be established in accordance with the provisions of this Act; and
2. The articles of incorporation of a private equity company are required not to violate Acts and subordinate statutes or clearly undermine the interests of investors.
(5) Any person who intends to make a registration under paragraph (3) shall file a registration application with the Financial Supervisory Commission.
(6) The Financial Supervisory Commission shall, when it receives a registration application under paragraph (5), review the registration application, make a decision on either accepting or denying the registration within thirty days, and notify the applicant of the result and the reasons therefor in writing without delay. When the registration application is found to be defective, the Commission may request that the applicant supplement such statement.
(7) In calculating the review period under paragraph (5), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for the registration statements, shall not be added to the review period.
(8) The Financial Supervisory Commission shall not, when it makes a decision on the registration under paragraph (6), reject the registration unless any cause falling under the following subparagraphs occurs:
1. Where any registration requirement under paragraph (4) is not satisfied;
2. Where the registration application under paragraph (5) is prepared falsely; or
3. Where the requirement for supplementation in the latter part of paragraph (6) is not complied with.

(9) The Financial Supervisory commission shall, when it makes a decision to grant the registration under paragraph (6), describe necessary matters in the register of the private equity company, and publicize the decision through the Official Gazette and the Internet website, etc.

(10) A private equity company shall, when any matter that has been registered in accordance with paragraph (3) is changed, file registration amendment with the Financial Supervisory Commission within two weeks. In this case, paragraphs (4) through (9) shall apply.

(11) Matters on the registration and any change in the registration pursuant to paragraphs (3) through (10) including entries of the registration statement, accompanying documents as well as the methods and procedure of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

Article 269 (Partners and Contribution)

(1) Partners of a private equity company shall be composed of more than one general partner and more than one limited partner, and the total number of partners shall be not more than fifty.

(2) In calculating the total number of the partners referred to in paragraph (1), where any other collective investment scheme acquires not less than 10/100 of the equity of the private equity company, the number of investors of such collective investment scheme shall be added to the calculation.

(3) Any professional investor prescribed by the Presidential Decree shall be excluded from the calculation of the total number of the partners under paragraph (1).

(4) A limited partner shall not affect the exercise of voting rights on stocks or equity that are part of the property of the private equity company.

(5) The objective of the contributions by partners of a private equity company shall be limited to monetary interest: Provided, That where the consent from all the other partners is reached, the contributions may be made with securities where it is possible to appraise the objective value of the securities and it is unlikely to undermine the interest of partners.

(6) The minimum value of the contributions by limited partners shall be the amount
prescribed by the Presidential Decree within the limit of 10 billion won.

(7) The Korea Development Bank established pursuant to the Korea Development Bank Act and the Industrial Bank of Korea established pursuant to the Industrial Bank of Korea Act may make contributions in any private equity company within the scope consistent with the purposes of their establishment.

(8) Necessary matters on the methods and procedures of the contributions by partners shall be prescribed by the Presidential Decree.

Article 270 (Methods of Managing Property of Private Equity Companies)

(1) A private equity company (including cases where it manages the property along with any other private equity company under the conditions prescribed by the Presidential Decree) shall manage its property by the methods falling under any of the following subparagraphs:

1. Investment made in excess of 10/100 of the total number of outstanding stocks with voting rights or the total amount of the contributions of any other company (excluding an investment company, investment limited liability company, investment limited partnership company, or others prescribed by the Presidential Decree; hereafter in this Article, the same shall apply);

2. Notwithstanding subparagraph 1, investment that makes it possible to exercise the de facto control over major management matters of a company invested by the private equity company, such as the appointment, dismissal, etc. of officers;

3. Investment (limited to cases where the investment is made for the purpose under subparagraph 1 or 2) in securities (excluding equity securities);

4. Investment in exchange-traded derivatives or over-the-counter derivatives prescribed by the Presidential Decree for the purpose of hedging the risk of investment in securities issued by a company invested by the private equity company (referring to a company in which a private equity company or special purpose company under Article 271 makes an investment pursuant to paragraph (1) or (2); hereafter in this Chapter, the same shall apply);

5. Investment in securities issued by any investment and loan company for infrastructure under the Act on Private Participation in Infrastructure;

6. Investment in equity securities of a special purpose company under Article 271 (hereinafter referred to as “special purpose company”); or

7. Other investments prescribed by the Presidential Decree as equivalent to those referred to in subparagraphs 1 through 6.
(2) A private equity company shall manage its remaining property based on a method falling under any of the following subparagraphs after making an investment pursuant to each subparagraph of paragraph (1):

1. Short-term loan prescribed by the Presidential Decree;
2. Deposit in financial institutions prescribed by the Presidential Decree;
3. Investment of its property equivalent to the ratio prescribed by the Presidential Decree in securities within the limit of 5/100 of its property; or
4. Others prescribed by the Presidential Decree as unlikely to undermine sound asset management of the private equity company.

(3) A private equity company shall manage the contributions which are not less than 50/100 of the total contributions and which exceed the ratio prescribed by the Presidential Decree following the methods under subparagraph 1, 2, 5, or 6 (limited to cases where a special purpose company makes an investment through the methods under subparagraph 1, 2, or 5 of paragraph (1)) of paragraph (1) within the period prescribed by the Presidential Decree as not less than six months from the date on which its partners has made the contributions: Provided, that the same shall not apply to cases where it is difficult to select a company invested by the private equity company, and other cases prescribed by the Presidential Decree where an approval is obtained from the Financial Supervisory Commission in advance.

(4) A private equity company shall hold equity securities issued by any company invested by the private equity company for more than six months from the date on which the investment under subparagraph 1 or 2 of paragraph (1) is made, and the private equity company shall not dispose of such equity securities within six months: Provided, That the same shall not apply to cases where continuous holding of the equity securities is likely to clearly undermine the interest of partners, or other cases prescribed by the Presidential Decree where an approval is obtained from the Financial Supervisory Commission in advance.

(5) A private equity company (including any shareholder or employee of the special purpose company pursuant to Article 271 (1) 3 (b) or 271 (1) 3 (c)) shall hold equity securities issued by any special purpose company for more than six months from the date on which such equity securities are acquired, and the private equity fund shall not dispose of such equity securities within six months: Provided, That the same shall not apply to cases where continuous holding of the equity securities issued by any special purpose company is likely to clearly undermine the interest of partners, or other cases prescribed by the Presidential Decree where an approval is obtained from
the Financial Supervisory Commission in advance.

(6) A private equity company shall, when the investment under subparagraph 1 or 2 of paragraph (1) is not made until six months lapses from the date on which the equity securities of another company are first acquired, dispose of all the acquired equity securities of the other company to any other person (excluding a person who maintains a contribution relationship with the private equity company concerned and a person who is under control according to the contribution made by the same person in the contribution relationship) within the period prescribed by the Presidential Decree and report thereon to the Financial Supervisory Commission without delay: Provided, That the same shall not apply to cases where it is difficult to dispose of equity securities, or other cases prescribed by the Presidential Decree where an approval is obtained from the Financial Supervisory Commission in advance.

(7) A private equity company may, when any cause falling under the following subparagraphs occurs, borrow money or guarantee the repayment of debts for a company invested by the private equity company or any other person related thereto. In this case, the total amount of borrowed funds and guaranteed repayment shall not exceed 10/100 of the property of the private equity company:
   1. Where it is inevitable to pay back the contributions to a partner who leaves from the private equity company;
   2. Where money for managing expenses is temporarily short; or
   3. Where money for investing in a company invested by the private equity company is temporarily short.

(8) Methods of calculating an investment ratio of the property of a private equity fund and others necessary for managing the property of a private equity fund shall be prescribed by the Presidential Decree.

Article 271 (Special Purpose Companies)

(1) A special purpose company shall mean a company that meets all the requirements falling under each of the following subparagraphs:
   1. The company is required to be a stock company or a limited-liability company under the Commercial Act;
   2. The company is required to aim at the investments provided for in Articles 270 (1) 1 through 270 (1) 5 or 270 (1) 7;
   3. Any shareholder or partner of the company is required to fall under one of the following items, and the ratio of contributions by them shall be not less than the
ratio prescribed by the Presidential Decree:
(a) A private equity company;
(b) An officer or major shareholder of the company invested by the special purpose company; or
(c) Other persons prescribed by the Presidential Decree as needed to be a shareholder or partner of the special purpose company for the efficient management of the special purpose company.

4. The aggregate of the number of partners of the private equity company that is a shareholder or partner and the number of shareholders or partners who are not a private equity company is required to be not more than fifty;

5. The company is required not to appoint any full-time officer or employee and not to open any business office other than the head office.

(2) The provisions under the Commercial Act with respect to a stock company or limited liability company shall apply to a special purpose company unless there is any special provision in this Act.

(3) A special purpose company may borrow money and guarantee the repayment of debts for a company invested by the special purpose company or any person who is related thereto. In this case, the total amount of borrowed money and debt repayment guarantees shall not exceed the limit prescribed by the Presidential Decree.

(4) Articles 242, 269 (3), 270 (4), 270 (6), 270 (8), and 274 shall apply to a special purpose company.

(5) Articles 317 (2) 2, 317 (2) 3, and 549 (2) 2 of the Commercial Act shall not apply to a special purpose company.

**Article 272 (Executive Officer)**

(1) A private equity company shall appoint not less than one executive officer from among its general partners in accordance with the articles of incorporation. In this case, such executive officer shall hold a right and obligation to perform the business of the private equity company.

(2) Any person who carries on the business prescribed by finance-related Acts and subordinate statutes prescribed by the Presidential Decree may become an executive officer, notwithstanding the provisions of such Acts and subordinate statutes. In this case, the executive officer may perform the business to the extent that the officer does not violate any activity limited or prohibited by the Acts and subordinate statutes.
(3) A private equity company may prescribe matters on the profit-loss distribution or profit-loss order for executive officers in the articles of incorporation.

(4) Article 11 shall not apply to cases where any executive officer carries on the management, custody, and operation of the property of a private equity company and the sale and redemption of equity capital of a private equity company.

(5) An executive officer shall faithfully perform its duties for a private equity company in accordance with Acts and subordinate statutes and the articles of incorporation.

(6) An executive officer (where a corporation is an executive officer, including officers and employees of the company with respect to paragraphs (2) and (3)) shall not conduct any activity under the following subparagraphs:
   1. Make a transaction with a private equity company (excluding cases where consent is obtained from all the partners);
   2. Illegally solicit a person to become a partner by means of guaranteeing principal or certain interests, etc.;
   3. Provide the details of assets held by the private equity company to a person who is not a partner for the interest of certain partners or a third party, without consent of all the partners; and
   4. Others prescribed by the Presidential Decree as likely to undermine the protection of partners of the private equity company and the stability of the property of the private equity company.

(7) A private equity company shall establish specific working rules that any executive officer is required to comply with pursuant to paragraphs (5) and (6), and where the private equity company establishes and amends any working rule, the private equity company shall report thereon to the Financial Supervisory Commission without delay. In this case, the Financial Supervisory Commission may, when the working rules reported are likely to violate Acts and subordinate statutes or undermine the interest of partners, order the private equity company to amend or supplement the content of the working rules.

(8) An executive officer shall provide partners with financial statements, etc. of the private equity company and the special purpose company in which the private equity company makes an investment at least once every period as prescribed by the Presidential Decree, explain their operation and matters on the properties to partners, and record and keep the content related to such provision and the explanation.

(9) Any partner who is not an executive officer may request access to books and
documents on the properties of the private equity company or the special purpose company in which the private equity company makes an investment, or the distribution of certified copies or abridged copies thereof only during business hours.

(10) Any partner who is not an executive officer may, when an executive officer is found to have performed the business in a seriously inappropriate manner or to have committed serious violations, inspect the business and financial status of the private equity company or the special purpose company in which the private equity company makes an investment after obtaining an approval from the Financial Supervisory Commission.

(11) A private equity company may provide compensation (including bonuses based on performance) to executive officers using the property of the private equity company under the conditions prescribed by the articles of incorporation.

**Article 273 (Transfer of Equity Investment)**

(1) A general partner of a private equity company shall not transfer equity investment to any other person: Provided, That where the transfer of equity investment is prescribed by the articles of incorporation, the general partner may transfer its equity investment to another person without dividing the equity investment after obtaining the consent thereof from all of its partners.

(2) A limited partner of a private equity company may transfer equity investment to any other person without dividing the equity investment after obtaining the consent thereof from all of its general partners.

(3) General partners and limited partners of a private equity company may transfer equity investment as long as the total number of partners of the private equity company does not exceed fifty as a result of the transfer, notwithstanding the proviso of paragraphs (1) and paragraph (2). In this case, Article 269 (3) shall apply.

(4) A private equity company shall not be merged with other company (including other private equity companies).

**Article 274 (Restriction on a Private Equity Company that is an Affiliate of a Business Group Subject to the Limitations on Cross-shareholding)**

(1) A private equity company that is an affiliate of a business group subject to the limitations on cross-shareholding or whose general partner is an affiliate of a business group subject to the limitations on cross-shareholding shall, when it merges another company into its affiliate, dispose of equity securities of the other company to a
person who is not an affiliate of a business group subject to the limitations on cross-shareholding within five years from the date on which such merger takes place.

(2) A private equity company that is an affiliate of a business group subject to the limitations on cross-shareholding or whose general partner is an affiliate of a business group subject to the limitations on cross-shareholding shall not acquire equity securities issued by such affiliate.

Article 275 (Restrictions on Holding Stocks of Banks and Bank Holding Companies)

(1) A private equity company falling under any of the following subparagraphs shall be deemed a non-financial key player (hereafter in this Article referred to as “non-financial key player”) under Article 2 (1) 8 of the Financial Holding Company Act or Article 2 (1) 9 of the Banking Act:

1. Where a person falling under Articles 2 (1) 8 (a) and 2 (1) 8 (b) of the Financial Holding Company Act or Article 2 (1) 9 (a) and 2 (1) 9 (b) of the Banking Act is a limited partner of a private equity company falling under each of the following items:
   (a) Where the limited partner holds an equity investment (referring to the holding of the equity investment under Article 2 (1) 8 (c) of the Financial Holding Company Act and Article 2 (1) 9 (c) of the Banking Act; hereafter in this Article, the same shall apply) in excess of 10/100 of the total amount of the equity investment of the private equity company; or
   (b) Where the limited partner is the largest equity investor holding not less than 4/100 and not more than 10/100 of the total amount of the equity investment of the private equity company;

2. Where a person falling under Articles 2 (1) 8 (a) and 2 (1) 8 (b) of the Financial Holding Company Act or Articles 2 (1) 9 (a) and 2 (1) 9 (b) is a general partner of the private equity company;

3. Where the total equity of the affiliated companies, which are part of business groups subject to the limitations on cross-shareholding, exceeds 30/100 of the total amount of the equity investment of the private equity company.

(2) Where a private equity company falling under paragraph (1) (including a non-financial key player who acquires equity securities of a special purpose company pursuant to Article 271 (1) 3 (b) and 271 (1) 3 (c)) acquires or holds equity securities of the special purpose company in excess of 4/100 or exercises the de facto control over the material management matters including the appointment or dismissal of
officers, such special purpose company shall be deemed a non-financial key player.

(3) Where a private equity company that does not fall under any of the subparagraphs of paragraph (1) additionally acquires or holds (including cases where the private equity company holding in excess of 4/100 additionally acquires or holds stocks or where any partner is changed) more than 4/100 of the total number of outstanding stocks with voting rights of a bank or bank holding company (hereafter in this Article, referred to as “bank holding company”) under the Financial Holding Company Act, the private equity company shall report the matters falling under each of the following subparagraphs to the Financial Supervisory Commission under the conditions prescribed by the Presidential Decree within five days from the date on which the private equity company acquires or holds additional stocks or on which any partner is changed:

1. Names, resident registration numbers (in the case of a corporation, its trade name and business registration number) and addresses of limited partners and general partners;
2. The amount of the equity investment made by limited partners and general partners; and
3. Other necessary matters prescribed and publicized by the Financial Supervisory Commission to confirm the changes in the stock holding status or stock holding ratio of the bank or bank holding company.

(4) When a private equity company that does not fall under any of the subparagraphs of paragraph (1) acquires or holds more than 4/100 of the total number of outstanding stocks with voting rights of a bank or bank holding company (including cases where the private equity company holding in excess of 4/100 additionally acquires or holds stocks of the special purpose company or where any partner of the private equity company is changed), the private equity company shall report the matters falling under each of the following subparagraphs to the Financial Supervisory Commission under the conditions prescribed by the Presidential Decree within five days from the date on which it acquires or holds additional stocks of the special purpose company or on which any partner of the private equity company is changed:

1. Names, resident registration numbers (in the case of a corporation, its trade name and business registration number) and addresses of limited partners and general partners of the private equity company;
2. The amount of the equity investment made by limited partners and general partners of the private equity company; and
3. Other necessary matters prescribed and publicized by the Financial Supervisory Commission to confirm the changes in the stock holding status or stock holding ratio of the bank or bank holding company.

(5) Where any person who is not a non-financial key player acquires or holds more than 4/100 of stocks or equity of a special purpose company (including cases where the person holding in excess of 4/100 additionally acquires or holds stocks or equity) which holds more than 4/100 of the total number of outstanding stocks with voting rights of a bank or bank holding company pursuant to Article 271 (1) 3 (b) or 271 (1) 3 (c), the person shall report the matters falling under each of the following subparagraphs to the Financial Supervisory Commission under the conditions prescribed by the Presidential Decree within five days from the date on which the person acquires stocks or equity of the special purpose company:

1. Names, resident registration numbers (in the case of a corporation, its trade name, name, or business registration number) and addresses of shareholders or partners; and

2. Other necessary matters prescribed and publicized by the Financial Supervisory Commission to confirm the changes in the stock holding status or stock holding ratio of the bank or bank holding company.

**Article 276 (Special Cases for Regulating Holding Companies)**

(1) Where a private equity company or special purpose company meets the requirements under Article 270 (1) 1 or 270 (1) 2, the provisions governing holding companies under the Monopoly Regulation and Fair Trade Act shall not apply to such private equity company or special purpose company until ten years lapses from the date on which the requirement is met.

(2) A private equity company or special purpose company shall, when it falls under paragraph (1), report thereon to the Financial Supervisory Commission under the conditions prescribed by the Presidential Decree within two weeks from the date on which the requirement is met, and the Financial Supervisory Commission shall notify the Fair Trade Commission of the fact.

(3) A private equity company (including a general partner of a private equity company who is not an affiliate of a business subject to the limitations on cross-shareholding or a financial holding company) and a special purpose company shall not, when it meets the requirements under Article 270 (1) 1 or 270 (1) 2, be regarded as a financial holding company under the Financial Holding Companies Act.
until ten years lapses from the date on which the requirement is met: Provided, That Articles 45 through 45-4 and 48 of that Act shall apply to cases where a private equity company or special purpose company controls more than one financial institution prescribed by the Presidential Decree.

(4) Articles 45-2 through 45-4 of the Financial Holding Companies Act shall apply to cases where a company is an executive officer of a private equity company. In this case, the “major shareholder of the bank holding company” shall be deemed the “executive officer” or “major shareholder of the executive officer.”

(5) An affiliate under the Financial Holding Companies Act may acquire the equity of a private equity company, notwithstanding Article 19 of the same Act.

**Article 277 (Exemption)**

(1) Articles 182, 183 (1), 184 (1) through 184 (6), 185, 186, 213, 214, 215 through 217, 229 through 237, 238 (2) through 238 (5), 238 (7), 238 (8), 239, 240 (3) through 249 (10), 241, 243 through 251, and 253 shall not apply to a private equity company.

(2) Articles 198, 217 (2), 224, 274 and 286 of the Commercial Act shall not apply to a private equity company.

**Article 278 (Measures against a Private Equity Companies)**

(1) The Financial Supervisory Commission may revoke a registration of a private equity company in a case falling under any of the following subparagraphs: Provided, That the Commission shall revoke the registration in a case falling under subparagraph 3:

1. Where the registration or change of registration under Article 268 (3) or 268 (10) is made through false or other fraudulent methods;
2. Where any registration requirement under each subparagraph of Article 268 (4) is not satisfied;
3. Where a private equity company is dissolved;
4. Where any correction order or suspension order from the Financial Supervisory Commission is not complied with;
5. Where any change under Article 268 (10) is not registered;
6. Any case falling under the subparagraphs of Appendix 6 as prescribed by the Presidential Decree;
7. Any case prescribed by the Presidential Decree where any finance-related Act and subordinate statute prescribed by the Presidential Decree is violated; or
8. Others prescribed by the Presidential Decree as likely to undermine the interest of investors or to make it difficult to maintain the business of the private equity company.

(2) A private equity company shall be dissolved where its registration is revoked pursuant to paragraph (1) (excluding subparagraph 3).

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a private equity company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 6:
   1. To suspend all or a part of the business for up to six months;
   2. To order the transfer of contract;
   3. To order correction or suspension of activities in violation;
   4. To order the company to publicize or post measures that have been taken due to the activities in violation;
   5. Institutional warning;
   6. Institutional caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(4) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any executive officer (limited to a corporation) of a private equity company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 6:
   1. Measures against such executive officer;
      (a) Request for dismissal;
      (b) Suspension from office for up to six months;
      (c) Institutional warning;
      (d) Institutional caution; or
      (e) Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation;
   2. Measures against the officer of such executive officer;
      (a) Request for dismissal;
      (b) Suspension from office for up to six months;
      (c) Disciplinary warning;
(d) Cautionary warning; or
(e) Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

3. Request for measures against the employee of such executive officer;
   (a) Dismissal;
   (b) Suspension from office for up to six months;
   (c) Salary reduction;
   (d) Reprimand;
   (e) Caution; or
   (f) Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(5) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any executive officer (limited to a person) of a private equity company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 6:
   1. Request for dismissal;
   2. Suspension from office for up to six months;
   3. Disciplinary warning;
   4. Cautionary warning; or
   5. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(6) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. against a private equity company and its executive officer.

Chapter 11 Special Cases for Foreign Collective Investment Securities

Article 279 (Registration of Foreign Collective Investment Schemes)
(1) A foreign collective investment manager (referring to a person who carries on the business equivalent to a collective investment scheme service in accordance with foreign Acts and subordinate statutes; herein after, the same shall apply) of a foreign investment trust (referring to an investment trust established in accordance with foreign Acts and subordinate statutes as similar to an investment trust; hereinafter the same shall apply), or foreign investment undisclosed association (referring to an investment undisclosed association established in accordance with foreign Acts and subordinate
statutes as similar to an investment undisclosed trust; hereinafter the same shall apply), or a foreign investment company, etc. (referring to an investment company, etc. established in accordance with foreign Acts and subordinate statutes; hereinafter the same shall apply) shall register the foreign collective investment scheme concerned (referring to the scheme established or incorporated in accordance with foreign Acts and subordinate statutes as similar to a collective investment scheme; hereinafter the same shall apply) with the Financial Supervisory Commission where it intends to sell foreign collective investment securities (referring to securities issued overseas in accordance with foreign Acts and subordinate statutes as similar to collective investment securities; hereinafter the same shall apply) in the Republic of Korea.

(2) A foreign collective investment manager of a foreign investment trust or foreign undisclosed investment association, or a foreign investment company, etc. shall, when it intends to register a foreign collective investment scheme pursuant to paragraph (1), meet the qualification requirements prescribed by the Presidential Decree in order to become a foreign collective investment manager or to sell foreign collective investment securities. In this case, when it intends to sell foreign collective investment securities only to professional investors prescribed by the Presidential Decree, the qualification requirements to become a foreign collective investment manager or to sell foreign collective investment securities may be set otherwise.

(3) Articles 182 (2) through 182 (9) shall apply to the registration of a foreign collective investment scheme under paragraph (1). In this case, the term “this Act” in Article 182 (2) 2 shall be deemed “the Act in the home state where the foreign collective investment scheme is established or incorporated.”

Article 280 (Local Sales of Foreign Collective Investment Securities)

(1) A foreign collective investment manager of a foreign investment trust or foreign investment undisclosed association, or a foreign investment company, etc. shall sell foreign collective investment securities in the Republic of Korea through a broker or dealer.

(2) A foreign collective investment manager shall provide an asset management report under Article 88 to investors of the foreign collective investment scheme at least once every three months.

(3) An investor may request that a foreign collective investment manager of a foreign investment trust or foreign investment undisclosed association, or a foreign investment company, etc. or a broker or dealer who has sold foreign collective investment
securities provide access to books and documents prescribed by the Presidential Decree with respect to the collective investment property related to the investor, or distribute certified copies or abridged copies thereof during business hours after presenting the reason therefor in writing, and the foreign collective investment manager of a foreign investment trust or foreign investment undisclosed association, or a foreign investment company, etc. or the broker or dealer who has sold foreign collective investment securities shall not reject such request without any justifiable cause prescribed by the Presidential Decree.

(4) A foreign collective investment manager of a foreign investment trust or foreign investment undisclosed association, or a foreign investment company, etc. shall publish the base price of the foreign collective investment securities concerned and make it available to the public every day: Provided, That the collective investment agreement may separately prescribe the interval of publication of the base price within the limit of fifteen days in the cases prescribed by the Presidential Decree where it is difficult to publish the base price and make it available to the public every day.

(5) Sales methods, the provision of reports, and other necessary matters with respect to the local sales of foreign collective investment securities shall be prescribed by the Presidential Decree.

Article 281 (Supervision or Inspection of Foreign Collective Investment Companies)

(1) The Financial Supervisory Commission may order a foreign collective investment company of a foreign investment trust or foreign investment undisclosed association, or a foreign investment company, etc. to take necessary measures for the disclosure of relevant collective investment properties in order to protect the investors and maintain sound trade practice.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a foreign collective investment manager of a foreign investment trust or foreign investment undisclosed association, or a foreign investment company, etc.

Article 282 (Revocation of Registration of Foreign Collective Investment Schemes)

(1) The Financial Supervisory Commission may revoke a registration of a foreign collective investment scheme in cases falling under any of the following subparagraphs:

1. Where the registration under Article 279 (1) or any change of registration under Article 182 (8), which is applied to Article 279 (3), is made through false or
other fraudulent methods;
2. Where any registration requirement under each subparagraph of Article 182 (2), which is applied to Article 279 (3), is not satisfied;
3. Where any change pursuant to Article 182 (8), which is applied to Article 279 (3), is not registered;
4. Where any qualification requirement to become a foreign collective investment manager or to sell foreign collective investment securities under Article 279 (2) is not satisfied;
5. Where Article 280 is violated;
6. Where the order under Article 281 (1) is violated; or
7. Others prescribed by the Presidential Decree as likely to undermine the interest of investors or make it difficult to maintain the business of a foreign collective investment scheme.

(2) The Financial Supervisory Commission shall, when it intends to revoke the registration of a foreign collective investment scheme pursuant to paragraph (1), hold a public hearing.

(3) Articles 424 and 425 shall apply to the revocation of registration of a foreign collective investment scheme.

Part 6 Financial Services-related Institutions

Chapter 1 Korea Financial Investment Association

Article 283 (Incorporation)
(1) The Korea Financial Investment Association shall be incorporated for the purpose of maintaining business orders between members, assuring fair trade, protecting investors, and promoting sound development of financial investment services.
(2) The Association shall be incorporated as a membership organization.
(3) The Association shall complete its establishment by the registration of incorporation at the location of the head office under the conditions prescribed by the Presidential Decree.
(4) The provisions of the Civil Act related to an incorporated association shall apply to the Association except as otherwise provided for in this Act.

Article 284 (Prohibition on Using a Similar Name)
Any person other than the Association shall not use “Financial Investment Association,” “Securities Dealers Association,” “Futures Association,” “Asset Management Association,” or any other similar name.

Article 285 (Membership)
(1) Any person prescribed by the Presidential Decree as qualified to be a financial investment firm or to conduct other business related to financial investment services shall be eligible to join the membership of the Association.
(2) The Association may collect membership dues from members under the conditions prescribed by the articles of association.

Article 286 (Business)
(1) The Association shall perform the business falling under each of the following subparagraphs as prescribed by the articles of incorporation:
   1. Self-regulation to maintain sound trade practice among the members and to protect the interest of investors;
   2. Self-resolution of disputes arising from the conduct of business of its members (limited to cases where any related party applies for mediation);
   3. Registration and management of experts falling under each of the following items;
      (a) Investment advisors (referring to the person who solicits investment or provides investment advisory services);
      (b) Analysts (referring to the person who prepares research and analysis materials or carries out the review and approval thereof);
      (c) Fund managers (referring to the person who manages collective investment property, trust property or discretionary investment property); and
      (d) Others prescribed by the Presidential Decree for the protection of investors and sound trade practice.
   4. Over-the-counter transactions of stock certificates that are not listed on the securities market;
   5. Research and study of related regulations for financial investment services;
   6. Investor education and the establishment and operation of the foundation therefor;
   7. Training business with respect to financial investment services;
   8. Business delegated by this Act, or other Acts and subordinate statutes;
   9. Business prescribed by the Presidential Decree other than paragraphs (1) through (8); and
10. Business incidental to paragraphs (1) through (9).

(2) The Association shall, when it performs the business falling under each of the subparagraphs of paragraph (1), operate the business under subparagraphs 1 and 2 of that paragraph separately from the other business in an independent manner and be equipped with separate organizations for such purpose.

**Article 287 (Articles of Incorporation)**

(1) The articles of incorporation of the Association shall include the matters falling under each of the following subparagraphs:

1. Objectives;
2. Name;
3. Matters on the organization. In this case, the organization shall be separately managed under the conditions prescribed by the Presidential Decree based on the types of financial investment services and the scope of financial investment products;
4. Matters on its offices;
5. Matters on its business;
6. Matters on the qualification, rights, and obligations of its members;
7. Matters on admission, expulsion, and other restrictive measures (including the recommendations of restrictive measures against officers and employees of the members);
8. Matters on membership dues;
9. Methods of publication; and
10. Other matters prescribed by the Presidential Decree as relevant to the management of the Association.

(2) The Association shall, when it intends to change the matters prescribed by the Presidential Decree in the articles of incorporation, obtain an approval from the Financial Supervisory Commission.

**Article 288 (Self Resolution of Disputes)**

(1) The Association shall prescribe rules on dispute resolution necessary for conducting the self-resolution of disputes under Article 286 (1) 2.

(2) The Association may, if necessary for dispute resolution, request that related parties confirm the fact or submit relevant documents.
(3) The Association may, if necessary to hear the opinions of the related parties and other interested persons, request that they attend a meeting and testify about their opinions.

Article 289 (Application)
(1) Articles 24, 54, 63 and 413 (limited to the business referred to in Article 286 (1) 4) shall apply to the Association.

Article 290 (Reporting on Business Rules)
The Association shall, when it establishes, amends, or repeals rules with respect to its business, report thereon to the Financial Supervisory Commission without delay.

Article 291 (Securities Training Institute)
The Association may establish a securities training institute to improve the qualifications of the persons who engage in financial investment services and to share professional knowledge about financial investment services.

Article 292 (Inspection of the Association)
Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of the Association.

Article 293 (Measures against the Association)
(1) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where the Association falls under any of the subparagraphs of Appendix 7:
   1. To suspend all or part of its business for up to six months;
   2. To order transfer of contract;
   3. To order correction or suspension of activities in violation;
   4. To order the Association to publicize or disclose the measures taken due to the activities in violation;
   5. Institutional warning;
   6. Institutional caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.
(2) The Financial Supervisory Commission may take measures falling under any of
the following subparagraphs where any officer of the Association falls under any of the subparagraphs of Appendix 7:
   1. Request for dismissal;
   2. Suspension from office for up to six months;
   3. Disciplinary warning;
   4. Cautionary warning;
   5. Caution; or
   6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.
(3) The Financial Supervisory Commission may request that the Association take measures falling under any of the following subparagraphs where any employee of the Association falls under any of the subparagraphs of Appendix 7:
   1. Dismissal;
   2. Suspension from office for up to six months;
   3. Salary reduction;
   4. Reprimand;
   5. Warning;
   6. Caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.
(4) Article 422 (3), 423 (excluding subparagraph 1), 424 (excluding paragraph (2)) and 425 shall apply to the measures, etc. against the Association and its officers and employees.

Chapter 2 Korea Securities Depository

Section 1 Establishment and Supervision

Article 294 (Establishment)
(1) The Korea Securities Depository shall be established in order to promote a centralized deposit of securities, etc. (referring to securities and others prescribed by the Presidential Decree; hereafter in this Chapter, the same shall apply), transfer of securities between accounts, and settlement subsequent to transactions and smooth circulation.
(2) The Depository shall be incorporated as a corporation.
(3) The Depository shall complete its establishment by the registration of incorporation at the location of the head office under the conditions prescribed by the Presidential Decree.

**Article 295 (Prohibition on Using a Similar Name)**
Any person other than the Korea Securities Depository shall not use the name “Korea Securities Depository” or any other name similar thereto.

**Article 296 (Business)**
The Depository shall conduct the business falling under each of the following subparagraphs in order to achieve its objectives:
1. Centralized deposit of securities, etc.;
2. Transfer of securities, etc. between accounts;
3. Delivery and payment of securities, etc. subsequent to transactions on the securities market, and notification to the Exchange of the result of settlement execution;
4. Delivery and payment of securities, etc. subsequent to transactions outside the securities market;
5. Deposit of securities, etc. by designating an account with a foreign corporation that carries on business similar to the Korea Securities Depository (hereinafter referred to as “foreign securities depository”) and the transfer between accounts and the delivery and payment of securities, etc. subsequent to transactions;
6. Transfer agent business of securities (including the agent business of the payment of dividend, interest, and redemption of securities, etc. and the agent business of issuing securities);
7. Lock-up business of securities, etc.;
8. Business granted under this Act, other Acts and subordinate statutes other than paragraphs (1) through (7);
9. Business incidental to that under paragraphs (1) through (8); and
10. Others prescribed by the articles of incorporation.

**Article 297 (Securities Market Settlement Institution)**
The Depository shall conduct the delivery and payment of securities subsequent to transactions on the securities market.

**Article 298 (Prohibition on Carrying on Depository Business)**
(1) Any person other than the Depository shall not carry on any business receiving securities, etc. and executing settlements by means of the transfer between accounts instead of giving and receiving such securities, etc.

(2) Any person other than the Depository shall not issue securities depository receipts in the Republic of Korea.

**Article 299 (Articles of Incorporation)**

(1) The articles of incorporation of the Depository shall describe matters falling under each of the following subparagraphs:

1. Objectives;
2. Name;
3. Location of major offices;
4. Matters on stocks and capital;
5. Matters on the qualifications to acquire stocks and the limit of ownership;
6. Matters on the general meeting of shareholders and the board of directors;
7. Matters on officers;
8. Matters on accounting; and
9. Methods of publication.

(2) The Depository shall, when it intends to amend the articles of incorporation, obtain an approval from the Minister of Finance and Economy.

**Article 300 (Application of the Commercial Act)**

The Provisions under the Commercial Act (excluding Articles 517 through 521-2) with respect to a stock company shall apply to the Depository unless there is any special provision for the Depository under this Act or any order issued in accordance with this Act.

**Article 301 (Officers)**

(1) Officers of the Depository shall be composed of the president, managing director, director and auditor.

(2) The president shall be appointed by the general meeting of shareholders and the appointment shall be approved by the Minister of Finance and Economy.

(3) A Full-time auditor shall be appointed by the general meeting of shareholders.

(4) Article 24 shall apply to the officers of the Depository.

(5) Full-time officers and employees of the Depository shall not have a special
interest in any financial investment firm or other financial services-related institutions with respect to the financing, distribution of profit and loss, and other business.

**Article 302 (Rules on Deposit Business)**

(1) The Depository shall prescribe rules on deposit business concerning the deposit of securities, etc. and management of the deposited securities, etc.

(2) The rules on deposit business under paragraph (1) shall include the matters falling under each of the following subparagraphs:

1. Matters on the designation or revocation of securities, etc. to be deposited under Article 308 and the management thereof;
2. Matters on the opening and closing of an account of a depositor;
3. Matters on the preparation and keeping of a depositor’s account book;
4. Matters on the deposit and return of securities, etc. to be deposited under Article 308 and the transfer between accounts;
5. Matters on the creation and extinction of collateral right to the deposited securities, etc. under Article 309 (3) 2 and the indication and cancellation of trust property;
6. Matters on the exercise of rights of the deposited securities, etc. under Article 309 (3) 2; and
7. Others necessary for the management of the deposited securities, etc. under Article 309 (3) 2.

**Article 303 (Rules on Settlement Business)**

(1) The Depository shall determine rules on settlement business to conduct settlement business subsequent to transactions of securities, etc. In this case, the rules on settlement business shall not conflict with Membership Regulations under Article 387 and Business Regulations under Article 393.

(2) The rules on settlement business referred to in paragraph (1) shall include matters falling under each of the following subparagraphs:

1. Matters on the admission and expulsion, and rights and obligations of settlement members of the Depository;
2. Matters on the opening and management of a settlement account;
3. Matters on the deadline of settlement;
4. Matters on the delivery of and payment of securities, etc.;
5. Matters on the notification to the Exchange of the result of settlement execution subsequent to transactions of securities on the securities market; and
6. Other necessary matters for the settlement execution.

**Article 304 (Application)**

Articles 54, 63, 413 (limited to the businesses under Articles 296 (1) through 296 (4)) of this Act and Article 4 of the Act on Real Name Financial Transactions and Guarantee of Secrecy shall apply to the Depository.

**Article 305 (Approval and Report of Business Rules)**

(1) The Depository shall obtain an approval from the Financial Supervisory Commission when it intends to establish, amend or repeal the business rules under Article 296 (5), rules on deposit business under Article 302, and rules on settlement business under Article 303.

(2) The Financial Supervisory Commission shall, when it intends to grant an approval under paragraph (1), consult with the Minister of Finance and Economy in advance.

(3) The Depository shall, when it establishes, amends or repeals the rules on the businesses other than those referred to in paragraph (1), report thereon to the Financial Supervisory Commission without delay.

**Article 306 (Inspection of the Depository)**

Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of the Depository.

**Article 307 (Measures against the Depository)**

(1) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where the Depository falls under any of the subparagraphs of Schedule 8:

1. To suspend all or part of its business for up to six months;
2. To order transfer of contract;
3. To order correction or suspension of activities in violation;
4. To order the Depository to publicize or disclose the measures taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.
(2) The Financial Supervisory Commission may take a measure falling under any of the following subparagraphs where any officer of the Depository falls under any of the following subparagraphs of Schedule 8:
   1. Request for dismissal;
   2. Suspension from office for up to six months;
   3. Disciplinary warning;
   4. Cautionary warning;
   5. Caution; or
   6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may request that the Depository take measures falling under any of the following subparagraphs where any employee falls under any of the following subparagraphs of Schedule 8.
   1. Dismissal;
   2. Suspension from office for up to six months;
   3. Salary reduction;
   4. Reprimand;
   5. Warning;
   6. Caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(4) Articles 422 (3), 423 (excluding subparagraph 1), 424 (excluding paragraph (2)) and 425 shall apply to the measures, etc. against the Depository and its officers and employees.

Section 2 Systems Related to the Deposit of Securities

Article 308 (Designation of Securities to Be Deposited)
The securities, etc. (hereinafter referred to as “securities, etc. to be deposited”) that may be deposited in the Depository shall be designated by the Depository.

Article 309 (Deposit in the Depository)
(1) Any person who intends to deposit securities, etc. in the Depository shall open an account in the Depository.
(2) Any person who has opened an account pursuant to paragraph (1) (hereinafter
referred to as “depositor”) may deposit the securities, etc. held by the person itself and the securities, etc. deposited by investors in the Depository by obtaining the consent of investors.

(3) The Depository shall prepare and keep the depositor’s account book indicating the matters falling under each of the following subparagraphs, and establish a distinction between the portion owned by the depositor and the portion deposited by the investors:

1. Name and address of the depositor;
2. Type and number of securities, etc. which are deposited (hereinafter referred to as “deposited securities, etc.”) and the name of the issuer; and
3. Other matters prescribed by the Ordinance of the Ministry of Finance and Economy.

(4) The Depository may keep deposited securities in a mixed form according to the types and items.

(5) Where a depositor or its investor acquires or subscribes for securities, etc. or requests issuance of securities, etc. based on other grounds, the issuer of such securities, etc. may, upon the request of the depositor or its investor, issue or register (referring to a registration under the State Bond Act or the Registration of Bonds and Debentures Act; hereafter in this Section, the same shall apply) such securities, etc. under the name of the Depository on behalf of the depositor or its investor.

Article 310 (Investor’s deposit of Securities in Depositor)
(1) A depositor who re-deposits securities, etc. deposited by investors in the Depository shall prepare and keep an investor’s account book indicating each of the following subparagraphs:

1. Names and addresses of the investors;
2. Type and number of the deposited securities, etc. and names of the issuer; and
3. Others prescribed by the Ordinance of the Ministry of Finance and Economy.

(2) The depositor shall, when it indicates the matters pursuant to paragraph (1), deposit the securities, etc. in the Depository without delay, specifying that such securities, etc. are deposited by investors.

(3) The depositor shall, when it indicates the matters under paragraph (1), keep the securities, etc. separately from its own until it deposits such securities, etc. in the Depository pursuant to paragraph (2).

(4) The securities, etc. indicated in the investor’s account book under paragraph (1)
shall be considered to be deposited in the Depository at the time of the indication.

Article 311 (Effect of Statement in an Account Book)
(1) Any person who is stated in the investor’s account book and the depositor’s account book shall be considered to hold the respective securities.
(2) Where a transfer between accounts is stated for the purpose of a transfer of securities, etc. in an investor’s account book or depositor’s account book or where the securities, etc. are stated to be pledged for the purpose of a creation of pledge and the pledgees are stated in such account books, the securities, etc. shall be considered to have been delivered.
(3) Notwithstanding Article 3 (2) of the Trust Act, a trust of the deposited securities, etc. may oppose a third party by stating in the depositor’s account book or the investor’s account book that such securities, etc. are part of the trust properties.
(4) Notwithstanding provisions of Article 335 (3) of the Commercial Act, a settlement shall be effective to an issuer, where a sale or purchase transaction on the securities markets is settled by means of a transfer between accounts in the investor’s account book or the depositor’s account book before the stock certificates thereof are issued.

Article 312 (Presumption of Rights)
(1) A depositor and its investors shall be presumed to have a co-ownership share on the deposited securities, etc. according to the type, item, and quantity of the securities, etc. indicated respectively in the investor’s account book and the depositor’s account book.
(2) Any investor of a depositor and its pledgees may request that the depositor return the securities, etc. corresponding to a co-ownership share of the investor, and the depositor may request that the Depository return the securities, etc. corresponding to the co-ownership share. In this case, the pledgees' consent shall be required for the deposited securities, etc. designated as a right of pledge.
(3) Where the bankruptcy or dissolution of a depositor, or any other cause prescribed by the Presidential Decree occurs, the Depository may limit the return or inter-account transfer of the portion deposited by investors among the deposited securities, etc. based on the standards and methods prescribed by the Ordinance of the Ministry of Finance and Economy.

Article 313 (Liability for Coverage)
(1) Where the deposited securities, etc. become insufficient, the Depository and the depositor provided for in Article 310 (1) shall make up such insufficiency according to the methods and procedures prescribed by the Presidential Decree. In this case, the Depository and the depositor may exercise a right to indemnification to a person who is liable for such insufficiency.

(2) The depositor referred to in paragraph (1) shall bear liability for coverage pursuant to paragraph (1), even after closing the account under Article 309 (1): Provided, That where five years has passed from the date on which the account is closed, the liability shall be extinguished.

Article 314 (Exercise of Rights of Deposited Securities)
(1) The Depository may exercise rights to the deposited securities, etc. upon the request of a depositor or the investors thereof. In this case, the request of the investors shall be made through the depositor.

(2) The Depository may request a registration of the deposited securities, etc. or a change of the entry in the register in the name of the Depository.

(3) Where the entry in the register is changed in the name of the Depository pursuant to paragraph (2), the Depository may exercise rights as a shareholder on the matters prescribed by Article 358-2 of the Commercial Act, the indication in the roster of shareholders, and stock certificates even if the depositor does not make any request.

(4) The issuer of stock certificates shall, when it makes a notification or public notice on the convocation of a general meeting of shareholders, notify or publicize the matters on the exercise of voting rights as prescribed by paragraph (5) to the shareholders holding the stock certificates whose entry is changed in the name of the Depository.

(5) Where any shareholder holding the stock certificates whose entry is changed in the name of the Depository fails to express its intention to exercise voting rights directly or by proxy, or not to exercise the voting rights, the Depository may exercise such voting rights: Provided, That the same shall not apply to cases falling under any of the following subparagraphs:

1. Where the issuer of such stock certificates fails to make a notification or public notice specifying the matters on the exercise of voting rights by the Depository pursuant to paragraph (4);

2. Where the issuer of such stock certificates requests that the Financial Supervisory Commission prevent the Depository from exercising voting rights;
3. Where the objective of the general meeting of shareholders falls under any of the matters prescribed by Articles 360-3, 360-16, 374, 438, 518, 519, 522, 530-3 and 604 of the Commercial Act;
4. Where the shareholder exercises voting rights directly or by proxy at the general meeting of shareholders; or
5. Where the issuer of such stock certificates is an investment company.

(6) Matters of which the issuer is required to notify the Depository in order to exercise rights of the Depository under paragraph (1) and matters necessary for exercising voting rights, etc. by the Depository pursuant to paragraph (5) shall be prescribed by the Presidential Decree.

(7) Paragraph (3) shall apply to non-bearer securities among the deposited securities, etc.

**Article 315 (Exercise of Rights by Beneficial shareholders)**

(1) Co-owners of stocks of the deposited securities, etc. (hereinafter referred to as “beneficial shareholder”) shall be considered to hold stocks equivalent to the co-ownership share under Article 312 (1) in exercising rights as a shareholder.

(2) A beneficial shareholder shall not exercise the rights under Article 314 (3): Provided, That the same shall not apply to the notification made to shareholders of a company, and a request for the access to the roster of shareholders under Article 396 (2) of the Commercial Act and the copies thereof.

(3) Where an issuer of stock certificates of the deposited securities, etc. fixes a certain period or a certain date pursuant to Article 354 of the Commercial Act, the issuer shall notify the Depository of the fact without delay, and the Depository shall notify the issuer concerned or a transfer agent of the matters referred to in the following subparagraphs with respect to the beneficial shareholders on the first day of the period or on the date (hereafter in this Article referred to as “fixed date for the closing of the roster of shareholders”) without delay:
   1. Names and addresses; and
   2. Type and number of the stocks under paragraph (1).

(4) The Depository may request that a depositor as prescribed in Article 310 (1) publicize the matters referred to in subparagraphs of paragraph (3) with respect to beneficial shareholders on the fixed date for the closing of the roster of shareholders. In this case, the depositor that has received the request shall publicize such matters without delay.
(5) Where an issuer (referring to the person prescribed by the Presidential Decree in case of securities deposit receipts related to the securities, etc., and other securities prescribed by the Presidential Decree; hereafter in this paragraph, the same shall apply) of the securities, etc. whose tender offer statement has been submitted requests that the Depository communicate matters on the beneficial shareholders in order to identify the stockholding status by fixing a certain date, the Depository shall notify the issuer of the securities, etc. or the transfer agent of the matters falling under each of the following subparagraphs with respect to the beneficial shareholder on the fixed date:

1. Names and addresses; and
2. Type and number of the stocks under paragraph (1).

(6) The Depository may request that the depositor referred to in Article 310 (1) publicize the matters falling under each of the subparagraphs of paragraph (5) with respect to the beneficial shareholders on the fixed date. In this case, the depositor who has received the request shall notify thereof without delay.

**Article 316 (Preparation of Register of Beneficial Shareholders)**

(1) An issuer or transfer agent who receives a notification pursuant to Article 315 (3) shall prepare and keep a roster of beneficial shareholders indicating the matters on the notification and the date thereof.

(2) The statement in the roster of beneficial shareholders with respect to stocks whose certificates are deposited in the Depository shall have the same effect as the statement in the roster of shareholders.

(3) Where the person stated as a shareholder in the roster of shareholders is deemed the same as the person stated as a beneficial shareholder in the roster of beneficial shareholders, an issuer or transfer agent under paragraph (1) shall sum up the number of stocks on the roster of shareholders and those on the register of beneficial shareholders in exercising rights as a shareholder.

**Article 317 (Civil Execution)**

Matters necessary for the compulsory execution, execution of provisional seizure and provisional disposition, or auction with respect to the deposited securities shall be determined by Supreme Court Regulations.

**Article 318 (Certificate of Beneficial Ownership)**
(1) Where a depositor or its investors requests the issuance of documents proving the deposit of securities, etc. in order to exercise rights as a shareholder (hereafter in this Article, referred to as “certificate of beneficial ownership”), the Depository shall issue them under the conditions prescribed by the Ordinance of the Ministry of Finance and Economy. In this case, the request of the investors shall be made through the depositor.

(2) The Depository shall, when it issues the certificate of beneficial ownership pursuant to paragraph (1), notify the issuer concerned of the fact without delay.

(3) A depositor or its investors shall, when it files a certificate of beneficial ownership issued pursuant to paragraph (1) with the issuer, oppose the issuer notwithstanding Article 337 (1) of the Commercial Act.

Article 319 (Exercise of Voting Rights by Beneficial Owners)

(1) Co-owners of beneficiary certificates of an investment trust of the deposited securities, etc. (hereafter in this Article, referred to as “beneficial owner”) shall be considered to hold beneficiary certificates of an investment trust equivalent to the co-ownership share under Article 312 (1) in exercising rights as a beneficiary.

(2) In cases of the beneficiary certificates of an investment trust whose entry is changed in the name of the Depository, a beneficial owner shall not exercise rights as a beneficiary with regard to entries of the roster of beneficiaries, beneficiary certificates of the investment trust, and the matters under Article 358-2 of the Commercial Act that is applied pursuant to Article 189 (9): Provided, That the same shall not apply to the notification to the beneficiaries of a collective investment manager that manages investment trust properties.

(3) A collective investment manager that manages investment trust properties shall, when it has fixed a certain date pursuant to Article 237 (8) 4, notify the Depository thereof without delay, and the Depository shall notify the collective investment manager of the matters falling under each of the following subparagraphs with respect to the beneficial owners on the fixed date only when it intends to hold the general meeting of beneficiaries:
   1. Names and addresses; and
   2. Type and number of beneficiary certificates of the investment trust under paragraph (1).

(4) The Depository may request that the depositor under Article 310 (1) publicize the matters falling under each of the subparagraphs of paragraph (3) with respect to the
beneficial owners on the certain date under paragraph (3). In this case, the depositor who has received the request shall notify the depositor thereof without delay.

(5) The Depository that receives a notification pursuant to paragraph (4) shall prepare and keep the roster of beneficial owners indicating the matters on the notification and the date thereof.

(6) Where the beneficiary interest on the beneficiary certificates of the investment trust deposited in the Depository is stated in the roster of beneficial owners, such statement shall have the same effect equivalent to the statement in the roster of beneficiaries.

(7) Where the person stated as a beneficiary in the roster of beneficiaries is recognized as the same person stated as a beneficial owner in the roster of beneficial owners, the Depository and a collective investment manager that manages investment trust properties shall sum up the number of accounts of the beneficiary certificates stated in the roster of beneficiaries and the number of accounts of the beneficiary certificates stated in the roster of beneficial owners in exercising rights as a beneficiary.

(8) Where a depositor or its investor requests the issuance of documents (hereafter in this Article referred to as “beneficial owner’s statement”) that demonstrate the deposit of beneficiary certificates of an investment trust in order to exercise rights as a beneficiary, the Depository may issue the beneficial owner’s statement according to the methods prescribed by the Ordinance of the Ministry of Finance and Economy. In this case, the request of investors shall be made through the depositor.

(9) The Depository shall, when it issues the beneficial owner’s statement pursuant to paragraph (8), notify the collective investment manager that manages investment trust properties thereof without delay.

(10) Notwithstanding Article 337 (1) of the Commercial Act that is applied pursuant to Article 189 (9), a depositor or its investor may oppose the collective investment manager when the depositor or its investor has filed the beneficial owner’s statement issued pursuant to paragraph (8) with the collective investment manager that manages investment trust properties.

Article 320 (Special Cases for Deposit by Foreign Securities Depository)

(1) Articles 310, 313, 314 (4) through 314 (6), 315, and 316 (3) shall not apply to a foreign securities depository: Provided, That the same shall apply to cases where such foreign securities depository requests the application.

(2) Articles 309 (5), 314 (4) through 314 (6), 315, 316, and 318 shall not apply to
cases where any issuer of deposited securities, etc. is a foreign corporation, etc.: Provided, That the same shall apply to cases where such foreign corporation, etc. requests the application.

Article 321 (Report and Confirmation)
The Depository may request that a depositor submit the report or data concerning the deposit business, provide access to the relevant books, or confirm the custody of securities, etc. kept under the depositor’s own custody.

Article 322 (Control of Securities)
(1) A listed corporation and a transfer agent shall comply with Securities Handling Regulations prescribed by the Depository with respect to the printed form, issuance, retirement, replacement, or effacement of securities, etc. and other matters on the control thereof.

(2) The Depository may control the printed form of securities, etc. which a listed corporation keeps as spares for issuance of securities, etc. (hereinafter referred to as “spare certificates, etc.”).

(3) The Depository may, if necessary, ask the listed corporation and transfer agent for the submission of data related to the procedure for handling securities, etc. under paragraph (1) and the control of spare certificates, etc., and have its staff confirm the data.

(4) Where an unlisted corporation intends to use printed forms under Securities Handling Regulations of the Depository for its issuance of securities, the unlisted corporation shall obtain an approval from the Depository. In this case, paragraphs (1) through (3) shall apply.

(5) Where a listed corporation becomes an unlisted corporation, paragraphs (1) through (3) shall apply to such corporation until the printed forms under Securities Handling Regulations of the Depository and the securities, etc. issued using such printed forms are entirely effaced.

Article 323 (Description of Issuance and Notification of Description of Irregular Securities)
(1) An issuer of the securities, etc. to be deposited shall, when it issues new securities, etc., notify the Depository of the type of such securities, etc. and other matters prescribed by the Ordinance of the Ministry of Finance and Economy without
delay.

(2) Where an issuer of the securities, etc. to be deposited receives a notification of orders with respect to the seizure, provisional seizure or provisional disposition of the securities, etc. or where an issuer receives a report (including public summons and nullification judgment pursuant to the Civil Procedure Act) that the securities, etc. are stolen, lost or destroyed, the issuer shall notify the Depository of the type of such securities, etc. and other matters prescribed by the Ordinance of the Ministry of Finance and Economy without delay.

(3) The Depository that is notified pursuant to paragraphs (1) and (2) shall publicize the notification.

Chapter 3 Securities Finance Company

Article 324 (Authorization)

(1) Any person who intends to carry on the business under Article 326 (1) (hereinafter referred to as “securities financing business”) shall obtain an authorization from the Minister of Finance and Economy.

(2) Any person who intends to obtain an authorization under paragraph (1) shall meet all the requirements falling under each of the following subparagraphs:
   1. The person is required to be a stock company under the Commercial Act;
   2. The equity capital is required to be not less than 2 billion won and to exceed the minimum amount prescribed by the Presidential Decree;
   3. The business plan is required to be proper and sound;
   4. The person is required to have manpower, data-processing equipment, and other physical facilities sufficient to protect investors and carry on its businesses;
   5. Any officer is required not to fall under any of the subparagraphs of Article 24;
   6. Any major shareholder (referring to a major shareholder under Article 12 (2) 6 (a)) is required to have sufficient contribution capacity, sound financial status and social standing; and
   7. The person is required to establish a system to prevent conflict of interest.

(3) Any person who intends to obtain an authorization under paragraph (1) shall file an authorization application with the Minister of Finance and Economy.

(4) The Minister of Finance and Economy shall, when it receives an authorization application under paragraph (3), review the authorization application, make a decision on either granting or denying the authorization within three months, and notify the
applicant of the result and the reasons therefor in writing without delay. When the authorization statement is found to be defective, the Minister may request that the applicant supplement such application.

5) In calculating the review period referred to in paragraph (4), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for the authorization application, shall not be added to the review period.

6) The Minister of Finance and Economy may, when it grants an authorization pursuant to paragraph (4), add necessary conditions for securing sound management and for protecting investors.

7) Any person who has obtained an authorization with conditions pursuant to paragraph (6) may request that the Minister of Finance and Economy change or cancel the conditions where there is any change in the circumstances or any other reasonable cause. In this case, the Minister of Finance and Economy shall make a decision on either accepting or denying such request within two months and notify the applicant of the result thereof in writing without delay.

8) The Minister of Finance and Economy shall, when it grants an authorization pursuant to paragraph (4), make a public notice of the matters falling under each of the following subparagraphs through the Official Gazette and the Internet website, etc.:
   1. Details of the authorization;
   2. Conditions on the authorization (limited to cases where any condition is added);
   and
   3. Where any condition on the authorization is changed or canceled, the details thereof.

9) A securities finance company shall maintain the authorization requirements under each subparagraph of paragraph (2) (in cases of subparagraphs 2 and 6, referring to the eased requirements prescribed by the Presidential Decree) in carrying on its businesses after obtaining the authorization.

10) Matters on the authorization application pursuant to paragraphs (1) through (8) including entries of the authorization statement, accompanying documents, etc., as well as the methods and procedures of reviewing the authorization, and other necessary matters shall be prescribed by the Presidential Decree.

Article 325 (Prohibition on Using a Similar Name)
Any person other than a securities finance company shall not use the name “securities
finance” or any other name similar thereto.

**Article 326 (Business)**
(1) Securities financing business shall be as follows:
1. To lend money or securities to a broker or dealer in relation to purchasing or selling financial investment products, issuing or underwriting securities, or soliciting an offer, offering, and accepting an offer;
2. To lend money or securities necessary for the transactions on the securities market and derivatives market through the Exchange, which is a clearing house under Article 378 (1);
3. To loan money by taking securities as collateral; and
4. Other business approved by the Minister of Finance and Economy.
(2) A securities finance company may carry on the business falling under any of the following subparagraphs other than its securities financing business by obtaining an authorization, license, registration, etc. under the conditions prescribed by this Act or related Acts:
1. Business prescribed by the Presidential Decree among brokerage and dealing;
2. Trust service;
3. Custody and management of collective investment properties;
4. Lending and borrowing of securities;
5. Lock-up business; or
6. Other business approved by the Minister of Finance and Economy.
(3) A securities finance company shall, when it carries on the trust service under subparagraph 2 of paragraph (2), be regarded as a financial institution conducting the trust service concurrently. In this case, Article 107 shall not apply.

**Article 327 (Officers)**
(1) A full-time officer of a securities finance company shall be a person other than officers or employees of a financial investment firm.
(2) Article 24 shall apply to the officers of a securities finance company.
(3) Any full-time officer or employee of a securities finance company shall not have a special interest in any financial investment firms and financial services related institution (excluding the securities finance companies hiring the full-time officers or employees) with respect to the financing, distribution of profit and loss, and other matters on the business prescribed by the Presidential Decree.
**Article 328 (Application)**
Articles 54, 63 and 64 shall apply to a securities finance company.

**Article 329 (Issuance of Corporate Bonds)**

(1) Notwithstanding Article 470 of the Commercial Act, a securities finance company may issue corporate bonds up to twenty times the aggregate amount of its capital and reserve.

(2) A securities finance company may issue corporate bonds in excess of the limit temporarily for the purpose of the redemption of the corporate bonds issued pursuant to paragraph (1). In this case, the limit referred to in paragraph (1) shall be met within a month after the issuance.

(3) Necessary matters for the issuance of corporate bonds by a securities finance company pursuant to paragraph (1) shall be prescribed by the Presidential Decree.

**Article 330 (Deposit of Money by Financial Investment Firms)**

(1) A securities finance company may receive the deposit of money from financial investment firms, financial services-related institutions (excluding the securities finance company), the Exchange, listed corporations, and others designated by the Ordinance of the Ministry of Finance and Economy.

(2) A securities finance company may, if necessary for the business under paragraph (1), issue debt instruments under the conditions prescribed by the Ordinance of the Ministry of Finance and Economy.

(3) In cases of paragraphs (1) and (2), the Bank of Korea Act and the Banking Act shall not apply.

**Article 331 (Supervision)**

(1) The Minister of Finance and Economy shall supervise a securities finance company pursuant to the provisions under this Act, and may issue an order to take necessary measures.

(2) The Minister of Finance and Economy shall delegate the Financial Supervisory Commission with the supervision for maintaining the sound management of securities finance companies among other supervisions under paragraph (1).

(3) Articles 45 and 46 of the Banking Act shall apply to the supervision that the Financial Supervisory Commission is delegated with pursuant to paragraph (2). In this
case, the Commission shall establish separate prudential management guidelines taking into account the nature of a securities finance company.

**Article 332 (Approval of Discontinuation of Business)**

(1) A securities finance company shall, when it intends to discontinue or dissolve the business under Article 326 (1), obtain an approval from the Minister of Finance and Economy.

(2) The Minister of Finance and Economy shall, when it grants an approval pursuant to paragraph (1), make it available to the public through the Official Gazette and the Internet website, etc.

(3) The methods and procedures for the approval under paragraph (1) and necessary matters on handling an approval shall be prescribed by the Presidential Decree.

**Article 333 (Report on Articles of Incorporation and Rules)**

(1) A securities finance company shall, when it amends the articles of incorporation, report thereon to the Minister of Finance and Economy without delay.

(2) A securities finance company shall, when it establishes, amends or abolishes the rules on its business, report thereon to the Minister of Finance and Economy (where the rules are related to the supervision under Article 331 (2), referring to the Financial Supervisory Commission) without delay.

**Article 334 (Inspection of Securities Finance Companies)**

Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a securities finance company.

**Article 335 (Measures against Securities Finance Companies)**

(1) The Minister of Finance and Economy may revoke an authorization under Article 324 (1) where a securities finance company falls under any of the following subparagraphs:

1. Where the authorization under Article 324 (1) is made through false or other fraudulent methods;

2. Where any authorization requirement is violated;

3. Where any obligation to maintain the authorization requirements under Article 324 (9) is violated;

4. Where any business is conducted during a suspension period;
5. Where any correction or suspension order issued by the Financial Supervisory Commission is not complied with;
6. Any case falling under each of the subparagraphs of Appendix 9 as prescribed by the Presidential Decree;
7. Any case prescribed by the Presidential Decree where any finance-related Acts and subordinates statutes prescribed by the Presidential Decree are violated; or
8. Other cases prescribed by the Presidential Decree as likely to significantly undermine the interest of investors or make it difficult to conduct the business concerned.

(2) The Financial Supervisory Commission may take measures falling under each of the following subparagraphs where a securities finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 9:
1. To suspend all or a part of the business for up to six months;
2. To order the transfer of trust contract;
3. To order correction or suspension of activities in violation;
4. To order the securities finance company to publicize or post measures that have been taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of a securities finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 9:
1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution; or
6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(4) The Financial Supervisory Commission may request a securities finance company to take measures falling under any of the following subparagraphs where any
employee of the securities finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or the subparagraphs of Appendix 9:
1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(5) Articles 422 (3), Articles 423 through 425 shall apply to the measures, etc. against a securities finance company and its officers and employees. In this case, the “Financial Supervisory Commission” referred to in Articles 423 (limited to the revocation of authorization under Article 335 (1)), 424 (1) (limited to the revocation of authorization under Article 335 (1)), 424 (2), and 425 (2) (limited to the revocation of authorization under Article 335 (1)) shall be deemed the “Minister of the Finance and Economy,” and the “Financial Supervisory Commission” referred to in Article 425 (1) (limited to the revocation of authorization under Article 335 (1)) shall be deemed the “Minister of the Finance and Economy.”

Chapter 4 Merchant Bank

Article 336 (Business of Merchant Banks)
(1) Business of a merchant bank (referring to a person who obtains an authorization from the Financial Supervisory Commission pursuant to Article 3 of the Merchant Banks Act; hereinafter the same shall apply) shall be as follows:
1. Issue, discount, trade, arrange, underwrite and guarantee bills whose maturities come within the period as prescribed by the Presidential Decree up to one year;
2. Make investments and loans for equipment or operating capital;
3. Underwrite securities and make a public offering of outstanding securities or to intermediate or arrange a public offering of new or outstanding securities, or act by proxy for that purpose;
4. Induce foreign capital and make overseas investments, to arrange international financing, or to borrow and sublease foreign capital;
5. Issue bonds;
6. Provide services on management consultation or mergers and acquisitions of enterprises;
7. Guarantee payment; and
8. Business incidental to paragraphs (1) through (7) as prescribed by the Presidential Decree.

(2) A merchant bank may carry on any business falling under the following subparagraphs other than the business under paragraph (1) by obtaining an authorization, license, registration, etc. under the conditions prescribed by this Act or related Acts:
1. Equipment rental business under the Specialized Credit Financial Business Act;
2. Collective investment scheme service (limited to the establishment and termination of an investment trust and the management of investment trust properties);
3. Trust service other than money trust;
4. Brokerage and dealing of securities (excluding the business falling under subparagraph 3 of paragraph (1));
5. Foreign exchange business under the Foreign Exchange Transactions Act; or
6. Others prescribed by the Presidential Decree as related to the business falling under each subparagraph of paragraph (1) or under subparagraphs 1 through 5.

(3) Necessary matters on methods, procedures, and their compliance in carrying on the business under each subparagraph of paragraph (1) shall be prescribed by the Presidential Decree.

Article 337 (Establishment of Branches)
A merchant bank shall obtain an authorization from the Finance Supervisory Commission in accordance with the standards and methods prescribed by the Presidential Decree when it intends to establish any branch or other offices, or other business offices similar thereto (including a sub-office, management office, and any other similar office; hereinafter referred to as “branches, etc.”).

Article 338 (Prohibition on Using a Similar Name)
Any person other than a merchant bank shall not use “merchant bank” or any other similar name.

Article 339 (Authorization)
(1) A merchant bank shall be authorized by the Financial Supervisory Commission
when it intends to discontinue or dissolve its business under Article 336 (1).

(2) A merchant bank shall report any matter falling under the following subparagraphs to the Financial Supervisory Commission within seven days from the date of occurrence: Provided, That in the case of subparagraph 3, the merchant bank shall report to the Financial Supervisory Commission in advance:
1. Alteration of articles of incorporation;
2. Change in business methods; and
3. Relocation of the head office, or relocation or discontinuation of branches, etc.

Article 340 (Issuance of Bonds)

(1) A merchant bank may, notwithstanding Article 470 of the Commercial Act, issue bonds up to ten times its equity capital.

(2) A merchant bank may issue bonds in excess of the limit temporarily for repayment of the bonds issued pursuant to paragraph (1).

(3) Others necessary for the issuance of bonds shall be prescribed by the Presidential Decree.

Article 341 (Special Cases for Collective Investment Scheme Service)

(1) Article 250 (3) (limited to subparagraphs 1 and 2), 250 (5) and 250 (6) shall apply to a merchant bank.

(2) Where a merchant bank provides services including the establishment and termination of an investment trust and the management of investment trust properties, the merchant bank shall appoint officers (including the persons prescribed by the Presidential Decree as equivalent to the officer in their positions; hereafter in this paragraph, the same shall apply), prohibit officers and employees from concurrently performing any business falling under each of the following subparagraphs, and establish a system to prevent conflict of interest prescribed by the Presidential Decree including prohibition from jointly using data-processing equipment or offices and limitation on the exchange of information among the officers and employees who are carrying out different businesses: Provided, That the officers may concurrently perform the business under subparagraph 2 and the business prescribed by the Presidential Decree as unlikely to be in conflict of interest with the business under subparagraph 2 among the business under subparagraph 1:
1. Business under Article 336 (excluding the business under subparagraph 2);
2. Establishment and termination of an investment trust and management of
Article 342 (Credit limit on Same Borrower)

(1) No merchant bank shall extend credit (referring to lending, discount of bills, payment guarantee, purchase of securities for financial support, and other direct or indirect transactions of a merchant bank entailing credit risk; hereafter in this Chapter, the same shall apply) in excess of 25/100 of the merchant bank's equity capital (referring to the amount calculated by adding up BIS Tier one capital and BIS Tier two capital; hereafter in this Chapter, the same shall apply) to the same individual or corporation, and any person who shares credit risk with it (hereafter in this Article, referred to as “same borrower”).

(2) No merchant bank shall extend credit in excess of the limit prescribed by the Presidential Decree up to 25/100 of the merchant bank's capital equity to any officer or affiliate of the merchant bank or any person who shares credit risk with it (hereafter in this Article, referred to as “related person”).

(3) Where any individual credit which a merchant bank extends to the same borrowers exceeds 10/100 of the merchant bank's equity capital, the total amount of such credits shall not exceed five times the merchant bank's equity capital as of the end of each month.

(4) No merchant bank shall extend credit in excess of 20/100 of the merchant bank's equity capital to the same individual or corporation, respectively.

(5) A merchant bank may, notwithstanding paragraphs (1) through (4), extend credit in excess of the credit limit under paragraphs (1) through (4) in a case falling under either of the following subparagraphs as prescribed by the Presidential Decree:

1. Where it is necessary to promote the national economy and the merchant bank's effectiveness to secure bonds; or

2. Where a merchant bank exceeds the credit limit under paragraphs (1) through (4) due to changes in its equity capital or changes in the composition of the same borrowers although it has not extended further credits.

(6) Where a merchant bank exceeds the credit limit prescribed under paragraphs (1) through (4) pursuant to subparagraph 2 of paragraph (5), the merchant bank shall ensure that it meets the credit limit under paragraphs (1) through (4) within one year from the date on which it exceeds such credit line: Provided, That the Financial Supervisory Commission may set an extended period in any inevitable case as prescribed by the Presidential Decree.
(7) The specific scope of equity capital, credit extension and the same borrowers under paragraph (1), and related persons under paragraph (2) shall be prescribed by the Presidential Decree.

Article 343 (Restrictions on Transactions with Major Shareholders)

(1) A merchant bank shall not exceed the limit prescribed by the Presidential Decree up to 25/100 of its equity capital when it extends credit to its major shareholders (including its specially related persons; hereafter in this Article, the same shall apply), and the major shareholders shall not accept a credit extension from the merchant bank in excess of the limit.

(2) A merchant bank shall seek a resolution made by the board of directors in advance when it extends credit (including the transactions prescribed by the Presidential Decree; hereafter in this Article, the same shall apply) to its major shareholders in excess of the amount prescribed by the Presidential Decree within the scope of paragraph (1) or when it intends to acquire the stocks issued by major shareholders in excess of the amount prescribed by the Presidential Decree. In this case, the resolution shall be made by the unanimous consent of the board of directors.

(3) Where a merchant bank extends credit to its major shareholders in excess of the amount prescribed by the Presidential Decree within the scope referred to in paragraph (2) or intends to acquire the stocks issued by major shareholders in excess of the amount prescribed by the Presidential Decree, the merchant bank shall report thereon to the Financial Supervisory Commission without delay and publicize it through the Internet website, etc.

(4) A merchant bank shall collect and report the matters on credit extension to its major shareholders and report acquisition of stocks issued by major shareholders under the conditions prescribed by the Presidential Decree to the Financial Supervisory Commission on a quarterly basis, and publicize such matters through the Internet website, etc.

(5) A merchant bank shall meet the conditions under paragraph (1) within the period prescribed by the Presidential Decree when the limit provided for in paragraph (1) exceeds the minimum due to the changes in equity capital or major shareholders although it has not extended further credits.

(6) Notwithstanding paragraph (5), a merchant bank may extend the period for credit extension after obtaining an approval from the Financial Supervisory Commission where there is any reasonable ground for doing so based on the deadline of credit
extension and the scope of credit.

(7) A merchant bank that intends to obtain an approval under paragraph (6) shall file a detailed proposal with the Financial Supervisory Commission to meet the limit under paragraph (1) three months before the period under paragraph (5) expires, and the Financial Supervisory Commission shall make a decision on either granting or denying the approval and notify the merchant bank thereof within a month from the date on which the proposal is filed.

(8) The Financial Supervisory Commission may order a merchant bank or its major shareholders to file necessary documents when the merchant bank or its major shareholders are found to be in violation of paragraphs (1) through (7).

(9) The Financial Supervisory Commission may take measures falling under each of the following subparagraphs against a merchant bank in cases prescribed by the Presidential Decree as likely to significantly undermine the sound management of a merchant bank due to a weak financial structure, including cases where the liability of major shareholders (limited to incorporated companies) of the merchant bank exceeds the assets thereof:

1. Prohibition on the initial credit extension to major shareholders;
2. Prohibition on the initial acquisition of securities issued by major shareholders; and
3. Other measures prescribed by the Presidential Decree such as restrictions, etc. on transactions for financial support to major shareholders.

Article 344 (Investment limit of Securities)

(1) Except for the cases prescribed by the Presidential Decree, a merchant bank shall not invest in securities in excess of 100/100 of its equity capital. In this case, Government bonds and monetary stabilization bonds issued by the Bank of Korea shall not be included in the calculation of the investment limit.

(2) The Financial Supervisory Commission may, if necessary, establish and publicize the investment limit of securities and derivative-linked securities under the conditions prescribed by the Presidential Decree within the investment limit under paragraph (1).

Article 345 (Prohibition Related to Fund Support)

(1) A merchant bank that belongs to a business group subject to the limitations on cross-shareholding shall not conduct any activities falling under the following subparagraphs along with a financial institution (referring to a financial institution pursuant to the Act on the Structural Improvement of the Financial Industry; hereafter
in this paragraph, the same shall apply) or a company that belongs to other business
groups subject to the limitations on cross-shareholding:
1. Cross-shareholding or credit extension of stocks with voting rights of other
   financial institutions or companies for the purpose of avoiding the limit under
   Articles 342 through 344;
2. Acquisition of stocks by means of cross-shareholding in order to circumvent the
   restriction on the acquisition of treasury stocks pursuant to the Commercial Act
   and other Acts and subordinate statutes; or
3. Other activities prescribed by the Presidential Decree as likely to undermine the
   interests of depositors or investors.

(2) A merchant bank shall not exercise its voting rights on stocks acquired in
violation of paragraph (1).

(3) A merchant bank shall not extend credit for the purpose of purchasing its own
stocks.

(4) The Financial Supervisory Commission may take necessary measures within a
period up to six months such as ordering the merchant bank which has acquired
stocks or rendered credits in violation of paragraph (1) or (3) to dispose of the stocks
concerned or recover the credits.

**Article 346 (Holding of Assets Required for Reserve)**
A merchant bank shall hold assets required for reserve under the conditions prescribed
by the Presidential Decree in order to ensure repayment of liabilities and urgent
withdrawals.

**Article 347 (Restriction on Acquisition of Real Restate)**
(1) A merchant bank shall not acquire or hold real estate except for business
purposes: Provided, That the same shall not apply where the merchant bank has
acquired real estate by exercising its collateral rights.

(2) A merchant bank shall not acquire real estate for business purposes in excess of
100/100 of its equity capital.

(3) A merchant bank shall dispose of real estate acquired other than for business
purposes or acquired pursuant to the proviso of paragraph (1) under the conditions
prescribed by the Presidential Decree.

(4) The scope of real estate for business purposes under the main sentence of
paragraph (1) shall be prescribed by the Presidential Decree.
Article 348 (Prohibition on Holding Concurrent Positions)
A full-time officer of a merchant bank shall, when it intends to engage in full-time work of any other profit-making corporation prescribed by the Presidential Decree, obtain an approval from the Financial Supervisory Commission.

Article 349 (Penalties)
(1) The Financial Supervisory Commission may, when a merchant bank violates Article 343 (1), impose penalties on the merchant bank within the scope of 20/100 of the amount of credit extension exceeding the limit.
(2) Articles 430 through 434 shall apply to the imposition of penalties under paragraph (1).

Article 350 (Application)
Articles 23 (excluding paragraph (4)), 24, 25 (excluding paragraph (3)), 26, 28, 29, 31 through 33, 35, 36, 416, and 418 (limited to subparagraphs 4 through 9) shall apply to a merchant bank. In this case, a “financial investment firm” (excluding the financial investment firm prescribed by the Presidential Decree taking into account the size of its assets, etc.; hereafter in this Article, the same shall apply) under Articles 25 (1), 26 (1) and 29 (1) shall be deemed a “merchant bank,” respectively, a “financial investment firm” (excluding the discretionary investment advisory company or non-discretionary investment advisory company prescribed by the Presidential Decree taking into account the size of its assets, etc.; hereafter in this Article, the same shall apply) under Article 28 (2) shall be deemed a “merchant bank,” a “financial investment firm” (excluding integrated financial investment firms; hereafter in this Section, the same shall apply) under Article 31 (1) shall be deemed a “merchant bank,” and a “financial investment firm” (limited to subparagraphs 6 through 9 in the case of an integrated financial investment firm) under Article 418 other than each subparagraph shall be deemed a “merchant bank.”

Article 351 (Exemption)
Article 107 shall not apply to a merchant bank that provides a trust service other than money trust.

Article 352 (Relation with Other Acts)
(1) The Bank of Korea Act and the Banking Act shall not apply to a merchant bank.
(2) Where a merchant bank carries on the business provided for in Article 336, this Act or each relevant Act shall apply according to the type of the business except for any special provision in this Section.

**Article 353 (Inspection of Merchant Banks)**
Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to inspection of a merchant bank.

**Article 354 (Measures against Merchant Banks)**
(1) The Financial Supervisory Commission may revoke an authorization where a merchant bank falls under any of the following subparagraphs:
   1. Where any authorization requirement is violated;
   2. Where any business is carried out during a suspension period;
   3. Where any correction or suspension order from the Financial Supervisory Commission is not complied with;
   4. Any case falling under any of the subparagraphs of Appendix 10 as prescribed by the Presidential Decree;
   5. Others prescribed by the Presidential Decree as likely to undermine the interest of investors or to make it difficult to maintain the business.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a merchant bank falls under any of the subparagraphs of paragraph (1) or under any of the subparagraphs of Appendix 10:
   1. To suspend all or a part of the business for up to six months;
   2. To order the transfer of contract;
   3. To order correction or suspension of activities in violation;
   4. To order the merchant bank to publicize or post measures that have been taken due to the activities in violation;
   5. Institutional warning;
   6. Institutional caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of
the following subparagraphs where any officer of a merchant bank falls under any of
the subparagraphs of paragraph (1) (excluding subparagraph 4) or under any of the
subparagraphs of Appendix 10:
1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Caution; or
5. Other measures prescribed by the Presidential Decree as necessary to correct or
   prevent the activities in violation.

(4) The Financial Supervisory Commission may request that a merchant bank take
measures falling under any of the following subparagraphs where any employee of a
merchant bank falls under any of subparagraphs of paragraph (1) (excluding
subparagraph 4) or under any of the subparagraphs of Appendix 10:
1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or
   prevent the activities in violation.

(5) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. against a
merchant bank and officers and employees thereof.

Chapter 5 Fund Brokerage Company

Article 355 (Authorization of Fund Brokerage Companies)
(1) Any person who intends to conduct the business of brokering fund transactions
between financial institutions, etc. prescribed by the Presidential Decree shall obtain an
authorization from the Financial Supervisory Commission.
(2) Any person who intends to obtain an authorization pursuant to paragraph (1) shall
meet all the requirements falling under each of the following subparagraphs:
1. The person is required to be a stock company under the Commercial Act;
2. The equity capital is required to be not less than one billion won and to exceed
   the minimum amount prescribed by the Presidential Decree;
3. The business plan is required to be proper and sound;
4. The person is required to have sufficient manpower, data-processing equipment, and other physical facilities to protect investors and to carry on its business;
5. Any officer is required not to fall under any of the subparagraph of Article 24; and
6. Any major shareholder (referring to a major shareholder under Article 12 (2) 6 (a)) is required to have sufficient contribution capability and sound financial status and social standing.

(3) Any person who intends to obtain an authorization pursuant to paragraph (1) shall file an authorization application with the Financial Supervisory Commission.

(4) The Financial Supervisory Commission shall, when it receives an authorization application under paragraph (3), review the authorization application, make a decision on either granting or denying the authorization within three month, and notify the applicant of the result and the reasons therefor in writing without delay. In the case of denial, the Commission may, when the application is found to be defective, request that the applicant supplement such application.

(5) In calculating the review period referred to in paragraph (3), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for the authorization application, shall not be added to the review period.

(6) The Financial Supervisory Commission may, when it grants an authorization pursuant to paragraph (4), add necessary conditions for securing sound management and for protecting investors.

(7) Any person who has obtained an authorization with conditions pursuant to paragraph (6) may request that the Financial Supervisory Commission change or cancel the conditions where there is any change in the circumstances or any other reasonable cause. In this case, the Financial Supervisory Commission shall make a decision on either accepting or denying such request within two months and notify the applicant of the result thereof in writing without delay.

(8) The Financial Supervisory Commission shall, when it grants an authorization pursuant to paragraph (4), publicize the matters falling under each of the following subparagraphs through the Official Gazette and the Internet website, etc.:
1. Details of the authorization;
2. Conditions on the authorization (limited to cases where any condition is added.); and
3. Where any condition of the authorization is changed or canceled, the details thereof.

(9) A fund brokerage company shall maintain the authorization requirements under each subparagraph of paragraph (2) (in the case of subparagraphs 2 and 6, referring to the eased requirements prescribed by the Presidential Decree) in carrying on its business after obtaining the authorization.

(10) Matters on the application of authorization pursuant to paragraphs (1) through (8) including the entries of authorization application and accompanying documents, etc., as well as the methods and procedures of reviewing the authorization, and other necessary matters shall be prescribed by the Presidential Decree.

**Article 356 (Prohibition on Using a Similar Name)**

Any person other than a fund brokerage company shall not use “fund brokerage” or any other similar name.

**Article 357 (Restriction on Activities of Fund Brokerage Companies)**

(1) A fund brokerage company shall not provide any financial investment service (excluding the financial investment service prescribed by the Presidential Decree as having similar economic substance with the brokerage of fund transactions pursuant to Article 355 (1)).

(2) Articles 31 through 33, 339 (excluding subparagraph 2 of paragraph (3)), 348 and 416 shall apply to a fund brokerage company.

(3) Necessary methods and procedures, etc. to conduct the brokerage of fund transactions under Article 355 (1) shall be prescribed by the Presidential Decree.

**Article 358 (Inspection of Fund Brokerage Companies)**

Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a fund brokerage company.

**Article 359 (Measures against Fund Brokerage Companies)**

(1) The Financial Supervisory Commission may revoke an authorization under Article 355 (1) where a fund brokerage company falls under any of the following subparagraphs:

1. Where the authorization under Article 355 (1) is made through false or other fraudulent methods;
2. Where any authorization requirement is violated;
3. Where any obligation of maintaining the authorization requirements under Article 355 (9) is violated;
4. Where any business is carried out during a suspension period;
5. Where any correction or suspension order from the Financial Supervisory Commission is not complied with;
6. Any case falling under any of the subparagraphs of Appendix 11 as prescribed by the Presidential Decree;
7. Any case prescribed by the Presidential Decree where any finance-related Acts and subordinate statutes prescribed by the presidential Decree are violated; or
8. Others prescribed by the Presidential Decree as likely to significantly undermine the interests of investors or to make it difficult to conduct the business concerned.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a fund brokerage company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 11:
1. To suspend all or part of the business for up to six months;
2. To order transfer of contract;
3. To order correction or suspension of activities in violation;
4. To order the fund brokerage company to publicize or post measures that have been taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of a fund brokerage company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 11:
1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution; or
6. Other measures prescribed by the Presidential Decree as necessary to correct or
(4) The Financial Supervisory Commission may request that a fund brokerage company take measures falling under any of the following subparagraphs where any employee of the fund brokerage company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 11:

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution;
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(5) Article 422 (3) and 423 through 425 shall apply to the measures, etc. against a fund brokerage company and its officers and employees.

Chapter 6 Short-term Finance Company

Article 360 (Short-term Financing Business of Financial Institutions)

(1) Any person who intends to carry on the business prescribed by the Presidential Decree as the business of issuing, discounting, trading, arranging and underwriting bills whose maturities come within the period prescribed by the Presidential Decree for up to one year, the business of guarantee, and the business prescribed by the Presidential Decree as incidental thereto (hereinafter, referred to as “short-term financing business”) shall be authorized by the Presidential Decree.

(2) Any person who intends to obtain an authorization under paragraph (1) shall meet all the requirements falling under each of the following subparagraphs:

1. The person is required to be a bank or other financial institution prescribed by the Presidential Decree;
2. The equity capital is required to be not less than twenty billion won and to exceed the minimum amount prescribed by the Presidential Decree;
3. The business plan is required to be proper and sound;
4. The person is required to have sufficient manpower, data-processing equipment, and other physical facilities to protect investors and carry on its business; and
5. The major shareholder (referring to a major shareholder Article 12 (2) 6 (a)) is required to have sufficient contribution capacity and sound financial status and social standing.

(3) Any person who intends to obtain an authorization under paragraph (1) shall file an authorization application with the Financial Supervisory Commission.

(4) The Financial Supervisory Commission shall, when it receives an authorization application under paragraph (3), review the authorization application, make a decision on either granting or denying the authorization within three months, and notify the applicant of the result and the reasons therefor in writing without delay. In the case of denial, the Commission may, when the application is found to be defective, request that the applicant supplement such application.

(5) In calculating the review period referred to in paragraph (3), the periods prescribed by the Ordinance of the Ministry of Finance and Economy, including the supplementation period for a deficient application, shall not be added to the review period.

(6) The Financial Supervisory Commission may, when it grants an authorization pursuant to paragraph (4), add necessary conditions for securing sound management and for protecting investors.

(7) Any person who has obtained an authorization with conditions pursuant to paragraph (6) may request that the Financial Supervisory Commission change or cancel the conditions where there is any change in circumstances or any other reasonable cause. In this case, the Financial Supervisory Commission shall make a decision on either accepting or denying such request within two months and notify the applicant of the result thereof in writing without delay.

(8) The Financial Supervisory Commission shall, when it grants an authorization pursuant to paragraph (4), make a public notice of the matters falling under each of the following subparagraphs through the Official Gazette and the Internet website, etc: 1. Details of the authorization; 2. Conditions on the authorization (limited to cases where any condition is added.); and 3. Where any condition of the authorization is changed or canceled, the details thereof.

(9) A short-term finance company shall maintain the authorization requirements (in the case of subparagraphs 2 and 5, referring to the eased requirements prescribed by the Presidential Decree) under each subparagraph of paragraph (2) in carrying on its
business after obtaining an authorization.

(10) Matters on the authorization application pursuant to paragraphs (1) through (8) including the entries of authorization application and accompanying documents, etc., as well as the methods and procedures of reviewing the authorization, and other necessary matters shall be prescribed by the Presidential Decree.

Article 361 (Application)
Articles 33, 339 (excluding subparagraphs 1 and 3 of paragraph (2)), 342, 352 (1), and 416 shall apply to a short-term finance company within the scope of authorization that has been granted for the short-term financing business.

Article 362 (Exemption of a Short-term Financing Business)
(1) Where a person who obtains the authorization of financial investment services for brokerage or dealing carries on brokerage or dealing of commercial paper securities, such business shall not be regarded as a short-term financing business.
(2) Where a short-term finance company (including a merchant bank) carries on the business concerned, such business shall not be regarded as brokerage or dealing of commercial paper securities.

Article 363 (Inspection of a Short-term Finance Company)
Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a short-term finance company.

Article 364 (Measures against a Short-term Finance Company)
(1) The Financial Supervisory Commission may revoke an authorization under paragraph 360 (1) where a short-term finance company falls under any of the following subparagraphs:
1. Where the authorization under Article 360 (1) is obtained through false or other fraudulent methods;
2. Where any authorization requirement is violated;
3. Where the obligation to maintain the authorization requirements under Article 360 (9) is violated;
4. Where any business is carried out during a suspension period;
5. Where any correction order or suspension order issued by the Financial Supervisory Commission is not complied with;
6. Any case falling under the subparagraphs of Appendix 12 as prescribed by the Presidential Decree;
7. Any case prescribed by the Presidential Decree where any finance-related Acts and subordinate statutes, etc. prescribed by the Presidential Decree are violated; or
8. Others prescribed by the Presidential Decree as likely to undermine the interests of investors or make it difficult to conduct the business.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a short-term finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 12:
   1. To suspend all or a part of the business for up to six months;
   2. To order the transfer of contract;
   3. To order correction or suspension of activities in violation;
   4. To order the company to publicize or post measures that have been taken due to the activities in violation;
   5. Institutional warning;
   6. Institutional caution; or
   7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of a short-term finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 12:
   1. Request for dismissal;
   2. Suspension from office for up to six months;
   3. Disciplinary warning;
   4. Cautionary warning;
   5. Caution;
   6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(4) The Financial Supervisory Commission may request that a short-term finance company take measures falling under any of the following subparagraphs where any employee of the short-term finance company falls under each subparagraph of paragraph (1) (excluding subparagraph 4) or under any of the subparagraphs of Appendix 10:
1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or
   prevent the activities in violation.
(5) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. against a
short-term finance company and its officers and employees.

Chapter 7 Transfer Agent

Article 365 (Registration of Transfer Agents)
(1) Any person who intends to make changes of entries in a register as an agent
shall be registered with the Financial Supervisory Commission.
(2) Any person who intends to be registered pursuant to paragraph (1) shall meet the
requirements falling under any of the following subparagraphs:
   1. The person is required to be the Depository or a bank with branches nationwide;
   2. The person is required to be equipped with physical facilities prescribed by the
      Presidential Decree, such as data-processing equipment, etc.; and
   3. The person is required to have a system to prevent conflict of interest prescribed
      by the Presidential Decree.
(3) Any person who intends to be registered pursuant to paragraph (1) shall file a
registration application with the Financial Supervisory Commission.
(4) The Financial Supervisory Commission shall, when it receives a registration
application under paragraph (3), review the registration application and make a
decision on either accepting or denying the registration within two months, and notify
the applicant of the result and the reasons therefor in writing without delay. When the
registration application is found to be defective, the Commission may request that the
applicant supplement such application.
(5) In calculating the review period under (4), the periods prescribed by the Ordinance
of the Ministry of Finance and Economy, including the supplementation period for the
registration application, shall not be added to the review period.
(6) The Financial Supervisory Commission shall not, when it makes a decision on the
registration under paragraph (4), reject the registration unless any cause falling under the following subparagraphs occurs:

1. Where any registration requirement under paragraph (2) is not satisfied;
2. Where a registration application under paragraph (3) is prepared falsely; or
3. Where the request for supplementation in the latter part of paragraph (4) is not complied with.

(7) The Financial Supervisory Commission shall, when it decides to accept the registration under paragraph (4), describe the necessary matters in the register of the transfer agent, and make a public notice of the registration through the Official Gazette and the Internet website, etc.

(8) A transfer agent shall maintain the registration requirements under paragraph (2) in its conduct of business.

(9) Matters on the application of registration pursuant to paragraphs (1) through (7), including entries of application form and accompanying documents as well as the methods and procedures of reviewing the registration, and other necessary matters shall be prescribed by the Presidential Decree.

Article 366 (Incidental Business of Transfer Agents)
A transfer agent may conduct the business of paying dividends, interests, and redemption amount of securities and issuing securities as an agent.

Article 367 (Application)
Articles 54, 63 (limited to the officers and employees in charge of the change of entries in the register of securities), 64 and 416 shall apply to a transfer agent.

Article 368 (Inspection of Transfer Agents)
Article 419 (excluding paragraphs (2) through (5) and (8)) shall apply to the inspection of a transfer agent.

Article 369 (Measures against Transfer Agents)
(1) The Financial Supervisory Commission may revoke a registration under Article 365 (1) where a transfer agent falls under any of the following subparagraphs:

1. Where the authorization under Article 365 (1) is obtained by means of false or other fraudulent methods;
2. Where any obligation to maintain the registration requirements under Article 365
(8) is violated;
3. Where any business is conducted during a suspension period;
4. Where any correction or suspension order issued by the Financial Supervisory Commission is not complied with;
5. Any case falling under the subparagraphs of Appendix 13 as prescribed by the Presidential Decree;
6. Any case prescribed by the Presidential Decree where any finance-related Acts and subordinates statutes prescribed by the Presidential Decree are violated; or
7. Other cases prescribed by the Presidential Decree as likely to significantly undermine the interest of investors or make it difficult to conduct the business concerned.

(2) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a transfer agent falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 5) or under any of the subparagraphs of Appendix 13:
1. To suspend all or a part of business for up to six months;
2. To order the contract regarding the change of entries in the register or other transfer of contract;
3. To order correction or suspension of activities in violation;
4. To order the transfer agent to publicize or post measures that have been taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of a transfer agent falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 5) or under any of the subparagraphs of Appendix 13:
1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution; or
6. Other measures prescribed by the Presidential Decree as necessary to correct or
prevent the activities in violation.

(4) The Financial Supervisory Commission may request that a transfer agent take measures falling under any of the following subparagraphs when an employee of the transfer agent falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 5) or under any of the subparagraphs of Appendix 13:

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

(5) Article 422 (3) and Articles 423 through 425 shall apply to disciplinary actions taken against a transfer agent and its officers and employees.

Chapter 8 Financial Services-related Organization

Article 370 (Establishment and Supervision of Financial Services-related Organizations)

(1) Any person who intends to establish an organization which is composed of investors and other persons prescribed by the Presidential Decree for the protection of investors and sound trade practice shall obtain a license from the Minister of Finance and Economy.

(2) The Minister of Finance and Economy shall, when it grants a license under paragraph (1), review the matters falling under each of the following subparagraphs:

1. Purpose of establishment;
2. Financial Status and prospect of revenue and expense of the organization concerned;
3. Composition of promoters and officers; and
4. Contribution to the securities market and derivatives market.

(3) Necessary matters on the license under paragraph (1) shall be prescribed by the Presidential Decree.

(4) The organization that obtains a license under paragraph (1) shall, when it changes the articles of incorporation, report thereon to the Minister of Finance and Economy without delay.
**Article 371 (Inspection of Financial Services-related Organizations)**
Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply to the inspection of a financial services-related organization.

**Article 372 (Measures against Financial Services Related Organizations)**
(1) The Minister of Finance and Economy may revoke a license under Article 370 (1) where a financial services related organization falls under any of the following subparagraphs:
1. Where the license under Article 370 (1) is obtained through false or other fraudulent methods;
2. Where any license requirement is violated;
3. Where any business except for those pursuant to the objectives under the articles of incorporation is carried out; or
4. Others prescribed by the Presidential Decree as likely to undermine the protection of investors and sound trade practice.
(2) Articles 423 (excluding subparagraph 2), 424 (1) and 424 (2) and 425 shall apply to the revocation of license for a financial-services-related organization. In this case, the “Financial Supervisory Commission” under Article 423 other than each subparagraph, Articles 424 (1) and 424 (2), and 425 (2) shall be deemed the “Minister of Finance and Economy,” respectively, and “to the Financial Supervisory Commission” under Article 425 (1) shall be deemed “to the Minister of Finance and Economy.”

**Part 7 The Korea Exchange**

**Chapter 1 General Provisions**

**Article 373 (Establishment)**
The Korea Exchange shall be established to fix and stabilize fair prices in transactions of securities and exchange-traded derivatives as well as to facilitate the stability and efficiency of other transactions.

**Article 374 (Application of the Commercial Act)**
Except as otherwise prescribed by this Act, the provisions governing a stock company
under the Commercial Act shall apply to the Exchange.

Chapter 2 Organization

Article 375 (Capital)
(1) The Exchange shall be a stock company with capital of more than 100 billion won.
(2) The Exchange shall locate its head office in Busan Metropolitan City and, if necessary, the Exchange may establish other branches.

Article 376 (Articles of Incorporation)
(1) The articles of incorporation of the Exchange shall indicate the matters falling under each of the following subparagraphs:
   1. Objectives;
   2. Trade name;
   3. Total number of stocks to be issued by the Exchange;
   4. Price per stock;
   5. Total number of stocks issued at the time of the establishment of the Exchange;
   6. Methods of public notice by the Exchange;
   7. Matters on the division into the securities market, the KOSDAQ, the derivatives market, etc.;
   8. Matters on the establishment, amendment and repeal of the regulations of the Exchange;
   9. Matters on officers and executive members of the Exchange;
   10. Matters on the board of directors, subcommittees established thereunder and the director nomination committee;
   11. Matters on the audit committee;
   12. Matters on the market supervision committee; and
(2) The Exchange shall, when it intends to amend the articles of incorporation, obtain an approval from the Minister of Finance and Economy. In this case, the Minister of Finance and Economy shall take into account the autonomous operation of each market with respect to granting the approval.

Article 377 (Business)
The Exchange shall conduct the business falling under each of the following subparagraphs:

1. Establishment and operation of the securities market, the KOSDAQ and the derivatives market;
2. Transactions of securities and exchange-traded derivatives;
3. Transaction confirmation, debt acquisition, deduction, confirmation of settlement securities, settlement item, and settlement amount, settlement execution guarantee, follow-up measures on settlement failure, or settlement instruction as a result of transactions on the securities market and the derivatives market;
4. Delivery of items subsequent to transactions of exchange-traded derivatives and the payment of money;
5. Listing of securities;
6. Deciding types of transactions of exchange-traded derivatives and items thereof;
7. Report and disclosure of a listed corporation;
8. Surveillance of abnormalities in trading as prescribed by the Presidential Decree, including abnormal fluctuation of prices or volumes of securities or exchange-traded derivatives (hereinafter referred to as “abnormal trading”), and the investigation of members (any person designated by Membership Regulations under Article 387 (1) as qualified to participate in the trading on the securities market, the KOSDAQ, or the derivatives market; hereinafter the same shall apply);
9. Auction of securities;
10. Self-resolution of disputes (limited to cases where any related party applies for resolution) arising from transactions on the securities market, the KOSDAQ and the derivatives market;
11. Business incidental to the establishment of the securities market, the KOSDAQ and the derivatives market;
12. Business assigned by this Act and other Acts other than the business under paragraphs (1) through (11); or
13. Other business prescribed by the articles of incorporation.

Article 378 (Clearing and Settlement Facilities)

(1) The Exchange shall, as a clearing facility, perform transaction confirmation, debt acquisition, deduction, confirmation of settlement securities, settlement item, and settlement amount, settlement execution guarantee, follow-up measures on settlement failure, or settlement instruction as a result of transactions on the securities market
and derivatives market.

(2) The Exchange shall perform delivery of items and payment of money on the derivatives market as a settlement facility.

**Article 379 (Prohibition on Using a Similar Name)**


**Article 380 (Officers)**

(1) The Exchange shall have not more than fifteen officers as prescribed in each of the following subparagraphs:

1. One chief executive officer;
2. One member of the audit committee who is a full-time director;
3. One chairman of the market supervision committee; and
4. Not more than twelve directors.

(2) The term of officers shall be three years, and the officers may be reappointed for another term as prescribed by the articles of incorporation.

(3) A chief executive officer shall be appointed at the general meeting of shareholders after the recommendation of the director nomination committee (hereinafter referred to as “nomination committee”) under Article 385 (1) from among the persons who have experience and knowledge of finance as prescribed by the Presidential Decree and who are unlikely to undermine the sound management of the Exchange and fair trade order.

(4) Where the chief executive officer appointed pursuant to paragraph (3) is found to be unable to perform its duties as prescribed by the Presidential Decree, the Minister of Finance and Economy may request for the dismissal of the chief executive officer by clearly indicating the reasons therefor within one month from the date on which the chief executive officer is appointed. In this case, the chief executive officer shall be suspended from duties, and the Exchange shall appoint a new chief executive officer within two months.

(5) Outside directors (referring to a person who is not engaged in full-time work and
who meets all the requirements prescribed by the articles of incorporation; hereafter in this Chapter, the same shall apply) of the Exchange and a member of the audit committee who is a full-time director shall be appointed at the general meeting of shareholders after the recommendation of the nomination committee. In this case, when the total number of stocks with voting rights of the Exchange held by the largest shareholder, its specially-related persons, and other persons prescribed by the Presidential Decree exceeds 3/100 (in cases where the articles of incorporation prescribe a lower portion, the portion) of outstanding stocks with voting rights of the Exchange, such shareholders shall not exercise the excess portion of the voting rights in the appointment and dismissal of the member of the audit committee who is a full-time director.

(6) A person falling under any of the subparagraphs of Article 26 (3) shall not become a member of the audit committee of the Exchange who is a full-time director and the person shall be dismissed from office where the person is found to fall under any of the subparagraphs of Article 26 (3) after being appointed as a member of the audit committee of the Exchange who is a full-time director: Provided, That the person who serves, or has served, as a member of the audit committee of the Exchange who is a full-time director may, notwithstanding Article 26 (3) 2, become a member of the audit committee of the Exchange who is a full-time director.

Article 381 (Board of Directors)

(1) The Exchange shall have the board of directors composed of the persons as prescribed in each subparagraph of Article 380 (1). In this case, a majority of such members shall be outside directors.

(2) For the purpose of the effective performance of business of the board of directors, a subcommittee for each market shall be established in the board of directors pursuant to Article 393-2 of the Commercial Act as a committee which reviews and resolves the matters delegated by the board of directors.

(3) Other necessary matters for the composition and operation of the board of directors and subcommittees shall be prescribed by the articles of incorporation.

Article 382 (Qualification for Officers)

(1) Article 24 shall apply to officers of the Exchange.

(2) Article 25 (5) (excluding subparagraphs 1 and 2) shall apply to outside directors of the Exchange.
Article 383 (Prohibition against Using Information)
(1) Any person who is or has been an employee or officer of the Exchange shall not divulge or utilize any confidential information gained during performing its duties.
(2) Any full-time employee or officer of the Exchange shall not have any special interest prescribed by the Presidential decree with financial investment firms and financial services-related organizations such as financing, distribution of profit and loss, or any other matters on the business.
(3) Article 63 shall apply to employees and officers of the Exchange.

Article 384 (Audit Committee)
(1) The Exchange shall establish the audit committee.
(2) Articles 26 (2) through 26 (6) shall apply to the audit committee.

Article 385 (Director Nomination Committee)
(1) The Exchange shall have a director nomination committee for the proper appointment of a chief executive officer and outside directors.
(2) A chief executive officer shall appoint the persons falling under each of the following subparagraphs as a member of the director nomination committee, and the chairman of the committee shall be elected by mutual voting among members:
   1. Five outside directors;
   2. Two persons recommended by the Association;
   3. One person representing stock-listed corporations on the securities market as prescribed by the Presidential Decree; and
   4. One person representing stock-listed corporations on the KOSDAQ as prescribed by the Presidential Decree.
(3) Necessary matters for the composition and operation of the candidate recommendation committee shall be determined by the articles of incorporation.

Chapter 3 Markets

Article 386 (Establishment of Markets)
(1) Trading markets for financial investment products established by the Exchange shall be as follows:
   1. The securities market;
2. The KOSDAQ; and
3. The derivatives market.

(2) Any person other than the Exchange shall not establish the markets under paragraph (1) or any other similar facility and shall not trade securities or exchange-traded derivatives through any other similar facility.

Article 387 (Members)

(1) The Exchange shall establish the Membership Regulations in order to manage its members (hereinafter referred to as “Membership Regulations”).

(2) Members shall be classified under the following subparagraphs:
   1. Clearing member of the Exchange;
   2. Non-clearing member; and
   3. Other members prescribed by the Presidential Decree.

(3) Membership Regulations should include the matters falling under each of the following subparagraphs:
   1. Matters on the qualifications of members;
   2. Matters on the admission and expulsion of members;
   3. Matters on the rights and obligations of members; and
   4. Others necessary for managing members.

Article 388 (Qualification for Trading on the Market)

(1) Any person who is not a member of the Exchange shall not execute transactions on the securities market and the derivatives market: Provided, That the same shall not apply to cases where the Membership Regulations provide that the person is qualified to trade specific securities.

(2) Any person who is qualified to execute transactions on the securities market pursuant to the proviso of paragraph (1) shall be regarded as a member of the Exchange in the application of subparagraph 8 of Article 377, Articles 387, 389, 394, 395, 396 (2), 397 through 400, 404 and 426 (6).

Article 389 (Conclusion of Transactions)

(1) Where a member is suspended from trading or loses its qualification, the Exchange shall have the member or any other member conclude the transactions initiated by the member concerned on the securities market or the derivatives market. In this case, the member who loses its qualification shall be regarded as qualified
until concluding those transactions.

(2) Where the Exchange has any other member conclude transactions pursuant to paragraph (1), a delegation contract shall be considered to be concluded between the disqualified member and the delegated member.

**Article 390 (Listing Regulations)**

(1) The Exchange shall prescribe the Listing Regulations of securities (hereinafter referred to as “Listing Regulations”) for reviewing the securities to be listed and for managing listed securities. In this case, the Exchange may prescribe Listing Regulations of the securities market and the KOSDAQ separately.

(2) Listing Regulations shall include matters falling under each of the following subparagraphs:

1. Matters on listing standards and listing review of securities;
2. Matters on de-listing and de-listing standards for securities;
3. Matters on suspension of transactions of securities and its revocation; and
4. Others necessary for the management of listed corporations and listed securities.

**Article 391 (Disclosure Regulations)**

(1) The Exchange shall prescribe Disclosure Regulations of stock-listed corporations (hereinafter referred to as “Disclosure Regulations”) to report, disclose and manage the matters related to the corporation that has listed stock certificates, and other securities prescribed by the Presidential Decree (hereafter in this Article and Article 392, referred to as “stock-listed corporation”). In this case, the Exchange may prescribe Listing Regulations of the securities market and the KOSDAQ separately.

(2) Disclosure Regulations shall include the following matters:

1. Matters on which a stock-listed corporation is required to make a report;
2. Matters on the methods and procedures that a stock-listed corporation is required to follow in making a report or disclosure;
3. Matters on the requests made by the Exchange to report or confirm as to whether a rumor and news concerning the listed corporation of stock certificates, etc. is true or not and as to the cause of remarkable changes in the price or trading volumes of securities issued by the listed corporation of stock certificates, etc.;
4. Matters excluded from the disclosure or report taking into account the protection of investors and confidentiality in management of the stock-listed corporation;
5. Matters on the disclosure of details reported by the stock-listed corporation;
6. Matters as to the standards to decide whether a stock-listed corporation has committed a violation or what type of violation has been committed under subparagraphs 1 through 4 as well as the measures taken in response to the violation;
7. Matters on the management of the stock-listed corporation such as the suspension of transactions;
8. Matters on the compliance with supervision over the report obligation of the stock-listed corporation; and
9. Other necessary matters on the report or disclosure by the stock-listed corporation.

**Article 392 (Securing Effectiveness of Disclosure)**

(1) Where any case falling under the following subparagraphs occurs to a stock-listed corporation, a bank shall notify the Exchange thereof without delay:
   1. Where any issued bill or check is defaulted; or
   2. Where any current account transaction with the bank is suspended or prohibited.

(2) The Exchange may request that any administrative agency or any other related agency provide or exchange necessary information under the conditions prescribed by the Presidential Decree where it is deemed necessary to promptly inform investors of the matters that are likely to materially affect investors' decisions with respect to the report obligation pursuant to Article 391 (2) 1 and the report or confirmation obligation pursuant to Article 391 (2) 3. In this case, the agency that receives such request shall cooperate with the Exchange unless there is any special cause.

(3) Where a stock-listed corporation makes a report pursuant to Article 391, the Exchange shall send such report to the Financial Supervisory Commission without delay.

(4) The Financial Supervisory Commission shall, when it receives a report under paragraph (3), make it available to the public through the Internet websites, etc.

**Article 393 (Business Regulations)**

(1) The matters falling under each of the following subparagraphs with respect to transactions on the securities market shall be prescribed by Securities Market Business Regulation of the Exchange. In this case, the Exchange may prescribe Business Regulations for the securities market and the KOSDAQ, separately:
   1. Matters on the type of transactions and the consignment thereof;
   2. Matters on the opening, closing, suspension, or temporary closing of the securities
market;
3. Matters on the methods of conclusion of transaction contracts and settlement thereof: Provided, That delivery of securities and payment shall be excluded;
4. Matters on the regulation of transactions, such as payment of margin; and
5. Matters necessary for transactions.
(2) The matters falling under each of the following subparagraphs in respect of transactions on the derivatives market shall be prescribed by Derivatives Market Business Regulations of the Exchange:
1. Matters on the consignment of transactions of exchange-traded derivatives;
2. Matters on the types and items of transactions of exchange-traded derivatives;
3. Matters on the settlement month of transactions of exchange-traded derivatives;
4. Matters on the opening, closing, suspension, or temporary closing of the derivatives market;
5. Matters on the methods of conclusion of transaction contracts and restrictions thereof;
6. Matters on the good faith deposit and member margin;
7. Matters on the methods of settlement; and
8. Other necessary matters for transactions of exchange-traded derivatives and the consignment thereof.

Article 394 (Joint Compensation Fund for Damages)
(1) A member of the Exchange shall set aside a joint compensation fund (hereinafter, referred to as “joint fund”) in the Exchange in order to compensate for damages incurred from the failure to repay liabilities with respect to transactions on the securities market or the derivatives market: Provided, That the same shall not apply to the members designated by the Exchange as those who are not liable to execute the settlement of transactions on the securities market or the derivatives market.
(2) The Exchange shall set aside separate joint funds under paragraph (1) for the securities market and the derivatives market, respectively.
(3) A member (excluding members under the proviso of paragraph (1)) shall take a joint responsibility for damages incurred from the failure to repay the debt incurred from transactions on the securities market or the derivatives market within the scope of the joint fund under paragraphs (1) and (2).
(4) Amount of the total reserve of the joint fund under paragraph (1), rate of the reserve for each member, method for the reserve, usage and operation thereof,
repayment and others necessary for its management shall be prescribed by the Presidential Decree.

Article 395 (Fidelity Guarantee Money)
(1) A member of the Exchange shall deposit fidelity guarantee money in the Exchange in order to guarantee the repayment of debt which is likely to be incurred as a result of transactions on the securities market or the derivatives market.
(2) The Exchange shall not offset the claims entitled by the repayment or acquisition of debt with the fidelity guarantee money on behalf of members pursuant to Article 398.
(3) Any person who has consigned the transactions of securities or exchange-traded derivatives to a member shall have rights to be paid in preference to other creditors with respect to the claims entitled from the consignment.
(4) Necessary matters on the minimum limit and management, etc. of fidelity guarantee money and the administration thereof shall be prescribed by Membership Regulations of the Exchange.

Article 396 (Good Faith Deposit and Member Margin)
(1) A member of the Exchange shall receive a good faith deposit from an entruster with respect to the consignment of the transactions on the derivatives market under the conditions prescribed by Derivatives Market Business Regulations of the Exchange.
(2) A member of the Exchange shall, when it executes transactions on the securities market or the derivatives market, set aside a member margin in the Exchange as prescribed by Securities Market Business Regulations and Derivatives Market Business Regulations in order to guarantee the repayment of debt to the Exchange.

Article 397 (Appropriation of Member Margin and Fidelity Guarantee Money for Repayment of Debt)
The Exchange may appropriate a member’s exchange margin and guarantee money for the repayment of the debt where the member fails to repay debt to the Exchange or any other member with respect to the transactions on the securities market and the derivatives market.

Article 398 (Repayment by the Exchange)
(1) The Exchange may exercise or acquire claims of its members, or repay or
undertake the debt thereof with respect to transactions on the securities market or the derivatives market on behalf of the members as prescribed by Securities Market Business Regulations and Derivatives Market Business Regulations in order to facilitate the transactions on the securities market or the derivatives market.

(2) Where the repayment or undertaking of debt under paragraph (1) causes damages to the Exchange, the member concerned shall take responsibility for such debt to the Exchange as prescribed by Securities Market Business Regulations and Derivatives Market Business Regulations.

**Article 399 (Liabilities for Damages of the Exchange)**

(1) The Exchange shall be liable for damages incurred from the violation of transaction contracts by any member on the securities market or the derivatives market.

(2) Where the Exchange compensates for damages pursuant to paragraph (1), the compensation fund set aside pursuant to Article 394 shall be appropriated in preference.

(3) Where the Exchange has compensated for damages pursuant to paragraphs (1) and (2), the Exchange shall be entitled to the right to indemnification for the compensated amount and all the expenses incurred therefrom against the member who has violated the transaction contract.

(4) The amount of money collected in accordance with paragraph (3) shall be, in preference, appropriated for such amount as the Exchange has compensated and all the expenses incurred therefrom, and the remainder shall be reserved in the joint fund.

(5) Matters on the exercise of right to indemnification referred to in paragraph (3) shall be prescribed by the Presidential Decree.

**Article 400 (Repayment Order)**

(1) Where a member of the Exchange causes any damage to the Exchange or any other member as a result of the failure to repay debt incurred from transactions on the securities market or the derivatives market, the Exchange or the other member shall have a right to be paid in preference to any other creditor with respect to fidelity guarantee money, member margin, and joint fund.

(2) The Exchange shall have a right to be paid in preference to any other creditor with respect to money, securities, and items paid for the settlement of transactions on the securities market or the derivatives market.
(3) Where money, securities and items are delivered prior to the settlement and a member causes any damage to the Exchange from the failure of the settlement, the Exchange shall have a right to be paid in preference to any other creditor with respect to the property of such member: Provided, That the same shall not apply to the claims secured by Chonsegwon (right of registered lease on deposit basis), right of pledge, or a mortgage which is created prior to the settlement date.

(4) The preferential right of the Exchange under paragraphs (1) through (3) shall override the right to fidelity guarantee money of the entruster under Article 395 (3).

**Article 401 (Publication of Quotations)**

The Exchange shall make public the quotations (excluding the quotations formed in the course of arranging for transactions of listed stock certificates by an electronic securities brokerage; hereafter in this Article, the same shall apply) of securities and exchange-traded derivatives falling under each of the following subparagraphs under the conditions prescribed by the Presidential Decree:

1. Daily trading volume, daily settled price, and the highest, lowest and closing prices of securities;
2. Daily trading volume, daily settled price, and the highest, lowest and closing prices or agreed amount of each item of exchange-traded derivatives; and
3. Other quotations prescribed by the Presidential Decree as necessary for the sound formation of quotations and the protection of investors.

**Chapter 4 Market Supervision and Dispute Resolution**

**Article 402 (Market Supervision Committee)**

(1) The Exchange shall establish the market supervision committee in order to conduct the business falling under each of the following subparagraphs:

1. Market surveillance, investigation of abnormal trading and supervision of members;
2. Cross-market surveillance among the securities market, the KOSDAQ, and the derivatives market;
3. Discipline of members or decision on the requests for disciplinary measures against officers and employees concerned as a result of the investigation of abnormal trading, supervision of members, cross-market surveillance among the securities market, the KOSDAQ, and the derivatives market;
4. Self-resolution of disputes under subparagraph 10 of Article 377;
5. Establishment, amendment and repeal of Market Surveillance Regulations under Article 403 and Dispute Resolution Regulation under 405 (1); and
6. Other business incidental to paragraphs (1) through (5).

(2) The market supervision committee shall be composed of members falling under each of the following subparagraphs:
   1. Chairman of the market supervision committee; (hereafter in this Article, referred to as “chairman of the market supervision committee”);
   2. One person recommended by the Minister of Finance and Economy;
   3. One person recommended by the Chairman of the Financial Supervisory Commission; and
   4. Two persons recommended by the Association.

(3) The term of members of the market supervision committee shall be three years, and the members may be reappointed for another term as prescribed by the articles of incorporation.

(4) The chairman of the market supervision committee shall be appointed at the general meeting of shareholders after the recommendation of the market supervision committee from among the persons who have experience and knowledge of finance and who are unlikely to undermine the sound management of the Exchange and fair trade order.

(5) Where the chairman of the market supervision committee is found to be unable to perform its duties, the Financial Supervisory Commission may request the dismissal of the chairman by specifically indicating the reasons therefor within one month from the date on which the chairman is appointed. In this case, the chairman shall be suspended from performing its duties, and the Exchange shall appoint a new chairman within two months.

(6) Article 24 shall apply to the qualification of members of the market supervision committee.

(7) Any person who serves, or has served, as a member of the market supervision committee shall not use or divulge any secret in connection with its duties.

(8) Where a member of the market supervision committee falls under any of the following subparagraphs, the Financial Supervisory Commission may request that the member be suspended from duties, or be dismissed from office within a period of up to six months:
   1. Where the member divulges or uses any secret in violation of paragraph (7); or
   2. Others prescribed by the Presidential Decree as likely to undermine the protection
of investors and sound trade practice.

(9) Other matters necessary for the composition and operation of the market supervision committee shall be prescribed by the Presidential Decree.

**Article 403 (Market Surveillance Regulations)**

The market supervision committee shall establish Market Surveillance Regulations including the following matters and perform its duties in accordance with those Regulations:

1. Matters on the market surveillance, investigation of abnormal trading, and supervision of members;
2. Matters on cross-market surveillance among the securities market, the KOSDAQ, and the derivatives market;
3. Matters on the discipline of members or decision on the requests for disciplinary measures against officers and employees concerned as a result of the investigation of abnormal trading, supervision of members, and cross-market surveillance on the securities market, the KOSDAQ, and the derivatives market; and
4. Other matters incidental to the matters specified in subparagraphs 1 and 3.

**Article 404 (Investigation of Abnormal Trading or Supervision of Members)**

(1) In a case falling under any of the following subparagraphs, the Exchange may request that a financial investment firm (limited to a broker or dealer who carries on financial investment services for securities or exchange-traded derivatives) submit relevant data after specifying the reasons therefor in writing, and examine business, financial status, books, documents and other materials related to the members:

1. In order to identify trading circumstances of securities or trading items of exchange-traded derivatives in cases where abnormal trading on the securities market (including cases where transaction of listed stock certificates in accordance with Article 78 are arranged) or the derivatives market is suspected; or
2. In order to ensure that members comply with Business Regulations of the Exchange.

(2) The Exchange may, if necessary for the investigation or supervision under paragraph (1), request that a member submit reports, materials related to abnormal trading or violations in Business Regulation, or that related persons attend an make a statement.

(3) Where a member rejects the request for submission of materials or for attendance
and statement, or the member does not cooperate with the supervision pursuant to paragraph (1), the Exchange may suspend membership or restrict transactions of securities and exchange-traded derivatives under the conditions prescribed by Market Surveillance Regulations.

**Article 405 (Self Resolution of Disputes)**

(1) The market surveillance committee shall establish Dispute Resolution Regulations necessary for the self-resolution of disputes under subparagraphs 10 of Article 377.

(2) The market surveillance committee may, if necessary for dispute resolution, request that the parties concerned validate the facts or submit relevant materials.

(3) The market surveillance committee may, if deemed necessary to hear the opinions of the parties and other interested persons, request that they appear and make statements.

**Chapter 5 Regulation on Ownership**

**Article 406 (Restriction on Stockholding)**

(1) No one shall hold stocks in excess of 5/100 of the total number of outstanding stocks with voting rights issued by the Exchange except for cases falling under any of the following subparagraphs:

1. Where a collective investment scheme holds the stocks (excluding cases where a private equity fund holds the stocks);

2. Where the approval from the Financial Supervisory Commission is obtained for the necessity of cooperating with foreign exchanges (referring to the persons who perform the functions equivalent to the Exchange in foreign countries in accordance with foreign Acts and subordinate statutes; hereinafter the same shall apply);

3. Where the Government holds the stocks; or

4. Others prescribed by the Presidential Decree as likely to undermine the fair operation of the Exchange.

(2) Any case falling under the following subparagraphs shall be regarded as stockholding restricted by paragraph (1):

1. To hold rights to exercise voting rights of the stocks in accordance with trust contracts or other contracts or the provisions of relevant Acts or to hold rights to instruct the exercise of voting rights of the stocks;
2. To hold stocks by specially-related persons as prescribed by the Presidential Decree; or
3. Other cases prescribed by the Presidential Decree as equivalent to subparagraphs 1 and 2.

(3) Where the stocks are held in violation of paragraph (1), the excess portion of the voting rights shall not be exercised and the person who holds the stocks in violation of paragraph (1) shall adjust the quantity of stockholding within the limit provided for in paragraph (1) without delay.

(4) The Financial Supervisory Commission may order the person who fails to comply with paragraph (3) to dispose of the excess portion of stocks within a period of up to six months.

Article 407 (Charges for Compelling Compliance)

(1) Where the person who receives an order to dispose of stocks pursuant to Article 406 (4) fails to comply with such order within any given period, the Financial Supervisory Commission shall order the person to dispose of the stocks within a further prescribed period again, and where such order is not complied with within the prescribed period, the Commission shall impose charges for compelling the compliance which do not exceed 5/100 of the acquisition value of the stocks to be disposed of.

(2) The Financial Supervisory Commission shall notify any intent to impose and collect charges for compelling the compliance under paragraph (1) in written form prior to the imposition under paragraph (1).

(3) The Financial Supervisory Commission shall impose the charges for compelling the compliance under paragraph (1) in a written form indicating the information, such as the reasons for imposition, the amount, the payment deadline and the receipt period of those charges, the method of filing an objection thereagainst, and the agencies to receive the objection.

(4) The Financial Supervisory Commission may repeatedly impose and collect charges for compelling the compliance under paragraph (1) up to twice a year starting from the date when the stock disposal is ordered pursuant to Article 406 (4), until the order is complied with.

(5) Where the person who receives an order to dispose of stocks complies with the order, the Financial Supervisory Commission shall suspend the imposition of new charges for compelling the compliance and collect the charges for compelling the compliance that have already been imposed.
(6) Articles 430 (excluding paragraph (2)) through 434 shall apply to the imposition and collection of charges for compelling the compliance.

**Article 408 (Approval of Business Transfer)**
The Exchange shall obtain an approval from the Minister of Finance and Economy when the Exchange intends to carry out a business transfer, merger, split-off, split-and-merger, or comprehensive exchange or transfer of stocks.

**Article 409 (Approval of Listing and De-listing Securities Issued by the Exchange)**
(1) The Exchange shall, when it lists or de-lists securities issued by the Exchange itself, obtain an approval from the Financial Supervisory Commission.
(2) The Exchange shall, when it lists securities pursuant to paragraph (1), conduct any investigation of abnormal trading, surveillance of members, ongoing disclosure and any other management of such listing by itself and report the results thereof to the Financial Supervisory Commission.

*Chapter 6 Supervision*

**Article 410 (Report and Inspection)**
(1) The Financial Supervisory Commission may, if necessary for the protection of investors and sound trade practice, order the Exchange to submit reports or reference related to its business and property, and have the Governor of the Financial Supervisory Service inspect the business, financial status, books, documents, or other materials related to the Exchange.
(2) Any person who conducts an inspection pursuant to paragraph (1) shall present a certificate indicating its authority to related persons.
(3) The Governor of the Financial Supervisory Service shall, when it conducts an inspection pursuant to paragraph (1), report the result to the Financial Supervisory Commission. In this case, when the Exchange is found to violate any provision of this Act, or other orders or disciplinary actions taken under this Act, the Governor shall accompany a written opinion as to how to take actions in response to such violation.
(4) Article 419 (9) shall apply to the inspection of the Exchange.

**Article 411 (Measures against the Exchange)**
(1) The Financial Supervisory Commission may take measures falling under each of the following subparagraphs where the Exchange falls under any of the following subparagraphs of Appendix 14:
1. To suspend all or a part of its business for up to six months;
2. To order transfer of contract;
3. To order correction or suspension of activities in violation;
4. To order the Exchange to publicize or disclose the measures taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree necessary to correct or prevent the activities in violation.

(2) The Financial Supervisory Commission may take measures falling under each of the following subparagraphs where an officer of the Exchange falls under any of the following subparagraphs of Appendix 14:
1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution; or
6. Other measures prescribed by the Presidential Decree necessary to correct or prevent the activities in violation.

(3) The Financial Supervisory Commission may request that the Exchange take any measures falling under any of the following subparagraphs, where any employee of the Exchange falls under any of the subparagraphs of Appendix 14:
1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other measures prescribed by the Presidential Decree necessary to correct or prevent the activities in violation.

(4) Articles 422 (3), 423 (excluding subparagraph 1), 424 (excluding paragraph (2)) and 425 shall apply to the measures, etc. against the Exchange, and its officers and
Article 412 (Approval of Regulations of the Exchange)
(2) The Financial Supervisory Commission shall, when it grants an approval under paragraph (1), consult with the Minister of Finance and Economy in advance.

Article 413 (Disposition in Emergency)
Where the Minister of Finance and Economy finds that the transactions of securities cannot be normally made because of natural disaster, warfare, disturbance, sudden and significant change in economic conditions or other incidents similar thereto, the Minister may order the alteration of opening hours of the Exchange, suspension of transactions or temporary closing of the securities market, or take other necessary measures.

Article 414 (Market Efficiency Committee)
(1) The Ministry of Finance and Economy shall establish a market efficiency committee in order to review matters on the reduction of transaction costs on the securities market, the KOSDAQ, and the derivatives market.
(2) Where any organization established by this Act or any other organization prescribed by the Presidential Decree intends to change its commissions or invest more than the amount prescribed by the Presidential Decree in data-processing facility, the organization shall proceed through the deliberation of the market efficiency committee.
(3) Necessary matters on the composition and operation of the market efficiency committee shall be prescribed by the Presidential Decree.
Article 415 (Supervision)
The Financial Supervisory Commission shall supervise a financial investment firm to ensure that it appropriately complies with this Act or other orders or disciplinary actions taken under this Act in order to protect investors and maintain sound trade order.

Article 416 (The Financial Supervisory Commission's Authority to Issue Orders)
The Financial Supervisory Commission may order a financial investment firm to take necessary measures with respect to matters falling under each of the following subparagraphs for the purpose of protecting investors and maintaining the sound trade practice:
1. Matters on the management of proprietary property of the financial investment firm;
2. Matters on the custody and management of investors' properties;
3. Matters on the operation of financial investment firms and improvement of their businesses;
4. Matters on various disclosures;
5. Matters on the maintenance of business order;
6. Matters on the business methods;
7. Matters on the restriction on trading volume of exchange-traded derivatives or over-the-counter derivatives; and
8. Others prescribed by the Presidential Decree as necessary for the protection of investors and sound trade practice.

Article 417 (Approval)
(1) A financial investment firm shall obtain an approval from the Financial Supervisory Commission when it intends to conduct any activity (limited to subparagraphs 4 through 7 in the case of an integrated financial investment firm) falling under each of the following subparagraphs:
1. Merger, split-off, or split and merger;
2. Comprehensive exchange or transfer of stocks;
3. Dissolution;
4. Transfer or acquisition by merger of all the financial investment services (including cases equivalent to such business) falling under any of Articles 6 (1) 1 through 6 (1) 3 and 6 (1) 6;
5. Transfer or acquisition by merger of all the financial investment services (including cases equivalent to such business) falling under any of Article 6 (1) 4 and 6 (1) 5;
6. Discontinuation of all the financial investment services (including cases equivalent to such business) falling under any of Article 6 (1) 1 through 6 (1) 3 and 6 (1) 6;
7. Discontinuation of all the financial investment services (including cases equivalent to such business) falling under any of Article 6 (1) 4 and 6 (1) 5; or
8. Other activities prescribed by the Presidential Decree as necessary for the protection of investors or creditors.
(2) The Financial Supervisory Commission shall, when it grants an approval under paragraph (1), publicize the details thereof through the Official Gazette and the Internet website, etc.
(3) Matters on the standards and methods for the approval under paragraph (1) and other matters necessary for dealing with the approval shall be prescribed by the Presidential Decree.

Article 418 (Reporting Items)
In a case falling under any of the following subparagraphs, a financial investment firm (in the case of an integrated financial investment firm, limited to subparagraphs 6 through 9) shall report thereon to the Financial Supervisory Commission under the conditions prescribed by the Presidential Decree:
1. Where the trade name is changed;
2. Where any material matter prescribed by the Presidential Decree in the articles of incorporation is changed;
3. Where any officer is appointed or dismissed (including resignation);
4. Where the largest shareholder is changed;
5. Where the portion of stocks held by a major shareholder or its specially-related persons is changed in excess of 1/100 of the total number of outstanding stocks with voting rights;
6. Where part of the financial investment services falling under any of Articles 6 (1) 1 through 6 (1) 3 and 6 (1) 6 is transferred or acquired;
7. Where part of the financial investment services falling under any of Articles 6 (1) 4 and 6 (1) 5 is transferred or acquired;
8. Where part of the financial investment services falling under any of Articles 6 (1)
1 through 6 (1) 3 and 6 (1) 6 is discontinued;
9. Where part of the financial investment services falling under any of Articles 6 (1) 4 and 6 (1) 5 is discontinued;
10. Where any branch or business office is newly established or closed;
11. Where the location of the head office is changed;
12. Where the business of the head office, branch, or any other business office is suspended or resumed; or
13. Others prescribed by the Presidential Decree as necessary for the protection of investors and sound trade practice.

Chapter 2 Inspection and Measure

Article 419 (Inspection of Financial Investment Firms)
(1) A financial investment firm shall be subject to inspection by the Governor of the Financial Supervisory Service with respect to its business and financial status.
(2) The Bank of Korea may request that a financial investment firm conducting business falling under subparagraph 3 or 4 of Article 40 submit materials when the Monetary Policy Committee recognizes that the submission is necessary for the smooth implementation of monetary credit policies and the operation of payment and settlement system in connection with the business referred to in subparagraph 3 or 4 of Article 40. In this case, the requested materials shall be limited to the minimum scope taking into account workload on the financial investment firm.
(3) When the Monetary Policy Committee recognizes that an inspection is necessary for the implementation of monetary credit policies, the Bank of Korea may request that the Financial Supervisory Service perform an inspection or a joint inspection on the business referred to in subparagraph 3 or 4 of Article 40.
(4) Articles 87 and 88 of the Bank of Korea Act and Article 62 of the Act on the Establishment, etc., of Financial Supervisory Organizations shall apply to methods and procedures of the request referred to in paragraphs (2) and (3).
(5) The Governor of the Financial Supervisory Service may, when it deems necessary for an inspection under paragraph (1), request that a financial investment firm submit the reports and data on its business or properties, the attendance of witness, and the testimony and statement of its opinion.
(6) Any person who conducts an inspection pursuant to paragraph (1) shall present a certificate indicating its authority to related persons.
(7) The Governor of the Financial Supervisory Service shall, when it conducts an inspection under paragraph (1), file a report thereon with the Financial Supervisory Commission. In this case, when a financial investment firm is found to violate any provision of this Act, other orders or disciplinary actions taken under this Act, the Governor shall accompany a written opinion as to how to take actions in response to such violation.

(8) The Governor of the Financial Supervisory Service may, if necessary, delegate a part of the inspection authority under paragraph (1) to the Exchange or the Association under the conditions prescribed by the Presidential Decree.

(9) The Governor of the Financial Supervisory Service may determine and publicize the methods and procedures of inspection, the standard for measures against the results of inspection, and other necessary matters related to inspection.

Article 420 (Measures against Financial Investment Firms)

(1) The Financial Supervisory Commission may revoke an authorization of financial investment services under Article 12 or a registration of financial investment services under Article 18 where a financial investment firm falls under any of the following subparagraphs:

1. Where the authorization or registration of financial investment services is obtained through false or other fraudulent methods;
2. Where any authorization requirement is violated;
3. Where any obligation to maintain the authorization requirements under Article 15 or the registration requirements under Article 20 is violated;
4. Where any business is carried out during a suspension period;
5. Where any correction or suspension order issued by the Financial Supervisory Commission is not complied with;
6. Any case falling under the subparagraphs of Appendix 1 as prescribed by the Presidential Decree;
7. Any case prescribed by the Presidential Decree where any finance-related Acts and subordinate statutes, etc. designated by the Presidential Decree are violated; or
8. Others prescribed by the Presidential Decree as likely to undermine the interests of investors or make it difficult to maintain the financial investment services.

(2) A financial investment firm (excluding an integrated financial investment firm) shall be dissolved where both authorization and registration of financial investment services with respect to its business are revoked pursuant to paragraph (1).
The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where a financial investment firm falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 1:

1. To suspend all or a part of the business for up to six months;
2. To order the transfer of trust contract or other contracts;
3. To order correction or suspension of activities in violation;
4. To order the financial investment firm to publicize or post measures that have been taken due to the activities in violation;
5. Institutional warning;
6. Institutional caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.

Article 421 (Special Cases for Authorization or Registration of Branches of Foreign Financial Investment Firms)

(1) The Financial Supervisory Commission may, when a foreign financial investment firm falls under any of the following subparagraphs, revoke an authorization of financial investment services under Article 12 or a registration of financial investment services under Article 18 with respect to a branch or any other business office of the foreign financial investment firm:

1. Dissolution;
2. Bankruptcy;
3. Termination as a result of the merger or transfer of business;
4. Discontinuation of the business equivalent to financial investment services provided by local branches or other business offices, or revocation of the authorization or registration;
5. Suspension or closing of the business equivalent to financial investment services provided by local branches or other business offices of the foreign financial investment firm; or
6. Any violation of foreign Acts or subordinate statutes (limited to cases where such violation causes any difficulty to local branches or other business offices in conducting business).

(2) In a case falling under any of the subparagraphs of paragraph (1), any branch or any other business office of a foreign financial investment firm shall report thereon to
the Financial Supervisory Commission without delay.

(3) Where both authorization and registration of financial investment services related to the business concerned are revoked pursuant to paragraph (1), any branch or any other business office of such foreign financial investment firm shall be liquidated without delay.

(4) Paragraphs (1) and (2) shall apply to the revocation of registration of an offshore discretionary investment advisory company or offshore non-discretionary investment advisory company. In this case, under paragraph (1) other than each subparagraph of that paragraph, “a foreign financial investment firm” shall be deemed “an offshore discretionary investment advisory company or offshore non-discretionary investment advisory company,” “branches or other business offices of a foreign financial investment firm” shall be deemed “an offshore discretionary investment advisory company or offshore non-discretionary investment advisory company,” “financial investment services provided by local branches or other business offices of the foreign financial investment firm” under subparagraphs 4 and 5 of paragraph (1) shall be deemed “a discretionary investment advisory company or non-discretionary investment advisory company,” “local branches or other business offices in conducting business” under subparagraph 6 of paragraph (1) shall be deemed “offshore discretionary investment advisory company or non-discretionary investment advisory company,” and “branches or other business offices of the foreign financial investment firm” under paragraph (2) shall be deemed “an offshore discretionary investment advisory company or non-discretionary investment advisory company.”

**Article 422 (Measures against Officers and Employees)**

(1) The Financial Supervisory Commission may take measures falling under any of the following subparagraphs where any officer of a financial investment firm falls under any of the subparagraphs of Article 420 (1) or under any of the subparagraphs of Appendix 1:

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation.
(2) The Financial Supervisory Commission may request that a financial investment firm take measures falling under any of the following subparagraphs where any employee of the financial investment firm falls under any of the subparagraphs of Article 420 (1) (excluding subparagraph 6) or under any of the subparagraphs of Appendix 1:
1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution; or
7. Other measures prescribed by the Presidential Decree as necessary to correct or prevent the activities in violation;

(3) Where the Financial Supervisory Commission takes or requests a measure against officers and employees of a financial investment firm in accordance with paragraph (1) or (2), the Commission may take or request measures against the officers and employees who are responsible for the management and supervision of officers and employees: Provided, That the measures may be eased where the person takes reasonable care to manage and supervise officers and employees.

**Article 423 (Hearing)**
The Financial Supervisory Commission shall hold a hearing when it intends to take disciplinary action or measures falling under any of the following subparagraphs:
1. Revocation of authorization or registration of financial investment services pursuant to Article 420 (1) or 421 (1) (including cases which are applied to Article 421 (4)); or
2. Request for dismissal or suspension from office of an officer or employee of the financial investment firm pursuant to Article 422.

**Article 424 (Documentation and Disclosure of Disciplinary Action)**
(1) The Financial Supervisory Commission shall, when it takes any disciplinary action or measures pursuant to Articles 420 through 422, keep and maintain a record of the contents.
(2) The Financial Supervisory Commission shall, when it takes measures pursuant to Article 420 (1), 420 (3), or 421 (1) (including cases which are applied to Article 421
(4)), make it available to the public through the Official Gazette and the Internet Website, etc.

(3) Where it is deemed likely that retired officers and employees of a financial investment firm are subject to the measures under Articles 422 (1) 1 and 422 (2) 1 if they are in office, the Financial Supervisory Commission may have the Governor of the Financial Supervisory Service notify the financial investment firm of the details of the measures. In this case, the financial investment firm that receives the notification shall inform the retired officers or employees thereof.

(4) Paragraph (1) shall apply to cases where a financial investment firm takes measures against its officers and employees upon the request of the Financial Supervisory Commission and where the financial investment firm receives the notification pursuant to paragraph (3).

(5) A financial investment firm or its officers and employees (including former officers and employees) may request a reference from the Financial Supervisory Commission about whether any disciplinary action or measures under Articles 420 through 422 has been taken and, if any, the details thereof.

(6) The Financial Supervisory Commission shall, when it receives the request under paragraph (5), notify the inquirer of the disciplinary action or measure and the details thereof unless there is any justifiable cause not to do so.

**Article 425 (Formal Objection)**

(1) Any person who is dissatisfied with disciplinary action or measures taken pursuant to Articles 420 (1), 420 (3), 421 (1), 421 (4), 422 (1) 2 through 422 (1) 6 and 422 (3) (limited to disciplinary action falling under any of Articles 420 (1) 2 through 420 (1) 6) may raise an objection to the Financial Supervisory Commission presenting the reasons therefor within 30 days from the date of receipt of notice.

(2) The Financial Supervisory Commission shall make a decision on the objection under paragraph (1) within 60 days: Provided, That the Financial Supervisory Commission may extend the period by up to 30 days where it cannot make a decision within such period for any compelling cause.

**Chapter 3 Investigation**

**Article 426 (Report and Investigation)**

(1) The Financial Supervisory Commission (referring to the Securities and Futures
Commission in cases of violations against Articles 172 through 174, 176, 178, and 180; hereafter in this Article, the same shall apply) may order a related person to submit reference or data, or have the Governor of the Financial Supervisory Service investigate books, documents, and other materials where this Act or any order or disciplinary action taken under this Act is violated or where it is deemed necessary for the protection of investors and sound trade practice.

(2) The Financial Supervisory Commission may ask a related person for the matters falling under each of the following subparagraphs in order to conduct the investigation under paragraph (1):

1. Submission of a statement on the fact and circumstances for the matters to be investigated;
2. Attendance for testimony with respect to the matters to be investigated; and
3. Submission of books, documents, and other materials for the investigation.

(3) The Financial Supervisory Commission may, when it conducts an investigation under paragraph (1), take measures falling under each of the following subparagraphs where it is deemed necessary for investigating violations against Articles 172 through 174, 176, 178, and 180:

1. Provisional holding of books, documents or other materials submitted pursuant to subparagraph 3 of paragraph (2); and
2. Actual investigation of business, books, documents or other materials at the office or workplace of the related person.

(4) The Financial Supervisory Commission may, if necessary for an investigation under paragraph (1), request that a financial investment firm, financial services-related organization, or the Exchange submit necessary data for the investigation under the conditions prescribed by the Presidential Decree.

(5) In a case falling under any of the subparagraphs of Appendix 15 as a result of the investigation under paragraph (1), the Financial Supervisory Commission may order the financial investment firm, financial services related organization, or the Exchange to correct or take other measures prescribed by the Presidential Decree, and establish and disclose necessary procedures and standards for investigation and measures or other necessary matters.

(6) Where the Exchange finds any suspected violation against this Act, or orders or disciplinary actions taken under this Act as a result of the investigation of abnormal trading and supervision of members, the Exchange shall report the findings to the Financial Supervisory Commission.
(7) Any person who conducts an investigation pursuant to subparagraph 2 of paragraph (3) shall present a certificate indicating its authority to related persons.

(8) The Financial Supervisory Commission may publicize the result of investigating related persons and its disposition and other information and data necessary for preventing violations committed by the related person under the conditions prescribed by the Presidential Decree.

Article 427 (Seizure and Search to Investigate Unfair Trade)

(1) Where it is deemed necessary to investigate any violation of Articles 172 through 174, 176, 178 and 180 (hereafter in this Article, referred to as “violation”), the Securities and Futures Commission may order a public official of the Financial Supervisory Commission designated by the Presidential Decree (hereinafter referred to as “investigating officer”) to interrogate a person suspected of the violation, seize necessary materials, or search a workplace, etc.

(2) An investigating officer shall, when it conducts a search or seizure to investigate any violation, carry a warrant for search or seizure issued by a judge upon the request of a public prosecutor.

(3) An investigating officer shall, when it conducts an interrogation, search, or seizure pursuant to paragraph (1), present a certificate indicating its authority to related persons.

(4) The provisions of the Criminal Procedure Act concerning search and seizure, execution of a warrant for search or seizure, return of seized articles, etc. shall apply to the search and seizure and the warrant for search or seizure as prescribed by this Act.

(5) An investigating officer shall prepare a report when it has conducted a provisional holding, interrogation, seizure, or search and bear the signatures or stamps together with an official watchman or an interrogated person after such person confirms the report. Where the official watchman or interrogated person fails to, or is unable to, bear any signature or stamp, the reasons therefor shall be added.

(6) An investigating officer shall, when it has completed the investigation of a violation, report the results thereof to the Securities and Futures Commission.

Chapter 4 Penalties

Article 428 (Penalty against Financial Investment Firms)
(1) The Financial Supervisory commission may impose penalties on a financial investment firm up to 20/100 of the amount in violation (in cases of Article 34 (1) 1, the acquired amount; in cases of Article 34 (1) 2, the acquired amount in excess of the permitted ratio; in cases of Article 34 (2), the amount of extending credit) where the financial investment firm violates Article 34 (1) 1, 34 (1) 2 or 34 (2).

(2) The Financial Supervisory Commission may impose penalties on a financial investment firm within the amount of its revenue during a suspension period in lieu of imposing a suspension of business in accordance with Article 420 (3).

**Article 429 (Penalty against Violation of Disclosure)**

(1) The Financial Supervisory Commission may impose penalties on a person falling under any subparagraph of Article 125 up to 3/100 of the subscription value or sales value on a registration statement of securities (up to two billion won where the price exceeds two billion won) where the person falls under any of the following subparagraphs:

1. Where any registration statement, prospectus, or other documents to be submitted under Article 119, 122, or 123 contains any misstatement or omission of material matters; or
2. Where any registration statement, prospectus, or other documents to be submitted under Article 119, 122 or 123 is not submitted.

(2) The Financial Supervisory Commission may impose penalties on a person falling under any subparagraph of Article 142 (1) up to 3/100 of the total estimated amount for a tender offer stated in a tender offer statement (up to two billion won where the price exceeds two billion won) where the person falls under any of the following subparagraphs. In this case, the total estimated amount for the tender offer shall be calculated by multiplying the tender offer price per stock by the number of stocks:

1. Where any tender offer statement, prospectus, other documents to be submitted or any publication under Article 134, 136 or 137 contains any misstatement or omission of material matters; or
2. Where any registration statement, prospectus, or other document to be submitted under Article 134,136 or 137 is not submitted or any publication is not made.

(3) Where a reporting corporation falls under any of the following subparagraphs pursuant to Article 159 (1), 160 or 161 (1), the Financial Supervisory Commission may impose penalties on the reporting corporation up to 10/100 of the average daily trading volume (up to two billion won where the amount exceeds two billion won or
where the stocks issued by the corporation are not traded on the securities market) of the stocks issued by the corporation, which is calculated in the immediately preceding year:

1. Where annual reports, etc. under Article 159 (1), 160, or 161 (1) contain any misstatement or omission of material matters; or
2. Where annual reports, etc. under Article 159 (1), 160 or 161 (1) are not submitted.

(4) The penalties referred to in paragraphs (1) through (3) shall not be imposed where three years has passed from the date of each violation.

Article 430 (Imposition of Penalties)
(1) The penalties under Articles 428 and 429 shall be imposed on the person who violates the respective corresponding provisions by intention or by recklessness.
(2) The Financial Supervisory Commission shall, when it imposes penalties under Articles 428 and 429, take into account the matters falling under each of the following subparagraphs under the conditions prescribed by the Presidential Decree:
   1. Contents and severity of the violations;
   2. Duration and frequency of the violations; and
   3. Amount of profits acquired from the violations.
(3) Where a corporation that violates this Act merges, the Financial Supervisory Commission may regard the violation committed by the previous corporation as a violation committed by the corporation which continues to exist or is newly established after the merger, and impose penalties on such existing or newly established corporation.
(4) Necessary matters on the imposition of penalties shall be prescribed by the Presidential Decree.

Article 431 (Presentation of Opinion)
(1) The Financial Supervisory Commission shall give the party concerned or interested person an opportunity to present its opinions prior to the imposition of penalties.
(2) The party concerned or interested person under paragraph (1) may attend a meeting of the Financial Supervisory Commission, and state its opinions or submit necessary materials.
Article 432 (Formal Objection)

(1) Any person who is dissatisfied with the imposition of penalties under Articles 428 and 429 may raise an objection to the Financial Supervisory Commission presenting the reasons therefor within 30 days from the date on which the notice of the imposition is received.

(2) The Financial Supervisory Commission shall make a decision on the objection under paragraph (1) within 60 days: Provided, That the Financial Supervisory Commission may extend the period by up to 30 days where it cannot make a decision within such period for any compelling cause.

Article 433 (Extension of Time Limit for Penalties Payment and Installment Payment of Penalties)

(1) Where any person who is subject to penalties (hereinafter referred to as “person liable for the payment of penalties”) has difficulties paying penalties in full in a lump sum for a cause falling under any of the following subparagraphs, the Financial Supervisory Commission may extend the time limit for payment or permit the person to pay penalties in installments. In this case, the Commission may, if necessary, have the person offer collateral:

1. Where the person suffers a serious loss of property due to disaster or theft, etc.;
2. Where its business is in a serious crisis due to worsening business conditions;
3. Where the serious financial difficulty is expected due to payment of penalties in a lump sum; or
4. Other causes equivalent to those referred to in subparagraphs 1 through 3.

(2) Where a person liable for the payment of penalties intends to have the time limit for payment extended or to pay them in installments, the person shall apply for such extension or installments to the Financial Supervisory Commission not later than ten days prior to the expiration of the time limit for payment.

(3) Where a person liable for the payment of penalties falls under any of the following subparagraphs after the extension of time limit or the installment payment is permitted pursuant to paragraph (1), the Financial Supervisory Commission may cancel its decision on the extension of the time limit for payment or the installment payment and collect the penalties in a lump sum:

1. Where the person fails to pay penalties in installments within the time limit for payment;
2. Where the person fails to comply with an order issued by the Financial
Supervisory Commission, which is necessary for changing collateral or otherwise supplementing collateral;

3. Where the Financial Supervisory Commission considers that the Commission cannot collect all or the residual of penalties due to compulsory execution, opening of auction, declaration of bankruptcy, dissolution of the corporation, disposition on default of national or local taxes, etc.; or

4. Where there exists any other cause equivalent to those referred to in subparagraphs 1 through 3.

(4) Matters necessary for the extension of the time limit for payment of penalties, payment in installments, or collateral under paragraphs (1) through (3) shall be prescribed by the Presidential Decree.

Article 434 (Collection of Penalties and Disposition on Default)
(1) Where a person liable for penalties fails to pay such penalties within the time limit for the payment, the Financial Supervisory Commission may collect additional dues as determined by the Presidential Decree for the period from the date following the expiration date of the time limit to the date preceding the date of payment.

(2) Where a person liable for penalties fails to pay such penalties, the Financial Supervisory Commission may urge the person to pay the penalties by specifying a period, and where the person fails to pay the penalties and additional dues under paragraph (1) within the specified period, the Financial Supervisory Commission may collect them in accordance with the example of the disposition of national taxes in arrears.

(3) The Financial Supervisory Commission may delegate the Commissioner of the National Tax Administration with the duties of the collection or disposition on default of penalties and additional dues under paragraphs (1) and (2).

(4) Necessary matters on the collection of penalties other than paragraphs (1) through (3) shall be prescribed by the Presidential Decree.

Part 9 Supplementary Provisions

Article 435 (Report on Activities in Violation and Protection of a Whistle Blower)
(1) Any person who has known any unfair trade activity referred to in Part 4 or any other violation of this Act, or has been coerced or solicited to commit such violation may report such fact to the Securities and Futures Commission or tip off the
Commission about it (referring to the Securities and Futures Commission where Article 172 through 174, 176, 178 or 180 is violated; hereafter in this Article, the same shall apply).

(2) The Financial Supervisory Commission shall, when it receives the report or tip pursuant to paragraph (1), inspect and deal with such report or tip, and notify the result in writing to the person (hereafter in this Article referred to as “whistle blower, etc.”) who has reported the fact or tipped off the Commission about it.

(3) A whistle blower, etc. may request that the Financial Supervisory Commission send the information about the process of its report or tip. In this case, the Financial Supervisory Commission shall respond to the whistle blower, etc. without delay.

(4) The Financial Supervisory Commission shall, when it receives the report or tip pursuant to paragraph (1), keep confidentiality about the identity, etc. of the whistle blower, etc.

(5) Any organization, group or company in which the whistle blower, etc. is engaged shall not disadvantageously treat the whistle blower, etc. in a direct or indirect manner in connection with the report or tip.

(6) A whistle blower, etc. shall not be protected by this Act where the whistle blower, etc. has reported even though it has known or could have known that the report was false.

(7) The Financial Supervisory Commission may pay bounties to the whistle blower, etc.

(8) Other necessary matters for the method and the handling process of a report, the protection of whistle blower, etc. and the payment of bounties shall be prescribed by the Presidential Decree.

**Article 436 (Report by Electronic Document)**

(1) A registration statement, report, any other document or data, etc. may be submitted in the form of electronic documents to the Financial Supervisory Commission, the Securities and Futures Commission, the Governor of the Financial Supervisory Service, the Exchange, the Association or the Depository in accordance with this Act.

(2) The methods and procedures, or other necessary matters on the report, etc. by electronic documents under paragraph (1) shall be prescribed by the Presidential Decree.
Article 437 (Exchange of Information with Foreign Financial Supervisory Agencies)

(1) The Financial Supervisory Commission may exchange information with a foreign supervisory agency of financial investment services (hereafter in this Article, referred to as “foreign financial supervisory agency”).

(2) The Financial Supervisory Commission shall, when it intends to exchange information under paragraph (1), consult with the Minister of Finance and Economy in advance: Provided, That the same shall not apply to cases where the Commission exchanges information that has been disclosed to the public and other cases prescribed by the Presidential Decree.

(3) Where a foreign financial supervisory agency requests for an investigation or inspection in accordance with this Act after specifying the objective and scope, etc., the Financial Supervisory Commission (referring to the Securities and Futures Commission where Articles 172 through 174, 176, 178, and 180 are violated; hereafter in this Article, the same shall apply) may cooperate with the foreign financial supervisory agency. In this case, the Financial Supervisory Commission may furnish the data on such investigation or inspection to the foreign financial supervisory agency or be furnished with such data from the foreign financial supervisory agency based on the principle of reciprocity.

(4) The Financial Supervisory Commission may furnish data on an investigation or inspection to foreign financial supervisory agencies pursuant to the latter part of paragraph (3), only in cases where all the requirements falling under each of the following subparagraphs are satisfied;

1. The data on an investigation or inspection furnished to the foreign financial supervisory agency is required to be used only for the purpose of furnishing;
2. Confidentiality is required with respect to the data on an investigation or inspection and the fact of furnishing such data; and
3. The data on an investigation or inspection furnished to the foreign financial supervisory agency shall not be used for the investigation or trial of a criminal case in a foreign country without prior consent from the Financial Supervisory Commission.

(5) The Exchange may exchange information with foreign Exchanges. In this case, paragraphs 2 and 3 shall apply, and the “Financial Supervisory Commission” referred to in paragraphs (2) and (3) shall be deemed the “Exchange” respectively, the “Minister of Finance and Economy” shall be deemed the “Financial Supervisory Commission,” “foreign financial supervisory agency” in paragraph (3) shall be deemed
“foreign Exchanges,” respectively, and “investigation or inspection” shall be deemed “deliberation or supervision.”

**Article 438 (Delegation or Entrustment of Authority)**

(1) The Minister of Finance and Economy may entrust part of its authority under this Act to the Financial Supervisory Commission under the conditions prescribed by the Presidential Decree.

(2) The Financial Supervisory Commission may delegate part of its authority under this Act to the Securities and Futures Commission under the conditions prescribed by the Presidential Decree.

(3) The Minister of Finance and Economy or the Financial Supervisory Commission may entrust part of its authority under this Act to the Exchange or the Association under the conditions prescribed by the Presidential Decree.

(4) The Financial Supervisory Commission or the Securities and Futures Commission may entrust part of its authority under this Act to the Governor of the Financial Supervisory Service under the conditions prescribed by the Presidential Decree.

**Article 439 (Deliberation by the Securities and Futures Commission)**

The Financial Supervisory Commission shall proceed through a deliberation of the Securities and Futures Commission in advance in a case falling under any of the following subparagraphs:

1. Where the Commission provides for the matters falling under any of the following items:
   (a) Procedures and standards of investigation or measures under Article 131 (1), 132, the former part of Article 146 (1), Article 146 (2), the former part of Article 151 (1), Article 151 (2), the former part of Article 158 (1), Article 158 (2), the former part of Article 164 (1) and Article 164 (2); and
   (b) Procedures and standards of investigation and measures taken by the Financial Supervisory Commission under Article 426 (5).

2. Where the Commission takes measures or issues orders falling under any of the following:
   (a) Measures under Articles 132, 146 (2), 151 (2), 158 (2) and 164 (2);
   (b) Approval of the limit on the rate of ownership under Article 167 (2);
   (c) Orders under Article 416;
   (d) Measures according to the results of investigation under Article 426 (5);
(e) Disposition to impose penalties under Articles 428 and 429; and
(f) Disposition to impose fines for negligence under Article 449 (3).

3. Other matters determined and publicized by the Financial Supervisory Commission as necessary for deliberation by the Securities and Futures Commission.

**Article 440 (Instruction and Supervision over the Governor of the Financial Supervisory Service)**

(1) The Financial Supervisory Commission or the Securities and Futures Commission may, when it deems it necessary to exercise its power in accordance with this Act, supervise, or give instructions to, the Governor of the Financial Supervisory Service, and take other necessary measures for supervision, including changes in the methods of performing duties.

(2) The Financial Supervisory Service shall conduct the business falling under each of the following subparagraphs under the instruction and supervision of the Financial Supervisory Commission or the Securities and Futures Commission in accordance with this Act:

1. Matters on the registration statement of securities;
2. Matters on the tender offer of securities;
3. Matters on the inspection of the organizations that are subject to the inspection by the Governor of the Financial Supervisory Service in accordance with this Act;
4. Matters on the management of listed corporations;
5. Matters on the reports of analysis and details of business of listed corporations;
6. Matters on the supervision of transactions of securities or over-the-counter derivatives outside the securities market and the derivatives market;
7. Business delegated from the Government;
8. Other business granted by this Act; and

**Article 441 (Restriction on Transaction of Financial Investment Products)**

Articles 63 and 383 (1) shall apply to a person falling under each of the following subparagraphs:

1. Commissioner or public officials of the Financial Supervisory Commission;
2. Commissioner of the Securities and Futures Commission; or
3. Governor, deputy governor, assistant governor, auditor, and employees of the Financial Supervisory Service.
Article 442 (Contributions)
(1) Any issuer (where the securities are beneficiary certificates of an investment trust, referring to the investment trust; where such securities are equity securities of an investment undisclosed association, referring to the investment undisclosed association) who submits registration statements of securities to the Financial Supervisory Commission shall take partial responsibility for the operating expenses of the Financial Supervisory Service.
(2) The amount and limit of the contributions under paragraph (1), and other matters necessary for the payment of the contributions shall be prescribed by the Presidential Decree.

Part 10 Penal Provisions

Article 443 (Penal Provisions)
(1) Any person who falls under the following subparagraphs shall be punished by imprisonment for not more than ten years or by a fine not exceeding five hundred million won: Provided, That where the amount equivalent to three times of the profits gained or losses evaded by the offense exceeds five hundred million won, the person shall be punished by a fine of the amount equivalent to or less than three times of such profits gained or losses evaded:
1. Any person who uses, or has another person use, undisclosed material information with respect to the business, etc. of a listed corporation for the purpose of the purchase, sale or other transactions of specific securities, etc. in violation of Article 174 (1);
2. Any person who uses, or has another person use, undisclosed information of performing or suspending a tender offer of stocks, etc. for the purpose of the purchase, sale or other transactions of specific securities, etc. related to the stocks, etc. in violation of Article 174 (2);
3. Any person who uses, or has another person use, undisclosed information of performing or suspending a substantial acquisition and disposal of stocks, etc. for the purpose of the purchase, sale or other transactions of specific securities, etc. related to the stocks, etc. in violation of Article 174 (3);
4. Any person who conducts any activity falling under the subparagraphs of Article 176 (1) for the purpose of creating a misleading appearance of active trading or
causing any person to make a false judgment with respect to the transactions of listed securities or exchange-traded derivatives in violation of Article 176 (1);

5. Any person who conducts any activity falling under the subparagraphs of Article 176 (2) for the purpose of inducing the transactions of listed securities or exchange-traded derivatives in violation of Article 176 (2);

6. Any person who effects, entrusts, or is entrusted with a series of transactions with respect to the securities or exchange-traded derivatives for the purpose of fixing or stabilizing the price thereof in violation of Article 176 (3);

7. Any person who conducts any activity falling under the subparagraphs of Article 176 (4) with respect to the transactions of listed securities or exchange-traded derivatives;

8. Any person who conducts any activity falling under the subparagraphs of Article 178 (1) with respect to the purchase, sale or other transactions (in the case of securities, including a private or public offering of new and outstanding securities) of financial investment products; or

9. Any person who disseminates rumors, uses deceptive schemes, or assaults or intimidates others for the purpose of making the purchase, sale, or other transactions (in the case of securities, including a private or public offering of new and outstanding securities) of financial investment products or manipulating a market price thereof in violation of Article 178 (2).

(2) Where the amount of the profits gained or losses evaded by any offense referred to in each subparagraph of paragraph (1) is not less than five hundred million won, aggravated punishment shall be imposed under the classification falling under the following subparagraphs:

1. Where the amount of the profits gained or losses evaded is not less than five billion won, the punishment of imprisonment for life or for not less than five years shall be imposed; and

2. Where the amount of the profits gained or losses evaded is not less than five hundred million won but less than five billion won, the punishment of imprisonment for a limited term of not less than three years shall be imposed.

(3) Where the punishment of imprisonment is imposed pursuant to paragraph (1) or (2), the suspension of qualifications for not more than ten years may be imposed concurrently.

Article 444 (Penal Provisions)
Any person falling under 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. Any person who provides financial investment services (excluding discretionary investment advisory service and non-discretionary investment advisory service) without authorization of financial investment services (including authorization of changes) in violation of Article 11;

2. Any person who obtains an authorization (including an authorization of changes) of financial investment services under Article 12 through false or other fraudulent methods;

3. Any person who conducts any activity falling under Article 34 (1) 1 or 34 (1) 2 in violation of Article 34 (1);

4. Any financial investment firm which extends credit in violation of Article 34 (2) and any person who takes such credit extensions from the financial investment firm;

5. Any major shareholder (including its specially-related persons) who conducts an activity falling under any of the subparagraphs of Article 35 (including cases which are applied to Article 350) for the purpose of pursuing its own interest in violation of Article 35;

6. Any person who provides or divulges transaction information, etc. to a third party, or requests such information in violation of Articles 4 (1), 4 (3) through 4 (5) of the Act on Real Name Financial Transactions and Guarantee of Secrecy, which is applied to Articles 42 (10), 52 (6) and 304;

7. Any person who purchase or sells financial investment products with the properties deposited by an investor in violation of Article 70;

8. Any person who conducts any activity falling under each of the subparagraphs in violation of Article 71 (excluding subparagraph 7), 85 (excluding subparagraph 8), 98 (1) (including cases which are applied to Article 101 (4)), 98 (2) (excluding subparagraph 10) or 108 (excluding subparagraph 9);

9. Any person who conducts any activity falling under any of the subparagraphs of Article 81 (1) in managing collective investment property in violation of Article 81 (1);

10. Any person who enters into any transaction with an interested person in managing collective investment property in violation of Article 84 (1);

11. Any person who exercises voting rights in violation of Articles 87 (1) through 87
(5) (including cases which are applied to Article 186 (2)) or 112 (2) through 112 (5);

12. Any person who makes a public offering of new or outstanding securities in violation of Article 119 (excluding paragraph (5));

13. Any person who makes any misstatement or omission of material matters in any document falling under the following items, any person who bears a signature under Article 119 (5) or 159 (7) (including cases which are applied to the latter part of Article 160 or the latter part of Article 161 (1) other than each subparagraph of that paragraph) after being aware that such document contains a misstatement or omission of material matters, and any certified public accountant, appraiser, or credit-rating specialist who agrees to prove the authenticity or accuracy of the entries of such document even after knowing the misstatement or omission of material matters:
   (a) The registration statement or additional documents of shelf registration statement under Article 119;
   (b) The amendment statement under Article 122;
   (c) The prospectus under Article 123;
   (d) The annual report under Article 159;
   (e) The semi-annual or quarterly report under Article 160;
   (f) The material change report under Article 161; or
   (g) The annual report, etc. submitted pursuant to the correction order under Article 164 (2).

14. Any person who fails to file an amendment statement in violation of Article 122 (3);

15. Any person who makes a misstatement or omission of material matters on a publication or document falling under any of the following items:
   (a) The publication on tender offer or the tender offer statement under Article 134;
   (b) The amendment statement or publication under Article 136;
   (c) The tender offer prospectus under Article 137 (1).

16. Any person who fails to make a publication in violation of Article 134 (1) or 136 (5);

17. Any person who fails to file a tender offer statement in violation of Article 134 (2);

18. Any person who makes a misstatement or omission of material matters prescribed by the Presidential Decree (hereafter in this subparagraph, referred to as "material
matters”) in the report under Article 147 or the amendment statement under Article 151 (2);

19. Any person who makes a misstatement or omission of any material matter with respect to the proxy which materially affects a proxy decision of the person solicited (hereafter in this subparagraph; referred to as “material matters with respect to the proxy”) among the form of proxy and materials under Article 154 or the amended form of proxy and materials under Article 156;

20. Any person who provides collective investment scheme service in violation of Article 250 (1) or 251 (1);

21. Any person who sells foreign collective investment securities not through a broker or dealer in violation of Article 280 (1);

22. Any person who carries on business without obtaining an authorization in violation of Articles 324 (1), 355 (1) or 360 (1);

23. Any person who obtains an authorization under Article 324 (1), 355 (1) or 360 (1) through false or other fraudulent methods;

24. Any person who carries on business after the revocation of an authorization thereof pursuant to Article 335 (1), 354 (1), 359 (1), or 364 (1);

25. Any merchant bank which extends credits in violation of Article 343 (1) and any person who takes such credit extension from the merchant bank;

26. Any person who provides financial investment services in violation of Article 357 (1);

27. Any person who establishes a market under Article 386 (1) or any other similar facility in violation of Article 386 (2) or trades securities or exchange-traded derivatives through any other similar facility;

28. Any person who provides financial investment services after the revocation of an authorization thereof pursuant to Article 420 (1);

29. Any person who divulges confidentiality about the identity, etc. of a whistle blower, etc. in violation of Article 435 (4).

**Article 445 (Penal Provisions)**

Any person who falls under 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. Any person who provides discretionary investment advisory service or non-discretionary investment advisory service without registration of financial
investment services (including registration of changes) in violation of Article 17;
2. Any person who obtains a registration of financial investment services (including registration of changes) under Article 18 through false or other fraudulent methods;
3. Any person who lends its trade name and allows other persons to provide financial investment services on its behalf in violation of Article 39;
4. Any person who conducts any activity falling under the subparagraphs of Article 45 (1) in violation of Article 45 (1);
5. Any person who conducts any activity falling under the subparagraphs of Article 45 (2) in violation of Article 45 (2);
6. Any person who conducts any activity falling under subparagraph 1 or subparagraph 2 of Article 49 (including cases which are applied to Article 52 (6)) in violation of Article 49;
7. Any person who solicits investment before its registration in violation of Article 51 (2);
8. Any person who allows a person other than introducing brokers to solicit investment in violation of Article 52 (1);
9. Any person who uses undisclosed information acquired in the course of performing its duties for its own interest or the interest of a third party in violation of Article 54 (including cases which are applied to Article 42 (10), 52 (6), 199 (5), 255, 260, 265, 289, 304, 328 or 367);
10. Any person who conducts any activity falling under the subparagraphs of Article 55 (including cases which are applied to Article 42 (10) or 52 (6));
11. Any person who fails to record and keep data in violation of Article 60 (1) (including cases which are applied to Article 255, 260, or 265) or 187 (1);
12. Any person who purchases or sells financial investment products in violation of the methods provided for in Article 63 (1) 1 (including cases which are applied to Article 289, 304, 328, 367, 383 (3) or 441);
13. Any person who sells collective investment securities or advertises them in violation of Article 76 (3);
14. Any person who fails to distribute the results of the acquisition, disposal, etc. based on the predetermined details of the asset distribution for each investment trust property in violation of the former part of Article 80 (3);
15. Any person who fails to dispose of stocks in violation of orders under Article 87 (6) (including cases which are applied to Article 186 (2));
16. Any person who acquires trust property using its own properties in violation of
Article 104 (2);
17. Any person who fails to deposit cash or government bonds in violation of Article 107 (1);
18. Any person who fails to undergo an accounting audit in violation of article 114 (3) or 240 (3);
19. Any person who purchases stocks, etc. not through a tender offer in violation of Article 133 (3) or 140;
20. Any person who fails to report in violation of Article 147 (1), 147 (3) or 147 (4);
21. Any person who solicits a proxy in violation of Article 152 (1) or 152 (3);
22. Any person who fails to undergo an accounting audit in violation of Article 169 (1);
23. Any person who fails to register a collective investment scheme in violation of Article 182 (1);
24. Any person who makes a registration or a registration of changes through false or fraudulent methods in violation of Article 182 (1), 182 (8) (including cases which are applied to Article 279 (3)), or 279 (1);
25. Any person who does not request withdrawal, change or correction in violation of Article 247 (1);
26. Any person who conducts any activity falling under the subparagraphs of Article 250 (3) (including cases which are applied to Article 251 (2) or 341 (1)) in violation of Article 250 (3);
27. Any person who uses information on the collective investment property for the management of investment trust property managed by the person itself or sale of the collective investment securities sold by the person itself in violation of Article 250 (4) (including cases which are applied to Article 251 (2)) or 240 (5) (including cases which are applied to Article 251 (2) or 341 (1));
28. Any person who conducts any activity falling under any of the subparagraphs of Article 250 (6) in violation of Article 250 (6) (including cases which are applied to Article 251 (2) or 341 (1));
29. Any person who conducts any business after the revocation of a registration thereof pursuant to Article 253 (1);
30. Any person who conducts any business without registration in violation of Article 254 (1);
31. Any person who obtains a registration under Article 254 (1) through false or
other fraudulent methods;
32. Any person who conducts any business after the revocation of a registration thereof pursuant to Article 257 (1);
33. Any person who sells foreign collective investment securities without registration under Article 279 (1);
34. Any person who sells foreign collective investment securities of a foreign collective investment scheme after the registration of the foreign collective investment scheme is revoked pursuant to Article 282 (1);
35. Any person who carries on any business executing settlement by means of the transfer between accounts or issues securities deposit receipts in the Republic of Korea in violation of Article 298;
36. Any person who has a special interest with respect to the financing, distribution of profit and loss, or other business in violation of Article 301 (5), 327 (3) or 383 (2);
37. Any person who carries on any business during a suspension period under Article 335 (2), 354 (2), 359 (2), or 364 (2);
38. Any person who discontinues or dissolves any business without obtaining an authorization in violation of Article 339 (1) (including cases which are applied to Article 357 (2) or 361);
39. Any person who conducts any business without registration in violation of Article 365 (1);
40. Any person who obtains a registration under Article 365 (1) through false or other fraudulent methods;
41. Any person who conducts any business after the revocation of a registration thereof pursuant to Article 369 (1);
42. Any person who divulges or uses confidential information in violation of Article 383 (1) (including cases which are applied to Article 441);
43. Any person who fails to set aside a joint fund in violation of Article 394 (1);
44. Any person who divulges or uses any secret in violation of Article 402 (7);
45. Any person who conducts any activity falling under the subparagraphs of Article 417 (1) (limited to subparagraphs 4 through 7 in the case of an integrated financial investment firm) without obtaining an approval in violation of Article 417 (1);
46. Any person who conducts any business after the revocation of a registration of financial investment services pursuant to Article 420 (1);
47. Any person who conducts any authorized business during a suspension period under Article 420 (3); or
48. Any person who fails to respond to a request from the Financial Supervisory Commission (referring to the Securities and Futures Commission where Articles 172 through 174, 176, 178, and 180 are violated) under Article 426 (2).

Article 446 (Penal Provisions)
Any person falling under the following subparagraphs shall be punished by imprisonment for not more than one year or a fine not exceeding thirty million won:
1. Any person who becomes a major shareholder by acquiring stocks without obtaining an approval in violation of Article 23 (1) (including cases which are applied to Article 350);
2. Any person who fails to dispose of stocks in violation of an order for disposal under Article 23 (2) (including cases which are applied to Article 350);
3. Any person who uses the letters of securities, derivatives, collective investment, investment trust, asset management, discretionary investment advisory, non-discretionary investment advisory, or trust in its trade name in violation of Article 38;
4. Any person who delegates any business in violation of the proviso of Article 42 (1) (including cases which are applied to Article 255) or re-entrusts any business in violation of Article 42 (5) (including cases which are applied to Article 255);
5. Any person who fails to comply with any order to revoke or alter the delegation contract under Article 43 (2);
6. Any person who conducts any of the subparagraphs of Article 52 (2) in violation of Article 52 (2);
7. Any person who carries on introducing broker business after the revocation of a registration thereof pursuant to Article 53 (2), or any person who carries on introducing broker business during a suspension period under Article 53 (2);
8. Any person who runs investment advertisement in violation of Article 57 (1);
9. Any person who fails to secure assets in the Republic of Korea in violation of Article 65 (2);
10. Any person who fails to appropriate the assets held in the Republic of Korea preferentially for the repayment to the person who has an address or domicile in the Republic of Korea in violation of Article 65 (3);
11. Any person who receives an order concerning the transactions of financial
investment products without making clear in advance as to whether it will act as a broker or dealer in violation of Article 66;

12. Any person who purchases and sells any financial investment product in violation of Article 67;

13. Any person who makes a transaction not through the securities market or the derivatives market in violation of Article 68;

14. Any person who fails to provide an asset management report or provides an asset management report containing a misstatement or omission in violation of Article 88 or 280 (2);

15. Any person who fails to make a disclosure or makes a false disclosure in violation of Article 89 (including cases which are applied to Article 186 (2));

16. Any person who rejects the access or distribution in violation of Article 91 (1) (including cases which are applied to Article 186 (2)), 113 (1) or 280 (3);

17. Any person who fails to comply with an order under Article 95 (2) (including cases which are applied to article 117) or 116 (3);

18. Any person who is entrusted with any property in violation of Article 103 (1) or 103 (4);

19. Any person who manages money subject to the trust property in violation of Article 105;

20. A person who accepts an offer to acquire or purchase securities in violation of Article 121;

21. Any person who fails to file a prospectus, a tender offer prospectus, or form of proxy and materials in violation of Article 123 (1), 137 (1), or 153;

22. Any person who allows a person to acquire securities, or sells securities before a prospectus is given in violation of Article 124 (1);

23. Any person who solicits subscriptions for a public offering without complying with any method falling under the subparagraphs of Article 124 (2) in violation of Article 124 (2);

24. Any person who fails to follow disciplinary actions taken by the Financial Supervisory Commission in accordance with Article 132, 146 (2), 151 (2), 158 (2) or 164 (2);

25. Any person who purchases stocks, etc. without distributing a tender offer prospectus in advance in violation of Article 137 (3);

26. Any person who violates a disposition order or correction order under Article 145, 150 (1), 150 (3), 167 (3), or 168 (3);
27. Any person who fails to submit an amended form of proxy and materials in violation of the latter part of Article 156 (3);
28. Any person who fails to submit an annual report, semi-annual report, quarterly report, or material change report in violation of Article 159, 160, or 161 (1);
29. Any person who holds stocks in violation of Article 167 (1);
30. Any person who fails to comply with an order to submit materials or report thereon, or take necessary measures in accordance with Article 169 (2) (including cases which are applied to the latter part of Article 169 (3));
31. Any person who fails to make a report, or makes a false report in violation of Article 173 (1);
32. Any person who terminates an investment trust without obtaining an approval in violation of Article 192 (1);
33. Any person who obtains an approval under Article 192 (1) through false or other fraudulent methods;
34. Any person who fails to terminate an investment trust in violation of Article 192 (2);
35. Any person who pays, or fails to pay, redemption money in violation of Article 235 (4) or 235 (5);
36. Any person who fails to publish the base price and make it available to the public, or publishes a false base price and makes it available to the public falsely in violation of Article 238 (7) or 280 (4);
37. Any person who fails to manage the collective investment property separately in violation of Article 246 (2);
38. Any person who fails to deposit securities in violation of Article 246 (3);
39. Any person who fails to implement instructions from a collective investment manager for each collective investment scheme in violation of Article 246 (4);
40. Any person who fails to prepare a report of custody and management of assets to investors or prepares it falsely in violation of Article 248 (1);
41. Any person who transfers collective investment securities to any person in violation of Article 249 (2);
42. Any person who carries on its business during a suspension period in violation of Article 253 (2), 257 (2), or 369 (2);
43. Any person who carries on its business without obtaining a registration in violation of Article 268 (3);
44. Any person who obtains a registration under Article 268 (including registration of
Any person who carries out management in violation of Article 270 (3), 270 (4) (including cases which are applied to Article 271 (4)), or 270 (5) or any person who fails to hold equity securities or disposes of them;

Any person who fails to dispose of all the equity securities of another company which are already acquired in violation of Article 270 (6) (including cases which are applied to Article 271 (4));

Any person who conducts any activity falling under subparagraphs 1 through 3 of Article 272 (6) in violation of Article 272 (6);

Any person who transfers equity investment to any other person in violation of Article 273 (1);

Any person who fails to dispose of equity securities in violation of Article 274 (1) (including cases which are applied to Article 271 (4)) or acquires equity securities in violation of Article 274 (2) (including cases which are applied to Article 271 (4));

Any person who fails to make a report, or makes a false report in violation of Article 275 (3) or 275 (4);

Any person who fails to make a report, or makes a false report in violation of Article 276 (2);

Any person who carries on the business concerned after the revocation of the registration thereof pursuant to Article 278 (1);

Any person who fails to prepare and keep a depositor’s account book or an investor’s account book, or prepares and keeps it falsely in violation of Article 309 (3) or 310 (1);

Any person who uses “merchant bank,” “fund brokerage,” or any other similar name in violation of Article 338 or 356;

Any person who extends credit in violation of Articles 342 (1) through 342 (4) (including cases which are applied to Article 361) or Article 345 (3);

Any person who invests in securities in violation of Article 344;

Any person who conducts any activity falling under the subparagraphs of Article 345 (1) in violation of Article 345 (1);

Any person who exercises voting rights in violation of Article 345 (2);

Any person who fails to comply with the measures under Article 345 (4);

Any person who fails to hold assets required for reserve in violation of Article 346;
61. Any person who acquires or holds real estate in violation of Article 347 (1) or 347 (2);
62. A person who fails to dispose of real estate in violation of Article 347 (3); or
63. Any person who carries on its registered business under Article 420 (3) during a suspension period.

Article 447 (Concurrent Punishment of Imprisonment and Fine)
(1) Any person who commits a crime referred to in Articles 443 through 446 may be confined to imprisonment and fined concurrently.
(2) Where a fine is concurrently imposed pursuant to paragraph (1) on the person who has been sentenced to aggravated punishment pursuant to Article 443 (2), the fine shall be not more than the amount equivalent to three times the profits gained or losses evaded in consequence of such violation.

Article 448 (Joint Penal Provisions)
Where a representative of a corporation, an agent, employee or other employed person of the corporation or an individual violates Articles 443 through 446 with respect to the business of the corporation or the individual, the fine as prescribed by the respective corresponding Articles shall be imposed on the corporation or individual in addition to the punishment of the offender.

Article 449 (Fine for Negligence)
(1) Any person who falls under the following subparagraphs shall be punished by a fine for negligence of not more than fifty million won:
1. Any person who fails to comply with an obligation to appoint outside directors provided for in Article 25 (1) (including cases which are applied to Article 350) in violation of Article 25 (1);
2. Any person who fails to establish an outside director recommendation committee in violation of the former part of Article 25 (2) (including cases which are applied to Article 350);
3. Any person who fails to establish an outside director recommendation committee where outside directors make up not less than half of the total number of members, in violation of the latter part of Article 25 (2) (including cases which are applied to Article 350);
4. Any person who fails to appoint outside directors pursuant to Article 25 (4)
5. Any person who fails to have outside directors in violation of Article 25 (6) (including cases which are applied to Article 350);
6. Any person who fails to establish an audit committee in violation of Article 26 (1) (including cases which are applied to Article 350);
7. Any person who fails to establish an audit committee that satisfies all the requirements falling under each of the subparagraphs of Article 26 (2) (including cases which are applied to Article 350) in violation of Article 26 (2);
8. Any person who fails to satisfy the requirements for the composition of an audit committee under Article 26 (2) in violation of Article 26 (4) (including cases which are applied to Article 350);
9. Any person who fails to establish internal control standards in violation of Article 28 (1) (including cases which are applied to Article 350).
10. Any person who fails to have a compliance officer in violation of Article 28 (2) (including cases which are applied to Article 350);
11. Any person who appoints or dismisses any compliance officer without going through the resolution of the board of directors in violation of Article 28 (3) (including cases which are applied to Article 350);
12. Any person who carries on any business falling under the subparagraphs of Article 28 (5) (including cases which are applied to Article 350) in violation of Article 28 (5);
13. Any person who fails to submit a business report or submits a false report in violation of Article 33 (1) (including cases which are applied to Article 350, 357 (2) or 361);
14. Any person who fails to keep or publicize disclosure documents or keeps or publicizes a false disclosure in violation of Article 33 (2) (including cases which are applied to Article 350, 357 (2), or 361);
15. Any person who fails to make a report or disclosure, or makes a false report or disclosure in violation of Article 33 (3) (including cases which are applied to Article 350, 357 (2) or 361);
16. Any person who fails to go through a resolution of the board of directors in violation of Article 34 (3);
17. Any person who fails to make a report or disclosure, or makes a false report or disclosure in violation of Article 34 (4) or 34 (5);
18. Any person who fails to comply with an order to submit documents under
Article 34 (6) or 36 (including cases which are applied to Article 350);

19. Any person who fails to make a report in violation of the latter part of Article 40 or Article 41 (1);

20. Any person who rejects, interferes with, or evades an inspection, investigation or confirmation under Article 43 (1), 53 (1), 131 (1), 146 (1), 151 (1), 158 (1), 164 (1), 321 or 419 (1) (including cases which are applied to Article 252 (2), 256 (2), 261 (2), 266 (2), 281 (2), 292, 306, 334, 353, 358, 363, 368, or 371);

21. Any person who fails to receive confirmation in violation of Article 47 (2) (including cases which are applied to Article 52 (6));

22. Any person who conducts any activity falling under subparagraphs 3 through 5 of Article 49 in violation of Article 49 (including cases which are applied to Article 52 (6));

23. Any person who fails to establish working rules governing investment solicitation under Article 50 (1) or investment solicitation standards under Article 52 (4);

24. Any person who establishes or amends an agreement without making a report in violation of Article 56 (1);

25. Any person who makes a report under Article 56 (1) through false or fraudulent methods;

26. Any person who fails to provide contract documents to an investor in violation of Article 59 (1);

27. Any person who fails to make a publication or notification in violation of Article 62 (1);

28. Any person who purchases or sells financial investment products for its own account without following the methods falling under each of the subparagraphs 2 through 4 of Article 63 (1) in violation of Article 63 (1) (including cases which are applied to Article 289, 304, 328, 367, 383 (3) or 441);

29. Any person who conducts any activity falling under the subparagraphs of each paragraph of Article 71, 85, 98 (2) or 108 in violation of Article 71 (limited to subparagraph 7), 85 (limited to subparagraph 8), 98 (2) (limited to subparagraph 10), or 108 (limited subparagraph 9);

30. Any person who receives any sales commission or fee in violation of Article 76 (4) or 76 (5);

31. Any person who receives a bonus in violation of Article 86;

32. Any person who fails to keep records in violation of Article 87 (7) (including cases which are applied to Article 186 (2));
33. Any person who fails to make a disclosure or makes a false disclosure in violation of Article 87 (8) (including cases which are applied to Article 186 (2)) or 112 (7);
34. Any person who fails to submit business reports or settlement statements or submits false reports or statements in violation of Article 90 (1) (including cases which are applied to Article 186 (2)) or 90 (2) (including cases which are applied to Article 186 (2));
35. Any person who conducts an accounting in violation of Article 114 (1) or 240 (1);
36. Any person who fails to take measures under Article 130;
37. Any person who fails to send statements or copies of reports in violation of Article 135, 136 (6), 139 (3), or 148;
38. Any person who sends copies of statements under Article 135, 136 (6) or 139 (3) or copies of reports under Article 148 containing any misstatement or omission;
39. Any person who effects, entrusts, or is entrusted with, a short sale of listed securities in violation of Article 180;
40. Any person who fails to obtain a registration of changes under Article 182 (8) (including cases which are applied to Article 279 (3));
41. Any person who uses letters in violation of Article 183 (2);
42. Any person who fails to have officers or fails to prohibit officers and employees from concurrently performing business in violation of Article 250 (7), 251 (3) or 341 (2);
43. Any person who fails to establish a system to prevent conflict of interest in violation of Article 250 (7), 251 (3) or 341 (2);
44. Any person who uses a name in violation of Article 284, 295, 325 or 379;
45. Any person who fails to go through a resolution made by the board of directors in violation of Article 343 (2);
46. Any person who fails to make a report or disclosure, or makes a false report or disclosure in violation of Article 343 (3) or 343 (4);
47. Any person who fails to comply with an order to submit data under Article 343 (8);
48. Any person who obtains a license under Article 370 (1) through false or fraudulent methods; or
49. Any person who disadvantageously treats a whistle blower, etc. in violation of
Article 435 (5).

(2) Any person who falls under the following subparagraphs shall be punished by a fine for negligence of not more than ten million won:

1. Any person who fails to make a report or makes a false report in violation of Article 23 (4);
2. Any person who fails to make a disclosure, or makes a false disclosure in violation of Article 50 (2);
3. Any person who fails to notify investors of any matter falling under the subparagraphs of Article 52 (3) in advance or fails to present an indication or show a certificate in violation of Article 52 (3);
4. Any person who fails to make a report under the proviso of Article 56 (1) other than each subparagraph of that paragraph or makes a false report;
5. Any person who fails to publicize details of transactions or publicize false statements in violation of Article 73;
6. Any person who conducts like-kind services of non-discretionary investment advisory without making a report under Article 101 (1);
7. Any person who fails to file a report or files a false report in violation of Article 128 or 143;
8. Any person who fails to comply with an order for the submission of reports and data on its business or properties, the attendance of witness, and the testimony and statement of its opinion under Article 131 (1), 146 (1), 151 (1), 158 (1), 164 (1) or 419 (5) (including cases which are applied to the latter part of Article 43 (1), the latter part of Article 53 (1), Article 252 (2), 256 (2), 261 (2), 266 (2), 281 (2), 292, 306, 334, 353, 358, 363, 368 or 371);
9. Any person who fails to convene a deferred general meeting of beneficiaries in violation of the latter part of Article 190 (7) (including cases which are applied to Article 201 (3), 210 (3), 215 (4), 220 (4) or 226 (4));
10. Any person who fails to establish specific working rules in violation of Article 272 (7) or any person who fails to make a report or makes a false report in violation of Article 272 (7);
11. Any person who fails to deposit securities in violation of Article 310 (2);
12. Any person who fails to keep securities, etc. separately from its own in violation of Article 310 (3);
13. Any person who makes a notification or public notice in violation of Article 314 (4);
14. Any person who fails to make a notification or publication in violation of Article 315 (3) through 315 (6), 319 (3), or 319 (4);
15. Any person who fails to prepare or keep a register of beneficial shareholders or a register of beneficial owners, or prepares a false register in violation of Article 316 (1) or 319 (5);
16. Any person who fails to make a notification under Article 323 (1) or 323 (2), or makes a false notification;
17. Any person who fails to make a report or makes a false statement in violation of Article 339 (2) (including cases which are applied to Article 357 (2) or 361) or any person who conducts any activity falling under Article 339 (2) without making a report;
18. Any person who is engaged in full-time work of any other profit-making corporation without obtaining an approval under Article 348 (including cases which are applied to Article 357 (2));
19. Any person who fails to make a report, or makes a false report in violation of Article 418 (including cases which are applied to Article 350).

(3) The fine for negligence under paragraphs (1) and (2) shall be imposed and collected by the Financial Supervisory Commission or the Minister of Finance and Economy in accordance with the methods or procedures prescribed by the Presidential Decree;

(4) Any person who is dissatisfied with the disposition of the fine for negligence under paragraph (3) may raise an objection to the person who is authorized to impose the disposition within 30 days from the date of notification;

(5) Where the person who is subject to the disposition of a fine for negligence pursuant to paragraph (3) raises an objection pursuant to paragraph (4), the person who is authorized to impose the disposition shall notify the competent court without delay, and the court shall bring the case of the fine for negligence to a trial under the Non-Contentious Case Litigation Procedure Act upon receiving the notification;

(6) Unless any objection is raised or any fine for negligence is paid within the period under paragraph (4), the fine for negligence shall be collected in accordance with the examples of the disposition of national taxes in arrears.

Addenda <Act No. 8635, August 3, 2007>
Article 1 (Commencement)
This Act shall enter into force at the expiration of 18 months from its promulgation:
Provided, That Articles 3, 5, and 6 of Addenda shall enter into force at the expiration of 12 months from the promulgation.

Article 2 (Repeal of Acts)
The Acts falling under each of the following subparagraphs shall be repealed respectively:
   1. The Securities and Exchange Act;
   2. The Futures Trading Act;
   3. The Act on Business of Operating Indirect Investment and Assets;
   4. The Trust Business Act;
   5. The Merchant Banks Act; and

Article 3 (Matters on Establishment of the Korea Financial Investment Association)
(1) The Korea Financial Investment Association (hereinafter referred to as "the Association") shall be established by means of merging the Korea Securities Dealers Association established in accordance with Article 162 of the Securities and Exchange Act, the Futures Association established after obtaining the permission in accordance with Article 75 of the Futures Trading Act, and the Asset Management Association established after obtaining the permission in accordance with Article 160 (3) (hereinafter referred to as "associations subject to merger").
(2) The Committee for establishing the Korea Financial Investment Association (hereinafter referred to as "Establishment Committee") shall be established in order to deal with the affairs related to the merger and the establishment of the Association pursuant to paragraph (1).
(3) Necessary matters on the composition and operation of the Establishment Committee shall be prescribed by the Presidential Decree.
(4) The Establishment Committee may request that the associations subject to merger support human resources and physical supports necessary for the establishment of the Association.
(5) The associations subject to merger shall prepare a merger contract indicating matters prescribed by the Presidential Decree, and obtain an approval with the consent of a majority of the voting rights at each general meeting of members.
(6) The associations subject to merger shall make a public notice to creditors of the fact that a creditor shall raise an objection against the merger within more than two weeks where the creditor has the objection within one week from the date on which the resolution on the approval is made at the general meeting of members under paragraph (5), and the associations subject to merger shall notify each creditor who is known to the associations of such fact.

(7) Articles 232 (2) and 232 (3) of the Commercial Act shall apply to the public notice and notification under paragraph (6).

(8) The Establishment Committee shall convene an inaugural meeting of the Association without delay when the procedures under paragraphs (6) and (7) are completed.

(9) Articles 309, 311 (1), 312, and 316 of the Commercial Act shall apply to the inaugural meeting under paragraph (8). In this case, a "promoter" under Article 311 (1) of the Commercial Act shall be deemed the "chairman of the Establishment Committee".

(10) The Establishment Committee shall prepare articles of incorporation and an application for approval of merger, and obtain an approval from the Financial Supervisory Commission.

(11) The application for approval of merger under paragraph (10) shall include each of the following subparagraphs, and accompany merger contracts and business-related regulations:
1. Name of the Association;
2. Location of the head office and local branches;
3. Names, resident registration numbers and addresses of officers; and
4. Trade names or names of members.

(12) The Establishment Committee shall, when it obtains an approval under paragraph (10), register the incorporation of the Association without delay.

(13) The merger shall enter into force by registering the incorporation of the Association under paragraph (12). In this case, the associations subject to merger shall be dismissed at the time of the establishment of the Association without proceeding through liquidation procedures.

(14) The Establishment Committee shall transfer its duties to the chairman of the Association where the registration of incorporation pursuant to paragraph (12) is completed.

(15) The members of the Committee shall be considered to be resigned where they
(16) The Establishment Committee shall complete the procedures necessary for the establishment of the Association within six months from the expiration of one year from the promulgation of this Act.

(17) The Association shall pay all the expenses for the establishment.

(18) The Association shall comprehensively succeed all the rights and obligations of the associations subject to merger including employment relationship of employees of the associations subject to merger that is dismissed at the time of the establishment.

(19) Others necessary for the merger of the associations subject to merger and the establishment of the Association shall be prescribed by the Presidential Decree.

Article 4 (Application Example of Investment Solicitation)

Articles 46 through 48 shall apply to the first investment solicitation that is made on or after the commencement of this Act.

Article 5 (Special Cases of Authorization and Registration of Financial Investment Services through Report)

(1) Any person who carries on business equivalent to those falling under any of the subparagraphs of Article 6 (1) at the expiration of twelve months from the promulgation of this Act may report to the Financial Supervisory Commission in the scope of its business within two months from the expiration of twelve months from the promulgation after satisfying the requirements for maintaining authorization under Article 15 and the requirements for maintaining registration under Article 20.

(2) The Financial Supervisory Commission shall, when it receives the report under paragraph (1), confirm whether the reporter satisfies the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20 and notify the reporter of the result until a date preceding the commencement date of this Act. In this case, the person who receives the notification satisfying the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20 shall be considered to obtain the authorization or registration of financial investment services on the commencement date of this Act.

(3) Any person who makes a report pursuant to paragraph (1) may carry on its existing business for six months from the commencement of this Act notwithstanding Articles 11 and 17 even though the person receives the notification pursuant to
paragraph (2) that it fails to satisfy the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20. In this case, such person shall be regarded as a financial investment firm within the scope of its business.

(4) Any person who receives a notification that the person fails to comply with the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20 among the reporters who receive the notification pursuant to paragraph (2) may report to the Financial Supervisory Commission after satisfying such requirements within three months from the commencement date of this Act.

(5) The Financial Supervisory Commission shall, when it receives a report pursuant to paragraph (4), confirm whether the reporter meets the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20 and notify the reporter of the results within six months from the commencement date of this Act.

Article 6 (Special Cases for Authorization and Registration of Financial Investment Services pursuant to Addition of Business Unit)

(1) When any person who conducts business falling under any of the following subparagraphs of Article 6 (1) at the expiration of twelve months from the promulgation of this Act intends to add any authorized business unit or registered business unit into the existing businesses, the person may apply for authorization or registration of financial investment services within two months from the expiration of twelve months from the promulgation of this Act after combining the existing business with new business unit.

(2) The Financial Supervisory Commission shall, when it receives the application for authorization or registration pursuant to paragraph (1), review the application and notify the applicant the result thereof before a date preceding the commencement of this Act. In this case, Articles 12 and 13 shall apply to the requirements, application, review, etc. of authorization, and Articles 18 and 19 shall apply to the requirements, application, review, etc. of registration: Provided, That the requirements for maintaining authorization under Article 15 and requirements for maintaining registration under Article 20 shall apply to the requirements for authorization and registration of existing business.

(3) Any person who applies for authorization or registration pursuant to paragraph (1)
may, notwithstanding Article 11 and 17, conduct the existing business for six months from the commencement of this Act even if the authorization or registration has been rejected pursuant to paragraph (2). In this case, the person shall be deemed a Financial Investment Firm in accordance with this Act within the scope of its business.

(4) Any applicant notified pursuant to paragraph (2) may, when authorization or registration is rejected, apply for the authorization or registration again to the Financial Supervisory Commission after satisfying the requirements under paragraph (2) within three months from the commencement date of this Act.

(5) The Financial Supervisory Commission shall, when it receives the application of authorization or registration pursuant to paragraph (4), review or examine whether the requirements for authorization or registration under paragraph (2) are satisfied, and notify the applicant the result thereof within six months from the commencement date of this Act.

Article 7 (General Transitional Measures)

(1) Any permission, authorization, approval, registration, order, disciplinary action, or other activity conducted by the Minister of Finance and Economy, the Financial Supervisory Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service in accordance with the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Merchant Banks Act, or the Korea Securities and Futures Exchange Act at the time of the commencement of this Act shall be deemed an activity conducted by the Minister of Finance and Economy, the Financial Supervisory Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service in accordance with this Act.

(2) Any report, application, reporting, etc. submitted to the Minister of Finance and Economy, the Financial Supervisory Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service in accordance with the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Merchant Banks Act, or the Korea Securities and Futures Exchange Act at the time of the commencement of this Act shall be deemed filed with the Minister of Finance and Economy, the Financial Supervisory Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service in accordance with
Article 8 (Transitional Measures concerning Qualification of Officers of Financial Investment Firms)

(1) The qualification of officers who hold position at the time of the commencement of this Act shall be applied by the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, or the Korea Securities Futures Exchange Act until the termination of their terms notwithstanding Article 24 (including cases which are applied to Article 289, 301 (4), 327 (2), 382 or 402 (6)).

(2) In the application of subparagraphs 3 and 5 through 7 of Article 24 (including the case which is applied to Article 289, 301 (4), 327 (2), 382 or 402 (6)), “this Act” shall be deemed as if it includes the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities Futures Exchange Act, or the Merchant Banks Act.

Article 9 (Transitional Measures concerning Appointment of Outside Directors and Establishment of the Board of Financial Investment Firms)

A person falling under any of the following subparagraphs who is required to appoint new outside directors pursuant to Article 25 in accordance with the commencement of this Act shall appoint outside directors pursuant to Article 25 until the first general meeting of shareholders held after the commencement of this Act. In this case, the person who is appointed at the general meeting of shareholders shall be regarded as recommended by the outside director candidate recommendation committee pursuant to Article 25 (2) and 25 (4):

1. A futures company under the Futures Trading Act;
2. A non-discretionary investment advisory company under the Act on Business of Operating Indirect Investment and Assets; or
3. A trust company under the Trust Business Act.

Article 10 (Transitional Measures concerning Establishment of Audit Committee of Financial Investment Firms)

Any person falling under any of the following subparagraphs who is required to establish new audit committee pursuant to Article 26 with the commencement of this
Act shall establish an audit committee pursuant to the same Article until the first general meeting of shareholders held after the commencement of this Act.

1. A futures company under the Futures Trading Act;
2. A non-discretionary investment advisory company under the Act on Business of Operating Indirect Investment and Assets; or
3. A trust company under the Trust Business Act.

**Article 11 (Transitional Measures Concerning Appointment of Full-time Auditors of Financial Investment Firms)**

A person falling under any of the following subparagraphs who is required to appoint new full-time auditors pursuant to Article 27 in accordance with the commencement of this Act shall appoint full-time auditors pursuant to Article 27 until the first general meeting of shareholders held after the commencement of this Act:

1. A securities company under the Securities and Exchange Act;
2. A futures company under the Futures Trading Act;
3. An asset management company and an investment counsel company pursuant to the Act on Business of Operating Indirect Investment and Assets; or
3. A trust company pursuant to the Trust Business Act.

**Article 12 (Transitional Measures concerning Compliance Officer)**

(1) Any person falling under the following subparagraphs who is required to appoint a new compliance officer pursuant to Article 28 with the commencement of this Act shall appoint a compliance officer pursuant to the same Article within one month from the commencement of this Act:

1. A futures company pursuant to the Futures Trading Act;
2. An non-discretionary investment company pursuant to the Act on Business of Operating Indirect Investment and Assets; or
3. A trust company pursuant to the Trust Business Act.

(2) A compliance officer holding office or post pursuant to the Securities Exchange Act or Indirect Investment Asset Management Business Act shall be governed by such Acts, notwithstanding Article 28 (4), until the termination of his or her term (it shall be three years from the commencement of this Act, in the case of employees).

(3) In the application of Article 28 (4) 1 (d), a career of officers and employees of the Associations subject to acquisition shall be deemed as if it is his or her career of working for the Association.
(4) In the application of subparagraph (3), subparagraphs (5) through (7) of Article 28 which are provided for in Article 28 (4) 2, “this Act” shall be regarded as if it includes the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities Futures Exchange Act, and the Merchant Banks Act.

(5) In applying Article 28 (4) 3, “this Act” shall be deemed as if it includes the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities Futures Exchange Act, and the Merchant Banks Act.

Article 13 (Transitional Measures concerning Maintenance of Financial Prudence)
Where a securities company falling under any of the subparagraphs of Article 3 of Addenda of the amendments to the Securities and Exchange Act, Act No. 6176, becomes a broker or dealer, Article 30 (1) shall not apply with respect to requirements for maintaining financial prudence until the date prescribed by Article 3 of Addenda of the amendments to the Securities and Exchange Act, Act No. 6176.

Article 14 (Transitional Measures concerning Incidental Business of Financial Investment Firms)
In the case of conducting the incidental business referred to in Article 41 (1) and business referred to in subparagraph 2 or 5 of Article 40 pursuant to the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, such financial investment firm may, notwithstanding the latter part of Article 40 and Article 41 (1), report to the Financial Supervisory Commission within a month from the commencement of this Act.

Article 15 (Transitional Measures concerning Solicitors to Acquire Indirect Investment Securities)
A person who meets the requirements for being entrusted with the solicitation of acquiring indirect investment securities in accordance with the Act on business of Operating Indirect Investment and Assets and the subordinate statutes thereof at the time of the commencement of this Act may be entrusted with the solicitation of acquiring collective investment securities within one month from the commencement date of this Act, notwithstanding Articles 51 and 52. In this case, a person who is
entrusted with solicitation of acquiring collective investment securities may solicit investment notwithstanding Article 51 (2).

Article 16  (Transitional Measures concerning Like-kind Service Providers of Non-discretionary Investment Advisory)
Any person who has reported pursuant to Article 149 of the Act on Business of Operating Indirect Investment and Assets at the commencement of this Act shall be deemed the person who has reported like-kind services of non-discretionary investment advisory pursuant to Article 101.

Article 17  (Transitional Measures concerning Accounting Audit of Trusts)
Articles 114 and 115 shall not apply to the trust established in accordance with agreement or standard contract formulated or amended prior to the commencement date of the amendments to the Trust Business Act, Act No. 6180: Provided, That the same shall not apply to the trust which is established in accordance with agreement or standard contracts established or amended prior to the commencement date of the amendments to the Trust Business Act, Act No. 6180 and which is additionally established after the commencement date of the amendments to the same Act.

Article 18  (Transitional Measures concerning Registration Statement)
Where registration statement, shelf registration statement, or amendment statement, and prospectus (including preliminary prospectus and profile prospectus), and securities issuance report have been filed with the Financial Supervisory Commission pursuant to the Securities and Exchange Act at the commencement of this Act, the Securities and Exchange Act shall apply to such statements, notwithstanding Articles 118 through 132.

Article 19  (Transitional Measures concerning Report of Treasury Stocks and Merger)
Where any report obligation occurs in accordance with Articles 189-2 and 190-2 of the Securities and Exchange Act at the time of the commencement of this Act, the Securities and Exchange Act shall apply, notwithstanding Articles 118 through 132 and 161 through 165 of this Act.

Article 20  (Transitional Measures concerning Tender Offer Statement)
Where any tender offer statement, amendment statement, tender offer prospectus, withdrawal statement and publication of tender offer and publication of amendment have been filed with pursuant to the Securities and Exchange Act at the commencement of this Act, the Securities and Exchange Act shall apply to such statements, notwithstanding Articles 133 through 146.

Article 21 (Transitional Measures Concerning Report of Substantial Shareholding of Stock)
(1) Where a person who is exempt from the report obligation under Article 200-2 (1) of the Securities and Exchange Act among persons holding a substantial amount of stocks, etc. pursuant to the same paragraph is required to make a report pursuant to Article 147 (1) at the commencement of this Act, the period for the report shall be within one month from the commencement date of this Act, notwithstanding Article 147 (1).
(2) A person who has made a report pursuant to Article 200-2 (1) of the Securities and Exchange Act during the commencement of this Act and changes material matters prescribed by the Presidential Decree such as major contents, etc. of the contract on the stocks it holds shall make a report in accordance with Article 147 (4) within one month from the commencement date of this Act.
(3) Article 148 shall not apply to the case where the report obligation occurs in accordance with Article 200-2 (1) or 200-2 (4) at the commencement of this Act.
(4) Where the report obligation occurs in accordance with Article 200-2 (4) at the commencement of this Act, Article 200-3 (1) shall apply to the restrictions etc. on exercising voting rights of stocks in violation, etc., notwithstanding Article 150 (1).
(5) Where any obligation occurs to report that the purpose of holding stocks, etc. pursuant to Article 200-2 (1), 200-2 (3), or 200-2 (4) of the Securities and Exchange Act at the commencement of this Act is to affect the management of the issuer, Article 150 (3) shall not apply.

Article 22 (Transitional Measures concerning Proxy Solicitation)
Where notification or publication to convene the general meeting of shareholders has been made at the commencement of this Act, the Securities and Exchange Act shall apply to the proxy solicitation related to the general meeting of shareholders, notwithstanding Articles 152 through 158.
Article 23 (Transitional Measures concerning Ongoing Disclosure and Annual Report)
Where the report obligation occurs in accordance with Article 186 of the Securities and Exchange Act at the commencement of this Act or the submission obligation occurs in accordance with Articles 186-2 and 186-3, the Securities and Exchange Act shall apply notwithstanding Articles 159 through 165.

Article 24 (Transitional Measures concerning Restriction on Ownership of Stocks Issued by Public Service Corporations)
Where ownership of shareholders falls under Article 200 (1) 1 of the Securities and Exchange Act at the commencement of this Act, the Securities and Exchange Act shall apply to such ownership of shareholders, notwithstanding Article 167 (1) 1.

Article 25 (Transitional Measures concerning Auditor’s Liability for Damages)
With respect to compensation liability of the auditor who performs an accounting pursuant to Article 194-3 of the Securities and Exchange Act at the commencement of this Act, Article 197 of the Securities and Exchange Act shall apply notwithstanding Article 170.

Article 26 (Transitional Measures concerning Disgorgement of Short-Term Sales Margin of Insider)
Where officers, employees or major stockholders of a stock-listed corporation or any KOSDAQ-listed corporation pursuant to the Securities and Exchange Act has purchased or sold stocks, etc. before the commencement of this Act and has gained any profit by selling or purchasing (limited to the case of purchasing or selling after the commencement of this Act) such stocks, etc. within six months, Articles 188 (2) through 188 (4) of the Securities and Exchange Act shall apply to the request of disgorgement, the standard of calculation, the procedure of disgorgement, etc., notwithstanding Articles 172 (1) through 172 (3).

Article 27 (Transitional Measures concerning Report on Ownership of Specific Securities)
(1) A person who holds specific securities etc. at the time of the commencement of this Act as an officer or major shareholder of a securities-listed corporation or KOSDAQ-listed corporation in accordance with the Securities and Exchange Act (excluding a person holding only stocks) shall make a report on its ownership within
one month from the commencement date of this Act, notwithstanding Article 173 (1).
(2) Where a person who holds only stocks at the time of the commencement of this Act as an officer or major shareholder of a securities-listed corporation or KOSDAQ-listed corporation in accordance with the Securities and Exchange Act undergoes changes in the number of stocks held prior to the commencement of this Act, Article 188 (6) of the Securities and Exchange Act shall apply to the report of such change.

Article 28 (Transactional Measures concerning Indirect Investment Schemes)
(1) Where an investment trust (excluding the special accounts established by an insurance company) or investment company has been created or established pursuant to the Act on Business of Operating Indirect Investment and Assets, the Act on Business of Operating Indirect Investment and Assets shall apply to such investment trust or investment company.
(2) Special accounts of an insurance company under Article 135 (1) of the Act on Business of Operating Indirect Investment and Assets at the commencement of this Act shall be deemed special accounts of an insurance company under Article 251. In this case, the insurance company managing special accounts shall modify the trust contract of special accounts to satisfy this Act within three months from the commencement of this Act, when the trust contract fails to meet this Act.
(3) A private equity fund registered pursuant to the Act on Business of Operating Indirect Investment and Assets at the commencement of this Act shall be deemed a private equity company registered pursuant to this Act.
(4) Where foreign indirect investment securities have been reported to the Financial Supervisory Commission pursuant to the Act on Business of Operating Indirect Investment and Assets at the commencement of this Act, the Act on Business of Operating Indirect Investment and Assets shall apply to the foreign indirect investment securities.
(5) The Securities Investment Trust Business Act or the Securities Investment Company Act shall apply to a securities investment trust and a securities investment company pursuant to proviso of Article 2 (1) of Addenda <Act No. 6987> of the Act on Business of Operating Indirect Investment and Assets.
(6) Provisions on trust service under this Act or the Insurance Business Act shall apply to the trust of money and special accounts pursuant to Article 14 (2) of Addenda <Act No. 6987> of the Act on Business of Operating Indirect Investment.
and Assets.

(7) This Act shall not apply to a social infrastructure investment company, real estate investment company, a ship investment company, a culture industry specialized company, a corporate restructuring association, a small and medium venture capital association, a new technology project investment association, a Korean venture capital association, a private investment group, a core industrial technology investment group, an overseas resources development and corporate restructuring vehicle which is created or established pursuant to any Acts and subordinate statutes falling under the following subparagraphs at the commencement of this Act:

1. The Private Investment Act on Social Infrastructure;
2. The Real Estate Investment and Trust Company Act;
3. The Ship Investment Company Act;
4. The Framework Act on Culture Industry Promotion;
5. The Industry Development Act;
6. The Support for Small and Medium Enterprise Act;
7. The Specialized Credit Financial Business Act;
8. The Special Measures for the Promotion of Venture Businesses Act;
9. The Special Measures for Support for Manufacturer Specialized in Parts and Materials Act;
10. The Overseas Resources Development Business Act; or

Article 29 (Transitional Measures concerning Conversion of Indirect Investment Funds)

(1) A collective investment manager or an investment company which manages the property of an investment trust established in accordance with the Act on Business of Operating Indirect Investment and Assets (excluding special accounts managed by an insurance company; hereafter this Article, the same shall apply) may register such investment trust or investment company with the Financial Supervisory Commission as a collective investment scheme under this Act in accordance with Article 182, notwithstanding Article 28 (1) of Addenda. In this case, a registration statement shall be submitted to the Financial Supervisory Commission in accordance with Articles 119 (1) and 119 (2).

(2) A collective investment manager of a foreign investment trust or a foreign investment company which has issued foreign indirect investment securities reported to the Financial Supervisory Commission under the Act on Business of Operating Indirect
Investment and Assets may register such foreign investment trust or foreign investment company with the Financial Supervisory Commission as a foreign collective investment scheme under this Act in accordance with Article 279 notwithstanding Article 28 (4) of Addenda. In this case, a registration statement shall be submitted to the Financial Supervisory Commission in accordance with Articles 119 (1) and 119 (2).

Article 30 (Transitional Measures concerning Sales of Indirect Investment Securities)
(1) A distribution company under the Act on Business of Operating Indirect Investment and Assets shall be prohibited from selling indirect investment securities under the Act on Business of Operating Indirect Investment and Assets from the date on which three months has passed after the date of commencement of this Act; Provided, That the same shall not apply to the case prescribed by the Presidential Decree.
(2) A distribution company under the Act on Business of Operating Indirect Investment and Assets shall be prohibited from selling beneficiary certificates of a securities investment trust and stocks of a securities investment company pursuant to Article 11 of addenda <Act No. 6987> of the Act on Business of Operating Indirect Investment and Assets; Provided, That the same shall not apply to cases prescribed by the Presidential Decree.
(3) A financial institution under the Banking Act and an insurance company under the Insurance Business Act which are deemed to be permitted to conduct asset management business pursuant to Article 14 of Addenda <Act No. 6987> of the Act on Business of Operating Indirect Investment and Assets and shall not establish additional trust of money and special accounts which are established before the commencement of the Act on Business of Operating Indirect Investment and Assets <Act No. 6987>: Provided, That the same shall not apply to the case prescribed by the Presidential Decree.

Article 31 (Transitional Measures concerning Qualification of Promoter of Investment Companies)
In the application of subparagraphs 3 and 5 through 7 of Article 24 provided for in Articles 194 (1) and 199 (4) 1, "this Act" shall be regarded as if it includes the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities and Futures Exchange Act, and the Merchant Banks Act.
Article 32 (Transitional Measures concerning Related Companies of Collective Investment Scheme and Officers thereof)

(1) General fund administrators, indirect investment company appraisal companies, and bond appraisal companies which are registered to the Financial Supervisory Commission pursuant to Article 25, 154, and 155 of the Act on Business of Operating Indirect Investment and Assets at the commencement of this Act shall be deemed general fund administrators, collective investment scheme appraisal companies, and bond appraisal companies pursuant to Articles 254, 258, and 263 respectively. In this case, the requirements for maintaining registration under Articles 254 (8), 258 (8), and 263 (8) shall be satisfied within three months from the commencement of this Act, respectively.

(2) Provisions of the Act on Business of Operating Indirect Investment and Assets shall apply to the qualification of officers in office of a general fund administrator, collective investment scheme appraisal company, and bond appraisal company at the commencement of this Act until the termination of their term, notwithstanding Article 254 (2) 5, 258 (2) 6, 263 (2) 6.

(3) In the application of subparagraphs 3 and 5 through 7 of Article 24 provided for in Articles 254 (2) 5, 258 (2) 6 and 263 (2) 6, “this Act” shall include the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities Futures Exchange Act and the Merchant Banks Act.

Article 33 (Transitional Measures concerning Special Purpose Companies)

A special purpose company under the Act on Business of Operating Indirect Investment and Assets at the time of the commencement of this Act may change its registration matters pursuant to Article 271 (5) after the commencement of this Act.

Article 34 (Transitional Measures concerning the Korea Securities Depository)

(1) The Korea Securities Depository established pursuant to Article 173 of the Securities and Exchange Act shall be deemed the Korea Securities Depository pursuant to Article 294.

(2) Securities to be deposited designated by the Korea Securities Depository pursuant to Article 173-7 of the Securities and Exchange Act shall be deemed securities to be deposited designated by the Korea Securities Depository pursuant to Article 308.
(3) A customer's account book pursuant to Article 174-2 of the Securities and Exchange Act shall be deemed an investor's account book pursuant to Article 310 (1).
(4) Approvals granted by the Korea Securities Depository pursuant to Article 176-2 (4) of the Securities and Exchange Act shall be deemed approvals granted by the Korea Securities Depository pursuant to Article 322 (4).

**Article 35 (Transitional Measures concerning Securities Finance Companies)**
(1) A securities finance company which has obtained a permission from the Minister of Finance and Economy in accordance with Article 145 of the Securities and Exchange Act at the time of the commencement of this Act shall be deemed a securities finance company which is authorized pursuant to Article 324 (1). In this case, such company shall meet the requirements for maintaining authorization under Article 324 (9) within three months from the commencement date of this Act.
(2) In the application of subparagraphs 3 and 5 through 7 of Article 24 provided for in Article 324 (2) 5, "this Act" shall be regarded to include the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities and Futures Exchange Act, and the Merchant Banks Act.

**Article 36 (Transitional Measures concerning Merchant Banks)**
(1) A merchant bank shall satisfy the requirements under Article 344 (1) within twelve months from the commencement of this Act where it exceeds securities investment limitation under Article 344 (1) due to the commencement of this Act.
(2) The Merchants Banks Act shall apply with respect to the qualification of officers who are in office at a merchant bank at the time of the commencement of this Act until the expiration of their terms, notwithstanding Article 24 which is applied to Article 350.
(3) In the application of subparagraphs 3 and 5 through 7 of Article 24 which is applied to Article 350, “this Act” shall be deemed as if it includes the Securities and Exchange Act, Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Korea Securities Futures Exchange Act, and the Merchant Banks Act.
(4) A merchant bank required to appoint outside directors pursuant to Article 25 (1) which is applied to Article 350 shall appoint new outside directors pursuant to Article 25 (1) until the first general meeting of shareholders held after the commencement of
this Act.

(5) A merchant bank required to establish an audit committee pursuant to Article 26
(2) which is applied to Article 350 shall appoint new outside directors pursuant to
Article 26 (2) until the first general meeting of shareholders held after the
commencement of this Act.

(6) A compliance officer of a merchant bank who holds office or post pursuant to the
Merchant Banks Act shall be governed by the Act, notwithstanding Article 28 (4)
which is applied to Article 350, until the termination (in the case of employees, three
years after the commencement of this Act) of his or her term.

(7) In the application of Article 28 (4) 3 which is applied to Article 350, “this Act”
shall be deemed as if it includes the Securities and Exchange Act, the Futures
Trading Act, the Act on Business of Operating Indirect Investment and Assets, the
Trust Business Act, the Korea Securities Futures Exchange Act, and the Merchant
Banks Act.

Article 37 (Transitional Measures concerning Fund Brokerage Companies)
(1) A fund brokerage company established after obtaining an approval from the
Financial Supervisory Commission pursuant to Article 9 (1) of the Merchant Banks
Act shall be deemed a fund brokerage company which obtains an authorization under
Article 355 (1). In this case, In this case, such company shall meet the requirements
for maintaining authorization under Article 355 (9) within three months from the
commencement date of this Act.

(2) The Merchant Banks Act shall apply to the qualification of officers who are in
office at a fund brokerage company at the time of the commencement of this Act
until the expiration of their terms, notwithstanding Article 355 (2) 5.

(3) In the application of subparagraphs 3 and 5 through 7 of Article 24 provided for
in Article 355 (2) 5, "this Act" shall be regarded to include the Securities and
Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect
Investment and Assets, the Trust Business Act, the Korea Securities and Futures

Article 38 (Transitional Measures concerning Short-term Financing Business of
Financial Institutions)
A financial institution that has been authorized by the Financial Supervisory
Commission pursuant to Article 3-2 (1) of the Merchant Banks Act shall be deemed
as if it is authorized by the Financial Supervisory Commission on short-term financing businesses pursuant to Article 360 (1). In this case, the requirements for maintaining authorization under Article 360 (9) shall be satisfied within three months from enforcement of this Act.

**Article 39 (Transitional Measures concerning Transfer Agents)**
A transfer agent registered with the Financial Supervisory Commission in accordance with Article 180 of the Securities and Exchange Act at the time of the commencement shall be deemed a transfer agent registered in accordance with Article 365 (1). In this case, the transfer agent shall meet the requirements for maintaining registration under Article 365 (8) within three months from the commencement date of this Act.

**Article 40 (Transitional Measures concerning the Korea Exchange)**
(1) The Korea Securities and Futures Exchange pursuant to the Korea Securities Futures Exchange Act at the commencement of this Act shall be deemed the Korea Exchange under Article 373.
(2) Where the settlement of transactions of securities and futures concluded on the securities market, KOSDAQ and futures market established by the Korea Securities Futures Exchange pursuant to the Korea Securities Futures Exchange Act at the commencement of this Act has not been completed, the transactions shall be deemed as if it is concluded under the same conditions on the securities market, the KOSDAQ, and the derivatives market established by the Korea Exchange established pursuant to this Act.
(3) A joint compensation fund for damage incurred from contravention of contracts pursuant to Article 95 (1) of the Securities Exchange Act or Article 27 (1) of the Futures Trading Act shall be deemed a joint compensation fund for damage pursuant to Article 394.
(4) The market efficiency committee established pursuant to Article 25 of the Korea Securities Futures Exchange Act at the commencement of this Act shall be deemed the market efficiency committee pursuant to Article 414.

**Article 41 (Transitional Measures concerning Penalties)**
(1) In the application of penalties and fines against violations of the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect
Investment and Assets, the Trust Business Act, the Merchant Banks Act, and the Korea Securities and Futures Exchange Act prior to the commencement date of this Act, the existing provisions shall apply.

(2) The existing provisions shall apply in the imposition of fines or application of other administrative actions against the violations of the Securities and Exchange Act, the Futures Trading Act, the Act on Business of Operating Indirect Investment and Assets, the Trust Business Act, the Merchant Banks Act, and the Korea Securities and Futures Exchange Act which are committed prior to the commencement of this Act and finished prior to the commencement of this Act or lasts even after the commencement of this Act.

Article 42 (Amendments of Other Acts and Subordinate Statutes)

(1) The Act on the Establishment, etc. of Financial Supervisory Organizations shall be amended as follows:
"Futures market" in subparagraph 4 of Article 17 shall be regarded as "derivatives market."
"Futures market" in subparagraphs 1, 3, and 4 of Articles 19 shall be regarded as "derivatives market," respectively.
"Futures" in Articles 20 (2) 1 and 20 (2) 3 shall be regarded as "derivatives," respectively.
Subparagraph 2 of Article 38 shall be amended as follows, and subparagraphs 3, 5, 8, and 10 of that Article shall be deleted:

(2) The Act on the Efficient Disposal of Non-performing Assets, etc. of Financial Institutions and the Establishment of Korea Asset Management Corporation shall be amended as follows:
"Trust service under the Trust Business Act" in Articles 26 (1) 11 and 26 (2) shall be regarded as "trust service under the Financial Investment Services and Capital Market Act," respectively.
"Bonds prescribed in Article 2 (1) 3 of the Securities and Exchange Act" in Article 37 (2) shall be regarded as "special bond prescribed in Article 4 (3) of the Financial Investment Services and Capital Market Act."

(3) The Act on the Structural Improvement of the Financial Industry" shall be amended as follows:
Items (c), (d), (g), and (h) of subparagraph 1 of Article 2 shall be regarded as follows:

(c) Broker or Dealer under the Financial Investment Services and Capital Market Act;
(d) Collective investment manager, discretionary investment advisory company, or non-discretionary investment advisory company under the Financial Investment Services and Capital Market Act;
(g) Trust company under the Financial Investment Services and Capital Market Act;

"The Securities and Exchange Act" in Article 4 (3) 4 shall be regarded as "the Financial Investment Services and Capital Market Act."

"The Korea Securities Depository referred to in Article 173 of the Securities and Exchange Act (hereinafter referred to as the "Korea Securities Depository") may, notwithstanding the provisions of Article 174-6 (5) 3 of the Securities and Exchange Act" in the main sentence of Article 5 (10) shall be regarded as "the Korea Securities Depository referred to in Article 294 of the Financial Investment Services and Capital Market Act (hereinafter referred to as the "Depository") may, notwithstanding the provisions of Article 314 (5) 3 of the Financial Investment Services and Capital Market Act" and "the Korea Securities Depository" in the proviso of Article 5 (10) shall be regarded as "the Depository," respectively.


"Trust company" in the main sentence of Article 12 (5) shall be regarded as "trust company under the Financial Investment Services and Capital Market Act," "the Securities and Exchange Act" in the proviso of Article 12 (6) shall be regarded as "the Financial Investment Services and Capital Market Act," and "the Korea Securities Depository" in the provisos of Article 12 (6) shall be regarded as "the Depository."

"Trust company" referred to in Article 28 (1) 8 shall be regarded as “trust company under the Financial Investment Services and Capital Market Act”

(4) The Act on Real Name Financial Transactions and Guarantee of Secrecy shall be
amended as follows:

Item (c) of subparagraph 1 of Article 2 shall be modified as follows, and items (d), (l) and (m) shall be deleted, respectively.

(c) Broker, dealer, collective investment manager, trust company, securities finance company, merchant bank and transfer agent under the Financial Investment Services and Capital Market Act.

Article 3 (2) 3 (d) shall be modified as follows:

(d) Bonds issued by securities finance company under Article 329 of the Financial Investment Services and Capital Market Act.

"the securities or futures market" in Article 4 (1) 4 other that each item of that subparagraph shall be regarded as "the securities market or derivative market," "pursuant to Article 206-4 of the Securities and Exchange Act and Article 95-7 of the Futures Trading Act" in the Article 4 (1) 6 (b) shall be regarded as "pursuant to Article 437 of the Financial Investment Services and Capital Market Act," "the Korea Securities and Futures Exchange established in accordance with the Korea Securities and Futures Exchange Act (hereinafter referred to as the "Korea Securities and Futures Exchange")" in Article 4 (1) 7 other than each item shall be regarded as "the Korea Exchange established in accordance with the Financial Investment Services and Capital Market Act (hereinafter referred to as the "Exchange")," "securities company and futures company" in Article 4 (1) 7 other than each item shall be regarded as "broker or dealer," "pursuant to Article 19 of the Korea Securities and Futures Exchange Act" in Article 4 (1) 7 (a) shall be regarded as "pursuant to Article 404 of the Financial Investment Services and Capital Market Act," and "the Korea Securities and Futures Exchange" in the main sentence of Article 4 (1) 7 (b) and the proviso of Article 4 (4) shall be regarded as "the Exchange," respectively.

(5) The Financial Holding Companies Act shall be amended as follows:

Under Article 2 (1) 8 (c), the “securities investment company under the Securities Investment Companies Act (hereinafter referred to as the "securities investment company")” shall be regarded as the “investment company under the Financial Investment Services and Capital Market Act (hereinafter referred to as the "investment company")," and the “securities investment company concerned” shall be regarded as the “investment company concerned.”

Under subparagraph 2 of Article 7, the “securities investment company” shall be regarded as the “investment company.”

Under Article 8 (6) the “securities investment company” shall be regarded as the
“investment company,” respectively and the “provisions of Article 28 (2) 1 and 28 (2) 2 under the Securities Investment Companies Act” shall be regarded as "Articles 81 (1) 1 (a) and 81 (1) 1 (c) under the Financial Investment Services and Capital Market Act."

Under Article 40 (4), "falling under any subparagraph of Article 54-5 (4) of the Securities and Exchange Act" shall be regarded as "falling under any subparagraph of Article 25 (5) under the Financial Investment Services and Capital Market Act."

"Securities" in the title of Article 43 shall be regarded as "securities," "securities under the Securities and Exchange Act" under the former part of Article 43 (1) shall be regarded as "securities under the Financial Investment Services and Capital Market Act," "hereinafter referred to as "securities" under the former part of Article 43 (1) shall be regarded as "hereinafter referred to as "securities," and "securities" under Article 43 (2) other than each subparagraph and Article 43 (2) 2 shall be regarded as "securities," respectively.

Under Article 48-2 (2), " a securities company, which is a subsidiary, etc. of a financial holding company, may, notwithstanding the provisions of Article 59 of the Securities and Exchange Act, supply information, regarding the total amount of money or securities deposited by a truster who buys and sells securities through the securities company concerned" shall be regarded as "a broker or dealer, which is a subsidiary, etc. of a financial holding company, may, notwithstanding the Financial Investment Services and Capital Market Act, supply information, regarding the total amount of money or securities deposited by a truster who buys and sells securities through the broker or dealer concerned," "marketable securities" shall be regarded as "securities," and "marketable securities" under Article 48-2 (3) shall be regarded as "securities."

Under Article 62-2 (3) 1, "a stock-listed company or an Association-registered company pursuant to the Securities and Exchange Act" shall be regarded as "a stock-listed company pursuant to the Financial Investment Services and Capital Market Act," and "the securities market" shall be regarded as "the securities market."

"Securities" under subparagraph 1 of Article 64 shall be regarded as "securities."

"Securities" under Article 70 (3) 4 shall be regarded as "securities."

(6) The Korea Technology Credit Guarantee Fund Act shall be amended as follows:

Item (i) of subparagraph 5 of Article 2 shall be amended as follows.

(i) Trust companies under the Financial Investment Services and Capital Market Act.

(7) The Secured Bond Trust Act shall be amended as follows:

Under Article 5 (2), "the trust companies as defined in the Trust Business Act" shall
be regarded as "the trust companies as defined in the Financial Investment Services and Capital Market Act."

(8) The Insurance Business Act shall be amended as follows:
Under Article 15 (4), "falls under 1 of each subparagraph of Article 54-5 (4) of the Securities and Exchange Act" shall be regarded as "falls under any of each subparagraph of Article 25 (5) of the Financial Investment Services and Capital Market Act."
Article 91 (1) 2 shall be amended as follows.
2. Broker or dealer under the Financial Investment Services and Capital Market Act; "Futures trading provided for in the Futures Trading Act" under Article 105 (2) shall be regarded as "Trading on the derivatives market under the Financial Investment Services and Capital Market Act."
Under Article 106 (1) 9, "listed or registered on any foreign market similar to the Korea Stock Exchange and the Korea Securities Dealers Association established pursuant to the Securities and Exchange Act" shall be regarded as "listed on any foreign market similar to the Korea Exchange established pursuant to the Financial Investment Services and Capital Market Act," and "overseas futures trading" under Article 106 (1) 11 shall be regarded as "overseas derivatives trading."

(9) The Mutual Saving Banks Act shall be amended as follows:
Under Article 10-3 (4), "falls under any of the subparagraphs of Article 54-5 (4) of the Securities and Exchange Act" shall be regarded as "falls under any of the subparagraphs of Article 25 (5) of the Financial Investment Services and Capital Market Act."
Under Article 25-2 (1) 5-3, "securities pursuant to the provisions of Article 2 (1) 1 and 2 (1) 2 of the Securities and Exchange Act" shall be regarded as "government bond and municipal bond pursuant to Article 4 (3) of the Financial Investment Services and Capital Market Act."

(10) The Credit Guarantee Fund Act shall be amended as follows:
"As provided in Article 8 of the Securities and Exchange Act" under Article 2 (2) 3 shall be regarded as "as provided in Article 119 of the Financial Investment Services and Capital Market Act," and Article 2 (3) 9 shall be amended as follows:

(11) The Use and Protection of Credit Information Act shall be amended as follows:
Under subparagraph 11 of Article 2, "the marketable securities under the Securities and Exchange Act" shall be regarded as "the securities under the Financial Investment
"Marketable securities" under Article 9-2 (2) and 9-2 (3) shall be regarded as "securities," respectively, and "the Korea Stock Exchange and the Korea Securities Dealers Association under the Securities and Exchange Act" under Article 9-2 (5) shall be regarded as "the Korea Exchange and the Korea Financial Investment Association under the Financial Investment Services and Capital Market Act."

Under the proviso of Article 12 (1) 2, "listed on or registered with the securities market or KOSDAQ under the Securities and Exchange Act" shall be regarded as "listed on the securities market under the Financial Investment Services and Capital Market Act."

"Marketable securities" under subparagraph 8 of Article 26 shall be regarded as "securities."

(12) The Credit Union Act shall be amended as follows:

Article 78 (1) 5 (f) shall be amended as follows:

(f) Underwriting and public offering of government bonds and municipal bonds pursuant to Article 4 (3) of the Financial Investment Services and Capital Market Act.

(13) The Depositor Protection Act shall be amended as follows:

Items (j) and (l) of subparagraph 1 of Article 2 shall be amended as follows:

(j) Broker or dealer who obtains the authorization of dealing and brokerage of securities pursuant to Article 12 of the Financial Investment Services and Capital Market Act (excluding brokerage who carries on electronic securities brokerage business pursuant to Article 78 of that Act);


"Under Article 10 (3) of the Trust Business Act" under item (a) of subparagraph 2 of Article 2 shall be regarded as "under Article 103 (3) of the Financial Investment Services and Capital Market Act," under item (b) of that subparagraph "securities companies" shall be regarded as "broker of dealer," and "securities" shall be regarded as "securities," "under Article 10 (3) of the Trust Business Act" shall be regarded as "under Article 103 (3) of the Financial Investment Services and Capital Market Act," "under Article 10 (3) of the Trust Business Act" under item (c) of that subparagraph shall be regarded as "under Article 103 (3) of the Financial Investment Services and Capital Market Act," and "securities companies shall, pursuant to Article 7 (1) of Merchant Banks Act" under item (d) of that subparagraph shall be regarded as "a
broker or dealer shall, pursuant to Article 336 (1) of the Financial Investment Services and Capital Market Act."

"Securities Companies" under Article 24-3 (2) shall be regarded as "a broker or dealer."

Under Article 26-2 (6), "Deposit insurance fund bonds shall be deemed bonds under Article 2 (1) 3 of the Securities and Exchange Act" shall be regarded as "Special bonds shall be deemed bonds under Article 4 (3) of the Financial Investment Services and Capital Market Act."

"Securities companies" under Article 36-3 (5) shall be regarded as "broker or dealer."

"The Securities and Exchange Act, the Insurance Business Act, the Merchant Banks Act" under Article 36-8 (1) shall be regarded as "the Financial Investment Services and Capital Market Act, and Insurance Business Act."

(14) The Banking Act shall be amended as follows:
Under Article 2 (1) 9 (c), "a securities investment company under the Securities Investment Company Act (hereinafter referred to as the "securities investment company")" shall be regarded as "an investment company under the Financial Investment Services and Capital Market Act (hereinafter referred to as the "investment company")," and "the securities investment company concerned" shall be regarded as "the investment company concerned."

Under Article 15 (6), "a securities investment company" shall be regarded as "an investment company" and "the provisions of Article 28 (2) 1 and 28 (2) 2 of the Securities Investment Company Act shall not apply with respect to the securities investment company" shall be regarded as "Articles 81 (1) 1 (a) and 81 (1) 1 (c) shall not apply with respect to the investment company."

(15) The Asset-backed Securitization Act shall be amended as follows:
"a trust company under the Trust Business Act (including a financial institution concurrently engaging in the trust service; hereinafter referred to as a "trust company")" under item (b) of subparagraph 1 of Article 2 shall be regarded as "a trust company under the Financial Investment Services and Capital Market Act (hereinafter referred to as a "trust company")" "a trust company" under items (c) and (d) of that subparagraph shall be regarded as "a trust company," respectively, and item (f) of that subparagraph shall be amended as follows and items (h) and (i) shall be deleted.
(f) Broker, dealer, collective investment manager and merchant bank under the Financial Investment Services and Capital Market Act.
"Trust company" under the main sentence of Article 3 (1) and Article 3 (2) shall be regarded as "trust company," and Article 3 (4) shall be deleted.

"Trust company" under Article 6 (1) 1 (b), Article 9 (2) and Article 10 (1) other than each subparagraph shall be deemed "trust company."

"Trust Business Act" in the title of Article 16 shall be deemed "the Financial Investment Services and Capital Market Act," "trust service" under Article 16 (1) other than each subparagraph shall be deemed "trust service," "provided in Article 15-2 of the Trust Business Act" under Article 16 (1) other than each subparagraph shall be deemed "provided in Article 105 of the Financial Investment Services and Capital Market Act," and "trust company" under Articles 16 (1) 1, 16 (1) 2 and 16 (2), and 16 (3) shall be regarded as "trust company," respectively.

Under Article 22 (1) 1 "trust company" shall be regarded as "trust company."

Under Article 27 "the Securities and Exchange Act" shall be regarded as "the Financial Investment Services and Capital Market Act."

"Trust company" under Article 32 (1) shall be regarded as "trust company," "Article 17-2 of the Trust Business Act" under Article 32(2) shall be regarded as "Articles 110 (1) through 110 (4) of the Financial Investment Services and Capital Market Act."

(16) The Long-term Credit Bank Act shall be amended as follows:

"Stocks" under Article 8 (1) 5 shall be regarded as "securities."

"The Securities and Exchange Act" under Article 23 (2) shall be regarded as "the Financial Investment Services and Capital Market Act" and Article 23 (4) shall be deleted.

(17) The Act on External Audit of Stock Companies shall be amended as follows:

Under Article 2-2 (1) other than each subparagraph "a stock-listed corporation (referring to the stock-listed corporation provided for in the Securities and Exchange Act; hereinafter the same shall apply) and a KOSDAQ-listed corporation (referring to the KOSDAQ-listed corporation provided for in the Securities and Exchange Act; hereinafter the same shall apply)" shall be regarded as "a stock-listed corporation (referring to the stock-listed corporation provided for in the Financial Investment Services and Capital Market Act; hereinafter the same shall apply)."

Under the proviso of Article 3 (1) other than each subparagraph "a stock-listed corporation" shall be regarded as "a listed corporation on the securities market (referring to a corporation issuing stocks listed on the securities market in accordance with the Financial Investment Services and Capital Market Act; hereinafter the same
shall apply)," and "a stock-listed corporation and a KOSDAQ-listed corporation" under
Articles 3 (4) and 3 (5) shall be regarded as "a stock-listed corporation" and
"KOSDAQ-listed corporation" under Article 3 (6) shall be regarded as "a listed
corporation on the KOSDAQ market (referring to a corporation issuing securities listed
on the KOSDAQ market in accordance with the Financial Investment Services and
Capital Market Act; hereinafter the same shall apply)."
Under the proviso of Article 4 (2) and Article 4 (6) "a stock-listed corporation and a
KOSDAQ-listed corporation" shall be regarded as "a stock-listed corporation," respectively.
"a stock-listed corporation and a KOSDAQ-listed corporation" under the title of Article
4-2, and the former and latter parts of Article 4-2 (1) shall be regarded as "a stock-listed corporation," respectively.
"a stock-listed corporation" under Article 4-3 (1) 7 shall be regarded as "a listed
corporation on the securities market."
"a stock-listed corporation and a KOSDAQ-listed corporation" under Article 4-4 (3)
shall be regarded as "a stock-listed corporation."
Under Article 13 (6) "pursuant to the provisions of Article 206-8 (1) 2 of the
Securities and Exchange Act" shall be regarded as "pursuant to Article 442 (1) 3 of
the Financial Investment Services and Capital Market Act."
"a stock-listed corporation and a KOSDAQ-listed corporation" under Article 15-3 (5)
shall be regarded as "a stock-listed corporation."
Under Article 16-2 (2) "the Korea Stock and Futures Exchange provided for in the
Korea Stock and Futures Exchange Act (limited to a case where the relevant company
is a stock-listed corporation or a KOSDAQ-listed corporation)" shall be regarded as
"the Korea Exchange provided for in the Financial Investment Services and Capital
Market Act (limited to a case where the relevant company is a stock-listed
corporation)."
Under the main sentence of Article 18 "the Securities and Exchange Act" shall be
regarded as "the Financial Investment Services and Capital Market Act."
(18) The Special Purpose Companies for Mortgage-backed Bonds Act shall be
amended as follows:
Article 11 (4) shall be deleted.
"The provisions of Article 3 of the Trust Business Act" in the former part of Article
12 (8) shall be regarded as "Article 12 of the Financial Investment Services and
Capital Market Act," "Articles 7, 15, 15-2, 16, 17-2, 21, and 22 of the Trust Business
Act" in the latter part of Article 12 (8) shall be regarded as "Articles 38 (6), 105, 107 and 110 (1) through 110 (4)."

Article 14 (2) shall be deleted.

(19) The Korea Housing Finance Corporation Act shall be amended as follows:

Item (f) of subparagraph 11 of Article 2 shall be amended as follows:

(f) Trust company under the Financial Investment Services and Capital Market Act
(excluding a trust company which carries on only real estate trust service);

Under Article 31 (4), "a bond provided for in Article 2 (1) 3 of the Securities and Exchange Act" shall be regarded as "a special bond provided for in Article 4 (3) of the Financial Investment Services and Capital Market Act."


(20) The Act on the Improvement of Managerial Structure and Privatization of Public Enterprises shall be amended as follows;

Under Article 20 (1) "a trust company" shall be regarded as "a broker or dealer."

(21) The National Fund Management Act shall be amended as follows:

"A Securities finance company under the Securities and Exchange Act or a merchant bank under the Merchant Banks Act" under Article 34 (1) 3 shall be regarded as "a securities finance company or a merchant bank under the Financial Investment Services and Capital Market Act."

(22) The State Properties Act shall be amended as follows:

Under Article 33 (3) "a securities company" shall be regarded as "a broker and dealer."

"In case of securities, public offering of outstanding securities pursuant to Article 2(4) of the Securities and Exchange Act" under the proviso of Article 33 (1) shall be regarded as "in case of securities, public offering of outstanding securities pursuant to Article 9 (9) of the Financial Investment Services and Capital Market Act."

Under the main sentence of Article 45-2 (1) other than each subparagraph and Article 45-4 "a trust company" shall be regarded as "trust company," respectively.

(23) The Foreign Exchange Transactions Act shall be amended as follows:

"Futures company as prescribed in the Futures Trading Act" under Article 18 (3) 2
shall be regarded as "a broker or dealer as prescribed by the Financial Investment Services and Capital Market Act," and "any securities company as prescribed in the Securities and Exchange Act or consignment company as prescribed in the Securities Investment Trust Business Act" under Article 18 (3) 4 shall be regarded as "any broker, dealer or collective investment manager as prescribed in the Financial Investment Services and Capital Market Act."

(24) The Korea Investment Corporation shall be amended as follows:

Article 14 (3) 2 shall be amended as follows, and Article 14 (3) 5 shall be deleted.

2. One person nominated by the president of the Korea Financial Investment Association established under Article 283 of the Financial Investment Services and Capital Market Act;

Under Article 26 (4) "requirements falling under each of the subparagraphs of Article 11 (4) of the Act on Business of Operating Indirect Investment and Assets" shall be regarded as "the requirements prescribed by the Presidential Decree."

"Management" in the title of Article 31 shall be regarded as "management, etc."

"securities as defined under Article 2 (1) of the Securities and Exchange Act" under Article 31 (1) 1 shall be regarded as "securities as defined under Article 4 of the Financial Investment Services and Capital Market Act," and "domestic and overseas asset management companies under the Act on Business of Operating Indirect Investment and Assets" under Article 31 (2) shall be regarded as "domestic and overseas collective investment manager or discretionary investment advisory company under the Financial Investment Services and Capital Market Act" and Article 31 (5) shall be newly inserted:

(5) The Corporation shall have fund managers meeting the requirements prescribed by the Presidential Decree more than the number as prescribed by the Presidential Decree in order to enhance its expertise of asset management.

Article 38 (4) shall be deleted and "Articles 9 (1), 15, 21, 121, and 125 of the Act on Business of Operating Indirect Investment and Assets" under Article 38 (5) shall be regarded as "Articles 54, 63, 88, and 91 of the Financial Investment Services and Capital Market Act."

(25) The Board of Audit and Inspection Act shall be amended as follows:

Under subparagraph 5 of Article 7, "a stock-listed company or an Association-registered company pursuant to Article 2 (13) 3 and 2 (15) of the Securities and Exchange Act" shall be regarded as "a stock-listed corporation pursuant to Article 9 (15) 3 of the Financial Investment Services and Capital Market Act."
(26) The Act on Building Installation shall be amended as follows:
Under Article 4 (1) 1 "a trust company in accordance with the Trust Business Act" shall be regarded as "a trust company in accordance with the Financial Investment Services and Capital Market Act."
Under Article 6 (4) "a trust company" shall be regarded as "a trust company."
(27) The Public Properties and Items Management Act shall be amended as follows:
Under the proviso of Article 29 "in case of securities, a public offering of outstanding securities pursuant to Article 2 (4) of the Securities and Exchange Act" shall be regarded as "in case of securities, a public offering of outstanding securities pursuant to Article 9 (9) of the Financial Investment Services and Capital Market Act."
Under Articles 42 (1) and 43, "a trust company" shall be regarded as "a trust company."
(28) The Act on Business of Real Estate Agent and Real Estate Transactions Registration shall be regarded as follows:
Under Article 31 (1) "a trust company under the Trust Business Act" shall be regarded as "a trust company under the Financial Investment Services and Capital Market Act."
(29) The Public Service Ethics Act shall be amended as follows:
"Securities" under Article 4 (2) 3 other than each item and Article 4 (2) 3 (c) shall be regarded as "securities," respectively, and under the main sentence of Article 4 (3) 7 "stocks listed on the Korea Securities and Futures Exchange and stocks registered to the Korea Securities Dealers Association" shall be regarded as "stocks listed on the Korea Exchange," "pursuant to Article 194 of the Securities and Exchange Act" shall be regarded as "pursuant to Article 166 of the Financial Investment Services and Capital Market Act," and "the securities market" shall be regarded as "the securities market," and "pursuant to Article 194 of the Securities and Exchange Act" under the proviso of Article 4(3)7 shall be regarded as "pursuant to Article 166 of the Financial Investment Services and Capital Market Act," and "the securities market" shall be regarded as "the securities market."
Under the main sentence of Article 14-4 (1) 2 (f) "a trust company under the Trust Business Act (including a financial institution conducting trust service concurrently) or an asset management company under the Act on Business of Operating Indirect Investment and Assets" shall be regarded as "a trust company or collective investment manager under the Financial Investment Services and Capital Market Act."
Under the main sentence of Article 14-7 (1) "the provisions of Article 17-10 of the
Under Article 28-2 (1) "a trust company, asset management company, investment company or distribution company" shall be regarded as "a trust company, collective investment manager, investment company, broker or dealer."

(30) The Public Education Officials Act shall be amended as follows:
Under Article 19-2 (1) "pursuant to Article 2 (19) of the Securities and Exchange Act" shall be regarded as "pursuant to Article 9 (3) of the Financial Investment Services and Capital Market Act."

(31) The National Pension Act shall be amended as follows:
Articles 83 (2) 3 and 83 (2) 4 shall be amended as follows;
3. Purchase, sale and lending of securities under Article 4 of the Financial Investment Services and Capital Market Act;
4. Transactions on the derivatives market with respect to the index based on financial investment products among the index pursuant to each subparagraph of Article 5 (1) of the Financial Investment Services and Capital Market Act.

(32) The Framework Act on Welfare for Workers shall be amended as follows:
Under Article 32 (1) "Where a stock-listed corporation pursuant to Article 2 (13) 3 of the Securities and Exchange Act or a corporation which intends to list securities on the securities market pursuant to Article 2 (12) of that Act makes a public offering of new or outstanding securities in accordance with the Securities and Exchange Act" shall be regarded as "Where a stock-listed corporation under Article 9 (15) 3 of the Financial Investment Services and Capital Market Act (excluding a corporation which lists the stocks on the KOSDAQ market) or a corporation which intends to list stocks on the securities market under Article 9 (13) 1 of that Act makes a public offering of new or outstanding securities in accordance with the Financial Investment Services and Capital Market Act," and "the Securities and Exchange Act" under Article 32 (2) shall be regarded as "the Financial Investment Services and Capital Market Act."
"The securities market or KOSDAQ market pursuant to Article 2 (14) of the Securities and Exchange Act" under Article 38 (1) shall be regarded as "the securities market pursuant to Article 9 (13)," and "the securities market or KOSDAQ market" under Article 38 (2) shall be regarded as "the securities market."

(33) The Act on Guarantee of Retirement Pay for Workers shall be amended as follows:
Subparagraph 1 of Article 14 shall be amended as follows and subparagraph 4 of Article 14 shall be deleted.

(34) The Act on National Agricultural Cooperative Federation shall be amended as follows:
"In accordance with the Trust Business Act" under Article 134 (1) 4 (f) shall be deemed "in accordance with the Financial Investment Services and Capital Market Act," and Article 134 (1) 9 shall be amended as follows;

(35) The Urban Development Act shall be amended as follows:
Under Article 12 (4) "a trust company under the Trust Business Act" shall be regarded as "a trust company under the Financial Investment Services and Capital Market Act."

(36) The Monopoly Regulation and Fair Trade Act shall be amended as follows:
Under the main sentence of Article 8-2 (2) 2 other than each item, "a stock-listed corporation or an Association-registered corporation pursuant to the provisions of the Securities and Exchange Act" shall be regarded as "a stock-listed corporation under the Financial Investment Services and Capital Market Act."
Article 10-2 (2) 4 shall be amended as follows and Article 10-2 (2) 5 shall be deleted.
Under the former part of Article 11-2 (3), "a stock-listed corporation or an Association-registered corporation pursuant to the provisions of the Securities and Exchange Act" shall be regarded as "a stock-listed corporation under the Financial Investment Services and Capital Market Act."
Under the former part of Article 11-2(3), "pursuant to Article 186 (Duty of Report
and Disclosure of Listed Corporation, etc.) of the Securities and Exchange Act" shall be regarded as "pursuant to Article 161 (Submission of Material Change Report) of the Financial Investment Services and Capital Market Act."

Under the main sentence of Article 11-3 (1) 1, "pursuant to Article 188 (1) of the Securities and Exchange Act" shall be regarded as "pursuant to Article 9 (1) 2 of the Financial Investment Services and Capital Market Act."

Under Article 12 (3) 3 "an investment company in accordance with the Act on Business of Operation Indirect Investment and Assets (excluding a securities investment company for business takeover pursuant to Article 142 (1) of that Act) " shall be regarded as "an investment company under the Financial Investment Services and Capital Market Act."

(37) The Act on Regulation and Penalty of Concealment of Criminal Benefic shall be amended as follows:

Subparagraph 10 of Appendix 10 shall be amended as follows and subparagraph 16 of Appendix 10 shall be deleted.


(38) The Act on Registration of Real Right Holder of Real Estate shall be amended as follows:

Under item (c) of subparagraph 1 of Article 2, "under the Trust Business Act" shall be regarded as "under the Financial Investment Services and Capital Market Act."

(39) The Industrial Sites and Development Act shall be amended as follows:

Under Article 16 (1) 5, "a real estate trust company" shall be regarded as "a real estate trust company."

Under Article 20-2 (1) "a real estate trust company established in accordance with the Trust Business Act" shall be regarded as "a real estate trust company established in accordance with the Financial Investment Services and Capital Market Act," and "a real estate trust company" under Article 20-2 (2) shall be regarded as "a real estate trust company."

(40) The Community Credit Cooperatives Act shall be amended as follows:

Under Article 67 (1) 5 (g), "securities pursuant to Articles 2 (1) 1 and 2 (1) 2 of the Securities and Exchange Act" shall be regarded as "government bond and municipal bond pursuant to Article 4 (3) of the Financial Investment Services and Capital Market Act,"

(41) The National Federation of Fisheries Cooperative Act shall be amended as
follows:
"The Trust Business Act" under Article 138 (1) 3 (f) shall be regarded as "the Financial Investment Services and Capital Market Act," and Article 138 (1) 7 shall be amended as follows:


(42) The Act on Special Audit on Insurance of Post office shall be amended as follows:
Under Article 6 (1) 2 "securities pursuant to Article 2 (1) of the Securities and Exchange Act" shall be regarded as "securities under the Financial Investment Services and Capital Market Act," Article 6 (1) 6 shall be amended as follows, and "securities" under Article 6 (4) shall be regarded as "securities," and "futures" shall be regarded as "exchange-traded derivatives."


(43) The Act on Postal Savings and Insurance shall be amended as follows:
Article 18 (1) 3 shall be amended as follows, "pursuant to Article 9 of the Merchant Banks Act" under Article 18 (1) 4 shall be regarded as "pursuant to Article 355 of the Financial Investment Services and Capital Market Act," and Article 18 (1) 5 shall be amended as follows, and "marketable securities" under Article 18 (2) shall be regarded as "securities" and "futures trading" shall be regarded as "trading on the derivatives market;"

3. Purchase of securities under the Financial Investment Services and Capital Market Act;

5. Transactions on the derivatives market with respect to the index based on financial investment products among the index pursuant to each subparagraph of Article 5 (1) of the Financial Investment Services and Capital Market Act.
Under the former part of Article 19 (1) "marketable securities" shall be regarded as "securities."

(44) The Distribution Industry Development Act shall be amended as follows:
Under Article 20 (1) 2 "a trust company under the Trust Business Act" shall be regarded as "a trust company under the Financial Investment Services and Capital Market Act."
Under Article 32 (1) "a trust company under the Trust Business Act" shall be regarded as "a trust company under the Financial Investment Services and Capital
Market Act," and "a trust company" in the former part of Article 32 (2) shall be regarded as "a trust company."

(45) The Telecommunications Business Act shall be amended as follows:
Under Article 6 (2) "pursuant to subparagraph 3 of Article 36 of the Securities and Exchange Act" shall be regarded as "pursuant to Article 9 (1) 1 of the Financial Investment Services and Capital Market Act."
Under Article 6-3 (1) 1 "pursuant to subparagraph 3 of Article 36 of the Securities and Exchange Act" shall be regarded as "pursuant to Article 9 (1) 1 of the Financial Investment Services and Capital Market Act."

(46) The Act on Protection of investors in Electronic Commerce, etc. shall be amended as follows:
Under Article 3 (4) "securities by a securities company under Article 2 (9) of the Securities and Exchange Act" shall be regarded as "securities by a broker or a dealer under the Financial Investment Services and Capital Market Act."

(47) The Housing Act shall be amended as follows:
Under Article 40 (7) "regulations under the Trust Business Act" shall be regarded as "the Financial Investment Services and Capital Market Act."

(48) The Special Act on Promoting Conversion of Small and Medium Enterprises shall be amended as follows:
Under Article 12 (1) and 20 (1) "a stock-listed corporation pursuant to the Securities and Exchange Act and KOSDAQ-listed corporation" shall be deemed "a stock-listed corporation under the Financial Investment Services and Capital Market Act."

(49) The Small and Medium Enterprises Cooperatives Act shall be amended as follows:
Under the former part of Article 111 (2) 1 "securities pursuant to the provision of Article 2 (1) of the Securities and Exchange Act" shall be regarded as "securities pursuant to Article 4 of the Financial Investment Services and Capital Market Act," and the former part of Article 111 (2) 3 shall be amended as follows:

(50) The Security-related Class Action Lawsuit Act shall be amended as follows:
Under Article 1 "securities" shall be regarded as "securities."
Under subparagraphs 1 and 2 of Article 2 "securities" shall be regarded as "securities," respectively, and subparagraph 6 of Article 2 shall be amended as follows:
6. The term "security" shall mean a security pursuant to Article 4 of the Financial Investment Services and Capital Market Act.

"Pursuant to the provision of Article 14 of the Securities and Exchange Act" under Article 3 (1) 1 shall be regarded as "pursuant to Article 125 of the Financial Investment Services and Capital Market Act," Article 3 (1) 2 shall be amended as follows, and under Article 3 (1) 3 "pursuant to the provision of Article 188-3 or 188-5 of the Securities and Exchange Act" under Article 3 (1) 3 shall be regarded as "pursuant to Article 175, 177, or 179 of the Financial Investment Services and Capital Market Act," "pursuant to the provision of Article 197 of the Securities and Exchange Act" under Article 3 (1) 4 shall be regarded as "pursuant to Article 170 of the Financial Investment Services and Capital Market Act," and under Article 3 (2) "a stock-listed corporation pursuant to the provision of Article 2 (13) 3 of the Securities and Exchange Act or an Association-registered corporation pursuant to the provision of Article 2 (15) of that Act shall be regarded as "a stock-listed corporation pursuant to Article 9 (15) 3 of the Financial Investment Services and Capital Market Act," and "marketable securities" shall be regarded as "securities."

2. Claim for compensation pursuant to Article 162 (excluding the case of material changes report pursuant to Article 161) of the Financial Investment Services and Capital Market Act.

Under Article 5 (2) "marketable securities" shall be regarded as "securities," respectively.

Under Article 7 (4) "the Korea Securities Exchange established pursuant to the provision of Article 71 of the Securities and Exchange Act (hereinafter referred to as the "Securities Exchange") or the Korea Securities Dealers Association established pursuant to the provision of Article 162 of that Act (hereinafter referred to as the "Korea Securities Dealers Association") shall be regarded as "the Korea Exchange established pursuant to Article 373 of the Financial Investment Services and Capital Market Act (hereinafter referred to as the "Korea Exchange")," and "the Securities Exchange or the Korea Securities Dealers Association" shall be regarded as "the Korea Exchange."

Under Article 9 (2) 1 "securities" shall be regarded as "securities."

Under Article 12 (1) 1 "securities" shall be regarded as "securities."

Under Articles 19 (1) and 19 (2) "the Securities Exchange or the Korea Securities Dealers Association" shall be regarded as "the Korea Exchange."

Under Article 34 (1) "the Securities and Exchange Act" shall be regarded as "the
Financial Investment Services and Capital Market Act.”

(51) The Regional Credit Guarantee Foundation Act has been partially amended as follows.
Item (e) of subparagraph 3 of Article 2 shall be amended as follows.
(e) Trust company pursuant to the Capital Market and Financial Investment Services Act and subordinate statutes.

(52) Integrated Energy Supply Act has been partially amended as follows.
“Securities pursuant to provisions of Article 8 (1) of the Securities and Exchange Act” among Article 44-2 (1) shall be “securities pursuant to provisions of paragraph 119 (1) and 119 (2) of the Financial Investment Services and Capital Market Act”, and “pursuant to provisions of Article 9 (1) of the same Act” shall be “pursuant to Article 120 (1) of the same Article”.

(53) The Bankruptcy Act have been practically amended as follows.
“Securities and Exchange Act, Futures Trading Act” of Article 120 (2) shall be “Capital Market and Financial Investment Services Act”.
Article 206 (4) 3 shall be amended as follows.
3. Article 344 of the Capital Market and Financial Investment Services Act

(54) The Act on the Aggravated Punishment, etc. of Specific Economic Crimes shall be amended as follows.
Item (c) of subparagraph 1 of Article 2 shall be as follows and items (j), (k), and (l) of the same subparagraph shall be deleted.
(c) Broker, dealer, collective investment company, trust company, securities financial company and merchant bank pursuant to the Financial Investment Services and Capital Market Act
“Article 28 (1) 1-2 of the Merchant Banks Act” shall be "subparagraph 21 of Article 444 of the Financial Investment Services and Capital Market Act (limited to short-term financing business)’’

(55) Act on Report on Specific Financial Transaction Information and Utilization Thereof, etc. shall be partially amended as follows.
Item (c) of subparagraph 1 of Article 2 shall be as follows, and items (i), (j), and (m) shall be deleted.
(c) dealer, broker, collective investment scheme company, trust company, securities finance company, merchant bank and private equity fund under the Financial Investment Services and Capital Market Act

(56) Korea Rural Community & Agriculture Corporation and Farmland Fund Management Act shall be partially amended as follows:

“Securities pursuant to provisions of Article 2 (1) of the Securities and Exchange Act” referred to in the main sentence of Article 30 (5) 2 shall be “securities pursuant to Article 4 of the Financial Investment Services and Capital Market Act”, and “securities or certificates” referred to in proviso of the same subparagraph shall be “securities.”

(57) The Private Investment on Infrastructure Act shall be partially amended as follows:

Item (f) of subparagraph 16 of Article 2 shall be as follows, and item (h) of the same subparagraph shall be deleted.

(f) Trust company and merchant bank pursuant to the Financial Investment Services and Capital Market Act

“pursuant to the Act on Business of Operating Indirect Investment and Assets” referred to in Article 41 (2) shall be “pursuant to the Financial Investment Services and Capital Market Act”, “redemption prohibited company pursuant to Article 45 (1) of the Act on Business of Operating Indirect Investment and Assets," in Article 41 (3) shall be "a closed-end collective investment scheme under Article 230 (1) of the Financial Investment Services and Capital Market Act ", “the Act on Business of Operating Indirect Investment and Assets” referred to in Article 41 (4) shall be “Capital Market and Financial Investment Services Act ”

“indirect investment company pursuant to provisions of Article 175 (1) of the Act on Business of Operating Indirect Investment and Assets” referred to in Article 41-5 (2) shall be “private equity fund pursuant to Article 9 (19) of the Financial Investment Services and Capital Market Act ”

Article 41-8 (1) shall be as follows, and “Securities market or KOSDAQ market pursuant to provisions of paragraph (1)” in Article 41-8 (2) shall be “securities market pursuant to paragraph (1)”

(1) A financial investment firm shall enter into the procedure to list the stocks on the securities market when the company has met the requirements for list under the conditions pursuant to Article 390 (1) of the Financial Investment Services and Capital
Market Act without delay.

“Asset management company, asset deposit company” referred to in Article 41-9 (1) and 41-9 (2) shall be “collective investment manager, trust company”

“Article 37 (5), 41 (2) 2, 45 (2) through 45 (4), 46, 53 (2), 87, 88, 89 (2) through 89 (4), 94, 96 (2) and 177 of the Act on Business of Operating Indirect Investment and Assets” shall be “Article 81, 83, 86, 183, 186 (2) (limited to the case that Article 87 of the same Act applies), 194 (5), the latter part of 196 (5), 230 (2) through 230 (4) and 238 (7) of the Financial Investment Services and Capital Market Act “

(58) The Real Estate Investment and Trust Company Act shall be partially amended as follows:

Subparagraph 2 of Article 2 shall be as follows, and “marketable securities” referred to subparagraph 3 of Article 2 other than each item shall be “securities,” “among indirect investment securities of Article 2 (13) of the Act on Business of Operating Indirect Investment and Assets” referred to in item (b) of the same Article shall be “among collective investment securities of Article 9 (21) of the Financial Investment Services and Capital Market Act “, and “securities” referred to in item (g) of the same subparagraph shall be “securities”

2. “securities” refers to securities pursuant to Article 4 (1) of the Financial Investment Services and Capital Market Act as well as securities index subject to the exchange trade derivatives products pursuant to Article 5 (2) of the same Act.

“Trust Business Act” referred to in Article 7 (1) 3 shall be “Capital Market and Financial Investment Services Act “

“marketable securities” referred to in Article 13 (1) 2 shall be “securities”

Under Article 14 (2) 1, “pursuant to provisions of Article 21 (1) of the Securities and Exchange Act” shall be “pursuant to Article 133 (3) of the Financial Investment Services and Capital Market Act”

Article 20 (1) shall be as follows, and “listing on the securities market of the Korea Exchange or registration to the Korea Securities Dealers Association pursuant to paragraph (1)” shall be “listing on the securities market pursuant to paragraph (1)”, and “listing or registration” shall be deemed “listing”

(1) Real estate investment company shall list the stocks on the securities market for the transaction of the stocks when it meets the listing requirements of provisions pursuant to Article 390 (1) of the Financial Investment Services and Capital Market Act.
“marketable securities” referred to in subparagraph 4 of the Article 21 and the main sentence of Article 22-2 (3) shall be “securities”.

Subparagraph shall be added to the Article 22-3 (1) as follows.

3. It shall have the system to prevent the conflict of interest between asset management company and investor as well as the conflict of interest between special investors and other investors (limited to asset management company of the public real estate investment company under Article 49-3 (1))

“registered on the securities market by the Korea Securities pursuant to Article 71 of the Securities and Exchange Act or registered to the Korea Securities Dealers Association pursuant to provisions of Article 162 of the same Act” shall be “listed on the securities market pursuant to Article 9 (13) of the Financial Investment Services and Capital Market Act ”

“marketable securities” referred to in the title of Article 27, the main sentence and proviso of Article 27 (3), Article 27 (4) other than each subparagraph and Article 32 (1) shall be “securities” respectively.

“marketable securities” referred to in Article 35 (1) shall be “securities”, “trust company pursuant to the Trust Business Act (including financial institutions running trust service concurrently)” shall be “trust company pursuant to the Financial Investment Services and Capital Market Act ”,

“pursuant to the Trust Business Act” referred to in the former part of the Article 35 (2) shall be “pursuant to the Financial Investment Services and Capital Market Act ”,

“Article 7 (1), 8-2, 15 and 21 of the Trust Business Act” referred to in the later part of Article 35 (2) shall be “Article 24 of the Financial Investment Services and Capital Market Act ”,

“marketable securities” referred to in Article 35 (3) shall be “securities,” and “The Korea Depository pursuant to provisions of Article 173 of the Securities and Exchange Act” shall be “The Korea Depository pursuant to Article 294 of the Financial Investment Services and Capital Market Act.”

Article 39 (2) other than each subparagraph shall be as follows.

The Minister of Construction and Transportation may take measures falling under any of the following subparagraphs when a real estate company, etc. has violated this Act or any order or disciplinary action pursuant to this Act, or when a public real estate investment company or asset management company under Article 49-3 (1)(excluding asset management companies delegated with investment and management of assets only by a real estate company that is not a public real estate company) has violated the
Financial Investment Services and Capital Market Act or order or disciplinary actions pursuant to the same Act.

Article 39-2 (2) shall be as follows.

(2) When a real state investment company has violated this Act or order or disciplinary action pursuant to this Act, or when public real estate investment company or asset management company (excluding an asset management company delegated with investment and management of asset only by a real estate investment company that is not a public real estate company) under Article 49-3 (1) has violated this Act or order or disciplinary action pursuant to this Act, the Financial Supervisory Commission may request the Minister of Construction and Transportation to take any measure falling under any of the subparagraphs of Article 39 (2) and the Minister shall respond to the request unless there is any special reason to refuse. In this case, the Minister of Construction and Transportation shall notify the Financial Supervisory Commission of any action taken in response to the request.

Article 49 (4) shall be as follows.

(4) Article 186 (2) of the Financial Investment Services and Capital Market Act (limited to the case where Article 87 of the same Act applies) shall apply to restriction on exercise of voting rights of real estate investment company for consigned-management. In this case, “investment company, etc.” shall be deemed “real estate investment company for consigned-management”, and “collective investment manager” shall be deemed “asset management company”.

“real estate investment company for corporate restructuring” referred to in Article 49-2 (2) shall be “real estate investment company for corporate restructuring (excluding a real estate investment company for corporate restructuring that is a public real estate investment company pursuant to Article 49-3 (1))”, and 49-2 (6) be as follows and 49-2 (7) of the same Article shall be newly added as follows.

(6) When a bond institution prescribed by the Presidential Decree invests in equity capital of a real estate investment company for corporate restructuring, any investment limit on equity capital, limit on property management and limit on investment pursuant to an act falling under any of the following subparagraphs shall not be applied to the investment concerned.

1. Articles 37 (1) and 37 (2) of the Banking Act
3. Article 344 of the Financial Investment Services and Capital Market Act
4. Any other Acts prescribed by the Presidential Decree.
(7) When a real estate investment company for corporate restructuring falls under subsidiary of a financial institution (referring to a “financial institution” hereinafter in this Article) pursuant to Article 2 (1) 2 of the Banking Act, the real estate investment company for corporate restructuring concerned shall not be considered to be a subsidiary of the financial institution, in calculating the limit on credit extension to the subsidiary pursuant to Article 37 (3) of the Banking Act.

Article 49-3 of Chapter 7 shall be newly added as follows.

Article 49-3 (Special Cases for Public Real Estate Investment Company)

(1) Articles 11 through 16, Article 22 through 27, Articles 29 through 32, Articles 34 through 43, Article 48, Articles 50 through 53, Article 56, Article 58, Articles 50 through 65, Articles 80 through 83, subparagraphs 2 through 3 and subparagraphs 6 through 8 of Article 85, Articles 86 through 95, Articles 181 through 183, paragraph (1), (2), and (5) through (7) of Article 184, Articles 185 through 187, Articles 194 through 206, Articles 229 through 253, and Articles 415 through 425 shall not apply to public real estate investment company (real estate investment company for consigned-management and real estate investment company for corporate restructuring not falling under private equity fund referred to in Article 9(19) of the Financial Investment Services and Capital Market Act) and asset management company (excluding an asset management company delegated with investment and management of assets only by a real estate investment company that is not a public real estate investment company).

(2) The Minister of Construction and Transportation shall consult with the Financial Supervisory Commission in advance when it grants establishment authorization or preliminary authorization of public real estate investment company (excluding an asset management company delegated with investment and management of asset only by real estate investment company that is not a public real estate investment company) pursuant to Article 5 or authorizes an asset management company pursuant to Article 22 (3).

Subparagraph 8 of Article 52 shall be as follows.

8. Any person who has not deposited securities in the Korea Depository in violation of Article 35 (3).

(59) The Ship Investment Company Act shall be partially amended as follows.

“Trust company (including a financial institution conducting trust business concurrently, such as a bank, provided for in Article 28 of the Banking Act) pursuant to the Trust Business Act “referred to in subparagraph 3 of Article 2 shall be “trust company
Article 17 (1) shall be as follows and “listing on the securities market or registration to the Korea Securities Association pursuant to paragraph (1)” referred to in Article 17 (2) shall be “listing on the securities market pursuant to paragraph (1)”

(1) When a ship investment company has been equipped with the qualification for listing under provisions thereon pursuant to Article 390 (1), the ship investment company shall list the stocks on the securities market for the transaction of the stock without delay.

“license of securities business pursuant to Article 28 (1) of the Securities and Exchange Act” referred to in Article 30 (2) shall be “authorization of dealing or brokerage pursuant to the Financial Investment Services and Capital Market Act ”,

“license of securities investment services pursuant to provisions of Article 28 (1) of the Securities and Exchange Act” and “license of securities services” which are referred to in provisos of the same paragraph shall be “authorization of dealing or brokerage pursuant to the Financial Investment Services and Capital Market Act ” and “authorization of dealing or brokerage” respectively.

Article 31 (1) 7 shall be added as follows.

7. A system shall be established to prevent the conflict of interest between ship investment company and investors, and between specific investors and other investors (limited to a ship operating company of public ship investment company public ship investment company pursuant to Article 55-2 (1)).

“marketable securities pursuant to the Securities and Exchange Act” referred to in Article 36 (2) shall be “securities pursuant to the Financial Investment Services and Capital Market Act”, “Korea Depository pursuant to provisions of Article 173 of the Securities and Exchange Act” shall be “Korea Depository pursuant to Article 294 of the Capital Market and Financial Investment Services and subordinate statutes”

Article 44 (6) other than each subparagraph shall be as follows.

The Minister of Maritime Affairs and Fisheries may take a measure falling under each of the following subparagraphs according to the result of examination pursuant to paragraph (2) when ship investment company or ship operating company (excluding ship investment company delegated with management of asset such as ship, etc. only by a ship investment company that is not a public ship investment company) has violated this Act or order or disciplinary action pursuant to this Act or subordinate statutes or public ship investment company or ship operating company pursuant to Article 55-2 (1) has violated the Financial Investment Services and Capital Market Act
or any order or disciplinary action pursuant to the same Act.

Article 45 (3) shall be as follows.

(3) When a ship investment company or ship operating company has violated this Act or any order or disciplinary measure pursuant to the same Act in conducting the work related to the supervision, or public ship investment company or ship operating company (excluding ship operating company delegated with management of asset such as ship, etc. only by ship investment company that is not public ship investment company) pursuant to Article 55-2 (1) has violated the Financial Investment Services and Capital Market Act or any order or disciplinary action pursuant to the same Act, the Financial Supervisory Commission may request the Minister of Maritime Affairs and Fisheries to take necessary measures pursuant to the Financial Investment Services and Capital Market Act. In this case, the Minister of Maritime Affairs and Fisheries shall notify the Financial Supervisory Commission of measures taken.

In Article 53 (1), “public offering of new securities and outstanding securities pursuant to provisions of Article 2 (3) and 2 (4) of the Securities and Exchange Act” shall be “private placement pursuant to Article 9 (8) of the Financial Investment Services and Capital Market Act”

Article 55-2 shall be newly added as follows.

Article 55-2 (Special Cases for public ship investment company)

(1) Articles 11 through 16, Articles 22 through 27, 28 (limited to such ship operating company as prescribed by the Presidential Decree taking into account of size of trusted assets, etc.), Articles 29 through 32, 34 through 43, 48, 50 through 53, 56, 58, 60 through 65, 80 through 83, subparagraphs 2, 3 and 6 through 8 of Article 85, Articles 86 through 95, Articles 181 through 183, Articles 184 (1), 184 (2), 184 (5) through 184 (7), Articles 185 through 187, Articles 194 through 206, Articles 229 through 253 and Articles 415 through 425 of the Financial Investment Services and Capital Market Act shall not apply to public ship investment company (referring to ship investment company that is not a public ship investment company) and ship operating company (excluding ship operating company delegated with management of asset such as ship, etc. only by ship investment company that is not public ship investment company).

(2) When the Minister of Maritime Affairs and Fisheries grants authorization of public ship investment company pursuant to Article 13 or license of ship operating company (excluding ship operating company delegated with management of asset such as ship, etc. only by ship investment company that is not public ship investment company)
pursuant to Article 31, the Minister shall consult with the Financial Supervisory Commission in advance.

Subparagraph 4 of Article 58 shall be as follows.

4. Any person who has not deposited securities in the Korea Depository in violation of Article 36 (2).

(60) The Framework Act on Cultural Industry Promotion shall be partially amended as follows.

Article 51 (2) 1 shall be as follows, and subparagraph 2 of the same paragraphs shall be deleted.

1. Trust company pursuant to the Financial Investment Services and Capital Market Act

“This Act” referred to in the part excluding each subparagraph of Article 55 (4) shall be “this Act (including the Financial Investment Services and Capital Market Act in the case of public culture industry specialized company pursuant to Article 56-2 (1); hereinafter in Article 56 the same shall apply)”.

Article 56-2 of Chapter 6 shall be newly added as follows.

Article 56-2 (Special Cases for public culture industry specialized company)

(1) Public culture industry specialized company (referring to culture industry specialized company that is not private equity fund falling under each of the following subparagraphs of Article 9 (19) of the Financial Investment Services and Capital Market Act; hereinafter the same shall apply) shall entrust a person who has qualification for the requirements falling under each of the following subparagraphs and has registered to the Minister of Culture and Tourism with the work falling under each subparagraph of Article 49 notwithstanding Article 51 (1).

1. The person is required to be a stock company under the Commercial Act
2. The equity capital is required to be not less than 100 million and exceed the amount prescribed by the Presidential Decree
3. The person is required to have sufficient number of employees and facilities to conduct the work as a business manager.
4. The person is required to establish a system to prevent conflict of interest between business manager and investors, and between specific investors and other investors.

(2) Details necessary for registration requirements pursuant to paragraph (1) shall be prescribed by the Presidential Decree.

(3) Article 55 (4) and Article 56 shall apply to business manager of public culture industry specialized sector
(4) Articles 11 through 16, Articles 22 through 27, 28 (limited to a business manager
prescribed by the Presidential Decree taking into account size of trusted asset, etc.),
Articles 29 through 32, Articles 34 through 43, Article 48, Articles 50 through 53,
Article 56, Article 58, Articles 60 through 65, Articles 80 through 83, subparagraphs
2 and 3 and subparagraphs 6 through 8 of Article 85, Articles 86 through 95,
Articles 181 through 183, Articles 184 (1), 184 (92), 184 (5) through 184 (7), Articles
185 through 187, Articles 194 through 212, Articles 229 through 253 and Articles 415
through 425 shall not apply to public culture industry specialized company and
business manager (excluding any person delegated with the work of each subparagraph
of Article 49 only by culture industry specialized company that is not public culture
industry specialized company).

(5) When the Minister of Culture and Tourism registers public culture industry
specialized company or business manager (excluding the person delegated with the
work falling under each of the subparagraph of Article 49 only by culture industry
specialized company that is not a public culture industry specialized company), the
Minister shall consult with the Financial Supervisory Commission in advance.

(6) The Financial Supervisory Commission may order public culture industry
specialized company and business manager (excluding the person delegated with the
work falling under each of subparagraph of Article 49 only by a culture industry
specialized company that is not a public culture industry specialized company) to
submit or report materials regarding the work when it is necessary for public interest
or for protection of stockholder or employees of public culture industry specialized
company, and the Commission may have the governor of the Commission inspect on
the work.

(7) When a public culture industry specialized company or business manager has
violated this Act or any order or disciplinary action pursuant to this Act and
subordinate, or has violated the Financial Investment Services and Capital Market Act
or any order or disciplinary action pursuant to the same Act, the Financial
Supervisory Commission may request the Minister of Culture and Tourism to take a
measure falling under each of subparagraph of Article 55 (4), and the Minister of
Culture and Tourism shall respond to the request unless there is reasonable reason. In
this case, the Minister of Culture and Tourism shall notify the Financial Supervisory
Commission of measures taken.

(61) The Industry Development Act shall be partially amended as follows.
“listed marketable securities pursuant to the Securities and Exchange Act and
marketable securities registered to association brokerage market” referred to in Article 14 (1) 1 shall be “listed securities pursuant to Article 9 (15) 1 of the Financial Investment Services and Capital Market Act ”, and “provisions of Article 144 -2 of the Indirect Investment Asset Management Act” referred to in Article 14 (1) 9 shall be “Article 9 (18) 7 of the Financial Investment Services and Capital Market Act ”, and “provisions of Article 144-10 of the same Act” shall be “Article 272 of the same Act”, and subparagraph 6 of paragraph (3) of the same Article shall be newly added as follows.

6. It shall have the system to prevent the conflict of interest between corporate restructuring company and investors, special investors and other investors (limited to corporate restructuring company that intends to establish a public corporate restructuring association pursuant to Article 20-4 (1))

Article 20 (1) 9 shall be as follows, “others, this Act” shall be “others, this Act (including the Financial Investment Services and Capital Market Act in the case of corporate restructuring specialized company that has established a public corporate restructuring association pursuant to Article 20-4 (1))”.


Article 20-2 (2) shall be as follows.

(2) The Financial Supervisory Commission may request the Minister of Commerce Industry and Energy to revoke the registration of specialized company that has established a corporate restructuring association concerned when the Commission has revoke the registration of a corporate restructuring association pursuant to paragraph (1). In this case, the Minister of Commerce Industry and Energy shall respond to the request unless there is any reasonable reason, and shall notify the Financial Supervisory Commission of measures taken.

Article 20-2 (3) shall be as follows.

(3) The Financial Supervisory Commission may order to correct when managing partner of a corporate restructuring association falls under any of the following subparagraphs. In this case, the Financial Supervisory Commission shall notify the Minister of Commerce Industry and Energy of the case where the Commission has issued a correction order to managing partner that is a specialized company or where such managing partner has not comply with the correction order.

1.Violation of Article 15-3

2.Other cases of violation of this Act (including the Financial Investment Services and
Capital Market Act, in the case of specialized company that has established public corporate restructuring association; hereinafter in this subparagraph the same shall apply) pursuant to Article 20-4 (1), or order or disciplinary action pursuant to this Act.

Article 20-6 shall be newly added as follows.

Article 20-6 (Special Cases for public corporate restructuring association)

(1) Articles 11 through 16, 22 through 27, 29 through 32, 34 through 43, Article 48, 50 through 53, Article 56, Article 58, Article 60 through 65, 80 through 83, subparagraphs 2, 3 and subparagraph 6 through 8 of Article 85, 86 through 95, 181 through 183, Articles 184 (1), 184 (2), 184 (5) through 184 (7), 185 through 187, 218 through 223, 229 through 253 and 415 through 425 shall not apply to public corporate restructuring association (referring to corporate restructuring association that does not fall under private equity fund pursuant to Article 9 (19) of the Financial Investment Services and Capital Market Act) and specialized company (excluding specialized companies that has only established corporate restructuring association that is not a public corporate restructuring association and that is conducting the work; hereinafter the same shall apply.)

(2) The Minister of Commerce Industry and Energy shall consult with the Financial Supervisory Commission in advance when it registers corporate restructuring specialized company that is a managing director of public corporate restructuring association.

(62) The Support for Small and Medium Enterprise Establishment Act shall be amended as follows.

Subparagraph 4 shall be added to Article 10 (2) as follows.

4. It shall have the system to prevent the conflict of interest between Venture Capital Company and investors, and between specific investors and other investors (limited to venture capital company that intends to establish public venture capital association pursuant to Article 47-2 (1))

“trustee company of investment company pursuant to Article 22 (1) 1 of the Act on Business of Operating Indirect Investment and Assets” shall be “trust company pursuant to the Financial Investment Services and Capital Market Act”, “securities market pursuant to provisions of Article 2 (1) of the Korea Securities and Exchange Act or KOSDAQ pursuant to provision of Article 2 (2) of the same Act” shall be “securities market pursuant to Article 9 (13) of the Financial Investment Services and Capital Market Act”.


“where it has violated” referred to in Article 43 (1) 11 shall be “where it has violated (including violation of the Financial Investment Services and Capital Market Act or any order or disciplinary action pursuant to the same Act, in the case of managing partner of public venture capital association pursuant to Article 47 (2) 1)” and “where it has violated” referred to in Article 47 (2) 6 of the same Article shall be “where it has violated (including violation of the Financial Investment Services and Capital Market Act or any order or disciplinary action pursuant to the same Act)”.

Article 47-2 shall be newly added to Chapter 6 as follows.

47-2 (Special Cases for Public Venture Capital Association)

(1) Articles 11 through 16, 22 through 27, 29 through 32, 34 through 43, 48, 50 through 53, 56, 58, 60 through 65, 80 through 83, subparagraphs 2, 3, and 6 through 8 of Article 85, Article 86 through 95, 181 through 183, 184 (1), 184 (2), 184 (5) through 184 (7), 185 through 187, 218 through 223, 229 through 253 and 415 through 425 shall not apply to public venture capital association (referring to venture capital association that does not falling under private equity fund pursuant to Article 9 (19) of the Financial Investment Services and Capital Market Act; hereinafter the same shall apply) and venture capital company (excluding venture capital company that has only established venture capital association that is not public venture capital association and that is conducting the work).

(2) The Administrator of Small and Medium Business Administration shall consult in advance with the Financial Supervisory Commission when it registers public venture capital association or venture capital company (excluding venture capital company that has only established venture capital association that is not a public capital association and that is conducting the work).

(3) The Financial Supervisory Commission may order public venture capital company and venture capital company (excluding venture capital company that has only established venture capital association that is not public venture capital association and that is conducting the work) to submit materials related to the work or to report, and the Commission may have the governor of the Financial Supervisory Service to inspect the work.

(4) When a public venture capital company and venture capital company has violated this Act or any order or disciplinary action pursuant to this Act, or has violated the Financial Investment Services and Capital Market Act or any order or disciplinary action pursuant to the same Act, the Financial Supervisory Commission may request the Administrator of Small and Medium Business Administration to take a measure
falling under each subparagraph of Article 42 (1), Article 43 (1), or 43 (2), and the Administrator of Small and Medium Business Administration shall respond to the request unless there is any reasonable reasons. In this case, the Administrator of Small and Medium Business Administration shall notify the Financial Supervisory Commission of measures taken.

(63) The Specialized Credit Financial Business Act shall be partially amended. Subparagraph 7 shall be added to Article 6 (1) as follows.

7. Any person who has no system to prevent the conflict of interest between financing business for new technology projects and investors, and between special investors and other investors (limited to financing business for new technology projects who intends to public new technology investment association pursuant to Article 44-2 (1)).

Article 44-2 shall be added as follows.

Article 44-2 (Special Cases for public new technology investment association) Articles 11 through 16, 22 through 27, 29 through 32, 34 through 43, 48, 50 through 53, 56, 58, 60 through 65, 80 through 83, subparagraphs 2 through 3 and 6 through 8 of Article 85, Articles 86 through 95, 181,183, Article 184 (1), 184 (2), 185 (5) through 184(7), 185 through 187, Articles 218 through 223, 229 through 251 and Article 415 through 425 shall not apply to public new technology investment association (referring to new technology investment association that does not fall under private equity fund pursuant to Article 9 (19) of the Financial Investment Services and Capital Market Act) and financing business for new technology projects (excluding financing business for new technology projects that has only established new technology investment association that is not public new technology investment association and operates and manages fund thereof).

Article 48 (3) shall be deleted, “paragraphs (1) through (3)” referred to in Article 48 (4) shall be “paragraphs (1) and (2)”.

“item 1 of each subparagraph of Article 54-5 (4) of the Securities and Exchange Act” in Article 50-4 (5) shall be “any of the subparagraphs of Article 25 (5) of the Financial Investment Services and Capital Market Act.”

(64) The Act on Special Measures for the Promotion of Venture Businesses shall be partially amended as follows.

“Article 4-7” referred to in Article 2-2 (1) 3 (a) 6 shall be “Article 4-8”.

Article 4-2 (3) 4 shall be as follows.

4. Private equity fund pursuant to Article 9 (18) 7 of the Financial Investment
Services and Capital Market Act

Article 4-7 and 4-8 shall be Article 4-8 and 4-9, Article 4-7 shall be newly added as follows.

4-7 (Special Cases for Public Korean Venture Investment Association)

(1) Articles 22 through 27, 29 through 32, 34 through 43, 48, 50 through 53, 56, 58, 60 through 65, 80 through 83, subparagraphs 2 through 3 and 6 through 8 of Article 85, Articles 86 through 95, Articles 181 through 183, Articles 184 (1), 184 (2), 185 (5) through 184 (7), Articles 185 through 187, Articles 218 through 223 and Articles 229 through 253 shall not apply to Public Korean Venture Investment Association (referring to Korean Venture Investment Association that does not fall under private equity fund pursuant to Article 9 (19) of the Financial Investment Services and Capital Market Act; hereinafter the same shall apply) and its managing partner.

(2) The Administrator of Small and Medium Enterprise Administration shall consult with the Financial Supervisory Commission in advance when the Administrator of Small and Medium Enterprise Administration registers Public Korean Venture Investment Association.

(3) The Financial Supervisory Commission may order Public Korean Venture Investment Association to submit or report on its work if necessary to protect public interest or members of Public Korean Venture Investment Association, and the Commission may have the governor of the Financial Supervisory Service to inspect on the work.

(4) When Public Korean Venture Investment Association has violated this Act or any order or disciplinary action pursuant to this Act, or has violated the Financial Investment Services and Capital Market Act or any order or disciplinary action pursuant to the same Act, the Financial Supervisory Commission may request the Administrator of Small and Medium Enterprise Administration to take a measure falling under any of subparagraphs of Article 28 and in this case, the Administrator of Small and Medium Enterprise Administration shall notify the Financial Supervisory Commission of measures taken.

Article 2 (16) of the Securities and Exchange Act” referred to in Article 9 (1) shall be “Article 9 (16) of the Financial Investment Services and Capital Market Act” shall be “provisions of Article 203 of the same Act “ shall be “Article 168 of the same Act”

Paragraph (8) shall be newly added to Article 13 as follows.
(8) When a person intends to establish an association pursuant to paragraph (1), the person shall recommend joining the association in a way of private placement pursuant to Article 9 (8) of the Financial Investment Services and Capital Market Act. “securities market pursuant to Article 2 (1) of the Korea Securities Futures Exchange Act and KOSDAQ pursuant to provisions of Article 2 (2) of the same Act” referred to in Article 15 (1) and 15-8 (1) shall be “securities market pursuant to Article 9 (13) of the Financial Investment Services and Capital Market Act”.

“Trust company pursuant to provisions of Article 2 of the Trust Business Act” referred to in the former part of Article 19 (3) shall be “trust company pursuant to the Financial Investment Services and Capital Market Act”.

(65) Act on Special Measures for Support for Manufacturer Specialized in Parts and Materials shall be partially amended as follows.

“pursuant to provisions of Article 2 (16) of the Securities and Exchange Act” referred to in Article 7 (2) shall be “pursuant to Article 9 (16) of the Financial Investment Services and Capital Market Act”, and “provisions of Article 203 of the same Act” shall be “Article 168 of the same Act”.

Article 8-2 shall be newly added as follows. 8-2 (Special Cases for Public Investment Association Specialized in Parts and Materials)

(1) Articles 22 through 27, 29 through 32, 34 through 43, 48, 50 through 53, 56, 58, 60 through 65, 80 through 83, subparagraphs 2 and 3 and 6 through 8 of Article 85, Articles 86 through 95, Articles 181 through 183, Articles 184 (1), 184 (2), 184 (5) through 184 (7), Articles 185 through 187, Articles 218 through 223 and 229 through 253 shall not apply to Public Investment Association Specialized in Parts and Materials (referring to Public Investment Association Specialized in Parts and Materials that does not fall under private equity fund pursuant to Article 9 (19) of the Financial Investment Services and Capital Market Act) and its managing partner.

(2) The Minister of Commerce Industry and Energy shall consult with the Financial Supervisory Commission in advance when it registers an association established in a way of public offering pursuant to Article 6 (1).

(3) The Financial Supervisory Commission may order a public investment association specialized in parts and materials to submit materials related to the work or to report if necessary for public interest or protection of members of a public investment association specialized in parts and materials, and the Commission may have the governor of the Financial Supervisory Service inspect on the work.
(4) When a public Investment Association Specialized in Parts and Materials has violated this Act or any order of disciplinary action pursuant to this Act, or has violated the Capital Market and any order or disciplinary action of the same Act, the Financial Supervisory Commission may request the Minister of Commerce Industry and Energy to revoke the registration of a public investment association specialized in parts and materials concerned or to take other necessary measures for the protection of members, and the Minister of Commerce Industry and Energy shall respond to the request unless there is reasonable ground. In this case, the Minister of Commerce Industry and Energy shall notify the Financial Supervisory Commission of measures taken.

“stock listed corporation and corporation registered to the Association pursuant to provisions of Article 2 (13) and 2 (15) of the Securities and Exchange Act” referred to in each subparagraph of Article 15 shall be “stock listed corporation pursuant to Article 9 (15) 3 of the Financial Investment Services and Capital Market Act”.

(66) The Overseas Resources Development Business Act shall be partially amended as follows.


“Article 41 or provisions of Article 144-6 of the Act on Business of Operating Indirect Investment and Assets” referred to in Article 13-3 and 13-4 (1) shall be “Article 182 or 268 of the Financial Investment Services and Capital Market Act”.

“Asset management company” referred to in the title of Article 13-7 shall be “collective investment company”,

“in the case of establishing asset management company (hereinafter in this Article referred to as “specialized asset management company”) pursuant to the Act on Business of Operating Indirect Investment and Assets, provisions of Article 5 (1) 1 of the same Act” shall be “in the case of obtaining authorization of collective investment company pursuant to the Financial Investment Services and Capital Market Act, Article 12 (2) 2 of the same Act”,

“provisions of Article 9 (1) of the same Act” shall be “Article 12 (2) 4 of the same Act”, “fund manager” shall be “investment manager” respectively,

“asset management company established pursuant to the Act on Business of Operating Indirect Investment and Assets (hereinafter in this Article referred to as “ordinary asset management company)’’ shall be “collective investment company established pursuant to the Financial Investment Services and Capital Market Act (hereinafter in
this Article referred to as (ordinary collective investment manager)

“for ordinary asset management company, former part of each subparagraph of Article 176 (2) of the Indirect Investment Asset Management Business” referred to in Article 13 (3) shall be “for ordinary collective investment company, Article 42 (4) of the Financial Investment Services and Capital Market Act”,

“specialized asset management company and ordinary asset management company” referred to in Article 13 (4) shall be “specialized collective investment manager and ordinary collective investment company”.

Redemption-prohibited company pursuant to provisions of Article 45 (1) of the Act on Business of Operating Indirect Investment and Assets” referred to in Article 14 shall be “redemption-prohibited collective investment manager pursuant to Article 230 (1) of the Financial Investment Services and Capital Market Act”.

Article 14-2 (2) 1 shall be as follows, and subparagraph 1-2 shall be added newly to the same paragraph.

1. Short-term loan (hereinafter referred to as “short-term loan”) pursuant to Article 83 (4) of the Financial Investment Services and Capital Market Act

1-2. Deposit in financial institution

Article 15 (3) 1 shall be as follows, and subparagraph 1-2 shall be added to the same paragraph as follows.

1. Short-term loan

1-2. Deposit in financial institution

Article 22 (2) shall be as follows.

(2) Overseas resources development investment company, etc. and collective investment company, trust company and general fund manager thereof shall be governed by the Financial Investment Services and Capital Market Act otherwise this Act provides for;

Provided, That Article 270 (4) through 270 (6), 271 and 274 (1) shall not apply to overseas resources development investment company.

(67) Act on Operation of Public Agency shall be partially amended as follows.

“Article 54-6 (audit committee) of the Securities and Exchange Act” referred to in Article 20 (4) shall be “Article 26 of the Financial Investment Services and Capital Market (establishment of audit committee)”

**Article 43 ( Transitional Measures concerning Amendment of other Acts)**

(1) In relation to a investment and loan company established in accordance with the Act on Private Participation in Infrastructure at the time of the commencement of this
Act, the existing provisions shall apply, notwithstanding the amended provisions of the Act on Private Participation in Infrastructure amended pursuant to Article 42 (57) of Addenda.

(2) In the application of Article 7 (1) of the Real Estate Investment Company and Trust Company Act which is amended pursuant to Article 42 (58) of Addenda, the Financial Investment Services and Capital Market Act shall be regarded to include "the Trust Business Act, the Securities and Exchange Act, the Futures Trading Act, the Korea Securities and Futures Exchange Act, the Act on Business of Operating Indirect Investment and Assets, and the Merchant Banks Act.

(3) With respect to investment and management business, etc. entrusted, prior to the commencement of this Act, to a real estate investment company and an asset management company which are established in accordance with the Real Estate Investment Company and Trust Company Act at the time of the commencement of this Act, the existing provisions shall apply, notwithstanding the amended provisions of the Real Estate Investment Company and Trust Company Act amended pursuant to Article 42 (58) of Addenda.

(4) With respect to businesses, etc. entrusted, prior to the commencement of this Act, to a ship investment company and a ship management company which are established in accordance with the Ship Investment Company Act at the time of the commencement of this Act, the existing provisions shall apply, notwithstanding the amended provisions of the Ship Investment Company Act amended pursuant to Article 42 (59) of Addenda.

(5) With respect to business, etc. entrusted, prior to the commencement of this Act, to a specialized cultural industry company and a project manager which are established in accordance with the Framework Act on Cultural Industry Promotion at the time of the commencement of this Act, the existing provisions shall apply, notwithstanding the amended provisions of the Framework Act on Cultural Industry Promotion amended pursuant to Article 42 (60) of Addenda.

(6) With respect to business, etc. of a corporate restructuring association established, prior to the commencement of this Act, by a corporate restructuring association and a corporate restructuring vehicle registered in accordance with the Industry Development Act at the time of the commencement, the existing provisions shall apply, notwithstanding the amended provisions of the Industry Development Act amended pursuant to Article 42 (61) of Addenda.

(7) With respect to businesses, etc. of a business investment partnership established,
prior to the commencement of this Act, by a business investment partnership and a 
business investment company which are registered in accordance with the Support for 
Small and Medium Enterprise Establishment Act at the time of the commencement of 
this Act, the existing provisions shall apply, notwithstanding the amended provisions 
of the Support for Small and Medium Enterprise Establishment Act pursuant to Article 
42 (62) of Addenda.

(8) With respect to businesses, etc. of a venture business investment association 
established, prior to the commencement of this Act, by a venture business investment 
association and a venture capitalist incorporated in accordance with the Specialized 
Credit Financial Business Act at the time of the commencement, the existing 
provisions shall apply, notwithstanding the amended provisions of the Specialized 
Credit Financial Business Act pursuant to Article 42 (63) of Addenda.

(9) With respect to a Korea venture investment association or an individual investment 
association registered in accordance with the Act on Special Measures for the 
Promotion of Venture Businesses at the time of the commencement of this Act, the 
existing provisions shall apply, notwithstanding the amended provisions of the Act on 
Special Measures for the Promotion of Venture Businesses pursuant to Article 42(64) 
of Addenda.

(10) With respect to investment association specialized in parts and materials registered 
in accordance with the Act on Special Measures for Support for Manufacturer 
Specialized in Parts and Materials at the time of the commencement of this Act, the 
existing provisions shall apply, notwithstanding the amended provisions of the Act on 
Special Measures for Support for Manufacturer Specialized in Parts and Materials 
pursuant to Article 42(65).

(11) With respect to an overseas resources development investment company 
established in accordance with the Overseas Resources Development Business Act at 
the time of the commencement of this Act, the existing provisions shall apply, 
notwithstanding the amended provisions of the Overseas Resources Development 
Business Act pursuant to Article 42 (66).

**Article 44 (Relations with Other Acts)**

(1) When other Acts refer to the Securities and Exchange Act, the Futures Trading 
Act, the Act on Business of Operating Indirect Investment and Assets, the Trust 
Business Act, the Merchant Banks Act, and the Korea Securities and Futures 
Exchange Act or regulations thereof at the commencement of this Act, this Act or
regulations thereof shall apply to such Acts where equivalent provisions are prescribed in this Act.

(2) When other Acts refer to a securities company under the Securities and Exchange Act, a futures company under the Futures Trading Act, an asset management company under the Act on Business of Operating Indirect Investment and Assets and a trust company under the Trust Business Act at the commencement of this Act, such reference shall be deemed as if it refers to financial investment firms under this Act within its scope.

(3) When other Acts refer to a merchant bank, a brokerage company or any other person conducting short-term financing business under the Merchant Banks Act, such reference shall be deemed as if it refers to a merchant bank, a brokerage company or a short-term financing company under this Act.

[Appendix 1] Reasons for discretionary actions against Financial Investment Firms and their officers and employees and cancellation or alternation of business entrustment contracts (related to Articles 43 (2) 4, 420 (1) 6, 420 (3), 422 (1), and 422 (2))

1. To provide financial investment services without obtaining an authorization (including an authorization of changes) of financial investment services (excluding discretionary investment advisory service and non-discretionary investment advisory service) in violation of Article 11;
2. To obtain a preliminary authorization under Article 14 through false or fraudulent methods;
3. To provide discretionary investment advisory service or non-discretionary investment advisory service without making a registration of financial investment services (including registration of changes) in violation of Article 17;
4. To acquire stocks without obtaining an approval in violation of Article 23 (1);
5. To fail to dispose of stocks in violation of a disposition order under Article 23 (2);
6. To exercise voting rights in violation of Article 23 (3);
7. To fail to make a report, or make a false report in violation of Article 23 (4);
8. To appoint an officer in violation of Article 24 or to fail to perform duties related to the appointment of outside directors and the composition of the board of directors in violation of Article 25;
9. To fail to perform duties related to the establishment of the audit committee in violation of Article 26;
10. To fail to have full-time auditors under Article 27;
11. To fail to perform duties with respect to internal control standards and compliance officer in violation of Article 28, or put a compliance officer at an unfair disadvantage in connection with personnel affairs;
12. To fail to maintain the net operating capital above the total risk amount in violation of Articles 30 (1) and 30 (2);
13. To fail to report, place or disclose a written document under Article 30 (3), or to report, place or disclose a false document;
14. To fail to comply with standards for prudent management in violation of Article 31 (1);
15. To violate orders under Article 31 (4);
16. To fail to conduct accounting pursuant to each subparagraph of Article 32 (1);
17. To violate the matters prescribed by the Financial Supervisory Commission pursuant to Article 32 (2);
18. To fail to file business reports, or to prepare and file a false business report within the period prescribed by Article 33 (1) in violation of that paragraph;
19. To fail to keep or disclose disclosure documents, or keep or disclose false documents in violation of Article 33 (2);
20. To fail to make a report or disclosure, or make a false report or disclosure in violation of Article 33 (3);
21. To fail to perform duties related to the restriction on transactions, etc. with major shareholders in violation of Articles 34 (1) through 34 (5);
22. To violate an order to file necessary documents under Article 34 (6), or violate the restriction under Article 34 (7);
23. To conduct an activity falling under any of the subparagraph of Article 35 in violation of Article 35;
24. To violate an order to file data under Article 36;
25. To use a trade name in violation of Article 38;
26. To lend a trade name and allow other persons to provide financial investment services in violation of Article 39;
27. To carry on financial business falling under each of the subparagraphs of Article 40 in violation of Article 40;
28. To fail to make a report under the latter part of Article 40, or make a false
29. To fail to make a report under the latter part of Article 41 (1), or make a false report;
30. To violate a restriction order or correction order under Article 41 (2);
31. To entrust business in violation of Article 42 (1);
32. To enter into entrustment contracts in violation of Article 42 (2);
33. To fail to make a report under Article 42 (2), or make a false report;
34. To violate a restriction order or correction order under Article 42 (3);
35. To entrust, or be entrusted with, business in violation of Article 42 (4), or to re-entrust, or be re-entrusted with, business in violation of Article 42 (5);
36. To provide or receive information in violation of Article 42 (6);
37. To fail to establish operating standards for business delegation in violation of Article 42 (7);
38. To violate Article 42 (8) or 42 (11);
39. To violate Articles 54 and 55, which is applied to Article 42 (10), or Articles 4 (1), or 4 (3) through 4 (5) of the Act on Financial Real Name Transactions and Guarantee of Secrecy;
40. To reject, interfere with, or evade an inspection under the former part of Article 43 (1);
41. To fail to comply with requests, such as reports, under Article 419 (5), which is applied to the latter part of Article 43 (1);
42. To violate a cancellation or alteration order of entrustment contracts under Article 43 (2);
43. To fail to perform obligations with respect to the management of conflict of interest in violation of Article 44;
44. To conduct an activity falling under any of the subparagraphs of Article 45 (1) in violation of Article 45 (1);
45. To conduct an activity falling under any of the subparagraphs of Article 45 (2) in violation of Article 45 (2);
46. To fail to fulfill the obligation of confirmation in violation of Article 46 (1) or fail to fulfill the obligation of confirmation, maintenance, and management through confirming information or bearing signature, etc. or the obligation of provision of confirmed contents in violation of Article 46 (2);
47. To fail to fulfill the obligation of explanation or confirmation under Article 47;
48. To conduct an activity falling under any of the subparagraphs of Article 49 in
49. To fail to establish working rules governing investment solicitation in violation of Article 50 (1);
50. To fail to disclose working rules governing investment solicitation, or disclose them falsely in violation of Article 50 (2);
51. To delegate investment solicitation to any person who is not a person satisfying all the requirements falling under any of the subparagraphs of Article 51 (1);
52. To fail to register a delegated person in violation of Article 51 (3);
53. To allow a person other than introducing brokers to solicit investment as an agent in violation of Article 52 (1);
54. To fail to establish investment solicitation standards in violation of Article 52 (4);
55. To use information for its own interest or the interest of a third party in violation of Article 54;
56. To conduct any activity falling under any of the subparagraphs of Article 55 in violation of that Article;
57. To fail to make a report or a notification, or make a report or a notification falsely in violation of Article 56 (1);
58. To fail to make a disclosure, or make a false disclosure in violation of Article 56 (2);
59. To violate an amendment order under Article 56 (6);
60. To run an investment advertisement in violation of Article 57;
61. To fail to determine the matters concerning the standards and procedures of commissions, or fail to make a disclosure or make a false disclosure in violation of Article 58 (1);
62. To discriminate investors in establishing the standard for commissions in violation of Article 58 (2);
63. To fail to make a notification, or make a false notification in violation of Article 58 (3);
64. To fail to provide contract documents in violation of Article 59 (1), to claim damages or penalties in violation of Article 59 (4), or to fail to return prepaid compensation to investors with respect to the contract concerned in violation of Article 59 (5);
65. To fail to record and keep data, or record and keep false data in violation of Article 60 (1);
66. To fail to establish and implement measures under Article 60 (2);
67. To fail to deposit securities in violation of Article 61;
68. To fail to make a public notice or a notification, or make a false public notice or notification in violation of Article 62 (1);
69. To fail to conclude purchase, sale, or other transactions of financial investment products in violation of Article 62 (2);
70. To purchase or sell financial investment products without following methods falling under any of the subparagraphs of Article 63 (1) in violation of that Article;
71. To fail to establish standards and procedures under Article 63 (2);
72. To fail to make a confirmation under Article 63 (3);
73. To violate Articles 65 (2) through 65 (4) by any branch or other business office of a foreign financial investment firm;
74. To receive orders concerning transactions of financial investment products without making clear in advance as to whether the company will act as a broker or dealer in violation of Article 66;
75. To purchase or sell financial investment products in violation of Article 67;
76. To make transactions not through the securities market or the derivatives market in violation of Article 68;
77. To fail to dispose of treasury stocks in violation of the latter part of Article 69;
78. To purchase or sell the financial investment products with property deposited by investors in violation of Article 70;
79. To conduct any activity falling under any of the subparagraphs of Article 71 in violation of that Article;
80. To lend money or extend any other credit in violation of Article 72;
81. To fail to publicize details on transactions, or publicize false details in violation of Article 73;
82. To violate Articles 74 (1), and 74 (3) through 74 (8) with respect to deposit or trust of investors' deposits;
83. To fail to deposit securities in violation of Article 75;
84. To sell collective investment securities in violation of Article 76 (1) or 76 (2);
85. To sell collective investment securities or advertise a sale in violation of Article 76 (3);
86. To receive sales commissions or fees in violation of Article 76 (4) or 76 (5);
87. To fail to comply with business standards under Article 78 (1);
88. To fail to follow measures under Article 413, which is applied to Article 78 (3);
89. To violate Article 80 with respect to instruction and implementation, etc. of asset
management;
90. To manage collective investment property in violation of Article 81 (1), 83, or 84;
91. To acquire collective investment securities of a collective investment scheme or accept them for the purpose of the right of pledge in violation of Article 82;
92. To conduct any activity falling under the subparagraphs of Article 85 in violation of that Article;
93. To receive bonus in violation of Article 86;
94. To exercise voting rights in violation of Articles 87 (1) through 87 (5);
95. To violate a disposition order in violation of Article 87 (6);
96. To fail to keep records, or keep false records in violation of Article 87 (7);
97. To fail to make a disclosure, or make a false disclosure in violation of Article 87 (8) or 87 (9);
98. To fail to provide an asset management report pursuant to Article 88, or provide a false report or omit the entries in violation of that Article;
99. To fail to make a disclosure, or make a false disclosure in violation of Article 89;
100. To fail to submit business reports or settlement statements, or submit false reports or settlement statements in violation of Article 90 (1) or 90 (2);
101. To fail to comply with the access or distribution in violation of Article 91 (1);
102. To fail to disclose a collective investment agreement, or disclose a false collective investment agreement in violation of Article 91 (3);
103. To fail to notify a broker or dealer without delay in violation of Article 92;
104. To fail to make a disclosure under the former part of Article 93 (1), or make a false disclosure;
105. To fail to describe in a prospectus that the risk-related indexes and their outlines are available in violation of the latter part of Article 93 (1);
106. To fail to make a report under Article 93 (2), or make a false report;
107. To borrow or lend money in violation of Article 94 (1) or 94 (2);
108. To fail to prepare and place a report on actual inspection, or prepare and place a false report in violation of Article 94 (3);
109. To fail to disclose a business plan, or disclose it without confirmation from an appraiser in violation of Article 94 (4);
110. To violate an order under Article 95 (2) (including cases which are applied to Article 117);
111. To pay remuneration in violation of the publication under the latter part of Article 95(5) (including cases which are applied to Article 117);
112. To conclude a contract for discretionary investment advisory business or non-discretionary investment advisory business in violation of Article 97;
113. To conduct any activity falling under any of the subparagraphs of Article 98 (1) in violation of that paragraph (including cases which are applied to Article 101 (4));
114. To conduct any activity falling under the subparagraphs of Article 98 (2) in violation of that paragraph;
115. To fail to provide a discretionary investment advisory report in violation of Article 99, or prepare or provide it falsely in violation of that Article;
116. To violate Articles 100 (2) through 100 (8) by a foreign discretionary investment advisory company or foreign non-discretionary investment advisory company;
117. To provide like-kind services of non-discretionary investment advisory without making a report in violation of Article 101 (1);
118. To fail to make a report, or make a false report in violation of Article 101 (2);
119. To fail to comply with the request for the submission of documents under Article 101 (3);
120. To be entrusted with properties in violation of Article 103 (1), 103 (3) or 103 (4);
121. To acquire trust property using its own property in violation of Article 104 (2);
122. To manage trust property in violation of Article 105;
123. To manage surplus fund in violation of Article 106;
124. To fail to deposit cash or government bonds in violation of Article 107 (1) or 107 (4);
125. To conduct any activity falling under the subparagraphs of Article 108 in violation of that Article
126. To conclude trust contracts in violation of Article 109;
127. To issue beneficiary certificates in violation of Article 110 (2) or 110 (5);
128. To transfer or exercise beneficial interests in violation of Article 110 (6);
129. To purchase beneficiary certificates using its own property in violation of Article 111;
130. To exercise voting rights in violation of Articles 112 (2) through 112 (5);
131. To violate an order to dispose of stocks pursuant to Article 112 (6);
132. To fail to make a disclosure, or make a false disclosure in violation of Article 112 (7);
133. To fail to comply with the request for access or distribution in violation of Article 113 (1);
134. To conduct accounting of trust property in violation of Article 114 (1), or fail to undergo audit in violation of Article 114 (3);
135. To make a report under Article 114 (4), or make a false report;
136. To fail to comply with the request for the access of data under Article 114 (7);
137. To violate Article 114 (9) by a trust company;
138. To violate an order under Article 116 (3);
139. To make a misstatement or omission of material matters among notifications or documents falling under any of the following items;
   (a) A registration statement or additional documents of shelf registration statement under Article 119;
   (b) An amendment statement under Article 122;
   (c) A prospectus under Article 123 (including a preliminary prospectus or simple prospectus);
   (d) An after-report under Article 128;
   (e) Publication of tender offer or a tender offer statement under Article 134;
   (f) An amendment statement or publication under Article 136;
   (g) A tender offer prospectus under Article 137 (1);
   (h) A report on results of tender offer under Article 143;
   (i) An annual report or conglomerate combined financial statement under Article 159;
   (j) A semi-annual report or quarterly report under Article 160;
   (k) A material change report under Article 161; or
   (l) An annual report, etc. submitted in accordance with a correction order under Article 164 (2);
140. To fail to submit any document falling under any of the following items;
   (a) A registration statement or additional documents of shelf registration statement under Article 119;
   (b) An amendment statement under the latter part of Article 122(3);
   (c) A prospectus under Article 123;
   (d) An after-report under Article 128;
   (e) A tender offer statement under Article 134;
   (f) An amendment statement under Article 136 (3);
   (g) A tender offer prospectus under Article 137 (1);
   (h) A report on results of tender offer under Article 143;
(i) Documents for report under Article 147;
(j) A form of proxy and materials under Article 153;
(k) A modified material under the latter part of Article 156 (3);
(l) An annual report or combined financial statement under Article 159;
(m) A semi-annual report or quarterly report under Article 160; or
(n) A material change report under Article 161;

141. To make a public offering of new or outstanding securities in violation of Articles 119 (3) through 119 (6) or 122 (4);
142. To withdraw a registration statement without submitting a withdrawal statement in violation of Article 120 (4);
143. To accept an offer to acquire or purchase securities in violation of Article 121;
144. To fail to place documents falling under any of the following items or make them available to the public:
   (a) A prospectus under Article 123 (including a preliminary prospectus and simple prospectus);
   (b) A tender offer prospectus under Article 137; or
   (c) A form of proxy and materials under Article 153;
145. To include particulars different from the contents in a prospectus or omit particulars described in the registration statement in violation of Article 123 (2);
146. To allow a person to acquire securities or sell securities before a prospectus is prepared in violation of Article 124 (1);
147. To solicit subscription without following methods falling under any of the subparagraphs of Article 124 (2) in violation of that paragraph;
148. To fail to take a measure under Article 130;
149. To violate an order to submit a report or data under Article 131 (1), 146 (1), 151 (1), 158 (1) or 164 (1);
150. To reject, interfere with, or evade an investigation under Article 131 (1), 146 (1), 151 (1), 158 (1), or 164 (1);
151. To violate a disciplinary action under Article 132 (2), 146 (2), 151 (2), 158 (2), or 164 (2) taken by the Financial Supervisory Commission;
152. To purchase, etc. securities, etc. without making a tender offer in violation of Article 133 (3) or 140;
153. To make a public notice in violation of Article 134 (1) or 136 (5);
154. To fail to comply with the tender offer period under Article 134 (3);
155. To fail to submit copies of statements or reports in violation of Article 135, 136...
156. To send copies of reports under Article 135, 136 (6), or 139 (3) or statements under Article 148, which contain different contents from the original reports or statements or omit any content;
157. To contain the contents different form those in a tender offer prospectus or omit any content described in a tender offer statement in violation of Article 137 (2);
158. To purchase securities, etc. before a tender offer prospectus is provided in violation of Article 137 (3);
159. To fail to submit a document or statement without delay in violation of Article 138 (2) or 155;
160. To withdraw a tender offer in violation of Article 139 (1) or 139 (2);
161. To violate Article 141 with respect to conditions and manners of a tender offer;
162. To exercise voting rights in violation of Article 145, or violate a disposition order under Article 145;
163. To make a misstatement or omission of material matters prescribed by the Presidential Decree (hereafter in this subparagraph, referred to as "material matters") in reports under Article 147 or an amendment statement under Article 151 (2);
164. To exercise voting rights in violation of Article 150, or violate a disposition order under Article 150 (1) or 150 (3);
165. To solicit a proxy in violation of Article 152;
166. To make a misstatement or omission of matters with respect of the proxy that materially affect a proxy decision of the person solicited (hereinafter in this subparagraph; referred to as "material matter with respect to the proxy) in the form of proxy and materials under Article 154 or amended documents under Article 156;
167. To execute purchase, sale, or other transactions of financial investment products (excluding exchange-traded derivatives) in violation of Article 166;
168. To hold stocks in violation of Article 167 (1);
169. To exercise voting rights in violation of Article 167 (3), or violate a correction order under Article 167 (3);
170. To fail to undergo audit in violation of Article 169 (1);
171. To violate an order to submit or report data, or measures under Article 169 (2) (including cases which are applied to Article 169 (3));
172. To violate a disclosure obligation under the latter part of Article 172 (3);
173. To fail to make a report, or make a false report in violation of Article 173 (1);
174. To violate an obligation of the prohibition on using undisclosed material
174. To violate an obligation of the prohibition on market manipulation, etc. under Article 175;
175. To violate an obligation of the prohibition on unfair trading, etc. under Article 176;
176. To effect, entrust, or be entrusted with, a short sale in violation of Article 177;
177. To violate an obligation of the prohibition on market manipulation, etc. under Article 178;
178. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. makes a registration or registration of changes in violation of Article 179, or makes a registration or registration of changes through false or fraudulent methods;
179. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. fails to use the letters indicating a type of collective investment scheme in violation of Article 180 (1);
180. To use names in violation of Article 180 (2);
181. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. violate Article 181 with respect to performing duties of a collective investment scheme;
182. Where a corporate director or executive officer of an investment company, etc. acquires collective investment securities issued by the investment company, etc. itself or accept them for the purpose of the right of pledge in violation of Article 182 (1);
183. Where a corporate director or executive officer of an investment company, etc. violates Articles 87, 89, 90 (1), 90 (2), 91 (1), 91 (3) and 92, which are applied to Article 182 (2);
184. Where a corporate director or executive officer of an investment company, etc. fails to keep and maintain records, or keeps and maintains the records falsely in violation of Article 183 (1);
185. Where a corporate director or executive officer of an investment company, etc. fails to establish and implement the system under Article 183 (2);
186. To violate Article 186 (1) or 186 (2) with respect to the conclusion and changes, etc. of trust contracts;
187. To fail to make a disclosure or notification under Article 187 (3), or make a false disclosure or notification;
188. To fail to pay the total amount of the trust principal in violation of Article 188 (4);
189. To violate Articles 189 (3) through 189 (6) with respect to the business of an investment trust;
190. To fail to convene a general meeting of collective investors in violation of Article 190 (3) (including cases which are applied to Article 201 (3), 210 (3), 215 (4), 220 (4) or 226 (4)) or the latter part of Article 190 (7) (including cases which are applied to Article 201 (3), 210 (3), 215 (4), 220 (4), or 226 (4));
191. To violate Articles 363 (1) and 363 (2) of the Commercial Act, which is applied to Article 190 (4) (including cases which are applied to Article 210 (3), 215 (4), 220 (4), or 226 (4));
192. To convene a general meeting of collective investors in violation of Article 190 (9) (including cases which are applied to Article 201 (3), 210 (3), 215 (4), 220 (4), or 226 (4));
193. To violate Articles 364 through 373 of the Commercial Act, which are applied to Article 190 (10) (including cases which are applied to Article 210 (3), 215 (4), 220 (4), or 226 (4));
194. To violate Articles 191 (2) through 191 (4) (including cases which are applied to Article 201 (4)) with respect to claims for the purchase of beneficiary certificates, etc.;
195. To terminate an investment trust without obtaining an approval in violation of Article 192 (1), or obtain an approval through false or fraudulent methods;
196. To fail to make a report under the proviso of Article 192 (1), or make a false report;
197. To fail to terminate an investment trust in violation of Article 192 (2), or fail to make a report under the latter part of Article 192 (2) other than each subparagraph or make a false report;
198. To violate Article 192 (3) through 192 (5) with respect to the termination of an investment trust;
199. To merge an investment trust without obtaining a resolution at the general meeting of beneficiaries in violation of Article 193 (2);
200. To violate Article 527-5 (1) and 527-5 (3) of the Commercial Act, which are applied to Article 193 (3);
201. To fail to place documents in violation of the former part of Article 193 (4) other than each subparagraph of that paragraph [including cases which are applied to
Article 204 (3) (including cases which are applied to Article 211 (2) or 216 (3));
202. To fail to comply with the request for the access or distribution under the latter part of Article 193 (4) other than each subparagraph of that paragraph [including cases which are applied to Article 204 (3) (including cases which are applied to Article 211 (2) or 216 (3))];
203. To fail to make a report under Article 193 (5) [including cases which are applied to Article 204 (3) (including cases which are applied to Article 211 (2) or 216 (3))], or make a false report;
204. To merge in violation of Article 193 (8) [including cases which are applied to Article 204 (3) (including cases which are applied to Article 211 (2) or 216 (3))];
205. To violate Article 194 (2) or 213 (1), 207 (1), 207 (4), 213 (1), 218 (1) or 224 (1) with respect to the preparation of articles of incorporation, partnership contracts, or a contract for an investment undisclosed association of collective investment schemes;
206. To violate Articles 194 (6) or 194 (8) through 194 (11) with respect to the incorporation, etc. of an investment company;
207. To pay an amount using assets other than cash in violation of Article 194 (7) (including cases which are applied to Article 196 (6));
208. Where a corporate director or executive officer of an investment company, etc. or a manager of an investment undisclosed association receives the payment or contribution of assets other than cash in violation of Article 207 (2), 207 (4), 213 (2), 213 (4), 218 (2) or 224 (2);
209. Where a corporate director or executive officer of an investment company, etc. changes articles of incorporation or other collective investment agreements in violation of Article 195 (1) (including cases which are applied to Article 211 (1), 216 (1), 222 (1) or 227 (1));
210. Where a corporate director or executive officer of an investment company, etc. fails to make a disclosure or notification under Articles 196 (3) (including cases which are applied to Article 211 (1), 216 (1), 222 (1), or 227 (1)), or make a false disclosure or notification;
211. Where a corporate director or executive officer of an investment company, etc. violates regulations under Articles 196 (2) through 196 (5) [including cases which are applied to Article 208 (3) (including cases which are applied to Article 216 (2), 222 (2), 227 (2))] with respect to the issuance of new stocks;
212. Where a corporate director of an investment company violates an obligation to appoint a supervisory director under Article 197 (2);
213. To fail to obtain a resolution made by the board of directors in violation of Article 198 (2);
214. To fail to make a report to the board of directors, or make a false report in violation of Article 198 (3);
215. To fail to comply with the request for the report in violation of Article 199 (3);
216. Where a corporate director of an investment company violates Article 200 (2) with respect to the convocation of the board of directors;
217. Where a corporate director of an investment company fails to convene a general meeting of shareholders without delay to appoint a director in violation of Article 200 (4);
218. Where a corporate director or executive officer who is a liquidator of an investment company, investment limited liability company, or investment limited partnership company fail to make a report under Article 202 (1) (including cases which are applied to Article 211 (2) or 216 (3)), or makes a false report;
219. Where a corporate director or executive officer who is a liquidator of an investment company, etc., or a manager of an investment undisclosed association violates regulations under Articles 203 (1) [including cases which are applied to Article 211 (2), 216 (3), or 221 (6) (including cases which are applied to Article 227 (3))], 203 (3) through 203 (7) [including cases which are applied to Article 211 (2), 216 (3), or 221 (6) (including cases which are applied to Article 227 (3))] with respect to liquidation of an investment company, etc. and investment undisclosed association;
220. Where a corporate director or executive officer of an investment company, investment limited liability company, or investment limited partnership company merges in violation of Article 204 (1) (including cases which are applied to Article 211 (2) or 216 (3)) or 204 (2) (including cases which are applied to Article 211 (2) or 216 (3));
221. Where a corporate director of an investment limited liability company, executive officer of an investment limited partnership company, executive officer of an investment limited partnership, or manager of an investment undisclosed association enlists any partner in violation of Article 207 (5), 213 (5), 218 (3), or 224 (3);
222. Where a corporate director of an investment limited liability company, executive officer of an investment limited partnership company, executive officer of an investment limited partnership, or manager of an investment undisclosed association issues equity securities in violation of Article 208 (2) (including cases which are
applied to Article 216 (2), 222 (2), or 227 (2));

223. Where an executive officer of an investment limited partnership company or investment limited partnership distributes losses in violation of Article 217 (5) or 223 (4);

224. Where an executive officer or manager who is a liquidator of an investment limited partnership or investment undisclosed association violates Article 221 (1) (including cases which are applied to Article 227 (3)) or 221 (5) (including cases which are applied to Article 227 (3)) with respect to the dissolution and liquidation;

225. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. issues collective investment securities additionally in violation of Article 230 (2);

226. Where a collective investment manager of an investment trust or a corporate director of an investment company fails to list collective investment securities on the securities market in violation of Article 230 (3);

227. To fail to establish and incorporate a collective investment scheme as a closed-end collective investment scheme in violation of Article 230 (5);

228. To violate Article 231 (3) with respect to a multi-class collective investment scheme;

229. To violate Article 232 with respect to an umbrella fund;

230. To violate Article 233 (1) or 233 (3) with respect to master-feeder collective investment managers;

231. To violate Article 234 (4) with respect to an exchange-traded fund;

232. To fail to request to meet the claims for redemption in violation of Article 235 (3);

233. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. violates Article 235 (4) or 235 (5) with respect to the payment of the price for the redemption;

234. To acquire collective investment securities for its own account or have another person acquire them in violation of Article 235 (6);

235. Where a collective investment manager of an investment trust or investment undisclosed association or a trust company, or a corporate director or executive officer of an investment company, etc. fails to retire collective investment securities in violation of Article 235 (7);
236. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. redeems collective investment securities in violation of Article 236;

237. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. violates Articles 237 (1) through 237 (7) with respect to the deferral of redemption and establishment and incorporation of a separate collective investment scheme;

238. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. fails to meet the redemption claims even if it does not falls under any of the subparagraphs of Article 237 (8);

239. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. violates Articles 238 (1) through 238 (4), or 238 (6) with respect to the appraisal of collective investment property and the calculation of a base price, etc.;

240. To fail to make a confirmation under Article 238 (5);

241. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. fails to publish a base price of collective investment securities and make it available to the public, or publish a false base price and make it available to the public in violation of Article 238 (7);

242. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. violates an delegation order under Article 238 (8);

243. Where a collective investment manager of an investment trust or investment undisclosed association violates Articles 239 (1) through 239 (4) or 239 (6) with respect to the preparation, submission, and keeping, etc. of settlement documents;

244. Where a collective investment of an investment trust or investment undisclosed association, a corporate director or executive officer of an investment company, etc., or a broker or dealer who sells the collective investment securities fails to comply with the request for the access or distribution under Article 239 (5);

245. Where a collective investment manager of an investment trust or investment
undisclosed association, or a corporate director or executive officer of an investment company, etc. conducts accounting in violation of Article 240 (1);
246. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. fails to undergo audit in violation of Article 240 (3);
247. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. fails to make a notification or report under Article 240 (4), or make a false notification or report;
248. To fail to comply with the request for submitting data in violation of Article 240 (7);
249. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. violates Article 240 (10) with respect to the standards, etc. on appointment of auditors;
250. Where a collective investment manager of an investment trust or investment undisclosed association, or a corporate director or executive officer of an investment company, etc. distributes profits or delays the distribution in violation of Article 242;
251. Where a corporate director of an investment company fails to make a report under Article 243 (1), or make a false report;
252. To entrust, or be entrusted with, the custody and management of collective investment property in violation of Article 246 (1);
253. To fail to manage the collective investment property separately in violation of Article 246 (2);
254. To fail to deposit in violation of Article 246 (3);
255. To fail to implement the instructions of a collective investment manager for each collective investment scheme in violation of Article 246 (4);
256. To violate Article 247 with respect to the supervision, etc. of management activities of collective investment property;
257. To fail to provide reports of custody and management of asset to investors, or provide false reports in violation of Article 248 (1) or 248 (3);
258. To fail to submit reports of custody and management of asset, or submit false reports in violation of Article 248 (2);
259. To transfer collective investment securities by means of division in violation of Article 249 (2);
260. To violate Article 249 (3) with respect to payment of the price with assets;
261. To carry on collective investment scheme service in violation of Article 250 (1) or 251 (1);
262. To violate Article 250 (2) with respect to the establishment and operation of a management committee for collective investment property;
263. To conduct any activity falling under the subparagraphs of Article 250 (3) in violation of that paragraph (including cases which are applied to Article 251 (2) or 341 (1));
264. To use information on the collective investment property in violation of Article 250 (4) (including cases which are applied to Article 251 (2)) or 250 (5) (including cases which are applied to Article 251 (4) or 341 (1));
265. To conduct any activity falling under any of the subparagraphs of Article 250 (6) in violation of that paragraph (including cases which are applied to Article 251 (2) or 341 (1));
266. To fail to have officers, allow officers or employees to work concurrently for the business, or fail to establish a system to prevent conflict of interest in violation of Article 250 (7), 251 (3) or 341 (2);
267. Where a corporate director or executive officer of an investment company, etc. violates an order under Article 252 (1);
268. To carry on business without obtaining a registration in violation of Article 254 (1), 258 (1), 263 (1), or 365 (1);
269. To fail to make a registration in violation of Article 268 (3);
270. To sell foreign collective investment securities without registration in violation of Article 279 (1);
271. To make a registration under Article 279 (1), or make a registration of changes under Article 182 (8), which is applied to Article 279 (3) through false or fraudulent methods;
272. To fail to make a registration of changes under Article 182 (8), which is applied to Article 279 (3);
273. To sell foreign collective investment securities in the Republic of Korea not through a broker or dealer in violation of Article 280 (1);
274. To fail to provide an asset management report pursuant to Article 280 (2) in violation of that paragraph, or to prepare a report containing any misstatement or omission;
275. To fail to comply with the request for access or distribution in violation of
Article 280 (3);
276. To fail to publish a base price of foreign collective investment securities and make it available to the public, or publish a false base price and make it available to the public in violation of Article 280 (4);
277. To violate Article 280 (5) with respect to the sales methods and the provision of reports related to the local sales of foreign collective investment securities;
278. To violate an order under Article 281 (1);
279. To sell foreign collective investment securities whose registration is revoked pursuant to Article 282 (1);
280. To use terms prescribed under Article 284, 295, 325, 338, 356, or 379 or similar terms in violation of each Article;
281. To carry on business in violation of Article 298;
282. To fail to prepare and keep an investor's account book under Article 310 (1), or prepare and keep the investor's account book falsely;
283. To fail to deposit in violation of Article 310 (2);
284. To fail to keep securities, etc. separately from its own in violation of Article 310 (3);
285. To fail to make up insufficiency in violation of Article 313;
286. To fail to make a notification or disclosure under Article 313 (4);
287. To fail to make a notification to the Depository, or make a false notification in violation of Article 315 (3), 315 (4), 315 (6), 319 (3), or 319 (4);
288. To fail to prepare and keep a register of beneficial owners under Article 316 (1), or prepare and keep the register of beneficial owners falsely;
289. To violate Securities Handling Regulations under Article 322 (1) (including cases which are applied to the latter part of Article 322 (4) or Article 322 (5));
290. To fail to comply with the request for submission of data under Article 322 (3) (including cases which are applied to the latter part of Article 322 (4) or Article 322 (5));
291. To use printed forms under Securities Handling Regulations without obtaining an approval under the former part of Article 322 (4);
292. To make a notification under Article 323 (1) or 323 (2), or make a false notification;
293. To carry on the business without obtaining a permission or authorization in violation of Article 324 (1), 355 (1), 360 (1), or 370 (1);
294. To establish markets under Article 386 (1) or any other similar facility, or trade
securities or exchange-traded derivatives through any other similar facility in violation of Article 386 (2);  
295. To hold stocks issued by the Exchange in violation of Article 406 (1);  
296. To exercise voting rights in violation of Article 406 (3);  
297. To violate a disposition order under Article 406 (4);  
298. To violate an order under Article 416 issued by the Financial Supervisory Commission;  
299. To conduct any activity falling under the subparagraph of Article 417 (1) (in the case of an integrated financial investment firm, limited to subparagraphs 4 through 7) without obtaining an approval under Article 417 (1);  
300. To fail to make a report, or make a false report in violation of Article 418;  
301. To reject, interfere with, or evade an inspection under Article 419 (1) (including cases which are applied to Article 252 (2) or 281 (2));  
302. To fail to comply with the request for reports, etc. under Article 419 (5) (including the case which is applied to Article 252 (2) or 281 (2));  
303. To violate measures under Article 420 (3) 2, 420 (3) 4, 420 (3) 7, 422 (1) 1 or 422 (1) 2;  
304. To make a report under Article 421 (2) (including cases which are applied to Article 421 (4)), or make a false report;  
305. To fail to keep and maintain the record of the contents in violation of Article 424 (4);  
306. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with, or evade an investigation;  
307. To fail to comply with the request under Article 426 (2);  
308. To fail to comply with the measures under Article 426 (3);  
309. To fail to comply with the request for submitting data under Article 426 (4);  
310. To fail to comply with the interrogation, seizure, or search under Article 427 (1);  
311. To treat whistle blowers, etc. disadvantageously in violation of Article 435 (5);  
312. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

[Appendix 2] Reasons for Disciplinary Actions against Investment Companies, etc.
(related to Articles 253 (1) 7 and 253 (2))

1. To violate Article 80 with respect to instruction and execution of asset management;
2. To manage collective investment properties in violation of Article 81 (1), 83 or 84;
3. To acquire collective investment securities or take such securities for the purpose of creation of pledge in violation of Article 82 or 186 (1);
4. To conduct any activity falling under the following subparagraphs of Article 85 in violation of Article 85;
5. To receive a bonus in violation of Article 86;
6. To exercise voting rights in violation of Article 87 (1) through (5) (including cases which are applied to Article 186 (2));
7. To violate a disposition order under Article 87 (6) (including cases which are applied to Article 186 (2));
8. To fail to record and keep data, or record and keep false data in violation of Article 87 (7) (including cases which are applied to Article 186 (2));
9. To fail to make a disclosure under Article 87 (8) (including cases which are applied to Article 186 (2)) or Article 87 (9) (including cases which are applied to Article 186 (2)) or make a false disclosure;
10. To fail to submit an asset management report or to provide a report containing any misstatement or omission in violation of Article 88;
11. To fail to make a disclosure under Article 89 (including cases which are applied to Article 186 (2)) or make a false disclosure;
12. To fail to submit business reports or settlement reports, or submit false business reports or settlement reports in violation of Article 90 (1) (including cases which are applied to Article 186 (2)) or 90 (2) (including cases which are applied to Article 186 (2));
13. To fail to respond to any request for access or distribution in violation of Article 91 (1) (including cases which are applied to Article 186 (2));
14. To fail to disclose a collective investment agreement or disclose a false collective investment agreement in violation of Article 91 (3) (including cases which are applied to Article 186 (2));
15. To fail to make a notification to a broker or dealer without delay in violation of Article 92 (including cases which are applied to Article 186 (2));
16. To fail to make a disclosure under the former part of Article 93 (1) or make a
false disclosure;
17. To fail to describe in a prospectus that the risk-related indexes and their outlines are available in violation of the latter part of Article 93 (1);
18. To fail to make a report under Article 93 (2) or to make a false report;
19. To borrow or lend money in violation of Article 94 (1) or 94 (2);
20. To fail to prepare and place a report on the actual inspection or prepare and place a false report in violation of Article 94 (3);
21. To fail to disclose a business plan, or to disclose it without confirmation from an appraiser in violation of Article 94 (4);
22. To fail to use the letters indicating a type of a collective investment scheme in violation of Article 183 (1);
23. To violate Article 184 in conducting business of a collective investment scheme;
24. To fail to record and keep data, or record and keep false data in violation of Article 187 (1);
25. To fail to establish and implement appropriate measures under paragraph 187 (2);
26. To violate Article 194 (2), 207 (1), 213 (1) or 218 (1) in preparing articles of incorporation or partnership contract of a collective investment scheme;
27. To pay an amount using assets other than cash in violation of Article 194 (7) (including cases which are applied to Article 199 (6)), 207 (2), 213 (2), 213 (4), or 218 (2);
28. To alter the articles of incorporation to fall under any of the subparagraphs of Article 194 (11) in violation of Article 194 (11);
29. To alter the articles of incorporation, and other collective investment agreements in violation of Article 195 (1) (including cases which are applied to Article 211 (1), 216 (1) or 222 (1));
30. To fail to make a publication or notification under Article 195 (3) (including cases which are applied to Article 211 (1), 216 (1) or 222 (1)), or make a false publication or notification;
31. To violate Article 196 (2) through 196 (5) [including cases which are applied to Article 208 (3) (including cases which are applied to Article 216 (2) or 222 (2))]
32. To fail to appoint a director in violation of Article 197 (2);
33. To fail to obtain a resolution made by the board of directors in violation of Article 198 (2);
34. To fail to make a report to the board of directors, or make a false report in violation of Article 198 (3);
35. To appoint a supervisory director who falls under any of the subparagraphs of Article 199 (4) in violation of Article 199(4);
36. To violate Article 200 (2) with respect to the convocation of the board of directors;
37. To violate Article 200 (3) through 200 (5) with respect to the resolution, etc. made by the board of directors;
38. To fail to convene the general meeting of collective investors in violation of Article 190 (3) or the latter part of Article 190 (7), which is applied to Article 201 (3), 210 (3), 215 (4), and 220 (4);
39. To violate Articles 191 (2) through 191 (4), which are applied to Article 202 (4), with respect to claims for the purchase of stocks;
40. To fail to make a report under Article 202 (1) (including cases which are applied to Article 211 (2) or Article 216 (3)), or to make a false report;
41. To violate Article 203 with respect to liquidation of a collective investment scheme (including cases which are applied to Articles 211 (2), 216 (3) and 221 (6));
42. To merge in violation of Article 204 (1) (including cases which are applied to Articles 211 (2) and 216 (3)) or 204 (2) (including cases which are applied to Article s211 (2) and 216 (3));
43. To violate Article 193 (4), 193 (5) or 193 (8), which is applied to Article 204 (3) (including cases which are applied to Article 211 (2) and 216 (3)), with respect to merger of a collective investment scheme;
44. To enlist any partner in violation of Article 207 (5), 213 (5), or 218 (3);
45. To issue equity securities in violation of Article 208 (2) (including cases which are applied to Article 216 (2) or 222 (3));
46. To distribute losses in violation of Article 217 (5) or 223 (4);
47. To violate Article 221 (1) or 221 (5) in connection with dissolution and liquidation of an investment limited partnership;
48. To issue collective investment securities additionally in violation of Article 230 (2);
49. To fail to list collective investment securities on the securities markets in violation of Article 230 (3);
50. To fail to establish or incorporate a collective investment scheme as a closed-end collective investment scheme in violation of Article 230 (5);
51. To violate Article 231 (3) with respect to a multi-class collective investment scheme;
52. To violate Article 232 with respect to an umbrella fund;
53. To violate Article 233 (1) or 233 (3) with respect to master-feeder collective investment schemes;
54. To violate Article 234 (4) with respect to an exchange-traded fund;
55. To violate Article 235 (4) or 235 (5) with respect to payment of redemption money;
56. To acquire for its own account, or allow another person to acquire, collective investment securities in violation of Article 235 (6);
57. To fail to retire collective investment securities in violation of Article 235 (7);
58. To redeem collective investment securities in violation of Article 236;
59. To violate Articles 237 (1) through 237 (7) with respect to the deferral of redemption and the establishment or incorporation of separate collective investment scheme;
60. To fail to meet claims for redemption notwithstanding the cases falling under any of the subparagraphs of Article 237 (8);
61. To violate Article 238 (1) through 238 (4) or 238 (6) with respect to appraisal or calculation of a base price of collective investment properties;
62. To fail to publish a base price of collective investment securities and make it available to the public, or publish a false base price and make it available to the public in violation of Article 238 (7);
63. To fail to comply with a delegation order under Article 238 (8);
64. To violate Article 239 (1) through 239 (4) or 239 (6) with respect to preparation, placement, and keeping, etc. of settlement statements;
65. To fail to respond to request for access or distribution under Article 239 (5);
66. To conduct accounting in violation of Article 240 (1);
67. To fail to undergo audit in violation of Article 240 (3);
68. To fail to make a notification or report under Article 240 (4) or make a false notification or report;
69. To fail to meet the request to submit data in violation of Article 240 (7);
70. To violate Article 240 (10) with respect to appointment standard, etc. of an auditor;
71. To distribute or reserve profits in violation of Article 242;
72. To fail to make a report under Article 243 (1) or to make a false report;
73. To entrust the custody and management of collective investment properties in violation of Article 246 (1);
74. To fail to request for correction in violation of Article 247 (2);
75. To fail to make a report or disclosure under the main sentence of Article 247 (3) or make a false report or disclosure;
76. To fail to meet the request to submit data in violation of Article 247 (6);
77. To transfer the collective investment securities to any person by means of division in violation of Article 249 (2);
78. To violate Article 249 (3) with respect to payment with assets;
79. To violate an order under Article 252 (1);
80. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 252 (2);
81. To fail to respond to the request of report, etc. under Article 419 (5), which is applied to Article 252 (2);
82. To fail to comply with the measures under Article 253 (2) 2, 253 (2) 4 or 253 (2) 7 or the request of dismissal under Article 253 (3);
83. To fail to keep and maintain the record of the contents in violation of Article 424 (4), which is applied to Article 253 (5);
84. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with or evade an investigation;
85. To fail to comply with the request under Article 426 (2);
86. To fail to comply with the measures under Article 426 (3);
87. To fail to comply with the request for submitting data under Article 426 (4);
88. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
89. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or the sound trade practice.

[Appendix 3] Reasons for Disciplinary Actions against General Fund Administrators and Their Officers and Employees (Related to Articles 257 (1) through 257 (4))

1. To obtain a registration under Article 254 (1) through false or fraudulent methods;
2. To fail to conduct the delegated business pursuant to Article 184 (6) or fail to comply with Acts and subordinate statutes;
3. To violate any obligation to maintain registration requirements under Article 254 (8);
4. To violate Articles 42 (1) through 42 (8) and 42 (10), which are applied to Article
255, with respect to delegation of business;
5. To use information for its own interest or the interest of a third party in violation of Article 54, which is applied to Article 255;
6. To fail to record and keep data, or record and keep false data in violation of Article 60, which is applied to Article 255;
7. To violate an order under Article 256 (1);
8. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 256 (2);
9. To fail to respond to the request of report, etc. under Article 419 (5), which is applied to Article 256 (2);
10. To conduct any business during the suspended period under Article 257 (2) 1;
11. To fail to comply with a correction or suspension order issued by the Financial Supervisory Commission pursuant to Article 257 (2) 3;
12. To violate measures pursuant to Article 257(2)2, 4, or 7, or Article 257(3)1 or Article 257(4)
13. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 257 (5);
14. To violate an order to submit a report or data under Article 426 (1) or reject, interfere with, or evade an investigation;
15. To fail to comply with the request under Article 426 (2);
16. To fail to comply with the measures under Article 426 (3);
17. To fail to comply with the request for submitting data under Article 426 (4);
18. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
19. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

[Appendix 4] Reasons for Disciplinary Actions against Collective Investment Scheme Appraisal Companies and Their Officers and Employees (related to Articles 262 (1) through 262 (4))

1. To obtain a registration under Article 258 (1) through false or fraudulent methods;
2. To violate any obligation to maintain registration requirements under Article 258 (8);
3. To fail to establish or violate the working rules governing conduct of business
under Article 259 (1);
4. To use information for its own interest or the interest of a third party in violation of Article 54, which is applied to Article 260;
5. To fail to record and keep data, or record and keep false data in violation of Article 60, which is applied to Article 260;
6. To violate an order under Article 261 (1);
7. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 261 (2);
8. To fail to respond to the request of report, etc. under Article 419 (5), which is applied to Article 261 (2);
9. To conduct any business during a suspended period under Article 262 (2) 1;
10. To violate measures under Article 262 (2) 2, 262 (2) 4, 262 (2) 7, 262 (3) 1, or 262 (3) 4;
11. To fail to comply with a correction or suspension order issued by the Financial Supervisory Commission pursuant to Article 262 (2) 3;
12. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 262 (5);
13. To violate an order to submit a report or data under Article 426 (1) or reject, interfere with, or evade an investigation;
14. To fail to comply with the request under Article 426 (2);
15. To fail to comply with the measures under Article 426 (3);
16. To fail to comply with the request for submitting data under Article 426 (4);
17. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
18. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

[Appendix 5] Reasons for Disciplinary Actions against Bond Appraisal Companies and Their Officers and Employees (related to Articles 267 (1) through 267 (4))

1. To obtain a registration under Article 263 (1) through false or fraudulent methods;
2. To violate any obligation to maintain registration requirements pursuant to Article 263 (8);
3. To fail to establish or violate the working rules governing conduct of business pursuant to Article 264 (1);
4. To fail to disclose standards for appraising securities under Article 264 (2) or disclose them falsely;
5. To use information for its own interest or the interest of a third party in violation of Article 54, which is applied to Article 265;
6. To fail to record and keep data, or record and keep false data in violation of Article 60, which is applied to Article 265;
7. To violate an order under Article 266 (1);
8. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 266 (2);
9. To fail to respond to the request of report, etc. under Article 419 (5), which is applied to Article 266 (2);
10. To conduct any business during a suspended period under Article 267 (2) 1;
11. To violate measures under Article 267 (2) 2, 267 (2) 4, 267 (2) 7, 267 (3) 1 or 267 (3) 4;
12. To fail to comply with a correction or suspension order issued by the Financial Supervisory Commission pursuant to Article 257 (2) 3;
13. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 267 (5);
14. To violate an order to submit a report or data under Article 426 (1) or reject, interfere with, or evade an investigation;
15. To fail to comply with the request under Article 426 (2);
16. To fail to comply with the measures under Article 426 (3);
17. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
18. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
19. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

[Appendix 6] Reasons for Disciplinary Actions against Private Equity Companies and Their Executive Officer (related to Articles 278 (1) 6, Articles 278 (3) through 278 (5))

1. To violate an order under Article 252 (1);
2. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 252 (2);
3. To fail to comply with the request for report, etc. under Article 419 (5), which is applied to Article 252 (2);
4. To violate Article 268 (1) with respect to preparation of the articles of incorporation;
5. To allow membership to partners in violation of Article 269 (1);
6. To allow a limited partner to affect the exercise of voting rights in violation of Article 269 (4);
7. To allow equity investment with assets other than cash in violation of Article 269 (5);
8. To allow membership to limited partners in violation of Article 269 (6);
9. To use properties of a private equity company in violation of Article 270;
10. To violate Article 272 (1) or 272 (2) with respect to executive officer;
11. To conduct any activity falling under the subparagraphs of Article 272 (6) in violation of Article 272 (6);
12. To fail to establish working rules under the former part of Article 272 (7);
13. To fail to make a report on the establishment and change of the working rules under the former part of Article 272 (7) or to report a false report;
14. To violate an amendment or supplementation order under the latter part of Article 272 (7);
15. To violate any obligation to provide and explain financial statements, etc. or to fail to comply with the obligation to record and keep the content related to such provision and explanation in violation of Article 272 (8);
16. To transfer equities in violation of Article 273 (1) through 273 (3);
17. To merge with other company in violation of Article 273 (4);
18. To fail to dispose of equity securities in violation of Article 274 (1) or to acquire equity securities in violation of Article 274 (2);
19. To fail to make a report or make a false report in violation of Article 275 (3) through 275 (5);
20. To fail to make a report or makes a false report in violation of Article 276 (2);
21. To violate measures under Article 278 (3) 2, 278 (3) 4, 278 (3) 7, 278 (4) 1 (limited to item (a)), 278 (4) 2 (limited to item (a)), 278 (4) 3, or 278 95) 1;
22. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 278 (6);
23. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with, or evade an inspection;
24. To fail to comply with the request under Article 426 (2);
25. To fail to comply with the measures under Article 426 (3);
26. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
27. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

[Appendix 7] Reasons for Disciplinary Actions against the Association and Its Officers and Employees (related to Article 293 (1) through (3))

1. To fail to make a report or notification under Article 56 (4), or make a false report or notification;
2. To violate an amendment order under Article 56 (6);
3. To make a disclosure under Article 58 (4) or 90 (4), or make a false disclosure;
4. To conduct business other than the business referred to in Article 286 (1) or violate Article 286 (2);
5. To obtain an approval in violation of Article 287 (2);
6. To violate Article 24, which is applied to Article 289, with regard to the qualification of officers;
7. To use information for its own interest or the interest of a third party in violation of Article 54, which is applied to Article 289;
8. To violate Article 63, which is applied to Article 289, with respect to transactions of financial investment products made by officers and employees;
9. To fail to comply with measures under Article 413 (limited to business under Article 286 (1) 4), which is applied to Article 289;
10. To make a report under Article 290;
11. To reject, interfere with or evade an inspection under Article 419 (1), which is applied to Article 292;
12. To fail to respond to the request of report, etc. under Article 419 (5), which is applied to Article 292;
13. To violate measures under Article 293 (1) 2 through 293 (1) 4, 2933 (1) 7, 293 (2) 1, or 293 (3);
14. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 293 (4);
15. To fail to go through a deliberation under Article 414 (2);
16. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with, or evade an inspection;
17. To fail to comply with the request pursuant to Article 426 (2);
18. To fail to comply with the measures under Article 426 (3);
19. To fail to comply with the request of submission of documents under Article 426 (4);
20. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
21. To disadvantageously treat a whistleblower, etc. in violation of Article 435 (5);
22. Others prescribed by the Presidential Decree as likely to undermine the protection of investors or sound trade practice.

[Appendix 8] Reasons for Disciplinary Actions against Officers and Employees of the Depository (related to Articles 307 (1) through 307 (3))

1. To fail to prepare and place the roster of beneficiaries under Article 189 (7) or prepare it falsely;
2. To provide information to any other person in violation of Article 189 (8);
3. To conduct business other than those referred to in each subparagraph of Article 296;
4. To alter the articles of incorporation without obtaining an approval under Article 299 (2);
5. To fail to obtain an approval in violation of Article 301 (2);
6. To violate Article 24, which is applied to Article 301 (4), with regard to the qualification of officers;
7. To have special interest with respect to the financing, distribution of profit and loss, and other businesses in violation of Article 301 (5);
8. To violate Article 54, 63, or 413 (limited to business under subparagraphs 1 through 4 of Article 296), which is applied to Article 304, or to violate Article 4 (1) or 4 (3) through 4 (5) of the Act on Real Name Financial Transactions and Guarantee of Secrecy;
9. To fail to obtain an approval in violation of Article 305 (1);
10. To fail to make a report in violation of Article 305 (3);
11. To reject, interfere with or evade an inspection under Article 419 (1), which is applied to Article 306;
12. To fail to comply with the request of report, etc. pursuant to Article 419 (5) which is applied to Article 306;
13. To violate measures under Article 307 (1) 2 through 307 (1) 4, 307 (1) 7, or 307 (2) 1, or 307 (3);
14. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 307 (4);
15. To fail to prepare and place a depositor's account book under Article 309 (3) or prepare it falsely;
16. To violate the standards and methods under Article 312 (3);
17. To fail to make up insufficiency in violation of Article 313 (1);
18. To exercise voting rights in violation of Article 314 (5) or 314 (6);
19. To fail to make a notification under Article 315 (3), 315 (5), 318 (2), 319 (3), or 319 (9);
20. To fail to prepare and keep the roster of beneficial owners under Article 319 (5), prepare it falsely;
21. To fail to make a publication in violation of Article 323 (3);
22. To fail to proceed through a deliberation under Article 414 (2);
23. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with or evade an inspection;
24. To fail to comply with the request under Article 426 (2);
25. To fail to comply with the measures under Article 425 (3);
26. To fail to meet the request of submission of materials under Article 426 (4);
27. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
28. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
29. Others prescribed by the Presidential Decree as likely to protect the protection of investors or sound trade practice.

[Appendix 9] Reasons for Disciplinary Actions against Securities and Finance Companies and Its Officers and Employees (related to Articles 335 (1) 6, 335 (2) through 335 (4))

1. To fail to return investors' deposits preferentially in violation of Article 74 (6);
2. To manage or operate investors' deposits in violation of Article 74 (7) or 74 (8);
3. To conduct businesses other than those referred to in each subparagraph of Articles
326 (1) and 326 (2);
4. To appoint an officer or employee of a financial investment firm as a full-time officer in violation of Article 327 (1) or to violate Article 24, which is applied to Article 24 (2);
5. To have special interest with respect to the financing, distribution of profit and loss, and other business in violation of Article 327 (5);
6. To use information for its own interest or the interest of a third party in violation of Article 54, which is applied to Article 328;
7. To violate Article 63, which is applied to Article 328, with respect to the transactions of financial investment products by officers or employees;
8. To issue bonds in violation of Article 329 (1);
9. To fail to meet the limit under Article 329 (1) in violation of the latter part of Article 329 (1);
10. To receive the deposit of money in violation of Article 330 (1);
11. To fail to comply with orders issued by the Ordinance of the Minister of Finance and Economy pursuant to Article 331 (1);
12. To violate orders of the Financial Supervisory Commission, which is delegated with supervision business pursuant to Article 331 (2);
13. To violate the prudential management guidelines under the latter part of Article 331(3);
14. To discontinue or dissolve businesses without obtaining an approval under Article 332 (1);
15. To fail to make a report in violation of Article 333;
16. To reject, interfere with or evade an inspection under Article 419 (1), which is applied to Article 334;
17. To fail to meet the request of report, etc. under Article 419 (4), which is applied to Article 334;
18. To fail to comply with the measures under Article 335 (2) 2, 335 (2) 4, 335 (2) 7, 335 (3) 1 or 335 (4);
19. To fail to record, maintain or manage the details in violation of Article 424 (2), which is applied to Article 335 (5);
20. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with or evade an inspection;
21. To fail to comply with the request under Article 426 (2);
22. To fail to comply with the measures under Article 425 (3);
23. To fail to meet the request of submission of materials under Article 426 (4);
24. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
25. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
26. Others prescribed by the Presidential Decree as likely to protect the protection of investors or sound trade practice.

[Appendix 10] Reasons for Disciplinary Actions against Merchant Banks and Their Officers or Employees (related to Articles 354 (1) 4, 354 (2) through 354 (4))

1. To conduct business other than the business falling under each of the subparagraphs of Articles 335 (1) and 335 (2);
2. To set up branches, etc. without obtaining an authorization under Article 337;
3. To discontinue or dissolve businesses without obtaining an authorization in violation of Article 339 (1);
4. To fail to make a report or make a false report in violation of Article 339 (2), or to conduct any activity falling under Article 339 (2) 3 without making a report;
5. To issue bonds in violation of Article 340 (1);
6. To violate Article 250 (3) (limited to subparagraphs (1) and (2)), 250 (5) or 250 (6), which is applied to Article 341 (1);
7. To fail to have officers in violation of Article 341(2) or to allow its officers and employees to work concurrently or to fail to have the conflict of interest system in violation of Article 341(2)
7. To fail to appoint officers or allow them to concurrently perform other business, or to fail to have a system to prevent conflict of interest in violation of Article 341 (2);
8. To extend credits in violation of the provisions of Articles 342 (1) through 342 (4);
9. To fail to meet the limit of credit extension in violation of Article 342 (6);
10. To extend credits to major shareholders or to acquire stocks issued by major shareholders in violation of Articles 343 (1) through 343 (7);
11. To fail to comply with an order to submit data under Article 343 (8);
12. To violate disciplinary actions under Article 343 (9);
13. To invest in securities in violation of Article 344;
14. To conduct any activity falling under each of the subparagraphs of Article 345 (1) in violation of Article 345 (1);
15. To exercise voting rights or extend credits in violation of Article 345(2) or 345 (3);
16. To violate measures under Article 345 (4);
17. To fail to hold assets required for reserve in violation of Article 346;
18. To acquire or hold real estate in violation of Article 347 (1) or 347 (2);
19. To fail to dispose of real estate in violation of Article 347 (3);
20. To engage in full-time work of any other profit-making corporation without obtaining an approval under Article 348;
21. To violate Articles 23 (1) through 23 (3), 24, 25 (excluding paragraph (3)), 26, 28, 31 (1), 31 (4), 32, 33, 35, 36, 416 or 418 (limited to subparagraphs 4 through 9), which are applied to Article 350;
22. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 353;
23. To fail to meet the request of report, etc. under Article 419 (5), which is applied to Article 353;
24. To fail to comply with measures under Article 354 (2) 2, 354 (2) 4,354 (2) 7, 354 (3) 1 or 354 (3) 4;
25. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 354 (5);
26. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with or evade an inspection;
27. To fail to comply with the request under Article 426 (2);
28. To fail to comply with the measures under Article 425 (3);
29. To fail to meet the request of submission of materials under Article 426 (4);
30. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
31. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
32. Others prescribed by the Presidential Decree as likely to protect the protection of investors or sound trade practice.

[Appendix 11] Reasons for Disciplinary Actions against Fund Brokerage Companies and Their Officers and Employees (related to Articles 359 (1) 6, 359 (2) through 359 (4))

1. To provide financial investment services in violation of Article 357 (1);
2. To fail to comply with the standards of prudent management in violation of Article 31 (1), which is applied to Article 357 (2);
3. To fail to comply with orders under Article 31 (4), which is applied to Article 357 (2);
4. To conduct accounting in violation of Article 32, which is applied to Article 357 (2);
5. To fail to submit business reports in violation of Article 33 (1), which is applied to Article 357 (2);
6. To fail to disclose or place disclosure documents, or disclose or place false disclosure documents in violation of Article 33 (2), which is applied to Article 357 (2);
7. To fail to make a report or disclosure or make a false report or disclosure in violation of Article 33 (3), which is applied to Article 357 (2);
8. To discontinue or dissolve business without obtaining an approval under Article 339 (1), which is applied to Article 357 (2);
9. To fail to make a report or make a false report in violation of Article 339 (2) (excluding subparagraph 3), which is applied to Article 357 (2);
10. To engage in full-time business for any other profitable incorporation without obtaining an approval under Article 348, which is applied to Article 357 (2);
11. To fail to comply with orders under Article 416, which is applied to Article 357 (2);
12. To reject, interfere with or evade an inspection under Article 358, which is applied to Article 419 (1);
13. To fail to meet the request of report, etc. under Article 419 (5), which is applied to Article 358;
14. To fail to comply with the measures under Article 359 (2) 2, 359 (2) 4, 359 (2) 7, 359 (3) 1 or 359 (4);
15. To fail to record, maintain or manage the details in violation of Article 424 (4), which is applied to Article 354 (5);
16. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with or evade an inspection;
17. To fail to comply with the request under Article 426 (2);
18. To fail to comply with the measures under Article 425 (3);
19. To fail to meet the request of submission of materials under Article 426 (4);
20. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
21. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
22. Others prescribed by the Presidential Decree as likely to protect the protection of
investors or sound trade practice.

[Appendix 12] Reasons for Disciplinary Actions against Short-term Finance Companies
and their Officers or Employees (related Articles 364 (1) 6, and 364 (2) through 364
(4))

1. To fail to submit business reports, or submit false business reports in violation of
Article 33 (1), which is applied to Article 361;
2. To fail to disclose or place disclosure documents, or disclose or place false
disclosure documents in violation of Article 333 (2), which is applied to Article 361;
3. To make a report or disclosure, or make a false report or disclosure in violation of
Article 33 (3), which is applied to Article 361;
4. To discontinue or dissolve businesses without obtaining an authorization in violation
of Article 339 (1), which is applied to Article 361;
5. To fail to make a report, or make a false report in violation of Article 330 (2)
(excluding subparagraphs 1 through 3), which is applied to Article 361;
6. To extend credits in violation of the provisions of Article 342 (6), which is
applied to Article 361;
7. To fail to meet the limit of credit extension in violation of Article 342 (6), which
is applied to Article 361;
8. To violate orders under Article 416, which is applied to Article 361;
9. To reject, interfere with, or evade an inspection under Article 419 (1), which is
applied to Article 363;
10. To fail to respond to the request of report, etc. under Article 419 (5), which is
applied to Article 363;
11. To violate measures under Article 364 (2) 2, 364 (2) 4, 364 (2) 7, 364 (3) 1,
354 (4);
12. To fail to record, maintain or manage the details in violation of Article 424 (4),
which is applied to Article 364 (5);
13. To violate an order to submit a report or data under Article 426 (2), or reject,
interfere with, or evade an inspection;
14. To fail to comply with the request under Article 426 (2);
15. To fail to comply with the measures under Article 426 (3);
16. To fail to comply with the request to submit data under Article 426 (4);
17. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
18. To disadvantageously treat a whistle blower, etc. in violation of Article 435 (5);
19. Others prescribed by the Presidential Decree as likely to undermine the protection or sound trade practice.

[Appendix 13] Reasons for Disciplinary Actions against Transfer Agents and Their Officers or Employees (related to Articles 369 (1) 5, and 369 (2) through 369 (4))

1. To fail to prepare or place the register of beneficial owners under Article 316 (1), or prepare or place it falsely;
2. To fail to comply with Securities Handling Regulations under Article 322 (1);
3. To fail to comply with the request to submit data under Article 322 (3);
4. To reject, interfere with, or evade a confirmation under Article 322 (3);
5. To use information for its own interest or the interest of a third party in violation of Article 54, which is applied to Article 367;
6. To violate Article 63, which is applied to Article 367, with respect to transactions of financial investment products by officers and employees;
7. To violate an order under Article 416, which is applied to Article 367;
8. To reject, interfere with, or evade an inspection under Article 419 (1), which is applied to Article 368;
9. To comply with the request of report, etc. under Article 419 (5), which is applied to Article 368;
10. To violate measures under Article 369 (2) 2, 369 (2) 4, 369 (2) 7, 369 (3) 1, or 369 (4);
11. To fail to record, maintain, or manage the details in violation of Article 424 (4), which is applied to Article 426 (1);
12. To violate an order to submit a report or data under Article 426 (1), or reject, interfere with, or evade an inspection;
13. To fail to comply with the request under Article 426 (2);
14. To fail to comply with the measure under Article 426 (3);
15. To fail to comply with the request to submit data under Article 426 (4);
16. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
17. To disadvantageously treat a whistleblower, etc. in violation of Article 435 (5);
18. Others prescribed by the Presidential Decree as likely to undermine the protection of investors and sound trade practice.

[Appendix 14] Reasons for Disciplinary Actions against the Exchange and Its officers and employees (related to under Articles 411 (1) through 411 (3))

1. To change the articles of incorporation without obtaining an approval under Article 376 (2);
2. To conduct business other than the business referred to in Article 377;
3. To violate Article 380 (3), 380 (5), or 380 (6) with respect to the appointment, etc. of officers;
4. To violate Article 381 with respect to the composition of the board of directors and the establishment of subcommittee, etc.;
5. To appoint an officer in violation of Article 24, which is applied to Article 382, or appoint an outside director in violation of Article 25 (5) (excluding subparagraphs 1 and 2), which is applied to Article 382;
6. To divulge or use secret in violation of Article 383 (1);
7. To have a special interest in violation of Article 383 (2) with respect to financing, distribution of profit and loss, and any other matter on the businesses;
8. To violate Article 63, which is applied to Article 383 (3), with respect to transactions of financial investment products by officers and employees;
9. To fail to establish the audit committee in violation of Article 384 (1);
10. To violate Articles 26 (2) through 26 (4), and 26 (6), which are applied to Article 384 (2);
11. To fail to have a director nomination committee in violation of Article 385 (1);
12. To fail to set aside separate joint funds in violation of Article 394 (2);
13. To offset the claims with fidelity guarantee money in violation of Article 395 (2);
14. To make a publication of quotations in violation of Article 401;
15. To fail to obtain an approval in violation of Article 408 or 409 (1);
16. To fail to make a report under Article 409 (2);
17. To violate an order, such as report, etc. under Article 410 (1), or reject, interfere with, or evade an inspection;
18. To violate measures under Article 411 (1) 2 through 411 (1) 4, 411 (1) 7, 411
1. To fail to record, maintain, or manage the details in violation of Article 424 (4), which is applied to Article 411 (4);
2. To fail to obtain an approval in violation of Article 412 (1);
3. To fail to comply with measures under Article 413;
4. To fail to proceed through a deliberation under Article 414 (2);
5. To violate the request to submit a report or data under Article 426 (1), or reject, interfere with, or evade an inspection;
6. To fail to comply with the request under Article 426 (2);
7. To fail to comply with the measure under Article 426 (3);
8. To fail to comply with the request to submit data under Article 426 (6);
9. To fail to make a notification under Article 426 (6);
10. To fail to comply with the interrogation, seizure, or search under Article 427 (1);
11. To disadvantageously treat a whistleblower, etc. in violation of Article 435 (5);
12. Others prescribed by the Presidential Decree as likely to undermine the protection of investors and sound trade practice.

[Appendix 15] Reasons for Disciplinary Actions of the Financial Supervisory Commission (related to Article 426 (5))

1. To fall under any of the subparagraphs (excluding subparagraph 4) of Article 43 (2);
2. To fall under any of the subparagraphs of Article 53 (2);
3. To fall under any of the subparagraphs of Article 253 (1) (excluding subparagraph 7) or under any of the subparagraphs of Article 253 (3);
4. To fall under any of the subparagraphs of Article 278 (1) (excluding subparagraph 6);
5. To fall under any of the subparagraphs of Article 282 (1);
6. To fall under any of the subparagraphs of Article 335 (1) (excluding subparagraph 6);
7. To fall under any of the subparagraphs of Article 354 (1) (excluding subparagraph 4);
8. To fall under any of the subparagraphs of Article 359 (1) (excluding subparagraph 6);
9. To fall under any of the subparagraphs of Article 364 (1) (excluding subparagraph 6);
10. To fall under any of the subparagraphs of Article 369 (1) (excluding subparagraph 5);
11. To fall under any of the subparagraphs of Article 420 (1) (excluding subparagraph 6);
12. To fall under any of the subparagraphs of Appendix 1 through Appendix 14;
13. Others prescribed by the Presidential Decree as likely to undermine the protection of investors and sound trade practice.