

# BANKING ACT

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Act No. 5540, May 25, 1998

Act No. 5745, Feb. 5, 1999

Act No. 5982, May 24, 1999

Act No. 6018, Sep. 7, 1999

Act No. 6177, Jan. 21, 2000

Act No. 6256, Jan. 28, 2000

Act No. 6429, Mar. 28, 2001

Act No. 6691, Apr. 27, 2002

Act No. 7428, Mar. 31, 2005

Act No. 8635, Aug. 3, 2007

Act No. 8863, Feb. 29, 2008

Act No. 8852, Feb. 29, 2008

Act No. 8905, Mar. 14, 2008

Act No. 9784, jun. 9, 2009

Act No. 10303, May 17, 2010

Act No. 10522, Mar. 31, 2011

Act No. 10866, Jul. 21, 2011

Act No. 11051, Sep. 16, 2011

Act No. 12101, Aug. 13, 2013

Act No. 13448, Jul. 24, 2015

Act No. 13453, Jul. 31, 2015

Act No. 13613, Dec. 22, 2015

Act No. 14096, Mar. 22, 2016

Act No. 14129, Mar. 29, 2016

Act No. 14242, May 29, 2016

Act No. 14826, Apr. 18, 2017

Act No. 15022, Oct. 31, 2017

Act No. 15936, Dec. 11, 2018

Act No. 16190, Dec. 31, 2018

Act No. 16957, Feb. 4, 2020

Act No. 17112, Mar. 24, 2020

Act No. 17293, May 19, 2020

## CHAPTER I GENERAL PROVISIONS

### Article 1 (Purpose)

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

### Article 2 (Definitions)

(1) The terms used in this Act are defined as follows: *<Amended on Aug. 13, 2013; Jul. 24, 2015>*

1. The term "banking business" means business lending funds raised by bearing debts owed to many and unspecified persons, by the receipt of deposits or the issuance of securities and other bonds;
2. The term "bank" means all corporations, other than the Bank of Korea, which regularly and systematically manage banking business;
3. The term "commercial financial business" means business lending funds primarily raised by the receipt of demand deposits within a period not exceeding one year, or lending money for a period of not less than one year but less than three years within a lending limit determined by the Financial Services Commission, taking into account total deposits;
4. The term "long-term financial business" means business lending funds raised by capital, reserves, other surplus, or time deposits with a maturity of not less than one year, or by the issuance of debentures or other bonds for a period exceeding one year;
5. The term "equity capital" means the sum of core capital and supplementary capital according to the standards set by the Bank for International Settlements;
6. The term "payment guarantee" means that a bank guarantees or acquires debts of other people;
7. The term "credit granting" means loans, payment guarantees, and the purchase of securities (limited to fund assistance in substance), or other direct and indirect transactions by a bank, which involve credit risk in financial transactions;
8. The term "same person" means the principal and a person having a special relationship prescribed by Presidential Decree with the principal (hereinafter referred to as "specially related person");
9. The term "non-financial investor" means any of the following persons:
  - (a) The same persons where the total amount of gross capital (referring to the gross amount of assets less the gross amount of debts on the balance sheet; hereinafter the same shall apply) of the persons

who are non-financial companies (referring to companies that operate business that is not financial business determined by Presidential Decree; hereinafter the same shall apply) is not less than 25/100 of the total amount of gross capital of the persons who are companies;

(b) The same person where the total amount of gross capital of the persons who are non-financial companies is not less than the amount prescribed by Presidential Decree, which is not less than two trillion won;

(c) An investment company under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "investment company") where a person referred to in item (a) or (b) holds more than 4/100 of the total number of its issued stocks (referring to cases where the same person owns stocks in his/her own name or any other person's name or has voting rights on such stocks through a contract, etc.; hereinafter the same shall apply);

(d) A private equity fund under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "private equity fund"), which falls under any of the following cases:

(e) A special purpose company where a private equity fund referred to in item (d) (including a person referred to in any of items (a) through (c) of this subparagraph, among persons who have acquired stocks or shares of the special purpose company under Article 249-13 (1) 3 (b) or (c) of the Financial Investment Services and Capital Markets Act) acquires and holds more than 4/100 of stocks or shares of the special purpose company or exercises a de facto influence over the major managerial matters of the special purpose company, such as appointment or dismissal of its executive officers;

10. The term "large stockholder" means any of the following persons:

(a) One stockholder of a bank where the same person including such stockholder holds more than 10/100 (15/ 100 in cases of a bank which does not operate nationwide (hereinafter referred to as "local bank")) of the total number of voting stocks issued by the bank;

(b) One stockholder of a bank where the same person, including such stockholder, holds more than 4/100 of the total number of outstanding voting stocks (excluding non-voting stocks under Article 16-2 (2)) issued by the bank (excluding a local bank) and the same person is the largest stockholder of the bank or exercises de facto influence over the major managerial matters of the bank by appointing or dismissing its executive officers or by other methods, as prescribed by Presidential Decree.

(2) The specific scope of equity capital and credit granting shall be determined by the Financial Services Commission, as prescribed by Presidential Decree.

### **Article 3 (Applicable Acts)**

(1) All banks in the Republic of Korea shall be operated in accordance with this Act, the Bank of Korea Act, the Act on the Establishment, etc. of the Financial Services Commission, the Act on Corporate Governance of Financial Companies, and regulations established and orders issued thereunder. <Amended on Jul. 31, 2015>

(2) This Act and the Bank of Korea Act shall prevail over the Commercial Act and any other statute.

#### **Article 4 (Juristic Persons)**

No person, other than a juristic person, shall be engaged in banking business.

#### **Article 5 Deleted.** <May 29, 2016>

#### **Article 6 (Insurers, etc.)**

Insurers, and companies exclusively engaged in savings bank business or trust business, shall not be deemed banks.

#### **Article 7 (Determination on whether Juristic Persons are Banks)**

- (1) The issue of whether a juristic person is a bank shall be determined by the Financial Services Commission.
- (2) The Financial Services Commission may require any relevant juristic person to submit books and other documents necessary to make determinations referred to in paragraph (1).

## **CHAPTER II AUTHORIZATION, ETC. OF BANKING BUSINESS**

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

- (1) Any person who intends to engage in banking business shall obtain authorization from the Financial Services Commission.
- (2) Any person who intends to obtain authorization for banking business pursuant to paragraph (1) shall meet all of the following requirements: <Amended on Aug. 13, 2013; Jul. 31, 2015>
  1. The person shall have a capital of at least 100 billion won: Provided, That a local bank's required capital may be at least 25 billion won;
  2. A plan for raising funds required for the management of the banking business shall be appropriate;
  3. A plan for stockholder composition shall be in compliance with Articles 15, 15-3 and 16-2;
  4. Large shareholders shall have sufficient investment capabilities, sound financial conditions and social creditability;
  5. The person shall have a feasible and sound business plan;
  6. The person's incorporators (limited to cases where incorporators are individuals) and executive officers shall meet the requirements under Article 5 of the Act on Corporate Governance of Financial Companies;
  7. The person shall have human resources, business facilities, computer systems and other physical facilities sufficient to manage banking business.

(3) Necessary details concerning the requirements, etc. referred to in paragraph (2) shall be prescribed by Presidential Decree.

(4) The Financial Services Commission may impose necessary conditions for stabilizing financial markets, securing the soundness of banks and protecting depositors in granting authorization under paragraph (1).

(5) A person who has obtained conditional authorization under paragraph (4) may file an application with the Financial Services Commission for the revocation or amendment of the imposed conditions where his/her circumstances have changed or other justifiable grounds exist. In such cases, the Financial Services Commission shall decide whether to revoke or amend the imposed conditions within two months, and promptly inform the applicant of the result thereof in writing.

#### **Article 9 (Minimum Capital)**

Where a bank operates banking business following obtaining authorization pursuant to Article 8, the bank shall maintain its capital referred to in paragraph (2) 1 of the same Article.

#### **Article 10 (Approval for Capital Reduction)**

(1) Where a bank intends to perform an act that reduces its capital, as prescribed by Presidential Decree, including a decrease in the number of stocks, etc., it shall obtain approval therefor from the Financial Services Commission: *<Amended on Mar. 29, 2016>*

(2) A person who wishes to obtain approval under paragraph (1) shall meet all the following requirements and file an application therefor: *<Amended on Mar. 29, 2016>*

1. No capital reduction shall violate any relevant statute;
2. The inevitability of the capital reduction, such as the purpose of improving the financial structure, shall be recognized;
3. No capital reduction shall violate any right or interests of depositors and other banking users.

(3) Upon receipt of an application under paragraph (2), the Financial Services Commission shall decide whether to approve it, within 30 days from the filing date of the application. *<Newly Inserted on Mar. 29, 2016>*

(4) Further necessary details in relation to the requirements referred to in paragraph (2), etc. shall be prescribed by Presidential Decree. *<Newly Inserted on Mar. 29, 2016>*

(5) Article 8 (4) and (5) shall apply mutatis mutandis where the Financial Services Commission grants approval under paragraph (1). *<Newly Inserted on Mar. 29, 2016>*

#### **Article 11 (Submission of Applications, etc.)**

(1) A person who intends to obtain authorization under Article 8 shall file an application therefor with the Financial Services Commission.

(2) The contents and types of applications under paragraph (1) shall be determined by Presidential Decree.

#### **Article 11-2 (Preliminary Authorization)**

(1) A person who intends to obtain authorization under Article 8 (hereafter referred to as "substantive authorization" in this Article) may file in advance an application for preliminary authorization with the Financial Services Commission.

(2) When the Financial Services Commission decides whether to grant preliminary authorization under paragraph (1), it shall verify that a person who intends to obtain preliminary authorization meets all requirements for substantive authorization.

(3) The Financial Services Commission may impose conditions on preliminary authorization under paragraph (2).

(4) Where a person who has obtained preliminary authorization applies for substantive authorization, the Financial Services Commission shall decide whether to grant substantive authorization after verifying that the person has fulfilled the imposed conditions on preliminary authorization under paragraph (3) and meets all requirements for substantive authorization.

(5) Articles 8 (3) and 11 shall apply mutatis mutandis to preliminary authorization.

#### **Article 12 (Public Announcement of Authorization, etc.)**

Where the Financial Services Commission grants authorization under Article 8 or cancels authorization under Article 53 (2), it shall publicly notify such fact in the Official Gazette and publicly announce the fact on its website, etc.

#### **Article 13 (Establishment of Overseas Local Corporations, etc.)**

(1) Where a bank intends to establish a subsidiary, etc. referred to in Article 37 (2) located outside the Republic of Korea (hereinafter referred to as "overseas local corporation") or a branch (hereinafter referred to as "overseas branch"), it shall develop an establishment plan.

(2) In cases prescribed by Presidential Decree in consideration of the following matters, banks that have developed an establishment plan under paragraph (1) shall report the plan to the Financial Services Commission in advance:

1. Soundness in management of the relevant bank, its overseas local corporation and overseas branches;
2. How the overseas local corporation and overseas branches of the relevant bank launch;
3. Scope of affairs of the overseas local corporation and overseas branches of the relevant bank;
4. Characteristics of a country where the overseas local corporation and overseas branches of the relevant bank are located.

(3) Where the details reported under paragraph (2) are likely to undermine soundness in the management of a bank and the stability of financial markets, the Financial Services Commission may order the bank to supplement, amend or restrict an establishment plan.

#### **Article 14 (Prohibition of Use of Similar Trade Names)**

No person, other than the Bank of Korea and banks, shall use the word "bank" in his/her trade name, or the word "banking business" and "banking services" in indicating his/her business, and shall use any word prescribed by Presidential Decree that is a word in a foreign language meaning a bank, banking business or banking services.

### **CHAPTER III HOLDING LIMITS, ETC. OF BANK'S STOCKS**

#### **Article 15 (Limits on Stock-Holding, etc. by Same Person)**

(1) No same person shall hold stocks of a bank in excess of 10/100 of the total number of its issued voting stocks: Provided, That this shall not apply in any of the following cases and cases falling under paragraph (3) and Article 16-2 (3):

1. Where the Government or the Korea Deposit Insurance Corporation established under the Depositor Protection Act holds stocks of a bank;
2. Where the same person holds not more than 15/100 of the total number of issued voting stocks of a local bank.

(2) In any of the following cases, the same person (excluding persons prescribed by Presidential Decree), he/she shall report to the Financial Services Commission the matters prescribed by Presidential Decree that are necessary for verifying changes in the status or ratio of stockholding of a bank: *<Amended on Jul. 24, 2015>*

1. Where the same person holds stocks of a bank (excluding a local bank; hereafter in this paragraph the same shall apply) in excess of 4/100 of the total number of its voting stocks;
2. Where the same person under subparagraph 1 becomes the largest stockholder of the relevant bank;
3. Where the ratio of stockholding by the same person under subparagraph 1 changes by at least 1/100 of the total number of voting stocks of the relevant bank;
4. Where there is a change in partners of a private equity fund that holds more than 4/100 of the total number of voting stocks of a bank;
5. Where there is a change in shareholders or partners of a special purpose company that holds more than 4/100 of the total number of voting stocks of a bank (including cases where there is a change in partners of the private equity fund that is a shareholder or partner of the relevant special purpose company).

(3) Notwithstanding the main sentence of paragraph (1), the same person may hold stocks of a bank by obtaining approval from the Financial Services Commission, whenever the following limits are exceeded: Provided, That the Financial Services Commission may grant approval by setting the separate stockholding limits, other than those specified in each subparagraph only where it is deemed necessary based on the possibility of enhancing the efficiency and soundness of banking business, the stock

distribution of stockholders of the relevant bank, etc., and if the same person intends to hold stocks in excess of the approved limit, he/she shall obtain approval again from the Financial Services Commission:

1. The limit specified in the main sentence of paragraph (1) (the limit specified in paragraph (1) 2 in cases of a local bank);
2. 25/100 of the total number of voting stocks of the relevant bank;
3. 33/100 of the total number of voting stocks of the relevant bank.

(4) Where the Financial Services Commission decides not to grant approval under paragraph (3), it shall notify the applicant thereof specifying the reasons therefor within the period prescribed by Presidential Decree.

(5) Procedures, methods and detailed standards for reporting in applying paragraph (2), and the qualifications for any person capable of holding stocks of a bank, the requirements and procedures for approval related to stockholding in applying paragraph (3), and other necessary matters shall be prescribed by Presidential Decree in consideration of the following matters:

1. The possibility of undermining the soundness of the relevant bank;
2. The propriety of the scale of assets and the financing standing;
3. The size of credit granting from the relevant bank;
4. The possibility of enhancing the efficiency and soundness of banking business.

(6) Where an investment company holds stocks of a bank by obtaining approval under paragraph (3), Article 81 (1) 1 (a) through (c) of the Financial Investment Services and Capital Markets Act shall not apply to the investment company.

(7) In the following cases, the Financial Services Commission may grant approval to the relevant bank even if the bank fail to meet the requirements for approval under paragraph (5): *<Amended on Dec. 22, 2015>*

1. Where the bank is an insolvent financial institution under subparagraph 2 of Article 2 of the Act on the Structural Improvement of the Financial Industry;
2. Where the bank is an insolvent financial company under subparagraph 5 of Article 2 of the Depositor Protection Act;
3. Where the bank is an insolvent-threatened financial company under subparagraph 6 of Article 2 of the Depositor Protection Act;
4. Cases determined and publicly announced by the Financial Services Commission, such as a failure to comply with standards for managerial instructions under Article 34 (2).

(8) The Financial Services Commission or a bank may request the stockholders of the bank to present necessary data in order to verify the same persons who hold the stocks of the bank and the scope of the stocks held by such same persons.

(9) Necessary matters concerning requests for the presentation of data under paragraph (8) shall be prescribed by Presidential Decree.



**Article 15-2 Deleted.** <Aug. 13, 2013>

**Article 15-3 (Approval, etc. for Holding of Stocks of Private Equity Funds, etc.)**

(1) Deleted. <Aug. 13, 2013>

(2) A private equity fund or a special purpose company that wishes to obtain approval under Article 15 (3) (hereinafter referred to as "private equity fund, etc.") shall meet all the following requirements: <Amended on Aug. 13, 2013; Jul. 24, 2015>

1. Requirements for the executive officer of a private equity fund:

(a) It, as a corporation, shall not be a person specially related to another partner or stockholder of a private equity fund, etc. for which it serves as executive partner or to whom the management of its property is entrusted;

(b) It shall have adequate ability, experience, and social credibility to the extent that it can preclude any other partner or stockholder of the private equity fund, etc. which it serves as executive partner or to whom the management of its property is entrusted, from exercising control over stocks or shares that are the property of the relevant private equity fund, etc.;

2. Other requirements prescribed by Presidential Decree in consideration of the impact that the holding of stocks of the private equity fund, etc. has on the soundness of the relevant bank.

(3) Where the Financial Services Commission deems it necessary for verifying whether a private equity fund, etc. fulfills the requirements under paragraph (2) in order to conduct an examination for approval under Article 15 (3), it may request the private equity fund, etc. or the executive partner responsible for management of its property, etc. to provide the information or data prescribed by Presidential Decree, such as the articles of association of the relevant private equity fund, etc. and terms and conditions of contracts concluded by and among its stockholders or partners. <Amended on Aug. 13, 2013; Jul. 24, 2015>

(4) Where the Financial Services Commission decides not to grant approval under Article 15 (3), it shall notify the applicant thereof, specifying the reasons therefor, within the period prescribed by Presidential Decree. <Amended on Aug. 13, 2013>

(5) Deleted. <Aug. 13, 2013>

(6) Where the Financial Services Commission grants approval pursuant to Article 15 (3), it may impose necessary conditions in connection with involvement of the relevant private equity fund, etc. in the management, etc. of the bank, if the relevant private equity fund, etc. is highly likely to exercise a de facto influence on major management issues of the relevant bank, in consideration of the distribution and composition of shares held by stockholders of the relevant bank, the composition of partners or stockholders of the relevant private equity fund, etc., etc. <Amended on Aug. 13, 2013; Jul. 24, 2015>

(7) Procedures for approval and methods of examining approval under Article 15 (3), detailed criteria for the requirements referred to in paragraph (2), and other necessary matters shall be prescribed by Presidential Decree. <Amended on Aug. 13, 2013>

#### **Article 15-4 (Matters to be Reported by Private Equity Funds, etc.)**

Where any change occurs in the information or data submitted to the Financial Services Commission in accordance with Article 15-3 (3) by a private equity fund, etc., which holds stocks of a bank with approval granted under Article 15 (3), the private equity fund, etc. shall report the change to the Financial Services Commission, without delay. *<Amended on Aug. 13, 2013; Jul. 24, 2015>*

#### **Article 15-5 (Duty of Private Equity Funds, etc.)**

A private equity fund, etc. that holds stocks of a bank with approval granted under Article 15 (3) or its stockholders or partners shall not commit any of the following acts: *<Amended on Aug. 13, 2013; Jul. 24, 2015>*

1. Exercising an influence by any person other than a limited partner of a private equity fund or the executive partner of the private equity fund to which the management of property is entrusted by a special purpose company, on the exercise of voting rights on stocks of the bank held by the private equity fund, etc.;
2. Investing in stocks or shares of a non-financial company, thereby satisfying the requirements under Article 249-12 (1) 1 or 2 of the Financial Investment Services and Capital Markets Act;
3. Violating this Act or any order under this Act;
4. Acts prescribed by Presidential Decree, such as concluding contracts by and between their stockholders or partners, in violation of this Act or other finance-related statutes.

#### **Article 16 (Restrictions, etc. on Voting Rights of Limit Excess Stocks)**

(1) Where the same person holds stocks of a bank in excess of the stockholding limits referred to in Article 15 (1) and (3) or 16-2 (1) and (2), such person shall exercise no voting rights on the stocks held in excess of the limits under Article 15 (1) and (3) or 16-2 (1) and (2); and shall take measures to meet the limits, without delay. *<Amended on Aug. 13, 2013>*

(2) In any of the following cases as a consequence of conversion of contingent bonds convertible into a bank's stocks, issued under Article 33 (1) 3, into the bank's stocks, the same person shall comply with the following subparagraphs, notwithstanding paragraph (1): *<Newly Inserted on Mar. 29, 2016>*

1. Where the person holds stocks of a bank in excess of the stockholding limits under Article 15 (1) and (3): The person shall complete all the following procedures and shall exercise no voting right on the stocks held in excess of the stockholding limits until such procedures are completed:
  - (a) The person shall report the holding of stocks of a bank in excess of the limits under Article 15 (1) and (3) to the Financial Services Commission within the period specified by Presidential Decree;
  - (b) The person shall complete the measures specified in either of the following sub-items within the period specified by Presidential Decree: Provided, That the period may be extended with approval thereof from the Financial Services Commission by not more than six months, in extenuating

circumstances:

2. Where a person holds stocks of a bank in excess of the stockholding limit under Article 16-2 (1) (excluding cases of a local bank) but holds such stocks within the stockholding limit under Article 16-2 (2): The person shall exercise no voting right on the stocks held in excess of the stockholding limit and complete all the following procedures:

(a) The person shall report the holding of stocks of a bank in excess of the limit under Article 16-2 (1) to the Financial Services Commission within the period specified by Presidential Decree;

(b) The person shall complete either of the following measures within the period specified by Presidential Decree: Provided, That the period may be extended with approval thereof from the Financial Services Commission by not more than six months, in extenuating circumstances:

3. Where a person holds stocks of a bank in excess of the stockholding limit under Article 16-2 (1) (limited to a local bank) or of the stockholding limit under Article 16-2 (2): The person shall exercise no voting right on the stocks held in excess of the stockholding limit and shall take measures to meet the limits, without delay.

(3) If the same person fails to comply with paragraph (1) or (2), the Financial Services Commission may order the person to dispose of the stocks held in excess of the limit within a specified period of not more than six months. *<Amended on Aug. 13, 2013; Mar. 29, 2016>*

(4) The procedure, method, etc. for reporting under paragraph (2) 1 (a) and 2 (b) shall be determined and publicly announced by the Financial Services Commission. *<Newly Inserted on Mar. 29, 2016>*

#### **Article 16-2 (Restrictions, etc. on Stockholding by Non-Financial Investors)**

(1) No non-financial investor (including a person who is excluded from an enterprise group subject to the limitations on mutual contribution, etc. under Article 14-2 of the Monopoly Regulation and Fair Trade Act and so ceases to be a non-financial investor, but for whom a period prescribed by Presidential Decree has not yet passed since the date of the exclusion; hereafter in paragraph (2) the same shall apply) may hold more than 4/100 of the total number of outstanding voting stocks of a bank (15/100 in cases of a local bank), notwithstanding Article 15 (1). *<Amended on Aug. 13, 2013>*

(2) Notwithstanding paragraph (1), if a non-financial investor obtains approval from the Financial Services Commission for stocks of a bank he/she intends to hold beyond the limit set out in paragraph (1) (excluding cases related to a local bank) on condition that he/she will not exercise his/her voting rights in the stocks, after satisfying the requirements prescribed by Presidential Decree including financial soundness, he/she may hold such stocks up to the limit set in the main sentence of Article 15 (1).

(3) The main sentence other than the subparagraphs of Article 15 (1) and paragraph (3) of the same Article shall apply to the following non-financial investors, notwithstanding paragraphs (1) and (2): *<Amended on Aug. 13, 2013>*

1. A non-financial investor who has submitted to the Financial Services Commission a plan for converting itself into a person who is not a non-financial investor within two years (hereinafter referred

to as "conversion plan") and has obtained approval therefor;

2. A non-financial investor who holds stocks within the scope of the stockholding ratio of a bank by a foreigner under the Foreign Investment Promotion Act (hereinafter referred to as "foreigner");

3. A non-financial investor who has obtained approval from the Financial Services Commission by satisfying the following requirements as a fund under Article 5 of the National Finance Act or a juristic person managing and operating the fund (including such juristic persons entrusted with the management and operation of the fund by law; hereafter referred to as "fund, etc." in this subparagraph):

(a) To equip itself with systems prescribed by Presidential Decree in order to prevent potential conflicts of interest between the fund, etc. holding stocks of banks and the interested parties, such as depositors and other stockholders of the banks;

(b) To undergo supervision or inspections from an agency determined and announced by the Financial Services Commission within the necessary extent to prevent conflicts of interest referred to in item (a);

(c) Other requirements prescribed by Presidential Decree considering the effect of the fund, etc.'s stockholding on the soundness of a bank.

(4) Where a non-financial investor exceeds the ratio of stockholding by a foreigner as a result of holding stocks of a bank under paragraph (3) 2, he/she shall not exercise voting rights in the excess stocks.

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

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

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

#### **Article 16-3 (Appraisal, Inspections, etc. of Conversion Plans)**

(1) Any non-financial investor who intends to apply for approval under Article 16-2 (3) 1 shall submit a conversion plan to the Financial Services Commission, and if it is necessary for a specialized institution to appraise the conversion plan, the Financial Services Commission may have the specialized institution conduct such appraisal, as determined by the Financial Services Commission.

(2) The Financial Services Commission shall regularly inspect the implementation status of a conversion plan by a non-financial investor (hereinafter referred to as "person subject to conversion") who holds stocks of a bank in excess of the limit set in Article 16-2 (1) with approval on the conversion plan under paragraph (3) 1 of the same Article, as prescribed by Presidential Decree, and shall publicly announce its

results on its website and through other media.

(3) Where the Financial Services Commission deems that a person subject to conversion fails to implement such conversion plan as a result of an inspection under paragraph (2), it may order him/her to implement it within a fixed period of not more than six months.

(4) No person subject to conversion falling under any of the following subparagraphs may exercise the voting rights of the stocks of a bank held by himself/herself in excess of the limit set in Article 16-2 (1):

1. Any person subject to conversion who is in receipt of an order for implementation under paragraph (3) from the Financial Services Commission;
2. Any person subject to conversion who is found to have engaged in an illegal transaction with a bank through the inspection by the Governor of the Financial Supervisory Service under Article 43-2 (1) due to any cause referred to in Article 48-2 (1) 1 (b).

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

1. Where he/she fails to comply with an order for execution under paragraph (3);
2. Where he/she falls under paragraph (4) 2.

#### **Article 16-4 (Examination, etc. of Qualifications of Stockholders, etc. Holding Stocks in Excess of Limit)**

(1) The Financial Services Commission shall examine whether a person holding stocks of a bank under Articles 15 (3) and 16-2 (3) (hereafter in this Article referred to as "stockholder, etc. holding stocks in excess of limit") continues to meet the qualifications and approval requirements under Article 15 (5) and 15-3 (7) (hereafter in this Article referred to as "excess holding requirements, etc.") even after acquiring such stocks, as prescribed by Presidential Decree. *<Amended on Aug. 13, 2013>*

(2) The Financial Services Commission may, where necessary for the examination referred to in paragraph (1), request a bank or a stockholder, etc. holding stocks in excess of limit to furnish necessary data or information.

(3) Where the Financial Services Commission deems that a stockholder, etc. holding stocks in excess of limit has failed to meet the excess holding requirements, etc., based on the findings of the examination under paragraph (1), it may order him/her to meet such requirements within a specified period of not more than six months.

(4) No stockholder, etc. holding stocks in excess of limit, upon receipt of an order under paragraph (3), may exercise any voting right on the stocks of a bank held in excess of the limit set in Article 15 (3) 1 (referring to the limits set in Article 16-2 (1), if such stockholder, etc. holding stocks in excess of limit is a non-financial investor; hereafter in paragraph (5) the same shall apply) before he/she complies with such order. *<Amended on Aug. 13, 2013>*

(5) Where a stockholder, etc. holding stocks in excess of limit in receipt of an order under paragraph (3) fails to comply with the order, the Financial Services Commission may order him/her to dispose of the stocks of a bank held by himself/herself in excess of the limit set in Article 15 (3) 1 within a specified period not exceeding six months.

(6) Where the Financial Services Commission examines whether a person satisfies excess holding requirements, etc. under paragraph (1), it shall examine whether a person falling under Article 16-2 (3) 3 satisfies the requirements under the items of the same subparagraph.

#### **Article 16-5 (Special Cases for Foreign Banks, etc.)**

(1) When judging whether a company mainly conducting banking business overseas or the same person including a holding company of the relevant juristic person (hereafter referred to as "foreign bank, etc." in this Article ) falls under Article 2 (1) 9 (a) and (b), where a foreign bank, etc. fully satisfies the following requirements and the foreign bank, etc. files an application, notwithstanding Article 2 (1) 8, any foreign juristic person incorporated pursuant to foreign Acts (or any equivalent thereto, including organizations and associations recognized by the Financial Services Commission), the stocks or stakes of which are held directly or indirectly by the relevant foreign bank, etc. may be excluded from the scope of the same person: Provided, That the same shall not apply where the relevant foreign juristic person directly or indirectly holds stocks of a bank, the stocks of which are held by the relevant foreign bank, etc.:

1. It shall be appropriate for engaging in international business activities in light of the total amount of assets, business size, etc. and have sound reputation recognized on a global basis;
  2. It shall receive proper supervision related to the soundness of the relevant foreign bank, etc. from the relevant foreign financial supervisory agency;
  3. The Financial Services Commission shall have cooperative relations, such as exchange of information, with the relevant foreign financial supervisory agency.
- (2) The Financial Services Commission may determine and announce the matters necessary for detailed standards for requirements, procedures for and methods of application of the relevant foreign bank, etc. under paragraph (1).

**Article 17 Deleted.** <May 17, 2010>

## **CHAPTER IV GOVERNANCE**

**Article 18 Deleted.** <Jul. 31, 2015>

**Article 19 Deleted.** <Feb. 5, 1999>

**Article 20 Deleted.** <Jul. 31, 2015>

**Article 21 Deleted.** <May 17, 2010>

**Article 21-2 (Prohibition on Divulgence of Confidential Information, etc.)**

Any executive officer or employee (including those who were executive officers or employees) of a bank shall neither divulge any confidential information or data that he/she became aware of in the course of his/her duty to outsiders (including large stockholders of a bank or specially related persons with the relevant large stockholders) nor use them for the purposes other than a business purpose.

**Article 22 Deleted.** <Jul. 31, 2015>

**Article 23 Deleted.** <Jul. 31, 2015>

**Article 23-2 Deleted.** <Jul. 31, 2015>

**Article 23-3 Deleted.** <Jul. 31, 2015>

**Article 23-4 Deleted.** <Jul. 31, 2015>

**Article 23-5 Deleted.** <Jul. 31, 2015>

**Article 24 Deleted.** <Jul. 31, 2015>

**Article 25 Deleted.** <Jul. 31, 2015>

**Article 26 Deleted.** <May 17, 2010>

## CHAPTER V BANKING SERVICES

**Article 27 (Scope of Services)**

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

(2) The scope of banking services is as provided for in the following:

1. Receipt of deposits and saving deposits, and issuance of securities and other debentures;
2. Loans of funds or discount of notes;

### 3. Domestic and foreign exchange.

#### **Article 27-2 (Operation of Incidental Services)**

(1) A bank may be engaged in all services incidental to banking services (hereinafter referred to as "incidental services").

(2) Where a bank intends to be engaged in incidental services, it shall file a report thereon with the Financial Services Commission within seven days prior to the date on which it intends to start such services: Provided, That it may be engaged in the services provided for in the following among the incidental services without reporting thereon:

1. Guarantee of debts or takeover of notes;
2. Mutual savings;
3. Factoring (referring to purchase and recovery of bonds on sales price of a company and affairs related thereto);
4. Safeguard deposits;
5. Execution of collection and payment as an agent;
6. A credit depository of a local government as an agent;
7. Execution of payment related to electronic commercial transactions as an agent;
8. Sale and lease of computer systems and software related to banking business;
9. Training on finance and publication of books and periodicals on finance;
10. Surveys and research on finance;
11. Other incidental services to banking services prescribed by Presidential Decree.

(3) Where a bank files a report under paragraph (2), such report shall be accompanied by documents prescribed by Presidential Decree, such as business plans, documents on a profit and loss forecast, etc.

(4) Where the reported details under paragraph (2) fall under any of the following cases, the Financial Services Commission may order the restriction or correction of the relevant incidental services:

1. Where the reported details undermine soundness in the management of the bank in question;
2. Where the reported details cause hindrance to the protection of bank users, such as depositors, etc.;
3. Where the reported details undermine the stability of financial markets, etc.

(5) The Financial Services Commission shall give public notice of the incidental services reported under paragraph (2) and the incidental services subject to a restriction or corrective order under paragraph (4) on its website according to the method and procedure prescribed by Presidential Decree.

#### **Article 28 (Operation of Concurrent Business)**

(1) A bank may directly run the following business, other than banking business (hereinafter referred to as "concurrent business"):

1. Financial business prescribed by Presidential Decree among business requiring authorization, permission, registration, etc. under finance-related Acts and subordinate statutes prescribed by



Presidential Decree;

2. Finance-related business provided for in Acts and subordinate statutes prescribed by Presidential Decree that are permitted for a bank to run under the relevant Acts and subordinate statutes;

3. Financial business prescribed by Presidential Decree that has no risk of falling under any subparagraph of Article 27-2 (4) even if a bank operates such business.

(2) Where a bank intends to directly run concurrent business, it shall file a report thereon with the Financial Services Commission according to the following classifications:

1. Business under paragraph (1) 1: To file a report when applying for authorization, permission, registration, etc. pursuant to finance-related Acts and subordinate statutes;

2. Business under paragraph (1) 2 and 3: To file a report within seven days prior to the date on which a bank intends to run the relevant business.

(3) Where the reported details under paragraph (2) are likely to fall under any subparagraph of Article 27-2 (4), the Financial Services Commission may order the restriction or correction of the relevant concurrent businesses.

#### **Article 28-2 (Management of Conflict of Interest)**

(1) A bank shall recognize and evaluate the possibility of a conflict of interest to occur between services prescribed by Presidential Decree, and fairly manage such services by blocking information exchanges in order to prevent the conflict of interest between the bank and its users, and between a special user and any other users in operating the services stipulated in this Act.

(2) A bank shall include methods, procedures, etc. for managing the conflict of interest under paragraph (1) in the internal control standards prescribed by Article 24 of the Act on Corporate Governance of Financial Companies (hereinafter referred to as "internal control standards," as prescribed by Presidential Decree. <Amended on Jul. 31, 2015>

(3) Where a bank deems it difficult to fairly manage a conflict of interest, it shall fully inform the relevant users of such fact in advance, and shall conduct transactions after lowering the possibility of a conflict of interest to the extent that it does not compromise the protection, etc. of bank users pursuant to methods and procedures determined by the internal control standards.

(4) No bank shall conduct a transaction if it deems it difficult to lower the possibility of a conflict of interest to occur pursuant to paragraph (3).

(5) The Financial Services Commission may recommend amendment of the internal control standards concerning a conflict of interest, if deemed necessary for the protection, etc. of bank users.

(6) A bank shall distinguish concurrent business and incidental services prescribed by Presidential Decree from banking services, as prescribed by Presidential Decree, and keep separate accounting books and records thereof.

**Article 29 Deleted.** <May 17, 2010>

**Article 30 (Matters to be Observed on Reserves for Deposits, Interest Rate, etc.)**

(1) A bank shall hold not less than the minimum ratio of reserve requirements and reserve requirement assets under Section 2 of Chapter IV of the Bank of Korea Act to meet the reserve requirements subject to the reserve requirement rates under Article 55 of the Bank of Korea; Provided, That it may choose not to hold the reserves requirements and reserve requirement assets for the trust business operated under Article 28. <Amended on Sep. 16, 2011>

(2) A bank shall abide by the following decisions, restrictions, etc. taken or placed by the Monetary Policy Committee under the Bank of Korea Act:

1. Decisions on the maximum interest rates on all kinds of deposits or other payments of banks;
2. Decisions on the maximum rates of interest for the credit business, such as all kinds of loans or other charges of banks;
3. Restrictions on the maturity for loans and kinds of securities handled by banks;
4. Restrictions on the maximum limits on loans and investment, or maximum limits by sector for banks within a given period in cases of national economic emergencies, such as hyperinflation, etc.;
5. Prior approval for loans by banks in cases of national economic emergency such as hyperinflation, etc.

**Article 30-2 (Request for Reduction in Interest Rate)**

(1) A person who has concluded a credit granting contract with a bank may request a reduction in interest rate from the bank, where it is deemed that his/her credit standing has improved based on an increase in property, credit rating, personal credit scores, etc. <Amended on Feb. 4, 2020>

(2) A bank shall inform a person who intends to conclude a credit granting contract that he/she may request a reduction in interest rate pursuant to paragraph (1).

(3) Other details regarding the requirements and procedures for requesting a reduction in interest rate shall be prescribed by Presidential Decree.

**Article 31 (Commercial Financial Business and Long-Term Financial Business)**

A bank may run both commercial financial business and long-term financial business.

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

Current accounts may be handled only by banks that run commercial financial business.

**Article 33 (Issuance of Bank Debentures)**

(1) A bank may issue the following debentures (hereinafter referred to as "bank debentures") within the limit specified by Presidential Decree by up to five times its equity capital: Provided, That the debentures

under subparagraph 4 may be issued only by an unlisted bank (referring to a bank not listed on a stock exchange under Article 9 (15) 4 of the Financial Investment Services and Capital Markets Act; the same shall apply hereinafter):

1. Debentures issued under the Commercial Act;
  2. Debentures issued under the condition that the issuer shall be discharged from the obligation to redeem the debentures and pay interest thereon upon the occurrence of any of the trigger events pre-specified (hereinafter referred to as "trigger events") according to objective and reasonable standards as at the time of issuing the debentures (hereinafter referred to as "write-down contingent convertible bonds"), among debentures issued under Article 165-11 (1) of the Financial Investment Services and Capital Markets Act;
  3. Debentures issued under the condition that the debentures shall be converted into stocks of a bank upon the occurrence of any of the trigger events specified as at the time of issuing the debentures (hereinafter referred to as "contingent bonds convertible into stocks of a bank"), among debentures issued under Article 165-11 (1) of the Financial Investment Services and Capital Markets Act;
  4. Debentures issued under the condition that the debentures shall be converted into stocks of an unlisted bank upon the occurrence of any of the trigger events as at the time of issuing the debentures; and the converted stocks shall be exchanged with stocks of a bank holding company listed on the stock exchange (referring to a bank holding company listed on the stock exchange established under Article 9 (15) 3 of the Financial Investment Services and Capital Markets Act, which holds all outstanding stocks of the unlisted bank as at the time of issuing the relevant debentures; the same shall apply hereinafter) simultaneously (hereinafter referred to as "contingent bonds convertible into stocks of a bank holding company"), among debentures different in type from debentures issued under Articles 469 (2), 513, and 516-2 of the Commercial Act;
  5. Other debentures specified by Presidential Decree as those similar to the debentures referred to in subparagraphs 1 through 4.
- (2) Necessary matters concerning the conditions, methods, etc. of the issuance of bank debentures shall be prescribed by Presidential Decree.
- (3) If a bank issues bank debentures without a resolution by the board of directors or the general meeting of stockholders under Article 33-2 or 33-3, the Financial Services Commission may issue an order to prohibit the bank from issuing bank debentures for a specified period not exceeding six months.

#### **Article 33-2 (Procedure, etc. for Issuing Write-Down Contingent Convertible Bonds and Contingent Bonds Convertible into Bank Stocks)**

- (1) Articles 165-11 (2) and 314 (8) of the Financial Investment Services and Capital Markets Act shall apply mutatis mutandis to the issuance, etc. of write-down contingent convertible bonds.
- (2) Article 165-6 (1), (2), and (4) and Articles 165-9, 165-11 (2), and 314 (8) of the Financial Investment Services and Capital Markets Act shall apply mutatis mutandis to the issuance, etc. of contingent bonds

convertible into stocks of a bank.

**Article 33-3 (Procedure, etc. for Issuing Contingent Bonds Convertible into Stocks of Bank Holding Company)**

(1) In order for an unlisted bank to issue contingent bonds convertible into stocks of a bank holding company, the unlisted bank and the listed bank holding company shall make a contract on the exchange of stocks, which shall contain the matters specified by Presidential Decree, including the total amount of the contingent bonds convertible into stocks of the bank holding company, in accordance with the articles of incorporation and shall complete the following procedures, respectively:

1. In cases of the unlisted bank: Resolution by the board of directors;

2. In cases of the listed bank holding company: Resolution by the board of directors and by the general meeting of stockholders made under Article 434 of the Commercial Act.

(2) In order for an unlisted bank to issue contingent bonds convertible into stocks of a bank holding company, it shall register the bonds with the registry under Article 3 of the Registration of Bonds and Debentures Act. In such cases, such contingent bonds convertible into stocks of a bank holding company shall be registered by the method prescribed in Article 309 (5) of the Financial Investment Services and Capital Markets Act.

(3) Where an unlisted bank issues contingent bonds convertible into stocks of a bank holding company, the unlisted bank and the listed bank holding company shall register the matters specified by Presidential Decree, including the total amount of the contingent bonds convertible into stocks of the bank holding company, with the registry having jurisdiction over the head office, respectively within two weeks the payment made under Article 476 of the Commercial Act is completed.

(4) Where a stockholder of the listed bank holding company that has adopted a resolution at its board of directors under paragraph (1) 2 notifies the listed bank holding company of a dissent from the resolution, in writing, before a general meeting of stockholders is held, such stockholder may demand the listed bank holding company to purchase the stocks held by him/her in a written statement specifying the type and number of the stocks, within 20 days from the date of resolution. In such cases, Article 374-2 (2) through (5) of the Commercial Act shall apply mutatis mutandis to the determination, etc. of the period for purchase of stocks and the purchase price of stocks.

(5) An unlisted bank and a listed bank holding company shall reserve the number of stocks to be issued for conversion and exchange during the period from the date of issuance of contingent bonds convertible into stocks of the bank holding company to the effective date set under paragraph (6) or the maturity, whichever comes earlier.

(6) The conversion of contingent bonds convertible into stocks of a bank holding company into stocks of an unlisted bank and the exchange of the converted stocks into stocks of the listed bank holding company shall come into force on the day specified by Presidential Decree during the period from the date any trigger event occurs to the fifteenth business day thereafter.

(7) Notwithstanding Article 355 (1) of the Commercial Act, an unlisted bank may decide not to issue stock certificates even where the conversion and exchange come into force under paragraph (6).

(8) If a listed bank holding company ceases to have control (referring to the control defined by Article 2 (1) 1 of the Financial Holding Companies Act) over an unlisted bank after the unlisted bank issues contingent bonds convertible into stocks of the bank holding company, the contingent bonds convertible into stocks of the bank holding company, which have been issued until that time and in which case no trigger event has occurred, shall be deemed to be changed to contingent bonds convertible into bank stocks under the same conditions of conversion and subject to the occurrence of any of the same trigger events: Provided, That this shall not apply where the contract on the exchange of stocks made under paragraph (1) stipulates otherwise.

(9) An unlisted bank and a listed bank holding company shall register a modification to contingent bonds convertible into stocks of the bank holding company with the registry having jurisdiction over the head office, respectively, as follows:

1. Registration of a modification due to the conversion and exchange made under paragraph (6): Within two weeks from the effective date referred to in the same paragraph;
2. Registration of a modification due to a change made under paragraph (8): Within two weeks from the date of change made under the same paragraph.

(10) Articles 424, 424-2, and 429 through 432 of the Commercial Act and Article 165-6 (1), (2), and (4) and Articles 165-9 and 314 (8) of the Financial Investment Services and Capital Markets Act shall apply mutatis mutandis to the issuance of contingent bonds convertible into stocks of a bank holding company; and Articles 339, 348, 350 (2) and (3), 360-4, 360-7, 360-11, 360-12, and 360-14 of the Commercial Act shall apply mutatis mutandis to the conversion of stocks of an unlisted bank into contingent bonds convertible into stocks of a bank holding company and the exchange of such converted stocks with stocks of the listed bank holding company.

(11) Except as otherwise provided for in paragraphs (1) through (10), matters that shall be stipulated by articles of incorporation, the specific standards for trigger events, and other detailed matters necessary for the issuance, etc. of contingent bonds convertible into stocks of a bank holding company shall be prescribed by Presidential Decree.

#### **Article 33-4 (Special Cases concerning Procedure for Issuance of Small Number of Contingent Bonds Convertible into Stocks of Bank Holding Company)**

(1) Where the value of issuance of contingent bonds convertible into stocks of a bank holding company, which are issued by an unlisted bank, does not exceed 5/100 of the total stockholders' equity (referring to the amount calculated by subtracting the total liabilities from the total assets on the balance sheet) of the listed bank holding company, the resolution by the general meeting of stockholders of the listed bank holding company made under Article 33-3 (1) 2 (hereafter referred to as "special resolution" in this Article) may be substituted by resolution by the board of directors of the listed bank holding company

made under the same subparagraph (a resolution by the general meeting of stockholders, if its articles of incorporation requires a resolution by the general meeting of stockholders under Article 368 (1) of the Commercial Act). In such cases, the contract on the exchange of stocks made under Article 33-3 (1) shall contain a clause that contingent bonds convertible into stocks of the bank holding company may be issued without a special resolution.

(2) A listed bank holding company shall publicly announce the trade name and head office of the unlisted bank involved, the scheduled issue date of the contingent bonds convertible into stocks of the bank holding company, and the fact that it will issue the contingent bonds convertible into stocks of the bank holding company without a special resolution or shall notify each stockholder of such facts, within two weeks from the date it makes a contract on the exchange of stocks under the latter part of paragraph (1).

(3) If a stockholder who holds stocks equivalent to not less than 20/100 of the total number of outstanding stocks of a listed bank holding company notifies a dissent from the issuance of contingent bonds convertible into stocks of the bank holding company, in writing, to the listed bank holding company within two weeks from the date of the public announcement or notification made under paragraph (2), the listed bank holding company may issue no contingent bonds convertible into stocks of the bank holding company in the manner prescribed in paragraph (1).

(4) Article 33-3 (4) shall not apply to the cases of paragraph (1).

(5) Except as otherwise provided for in paragraphs (1) through (4), Article 360-10 (6) of the Commercial Act shall apply mutatis mutandis to the issuance, etc. of a small number of contingent bonds convertible into stocks of a bank holding company.

#### **Article 33-5 (Registration of Debentures)**

(1) An owner, pledgee, or any other interested person of debentures and other rights prescribed by Presidential Decree as appropriate for registration (hereafter in this Article referred to as "debentures, etc.") may respectively file for registration of his/her right with a bank issuing the relevant debentures, etc. (hereafter in this Article referred to as "issuing bank").

(2) Securities or certificates shall not be issued regarding the registered debentures, etc., and where an issuing bank registers debentures, etc. for which securities or certificates have been already issued, it shall recover such securities or certificates.

(3) An owner of debentures, etc. may cancel the registration of the debentures, etc. at any time at the issuing bank and request the issuance of securities or certificates in which debentures, etc. are indicated: Provided, That the same shall not apply where the conditions for issuance of debentures, etc. provide that securities or certificates shall not be issued.

(4) Where the registered debentures, etc. have been transferred, have been put to the object of security rights, or have been entrusted as trust assets, no one shall set up against the issuing bank or any other third party, unless he/she files for registration of such fact.

- (5) Where the registered debentures, etc. are deposited or bailed as security pursuant to the statutes and regulations, security may be substituted by the registration of such fact.
- (6) Except as provided in paragraphs (1) through (5), the methods and procedures for registration and cancellation of debentures, etc., the preparation, keeping, and management of the registry, and other necessary matters shall be prescribed by Presidential Decree.

## CHAPTER VI MAINTAINING SOUND MANAGEMENT

### **Article 34 (Guidance for Sound Management)**

- (1) A bank shall ensure soundness in its management by making its equity capital solid and maintaining appropriate liquidity in running banking business.
- (2) All banks shall observe management guidelines determined by the Financial Services Commission, as prescribed by Presidential Decree, in connection with the following matters to maintain soundness in their management:
1. Matters concerning capital adequacy;
  2. Matters concerning asset soundness;
  3. Matters concerning liquidity;
  4. Other necessary matters for ensuring the soundness in management.
- (3) Where the Financial Services Commission determines the management guidelines pursuant to paragraph (2), it shall fully include the principles of supervision over the soundness of banks recommended by the Bank for International Settlement.
- (4) If the Financial Services Commission finds that a bank is likely to seriously undermine soundness in its management, including a failure to meet the management guidelines under paragraph (2), or that it is inevitable to maintain the soundness in management, it may request the bank to take necessary measures for improving business management, such as increasing capital, restricting dividends of income, securing assets with high liquidity, and issuing and holding a certain amount of contingent bonds (referring to the debentures defined by Article 33 (1) 2 through 4. *<Amended on Mar. 29, 2016>*)

### **Article 34-2 (Prohibition of Unsound Business Conduct)**

- (1) No bank shall commit any of the following acts:
1. Providing any undue benefit to a banking user, including making a journal entry for a deposit without receiving any deposit in cash actually;
  2. Handling a bank product under Article 52-3 (1) in an abnormal manner to assist a banking user in evading a tax, window-dressing in accounting, unlawful inside trading, etc.;
  3. Providing a banking user with interests in property in excess of the normal level in connection with banking business affairs, incidental business affairs, or concurrently-operated business affairs;

4. Other acts of undermining sound practices of a bank or in credit transaction by utilizing information, etc. acquired in connection with banking business affairs, incidental business affairs, or concurrently-operated business affairs.
- (2) Specific types of the acts committed under paragraph (1) or the criteria therefor shall be prescribed by Presidential Decree.

#### **Article 34-2 (Prohibition of Unsound Business Conduct)**

- (1) No bank shall commit any of the following acts: *<Amended on Mar. 24, 2020>*
1. Providing any undue benefit to a banking user, including making a journal entry for a deposit without receiving any deposit in cash actually;
  2. Handling a product handled by a bank, such as deposits and loans, in an abnormal manner to assist a banking user in evading a tax, window-dressing in accounting, unlawful inside trading, etc.;
  3. Providing a banking user with interests in property in excess of the normal level in connection with banking business affairs, incidental business affairs, or concurrently-operated business affairs;
  4. Other acts of undermining sound practices of a bank or in credit transaction by utilizing information, etc. acquired in connection with banking business affairs, incidental business affairs, or concurrently-operated business affairs.
- (2) Specific types of the acts committed under paragraph (1) or the criteria therefor shall be prescribed by Presidential Decree.

#### **Article 34-3 (Prevention of Financial Accidents)**

- (1) Each bank shall prepare measures for preventing financial accidents, including the following matters, include the measures in its internal control standards, and shall comply with the measures: *<Amended on Apr. 18, 2017>*
1. Matters prescribed by Presidential Decree in regard to the management of financial accidents in branches (including agencies, overseas local corporations, and overseas branches; hereafter in subparagraph 2, the same shall apply);
  2. Matters prescribed by Presidential Decree in regard to internal inspections on business operations of branches;
  3. Matters prescribed by Presidential Decree in regard to the protection of information on banking users;
  4. Matters prescribed by Presidential Decree in regard to business affairs with a high risk of financial accidents, including electronic computerization and cash transportation.
- (2) Deleted. *<Apr. 18, 2017>*
- (3) In cases of the occurrence of matters specified by Presidential Decree related to financial accidents that are likely to have a substantial impact on the management of a bank, the bank shall report details of such occurrence to the Financial Services Commission within the period specified by Presidential Decree, and shall give public notice thereof through its website, etc.



### **Article 35 (Credit Granting Limit on Same Borrowers, etc.)**

(1) No bank shall extend credit exceeding 25/100 of the relevant bank's equity capital to the same individual, corporation or person with whom it shares credit risk prescribed by Presidential Decree (hereinafter referred to as "same borrowers"): Provided, That this shall not apply to any of the following cases prescribed by Presidential Decree:

1. Where it is necessary for the national economy or for a bank to promote effectiveness in securing claims;

2. Where a bank exceeds the limit referred to in the main sentence due to changes in its equity capital or changes in the composition of the same borrowers although it did not extend further credit.

(2) Where a bank exceeds a limit referred to in the main sentences of paragraphs (1), (3) and (4) pursuant to paragraph (1) 2, it shall ensure that it meets the limit under the main sentences of paragraphs (1), (3) and (4) within one year from the date on which it exceeds such limit: Provided, That in cases falling under extenuating circumstances prescribed by Presidential Decree, the Financial Services Commission may extend it by setting such period.

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

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

### **Article 35-2 (Credit Granting Limits, etc. for Large Stockholders of Banks)**

(1) The credit that a bank can extend to its large stockholders (including any person specially related to him/her excluding an overseas local corporation; hereafter the same shall apply in this Article) shall not exceed an amount equivalent to the ratio prescribed by Presidential Decree within the scope of 25/100 of the relevant bank's equity capital or an amount equivalent to the ratio of any contribution by the relevant large stockholder to the relevant bank, whichever is less.

(2) The credit that a bank can extend to all of its large stockholders shall not exceed an amount equivalent to the ratio prescribed by Presidential Decree within the scope of 25/100 of the relevant bank's equity capital.

(3) No bank shall extend credit to its large stockholders under mutual crossover for the purpose of circumventing the credit limit referred to in paragraphs (1) and (2).

(4) Where a bank intends to extend its large stockholders credit of not less than an amount prescribed by Presidential Decree (including any transaction prescribed by Presidential Decree; hereafter in this Article the same shall apply), it shall undergo resolution thereon by the board of directors in advance. In such

cases, the resolution shall be passed by an affirmative vote of all incumbent members of the board of directors.

(5) Where a bank has extended its large stockholders credit of not less than an amount prescribed by Presidential Decree, it shall report thereon to the Financial Services Commission without delay, and disclose it through its web site, etc.

(6) A bank shall disclose the matters concerning credit granting to its large stockholders through its web site, etc. each quarter, as prescribed by Presidential Decree.

(7) No bank shall extend credit to support investment of large stockholders of the relevant bank in another company.

(8) No bank shall gratuitously transfer its assets to any large stockholder of the relevant bank, or trade or exchange its assets or extend credit to or with the relevant bank under substantially unfavorable conditions compared with ordinary terms and conditions of transactions.

#### **Article 35-3 (Acquisition Limits, etc. on Equity Securities Issued by Large Stockholders)**

(1) No bank shall acquire (including acquisition by running the trust business, as prescribed by Presidential Decree; hereafter in this Article the same shall apply) equity securities (referring to equity securities provided for in Article 4 (4) of the Financial Investment Services and Capital Markets Act; hereafter in this Article the same shall apply) issued by large stockholders of the bank in excess of an amount equivalent to the ratio prescribed by Presidential Decree within the scope of 1/100 of the relevant bank's equity capital: Provided, That this shall not apply where a bank that is a subsidiary, etc. of a bank holding company under Article 2 (1) 5 of the Financial Holding Companies Act (referring to a subsidiary defined by Article 4 (1) 2 of the Financial Holding Companies Act; hereafter the same shall apply in this paragraph) invests in a private equity fund for which any other subsidiary, etc. of the bank holding company serves as executive partner. *<Amended on Jul. 24, 2015>*

(2) The Financial Services Commission may set a separate acquisition limit on equity securities by type within the acquisition limit referred to in the main sentence of paragraph (1).

(3) Where a bank exceeds the limit referred to in paragraph (1) as a person who has not been its large stockholder newly becomes its large stockholder, it shall dispose of equity securities in excess of the limit within a period set by Presidential Decree.

(4) Where a bank intends to acquire equity securities issued by its large stockholders not less than an amount prescribed by Presidential Decree, it shall undergo resolution thereon by the board of directors in advance. In such cases, the resolution shall be made by an affirmative vote of all incumbent members of the board of directors.

(5) Where a bank has acquired equity securities issued by its large stockholders of not less than an amount prescribed by Presidential Decree, it shall report thereon to the Financial Services Commission without delay and give public notice thereof through its web site, etc.

(6) A bank shall disclose the matters concerning the acquisition of equity securities issued by its large stockholders through its web site, etc. each quarter, as prescribed by Presidential Decree.

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

#### **Article 35-4 (Bans on Exercise of Unfair Influence by Large Stockholders)**

No large stockholder of a bank shall perform any of the following acts with intent to make personal gain, contrary to the bank's interests: *<Amended on Jul. 31, 2015>*

1. Requesting the bank to present its internal data or information not yet disclosed to the general public with intent to exercise any undue influence: Provided, That this shall not apply to the exercise of rights under Article 33 (6) of the Act on Corporate Governance of Financial Companies and Article 466 of the Commercial Act;
2. Exercising undue influence over personnel affairs or management of the bank in collusion with another stockholder on condition of providing any such consideration as economic gains, etc.;
3. Exercising influence over the management of bank, such as requesting it to make the early recovery of credit from a rival company with intent to interfere with the business activities of the rival company;
- 3-2. Credit granted from a bank in excess of a rate prescribed in Article 35-2 (1) and (2);
- 3-3. Extending credit from another bank by causing a bank to violate Article 35-2 (3);
- 3-4. Extending credit by causing a bank to violate Article 35-2 (7);
- 3-5. Causing a bank to violate Article 35-2 (8), thus making its large stockholders gratuitously transfer, trade or exchange its assets or extend credit;
- 3-6. Causing a bank to possess stocks of its large stockholders in excess of the ratio prescribed in Article 35-3 (1);
4. Other acts prescribed by Presidential Decree, equivalent to those defined in subparagraphs 1 through 3.

#### **Article 35-5 (Requests, etc. for Data from Large Stockholders, etc.)**

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

(2) Where the Financial Services Commission deems that the sound management of a bank might be considerably undermined due to its unhealthy financial status, including cases where its large stockholder (limited to companies) exceed its own assets, as prescribed by Presidential Decree, it may request such bank or large stockholder to present necessary data and take measures prescribed by Presidential Decree

against the bank, including, but not limited to, issuing an order for the bank to restrict credit granting to the large stockholder.

#### **Article 36 (Loans to Government Agencies)**

A bank's loan to a government agency under the Bank of Korea Act shall be extended only where the Government guarantees the redemption of its principal and interest.

#### **Article 37 (Restrictions, etc. on Investment in other Companies, etc.)**

(1) No bank shall hold more than 15/100 of the voting equity securities issued by another company, etc.

(2) Notwithstanding paragraph (1), a bank may hold equity securities in excess of 15/100 of the voting equity securities if it invests in a company, etc. falling under the type of business determined by the Financial Services Commission, or obtains approval from the Financial Services Commission as necessary for promoting corporate restructuring: Provided, That this only applies where total investments made by a bank in a company, etc. (hereinafter referred to as "subsidiaries, etc."), the equity securities of which are held by the bank in excess of 15/100 of the voting equity securities do not exceed any of the following amounts:

1. An amount equivalent to the ratio prescribed by Presidential Decree within the limit of 20/100 of the equity capital of the bank;

2. An amount equivalent to the ratio prescribed by Presidential Decree within the limit of 40/100 of the equity capital of the bank where the bank meets the requirements determined and publicly announced by the Financial Services Commission, in consideration of the management condition, etc. of the bank, its subsidiaries, etc.

(3) No bank shall perform any of the following activities in doing business with its subsidiaries, etc.:

1. Extending credit to its subsidiaries, etc. in excess of the ceiling prescribed by Presidential Decree (excluding cases prescribed by Presidential Decree, such as merger, etc. of its subsidiaries, etc.);

2. Extending credit in which the equity securities of the bank's subsidiaries, etc. are offered as security, and extending credit to purchase the equity securities of the bank's subsidiaries, etc.;

3. Extending loans to executive officers or employees of the bank's subsidiaries, etc. (excluding petty loans determined by the Financial Services Commission);

4. Other acts prescribed by Presidential Decree that could undermine the sound management of the bank or infringe the interests of the bank users, including depositors, etc.

(4) Detailed matters concerning a bank's investment in its subsidiaries, etc. shall be prescribed by Presidential Decree.

(5) The terms "parent bank" and "subsidiary bank" in paragraphs (6) through (8) mean a bank that owns more than 15/100 of the total number of the voting stocks issued by another bank, and such another bank. In such cases, if a parent bank and its subsidiary bank collectively hold more than 15/100 of the total number of the voting stocks issued by a bank that is not the subsidiary bank, the bank shall be deemed a

subsidiary bank of the parent bank.

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

1. Owning stocks issued by the parent bank and another subsidiary bank of the parent bank (hereinafter referred to as "parent bank, etc.") (excluding cases prescribed by Presidential Decree);
2. Owning stocks of another bank in excess of 15/100 of its voting stocks issued;
3. Extending credit to the parent bank, etc. in excess of the ceiling prescribed by Presidential Decree;
4. Other acts prescribed by Presidential Decree that could undermine the sound management of the parent bank or infringe on the interests of bank users, including depositors, etc.

(7) Where a subsidiary bank and its parent bank, etc. extend credit to each other, they shall do so under appropriate security according to the standards prescribed by Presidential Decree: Provided, That this shall not apply where it satisfies the requirements prescribed by Presidential Decree, such as credit granting necessary for restructuring the subsidiary bank and parent bank.

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

### **Article 38 (Prohibited Business)**

No bank shall perform any of the following activities:

1. Investment in the following stocks or securities, the sum of which exceeds an amount equivalent to the ratio prescribed by Presidential Decree within the limit of 100/100 of the equity capital of the bank. In such cases, the Financial Services Commission may, if necessary, otherwise determine the ceiling on investment in the following stocks and securities within the said limit on investment:
  - (a) Debt securities provided for in Article 4 (3) of the Financial Investment Services and Capital Markets Act, the redemption period of which exceeds three years: Provided, That national bonds, currency stabilization bonds issued by the Bank of Korea, and bonds provided for in Article 11 (6) 2 of the Act on the Structural Improvement of the Financial Industry shall be excluded;
  - (b) Equity securities: Provided, That stocks provided for in Article 11 (6) 1 of the Act on the Structural Improvement of the Financial Industry shall be excluded;
  - (c) Those prescribed by Presidential Decree, among derivative-combined securities provided for in Article 4 (7) of the Financial Investment Services and Capital Markets Act;
  - (d) Other securities prescribed by Presidential Decree, among securities provided for in the subparagraphs of Article 4 (2) of the Financial Investment Services and Capital Markets Act;
2. Owning real estate (excluding real estate acquired through the exercise of a security right, such as mortgage, etc.) other than real estate for business purposes;
3. Owning real estate for business purposes in excess of an amount equivalent to the ratio prescribed by Presidential Decree within the limit of 100/100 of equity capital;

4. Loans on the security of stocks of the relevant bank, whether direct or indirect;
5. Loans contingent on the purchase of stocks of the relevant bank, whether direct or indirect;
6. Loans to executive officers or employees of the relevant bank (excluding petty loans determined by the Financial Services Commission).

#### **Article 39 (Disposal of Assets, etc. for Non-Business Purposes)**

A bank shall dispose of the property or other assets that it is prohibited from acquiring or holding or that it has acquired through the exercise of a security right, as determined by the Financial Services Commission.

#### **Article 40 (Accumulation of Legal Reserves)**

A bank shall accumulate not less than 10/100 of its net profits until the reserve reaches the total amount of capital stock, whenever it pays dividends on earned net profits.

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

(1) A bank shall publicly notify balance sheets as of the closing date, profit and loss statements for the relevant period for settlement of accounts, and consolidated financial statements determined by the Financial Services Commission in the form determined by the Financial Services Commission within three months from the closing date: Provided, That for documents that cannot be made public within three months for extenuating circumstances, the said public notice may be delayed upon approval by the Financial Services Commission.

(2) Balance sheets, profit and loss statements, and consolidated financial statements under paragraph (1) shall be signed and sealed by the representative and a person in charge.

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

#### **Article 42 (Presentation of Balance Sheets, etc.)**

(1) A bank shall present its balance sheets as of the end of each month to the Bank of Korea by no later than the end of the following month in accordance with the form determined by the Bank of Korea, and the Bank of Korea shall publish them in the statistical monthly periodical of the Bank of Korea.

(2) Balance sheets referred to in paragraph (1) shall be signed and sealed by the person in charge or his/her agent.

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

#### **Article 43 (Refusal to Disclose Materials)**

A bank may, upon request for the inspection or reproduction of account books and documents referred to in Article 466 (1) of the Commercial Act, refuse the relevant request where it poses serious harm to the rights and interests of the bank users.

#### **Article 43-2 (Submission of Business Reports, etc.)**

(1) A bank shall submit a report stating the details of business performed in each month to the Governor (hereinafter referred to as the "Governor of the Financial Supervisory Service") of the Financial Supervisory Service established under the Act on the Establishment, etc. of Financial Services Commission (hereinafter referred to as the "Financial Supervisory Service") by no later than the end of the following month in accordance with the form determined by the Governor of the Financial Supervisory Service.

(2) Reports referred to in paragraph (1) shall be signed and sealed by the representative, person in charge or his/her agent.

(3) A bank shall provide the Governor of the Financial Supervisory Service with requested data by himself/herself to perform supervision and inspection duties.

#### **Article 43-3 (Public Disclosure of Management)**

A bank shall disclose matters prescribed by Presidential Decree that are necessary for the protection of its depositors and investors to the general public, as determined by the Financial Services Commission.

## **CHAPTER VII SUPERVISION AND INSPECTIONS**

#### **Article 44 (Supervision over Banks)**

The Financial Supervisory Service shall monitor as to whether banks observe this Act, other related Acts, and regulations, and orders and instructions of the Financial Services Commission in accordance with the said regulations and instructions.

#### **Article 45 Deleted.** <May 17, 2010>

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

Where the Financial Services Commission deems that a bank could seriously harm the interests of its depositors, in such cases as the fear of bankruptcy or insolvent of the bank, it may order the bank to restrict the receipt of deposits and credit granting, to suspend payment of all or some deposits, or to take other necessary measures.

#### **Article 47 (Reports on Amendment, etc. of Articles of Association)**

Where any of the following cases occurs, a bank shall report the fact to the Financial Services Commission, as prescribed by Presidential Decree:

1. Where it amends its Articles of associations;
2. Where it reduces its capital that is not applicable under Article 10 (1);
3. Where it relocates its head office to another City/Do from the Special Metropolitan City, Metropolitan City, Do or Special Self-Governing Province (hereinafter referred to as "City/Do") in which the head office is located;
4. Where it newly establishes an overseas local corporation or overseas branch that is not applicable under Article 13 (2), closes an overseas local corporation or overseas branch, or newly establishes or closes an overseas office, etc.;
5. Where it changes its trade name;
6. Deleted; <Jul. 31, 2015>
7. Where it injects capital into its subsidiary, etc. (excluding cases approved by the Financial Services Commission for the promotion of corporation restructuring);
8. Where it provides loans on the security of equity securities exceeding 20/100 of the equity securities of another company, etc.;
9. Where a foreign bank relocates its branch or agency to the same City/Do, or closes its office;
10. Where it performs an act prescribed by Presidential Decree that could undermine the sound management of the bank or infringe on the interests of the bank users, including depositors, etc.

#### **Article 48 (Inspections)**

- (1) The Governor of the Financial Supervisory Service shall inspect business and current assets of banks.
- (2) Where the Governor of the Financial Supervisory Service deems it necessary to conduct an inspection referred to in paragraph (1), he/she may request a bank to report on its business and assets, furnish materials and make related persons appear to state their opinion.
- (3) The Governor of Financial Supervisory Service may request any outside auditor appointed by a bank under the Act on External Audit of Stock Companies to submit information that he/she has found upon auditing the bank, or other materials relating to sound management. <Amended on Oct. 31, 2017>
- (4) Any person who conducts an inspection under paragraph (1) shall carry a certificate indicating his/her authority and produce it to related persons.

#### **Article 48-2 (Inspections of Large Stockholders, etc.)**

- (1) Where persons under any of the following subparagraphs (hereafter referred to as "large stock holder, etc." in this Article) fall under any of the following items, the Financial Services Commission may have the Governor of the Financial Supervisory Service inspect business and asset conditions of the relevant large stockholder, etc. within the minimum extent necessary for the purposes thereof: <Amended on Aug. 13,



2013>

1. A person subject to conversion:
    - (a) Where necessary to check the inspection result under Article 16-3 (2);
    - (b) Where it is acknowledged that a person subject to conversion will be highly likely to engage in illegal transactions with a bank due to unhealthy financial status, such as rapid increase in debts and occurrence of huge losses, etc.;
  2. A non-financial investor having obtained approval pursuant to Article 16-2 (3) 3:
    - (a) Where necessary to ascertain whether it satisfies the requirements referred to in Article 16-2 (3) 3 (a) and (c);
    - (b) Where it is deemed that the relevant non-financial investor will be highly likely to engage in an illegal transaction with a bank due to unhealthy financial status, such as a rapid increase in debts of a non-financial company controlled by the relevant non-financial investor;
  3. A large stockholder of a bank (including persons who intend to be a large stockholder of a bank):
    - (a) Where necessary for examination of approval under Articles 15 (3);
    - (b) Where a charge of violating Article 35-4 is accepted;
    - (c) Other cases prescribed by Presidential Decree as equivalent to items (a) and (b).
- (2) The specific scope and method of inspections under paragraph (1) and other matters necessary for inspections shall be prescribed by the Financial Services Commission.
- (3) Article 48 (2) through (4) shall apply mutatis mutandis to the inspections under paragraph (1).

**Article 49 Deleted.** <May 17, 2010>

#### **Article 50 (Requests for Holding Reserves and Disposing of Losses)**

Where deemed necessary to maintain soundness in the management of a bank, the Governor of the Financial Supervisory Service may request the bank to take measures prescribed by Presidential Decree, such as holding reserves for unsound assets.

**Article 51 Deleted.** <May 17, 2010>

#### **Article 52 (Modification, etc. of Standard Terms and Conditions)**

(1) A bank shall protect the rights and interests of bank users in handling the affairs under this Act, and where it intends to establish or modify the standard terms and conditions relating to financial transactions, it shall file a report thereon to the Financial Services Commission no later than 10 days after establishing or modifying the terms and conditions: Provided, That in cases prescribed by Presidential Decree which are likely to have a significant impact on the rights or duties of users, the bank shall in advance report such fact to the Financial Services Commission before establishing or modifying the terms and conditions.

<Amended on Dec. 31, 2018>

(2) Where a bank has established or modified the standard terms and conditions, it shall disclose such through its web site, etc.

(3) The Financial Services Commission upon receipt of a report on the standard terms and conditions pursuant to paragraph (1) shall notify the Fair Trade Commission of such standard terms and conditions. In such cases, where the Fair Trade Commission deems that the standard terms and conditions contain any matter provided for in Articles 6 through 14 of the Act on the Regulation of Terms and Conditions, it shall notify the Financial Services Commission of such facts and request it to take necessary measures for the rectification thereof, and the Financial Services shall comply therewith unless any extraordinary ground exists. *<Amended on Dec. 31, 2018>*

(4) The Financial Services Commission may advise a bank to modify its standard terms and conditions referred to in paragraph (1), where necessary to maintain sound order in financial transactions.

(5) The procedures, methods, etc. for reporting under paragraph (1) shall be determined and publicly notify the Financial Services Commission. *<Amended on Dec. 31, 2018>*

#### **Article 52-2 (Prohibition, etc. of Unfair Business Practices)**

(1) No bank shall be engaged in any of the following practices that could undermine fair order in financial transactions (hereinafter referred to as "unfair business practices"): *<Amended on Apr. 18, 2017>*

1. Coercing a borrower to make a deposit against his/her will in connection with credit transactions;
2. Unfairly requesting a borrower, etc. to provide a security or guarantee in connection with credit transactions;
3. Unfairly requesting or receiving any benefit in connection with banking services, incidental services, or concurrent business;
4. Unfairly infringing on the rights and interest of bank users by using the predominant status of a bank.

(2) Each bank shall prepare appropriate measures such as providing bank users with important information in financial transactions in order to protect bank users, including depositors, etc. and to prevent any financial dispute from occurring.

(3) Specific details under paragraphs (1) and (2) shall be prescribed by Presidential Decree.

(4) Where any violation of paragraph (1) is found, the Financial Services Commission may order the relevant bank to take corrective measures, such as ceasing the unfair business practices in question.

(5) The Financial Services Commission may order the correction or supplementation of measures referred to in paragraph (2), where the protection, etc. of bank users is deemed necessary.

#### **Article 52-2 (Provision of Important Information in Financial Transactions)**

(1) Deleted. *<Mar. 24, 2020>*

(2) A bank shall prepare appropriate measures such as providing bank users with important information in financial transactions in order to protect bank users including depositors and to prevent the occurrence of any financial dispute.

(3) Specific details under paragraph (2) shall be prescribed by Presidential Decree. <Amended on Mar. 24, 2020>

(4) Deleted. <Mar. 24, 2020>

(5) The Financial Services Commission may order the correction or supplementation of measures under paragraph (2), where the protection, etc. of bank users is deemed necessary.

#### **Article 52-3 (Advertisements)**

(1) Where a bank advertises its products, such as deposits, loans, etc. (hereafter referred to as "banking products" in this Article), it shall include the name of the bank, details of banking products, transaction terms and conditions and other matters in the advertisement.

(2) In order for bank users to make reasonable decisions on banking products, a bank shall clearly indicate the scope of interest rates and methods of calculating of them, the timing of paying and imposing interest, additional benefits and expenses to prevent the bank users from misunderstanding them.

(3) When a bank advertises for banking products, matters to be labeled and advertised referred to in Article 4 (1) of the Act on Fair Labeling and Advertising that are contained in the advertisement shall be observed as provided for in the same Act.

(4) Necessary matters concerning specific details on transaction terms and conditions, method, procedures, etc. of advertisements under paragraphs (1) and (2) shall be prescribed by Presidential Decree.

**Article 52-3 Deleted.** <Mar. 24, 2020>

#### **Article 52-4 (Duty to Take Measures for Protecting Employees Providing Customer Service)**

(1) Each bank that engages in business operations under this Act shall take the following measures to protect its employees who provide customers with services firsthand from abusive language, sexual harassment, physical violence, etc.:

1. Separation from the customer involved and replacement of the person in charge at the request of the employee involved;
2. Assistance to employees in medical treatment and counseling;
3. Establishment of a permanent ombudsman organization for employees who provide direct customer services: Provided, That, if a bank shall have ombudsmen pursuant to Article 26 of the Act on the Promotion of Workers' Participation and Cooperation, ombudsmen shall be appointed or commissioned for employees who provide direct customer services;
4. Other measures prescribed by Presidential Decree, including legal measures necessary for protecting employees.

(2) Employees of a bank may demand that the bank shall take the measures specified in paragraph (1).

(3) No bank shall give any disadvantage to an employee on the ground of the employee's demand referred to in paragraph (2).

### **Article 53 (Sanctions against Banks)**

(1) If a bank is deemed likely to undermine soundness in its management, in violation of this Act or any regulation established or any order or instruction issued under this Act, or in any of the cases provided in any subparagraph of attached Table of the Act on Corporate Governance of Financial Companies (limited to a measure prescribed in subparagraph 2), the Financial Services Commission may take either of the following measures on the recommendation of the Governor of Financial Supervisory Service or may authorize the Governor of the Financial Supervisory Service to take appropriate measures, such as ceasing the relevant violation or giving a warning: *<Amended on Jul. 31, 2015>*

1. A corrective order for the relevant violation;
2. Partial suspension of business for not more than six months.

(2) If a bank falls under any of the following subparagraphs, the Financial Services Commission may order the bank to suspend its business operations completely for not more than six months or may revoke authorization for the banking business: *<Amended on Jul. 31, 2015>*

1. Where it obtained authorization on banking business by false or illegal means;
2. Where it violated a condition or terms of authorization;
3. Where it operated business during the suspension period of its business;
4. Where it failed to execute a corrective order under paragraph (1) 1;
5. Where the interests of depositors or investors are likely to be significantly undermined due to a violation of this Act or any order or dispositions issued or taken under this Act, other than those specified in subparagraphs 1 through 4;
6. In any of the cases provided in subparagraphs of attached Table of the Act on Corporate Governance of Financial Companies (limited to cases where an order is issued to suspend business operations completely).

### **Article 53 (Sanctions against Banks)**

(1) Where a bank is deemed likely to undermine soundness in its management, in violation of this Act or any regulation, order, or instruction under this Act, or where it falls under any subparagraph of the attached Table of the Act on Corporate Governance of Financial Companies (limited to a measure prescribed in subparagraph 2) or cases prescribed by Presidential Decree in Article 51 (1) 4 or 5 or the main sentence, with the exception of the subparagraphs, of paragraph 2 of the same Article of the Act on the Protection of Financial Consumers (limited to a measure prescribed in subparagraph 2), the Financial Services Commission may take either of the following measures upon the recommendation of the Governor of Financial Supervisory Service or may require the Governor of the Financial Supervisory Service to take appropriate measures, such as ceasing the relevant violation or giving a warning: *<Amended on Jul. 31, 2015; Mar. 24, 2020>*

1. A corrective order for the relevant violation;
  2. Suspension of part of business operations for not more than six months.
- (2) Where a bank falls under any of the following subparagraphs, the Financial Services Commission may order the bank to suspend all of its business operations for a specified period not to exceed six months or may revoke authorization for the banking business: *<Amended on Jul. 31, 2015; Mar. 24, 2020>*
1. Where it obtains authorization for banking business by fraud or other improper means;
  2. Where it violates the details or conditions of authorization;
  3. Where it operates its business during the period of business suspension;
  4. Where it fails to implement a corrective order under paragraph (1);
  5. Cases other than those prescribed in subparagraphs 1 through 4, where the interests of depositors or investors are likely to be significantly undermined due to a violation of this Act or any order or dispositions issued or taken under this Act;
  6. Where it falls under any subparagraph of the attached Table of the Act on Corporate Governance of Financial Companies (limited to where an order to suspend all of business operations is issued);
  7. Where it falls under Article 51 (1) 4 or 5 of the Financial Consumers Protection Act;
  8. Cases prescribed by Presidential Decree in the main sentence, with the exception of the subparagraphs, of Article 51 (2) of the Financial Consumers Protection Act (limited to where an order to suspend all of business operations is issued).

#### **Article 53-2 (Sanctions, etc. against Private Equity Funds, etc.)**

- (1) If a private equity fund, etc. (limited to a private equity fund, etc. that holds stocks of a bank with approval granted under Article 15 (3); hereafter in paragraphs (2) through (4) of this Article, the same shall apply) or any of its stockholders or partners violates Article 15-5, no such private equity fund, etc. shall exercise its voting rights on the stocks held in excess; and such private equity fund, etc. shall dispose of the stocks held in excess, without delay. *<Amended on Aug. 13, 2013; Jul. 24, 2015>*
- (2) If a private equity fund, etc. fails to comply with paragraph (1), the Financial Services Commission may order the private equity fund, etc. to dispose of stocks held in excess, for a specified period not more than one month. *<Amended on Jul. 24, 2015>*
- (3) If a private equity fund, etc. falls under any subparagraph of Article 15-5, the Financial Services Commission may take any of the following measures: *<Amended on Jul. 24, 2015>*
  1. Issuing an order to correct or suspend the relevant act;
  2. Issuing an order to publicly announce or post the fact that it has been taken measures due to the relevant act;
  3. Issuing an institutional warning;
  4. Issuing an institutional caution;
  5. Other measures prescribed by Presidential Decree, as necessary for correcting or preventing the relevant act.

(4) If the executive partner responsible for management, etc. of property of a private equity fund, etc. falls under any of the subparagraphs of Article 15-5, the Financial Services Commission may take any of the following measures: <Amended on Jul. 24, 2015; Apr. 18, 2017>

1. Measures in relation to the executive partner:

- (a) A request for dismissal;
- (b) Suspension from office for up to six months;
- (c) An institutional warning;
- (d) An institutional caution;
- (e) Other measures prescribed by Presidential Decree, as necessary for correcting or preventing the relevant act;

2. Measures in relation to an executive officer (excluding operating officers defined in subparagraph 5 of Article 2 of the Act on Corporate Governance of Financial Companies; hereafter in Articles 54 and 54-2, the same shall apply) of the executive partner:

- (a) A request for dismissal;
- (b) Suspension from office for up to six months;
- (c) A disciplinary warning;
- (d) A cautionary warning;
- (e) Other measures prescribed by Presidential Decree, as necessary for correcting or preventing the relevant act;

3. A request for measures in relation to an employee (including operating officers defined in subparagraph 5 of Article 2 of the Act on Corporate Governance of Financial Companies; hereafter in Articles 54 and 54-2, the same shall apply) of the executive partner:

- (a) Dismissal;
- (b) Suspension from office for up to six months;
- (c) Curtailment of salary;
- (d) Reprimand;
- (e) Caution;
- (f) Other measures prescribed by Presidential Decree, as necessary for correcting or preventing offenses.

(5) Paragraphs (2) through (4) shall apply mutatis mutandis to a private equity fund, etc. falling under any of the following cases (including its stockholders or partners). In such cases, paragraph (4) 2 shall apply mutatis mutandis where the executive partner is an individual. <Amended on Jul. 24, 2015>

- 1. Where it holds stocks of a bank in excess of the holding limit of stocks stipulated under Article 15 (1) and (3);
- 2. Deleted; <Aug. 13, 2013>
- 3. Where it has received an order to dispose of stocks pursuant to Article 16-4 (5).

(6) No private equity fund, etc. falling under paragraph (5) 1 shall be governed by Article 16 (3).  
<Amended on Aug. 13, 2013; Jul. 24, 2015; Mar. 29, 2016>

#### **Article 54 (Sanctions against Executive Officers and Employees)**

(1) Where an executive officer of a bank willfully violates this Act or any rules, orders, or instructions under this Act, or performs an act that greatly undermines the sound operation of the bank, the Financial Services Commission may, upon the recommendation of the Governor of the Financial Supervisory Service, order the executive officer to suspend the execution of his/her functions or recommend that the general meeting of stockholders dismiss the executive officer, and may have the Governor of the Financial Supervisory Service take an appropriate measure, such as issuance of a warning, etc.

(2) Where any employee of a bank willfully violates this Act or any rules, orders or instructions under this Act, or performs an act that greatly undermines the sound operation of the bank, the Governor of the Financial Supervisory Service may request the head of the bank to take appropriate disciplinary measures, such as dismissal, suspension, deduction of salary, reprimand, etc.

#### **Article 54-2 (Notification of Details of Measures on Retired Executive Officer, etc.)**

(1) Where deemed that the retired executive officer or resigned employee of a bank would have received measures under Article 54 (1) or (2) if he/she had held office or had been in office, the Financial Services Commission (including the Governor of the Financial Supervisory Service, who may take measures under Article 54 (1) or request disciplinary measures under Article 54 (2)) may notify the head of the relevant bank of the details of the measures. <Amended on Apr. 18, 2017>

(2) The head of the bank in receipt of notification under paragraph (1) shall notify the relevant retired executive officer or resigned employee thereof; and shall record and preserve the details thereof. <Amended on Apr. 18, 2017>

## **CHAPTER VIII MERGERS, CLOSURE, AND DISSOLUTION**

#### **Article 55 (Authorization for Mergers, Dissolution, and Closure)**

(1) Where a bank intends to perform any of the following acts, it shall obtain authorization from the Financial Services Commission, as prescribed by Presidential Decree: <Amended on Mar. 29, 2016>

1. A division or a merger (including a merger by division);
2. A dissolution or closure of the banking business;
3. A transfer or acquisition of the entire part of business or of the major part prescribed by Presidential Decree.

(2) Article 8 (4) and (5) shall apply mutatis mutandis where the Financial Services Commission grants authorization under paragraph (1).

#### **Article 56 (Dissolution Following Revocation of Authorization)**

- (1) Deleted. <Feb. 5, 1999>
- (2) A bank shall be dissolved when its authorization for banking business is revoked pursuant to Article 53. <Amended on May 17, 2010>
- (3) Where any bank is dissolved pursuant to paragraph (2), the court may appoint or dismiss a liquidator upon request of interested persons or the Financial Services Commission, or ex officio. <Amended on May 17, 2010>

#### **Article 57 (Appointment of Liquidators, etc.)**

- (1) Where any bank is dissolved or becomes bankrupt, the Governor of the Financial Supervisory Service or one of his/her employees shall be appointed as a liquidator or a trustee in bankruptcy.
- (2) The Governor of Financial Supervisory Service or his/her employee appointed as a liquidator or a trustee in bankruptcy pursuant to paragraph (1) may not request remuneration for performance of his/her functions: Provided, That reasonable expenses incurred in executing his/her functions may be disbursed from the relevant assets.

### **CHAPTER IX DOMESTIC BRANCHES OF FOREIGN BANKS**

#### **Article 58 (Authorization, etc. on Banking Business for Foreign Banks)**

- (1) Where any foreign bank (referring to an entity that currently runs banking business overseas after having been established pursuant to foreign Acts and subordinate statutes; hereinafter the same shall apply) intends to establish or close its branch or agency to run banking business in the Republic of Korea, it shall obtain authorization from the Financial Services Commission, as prescribed by Presidential Decree, notwithstanding Articles 8 (2) and 55.
- (2) Article 8 (4) and (5) shall apply mutatis mutandis where the Financial Services Commission grants authorization under paragraph (1).
- (3) Where any foreign bank intends to relocate its branch or agency for which authorization has been granted under paragraph (1), or to close its office, it shall file in advance a report thereon with the Financial Services Commission.

#### **Article 59 (Application of Acts to Foreign Banks)**

- (1) A branch or agency of a foreign bank with authorization granted under Article 58 (1) shall be deemed a bank under this Act, and the domestic representative of a foreign bank shall be deemed an executive officer of a bank under this Act: Provided, That Articles 4, 9, 15, 15-3 through 15-5, 16, 16-2 through 16-5, 48-2, and 53-2 shall not apply hereto. <Amended on Mar. 29, 2016>



(2) Where a foreign bank establishes two branches or agencies or more in the Republic of Korea, the relevant branches or agencies collectively shall be deemed one bank.

#### **Article 60 (Revocation, etc. of Authorization)**

(1) Where the head office of a foreign bank falls under any of the following subparagraphs, the Financial Services Commission may revoke the authorization for any branch or agency of the foreign bank referred to in Article 58 (1):

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

(2) Where the head office of a foreign bank falls under any subparagraph of paragraph (1), any branch, agency, or office of the foreign bank shall report such fact to the Financial Services Commission within seven days from the date on which such a ground occurs.

(3) Where the head office of a foreign bank is dissolved or becomes bankrupt, closes its banking business, or its authorization for banking business is revoked, the authorization for branches or agencies of the foreign bank referred to in Article 58 (1) shall be deemed to have been revoked on the date on which such a ground occurs.

#### **Article 61 (Closure and Liquidation of Branches at Time of Revocation of Authorization)**

(1) Where the authorization of any branch or agency of a foreign bank is revoked or is deemed to have been revoked pursuant to Article 53 or 60 (1) or (3), the relevant branch or agency shall be closed and shall liquidate all assets in the Republic of Korea.

(2) In cases under paragraph (1), the court may appoint or dismiss a liquidator upon request of interested persons or the Financial Services Commission, or ex officio.

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

#### **Article 62 (Domestic Assets of Foreign Banks)**

(1) A branch or agency of a foreign bank shall hold all or some of its assets in the Republic of Korea, as prescribed by Presidential Decree.

(2) Where any branch or agencies of a foreign bank is liquidated or becomes bankrupt, its assets, capital stock, reserves, and other surplus shall be preferentially appropriated for the nationals of the Republic of Korea and the foreigners who have their address or domicile in the Republic of Korea.

#### **Article 63 (Application of Provisions on Capital Stock)**

The application of the provisions of this Act on capital stock of banks with respect to branches or agencies of foreign banks shall be governed by Presidential Decree.

## CHAPTER X SUPPLEMENTARY PROVISIONS

### Article 64 (Hearings)

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

1. Revocation of authorization under Article 53;
2. Revocation of authorization on a branch or agency of a foreign bank under Article 60 (1).

### Article 65 (Entrustment of Authority)

The Financial Services Commission may entrust part of his/her authority under this Act to the Governor of Financial Supervisory Service, as prescribed by Presidential Decree.

### Article 65-2 (Public Announcement, etc. in Electronic Documents)

Where a bank makes a public announcement or submits data under Article 41, 42, or 43-2, it may do so electronically, as determined by the Financial Services Commission, the Governor of the Bank of Korea, or the Governor of the Financial Supervisory Service.

## CHAPTER XI IMPOSITION AND COLLECTION OF PENALTY SURCHARGES, ETC.

### Article 65-3 (Penalty Surcharges)

Where a bank violates Article 35, 35-2, 35-3, 37, 38, or 62 or its large stockholder violates Article 35-4, the Financial Services Commission may impose penalty surcharges thereon according to the following classifications: *<Amended on Apr. 18, 2017>*

1. Where a bank exceeds the credit granting limits referred to in Article 35 (1), (3), or (4), or Article 37 (3) 1 or (6) 3: Not more than 30/100 of the amount of excess credit;
2. Where a bank exceeds credit granting limits referred to in Article 35-2 (1) or (2): Not more than the amount of excess credit;
3. Where a bank exceeds the acquisition limit on equity securities referred to in Article 35-3 (1): Not more than the total book value of the equity securities acquired in excess;
4. Where a bank exceeds the limit on holding equity securities referred to in Article 37 (1), (2), or (6) 2: Not more than 30/100 of the total book value of the equity securities owned in excess;
5. Where a bank extends credit, in violation of Article 37 (3) 2: Not more than 5/100 of the amount of extended credit;

6. Where a bank holds stocks, in violation of Article 37 (6) 1: Not more than 5/100 of the total book value of the stocks held;
7. Where a bank extends credit without securing any proper security, in violation of the main sentence of Article 37 (7): Not more than 30/100 of the amount of extended credit;
8. Where a bank trades bad assets, in violation of the main sentence of Article 37 (8): Not more than 30/100 of the book value of such bad assets;
9. Where a bank exceeds the investment ceiling referred to in subparagraph 1 of Article 38: Not more than 30/100 of the amount of excess investment;
10. Where a bank owns real estate, in violation of subparagraph 2 of Article 38: Not more than 30/100 of the acquisition value of the real estate owned;
11. Where a bank exceeds the limit on real estate holdings referred to in subparagraph 3 of Article 38: Not more than 30/100 of the acquisition value of the real estate owned in excess of the limit;
12. Where a bank offers loans on the security of the stocks of the relevant bank, in violation of subparagraph 4 of Article 38: Not more than 5/100 of the amount of loans;
13. Where a bank offers loans, in violation of subparagraph 5 of Article 38: Not more than 5/100 of the amount of loans;
14. Where a bank fails to hold assets under Article 62 (1): Not more than 5/100 of the amount of violation;
15. Where a bank extends credit or gratuitously transfers, trades or exchanges assets, in violation of Article 35-2 (7) or (8): Not more than the amount of extended credit or the book value of such assets;
16. Where a large stockholder violates Article 35-4, and thus a bank extends credit in excess of the credit granting limit under Article 35-2 (1) or (2) to the large stockholder: Not more than the amount of excess credit;
17. Where a large stockholder violates Article 35-4, and thus a bank extends credit to the large stockholder or gratuitously transfers, trades or exchanges assets, in violation of Article 35-2 (7) or (8): Not more than the amount of extended credit or the book value of such assets;
18. Where a large stockholder violates Article 35-4, and thus a bank acquires stocks of the large stockholder in excess of the acquisition limit under Article 35-3 (1): Not more than the total book values of stocks acquired in excess.

#### **Article 65-4 (Imposition of Penalty Surcharges)**

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

1. Details and severity of the violation;
2. Period and frequency of the violation;
3. Amount of profits gained from the violation.

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

#### **Article 65-5 (Submission of Opinions)**

(1) Prior to the imposition of a penalty surcharge, the Financial Services Commission shall provide the party concerned, the interested persons, etc. with opportunities to present their opinions thereon.

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

#### **Article 65-6 (Raising Objections)**

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

(2) The Financial Services Commission shall decide on the objection raised under paragraph (1) within 30 days: Provided, That if it cannot decide thereon within such period due to extenuating circumstances, it may extend the period up to 30 days.

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

#### **Article 65-7 (Extension of Payment Deadline of Penalty Surcharges and Payment of Penalty Surcharges in Installments)**

(1) Where the Financial Services Commission deems that a person on whom a penalty surcharge is imposed (hereinafter referred to as "person liable to pay a penalty surcharge") has difficulty in paying the penalty surcharge in lump sum for any of the following causes, it may extend the payment deadline or permit him/her to pay the penalty surcharge in installments. In such cases, it may require him/her to provide security, if necessary:

1. Where he/she has sustained any substantial loss to property due to disaster, etc.;
2. Where his/her business is in serious crisis due to the aggravation of business conditions;
3. Where it is expected that his/her financial circumstances will become significantly difficult if he/she pays the penalty surcharge in lump sum.

(2) Where a person liable to pay a penalty surcharge intends to have the payment deadline of the penalty surcharge extended or the penalty surcharge paid in installments under paragraph (1), he/she shall make an application therefor to the Financial Services Commission by not later than ten days before the payment deadline.

(3) Where a person liable to pay a penalty surcharge falls under any of the following cases after he/she has obtained an extension of the payment deadline or approval for the payment in installments under paragraph (1), the Financial Services Commission may cancel the extension of the payment deadline or

the decision for the payment in installments and then collect the penalty surcharge in lump sum:

1. Where he/she fails to pay the penalty surcharge, the payment of which has been decided to be made in installments, within the payment deadline;
  2. Where he/she fails to execute an order to change his/her security or other orders issued by the Financial Services Commission, which are necessary to preserve such security;
  3. Where it is deemed impossible to collect all or residual penalty surcharges imposed on him/her, on the grounds that he/she is subjected to compulsory execution, the commencement of an auction, the declaration of bankruptcy, the dissolution of a corporation, or a disposition taken to collect national or local taxes in arrears, etc.;
  4. Other causes prescribed by Presidential Decree which are equivalent to subparagraphs 1 through 3.
- (4) Matters necessary for the extension of a payment deadline for penalty surcharges, the payment in installments, or the furnishing of security, etc. under paragraphs (1) through (3) shall be prescribed by Presidential Decree.

#### **Article 65-8 (Collection of Penalty Surcharges and Disposition Taken to Collect Penalty Surcharges in Arrears)**

(1) Where a person liable to pay a penalty surcharge fails to pay it by the payment deadline, the Financial Services Commission may collect additional dues prescribed by Presidential Decree from such person for a period starting from the date following the payment deadline to the date preceding the date such person actually pays it. In such cases, the period to collect the additional dues shall not exceed 60 months.  
<Amended on Apr. 18, 2017>

(2) Where a person liable to pay a penalty surcharge fails to pay it by the payment deadline, the Financial Services Commission may urge such person to pay the penalty surcharge within a specified period; and, if such person fails to pay the penalty surcharge and the additional dues under paragraph (1) within such specified period, may collect the penalty surcharge in the same manner as delinquent national taxes are collected.

(3) The Financial Services Commission may entrust the Commissioner of the National Tax Service with authority to collect penalty surcharges and additional due or to take a disposition to collect penalty surcharges in arrears under paragraphs (1) and (2).

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

#### **Article 65-9 (Charges for Compelling Compliance)**

(1) Where a person who has been ordered to dispose of his/her stocks pursuant to Articles 16 (3), 16-2 (5), 16-3 (5), 16-4 (5), or 53-2 (2) fails to comply with the order within the specified period, the Financial Services Commission may impose on the person a charge for compelling compliance of not more than the amount computed by multiplying the book value of the stocks to be disposed of per day by 3/10,000 from the date immediately after the deadline for performance. <Amended on Aug. 13, 2013; Mar. 29, 2016>

(2) The charges for compelling compliance shall be imposed for the period starting from the date following the closing date of the compliance period specified in the order for the disposal of stocks to the date on which the relevant person actually disposes of the stocks (referring to the date on which the stock certificates are delivered).

(3) Where a person who has been ordered to dispose of stocks fails to comply with the order after 90 days elapse from the end of the compliance period specified in the stock disposal order, the Financial Services Commission shall collect charges for compelling compliance after the elapse of every 90-day period reckoned from the end of compliance period.

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

#### **Article 65-10 (Refund of Overpaid or Erroneously Paid Penalty Surcharges)**

(1) Where a person liable to pay a penalty surcharge requests for the refund of an overpaid or erroneously paid penalty surcharge on the grounds of a decision or court ruling on a raised objection, the Financial Services Commission shall refund it without delay and refund any overpaid or erroneously paid penalty surcharge it has verified even though no request for refund is made by a person liable to pay a penalty surcharge.

(2) Where the Financial Services Commission refunds the penalty surcharge under paragraph (1), it shall pay, to a person entitled to receive the refund, an additional amount on refund computed by applying the interest rate on the additional amount prescribed by Presidential Decree for the period starting from the date on which the penalty surcharge is paid and to the date on which the overpaid or erroneously paid penalty surcharge is refunded.

#### **Article 65-11 (Disposition on Deficits)**

Where a person liable to pay a penalty surcharge has any of the following grounds, the Financial Services Commission may take a disposition on deficits:

1. Where the disposition on default is concluded and the portion to be appropriated for the amount in arrears is insufficient to cover the amount in arrears;
2. Where the extinctive prescription is completed for a right to collect the amount charged, etc.;
3. Where it is ascertained that the whereabouts of a defaulter is unknown or a defaulter has no assets;
4. Where it is verified that the computed value of the total assets being the subject matter of the disposition of arrears is sufficient to appropriate for the amount in arrears, and thus there will be no leftover;
5. Where it is verified that the total assets that are the subject matter of the disposition of arrears are sufficient to appropriate for repaying bonds, etc. secured as a national tax, local tax, a right to lease on deposit basis, pledge or mortgage, and thus there will be no leftover;

6. Other cases in which it is impractical to collect debts and fall under grounds prescribed by Presidential Decree.

## CHAPTER XII PENALTY PROVISIONS

### Article 66 (Penalty Provisions)

(1) Any person who falls under any of the following subparagraphs shall be punished by imprisonment with labor for not more than ten years or by a fine not exceeding 500 million won:

1. Any person who violates Article 21-2;
2. Any person who extends credit or gratuitously transfers assets to a large stockholder, in violation of Article 35-2 (1) through (3), (7) and (8), and such large stockholder who receives credit or gratuitous transfer from him/her, or the person who actually trades or exchanges assets;
3. Any person who acquires equity securities issued by a large stockholder, in violation of Article 35-3 (1);
4. Any person who violates Article 35-4.

(2) Any person engaged in banking business without obtaining authorization under Article 8 shall be punished by imprisonment for not more than five years, or by a fine not exceeding 200 million won:

### Article 67 (Penalty Provisions)

Any of the following persons shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 100 million won: *<Amended on Apr. 18, 2017>*

1. Any person who committed an act reducing the amount of capital without approval, in violation of Article 10 (1);
2. Any person who extends credit, in violation of Article 35 (1), (3), or (4);
3. Any person who violates any of the provisions of Article 37 (1), (3), or (6) through (8).

### Article 68 (Penalty Provisions)

(1) Where any executive officer, manager, agent representative (where an agent representative is a corporation, its executive partner, executive officer, manager, or any other representative of the corporation), or liquidator of a bank (hereinafter referred to as "executive officer, etc. of a bank") or his/her employee performs any of the following acts, he/she shall be punished by imprisonment for not more than one year, or by a fine not exceeding 30 million won:

1. Where he/she fails to maintain its capital stock, in violation of under Article 9;
2. Where he/she violates Article 32;
3. Where he/she issues bonds, in violation of Article 33;
4. Where he/she is engaged in prohibited business, in violation of Article 38;

5. Where he/she fails to accumulate legal reserves, in violation of Article 40;
  6. Where he/she performs an act prescribed in any subparagraph of Article 55 (1), without obtaining authorization under Article 55 (1);
  7. Where he/she violates Article 58 (1) (excluding cases where he/she is required to obtain authorization to open a branch or agency);
  8. Where he/she violates Article 62 (1) or (2).
- (2) Any bank that advertises in violation of Article 52-3 (1) and (2) shall be punished by a fine not exceeding 30 million won.

#### **Article 68 (Penalty Provisions)**

(1) Where any executive officer, manager, agent representative (where an agent representative is a corporation, its executive partner, executive officer, manager, or any other representative of the corporation), or liquidator of a bank (hereinafter referred to as "executive officer, etc. of a bank") or his/her employee performs any of the following acts, he/she shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 30 million won:

1. Where he/she fails to maintain the minimum capital, in violation of Article 9;
  2. Where he/she violates Article 32;
  3. Where he/she issues bonds, in violation of Article 33;
  4. Where he/she performs prohibited business, in violation of Article 38;
  5. Where he/she fails to accumulate legal reserves, in violation of Article 40;
  6. Where he/she performs any act prescribed in the subparagraphs of Article 55 (1), without obtaining authorization under the same paragraph;
  7. Where he/she violates Article 58 (1) (excluding cases where he/she is required to obtain authorization to open a branch or agency);
  8. Where he/she violates Article 62 (1) or (2).
- (2) Deleted. <Mar. 24, 2020>

#### **Article 68-2 (Joint Penalty Provisions)**

Where a representative of a corporation, or an agent, employee or other servant of a juristic person or individual commits an offence under Articles 66 through 68 in connection with the business of the corporation or the individual, not only shall such violator be punished, but the juristic person or the individual shall also be punished by a fine under the relevant provisions: Provided, That this shall not apply where the juristic person or the individual has not neglected to pay due attention and supervision concerning the relevant business in order to prevent such violation.

#### **Article 69 (Administrative Fines)**



(1) Any of the following persons shall be subject to an administrative fine of not more than 100 million won: <Amended on Aug. 13, 2013; Mar. 29, 2016; Apr. 18, 2017>

1. Any person who fails to file a report, in violation of Article 13 (2) or 27-2 (2) or 28 (2);
2. Any person who uses a similar trade name, in violation of Article 14;
3. Any person who fails to file a report, in violation of Article 15 (2) and 15-4;
4. Any person who fails to comply with a request to submit data, etc. under Articles 15-3 (3) (including cases for examination of approval granted under Article 15 (3)), 16-4 (2), or 35-5 (1) and (2);
5. Any bank that violates Article 30;
- 5-2. Any bank that violates Article 34-2 (1);
- 5-3. Any bank that violates Article 34-3 (1);
6. Any bank that fails to pass a resolution by the board of directors, in violation of Article 35-2 (4) or 35-3 (4);
7. Any bank that fails to report to the Financial Services Commission or to give public notice, in violation of Article 35-2 (5) and (6) or 35-3 (5) and (6);
- 7-2. Any bank that makes a false public announcement referred to in Article 41;
- 7-3. Any bank that submits a report in violation of Article 43-2 or states incorrect information on the report;
- 7-4. Any bank that discloses information in violation of Article 43-3 or discloses incorrect information;
- 7-5. Any bank that refuses, interferes with, or evades an inspection referred to in Article 48;
8. Any person who refuses, interferes with, or evades an inspection referred to in Article 48-2;
9. Any bank that violates Article 52-2;
10. Any bank that violates methods and procedures for advertisement pursuant to Article 52-3 (4);
11. Other banks that violate this Act or any regulation, order, or instruction under this Act.

(2) Any bank that fails to file a report or to give public notice, in violation of Article 34-3 (3), shall be subject to an administrative fine of not more than 50 million won. <Newly Inserted on Mar. 29, 2016; Apr. 18, 2017>

(3) Any bank that fails to take measures for protecting its employees or gives a disadvantage to its employee, in violation of Article 52-4, shall be subject to an administrative fine of not more than 30 million won. <Newly Inserted on Mar. 29, 2016; Apr. 18, 2017>

(4) Any bank that fails to notify the relevant person of his/her right to request a reduction in interest rate, in violation of Article 30-2 (2), shall be subject to an administrative fine not exceeding 20 million won. <Newly Inserted on May 19, 2020>

(5) An executive officer, etc. or employee of a bank who falls in the following cases shall be subject to an administrative fine of not more than 20 million won: <Amended on Mar. 29, 2016; Apr. 18, 2017; Dec. 11, 2018; May 19, 2020>

1. Deleted; <May 19, 2020>

2. Deleted; <Jul. 31, 2015>
  - 2-2. Deleted; <Apr. 18, 2017>
  - 2-3. Deleted; <Apr. 18, 2017>
  3. Deleted; <Apr. 18, 2017>
  4. Deleted; <Apr. 18, 2017>
  5. Where he/she refuses, interferes with, or evades an inspection referred to in Article 48;
  6. Deleted; <Apr. 18, 2017>
  7. Where he/she neglects to keep, submit, report, publicly announce, or disclose documents under this Act;
  8. Where he/she violates this Act or any regulation, order, or instruction under this Act.
- (6) Administrative fines prescribed in paragraphs (1) through (5) shall be imposed and collected by the Financial Services Commission, as prescribed by Presidential Decree. <Amended on Mar. 29, 2016; May 19, 2020>

#### **Article 69 (Administrative Fines)**

- (1) Any of the following persons shall be subject to an administrative fine of not more than 100 million won: <Amended on Aug. 13, 2013; Mar. 29, 2016; Apr. 18, 2017>
1. A person who fails to file a report, in violation of Article 13 (2), 27-2 (2), or 28 (2);
  2. A person who uses a similar trade name, in violation of Article 14;
  3. A person who fails to file a report, in violation of Articles 15 (2) and 15-4;
  4. A person who fails to comply with a request to submit data, etc. under Article 15-3 (3) (including cases for examination of approval under Article 15 (3)), 16-4 (2), or 35-5 (1) and (2);
  5. A bank that violates Article 30;
  - 5-2. A bank that violates Article 34-2 (1);
  - 5-3. A bank that violates Article 34-3 (1);
  6. A bank that fails to undergo a decision by the board of directors, in violation of Article 35-2 (4) or 35-3 (4);
  7. A bank that fails to file a report to the Financial Services Commission or to make public disclosure, in violation of Article 35-2 (5) and (6) or 35-3 (5) and (6);
  - 7-2. A bank that makes a false public announcement under Article 41;
  - 7-3. A bank that submits a report in violation of Article 43-2 or states incorrect information on the report;
  - 7-4. A bank that discloses information in violation of Article 43-3 or discloses incorrect information;
  - 7-5. A bank that refuses, obstructs, or evades an inspection under Article 48;
  8. A person who refuses, obstructs, or evades an inspection under Article 48-2;
  9. A bank that violates Article 52-2;

10. Deleted; <Mar. 24, 2020>

11. Other banks that violate this Act or any regulation, order, or instruction under this Act.

(2) A bank that fails to file a report or to make a public disclosure in violation of Article 34-3 (3) shall be subject to an administrative fine of not more than 50 million won. <Newly Inserted on Mar. 29, 2016; Apr. 18, 2017>

(3) A bank that fails to take measures for protecting its employees or gives a disadvantage to the employees in violation of Article 52-4 shall be subject to an administrative fine of not more than 30 million won. <Newly Inserted on Mar. 29, 2016; Apr. 18, 2017>

(4) A bank that fails to inform the relevant person of a right to request a reduction in interest rate, in violation of Article 30-2 (2), shall be subject to an administrative fine of not more than 20 million won. <Newly Inserted on May 19, 2020>

(5) In any of the following cases, an executive officer, etc. or employee of a bank shall be subject to an administrative fine of not exceeding 20 million won: <Amended on Mar. 29, 2016; Apr. 18, 2017; Dec. 11, 2018; May 19, 2020>

1. Deleted; <May 19, 2020>

2. Deleted; <Jul. 31, 2015>

2-2. Deleted; <Apr. 18, 2017>

2-3. Deleted; <Apr. 18, 2017>

3. Deleted; <Apr. 18, 2017>

4. Deleted; <Apr. 18, 2017>

5. Where he/she refuses, obstructs, or evades an inspection under Article 48;

6. Deleted; <Apr. 18, 2017>

7. Where he/she neglects to keep, submit, report, publicly announce, or disclose documents under this Act;

8. Other cases where he/she violates this Act or any regulation, order, or instruction under this Act.

(6) Administrative fines under paragraphs (1) through (5) shall be imposed and collected by the Financial Services Commission, as prescribed by Presidential Decree. <Amended on Mar. 29, 2016; May 19, 2020>

ADDENDA <Act No. 5499, Jan. 13, 1998>

#### **Article 1 (Enforcement Date)**

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

(2) The authority of the Financial Supervisory Commission in connection with the enforcement of the proviso to paragraph (1) shall be exercised by the Director of the Board of Bank Supervision at the

Bank of Korea from the date on which this Act is promulgated until March 31, 1998.

#### **Article 2 (Applicability to Term of Office of Auditors)**

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

#### **Article 3 (General Transitional Measures)**

(1) Any authorization, approval, decision, orders disposition, or other acts by the Minister of Finance and Economy, the Monetary Board, or the Director of the Board of Bank Supervision at the Bank of Korea under the former provisions before this Act enters into force shall be deemed an act by the Minister of Finance and Economy, the Financial Supervisory Commission, or the Governor of Financial Supervisory Service under this Act.

(2) Any declaration, report, or other act directed to the Minister of Finance and Economy, the Monetary Board, or the Director of the Board of Bank Supervision at the Bank of Korea under the former provisions before this Act enters into force shall be deemed acts directed to the Minister of Finance and Economy, the Financial Supervisory Commission, or the Governor of Financial Supervisory Service.

#### **Article 4 (Transitional Measures concerning Adjustment of Component Ratio of Non-Permanent Directors)**

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

#### **Article 5 (Transitional Measures concerning Penal Provisions)**

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

#### **Article 6 Deleted. <by Act No. 6691, Apr. 27, 2002>**

#### **Article 7 (Special Cases for Committee on Recommendations for Candidates)**

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

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

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

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

(5) The members of the provisional committee on recommendations for candidates shall be recommended as candidates as non-permanent directors at the first regular general stockholders'

meeting convened after January 1, 1998.

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

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

#### **Article 9 Omitted.**

#### **Article 10 (Relationship with Other Acts and Subordinate Statutes)**

- (1) A citation of any provision of the former Banking Act by any other Act or subordinate statute as at the time this Act enters into force shall be deemed a citation of a provision of this Act in lieu of the former provision, if such corresponding provision exists herein.
- (2) Notwithstanding Article 2 of the Framework Act on the Management of Government-Invested Institutions, where the Government holds not less than 50/100 of issued stocks of financial institutions, the financial institutions shall not be deemed government-invested institutions.

#### **ADDENDUM <Act No. 5540, May 25, 1998>**

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

#### **ADDENDA <Act No. 5745, Feb. 5, 1999>**

#### **Article 1 (Enforcement Date)**

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

#### **Article 2 (Transitional Measures concerning Credit Lines)**

- (1) A financial institution that extends credit in excess of the line stipulated under the amended provisions of Articles 15 (7) and 35 (1) and (3) pursuant to the proviso to Article 1 of the Addenda as at the time the amended provisions enter into force shall ensure that it conforms to such amended provisions by not later than December 31, 2002, and shall present a detailed plan for such implementation to and obtain approval from the Financial Supervisory Commission by no later than January 31, 2000.
- (2) A financial institution that has extended credit in excess of the line under the amended provisions of Article 35 (4) as at the time this Act enters into force shall ensure that it conforms to the such amended provisions by no later than March 31, 2000, and shall present a detailed plan for such implementation to and obtain approval from the Financial Supervisory Commission by no later than April 30, 1999.

#### **Article 3 (Transitional Measures concerning Qualification of Executives)**

- (1) Where an executive of a financial institution who is in office as at the time this Act enters into force falls under Article 18 (1) 7 or 8 for a cause arising before this Act enters into force, he/she shall be

governed by the former provisions for one year from the date on which this Act enters into force.

(2) The terms of executives of financial institutions who are in office as at time this Act enters into force shall be governed by the former provisions notwithstanding the amendments to Article 19: Provided, That this shall not apply to cases determined in the Articles of incorporation by the financial institution.

#### **Article 4 (Transitional Measures concerning Penal Provisions)**

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

ADDENDA <Act No. 5982, May 24, 1999>

#### **Article 1 (Enforcement Date)**

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

#### **Articles 2 through 6 Omitted.**

ADDENDA <Act No. 6018, Sep. 7, 1999>

#### **Article 1 (Enforcement Date)**

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

#### **Articles 2 through 21 Omitted.**

ADDENDA <Act No. 6177, Jan. 21, 2000>

#### **Article 1 (Enforcement Date)**

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

#### **Article 2 (Transitional Measures concerning Qualification Requirements for Executives)**

Where any executive of a financial institution falls under a cause for disqualification under the amended provisions of Article 18 (1) 9 due to causes that have accrued before this Act enters into force as at the time this Act enters into force, his/her case shall be governed by the former provisions, notwithstanding the amended provisions.

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

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

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

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

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

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

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

Any financial institution in existence as at the time this Act enters into force shall set internal control standards under the amended provisions of Article 23-3 (1) within six months after this Act enters into force.

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

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

## **Article 8 (Transitional Measures concerning Penalties and Fines for Negligence)**

The application of penalties and fines for negligence to the acts committed before this Act enters into force shall be governed by the former provisions.

## **Article 9 Omitted.**

ADDENDA <Act No. 6256, Jan. 28, 2000>

## **Article 1 (Enforcement Date)**

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

(2) Omitted.

## **Articles 2 through 14 Omitted.**

ADDENDA <Act No. 6429, Mar. 28, 2001>

## **Article 1 (Enforcement Date)**

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

## **Articles 2 through 11 Omitted.**

ADDENDA <Act No. 6691, Apr. 27, 2002>

### **Article 1 (Enforcement Date)**

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

### **Article 2 (Applicability to Qualifications for Compliance Officers of Financial Institutions)**

The amendments to Article 23-3 (4) shall apply to compliance officers who are appointed on or after the date this Act enters into force.

### **Article 3 (Transitional Measures concerning Stockholding by Financial Institutions)**

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

### **Article 4 (Transitional Measures concerning Restriction on Concurrent Holding of Offices by Executives, etc.)**

Any executive or employee of a financial institution who concurrently holds office of an executive or employee of a bank holding company (excluding any bank holding company having such financial institution as a subsidiary) as at the time this Act enters into force shall cause himself/herself to comply with the amendments to Article 20 (1) by no later than the day of the general meeting of stockholders of such financial institution or such bank holding company held for the first time after this Act enters into force, whichever comes later.

### **Article 5 (Transitional Measures concerning Limits on Credit)**

Any financial institution which extends credit beyond the limit under the amended provisions of Article 35-2 (2) as at the time this Act enters into force shall cause itself to comply with such amendments by no later than one year after this Act enters into force, and shall submit a detailed plan for implementation thereof to the Financial Supervisory Commission within three months after this Act enters into force and obtain approval thereon.

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

Any financial institution that holds stocks issued by its large stockholders beyond the limit under the amendments to Article 35-3 (1) as at the time this Act enters into force shall cause itself to comply with such amendments by no later than one year from the date this Act enters into force: Provided, That the Financial Supervisory Commission may extend the period if it is inevitable in light of the number of stocks issued by such large stockholders held by the financial institution, and the conditions of the securities market, etc.

### **Article 7 (Transitional Measures concerning Penal Provisions and Fines for Negligence)**



The application of penalties and fines for negligence to acts committed before this Act enters into force shall be governed by the former provisions.

ADDENDA <Act No. 7428, Mar. 31, 2005>

**Article 1 (Enforcement Date)**

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

**Article 2 through 6 Omitted.**

ADDENDA <Act No. 8635, Aug. 3, 2007>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year and six months after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 44 Omitted.**

ADDENDA <Act No. 8852, Feb. 29, 2008>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 7 Omitted.**

ADDENDA <Act No. 8863, Feb. 29, 2008>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 5 Omitted.**

ADDENDA <Act No. 8905, Mar. 14, 2008>

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

(2) (Applicability to Modification of Qualifications for Executives) The amended provisions of Article 18 (1) shall apply to a person who becomes disqualified as executive due to a reason that occurs on or after the date this Act enters into force.

ADDENDA <Act No. 9784, Jun. 9, 2009>

**Article 1 (Enforcement Date)**

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

**Article 2 (Transitional Measures concerning Approval for Non-financial Investors)**

Any non-financial investor holding stocks with approval of the Financial Services Commission pursuant to Article 16-2 (2) as at the time this Act enters into force shall be deemed to have obtained approval under the amended provisions of Article 15-2: Provided, That such non-financial investor shall re-obtain approval under the amended provisions of Article 15-2 within one year from the date on which this Act enters into force.

**Article 3 (Transitional Measures concerning Penalty Surcharges)**

The former provisions shall apply to the imposition of penalty surcharges on any acts conducted in violation of Articles 35-2 (1) and (2), and 35-3 (1) before this Act enters into force.

**Article 4 Omitted.**

ADDENDA <Act No. 10303, May 17, 2010>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of the proviso to Article 35-3 (1) shall enter into force on the date of its promulgation.

**Article 2 (Applicability to Qualifications for Executives)**

The amended provisions of Article 18 (1) shall apply beginning with the first executive (including persons referred to in Article 401-2 (1) 3 of the Commercial Act who are prescribed by Presidential Decree) to be appointed after this Act enters into force.

**Article 3 (Special Cases concerning Reporting on Concurrent Businesses)**

A bank may continue to run any business it has been running under the former Article 28 as at the time this Act enters into force without filing a report thereon, notwithstanding the amended provisions of Article 28 (2).

**Article 4 (Transitional Measures, etc. concerning Composition of Board of Directors and Appointment, etc. of Outside Directors)**

(1) A bank shall ensure that it conforms to the amended provisions of the latter part of Article 22 (2) by the date on which the first general meeting of stockholders convenes after this Act enters into force.

(2) The amended provisions of Article 22 (3) and 22 (7) shall apply beginning with the first outside director appointed after this Act enters into force.

**Article 5 (Transitional Measures, etc. concerning Audit Committees)**

(1) A bank shall ensure that it conforms to the amended provisions of Article 23-2 (2) by the date on which the first general meeting of stockholders convenes after this Act enters into force.

(2) The amended provisions of Article 23-4 (3) 2 shall apply beginning with the first member of the audit committee appointed after this Act enters into force.

**Article 6 (Transitional Measures concerning Internal Regulations on Controlling Structure)**

(1) A bank shall establish its internal regulations on controlling structure under the amended provisions of Article 23-4 (1) within six months from the date this Act enters into force, and shall provide public notice thereon under the amended provisions of paragraph 3 (1) of the same Article.

(2) A bank shall provide a public notice on the operational status under the internal regulations on controlling structure under the amended provision of Article 23-4 (3) 2 within one year from the date on which it gives public notice of the operational status under paragraph (1).

**Article 7 (Transitional Measures concerning Control of Conflicts of Interest)**

Where a bank needs to newly reflect methods and procedures for managing conflicts of interest in the internal control standards under the amended provisions of Article 28-2 (2), or to keep separate accounting books and records, in distinction from the banking business under the amended provisions of paragraph (6) of the same Article, it shall bring itself into compliance with the amended provisions within six months from the date on which this Act enters into force.

**Article 8 (Transitional Measures concerning Penal Provisions)**

The application of penal provisions to any act performed before this Act enters into force shall be governed by the former provisions.

**Article 9 Omitted.**

**Article 10 (Relationship with other Acts and Subordinate Statutes)**

A citation of any provisions of the former Banking Act by any other Act or subordinate statute as at the time this Act enters into force shall be deemed a citation of the provisions of this Act in lieu of the former provisions, if such corresponding provisions exist herein.

ADDENDA <Act No. 10522, Mar. 31, 2011>

**Article 1 (Enforcement Date)**

This Act shall enter into force March 2, 2012. (Proviso Omitted.)

**Articles 2 through 28 Omitted.**

ADDENDA <Act No. 10866, Jul. 21, 2011>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 4 Omitted.**

ADDENDA <Act No. 11051, Sep. 16, 2011>

**Article 1 (Enforcement Date)**

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

**Articles 2 and 3 Omitted.**

ADDENDA <Act No. 12101, Aug. 13, 2013>

**Article 1 (Enforcement Date)**

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

**Article 2 (Transitional Measure concerning Limitations on Stockholding by Non-Financial Investors)**

Notwithstanding the amended provisions of Articles 2 (1) 9, 15-2, 15-3, and 16-2 (1), a non-financial investor who holds outstanding voting stocks of a bank under former provisions at the time this Act enters into force shall be governed by the former provisions.

ADDENDA <Act No. 13448, Jul. 24, 2015>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 20 Omitted.**

ADDENDA <Act No. 13453, Jul. 31, 2015>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year after the date of its promulgation.

**Articles 2 through 18 Omitted.**

ADDENDA <Act No. 13613, Dec. 22, 2015>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 4 Omitted.**

ADDENDA <Act No. 14129, Mar. 29, 2016>

**Article 1 (Enforcement Date)**

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

**Article 2 (Applicability to Restriction, etc. on Voting Rights on Stocks in Excess of Limits)**

The amended provisions of Article 16 (2) shall also apply to cases where the debentures issued under Article 165-11 (1) of the Financial Investment Services and Capital Markets Act (referring to debentures deemed contingent bonds convertible into stocks of a bank under Article 4 of Addenda) before this Act enters into force are converted into stocks of the bank after this Act enters into force.

**Article 3 (Transitional Measure concerning Reporting of Capital Reduction)**

A report filed under former provisions of Article 10 (1) before this Act enters into force, shall be deemed to have been approved under the amended provisions of Article 10 (1).

**Article 4 (Transitional Measure concerning Contingent Convertible Bonds)**

Debentures issued under Article 165-11 (1) of the Financial Investment Services and Capital Markets Act by banks (including the Industrial Bank of Korea established under the Industrial Bank of Korea Act, the Korea Development Bank established under the Korea Development Bank Act, and the Nonghyup Bank established under the Agricultural Cooperatives Act) before this Act enters into force shall be deemed write-down contingent convertible bonds or contingent bonds convertible into stocks of a bank under the amended provisions of Article 33 (1) 2 or 3 of this Act.

**Article 5 (Transitional Measure concerning Including Measures for Preventing Financial Accidents in Internal Control Standards)**

The internal control standards that fail to meet the amended provisions of Article 34-3 (1) as at the time this Act enters into force, shall be amended to meet the amended provisions within three months from the date this Act enters into force.

**Article 6 (Transitional Measure concerning Authorization by Financial Services Commission for Merger of Banks)**

Notwithstanding the amended provisions of Article 55 (1) 1, the former provisions shall apply to cases on which a bank has deliberated and resolved in accordance with Article 23 (1) 4 for a merger (including a merger by division) before this Act enters into force.

**Article 7 (Transitional Measure concerning Penalty Provisions)**

The former provisions shall apply to violations committed before this Act enters into force.

**Article 8 Omitted.**

ADDENDA <Act No. 14242, May 29, 2016>

**Article 1 (Enforcement Date)**

This Act shall enter into force on December 1, 2016. (Proviso Omitted.)

**Articles 2 through 22 Omitted.**

ADDENDA <Act No. 14826, Apr. 18, 2017>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 34-3 (1) and (2), Article 52-2 (1) 3, and Article 69 (4) 2-2, 2-3, and 6 shall enter into force on the date of its promulgation.

**Article 2 (Applicability to Notification of Details of Measures on Retired Executive, etc.)**

The amended provisions of Article 54-2 (1) and (2) shall also apply to executives retired or employees resigned before this Act enters into force.

**Article 3 (Applicability to Period to Collect Additional Dues)**

The amended provisions of the latter part of Article 65-8 (1) shall also apply where no penalty surcharges are paid by payment deadline before this Act enters into force; however, where the period to collect the additional dues exceeds 60 months as at the time this Act enters into force, no additional dues shall be imposed for a period after this Act enters into force.

**Article 4 (Transitional Measures regarding Penalty Surcharges)**

Notwithstanding the amended Article 65-3, the former provisions shall apply where penalty surcharges are imposed on violations committed before this Act enters into force.

**Article 5 (Transitional Measures regarding Administrative Fines)**

(1) Notwithstanding the amended provisions of the main sentence of Article 69 (4), subparagraphs 1, 3, and 4 of the same Article, the former provisions shall apply where administrative fines are imposed on violations committed before the amended provisions enter into force.

(2) Notwithstanding the amended Article 69 (4) 2-2, 2-3, and 6, the former provisions shall apply where administrative fines are imposed on violations committed before the amended provisions enter into force.

ADDENDA <Act No. 15022, Oct. 31, 2017>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year after the date of its promulgation.

**Articles 2 through 15 Omitted.**

ADDENDA <Act No. 15936, Dec. 11, 2018>

**Article 1 (Enforcement Date)**

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

**Articles 2 (Applicability to Request for Decrease in Interest Rate)**

The amended provisions of Article 30-2 shall begin to apply to credit granting contracts concluded after this Act enters into force.

ADDENDUM <Act No. 16190, Dec. 31, 2018>

This Act shall enter into force one year after the date of its promulgation.

ADDENDA <Act No. 16957, Feb. 4, 2020>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 13 Omitted.**

ADDENDA <Act No. 17112, Mar. 24, 2020>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 13 Omitted.**

ADDENDUM <Act No. 17293, May 19, 2020>

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

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