FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT

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Amended by Act No. 8863, Feb. 29, 2008
Act No. 8852, Feb. 29, 2008
Act No. 9407, Feb. 3, 2009
Act No. 9408, Feb. 3, 2009
Act No. 9625, Apr. 22, 2009
Act No. 9784, jun. 9, 2009
Act No. 10063, Mar. 12, 2010
Act No. 10303, May 17, 2010
Act No. 10361, jun. 8, 2010
Act No. 10366, jun. 10, 2010
Act No. 10580, Apr. 12, 2011
Act No. 10629, May 19, 2011
Act No. 10866, Jul. 21, 2011
Act No. 10924, Jul. 25, 2011
Act No. 11040, Aug. 4, 2011
Act No. 11758, Apr. 5, 2013
Act No. 11845, May 28, 2013
Act No. 12102, Aug. 13, 2013
Act No. 12383, Jan. 28, 2014
Act No. 12947, Dec. 30, 2014
Act No. 13448, Jul. 24, 2015
Act No. 13453, Jul. 31, 2015
Act No. 13782, Jan. 19, 2016
Act No. 14075, Mar. 18, 2016
Act No. 14096, Mar. 22, 2016
Act No. 14130, Mar. 29, 2016
Act No. 14129, Mar. 29, 2016
Act No. 14242, May 29, 2016
Act No. 14458, Dec. 20, 2016

Act No. 14827, Apr. 18, 2017
Act No. 14817, Apr. 18, 2017
Act No. 15021, Oct. 31, 2017
Act No. 15022, Oct. 31, 2017
Act No. 15549, Mar. 27, 2018
Act No. 16191, Dec. 31, 2018
Act No. 16657, Nov. 26, 2019
Act No. 16859, Dec. 31, 2019
Act No. 16957, Feb. 4, 2020
Act No. 16958, Feb. 4, 2020
Act No. 16998, Feb. 11, 2020
Act No. 17112, Mar. 24, 2020
Act No. 17219, Apr. 7, 2020
Act No. 17295, May 19, 2020
Act No. 17805, Dec. 29, 2020
Act No. 17799, Dec. 29, 2020
Act No. 17764, Dec. 29, 2020
Act No. 17879, Jan. 5, 2021

PART I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to contribute to the development of the national economy by facilitating financial innovation and fair competition in the capital market, as well as protecting investors and fostering the development of the financial investment business, thereby heightening the fairness, reliability, and efficiency of the capital market.

Article 2 (Applicability to Activities Conducted Abroad)

Any activities conducted in a foreign country the effects of which extend to the territory of the Republic of Korea shall be governed by this Act.

Article 3 (Financial Investment Instruments)

(1) The term “financial investment instrument” in this Act means a right acquired by an agreement to pay money or any other thing with property value (hereinafter referred to as "money, etc.") at a specific point in the present or in the future, with intent to earn a profit or avoid a loss, where there is a risk (hereinafter

referred to as "investment risk") that the total amount of such money, etc., paid or payable, to acquire that right (excluding sums specified by Presidential Decree, such as sales commissions) may exceed the total amount of money, etc. already recovered or recoverable from such right (including sums specified by Presidential Decree, such as termination fees): Provided, That the following instruments shall be excluded herefrom: *<Amended on Jul. 25, 2011; May 28, 2013>*

1. Negotiable certificates of deposit denominated in KRW;

2. Beneficial interests in any of the following trusts which are not beneficiary certificate issued as provided for in Article 78 (1) of the Trust Act (excluding the acceptance of the property prescribed in Article 103 (1) 1 for trust, but including the exercise of the authority to dispose of the trust property pursuant to Articles 46 through 48 of the Trust Act by a trustee; hereinafter referred to as "managerial trust"):

(a) A trust where trust property can be disposed of only by the instruction of the trustor (including beneficiaries with the authority to dispose of trust property under a trust contract);

(b) A trust which permits an act of preserving trust property or an act of using or improving trust property to the extent not changing the nature of the trust property under a trust contract;

3. Other financial investment instruments prescribed by Presidential Decree as unlikely to undermine the protection of investors or sound trading practices, even if the relevant financial investment instruments are excluded from the financial investment instruments taking the characteristics of the relevant financial investment instruments into consideration.

(2) The financial investment instruments as defined in paragraph (1) are classified as follows:

1. Securities;

2. Derivatives:

(a) Exchange-traded derivatives;

(b) Over-the-counter derivatives.

Article 4 (Securities)

(1) The term "securities" in this Act means financial investment instruments issued by a Korean national or a foreigner, for which an investors does not owe any obligation to make any additional payment on any ground, in addition to the money, etc. that the investor paid at the time he or she acquires such instruments (excluding obligation of payment that the investor assumes by exercising a right to effectuate the trading of an underlying asset): Provided, That any of the following securities shall be deemed to be securities only for the purposes of Chapter 5 of Part II, Chapter 1 of Part III (including the part concerning the violation of obligation prescribed in Chapter 5 of Part II and Chapter 1 of Part III among the provisions of Parts VIII through X), Articles 178 and 179: *<Amended on May 28, 2013; Jul. 24, 2015>*

1. Investment contract securities;

2. Securities prescribed by Presidential Decree, taking into comprehensive account related issues, such as the possibility of circulation, the existence of any regulation under this Act or finance-related statutes

or regulations, etc. among equity securities, beneficiary certificates or depositary receipts.

(2) The securities as defined in paragraph (1) are classified as follows:

1. Debt securities;
2. Equity securities;
3. Beneficiary certificates;
4. Investment contract securities;
5. Derivatives-linked securities;
6. Depositary receipts.

(3) The term "debt securities" in this Act means state bonds, local government bonds, special purpose bonds (referring to bonds issued by a corporation established by direct operation of an Act; hereinafter the same shall apply), corporate bonds (limited to the bonds falling under paragraph (7) 1, if they fall under Article 469 (2) 3 of the Commercial Act; hereinafter the same shall apply), corporate commercial paper (referring to promissory notes issued by a company for raising funds required for its business, which shall meet the requirements prescribed by Presidential Decree; hereinafter the same shall apply), and other similar instruments, which bear the indication of a right to claim the payment. *<Amended on May 28, 2013>*

(4) The term "equity securities" in this Act means stock certificates, instruments representing a preemptive right to new stocks, investment securities issued by a corporation established by direct operation of a statute, equity shares in contribution to a limited partnership company, limited liability company, limited company, limited partnership, or undisclosed association established under the Commercial Act, equity shares in contribution to an association under the Civil Act, and other similar instruments, which bear the indication of equity shares in contribution or a right to acquire the equity shares. *<Amended on May 28, 2013>*

(5) The term "beneficiary certificates" in this Act means beneficiary certificates provided for in Article 110, beneficiary certificates provided for in Article 189, and other similar instruments, which bear the indication of a beneficial interest in a trust.

(6) The term "investment contract securities" in this Act means instruments bearing the indication of a contractual right under which a specific investor is entitled to the profits earned, or liable for losses sustained, depending upon the results of a joint venture in which the specific investor invests money, etc. jointly with a third person (including other investors; hereafter the same shall apply in this paragraph) and which is to be run mainly by the third person.

(7) The term "derivatives-linked securities" in this Act means instruments bearing the indication of a right under which money, etc. payable or recoverable shall be determined according to a predetermined formula linked to fluctuations in the price of any underlying assets, an interest rate, an indicator, a unit, an index based upon any of the aforementioned, or any other similar factor: Provided, That any of the following securities shall be excluded herefrom: *<Amended on May 28, 2013; Mar. 29, 2016; Apr. 18, 2017>*

1. Securities linked to fluctuations in the prices of the relevant underlying assets, an interest rate, an indicator, a unit, or an index based upon any of the aforementioned, or any other similar factor only in

respect of the interest on money, etc. paid by an investor simultaneously upon the issuance thereof and other proceeds;

2. Contractual rights prescribed in Article 5 (1) 2 (excluding financial investment instruments prescribed in the proviso, with the exception of the subparagraphs, of Article 5 (1));

3. Bonds issued by a stock-listed corporation pursuant to Article 165-11 (1) on the condition that they be converted to stocks or granted an exemption from the obligation to redeem such bonds and to pay interest thereon, if any trigger event occurs which has been pre-specified in accordance with objective and rational standards as at the time of issuance of such bonds;

3-2. Contingent capital securities subject to write-down, contingent capital securities subject to conversion to stocks of a bank, and contingent capital securities subject to conversion to stocks of a bank holding company as provided for in Article 33 (1) 2 through 4 of the Banking Act;

3-3. Contingent capital securities subject to write-down or convertible contingent capital securities under Article 15-2 (1) 2 or 3 of the Financial Holding Companies Act;

4. Bonds provided for in Articles 469 (2) 2, 513 and 516-2 of the Commercial Act;

5. Other financial investment instruments prescribed by Presidential Decree, which are similar to the financial investment instruments provided for in subparagraphs 1 through 3, 3-2, 3-3 and 4.

(8) The term "depositary receipts" in this Act means instruments issued by an entity with whom any of the securities referred to in paragraph (2) 1 through 5 are deposited, in a country other than the country where such securities were issued, which bear the indication of a right related to the deposited underlying securities.

(9) The rights that may or must be indicated on any of the securities referred to in the subparagraphs of paragraph (2) shall be deemed securities, although no certificate representing such rights is issued in a physical form.

(10) The term "underlying assets" in this Act means any of the following:

1. Financial investment instruments;

2. Currency (including any foreign currency);

3. Ordinary commodities (referring to agricultural products, livestock products, fisheries products, forestry products, mining products, energy, goods manufactured or processed with such products as raw materials, and other similar goods);

4. Credit risk (referring to a change in credit due to a change in the credit rating, bankruptcy, debt readjustment, etc. of a party or third party);

5. Other risk that is natural, environmental, or economic phenomena, which can be computed or assessed by price, interest, indicator, or unit in a reasonable and appropriate manner.

Article 5 (Derivatives)

(1) The term "derivatives" in this Act means any of the following contractual rights: Provided, That this shall not apply to financial investment instruments prescribed by Presidential Decree as appropriate to

regulate them as securities taking into consideration the possibility of circulation, parties to contracts, grounds for issuance, etc. of the relevant financial investment instruments: *<Amended on May 28, 2013>*

1. A contract in which it is agreed to deliver money, etc. at a certain point in the future, which shall be computed on the basis of underlying assets, the price of the underlying assets, an interest rate, an indicator, a unit, or an index based on any of the aforesaid factors;
2. A contract in which the parties agree to grant, by either party's unilateral expression of willingness, a right to effectuate a transaction of delivering and accepting money, etc., which shall be computed on the basis of underlying assets, the price of the underlying assets, an interest rate, an indicator, a unit, or an index based on any of the aforesaid factors;
3. A contract in which the parties agree to exchange money, etc. which shall be computed on the basis of underlying assets, the price of the underlying assets, an interest rate, an indicator, a unit, or an index based on any of the aforesaid factors, during a certain period in the future at a predetermined price;
4. A contract prescribed by Presidential Decree, which is similar to contracts referred to in subparagraphs 1 through 3.

(2) The term "exchange-traded derivatives" in this Act means any of the following derivatives: *<Amended on May 28, 2013>*

1. Derivatives traded in the domestic derivatives market;
2. Derivatives traded in an overseas derivatives market (referring to a market in a foreign country, which is similar to the domestic derivatives market and a market where foreign derivatives prescribed by Presidential Decree are traded);
3. Other derivatives traded in the financial investment instruments market in accordance with the standards and method determined by a person who has opened and operates the financial investment instruments market.

(3) The term "over-the-counter derivatives" in this Act means the derivatives that are not exchange-traded derivatives.

(4) The execution of a contract that falls within any of the subparagraphs of paragraph (1) which is not a sales contract, shall be deemed a sales contract for the purposes of this Act.

Article 6 (Financial Investment Business)

(1) The term "financial investment business" in this Act means any business specified below, which is an act conducted continuously or repeatedly for earning a profit:

1. Investment trading business;
2. Investment brokerage business;
3. Collective investment business;
4. Investment advisory business;
5. Discretionary investment business;

6. Trust business.

(2) The term "investment trading business" in this Act means the business of selling and purchasing financial investment instruments, issuing and underwriting securities, inviting offers, offering, and accepting offers for securities on its own account in whosever named.

(3) The term "investment brokerage business" means the business of selling and purchasing financial investment instruments, inducing brokerage thereof or inviting offers, offering and accepting offers for such instruments, or inviting offers, offering, and accepting offers for the issuance and underwriting of securities on the account of any other person in whosever named. *<Amended on May 28, 2013>*

(4) The term "collective investment business" in this Act means the business of making collective investments.

(5) The term "collective investment" in paragraph (4) means the business of investing the money, etc. pooled from at least two investors to acquire, dispose of, and manage by any other method investable assets with property value without receiving any ordinary management instruction from the investors, and distributing the yields therefrom to vest in the investors: Provided, That such collective investment shall not include the following: *<Amended on Amended on May 28, 2013; Mar. 27, 2018>*

1. Where money, etc. is pooled through private placement for management and distribution in accordance with the Acts specified by Presidential Decree, and the total number of investors specified by Presidential Decree is not greater than that prescribed by Presidential Decree;
2. Where money, etc. is pooled for management and distribution in accordance with an asset-backed securitization plan established under Article 3 of the Asset-Backed Securitization Act;
3. Any case prescribed by Presidential Decree, taking into account the nature of the activities, the need to protect investors, etc.

(6) Notwithstanding the main clause of paragraph (5), an act of acquiring, disposing of, and managing by any other method money, etc. entrusted by any of the following persons without receiving any ordinary management instruction from such person, and attributing the yields therefrom to such person, shall also be deemed collective investment: *<Newly Inserted on Mar. 27, 2018>*

1. A fund managing entity under Article 8 (1) of the National Finance Act (including any person prescribed by Presidential Decree, who is a foreign institution corresponding thereto);
2. The National Agricultural Cooperatives Federation established under the Agricultural Cooperatives Act;
3. The National Federation of Fisheries Cooperatives established under the Fisheries Cooperatives Act;
4. The National Credit Union Federation of Korea established under the Credit Unions Act;
5. The Korea Federation of Savings Bank established under the Mutual Savings Banks Act;
6. A forestry cooperative established under the Forestry Cooperatives Act;
7. The Korean Federation of Community Credit Cooperatives established under the Community Credit Cooperatives Act;

8. A postal service agency under the Postal Savings and Insurance Act;

9. An investment trust created by an insurance company under the former part of Article 251 (1);

10. A person prescribed by Presidential Decree from among the following corporations or organizations established under Acts:

(a) A mutual-aid association;

(b) A mutual benefit association;

(c) Any other corporation or organization similar to the abovementioned persons which has been organized for the purpose of facilitating the mutual assistance and promoting the welfare of its members engaged in the same workplace or occupational category or residing in the same region and conducts mutual aid business;

11. Any other organization, corporation, etc. that fulfills the requirements prescribed by Presidential Decree, such as efficient and transparent investment structure, management entity, etc., as those established by collecting money, etc. from at least two persons for the purpose of investing in financial investment instruments, etc. referred to in paragraph (7).

(7) The term "investment advisory business" in this Act means the business of providing advice on the values of financial investment instruments and other investable assets prescribed by Presidential Decree (hereinafter referred to as "financial investment instruments, etc.") or on the investment decisions (referring to decisions on the type, item, acquisition, disposition, methods of acquisition or disposition, quantity, price, timing, etc.; hereinafter the same shall apply) in financial investment instruments, etc. *<Amended on May 28, 2013; Mar. 27, 2018>*

(8) The term "discretionary investment business" in this Act means the business of acquiring, disposing of, and managing financial investment instruments, etc. classifying them for investors taking into account the financial standing, purposes of investment, etc. of the investors, with authorization from such investors for discretionary judgment, entirely or partially, over the financial investment instruments, etc. *<Amended on May 28, 2013; Mar. 27, 2018>*

(9) The term "trust business" in this Act means the business of dealing in trusts. *<Amended on Mar. 27, 2018>*

(10) The term "prime brokerage business" in this Act means the business of providing any of the following services for a hedge fund as defined in Article 9 (19) 2 and other investors prescribed by Presidential Decree (hereafter referred to as "hedge fund, etc." in this Article and Article 77-3) for efficient credit offering, management of collateral, etc. by linking them in a manner prescribed by Presidential Decree: *<Newly Inserted on May 28, 2013; Jul. 24, 2015; Mar. 27, 2018>*

1. Lending securities; or brokerage, mediation or agent services therefor;

2. Providing loans and other credit offering services;

3. Keeping or managing assets invested by the hedge fund, etc.;

4. Other services prescribed by Presidential Decree, as necessary to support the efficient business administration of the hedge fund, etc.

Article 7 (Exception of Financial Investment Business from Application)

(1) No business shall be deemed investment trading business when it issues its own securities: Provided, That this shall not apply to any of the following securities: *<Amended on May 28, 2013>*

1. Beneficiary certificates of an investment trust;
2. Derivatives-linked securities prescribed by Presidential Decree;
3. Securities issued under a contract prescribed by Presidential Decree or a deposit contract with investment risk as provided for in Article 77 (1);
4. Securities issued under an insurance contract with investment risk as provided for in Article 77 (2).

(2) No business shall be deemed investment brokerage business when an investment solicitor as defined in Article 51 (9) acts as an agent for recommending investments.

(3) No business shall be deemed investment advisory business when it provides advice through a periodical, publication, correspondence, broadcast or any other medium that is issued or transmitted to an unspecified number of people, and which is available to an unspecified number of people for purchase or receipt frequently.

(4) No business shall be deemed discretionary investment business when it is necessary for an investment broker to be authorized to make discretionary judgments, entirely or partially, over investments in financial investment instruments in the course of dealing with orders received from investors for trading, in cases prescribed by Presidential Decree.

(5) Neither trust business for secured bond under the Secured Bond Trust Act, nor copyright trust management business under the Copyright Act shall be deemed trust business. *<Amended on Apr. 22, 2009>*

(6) Except as provided in paragraphs (1) through (5), none of the following shall be deemed financial investment business prescribed in the subparagraphs of Article 6 (1), as prescribed by Presidential Decree: *<Amended on May 28, 2013; Jul. 24, 2015>*

1. Where an exchange as defined in Article 8-2 (2) establishes and operates a securities market or derivatives market;
2. Where it sells or buys financial investment instruments directly to or from an investment trader or through an investment broker;
3. Where a hedge fund investment business entity as defined in Article 9 (29) sells collective investment securities of a hedge fund as defined in Article 9 (19) 2 managed by it;
4. Where it is necessary to exclude the business from financial investment business in cases prescribed by Presidential Decree, taking into account the nature of its activities, the need to protect investors, etc.

Article 8 (Financial Investment Business Entities)

(1) The term "financial investment business entity" in this Act means an entity engaging in financial investment business referred to in each subparagraph of Article 6 (1) with authorization from, or a registration with, the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) The term "investment trader" in this Act means an entity engaging in investment trading business.

(3) The term "investment broker" in this Act means an entity engaging in investment brokerage business.

(4) The term "collective investment business entity" in this Act means a financial investment business entity engaging in collective investment business.

(5) The term "investment advisory business entity" in this Act means a financial investment business entity engaging in investment advisory business.

(6) The term "discretionary investment business entity" in this Act means a financial investment business entity engaging in discretionary investment business.

(7) The term "trust business entity" in this Act means a financial investment business entity engaging in trust business.

(8) The term "comprehensive financial investment business entity" in this Act means an entity designated by the Financial Services Commission under Article 77-2 from among investment traders or investment brokers. *<Newly Inserted on May 28, 2013>*

(9) The term "concurrently-run financial investment entity" in this Act means any of the following entities concurrently engaging in different types of financial investment business: *<Newly Inserted on Jul. 31, 2015; May 29, 2016>*

1. A bank as defined in Article 2 of the Banking Act (hereinafter referred to as "bank");
2. An insurance company as defined in Article 2 of the Insurance Business Act (hereinafter referred to as "insurance company");
3. Other financial institutions, etc. prescribed by Presidential Decree.

Article 8-2 (Financial Investment Instruments Market, etc.)

(1) The term "financial investment instruments market" in this Act means a market where securities or exchange-traded derivatives are traded.

(2) The term "exchange" in this Act means an entity that establishes a financial investment instruments market upon obtaining permission from the Financial Services Commission pursuant to Article 373-2 to promote the fair price formation and trading of securities and exchange-traded derivatives as well as stability and efficiency of other trades.

(3) The term "exchange market" in this Act means a financial investment instrument market established by an exchange.

(4) Exchange markets shall be classified as follows:

1. Securities market: A market established by an exchange for trading securities;
2. Derivatives market: A market established by an exchange for trading exchange-traded derivatives.

(5) The term "alternative trading system" in this Act means an investment trader or investment broker engaging in the trade of stock certificates listed on a securities market or any other securities prescribed by Presidential Decree (hereinafter referred to as "instruments for trade contract") or in the brokerage, mediation or agent service therefor (hereinafter referred to as "alternative trading services")

simultaneously with multiple number of persons as parties to the trade or as respective parties, by using an information and communications network or electronic data processing system, employing any of the following methods in deciding a trade price:

1. Competitive trading method (limited to where the trade volume of instruments for trade contract does not exceed the criteria prescribed by Presidential Decree;
2. Method of using trade prices established in a securities market established by the relevant exchange, if the instruments for trade contract are listed securities;
3. Other methods prescribed by Presidential Decree as means for forming fair trade prices and securing stability, efficiency, etc. of trade contracts.

Article 9 (Other Definitions)

(1) The term "major shareholder" in this Act, means a shareholder as defined in subparagraph 6 of Article 2 of the Act on Corporate Governance of Financial Companies. In such cases, "finance company" shall be deemed to be "corporation". *<Amended on Jul. 31, 2015>*

(2) The term "executive officer" in this Act means a director and an auditor.

(3) The term "outside director" in this Act means a director who does not engage in ordinary business affairs of a company, and is appointed pursuant to Article 17 of the Act on Corporate Governance of Financial Companies. *<Amended on Jul. 31, 2015>*

(4) The term "investment recommendation" in this Act means the act of making a recommendation to a specific investor to a contract for trading financial investment instruments, investment advisory services, discretionary investment services, or a trust (excluding a managerial trust contract and a trust contract with no investment risk). *<Amended on May 28, 2013>*

(5) The term "professional investor" in this Act means any of the following entities who has an ability to take risks accompanying an investment in light of expertise held in connection with financial investment instruments, the scale of assets owned, etc.: Provided, That when a professional investor prescribed by Presidential Decree gives written notice to a financial investment business entity of its intention to be treated as an ordinary investor, the financial investment business entity shall give consent to the professional investor, unless good cause exists, and the professional investor shall be treated as an ordinary investor if consent is given by the financial investment business entity: *<Amended on Feb. 3, 2009>*

1. The State;
2. The Bank of Korea;
3. Financial institutions specified by Presidential Decree;
4. Stock-listed corporations: Provided, That where a stock-listed corporation trades over-the-counter derivatives with a financial investment business entity, it shall be deemed a professional investor where it gives written notice to the financial investment business entity of its intention to be treated as a professional investor;

5. Other entities prescribed by Presidential Decree.

(6) The term "ordinary investor" in this Act means any investor other than professional investors.

(7) The term "public offering" in this Act means an invitation of at least 50 investors, as computed by a formula prescribed by Presidential Decree, to make offers to acquire newly issued securities.

(8) The term "private placement" in this Act means an invitation of people to acquire newly issued securities without placing them for public offering.

(9) The term "public sale" in this Act means an invitation of at least 50 investors, as computed by a formula prescribed by Presidential Decree, to make offers to sell or purchase securities already issued.

(10) The term "issuer" in this Act means an entity that has issued or intends to issue securities: Provided, That this term means an entity that has issued or intends to issue the securities that underlie depositary receipts in the context of issuing depositary receipts.

(11) The term "underwriting" in this Act means any of the following acts conducted with an intent to cause a third party to acquire securities, or public offering, private placement, or public sale of securities conducted on the premise of such acts for the issuer or seller of such securities: *<Amended on May 28, 2013>*

1. Acquiring all or some of such securities, or concluding a contract with the content to acquire all or some of such securities;
2. Concluding a contract with the content to acquire remaining balance of all or some of such securities, if no one acquires them.

(12) The term "underwriter" in this Act means an entity that underwrites securities in cases of public offering, private placement, or public sale of the securities. *<Amended on May 28, 2013>*

(13) The term "intermediary" in this Act means a person engaged in the public offering, private placement, or sale of the relevant securities, other than acts prescribed in paragraph (11), for the issuer or seller of such securities, or who share directly or indirectly the responsibilities of public offering, private placement, or sale of securities. *<Amended on May 28, 2013>*

(14) The term "seller" in this Act means an owner of securities who has sold, or intends to sell, securities by himself or herself or through underwriters or intermediaries. *<Amended on May 28, 2013>*

(15) The terms "listed corporation," "unlisted corporation," "stock-listed corporation" and "stock-unlisted corporation" in this Act refer to the following entities respectively: *<Amended on Feb. 3, 2009>*

1. A listed corporation: A corporation that has issued securities listed on the securities market (hereinafter referred to as "listed securities");
2. An unlisted corporation: Any corporation other than listed corporations;
3. A stock-listed corporation: Any of the following corporations:
   (a) A corporation that has issued stock certificates listed on the securities market;
   (b) Where depositary receipts that are related to stock certificates are listed on the securities market, a corporation that has issued the stock certificates;
4. A stock-unlisted corporation: Any corporation other than stock-listed corporations.

(16) The term "foreign corporation, etc." in this Act means any of the following entities:

1. A foreign government;

2. A foreign local government;

3. A foreign public institution;

4. A foreign company established pursuant to statutes or regulations of a foreign country;

5. An international organizations specified by Presidential Decree;

6. An entity specified by Presidential Decree among other corporations, etc. in foreign countries.

(17) The term "institutions related to financial investment business" in this Act means the following entities: *<Amended on Feb. 3, 2009; Apr. 5, 2013; May 28, 2013>*

1. Korea Financial Investment Association established pursuant to Article 283 (hereinafter referred to as the "Association");

2. Korea Securities Depository established pursuant to Article 294 (hereinafter referred to as the "Securities Depository");

2-2. An entity that has obtained authorization under Article 323-3 (hereinafter referred to as "central counterparty");

3. An entity that has obtained authorization under Article 324 (1) (hereinafter referred to as "securities finance company");

3-2. An entity that has obtained authorization under Article 335-3 (hereinafter referred to as "credit rating company");

4. A merchant bank provided for in Article 336;

5. An entity that has obtained under Article 355 (1) (hereinafter referred to as "fund brokerage company");

6. An entity that has obtained under Article 360 (1) (hereinafter referred to as "short-term finance company");

7. An entity registered under Article 365 (1) (hereinafter referred to as "transfer agent");

8. An organization related to financial investments, established pursuant to Article 370.

(18) The term "collective investment scheme" in this Act means any of the following schemes established for making collective investments: *<Amended on May 28, 2013>*

1. A collective investment scheme in the form of a trust, in which a trustor, who is a collective investment business entity, requires a trust business entity to invest and manage the property entrusted to the trust business entity in accordance with instructions by the collective investment business entity (hereinafter referred to as "investment trust");

2. A collective investment scheme in the form of a stock company incorporated under the Commercial Act (hereinafter referred to as "investment company");

3. A collective investment scheme in the form of a limited company incorporated under the Commercial Act (hereinafter referred to as "investment limited company");

4. A collective investment scheme in the form of a limited partnership company incorporated under the Commercial Act (hereinafter referred to as "investment limited partnership company");

4-2. A collective investment scheme in the form of a limited liability company incorporated under the Commercial Act (hereinafter referred to as "investment limited liability company");

5. A collective investment scheme in the form of a limited partnership incorporated under the Commercial Act (hereinafter referred to as "investment limited partnership");

6. A collective investment scheme in the form of an undisclosed association incorporated under the Commercial Act (hereinafter referred to as "undisclosed investment association");

7. Deleted; <*Jul. 24, 2015*>

(19) The term "privately placed fund" in this Act means a collective investment scheme that issues collective investment securities only through private placement, in which the total number of the investors specified by Presidential Decree shall be not exceed the number prescribed by Presidential Decree, and is classified as follows: <*Amended on Jul. 24, 2015*>

1. A privately placed fund which is an investment limited partnership company that invests in and manages equity securities, etc. to participate in the management right or to improve the business structure or governance structure (hereinafter referred to as "private equity fund");

2. A privately placed fund (hereinafter referred to as "hedge fund"), except private equity funds.

(20) The term "collective investment property" in this Act means the property of a collective investment scheme, which means the property of an investment trust, the property of an investment company, the property of an investment limited company, the property of an investment limited partnership company, the property of an investment limited liability company, the property of an investment limited partnership, or the property of an undisclosed investment association. <*Amended on May 28, 2013*>

(21) The term "collective investment securities" in this Act means instruments on which the equity shares in a collective investment scheme (referring to the beneficial interest in the case of an investment trust) are indicated.

(22) The term "collective investment agreement" in this Act means an agreement that provides for the organization and management of a collective investment scheme, and the rights and duties of investors therein, which means the trust contract of an investment trust, the articles of incorporation of an investment company, an investment limited company, an investment limited partnership company, or an investment limited liability company, or the partnership agreement of an investment limited partnership or the association agreement of an undisclosed investment association. <*Amended on May 28, 2013*>

(23) The term "general meeting of collective investors" in this Act means a decision-making body comprised of all investors in a collective investment scheme, which means the general meeting of beneficiaries, the general meeting of shareholders, the general meeting of members, or the general meeting of undisclosed members.

(24) The term "trust" in this Act means a trust as defined in Article 2 of the Trust Act. <*Amended on Jul. 25, 2011*>

(25) The term "central counterparty clearing business" in this Act means a business of bearing obligations incurred by a financial investment entity and a person prescribed by Presidential Decree (hereinafter referred to as "business entity subject to clearing") in trading a financial investment instrument prescribed by Presidential Decree (hereinafter referred to as "trade subject to clearing"), through assumption of the obligations, novation, or through an analogous legally binding arrangement. *<Newly Inserted on Apr. 5, 2013>*

(26) The term "credit rating business" in this Act means the business of assessing credit standing (hereinafter referred to as "credit assessment") of the following entities, and assigning a credit rating represented by symbols, numbers, etc. (hereinafter referred to as "credit rating"), and providing such credit rating to the issuer, underwriter, investors, and other interested persons, or allowing them to inspect such credit rating: *<Newly Inserted on May 28, 2013>*

1. Financial investment instruments;
2. Enterprises, collective investment schemes, and other entities prescribed by Presidential Decree.

(27) The term "crowdfunding broker" in this Act means an investment broker engaging in the online brokerage of public offering or sale of debt securities, equity securities and investment contract securities issued by the following persons, on another person's account in whosever named by the method prescribed by Presidential Decree (hereinafter referred to as "crowdfunding brokerage"): *<Newly Inserted on Jul. 24, 2015>*

1. A person prescribed by Presidential Decree from among business starters as defined in subparagraph 2 of Article 2 of the Support for Small and Medium Enterprise Establishment Act;
2. Any other person who meets the requirements prescribed by Presidential Decree.

(28) The term "hedge fund investment business" in this Act means the business of making collective investments through hedge funds among the collective investment business. *<Newly Inserted on Jul. 24, 2015>*

(29) The term "hedge fund investment business entity" in this Act means a collective investment business entity engaging in hedge fund investment business. *<Newly Inserted on Jul. 24, 2015>*

Article 10 (Relationship to Other Statutes)

(1) Except as otherwise provided in other statutes, all financial investment businesses shall be governed by the provisions of this Act.

(2) Article 246 of the Criminal Act shall not apply to a financial investment business entity in the carrying out of its financial investment business activities.

(3) Article 6-2 of the Issuance and Distribution of Electronic Bills Act shall not apply to cases where corporate commercial papers are issued. *<Newly Inserted on Mar. 12, 2010>*

PART II FINANCIAL INVESTMENT BUSINESSES

CHAPTER I AUTHORIZATION AND REGISTRATION OF FINANCIAL INVESTMENT BUSINESSES

SECTION 1 Requirements and Procedures for Authorization

Article 11 (Prohibition against Business Activities without Authorization)

No one shall engage in financial investment business (excluding investment advisory business, discretionary investment business and hedge fund investment business; hereafter the same shall apply in this Section) without authorization (including authorization for changes) required to engage in such financial investment business under this Act. *<Amended on Jul. 24, 2015>*

Article 12 (Authorization for Financial Investment Business)

(1) An entity that wishes to engage in financial investment business shall select all or any part of its business units defined by Presidential Decree (hereinafter referred to as "authorized business unit"), by specifying the following constituents, and shall obtain authorization for each financial investment business from the Financial Services Commission: *<Amended on Feb. 29, 2008>*

1. The type of financial investment business (referring to investment trading business, investment brokerage business, collective investment business, and trust business, and also including underwriting business in the category of the investment trading business);

2. The range (referring to securities, exchange-traded derivatives, and over-the-counter derivatives, including state bonds, corporate bonds, and other instruments specified by Presidential Decree in the category of securities, and also including derivatives based on underlying assets of stocks and other instruments specified by Presidential Decree in the category of derivatives) of financial investment instruments (referring to the types of collective investment schemes classified under Article 229 in cases of collective investment business, or referring to the trust property specified in the subparagraphs of Article 103 (1) in cases of trust business);

3. The types of investors (referring to the classification of professional investors and ordinary investors; hereinafter the same shall apply).

(2) An entity that wishes to obtain authorization to engage in financial investment business under paragraph (1) shall satisfy each of the following requirements: *<Amended on Mar. 12, 2010; May 28, 2013; Jul. 31, 2015>*

1. The entity shall be either of:

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

(b) A foreign financial investment business entity (referring to an entity that engages in any business equivalent to financial investment business in a foreign country in accordance with the statutes of the

foreign country), which has established a branch office or any other business office necessary for conducting financial investment business corresponding to the business it currently runs in the foreign country;

2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 500 million won for each authorized business unit;

3. Its business plan shall be feasible and sound;

4. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect investors and conduct the financial investment business in which it intends to engage;

5. None of its executive officers shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

6. Its major shareholders or the foreign financial investment business entity shall meet the following requirements:

(a) In cases falling under subparagraph 1 (a), its major shareholders (including shareholders who are affiliated persons of the largest shareholder; where the largest shareholder is a corporation, a person specified by Presidential Decree, exercising de facto control over the matters material to the management of the corporation, shall be included herein) shall have sufficient investment capabilities, good financial standing and social credibility;

(b) In cases falling under subparagraph 1 (b), the foreign financial investment business entity shall have sufficient investment capabilities, good financial standing and social credibility;

6-2. It shall have good financial standing and social credibility prescribed by Presidential Decree;

7. It shall have a system for preventing conflicts of interest between the financial investment business entity and investors, as well as between a specific investor and other investors.

(3) Further details necessary for fulfilling requirements for authorization under paragraph (2) shall be prescribed by Presidential Decree.

Article 13 (Application for Authorization and Examination)

(1) An entity that wishes to obtain authorization for a financial investment business under Article 12 (1) shall file an application for authorization with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission shall, within three months of receiving an application filed in accordance with paragraph (1) (or within one month where a preliminary authorization has been granted pursuant to Article 14), examine the application to determine whether authorization for financial investment business shall be granted, and shall notify the applicant in writing of its decision and the grounds therefor, without delay. In such cases, the Commission may demand that the applicant make a supplementary correction, if any deficiency exists in the application for authorization. *<Amended on Feb. 29, 2008>*

(3) In calculating the examination period provided under paragraph (2) and the latter part of paragraph (5), the duration for making a supplementary correction of a deficiency in the application for authorization, or other duration specified by Ordinance of the Prime Minister shall not be included in the examination time period. *<Amended on Feb. 29, 2008; May 28, 2013>*

(4) The Financial Services Commission may, where granting authorization for financial investment business pursuant to paragraph (2), attach conditions as may be necessary for ensuring soundness in management and protecting investors. *<Amended on Feb. 29, 2008>*

(5) An entity that has obtained authorization for a financial investment business with conditions attached thereto pursuant to paragraph (4) may file an application for revocation of, or revision to, such conditions with the Financial Services Commission, if any change in circumstances or any other justifiable ground occurs. In such cases, the Financial Services Commission shall render a decision within two months on whether to revoke or revise the attached conditions, and shall notify the applicant in writing of its decision without delay. *<Amended on Feb. 29, 2008>*

(6) The Financial Services Commission shall, whenever it grants authorization for a financial investment business pursuant to paragraph (2), or revokes or revises the conditions attached to such authorization pursuant to paragraph (5), make a public announcement of the following matters on the Official Gazette, its website, or any other medium: *<Amended on Feb. 29, 2008>*

1. The contents of authorization for the financial investment business;
2. The conditions attached to authorization for the financial investment business (limited to cases where such conditions are attached thereto);
3. If the conditions attached to authorization for the financial investment business are revoked or revised, the details thereof (limited to cases where such conditions have been revoked or revised).

(7) Matters concerning an application for authorization, or revocation or revision of conditions, such as the mandatory descriptions in the application for authorization, or for revocation or revision of the conditions, and its accompanying documents under paragraphs (1) through (6), and method and procedure of examination, and other necessary matters shall be prescribed by Presidential Decree. *<Amended on May 28, 2013>*

Article 14 (Preliminary Authorization)

(1) An entity that wishes to obtain authorization for a financial investment business under Article 12 (hereafter in this Article referred to as "final authorization") may file an advance application for a preliminary authorization with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission, within two months of receiving an application for preliminary authorization, shall examine the application to determine whether the applicant meets the requirements provided for in the subparagraphs of Article 12 (2) and thereby determine whether to grant the preliminary authorization; and shall promptly notify the applicant in writing of its decision and the grounds therefor. In such cases, the Commission may demand that the applicant cure any defect in the application for

preliminary authorization. *<Amended on Feb. 29, 2008>*

(3) In calculating the examination time period provided for in paragraph (2), the duration for curing any defect in the application for preliminary authorization, or other duration specified by Ordinance of the Prime Minister shall not be included in the examination time period. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission may, when granting a preliminary authorization pursuant to paragraph (2), attach conditions as may be necessary for ensuring soundness in management and protecting investors. *<Amended on Feb. 29, 2008>*

(5) The Financial Services Commission shall, upon receipt of an application for final authorization from an entity to whom a preliminary authorization has been granted, verify whether the applicant has fulfilled the conditions attached to the preliminary authorization under paragraph (4); and whether the applicant meets all the requirements provided for in the subparagraphs of Article 12 (2) in order to determine whether to grant the final authorization. *<Amended on Feb. 29, 2008>*

(6) Matters concerning an application for preliminary authorization under paragraphs (1) through (5), including mandatory descriptions in the application and its accompanying documents, and other necessary matters, including the method and procedure for preliminary authorization, shall be prescribed by Presidential Decree.

Article 15 (Meeting with Requirements for Authorization)

Each financial investment business entity shall continue to meet the requirements for authorization provided for in the subparagraphs of Article 12 (2) (excluding Article 12 (2) 6 (a) and 6-2, referring to the relaxed requirements prescribed by Presidential Decree in the case of subparagraph 12 (2) 2 and 6 (b)), while engaging in financial investment business with authorization granted under Article 12. *<Amended on Mar. 12, 2010; Jul. 31, 2015>*

Article 16 (Addition of Business Activities and Revision to Authorization)

(1) Each financial investment business entity shall, whenever it wishes to engage in financial investment business for any other business units subject to authorization in addition to the business unit already authorized pursuant to Article 12, obtain authorization on changes from the Financial Services Commission in accordance with Articles 12 and 13. In such cases, Article 14 shall apply. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(2) In granting authorization on changes pursuant to paragraph (1), the mitigated requirements prescribed by Presidential Decree shall apply to the requirements for authorization of Article 12 (2) 6, notwithstanding the provisions of the said subparagraph. *<Newly Inserted on Mar. 12, 2010>*

SECTION 2 Requirements and Procedure for Registration

Article 17 (Prohibition against Unregistered Business Activities)

No one may engage in investment advisory business or discretionary investment business, without registration (including registration of revision) for the financial investment business under this Act.

Article 18 (Registration of Investment Advisory Business or Discretionary Investment Business)

(1) An entity that wishes to engage in investment advisory business or discretionary investment business shall select all or part of the business units defined by Presidential Decree (hereinafter referred to as "registered business units"), specifying the following constituents, and shall apply for registration of each financial investment business with the Financial Services Commission: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Investment advisory business or discretionary investment business;
2. The range of financial investment instruments (referring to securities, exchange-traded derivatives, over-the-counter derivatives, and other investable assets prescribed by Presidential Decree);
3. The types of investors.

(2) An entity that wishes to apply for registration of financial investment business under paragraph (1) shall satisfy each of the following requirements: *<Amended on Mar. 12, 2010; Aug. 4, 2011; May 28, 2013; Jul. 31, 2015>*

1. The entity shall be any of the following: Provided, That this shall not apply to any foreign investment advisory business entity (referring to an entity that engages in any business equivalent to investment advisory business in a foreign country in accordance with the statutes or regulations of the foreign country; hereinafter the same shall apply) or a foreign discretionary investment business entity (referring to an entity that engages in any business equivalent to discretionary investment business in a foreign country in accordance with the statutes of the foreign country; hereinafter the same shall apply) who runs business directly for those living in Korea in a foreign country or who runs investment advisory business or discretionary investment business, via any means of telecommunications:
   (a) A stock company incorporated under the Commercial Act or a financial institution prescribed by Presidential Decree;
   (b) A foreign investment advisory business entity that has established a branch office or any other business office necessary for conducting investment advisory business;
   (c) A foreign discretionary investment business entity that has established a branch office or any other business office necessary for conducting discretionary investment business;
2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 100 million won for each registered business unit;
3. It shall retain professional advisors for investment recommendation (referring to the investment advisors as defined in Article 286 (1) 3 (a); hereinafter the same shall apply) or fund managers (referring to the fund managers as defined in Article 286 (1) 3 (c); hereinafter the same shall apply) according to the following classification. In such cases, any entity specified in the proviso of

subparagraph 1 above shall be deemed to have met all of the relevant requirements, if it retains human resources equivalent to professional advisors for investment recommendation or fund managers in its own country, at least in the number of persons specified in each of the following:

(a) An investment advisory business entity shall retain professional advisors for investment recommendation, in at least the number prescribed by Presidential Decree;

(b) A discretionary investment business entity shall retain fund managers, in at least the number prescribed by Presidential Decree;

4. None of its executive officers shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

5. Its major shareholders or the foreign investment advisory business entity or foreign discretionary investment business entity shall meet the following requirements:

(a) In cases of subparagraph 1 (a), the major shareholders (referring to the major shareholders as defined in Article 12 (2) 6 (a)) shall have good social credibility prescribed by Presidential Decree;

(b) In cases of the proviso of subparagraph 1 above and items (b) and (c) of the same subparagraph, the foreign investment advisory business entity or foreign discretionary investment business entity shall have good social credibility prescribed by Presidential Decree;

5-2. It shall have good financial standing and social credibility prescribed by Presidential Decree;

6. It shall have a system for preventing conflicts of interest between the financial investment business entity and investors, as well as between a specific investor and other investors, in compliance with the requirements prescribed by Presidential Decree.

Article 19 (Application for Registration)

(1) An entity that wishes to be registered to engage in financial investment business under Article 18, shall file an application for registration with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) Upon receipt of an application for registration filed under paragraph (1), the Financial Services Commission shall examine the contents of the application; determine whether to approve the registration of financial investment business within two months, and give written notice of its determination and the grounds for such determination to the applicant without delay. In this case, the Financial Services Commission may request that the applicant correct his or her application for registration, if such application is incomplete. *<Amended on Feb. 29, 2008>*

(3) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (2). *<Amended on Feb. 29, 2008>*

(4) In determining whether to approve a registration of financial investment business under paragraph (2), the Financial Services Commission shall not reject the registration, unless any of the following grounds exists: *<Amended on Feb. 29, 2008>*

1. Where the applicant fails to meet any of the requirements for registration of financial investment business provided for in Article 18 (2);

2. If the application for registration filed under paragraph (1) contains false information;

3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (2).

(5) Upon having determined to approve a registration of financial investment business under paragraph (2), the Financial Services Commission shall enter the necessary matters in the register of investment advisory business entities or in the register of discretionary investment business entities and shall make a public announcement of the details of such registration on the Official Gazette, its website, etc. <*Amended on Feb. 29, 2008*>

(6) Matters concerning filing applications for registration under paragraphs (1) through (5), including mandatory descriptions, accompanying documents, and the method and procedure for the examination of applications, other necessary matters, shall be prescribed by Presidential Decree.

Article 20 (Maintenance of Requirements for Registration)

Each investment advisory business entity or discretionary investment business entity shall continue to meet the requirements of the subparagraphs of Article 18 (2) (excluding subparagraph 5-2 of the same paragraph of the same Article and, in cases of subparagraphs 2 and 5 of the same paragraph, referring to the mitigated requirements pursuant to Presidential Decree), while carrying out financial investment business after registration. <*Amended on Mar. 12, 2010*>

Article 21 (Addition of Business Activities and Revision to Registration)

(1) Each financial investment business entity shall, whenever it wishes to add another business unit subject to registration to the business unit already registered pursuant to Article 18 while carrying out the financial investment business, make a revised registration with the Financial Services Commission in accordance with Articles 18 and 19. <*Amended on Feb. 29, 2008*>

(2) In making a revised registration pursuant to paragraph (1), the mitigated requirements prescribed by Presidential Decree shall apply to requirements for registration under Article 18 (2) 5, notwithstanding the provisions of the said subparagraph. <*Newly Inserted on Mar. 12, 2010*>

CHAPTER II GOVERNANCE OF FINANCIAL INVESTMENT BUSINESS ENTITY

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

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

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

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

Article 26 Deleted. <*Jul. 31, 2015*>

Article 27 Deleted. <*Jul. 31, 2015*>

Article 28 Deleted. <*Jul. 31, 2015*>

Article 28-2 (Person in Charge of Derivatives Business)

(1) A financial investment business entity prescribed by Presidential Decree, taking into account the size of assets, types of financial investment business, etc. (including a concurrently-run financial investment entity) shall appoint at least one person to take charge of derivatives business prescribed by Presidential Decree as a full-time executive officer (including persons referred to in the subparagraphs of Article 401-2 (1) of the Commercial Act). <*Amended on Jul. 31, 2015; Mar. 29, 2016*>

(2) A person in charge of derivatives business referred to in paragraph (1) shall perform the following duties:

1. Management and supervision of the establishment and implementation of procedures and standards necessary to protect investors in derivatives;
2. Approval of transactions of over-the-counter derivatives;
3. Other duties prescribed by Presidential Decree.

Article 29 Deleted. <*Jul. 31, 2015*>

CHAPTER III MAINTENANCE OF SOUND BUSINESS MANAGEMENT

SECTION 1 Supervision over Soundness in Business Management

Article 30 (Maintenance of Financial Soundness)

(1) A financial investment business entity (excluding concurrently-run financial investment entities and other financial investment business entities specified by Presidential Decree; hereafter the same shall apply in this Article) shall maintain the enumerated amounts, calculated by subtracting the sum of subparagraph 2 from the sum of subparagraph 1 (hereinafter referred to as "net operating capital"), to the level of the amount equivalent to or more than the aggregate of the risks inherent to the assets and

liabilities of the financial investment business entity and accompanying its business, as converted into a monetary value (hereinafter referred to as "gross risks"): *<Amended on Feb. 29, 2008>*

1. Capital, reserves, and other amount prescribed by Ordinance of the Prime Minister;
2. Fixed assets and assets specified by Ordinance of the Prime Minister, which cannot be made liquid in a short term.

(2) Further specific guidelines and formula for calculation of the net operating capital and gross risks provided for in paragraph (1) shall be prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(3) A financial investment business entity shall file a written report stating the amount calculated by subtracting gross risks from net operating capital as of the end of each quarter with the Financial Services Commission within the period specified by Presidential Decree, not exceeding 45 days from the end of that quarter, and keep it in its head office, branch offices, and other business offices for three months from the deadline for reporting, and disclose it to the public on its website, etc. *<Amended on Feb. 29, 2008>*

Article 31 (Guidelines for Soundness in Business Management)

(1) A financial investment business entity (excluding concurrently-run financial investment entities; hereafter the same shall apply in this Section) shall comply with guidelines for soundness in business management prescribed and publicly notified by the Financial Services Commission, in relation to the following matters to maintain soundness in its business management, and shall establish and implement a system appropriate for such compliance: *<Amended on Feb. 29, 2008>*

1. Capital adequacy ratio and other matters concerning capital adequacy;
2. Matters concerning the soundness of assets;
3. Matters concerning liquidity;
4. Other matters prescribed by Presidential Decree as necessary to ensure soundness in business management.

(2) In establishing guidelines for soundness in business management pursuant to paragraph (1), the Financial Services Commission may prescribe different guidelines applicable to each financial investment business, considering the type, etc. of financial investment business run by each business entity. *<Amended on Feb. 29, 2008>*

(3) The Financial Services Commission may evaluate the actual status of business management and risks to secure the soundness in business management of each financial investment business entity: Provided, That the Financial Service commission must conduct evaluations of financial investment business entities prescribed by Presidential Decree, taking into account the size of assets, etc. *<Amended on Feb. 29, 2008; Feb 3, 2009>*

(4) If a financial investment business entity fails to meet any of the guidelines prescribed under paragraphs (1) and (2) or violates Article 30 (1) or (2), the Financial Services Commission may order the financial investment business entity to take measures necessary to secure soundness in its business management,

such as increasing its capital and placing a restriction on the distribution of dividends. *<Amended on Feb. 29, 2008>*

Article 32 (Accounting)

(1) A financial investment business entity shall comply with the following in its accounting treatment: *<Amended on Feb. 29, 2008; Feb. 3, 2009; Oct. 31, 2017>*

1. The fiscal year shall be the term prescribed by Ordinance of the Prime Minister for each type of financial investment business;
2. The proprietary property of the financial investment business entity, trust property, and other property of investors prescribed by Ordinance of the Prime Minister shall be clearly separated in accounting treatment;
3. The financial investment business entity shall comply with the accounting standards for financial investment business entities and the accounting standards the Financial Services Commission prescribes and publicly notifies pursuant to Article 5 of the Act on External Audit of Stock Companies, Etc. by resolution by the Securities and Futures Commission.

(2) Matters not provided for in paragraph (1) in relation to the accounting treatment of the proprietary property of a financial investment business entity, types of account titles and order of arrangement, and other necessary matters, shall be prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

Article 33 (Business Report and Public Disclosure)

(1) A financial investment business entity shall prepare business reports for three, six, nine, and twelve months respectively from the commencement date of each business year, and shall submit them to the Financial Services Commission within the period prescribed by Presidential Decree, not exceeding 45 days after the lapse of each relevant term as specified above. *<Amended on Feb. 29, 2008>*

(2) A financial investment business entity shall keep a summary of the business reports submitted under paragraph (1) containing the material facts of each business report for public disclosure, in the head office, branch offices, and sales offices for one year from the date the report is submitted to the Financial Services Commission, and shall also disclose it to the public through its website, etc. *<Amended on Feb. 29, 2008>*

(3) In the event that anything that is likely to produce a significant impact on the business management status of a financial investment business entity, such as occurrence of any massive financial scandal or non-performing receivables, as prescribed by Presidential Decree for each type of financial investment business, the financial investment business entity shall report it to the Financial Services Commission, and shall disclose it to the public through its website, etc. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(4) A financial investment business entity shall submit reports indicating monthly business affairs in addition to business reports under paragraph (1) to the financial Services Commission by the end of the next month. *<Newly Inserted on Feb. 3, 2009>*

(5) Matters concerning the business reports submitted under paragraph (1), the descriptions contained in the document for public disclosure under paragraph (2), and the public notice of the business management status under paragraph (3), the reports submitted under paragraph (4) and other necessary matters shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

SECTION 2 Restrictions on Trading with Major Shareholders

Article 34 (Restriction on Trading with Major Shareholders)

(1) No financial investment business entity (excluding concurrently-run financial investment entities; hereafter the same shall apply in this Section) shall engage in any of the following activities: Provided, That this shall not apply where it is necessary to exercise a right, such as a security right, where manipulation for stabilization is conducted under Article 176 (3) 1 or a market is created under Article 176 (3) 2, or in circumstances prescribed by Presidential Decree for efficient financial investment business, to the extent that it does not undermine the soundness of the financial investment business entity. In such cases, the Financial Services Commission may prescribe and publicly notify the holding period for each of the following: *<Amended on Feb. 3, 2009>*

1. Owning securities issued by a major shareholder of the financial investment business entity;
2. Owning stocks, bonds, or promissory notes (limited to those issued by an enterprise to raise funds required for its business) issued by a person specified by Presidential Decree from among the affiliated persons (excluding major shareholders of the financial investment business entity) of the financial investment business entity: Provided, That this shall not apply where such stocks, bonds, or promissory notes are owned within the ratio prescribed by Presidential Decree;
3. Any activity prescribed by Presidential Decree, which is likely to undermine the sound management of the assets of the financial investment business entity.

(2) No financial investment business entity shall grant credit (referring to lending an asset having economic value, such as money and securities, guaranteeing the performance of an obligation, purchasing securities with a intent to provide financial support, or any trading specified by Presidential Decree, which is direct or indirect trading accompanying credit risk; hereafter the same shall apply in this Section) to any of its major shareholders (including their affiliated persons; hereafter the same shall apply in this Article), and no major shareholder shall receive any credit grant from the financial investment business entity: Provided, That such credit grant may be permitted where granting credit to a major shareholder falls under any of the following cases: *<Amended on Dec. 29, 2020>*

1. Granting credit to an executive officer within the limit of the smaller of either his or her annual salary (referring to the salary paid by the financial investment business entity during his or her period of service, which is subject to income tax), or an amount prescribed by Presidential Decree;
2. Granting credit to an overseas local subsidiary, at least 50/100 of the total number of issued stocks or the total amount of investment of which is held or invested by the financial investment business entity

or whose management is under the de facto control of the financial investment business entity in accordance with the standards prescribed by Presidential Decree;

3. Granting credit as prescribed by Presidential Decree, which is unlikely to undermine the soundness of the financial investment business entity.

(3) Where a financial investment business entity intends to engage in any of the acts provided for in the provisos to paragraph (1) 2 or (2) (excluding any act prescribed by Presidential Decree), it shall refer the case, in advance, to the board of directors for resolution. In such cases, the board of directors shall pass a resolution with the affirmative vote of all incumbent directors.

(4) A financial investment business entity that has engaged in any act prescribed in the proviso of paragraph (1) 2 or paragraph (2) (excluding any act prescribed by Presidential Decree) shall report it to the Financial Services Commission without delay, and shall disclose it to the public on its website, etc. *<Amended on Feb. 29, 2008>*

(5) Each financial investment business entity shall prepare a comprehensive report for each quarter on the matters specified by Presidential Decree among the matters to be reported under paragraph (4), submit it to the Financial Services Commission, and disclose it to the public on its website, etc. *<Amended on Feb. 29, 2008>*

(6) Where the Financial Services Commission suspects that a financial investment business entity or its major shareholder has violated any provisions of paragraphs (1) through (5), it may order the financial investment business entity or its major shareholders to submit materials as may be necessary. *<Amended on Feb. 29, 2008>*

(7) Where the soundness in business management of a financial investment business entity is likely to be significantly undermined due to its weak financial structure because the liabilities of a major shareholder (limited to a company) of the financial investment business entity exceed its assets, or any other cause, in any circumstance specified further by Presidential Decree, the Financial Services Commission may impose a restriction on the financial investment business entity in connection with any new acquisition of securities issued by the major shareholder and any credit grant under the proviso of paragraph (2). *<Amended on Feb. 29, 2008>*

Article 35 (Prohibition on Exercise of Undue Influence by Major Shareholders)

No major shareholder (including his or her affiliated persons; hereafter the same shall apply in this Article and Article 36) of a financial investment business entity shall engage in any of the following acts for the purposes of pursuing his or her own interest in conflict with the interest of the financial investment business entity: *<Amended on Jul. 31, 2015>*

1. Requesting the financial investment business entity to furnish him or her with any non-public data or information for the purposes of exercising undue influence: Provided, That the cases that fall within the exercise of a right under Article 33 (6) of the Act on Corporate Governance of Financial Companies or Article 466 of the Commercial Act shall be excluded herefrom;

2. Exercising undue influence over the personnel affairs or business management of the financial investment business entity in collusion with other shareholders on condition that any benefit, such as an economic benefit, is provided;

3. Any other acts specified by Presidential Decree, equivalent to those specified in subparagraphs 1 and 2.

Article 36 (Order of Financial Services Commission to Submit Materials)

The Financial Services Commission may, if it suspects that a major shareholder of any financial investment business entity has violated Article 35, order the financial investment business entity or its major shareholders to submit materials as may be necessary. *<Amended on Feb. 29, 2008>*

CHAPTER IV BUSINESS CONDUCT RULES

SECTION 1 Common Rules of Business Conduct

Subsection 1 Duty of Good Faith

Article 37 (Duty of Good Faith)

(1) A financial investment business entity shall engage in the financial investment business in a fair manner in accordance with the duty of good faith.

(2) No financial investment business entity shall, while performing the financial investment business, pursue its own self-interest, or help a third party pursue his or her self-interest, by undermining the interests of its investors without good cause.

Article 38 (Trade Names)

(1) No person, other than a financial investment business entity, may use the word "financial investment" or any word in a foreign language with the same meaning, as specified by Presidential Decree, in his or her trade name. *<Newly Inserted on Feb. 3, 2009>*

(2) No person, other than a person who engages in investment trading business or investment brokerage business for securities, may use the word "securities" or any word in a foreign language with the same meaning, as specified further by Presidential Decree, in his or her trade name: Provided, That a collective securities investment scheme under subparagraph 1 of Article 229 may use the word "securities" or any word in a foreign language with the same meaning, as specified further by Presidential Decree, in accordance with Article 183 (1). *<Amended on Feb. 3, 2009>*

(3) No person, other than a person who engages in investment trading business or investment brokerage business for exchange-traded derivatives or over-the-counter derivatives, may use the word "derivative" or "futures" or any word in a foreign language with the same meaning, as specified further by Presidential

Decree, in his or her trade name. *<Amended on Feb. 3, 2009>*

(4) No person, other than a collective investment business entity, may use the word "collective investment", "investment trust", or "asset management", or any expression in a foreign language with the same meaning, as specified further by Presidential Decree, in his or her trade name: Provided, That an investment trust that is a collective investment scheme may use the word "investment trust" or any word in a foreign language with the same meaning, as specified further by Presidential Decree. *<Amended on Feb. 3, 2009>*

(5) No person, other than an investment advisory business entity, may use the word "investment advice" or any word in a foreign language with the same meaning, as specified further by Presidential Decree, in his or her trade name: Provided, That a real estate consulting company under the Real Estate Investment Company Act may use the word "investment consulting" or any word in a foreign language with the same meaning, as specified further by Presidential Decree. *<Amended on Feb. 3, 2009>*

(6) No person, other than a discretionary investment business entity, may use the word "discretionary investment" or any word in a foreign language with the same meaning, as specified further by Presidential Decree, in his or her trade name. *<Amended on Feb. 3, 2009>*

(7) No person, other than a trust business entity, may use the word "trust" or any word in a foreign language with the same meaning, as specified further by Presidential Decree, in his or her trade name: Provided, That a collective investment business entity or a person who engages in business under Article 7 (5) may use the word "trust" or any word in a foreign language with the same meaning, as specified further by Presidential Decree, in its or his or her trade name. *<Amended on Feb. 3, 2009>*

Article 39 (Prohibition on Lending of Names)

No financial investment business entity may allow any other person to run a financial investment business under its name as lent to him or her.

Article 40 (Financial Investment Business Entity Engaging in Other Financial Business)

(1) A financial investment business entity (excluding concurrently-run financial investment entities and other financial investment business entities specified by Presidential Decree; hereafter the same shall apply in this Article) may engage in any of the following financial business, which is unlikely to undermine the protection of investors or sound trading practices. In such cases, if that financial investment business entity intends to engage in any of the business specified in subparagraphs 2 through 5, it shall file a report with the Financial Services Commission within two weeks from the date it intends to commence such business: *<Amended on Feb. 29, 2008; May 19, 2020>*

1. Insurance agency business or insurance brokerage business provided for in Article 91 of the Insurance Business Act or any other financial business specified by Presidential Decree, which requires permission, authorization, registration, etc. under this Act or any finance-related statute specified by Presidential Decree;

2. Financial business specified by this Act or any finance-related statute specified by Presidential Decree, which is permitted to be engaged in by financial investment business entities pursuant to such finance-related statute;

3. Acting as agency for the business affairs of the State or a public organization;

4. Money transfers conducted for an investor using a deposit of the investor (referring to an investor's deposit as prescribed in Article 74 (1));

5. Any other financial business specified by Presidential Decree, which is unlikely to undermine the protection of investors or sound trading practices.

(2) If details of a report on the concurrent business under paragraph (1) fall under any of the following subparagraphs, the Financial Services Commission may restrict the concurrent business or issue a corrective order: *<Newly Inserted on May 19, 2020>*

1. Where it undermines soundness in business management of the relevant financial investment business entity;

2. Where it hinders the protection of investors;

3. Where the details undermine the stability of the financial market;

(3) A restriction order or corrective order under paragraph (2) shall be provided in writing with specific descriptions of the details and grounds for such order within 30 days from the date on which a report is received pursuant to paragraph (1). *<Newly Inserted on May 19, 2020>*

(4) The Financial Services Commission shall make a public announcement of the concurrent business reported in accordance with paragraph (1) for which a restriction order or corrective order issued pursuant to paragraph (2) on its website, etc. in accordance with the methods and procedures prescribed by Presidential Decree. *<Newly Inserted on May 19, 2020>*

Article 41 (Financial Investment Business Entity Engaging in Incidental Business)

(1) Any financial investment business entity that intends to engage in any business incidental to the financial investment business shall report such intention to the Financial Services Commission within two weeks from the date it commences the business. *<Amended on Feb. 29, 2008; May 19, 2020>*

(2) If details of a report on the incidental business under paragraph (1) fall under any of the following subparagraphs, the Financial Services Commission may restrict the incidental business or issue a corrective order: *<Amended on Feb. 29, 2008; May 19, 2020>*

1. If it undermines the soundness in business management of the financial investment business entity;

2. If it causes any impediment to the protection of investors in connection with the engagement in an authorized or registered financial investment business;

3. If it undermines the stability of the financial market.

(3) A restriction order or corrective order under paragraph (2) shall be provided in writing with specific descriptions of the details and grounds for such order within 30 days from the date on which a report is received pursuant to paragraph (1). *<Amended on May 19, 2020>*

(4) The Financial Services Commission shall make a public announcement of the incidental business reported in accordance with paragraph (1), which is subject to a restriction order or corrective order issued pursuant to paragraph (2), on its website, etc. in accordance with the methods and procedures prescribed by Presidential Decree. *<Amended on Feb. 29, 2008; May 19, 2020>*

Article 42 (Entrustment of Affairs by Financial Investment Business Entity)

(1) A financial investment business entity may entrust a third party with part of the business run by the financial investment business entity in connection with the financial investment business, the business affairs specified in any subparagraph of Article 40 (1), and incidental business affairs under Article 41 (1): Provided, That no internal control affairs prescribed by Presidential Decree (limited to where the authority to make decisions on the relevant affairs is entrusted as well) shall be entrusted to a third party. *<Amended on May 19, 2020>*

(2) A financial investment business entity that entrusts a third party with any of its affairs under the main clause of paragraph (1) shall enter into an entrustment agreement stipulating the following terms and conditions, and such agreement shall be reported to the Financial Services Commission in accordance with the methods and procedures prescribed by Presidential Decree: *<Amended on Feb. 29, 2008>*

1. Scope of the entrusted affairs;
2. Restrictions on the activities that the contract accepter may engage in;
3. Terms and conditions for maintaining records on the performance of entrusted affairs;
4. Others prescribed by Presidential Decree as necessary for protecting investors or maintaining sound trading practices.

(3) Where any of the following applies to any terms or conditions of the entrustment agreement reported under paragraph (2), the Financial Services Commission may place a restriction on the entrustment of the pertinent affair or issue a corrective order: *<Amended on Feb. 29, 2008>*

1. Where it undermines soundness in business management of the relevant financial investment business entity;
2. Where it hinders the protection of investors;
3. If it undermines the stability of the financial market.
4. Where it disturbs sound practices in financial transactions.

(4) Where the affair entrusted under the main clause of paragraph (1) is one of essential affairs (referring to the affairs specified by Presidential Decree as essential affairs directly related to the business for which the relevant financial investment business entity obtained authorization or completed a registration; hereafter the same shall apply in this paragraph), the person entrusted with such essential affair shall hold authorization or have completed a registration necessary for performing the entrusted affair. In such cases, the person entrusted with such affair shall be deemed to have obtained authorization or completed a registration, if it is a foreign financial investment business entity that satisfies the requirements prescribed by Presidential Decree.

(5) A person to whom the business of a financial investment business entity has been entrusted in accordance with paragraph (1) may re-entrust the entrusted business to a third party, only with the consent of the entrusting person. *<Amended on May 19, 2020>*

(6) A person who entrusts affairs under paragraph (1) may provide the person entrusted with the affairs with information on the trading of the financial investment instruments of investors and other transactions, and money and other property deposited by investors in trust, within the scope of such entrusted affairs, in compliance with the guidelines prescribed by Presidential Decree.

(7) Each financial investment business entity that intends to entrust its affairs to a third party in accordance with the main clause of paragraph (1) shall establish guidelines for the management of entrusted affairs in relation to the protection of investors' information and risk management and assessment, etc.

(8) Each financial investment business entity shall state the details of the affairs entrusted in accordance with the main clause of paragraph (1) in the contract documents under Article 23 (1) of the Act on the Protection of Financial Consumers and the investment prospectus (including the short-form investment prospectus referred to in Article 124 (2) 3 in the case of collective investment business entities; hereafter the same shall apply in Articles 64, 86 and 93) under Article 123 (1), and shall give notice of any change thereof to investors, whenever there is any affair entrusted or any change made in the contents, after entering into contracts with the investors. *<Amended on May 28, 2013; Mar. 24, 2020>*

(9) Article 756 of the Civil Act shall apply mutatis mutandis to any damage inflicted on investors by a person entrusted with affairs under paragraph (1) (including any person re-entrusted with affairs under paragraph (5)) in the course of carrying on the business entrusted. *<Amended on May 19, 2020>*

(10) Articles 54 and 55 hereof and Article 4 of the Act on Real Name Financial Transactions and Confidentiality shall apply mutatis mutandis to the case where a person entrusted with affairs under paragraph (1) engages in the entrusted affair.

(11) Other matters necessary for the protection of investors or sound trading practices in relation to the guidelines, methods and procedures for entrustment and re-entrustment of affairs shall be prescribed by Presidential Decree.

Article 43 (Inspections and Dispositions)

(1) A person to whom affairs are entrusted in accordance with Article 42 (1) shall undergo an inspection conducted by the Governor of the Financial Supervisory Service (hereinafter referred to as the "Governor 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") regarding its business and current status of property in connection with the entrusted affairs. Article 419 (5) through (7) and (9) shall apply mutatis mutandis in such cases. *<Amended on Jul. 31, 2015>*

(2) Where any of the following applies to a person to whom affairs are entrusted in accordance with Article 42 (1), the Financial Services Commission may order either party or both parties to the entrustment agreement to cancel or amend the entrustment agreement: *<Amended on Feb. 29, 2008>*

1. Where the person violates any provision of Articles 54 and 55, which shall apply mutatis mutandis pursuant to Article 42 (10), or Article 4 (1) and (3) through (5) of the Act on Real Name Financial Transactions and Confidentiality;

2. Where the person rejects, interferes with, or evades an inspection under the former part of paragraph (1);

3. Where the person fails to comply with a demand to submit a report, etc. under Article 419 (5), which shall apply mutatis mutandis pursuant to the latter part of paragraph (1);

4. Where the person falls under any of the subparagraphs of attached Table 1 (limited to the grounds related to the entrusted affairs).

(3) The Financial Services Commission shall record the details of the measure taken pursuant to paragraph (2), and shall keep and maintain such records. *<Amended on Feb. 29, 2008>*

(4) A financial investment business entity or a person to whom affairs are entrusted in accordance with Article 42 (1) (including a person to whom affairs have ever been entrusted) may make an inquiry to the Financial Services Commission concerning whether any measure referred to in paragraph (2) has been taken against him or her and the details of such measure, if any. *<Amended on Feb. 29, 2008>*

(5) Upon receipt of an inquiry made under paragraph (4), the Financial Services Commission shall notify the requesting person of whether any action has been taken and the details of the action, if any, unless there is good cause. *<Amended on Feb. 29, 2008>*

(6) Article 425 shall apply mutatis mutandis to orders to cancel or amend entrustment agreements issued pursuant to paragraph (2).

Article 44 (Control of Conflicts of Interest)

(1) A financial investment business entity shall identify and assess the likelihood of conflicts of interest, which may arise between the financial investment business entity and any investor, or between a specific investor and another investor in relation to the financial investment business in which it engages, to prevent such conflicts of interest, and it shall control such conflicts properly in accordance with the method and procedure prescribed by the internal control standards established under Article 24 of the Act on Corporate Governance of Financial Companies (hereinafter referred to as "internal control standards"). *<Amended on Jul. 31, 2015>*

(2) Where conflicts of interest are deemed likely to occur through an identification and assessment under paragraph (1), a financial investment business entity shall notify the relevant investors thereof in advance, and shall commence trading or any other transactions, after reducing the likelihood of the conflicts of interest in accordance with the method and procedure prescribed by internal control standards to the level that it will not undermine the protection of the investors.

(3) No financial investment business entity shall commence any trading or transactions, if it is deemed impracticable to reduce the likelihood of conflicts of interest under paragraph (2).

Article 45 (Suspending Exchanges of Information)

(1) Where a financial investment business entity runs financial investment business, any of the services specified in the subparagraphs of Article 40 (1), any incidental business under Article 41 (1), or any business permitted for comprehensive financial investment business entities in Article 77-3 (hereafter in this Article, referred to as "financial investment business, etc."), he or she shall properly suspend the exchange of information prescribed by Presidential Decree, such as material nonpublic information under Article 174 (1) with the exception of the subparagraphs, in accordance with the methods and procedures stipulated in the internal control standards. *<Amended on May 19, 2020>*

(2) A financial investment business entity that engages in financial investment business or similar shall, when it provides information to a third party including its affiliated companies, properly suspend the exchange of information prescribed by Presidential Decree, such as material nonpublic information referred to in the main clause of Article 174 (1), in accordance with the methods and procedures prescribed by the internal control standards. *<Amended on May 19, 2020>*

(3) Internal control standards referred to in paragraphs (1) and (2) must include the following matters: *<Newly Inserted on May 19, 2020>*

1. Standards and procedures necessary for suspending information exchange;
2. Requirements and procedures for the exceptional exchange of information subject to the suspension of information exchange;
3. Other matters prescribed by Presidential Decree in order to prevent the occurrence of conflicts of interest utilizing information subject to the suspension of information exchange.

(4) Every financial investment business entity shall observe the following matters in order to suspend the exchange of information under paragraphs (1) and (2): *<Newly Inserted on May 19, 2020>*

1. Periodic inspection of the appropriateness of internal control standards for suspending information exchange;
2. Education of executives and employees on statutes and regulations and internal control standards related to the suspension of information exchange;
3. Other matters prescribed by Presidential Decree for suspending information exchange.

Subsection 2 Investment Recommendations

Article 46 Deleted. *<Mar. 24, 2020>*

Article 46-2 Deleted. *<Mar. 24, 2020>*

Article 47 Deleted. *<Mar. 24, 2020>*

Article 48 (Liability for Damage)

(1) A financial investment business entity shall be liable for any damage that ordinary investors have sustained for his or her violation of Article 19 (1) or (3) of the Act on the Protection of Financial Consumers. *<Amended on Mar. 24, 2020>*

(2) The amount calculated by subtracting the total amount of money, etc. recovered or recoverable by an ordinary investor through the disposal of a specific financial investment instrument or through any other means, from the total amount of money, etc. paid or payable by the ordinary investor for the acquisition of the specific financial investment instrument, shall be presumed as the amount of damage referred to in paragraph (1). *<Amended on Oct. 31, 2017>*

Article 49 Deleted. *<Mar. 24, 2020>*

Article 50 (Working Rules on Investment Recommendations)

(1) A financial investment business entity shall establish specific guidelines and procedures which its executive officers and/or employees shall comply with in making investment recommendations (hereinafter referred to as "working rules on investment recommendations"): Provided, That the financial investment business entity shall establish working rules for investment recommendations differentiated by level of investors, taking into consideration the investment purpose, status of property, experience in investment, etc. *<Amended on Feb. 3, 2009>*

(2) A financial investment business entity shall announce its established working rules on investment recommendations to the public through its website, etc. The same shall also apply to an amendment to the working rules on investment recommendations.

(3) The Association may establish standard working rules on investment recommendations which can be jointly enforced by financial investment business entities.

Article 51 (Registration of Investment Solicitors)

(1) A financial investment business entity may entrust a person (limited to a private individual) who satisfies each of the following requirements with investment recommendations (excluding investment recommendations on derivatives, etc.). Article 42 shall not apply in such cases: *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

1. The person shall not have been registered with the Financial Services Commission in accordance with paragraph (3);
2. The person shall have expertise in financial investment instruments and also have the qualifications prescribed by Presidential Decree;
3. Three years shall have passed from the date of revocation if his or her registration was revoked under Article 53 (2).

(2) No person to whom investment recommendations are entrusted in accordance with paragraph (1) shall make any investment recommendation before the persons is registered under paragraph (3) with Financial Services Commission.

(3) A financial investment business entity that entrusts investment recommendations to a person in accordance with paragraph (1) shall register the entrusted person with the Financial Services Commission. In such cases, the Financial Services Commission may entrust the affairs of registration with the Association, as prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

(4) A financial investment business entity that intends to register a person to whom investment recommendations are entrusted in accordance with paragraph (3) shall file an application for registration with the Financial Services Commission (referring to the Association, if the affairs are entrusted with the Association pursuant to the latter part of paragraph (3); hereafter the same shall apply in this Article). *<Amended on Feb. 29, 2008>*

(5) Upon receipt of an application for registration under paragraph (4), the Financial Services Commission shall examine the contents of the application; determine whether to approve the registration within two weeks, and give written notice of its determination and the grounds for such determination to the applicant without delay. In this case, the Financial Services Commission may request that the applicant correct his or her application for registration, if such application is incomplete. *<Amended on Feb. 29, 2008>*

(6) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (5). *<Amended on Feb. 29, 2008>*

(7) In determining whether to approve an application for registration under paragraph (5), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exist: *<Amended on Feb. 29, 2008>*

1. If the applicant fails to meet any of the requirements provided for in paragraph (1);
2. If the application for registration filed under paragraph (4) contains false information;
3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (5).

(8) Upon having determined to approve a registration under paragraph (5), the Financial Services Commission shall enter the necessary information in the register of investment solicitors, and shall give public notice of the details of such registration on its website, etc. *<Amended on Feb. 29, 2008>*

(9) A person who is registered pursuant to paragraph (3) (hereinafter referred to as "investment solicitor") shall be in compliance with the requirements provided for in paragraph (1) 2 in the course of conducting its business following registration.

(10) Matters concerning the mandatory descriptions, accompanying documents, etc. of the application for registration under paragraphs (3) through (8), the method and procedure for examination of registration, and other matters pertaining to registration, shall be prescribed by Presidential Decree.

Article 52 (Prohibited Acts of Investment Solicitors)

(1) No financial investment business entity shall permit any person, other than investment solicitors, to act as an investment solicitor.

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

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

(4) A financial investment business entity shall supervise investment solicitors in good faith to ensure that they observe statutes and do not undermine sound trading practices in making investment recommendations on its behalf, and shall establish guidelines for making investment recommendation on behalf of financial investment entities.

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

(6) Articles 48, 54, and 55 hereof and Article 4 of the Act on Real Name Financial Transactions and Confidentiality shall apply mutatis mutandis where investment solicitors make investment recommendations on behalf of financial investment business entities. *<Amended on Mar. 24, 2020>*

Article 53 (Inspection and Measures)

(1) An investment solicitor shall receive inspections conducted by the Governor of the Financial Supervisory Service of his or her business and status of property in connection with his or her vicarious investment recommendation. In such cases, Article 419 (5) through (7) and (9) shall apply mutatis mutandis.

(2) The Financial Services Commission shall, if an investment solicitor falls under any of the following subparagraphs, revoke the registration of the investment solicitor, or suspend the business of the investment solicitor for not more than six months: *<Amended on Feb. 29, 2008; Mar. 24, 2020>*

1. If he or she breaches the duty to continue to meet the requirements for registration under Article 51 (9);
2. If he or she violates Article 52 (6) (limited to cases to which Article 54, or 55 hereof or Article 4 (1), or (3) through (5) of the Act on Real Name Financial Transactions and Confidentiality shall apply mutatis mutandis);
3. Where he or she rejects, interferes with, or evades an inspection under the former part of paragraph (1);
4. Where he or she fails to comply with a demand to submit a report, etc. under Article 419 (5), which shall apply mutatis mutandis pursuant to the latter part of paragraph (1);
5. Where he or she falls under any subparagraph of Article 51 (1) 3 through 5 of the Act on the Protection of Financial Consumers;
6. Cases prescribed by Presidential Decree in the main clause, with the exception of the subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to where the business of investment recommendation is suspended).

(3) The Financial Services Commission shall, whenever it revokes the registration of an investment solicitor or suspends the business of the investment solicitor pursuant to paragraph (2), make an entry of the details, and shall keep and maintain relevant records. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission shall, whenever it revokes the registration of an investment solicitor or suspends the business of the investment solicitor pursuant to paragraph (2), provide public notice thereof through its website. etc. *<Amended on Feb. 29, 2008>*

(5) A financial investment business entity or investment solicitor (including a person who acted as an investment solicitor in the past) may make inquiry to the Financial Services Commission regarding whether any disposition has been made against him or her pursuant to paragraph (2), including the details of such disposition. *<Amended on Feb. 29, 2008>*

(6) The Financial Services Commission shall, upon receipt of a request for inquiry under paragraph (5), notify the requesting person of whether a disposition has been made, including the details of such disposition, unless there is a justifiable ground otherwise. *<Amended on Feb. 29, 2008>*

(7) Article 423 (excluding subparagraph 2) shall apply mutatis mutandis to the revocation of the registration of an investment solicitor, while Article 425 shall apply mutatis mutandis to the revocation of an investment solicitor and the suspension of the business of an investment solicitor pursuant to paragraph (2).

Subsection 3 Prohibition of Use of Job-Related Information

Article 54 (Prohibition on Use of Job-related Information)

(1) No financial investment business entity shall use information known to him or her in the course of his or her business and undisclosed to the public, for his or her own or a third party's interest without good cause. *<Amended on May 19, 2020>*

(2) No financial investment business entity or its executive or employee shall use any information subject to the suspension of information exchange under Article 45 (1) or (2) by himself or herself or any third party without good cause. *<Newly Inserted on May 19, 2020>*

Article 55 (Prohibition on Compensation for Losses)

No financial investment business entity shall engage in any of the following acts, except where it compensates for losses or guarantees returns pursuant to Article 103 (3) in connection with the trading of financial investment instruments and other transactions, or where there is no possibility of undermining sound trading practices and good cause exists otherwise. The same shall also apply where any executive officer and/or employee of a financial investment business entity engages in any of the following activities on his or her own account:

1. Promising in advance to fully or partially compensate for losses that an investor may sustain;

2. Fully or partially compensating for losses sustained by an investor after the fact;
3. Promising an investor in advance to guarantee a certain amount of returns;
4. Offering an investor a certain amount of returns after the fact.

Article 56 (Terms and Conditions)

(1) A financial investment business entity that intends to establish or amend terms and conditions in connection with the operation of the financial investment business shall report it in advance to the Financial Services Commission and the Association no later than 7 days after establishing or amending the terms and conditions: Provided, That in cases prescribed by Presidential Decree which are likely to produce a significant impact on the rights or duties of investors, a financial investment business entity shall in advance report such fact to the Financial Services Commission before establishing or amending the terms and conditions. *<Amended on Dec. 31, 2018>*

(2) Upon establishing or amending the terms and conditions, each financial investment business entity shall disclose them to the public on its website, etc.

(3) The Association may establish terms and conditions, which will serve as standard terms and conditions in connection with the operation of financial investment business (hereafter in this Article referred to as "standard terms and conditions"), to establish sound trading practices and prevent the wide use of unfair terms and conditions.

(4) To establish or amend the standard terms and conditions, the Association shall report such establishment or amendment to the Financial Services Commission in advance: Provided, That the Association shall report to the Financial Services Commission within seven days after the establishment or amendment of the standard terms and conditions applicable only to professional investors. *<Amended on Feb. 29, 2008>*

(5) The Financial Services Commission in receipt of a report under the proviso of paragraph (1) or the main clause of paragraph (4) shall examine the content of such report and accept it if it conforms to this Act. *<Newly Inserted on Dec. 31, 2018>*

(6) Where the Financial Services Commission in receipt of a report on the terms and conditions under paragraph (1) or the standard terms and conditions under paragraph (4) deems such terms and conditions or standard terms and conditions to be in violation of any of Articles 6 through 14 of the Act on Regulation of Terms and Conditions, it shall notify the Financial Services Commission of such violation, and may request the Financial Services Commission to take measures necessary to correct such violation, which shall comply with such request unless there is a compelling reason not to do so. *<Amended on Feb. 29, 2008; Dec. 31, 2018>*

(7) Where the Financial Services Commission deems that the terms and conditions or standard terms and conditions are in violation of this Act or any finance-related statute or are likely to infringe on investors' interests, it may order the financial investment business entity concerned or the Association to change such terms and conditions or standard terms and conditions, by a document describing in detail the

contents of such violation or infringement. *<Amended on Feb. 29, 2008; Dec. 31, 2018>*

Article 57 Deleted. *<Mar. 24, 2020>*

Article 58 (Fees)

(1) A financial investment business entity shall determine the matters concerning the guidelines and procedure for imposition of fees upon investors, and shall announce them through its website, etc.

(2) No financial investment business entity shall discriminate against an investor in determining the guidelines for imposition of fees pursuant to paragraph (1) without a justifiable ground.

(3) A financial investment business entity shall notify the Association of the matters concerning the guidelines and procedure for imposition of fees under paragraph (1).

(4) The Association shall compare the matters notified by each financial investment business entity in accordance with paragraph (3) and disclose its findings to the public.

Article 59 Deleted. *<Mar. 24, 2020>*

Article 60 (Keeping and Maintaining Records)

(1) A financial investment business entity shall keep and maintain records of data related to the operation of the financial investment business according to the types of data specified by Presidential Decree for the period prescribed by Presidential Decree.

(2) A financial investment business entity shall establish and implement measures appropriate for preventing the data, the records of which shall be kept and maintained in accordance with paragraph (1), from being destroyed, fabricated, or altered.

Article 61 (Depositing of Acquired Securities)

(1) Each financial investment business entity (excluding concurrently-run financial investment entities; hereafter the same shall apply in this Article) shall deposit the securities (including those specified by Presidential Decree) acquired in the course of the management of its proprietary property with the Securities Depository without delay: Provided, That it need not deposit the securities in cases prescribed by Presidential Decree, taking into consideration whether the securities can be circulated, whether there is any method of circulation under other statutes, and feasibility of deposit, etc. *<Amended on May 28, 2013>*

(2) In depositing foreign currency securities (referring to the foreign currency securities as defined in Article 3 (1) 8 of the Foreign Exchange Transactions Act) with the Securities Depository under the main clause of paragraph (1), each financial investment business entity shall comply with the method prescribed by Presidential Decree. *<Newly Inserted on May 28, 2013>*

Article 62 (Public Announcement of Discontinuance of Financial Investment Business)

(1) A financial investment business entity that intends to discontinue its financial investment business or the business of a branch office or any other sales office shall make a public announcement of its intention at least 30 days before the intended discontinuance through two or more daily newspapers circulated nationwide, and shall give an individual notice thereof to each known creditor.

(2) A financial investment business entity that falls under any of the following subparagraphs shall close trading of financial investment instruments and other transactions run by it. In such cases, such a financial investment business entity shall be deemed a financial investment business entity until trading and other transactions are closed:

1. When it obtains approval for discontinuance of the financial investment business in accordance with Article 417 (1) 6;

2. When it obtains approval for discontinuance of the financial investment business in accordance with Article 417 (1) 7;

3. When its authorization or registration for financial investment business is revoked pursuant to Article 420 (1) or 421 (1) (including the case where the said paragraph shall apply mutatis mutandis pursuant to paragraph (4) of the same Article).

Article 63 (Trading of Financial Investment Instruments by Executive Officers and/or Employees)

(1) An executive officer or employee of a financial investment business entity (limited to an executive officer or employee who performs the affairs related to the financial investment business, in the case of a financial investment business entity specified by Presidential Decree from among the concurrently-run financial investment entities; hereafter the same shall apply in this Article) shall comply with the following in trading financial investment instruments specified by Presidential Decree on his or her own account:

1. Such trading shall be done in his or her own name;

2. Trading shall be executed through a single account in a single company chosen from among investment brokers (in the case of an executive officer and/or employee of an investment broker, limited to the investment broker for which he or she works, and he or she may use another investment broker, where the investment broker does not deal with the financial investment instruments that he or she intends to trade): Provided, That he or she may use two or more companies or accounts for such trading in circumstances prescribed by Presidential Decree, considering the types of financial investment instruments, the nature of the account, etc.;

3. Details of trading shall be notified on a quarterly basis to the financial investment business entity for which he or she works (and it shall be done on a monthly basis in the case of investment advisors, analysts, fund managers as prescribed in Article 286 (1) 3 (b), and those for investment management; hereafter the same shall apply in this Article);

4. He or she shall comply with other methods and procedures prescribed by Presidential Decree for preventing any unfair practices or conflicts of interest with investors.

(2) A financial investment business entity shall establish proper guidelines and procedures to be complied with its executive officers and/or employees in connection with the trading of financial investment instruments on their own accounts, to prevent any unfair practices or conflicts of interest with investors.

(3) A financial investment business entity shall ascertain the details of trading of financial investment instruments by its executive officers and/or employees on a quarterly basis in accordance with the guidelines and procedures established under paragraph (2).

Article 63-2 (Obligations to Take Measures to Protect Customer Service Personnel)

(1) To protect personnel who directly deal with customers (hereinafter referred to as "customer service personnel") from verbal abuse, sexual harassment, assault, etc. of customers, every financial investment business entity shall take the following measures:

1. Separating a member of customer service personnel from the relevant customer and replacing the person in charge, if requested by the member of customer service personnel;

2. Providing support for the medical treatment and counseling of customer service personnel;

3. Establishing a permanent grievance-management organ for customer service personnel, or appointing or commissioning a member of a grievance management committee, if it is established under Article 26 of the Act on the Promotion of Workers' Participation and Cooperation;

4. Other measures prescribed by Presidential Decree, such as legal measures necessary to protect customer service personnel.

(2) A member of customer service personnel may request that the financial investment business entity take measures prescribed in subparagraphs of paragraph (1).

(3) No financial investment business shall give any disadvantage to any member of customer service personnel on the ground that he or she has made a request under paragraph (2).

Article 64 (Liability for Damage)

(1) A financial investment business entity shall be liable for any damage caused by its violation of any statute or regulation, terms or conditions, provision of its collective investment agreement or investment prospectus (referring to the investment prospectus under Article 123 (1)) or any damage sustained by its investors due to its negligence in conducting its business: Provided, That where a financial investment business entity liable for such damage violates any provision of Articles 37 (2), 44, 45, 71, or 85 (limited to the violation related to conflicts of interest arising as a consequence of engaging in investment trading business or investment brokerage business and collective investment business concurrently), but if the financial investment business entity proves that it has exercised reasonable care, or that an investor was aware of the facts at the time the investor traded the financial investment instruments or made any other transaction, the financial investment business entity shall be exempt from its liability for such damage.

(2) Where a financial investment business entity is liable for any damage under paragraph (1) and an executive officer involved in the case is found to be culpable for the cause, such executive officer involved shall be liable for the damage jointly with the financial investment business entity.

Article 65 (Special Cases concerning Foreign Financial Investment Business Entities)

(1) In applying this Act to a branch office or any other sales office (hereafter in this Article referred to as "local branch office, etc.") of a foreign financial investment business entity, the operating fund specified by Presidential Decree shall be construed as the capital, and the aggregate of capital, reserves, and carried-over retained earnings shall be construed as equity capital, while the domestic representative shall be construed as an executive officer of the business entity. *<Amended on Feb. 3, 2009>*

(2) Each local branch office, etc. of any foreign financial investment business entity shall hold its assets, amounting to the aggregate of the operating fund under paragraph (1) and its liabilities within this country in a manner prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

(3) In the event that a local branch office, etc. of a foreign financial investment business entity is liquidated or becomes bankrupt, its assets within this country shall be appropriated first for the performance of its obligations owed to the persons who have their domicile or abode in this country. *<Amended on Feb. 3, 2009>*

(4) The Financial Services Commission shall appoint a person who temporarily performs as proxy duties of a representative of a local branch office, etc. that meets each of the following requirements (hereafter in this paragraph, referred to as "acting representative"), and the local branch office, etc. shall register the fact in the area where the local branch office, etc. is located. In such cases, the Financial Services Commission may order the local branch office, etc. to pay adequate remuneration to the acting representative: *<Newly Inserted on Feb. 3, 2009>*

1. In cases where a person having interest in the local branch office, etc. requests the Financial Services Commission to appoint an acting representative when the local branch office, etc. fails to appoint a new representative or an acting representative even though there is no representative in the local branch office, etc. or a representative has no ability to perform his or her duties;
2. In cases where the Financial Services Commission requests that the local branch office, etc. appoint or designate a representative or acting representative within ten days of the request in accordance with the requirement under subparagraph 1;
3. In cases where the local branch office, etc. which receives the request under subparagraph 2 fails to appoint or designate a representative or acting representative within the period prescribed in subparagraph 2.

(5) In addition to the matters under paragraph (1) through (4), matters concerning the operation of a financial investment business by a local branch office, etc., including matters concerning the settlement of accounts, shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

SECTION 2 Rules on Business Conduct by Financial Investment Business Entities

Subsection 1 Rules on Business Conduct by Investment Traders and Investment Brokers

Article 66 (Explicit Indication of Form of Trading)

An investment trader or investment broker shall disclose its identity in advance, whether it is an investment trader or an investment broker, to an investor, whenever it receives an offer or an order for trading a financial investment instrument from the investor. *<Amended on May 28, 2013>*

Article 67 (Prohibition on Self-Contracting)

Neither investment trader nor investment broker shall simultaneously act on its own behalf and as the investment broker for another party in a single transaction involving a financial investment instrument: Provided, That this shall not apply in any of the following cases: *<Amended on May 28, 2013>*

1. Where the investment trader or investment broker arranges the trade to be conducted in a securities market or derivatives market;
2. Other cases prescribed by Presidential Decree as unlikely to undermine the protection of investors or sound trading practices.

Article 68 (Best Execution Obligation)

(1) In order to execute the investors' offers or orders for trading financial investment instruments (excluding the trades prescribed by Presidential Decree: hereafter in this Article the same shall apply), each investment trader or investment broker shall prepare and publish the guidelines for the execution thereof under the best trade terms (hereafter in this Article referred to as "guidelines for best execution"), as prescribed by Presidential Decree.

(2) Each investment trader or investment broker shall execute the offers or orders for trading financial investment instruments in accordance with the guidelines for best execution.

(3) Each investment trader or investment broker shall examine the contents of the guidelines for best execution for each period prescribed by Presidential Decree. In such cases, when the contents of the guidelines for best execution are deemed not suitable for executing offers or orders under paragraph (2), it shall modify them and publicly announce that the modification has been made.

(4) Where an investment trader or investment broker receives an offer or order for trading financial investment instruments, it shall deliver the investor in advance a written explanation wherein the guidelines for best execution are described or indicated in writing, by electronic message or other means prescribed by Presidential Decree: Provided, That this shall not apply where the relevant written explanation (referring to the written explanation wherein the details of modification are described or indicated, if the guidelines for best execution are modified under paragraph (3)) has been delivered.

(5) Matters necessary for the detailed contents of the best trade terms and methods for the publication of the guidelines for best execution under paragraph (1), methods for executing offers and orders under paragraph (2), examination and modification of the guidelines for best execution, method for the publication thereof under paragraph (3), etc. shall be prescribed by Presidential Decree.

Article 69 (Exceptional Acquisition of Treasury Stocks)

Where an investment trader receives an offer to sell treasury stocks issued by the investment trader itself in a quantity less than the unit sellable in the securities market (including trades through alternative trading facilities; hereafter the same shall apply in this Article), such investment trader may acquire the treasury stocks outside the securities market. In such cases, it shall dispose of the treasury stocks so acquired, within a period prescribed by Presidential Decree. *<Amended on May 28, 2013>*

Article 70 (Prohibition on Discretionary Trading)

No investment trader or investment broker shall trade financial investment instruments with property deposited by an investor in the absence of an offer or order for trading such financial investment instruments from the investor or his or her agent. *<Amended on May 28, 2013>*

Article 71 (Prohibition on Unsound Business Activities)

Neither investment trader nor investment broker shall engage in any of the following activities: Provided, That it may engage in such activities in cases prescribed by Presidential Decree as unlikely to undermine the protection of investors or sound trading practices: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. Buying or selling a financial investment instrument on its own account, or recommending a third party to buy or sell the financial investment instrument, before closing a trade for an order from an investor for buying or selling that financial investment instrument that could substantially affect the price of such financial investment instrument, where it has received or is very likely to receive an offer or order for buying or selling such instrument;
2. Trading a financial investment instrument included in certain research and analysis data which contains an assertion or a forecast of the value of the financial investment instrument (hereinafter referred to as "research and analysis data") on its own account during the time period, starting from the time the contents of such research and analysis data are fixed and ending with the lapse of 24 hours after the research and analysis data is published, where such research and analysis data is published;
3. Paying any contingent remuneration to a person in charge of the preparation of research and analysis data in connection with the corporate finance affairs specified by Presidential Decree;
4. Disclosing to the public, or providing to a specific person, certain research and analysis data on any of the following securities during the time period from the time a contract is executed in connection with a public offering or sale of the securities to the time specified by Presidential Decree after the securities are listed for the first time in the securities market:

(a) Stock certificates;

(b) Stock-related corporate bonds specified by Presidential Decree;

(c) Depositary receipts related to item (a) or (b);

5. Engaging any person other than an investment solicitor or investment advisor to make investment recommendations;

6. Acquiring, disposing of, or managing financial investment instruments separately for each investor with a discretionary power authorized by investors, wholly or partially, for making judgments on whether to invest in the financial investment instruments: Provided, That it may be allowed if it is performed as discretionary investment business and it falls under Article 7 (4);

7. Other activities specified by Presidential Decree as likely to undermine the protection of investors or sound trading practices.

Article 72 (Credit Granting)

(1) An investment trader or investment broker may grant credit to investors by means of lending money or securities: Provided, That no investment trader shall lend money or grant credit to an investor with intent to solicit the investor to buy any securities within three months after it underwrites the securities.

(2) Matters pertaining to the guidelines and methods for credit granted under paragraph (1) shall be prescribed by Presidential Decree.

Article 73 (Notification of Details of Trading)

An investment trader or investment broker shall, upon closing a trade of financial investment instruments, notify the investor of the details in accordance with the method prescribed by Presidential Decree.

Article 74 (Separate Depositing of Investor's Deposit)

(1) An investment trader or investment broker shall separate an investor's deposit (referring to money deposited by investors in connection with the trading of financial investment instruments and other transactions; hereinafter the same shall apply) from its proprietary property and shall place it in a deposit or trust account with a securities finance company.

(2) Notwithstanding paragraph (1), any investment trader or investment broker specified by Presidential Decree, from among the concurrently-run financial investment entities, may place the investor's deposit in a trust with a trust business entity (excluding securities finance companies; hereafter in this Article the same shall apply) instead of placing it in a deposit or trust account under paragraph (1). In such cases, if the investment trader or investment broker runs a trust business, it may execute a self-contract, notwithstanding Article 3 (1) of the Trust Business Act. *<Amended on Jul. 25, 2011>*

(3) In placing an investor's deposit in a deposit or trust account with a securities finance company or a trust business entity (hereafter in this Article referred to as "depository institution") in accordance with paragraph (1) or (2), every investment trader or investment broker shall indicate that the investor's deposit

is the investor's property.

(4) No one shall offset or seize (including provisional seizure) an investor's deposit placed in any deposit or trust account with a depository institution in accordance with paragraph (1) or (2), and neither the investment trader nor the investment broker who has placed the investor's deposit in a deposit or trust account (hereafter in this Article referred to as "depositing financial investment business entity") shall transfer or provide as collateral any investor's deposit placed in a deposit or trust account with a depository institution, except in circumstances prescribed by Presidential Decree.

(5) In any of the following events, a depositing financial investment business entity shall withdraw the investor's deposit placed in a deposit or trust account with a depository institution and preferentially pay the deposit to its investor. In such cases, the depositing financial investment business entity shall give public notice of the relevant event, and the matters concerning the time and place for the payment of the investor's deposit, and other matters related to the payment of the investor's deposit on at least two daily newspapers, and also disclose such matters to the public on its website, etc.:

1. Where authorization for its business is revoked;
2. Where a resolution for dissolution is passed;
3. Where it is declared bankrupt;
4. Where the complete transfer of the financial investment business referred to in Article 6 (1) 1 and 2 is approved;
5. Where the complete discontinuance of the financial investment business referred to in Article 6 (1) 1 and 2 is approved;
6. Where it is ordered to completely suspend the financial investment business referred to in Article 6 (1) 1 or 2;
7. Where any cause or event similar to those specified in subparagraphs 1 through 6 occurs.

(6) Where any of the causes or events provided for in subparagraphs of paragraph (5) occurs in relation to a depository institution, the depository institution shall return the investor's deposit placed in a deposit or trust account by a depositing financial investment business entity, preferentially to the depositing financial investment business entity.

(7) A depository institution shall manage the investor's deposit in any of the following manners:

1. Purchasing state bonds or local government bonds;
2. Purchasing debt securities with a guarantee of payment by the State, a local government, or any financial institution specified by Presidential Decree;
3. A method prescribed by Presidential Decree as unlikely to undermine the stable management of the investor's deposit.

(8) The scope of the investor's deposit which an investment trader or investment broker shall place in a deposit or trust account with a depository institution in accordance with paragraph (1) or (2), the ratio of the deposit or trust, the withdrawal of the investor's deposit placed in a deposit or trust account, the management of the investor's deposit by a depository institution, and other matters pertaining to placing

the investors' deposit in a deposit or trust, shall be prescribed by Presidential Decree. In such cases, the ratio of the deposit or trust applicable to each authorized investment trader or investment broker may differ depending upon the financial status of each investment trader or investment broker.

Article 75 (Depositing of Securities Deposited by Investors)

(1) An investment trader or investment broker shall, upon receipt of securities (including those prescribed by Presidential Decree) owned and deposited by investors in connection with trading of financial investment instruments and other transactions, deposit them in the Securities Depository without delay: Provided, That it may not deposit them in the Securities Depository, in the cases prescribed by Presidential Decree taking into consideration whether securities has any feasibility of circulation, method of circulation under other statutes, and feasibility of deposit, etc. *<Amended on May 28, 2013>*

(2) In depositing foreign currency securities with the Securities Depository under the main clause of paragraph (1), each investment trader or investment broker shall comply with the methods prescribed by Presidential Decree. *<Newly Inserted on May 28, 2013>*

Article 76 (Special Cases concerning Sale of Collective Investment Securities)

(1) When selling collective investment securities to an investor, an investment trader or investment broker shall sell them at the first base price (referring to the base price computed under Article 238 (6); hereinafter the same shall apply) calculated after the investor pays money, etc. for acquiring the collective investment securities: Provided, That the investment trader or investment broker may sell the collective investment securities at the base price prescribed by Presidential Decree, in circumstances prescribed by Presidential Decree where it is unlikely to undermine investors' interests.

(2) Neither investment trader nor investment broker shall sell collective investment securities at issue upon receipt of notice given under Article 92 (1) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2)): Provided, That the investment trader or investment broker may resume sale of such collective investment securities upon receipt of notice under Article 92 (2) (including the case to such provision shall apply mutatis mutandis under Article 186 (2)).

(3) Neither investment trader nor investment broker shall sell any collective investment securities or advertise for the sale of such collective investment securities before the collective investment scheme is registered in accordance with Article 182: Provided, That advertising for sale may be commenced in circumstances prescribed by Presidential Decree where it is unlikely to undermine investors' interests.

(4) Neither investment trader nor investment broker shall receive a sales commission (referring to money received directly from investors as consideration for the conduct of selling collective investment securities; hereinafter the same shall apply) or sales remuneration (referring to money received from a collective investment scheme as consideration for services provided continuously to investors by an investment trader or investment broker who has sold collective investment securities; hereinafter the same shall apply) contingent upon the performance of management of the collective investment scheme.

<Amended on Feb. 3, 2009>

(5) Neither the sales commission nor the sales remuneration referred to in paragraph (4) shall exceed the following applicable ceiling: *<Amended on Mar. 12, 2010; Jul. 24, 2015>*

1. Sales commission: Ceiling prescribed by Presidential Decree, which is not more than 3/100 of the amount of payment or amount of redemption;
2. Sales remuneration: Ceiling prescribed by Presidential Decree, which is not more than 15/1,000 of the annual average value of the collective investment property.

(6) The detailed method of setting a ceiling on sales commission and sales remuneration under paragraph (5), method of collection, and other matters necessary for sales commission and sales remuneration shall be prescribed by Presidential Decree. *<Newly Inserted on Mar. 12, 2010>*

Article 77 (Special Cases concerning Deposits and Insurance with Investment Risk)

(1) A bank shall be deemed to have obtained authorization for a financial investment business under Article 12 in regard to an investment trading business, when it signs a contract for a deposit in the nature of an investment or a contract corresponding thereto prescribed by Presidential Decree. In this regard, Articles 15, 39 through 45, Articles 56, 58, 61 through 65, Part II, Chapters II and III, and Chapter IV, Section 2, Sub-Section 1 shall not apply, while Part III, Chapter I shall not apply in cases where a bank signs a contract for a foreign currency deposit in the nature of an investment. *<Amended on May 28, 2013; Mar. 24, 2020>*

(2) An insurance company (including an entity under Article 2 (8) through (10) of the Insurance Business Act) shall be deemed to have obtained authorization for a financial investment business under Article 12 in regard to an investment trading business or an investment brokerage investment, when it signs an insurance contract with investment risk or acts as a broker or an agent for such contract. In such cases, Articles 15, 39 through 45, Articles 51 through 53, 56, 58, 61 through 65, and Part II, Chapters II and III, Chapter IV, Section 2, Sub-Section 1, and Part III, Chapter I shall not apply. *<Amended on Mar. 24, 2020>*

Article 77-2 (Designation of Comprehensive Financial Investment Business Entities)

(1) The Financial Services Commission may designate an investment trader or investment broker who meets all the following requirements as a comprehensive financial investment business entity:

1. It shall be a stock company under the Commercial Act;
2. It shall engage in business of underwriting securities;
3. Its equity capital shall reach or exceed the amount prescribed by Presidential Decree, which shall be at least three trillion won;
4. Other criteria prescribed by Presidential Decree taking into consideration the risk management ability, etc. of the relevant investment trader or investment broker in carrying out the credit offering service.

(2) Any investment trader or investment broker that intends to be designated as a comprehensive financial investment business entity shall file an application with the Financial Services Commission.

(3) The Financial Services Commission may request to submit data, where necessary for the designation of a comprehensive financial investment business entity under paragraph (1).

(4) Where a comprehensive financial investment business entity falls under any of the following cases, the Financial Services Commission may revoke the designation made under paragraph (1):

1. Where the designation is made by fraud or other wrongful means;
2. Where it fails to meet the criteria prescribed in subparagraphs of paragraph (1).

(5) Detailed matters concerning the procedures, etc. for designation and revocation of designation under paragraphs (1) and (4) shall be prescribed by Presidential Decree.

(6) Detailed criteria for equity capital under paragraph (1) 3 shall be prescribed and publicly notified by the Financial Services Commission.

Article 77-3 (Special Cases concerning Comprehensive Financial Investment Business Entities)

(1) No entity, other than a comprehensive financial investment business entity, shall engage in prime brokerage business.

(2) To provide prime brokerage business service to an entity prescribed by Presidential Decree among the hedge fund, etc., taking into account the objects of investment, existence of any loan, etc., a comprehensive financial investment business entity shall, in advance, conclude a contract with that hedge fund, etc. or the entity prescribed by Presidential Decree, which includes the following: *<Amended on Jul. 24, 2015>*

1. Matters concerning the roles and responsibilities of the comprehensive financial investment business entity and the hedge fund, etc. in relation to prime brokerage business;
2. Where the comprehensive financial investment business entity uses assets of the hedge fund, etc. to provide them as collateral for, or lend them to a third party or by other means prescribed by Presidential Decree, matters concerning the use thereof;
3. Procedures and methods for providing information on the status, etc. of assets held in the hedge fund, etc. that are used by the comprehensive financial investment business entity under subparagraph 2 to the hedge fund, etc.;
4. Other matters prescribed by Presidential Decree.

(3) A comprehensive financial investment business entity may engage in the business of providing the following services, notwithstanding this Act or other finance-related statutes:

1. Credit offering for enterprises;
2. Other services prescribed by Presidential Decree as appropriate to be permitted only for comprehensive financial investment business entities taking into account the soundness of the relevant comprehensive financial investment business entity, potential for contributing to the efficient provision of the relevant services, etc.

(4) Where a comprehensive financial investment business entity engages in prime brokerage business, it may offer credit to a hedge fund, etc. in connection with the investment in money, etc. other than securities, notwithstanding Article 72. *<Newly Inserted on Mar. 27, 2018>*

(5) Where a comprehensive financial investment business entity offers credit under paragraph (3) 1 or (4) or the main clause of Article 72 (1), the total amount of credit offered shall not exceed 200 percent of its equity capital: Provided, That this shall not apply in cases prescribed by Presidential Decree taking into account the characteristics of the services of the comprehensive financial investment business entity, influence of such credit offering on the soundness of the comprehensive financial investment business entity, etc. *<Amended on Mar. 27, 2018>*

(6) Where a comprehensive financial investment business entity offers credit pursuant to paragraph (3) 1 or (4) or the main clause of Article 72 (1), the total amount of credit offered excluding the following credit granting shall not exceed 100 percent of its equity capital: *<Newly Inserted on Mar. 27, 2018>*

1. Credit offering related to corporate finance affairs referred to in subparagraph 3 of Article 71;
2. Credit offering to small and medium enterprises under Article 2 (1) of the Framework Act on Small and Medium Enterprises.

(7) In offering credit under paragraph (3) 1, no comprehensive financial investment business entity shall offer the credit to the same corporation or to any entity that shares credit risk prescribed by Presidential Decree with such corporation in excess of the amount equivalent to the percent prescribed by Presidential Decree within 25 percent of its equity capital. *<Amended on Mar. 27, 2018>*

(8) Where the amount of credit offered by a comprehensive financial investment business entity exceeds the limit prescribed in paragraphs (5) through (7) due to a change in its equity capital, a change in the composition of the same credit recipient, etc., although it has not offered any additional credit, the amount of credit so offered shall be corrected to be under the limit within one year from the date such limit starts to exceed. *<Amended on Mar. 27, 2018>*

(9) No investment banking business entity shall extend credit under paragraph (3) 1 to an affiliated corporation (including overseas corporations prescribed by Presidential Decree; hereafter the same shall apply in this paragraph), nor offer prime brokerage services for any hedge fund managed by such corporation: Provided, That credit provided for in paragraph (3) 1 may be extended to an overseas local subsidiary, at least 50/100 of the total number of issued stocks or the total amount of investment of which is held or invested by the financial investment business entity or whose management is under the de facto control of the financial investment business entity in accordance with the standards prescribed by Presidential Decree. *<Amended on Jul. 24, 2015; Mar. 27, 2018; Dec. 29, 2020>*

(10) Neither the Bank of Korea Act nor the Banking Act shall apply to any comprehensive financial investment business entity. *<Amended on Mar. 27, 2018>*

(11) Matters necessary for the specific scope, etc. of credit offering under paragraph (3) 1 shall be prescribed by Presidential Decree. *<Amended on Mar. 27, 2018>*

Article 78 (Special Cases concerning Alternative Trading Systems)

(1) An alternative trading system shall comply with business guidelines prescribed by Presidential Decree concerning the following matters in providing alternative trading services:

1. Matters concerning the persons who participate in the trade of instruments for trade contracts or trade in an alternative trading system (hereafter referred to as "participants in trading" in this Article, and Articles 402 and 404);
2. Matters concerning the suspension of trade of instruments for trade contract and the cancellation thereof;
3. Matters concerning the conclusion of trade contracts, including transaction confirmation, and matters concerning liquidation and payments, including acquisition and reduction of debts, payment methods, and responsibility for settlement;
4. Matters concerning the trust of trade by participants in trading, including guarantee deposits;
5. Matters concerning reporting and public disclosure by the issuers of instruments for trade contracts;
6. Matters concerning publication of, and reporting on, the result of a trade;
7. Matters concerning opening, closing, suspension and interruption of alternative trading services;
8. Other matters necessary for the provision of alternative trading services.

(2) Articles 40, 72, 73 and 419 (2) through (4) shall not apply to any alternative trading system.

(3) An exchange designated by the Financial Services Commission (hereafter referred to as "designated exchange" in this Article, and Articles 402 and 404) may monitor the following matters for the protection of investors and sound trading practices in trading at an alternative trading system:

1. Status of trade offers or orders for instruments for trade contracts or the status of the prices offered by participants in trading at the alternative trading system;
2. Rumors, information or new reports on instruments for trade contracts;
3. Reporting on or public disclosure concerning issuers, etc. of instruments for trade contracts;
4. Other conditions or factors prescribed by Presidential Decree that affect the price formation or trading volume of instruments for trade contracts.

(4) In any of the following cases, the designated exchange may request participants in trading to submit relevant data in writing, specifying the grounds therefor, or may inspect the business, status of property, account books, documents, and other related articles. In such cases, Article 404 (2) and (3) shall apply mutatis mutandis:

1. Where necessary to ascertain the trading status of the items of instruments for trade contracts or trading items deemed suspected of abnormal trading prescribed in Article 377 (1) 8;
2. Where necessary to ascertain whether participants in trading observe the business guidelines referred to in paragraph (1).

(5) Except in any of the following cases, no person shall hold stocks issued by an alternative trading system in excess of 15/100 of outstanding voting stocks of that alternative trading system. Articles 406 (2)

through (4) and 407 shall apply mutatis mutandis to such cases:

1. Where such stocks are held by a collective investment scheme (excluding where such stocks held by a privately placed fund);

2. Where such stocks are held by the Government;

3. Where such stocks are otherwise held with approval from the Financial Services Commission, as prescribed by Presidential Decree.

(6) Articles 383 (1) and (2), 408 and 413 shall apply mutatis mutandis to alternative trading systems.

(7) Where the trading volume of an instrument for trade contract exceeds the criteria prescribed by Presidential Decree, an alternative trading system (excluding any alternative trading system that determines trade prices by the method prescribed in Article 8-2 (5) 1) shall take measures prescribed by Presidential Decree for protecting investors, securing the stability of trade contracts, etc.

(8) Methods and procedures for conducting the business of alternative trading systems and detailed methods necessary to form fair trade prices and to secure stability, efficiency, etc. of trade contracts shall be prescribed by Presidential Decree.

Subsection 2 Rules on Business Conduct by Collective Investment Business Entities

Article 79 (Fiduciary Duty of Due Care and Duty of Good Faith)

(1) A collective investment business entity owes investors the fiduciary duty of due care in managing collective investment property.

(2) A collective investment business entity shall carry out the business in good faith for the purpose of protecting investors' interests.

Article 80 (Instructions on, and Execution of, Asset Management)

(1) In managing the assets of an investment trust, a collective investment business entity of the investment trust shall give the trust business entity that keeps in custody and manages such assets of the investment trust, instructions in relation to the acquisition, disposal, etc. of investable assets separately for each item of assets of the investment trust in accordance with the method prescribed by Presidential Decree; and the trust business entity shall acquire, dispose of, etc. the investable assets in accordance with the instructions given by the collective investment business entity: Provided, That the collective investment business entity may acquire, dispose of, etc. any investable assets directly in its name in cases prescribed by Presidential Decree where it is essential for managing the assets of the investment trust efficiently.

(2) Where a collective investment business entity of an investment trust (including a trust business entity that keeps in custody and manages the assets of the investment trust; hereafter the same shall apply in this paragraph) acquires, disposes of, etc. an investable asset in accordance with paragraph (1), it shall be liable for the performance within the limit of the assets of the investment trust: Provided, That this shall not apply where the collective investment business entity is liable for any damage pursuant to Article 64

(1). *<Amended on Mar. 27, 2018>*

(3) Where a collective investment business entity perform such business as the acquisition, disposal, etc. of investable assets in accordance with the proviso of paragraph (1), it shall distribute the outcome of the acquisition, disposal, etc. in accordance with the asset distribution schedule predetermined for each asset of the investment trust. In such cases, the collective investment business entity shall prepare, maintain, and control the asset distribution schedule and account books and documents for the outcome of acquisition, disposal, etc. and the results of distribution, etc. in accordance with the method prescribed by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

(4) Matters necessary for the asset distribution schedule, etc. referred to in paragraph (3) shall be prescribed by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

(5) In managing the collective investment property, a collective investment business entity of any collective investment scheme, other than an investment trust, shall acquire, dispose of, etc. the investable assets by each collective investment property (excluding assets of an investment trust) in accordance with the method prescribed by Presidential Decree in the name of the collective investment scheme (referring to the name of the collective investment business entity in the case of an undisclosed investment association), give the trust business entity of the collective investment scheme instructions as necessary for keeping in custody and managing the asset acquired, disposed of, etc., and the trust business entity shall comply with the instructions given by the collective investment business entity. In such cases, the collective investment business entity shall indicate that it represents the collective investment scheme whenever it acquires, disposes of, etc. the investable assets. *<Amended on Feb. 3, 2009>*

Article 81 (Restrictions on Asset Management)

(1) No collective investment business entity shall engage in any of the following activities in the course of managing the collective trust property: Provided, That collective investment business entities may engage in such activities in circumstances prescribed by Presidential Decree where it is unlikely to undermine the protection of investors and the stable management of the collective investment property: *<Amended on Jul. 24, 2015>*

1. Any of the following activities in the course of investing the collective investment property in securities (excluding collective investment securities and other securities specified by Presidential Decree, but including the investable assets specified by Presidential Decree; hereafter the same shall apply in this subparagraph) or derivatives:

(a) Investing the assets of each collective investment scheme managed by each collective investment business entity in an identical item of securities in excess of the ratio prescribed by Presidential Decree within 10 percent of the total assets of each collective investment scheme. In such cases, equity securities (including depositary receipts related to equity securities issued by a corporation, etc.; hereafter the same shall apply in this Sub-Section) and securities, other than the equity securities issued by an identical corporation, etc., shall be deemed identical securities, respectively;

(b) Investing the total assets of all collective investment schemes managed by each collective investment business entity in equity securities issued by an identical corporation, etc. in excess of 20 percent of the total number of equity securities;

(c) Investing the total assets of each collective investment scheme in equity securities issued by an identical corporation, etc. in excess of 10 percent of the total number of equity securities;

(d) Trading over-the-counter derivatives with a person who fails to meet the qualification requirements prescribed by Presidential Decree;

(e) Investing assets in such a manner that the assessed risks contingent to trading derivatives exceed the ratio prescribed by Presidential Decree;

(f) In relation to the trading of derivatives, investing the assets of each collective investment scheme in such a manner that the assessed risks ensuing from price fluctuations in the securities issued by an identical corporation, etc. (including depositary receipts related to the securities issued by the corporation, etc.) among the underlying assets exceed 10 percent of the total assets of each collective investment scheme;

(g) Investing assets in such a manner that the assessed risks of the trading counterparty ensuing from the trading of over-the-counter derivatives with the same trading counterparty exceed 10 percent of the total assets of each collective investment scheme;

2. Any of the following activities in the course of investing the collective investment property in real property:

(a) Disposing of real estate within the period prescribed by Presidential Decree not exceeding five years from the acquisition of the real estate: Provided, That where a parcel of land, buildings, etc. developed or constructed by a real estate development project (referring to a project for developing a parcel of land into sites for houses, factories, etc. or constructing or reconstructing a building or any other structure on the parcel of land; hereinafter the same shall apply) are sold in lots or in units or in cases prescribed by Presidential Decree as necessary for protecting investors, such disposal shall be excluded herefrom;

(b) Disposing of a parcel of land without any building or other structure thereon before executing a real estate development project for such a parcel of land: Provided, That where the collective investment scheme is merged, terminated, or dissolved or in cases prescribed by Presidential Decree as necessary for protecting investors, such disposal shall be excluded herefrom;

3. Any of the following acts in the course of investing the collective investment property in collective investment securities (including foreign collective investment securities provided for in Article 279 (1); hereafter the same shall apply in this subparagraph):

(a) Investing the assets of each collective investment scheme in the collective investment securities of a collective investment scheme (including foreign collective investment schemes provided for in Article 279 (1)) managed by the same collective investment business entity (including foreign collective investment business entities under Article 279 (1)), in excess of 50 percent of the total

assets of the collective investment scheme;

(b) Investing the assets of each collective investment scheme in the collective investment securities of the same collective investment scheme (including foreign collective investment schemes provided for in Article 279 (1)), in excess of 20 percent of the total assets of the collective investment scheme;

(c) Investing assets in the collective investment securities of a collective investment scheme (including foreign collective investment schemes provided for in Article 279 (1)), which is allowed to invest in collective investment securities in excess of 40 percent of the total assets;

(d) Investing assets in the collective investment securities of a privately placed fund (including foreign privately placed funds equivalent to privately placed funds) in excess of the ratio prescribed by Presidential Decree not exceeding five percent of the total amount of assets of each collective investment scheme;

(e) Investing the collective investment property of each collective investment scheme in the collective investment securities of the same collective investment scheme (including foreign collective investment schemes provided for in Article 279 (1)), in excess of 20 percent of the total number of the collective investment securities. In such cases, the ratio shall be calculated based on the date of such investment;

(f) Investing assets in collective investment securities to the extent that the aggregate of sales commissions or sales remuneration paid to the investment trader or investment broker, who sells the collective investment securities of a collective investment scheme, and sales commission or sales remuneration paid to the investment trader (including foreign investment traders (referring to persons who engage in any business equivalent to the investment trading business in a foreign country in accordance with the statutes of the foreign country), who sells the collective investment securities of other collective investment schemes (including foreign collective investment schemes provided for in Article 279 (1)) in which the aforesaid collective investment scheme invests in, or the investment broker (including foreign investment brokers (referring to persons who engage in any business equivalent to the investment brokerage business in a foreign country in accordance with the statutes of the foreign country)), exceeds the limits prescribed by Presidential Decree;

4. Any other act specified by Presidential Decree as likely to undermine the protection of investors, the stable management of collective investment property, etc.

(2) Matters pertaining to the methods, etc. of determining the assessed risks under paragraph (1) 1 (e), the assessed risks under paragraph (1) 1 (f), and the assessed risks of the other trading party under paragraph (1) 1 (g) shall be prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(3) Where an investment has exceeded the investment limit provided for in paragraph (1) due to an unavoidable cause or event specified by Presidential Decree, such as price fluctuation of any investable asset belonging to the collective investment property, the investment shall be deemed to be made in accordance with the investment limit during the period prescribed by Presidential Decree, beginning from

the date on which the investment has exceeded the prescribed limit.

(4) Investment ratios provided for in paragraph (1) 1 (a), (e) through (g), 3 (a), 3 (b) and each subparagraph of Article 229 shall not apply to the period specified by Presidential Decree, not exceeding six months (one year, in the cases of a real estate fund referred to in subparagraph 2 of Article 229) from the date of initial creation or establishment of a collective investment scheme. *<Amended on Feb. 3, 2009; Mar. 29, 2016>*

Article 82 (Restriction on Acquisition of One's Own Collective Investment Securities)

No collective investment business entity of an investment trust or an undisclosed investment association shall acquire the collective investment securities of the collective investment scheme, or receive such securities as the subject matter of a pledge right on the collective investment scheme's account: Provided, That the entity may acquire the collective investment securities of the collective investment scheme on the collective investment scheme's account in any of the following cases:

1. Where it is necessary for exercising a security right or any other right. In such cases, the collective investment securities so acquired shall be disposed of in accordance with the method prescribed by Presidential Decree;
2. Where beneficiary certificates are purchased in accordance with Article 191.

Article 83 (Restrictions on Borrowing Money)

(1) No collective investment business entity shall borrow money on the collective investment scheme’s account in the course of managing the collective investment property: Provided, That it may borrow money on the collective investment scheme’s account in any of the following cases: *<Amended on Mar. 27, 2018>*

1. Where it is difficult to pay a redemption price temporarily because of a large number of claims for redemption of collective investment securities made under Article 235;
2. Where it is difficult to pay a repurchase price temporarily because of a large number of claims for repurchase made under Articles 191 and 201 (4);
3. Other cases prescribed by Presidential Decree, where there is a need to borrow money temporarily in the course of operating and settling account with a collective investment scheme and it is unlikely to undermine the protection of investors and sound trading practices.

(2) Where money is borrowed on a collective investment scheme’s account in accordance with paragraph (1), the total amount of the borrowed money shall not exceed ten percent of the amount calculated by deducting the total amount of liabilities from the total amount of assets as at the time of borrowing. *<Amended on Jul. 24, 2015>*

(3) Matters pertaining to the method of borrowing money under paragraph (1), restrictions on acquisition of the investable assets before repayment of loans, etc. shall be prescribed by Presidential Decree.

(4) In the course of managing the collective investment property, no collective investment business entity shall lend money out of the collective investment property (excluding short-term loans to any financial institution specified by Presidential Decree for a period not exceeding 30 days).

(5) In the course of managing the collective investment property, no collective investment business entity shall guarantee any debt or offer any security for any person other than the pertinent collective investment scheme with the collective investment property.

Article 84 (Restrictions on Transactions with Interested Parties)

(1) In managing the collective investment property, no collective investment business entity shall conduct any transactional activity with an interested party prescribed by Presidential Decree (hereafter in this Section referred to as "interested party"): Provided, That the entity is allowed to make any of the following transactions, if there is no possibility of a conflict of interest with the collective investment scheme:

1. A transaction under a contract entered into with a person at least six months before the person becomes an interested party;
2. A transaction through an open market in which a multiple number of unspecified people participate, such as the securities exchange;
3. A transaction favorable to the collective investment scheme in comparison to the standard terms and conditions of such a transaction;
4. Other transactions specified by Presidential Decree.

(2) A collective investment business entity shall, when a transaction with an interested party is allowed pursuant to the proviso of paragraph (1) or when there is a change of interested parties, promptly notify the details of such event to the trust business entity who keeps in custody and manages the relevant collective investment property.

(3) In managing the collective investment property, no collective investment business entity shall acquire securities (excluding beneficiary certificates prescribed in Article 189) issued by the collective investment business entity itself on its account of collective investment scheme.

(4) In managing the collective investment property, no collective investment business entity shall acquire securities (excluding beneficiary certificates prescribed in Article 189 and other securities specified by Presidential Decree, but including securities depositary receipts related to equity securities issued by its affiliated company and investable assets specified by Presidential Decree; hereafter the same shall apply in this Article) issued by an affiliated company of the collective investment business entity in excess of the limit prescribed by Presidential Decree.

(5) Matters necessary for the restriction on acquisition of securities issued by an affiliated company under paragraph (4) shall be prescribed by Presidential Decree.

Article 85 (Prohibition on Unsound Business Activities)

No collective investment business entity shall engage in any of the following activities: Provided, That collective investment business entities may engage in such activities in cases prescribed by Presidential Decree where it is unlikely to undermine the protection of investors or sound trading practices:

1. Deciding on a purchase or sale which may significantly affect the price of the financial investment instruments or other investable assets in the course of managing the collective investment property, and, before implementing such decision, buying or selling financial investment instruments or any other investable asset on its own account, or soliciting a third party to buy or sell such instruments or asset;
2. Buying securities underwritten by itself or a related underwriter specified by Presidential Decree (hereafter in this Section referred to as "related underwriter") with the collective investment property;
3. Buying specific securities, etc. (referring to specific securities, etc. as defined in Article 172 (1); hereafter in this subparagraph the same shall apply) with the collective investment property to create an artificial market price (referring to the market price as defined in Article 176 (2) 1) for the specific securities, etc. of a corporation for which the corporation itself or its related underwriter was in charge of underwriting affairs prescribed by Presidential Decree;
4. Undermining the interest of a specific collective investment scheme to pursue its own or a third party's interest;
5. Trading a specific collective investment property for the collective investment business entity's proprietary property or other collective investment property, discretionary investment property (referring to the property managed pursuant to the discretionary power authorized by investors for making judgments on investments; hereinafter the same shall apply), or trust property managed by the collective investment business entity;
6. Investing the collective investment property with another interactively in a specific asset by agreement or in collusion, etc. with a third party;
7. Engaging any persons other than fund managers to manage the collective investment property;
8. Other activities specified by Presidential Decree as likely to undermine the protection of investors or sound trading practices.

Article 86 (Restriction on Contingent Remuneration)

(1) No collective investment business entity shall receive remuneration that is contingent upon the performance of its collective investment scheme (hereinafter referred to as "contingent remuneration") in accordance with a predetermined calculation formula: Provided, That such contingent remuneration may be allowed in any of the following cases:

1. If the collective investment scheme is a privately placed fund;
2. If there is no possibility of undermining the protection of investors or sound trading practices in circumstances prescribed by Presidential Decree, considering the calculation method used for remuneration of management for any collective investment scheme other than privately placed funds, the composition of investors, etc.

(2) A collective investment business entity that intends to receive contingent remuneration in accordance with the proviso of paragraph (1) shall state the calculation method of the contingent remuneration and other matters prescribed by Presidential Decree in the relevant investment prospectus (referring to the investment prospectus under Article 123 (1)) and the collective investment agreement.

Article 87 (Voting Rights)

(1) To protect the interests of investors, each collective investment business entity (limited to collective investment business entities of an investment trust or an undisclosed investment association; hereafter in this Article the same shall apply) shall faithfully exercise its voting right of the stocks that belong to the collective investment property: *<Amended on May 28, 2013>*

1. Deleted; *<May 28, 2013>*
2. Deleted; *<May 28, 2013>*
3. Deleted; *<May 28, 2013>*

(2) Notwithstanding paragraph (1), a collective investment business entity shall exercise its voting rights so as not to affect a resolution passed by the number of stocks, as calculated by subtracting the number of the stocks that belong to the collective investment property from the number of stocks held by shareholders present at the general meeting of shareholders of the corporation that has issued the stocks that belong to the collective investment property, in any of the following cases: *<Amended on May 28, 2013>*

1. Where any of the following entities intends to incorporate the corporation that has issued the stocks, which belong to the collective investment property, into a group of its affiliates:
   (a) The collective investment business entity or any person who has an interest therein as prescribed by Presidential Decree;
   (b) A person prescribed by Presidential Decree, who has de facto control over the collective investment business entity;
2. Where the corporation that has issued the stocks that belong to the collective investment property has any of the following relationships with the collective investment business entity:
   (a) Where it is an affiliate of the collective investment business entity;
   (b) Where it is in a relationship prescribed by Presidential Decree, under which it exercises de facto control over the collective investment business;
3. Other cases prescribed by Presidential Decree as likely to undermine the protection of investors or the proper management of the collective investment property.

(3) Notwithstanding paragraph (2), a collective investment business entity may exercise its voting rights as provided for in paragraph (1), where it is obviously foreseeable that exercising its voting rights as provided for in paragraph (2) for the merge of a corporation, transfer or acquisition of business, appointment or dismissal of an executive officer, amendment of articles of incorporation, or any equivalent matters, which evidently affect the investors' interests (hereafter in this Article referred to as

"major matters for decision"), will cause any loss to the collective investment property: Provided, That a collective investment business entity that belongs to a business group subject to limitations on cross shareholding referred to in Article 9 (1) of the Monopoly Regulation and Fair Trade Act (hereinafter referred to as "business group subject to limitations on cross shareholding") may exercise its voting rights only by the method satisfying each of the following requirements, if it holds stocks as part of its collective investment property that are issued by a stock-listed corporation which is one of its affiliates: *<Amended on May 28, 2013>*

1. It shall exercise its voting rights to the extent not exceeding 15 percent of the total number of outstanding stocks of the stock-listed corporation by aggregating the number of stocks through which all affiliated persons (referring to the affiliated persons as defined in Article 7 (1) 5 (a) of the Monopoly Regulation and Fair Trade Act) of such corporation may exercise voting rights;
2. In regard to the stocks acquired by a collective investment business entity in excess of the investment limit provided for in Article 81 (1) 1 (a) in accordance with the proviso of Article 81 (1), it shall exercise its voting rights so as not to affect the resolution passed by the number of stocks, as calculated by subtracting the number of stocks held as part of the collective investment property, from the number of stocks held by the shareholders present at the general meeting of shareholders of the corporation that has issued the stocks.

(4) No collective investment business entity may exercise any voting rights in relation to the stocks acquired in excess of the investment limit provided for in Articles 81 (1) and 84 (4).

(5) No collective investment business entity shall engage in any conduct to circumvent any provision of paragraphs (2) through (4), such as cross-exercising voting rights by a contract, etc. with a third party. *<Amended on May 28, 2013>*

(6) Where a collective investment business entity exercises its voting rights in relation to the stocks that belong to the collective investment property, in violation of any of paragraphs (2) through (5), the Financial Services Commission may issue an order to the collective investment business entity to dispose of such stocks within a prescribed period, not exceeding six months. *<Amended on Feb. 29, 2008; May 28, 2013>*

(7) Each collective investment business entity shall keep and maintain records as to whether it has exercised the voting rights over the corporation that has issued the stocks held in excess of the ratio or amount prescribed by Presidential Decree (hereafter in Article referred to as "corporation required to disclose its voting rights to the public") as part of the collective investment property, including the details of such exercise (or the grounds for failure to exercise its voting rights, if applicable) in the manner prescribed by Presidential Decree.

(8) Each collective investment business entity shall disclose to the public the details of the voting rights exercised in relation to the stocks prescribed by Presidential Decree (in cases of stock-listed corporations as defined in Article 9 (15) 3 (b), including depositary receipts related to the stocks), from among stocks that belong to the collective investment property, etc., as classified below. In such cases, the method of

public disclosure and other necessary matters shall be prescribed by Presidential Decree: <*Amended on Feb. 3, 2009; May 28, 2013*>

1. Where it has exercised its voting rights in relation to the major matters for decision in accordance with paragraphs (2) and (3): Specific details of how it has exercised voting rights and the grounds therefor;

2. Where it has exercised its voting rights in relation to a corporation required to disclose its voting rights to the public: Specific details of how it has exercises its voting rights in accordance with paragraph (7);

3. Where it has exercised voting rights in relation to a corporation required to disclose its voting rights to the public: Specific grounds for the failure to exercise its voting rights in accordance with paragraph (7).

(9) In disclosing to the public the matters concerning the exercise of voting rights in accordance with paragraph (8), each collective investment business entity shall also disclose the data specified by Presidential Decree as necessary for investors to ascertain whether the exercise of, or failure to exercise, voting rights was proper, etc.

Article 87 (Voting Rights)

(1) To protect the interests of investors, each collective investment business entity (limited to collective investment business entities of an investment trust or an undisclosed investment association; hereafter in this Article the same shall apply) shall faithfully exercise its voting right of the stocks that belong to the collective investment property: <*Amended on May 28, 2013*>

1. Deleted; <*May 28, 2013*>

2. Deleted; <*May 28, 2013*>

3. Deleted; <*May 28, 2013*>

(2) Notwithstanding paragraph (1), a collective investment business entity shall exercise its voting rights so as not to affect a resolution passed by the number of stocks, as calculated by subtracting the number of the stocks that belong to the collective investment property from the number of stocks held by shareholders present at the general meeting of shareholders of the corporation that has issued the stocks that belong to the collective investment property, in any of the following cases: <*Amended on May 28, 2013*>

1. Where any of the following entities intends to incorporate the corporation that has issued the stocks, which belong to the collective investment property, into a group of its affiliates:

(a) The collective investment business entity or any person who has an interest therein as prescribed by Presidential Decree;

(b) A person prescribed by Presidential Decree, who has de facto control over the collective investment business entity;

2. Where the corporation that has issued the stocks that belong to the collective investment property has any of the following relationships with the collective investment business entity:

(a) Where it is an affiliate of the collective investment business entity;

(b) Where it is in a relationship prescribed by Presidential Decree, under which it exercises de facto control over the collective investment business;

3. Other cases prescribed by Presidential Decree as likely to undermine the protection of investors or the proper management of the collective investment property.

(3) Notwithstanding paragraph (2), a collective investment business entity may exercise its voting rights as provided for in paragraph (1), where it is obviously foreseeable that exercising its voting rights as provided for in paragraph (2) for the merge of a corporation, transfer or acquisition of business, appointment or dismissal of an executive officer, amendment of articles of incorporation, or any equivalent matters, which evidently affect the investors' interests (hereafter in this Article referred to as "major matters for decision"), will cause any loss to the collective investment property: Provided, That a collective investment business entity that belongs to a business group subject to limitations on cross shareholding referred to in Article 31 (1) of the Monopoly Regulation and Fair Trade Act (hereinafter referred to as "business group subject to limitations on cross shareholding") may exercise its voting rights only by the method satisfying each of the following requirements, if it holds stocks as part of its collective investment property that are issued by a stock-listed corporation which is one of its affiliates: *<Amended on May 28, 2013; Dec. 29, 2020>*

1. It shall exercise its voting rights to the extent not exceeding 15 percent of the total number of outstanding stocks of the stock-listed corporation by aggregating the number of stocks through which all affiliated persons (referring to the affiliated persons as defined in Article 9 (1) 5 (a) of the Monopoly Regulation and Fair Trade Act) of such corporation may exercise voting rights;

2. In regard to the stocks acquired by a collective investment business entity in excess of the investment limit provided for in Article 81 (1) 1 (a) in accordance with the proviso of Article 81 (1), it shall exercise its voting rights so as not to affect the resolution passed by the number of stocks, as calculated by subtracting the number of stocks held as part of the collective investment property, from the number of stocks held by the shareholders present at the general meeting of shareholders of the corporation that has issued the stocks.

(4) No collective investment business entity may exercise any voting rights in relation to the stocks acquired in excess of the investment limit provided for in Articles 81 (1) and 84 (4).

(5) No collective investment business entity shall engage in any conduct to circumvent any provision of paragraphs (2) through (4), such as cross-exercising voting rights by a contract, etc. with a third party. *<Amended on May 28, 2013>*

(6) Where a collective investment business entity exercises its voting rights in relation to the stocks that belong to the collective investment property, in violation of any of paragraphs (2) through (5), the Financial Services Commission may issue an order to the collective investment business entity to dispose

of such stocks within a prescribed period, not exceeding six months. *<Amended on Feb. 29, 2008; May 28, 2013>*

(7) Each collective investment business entity shall keep and maintain records as to whether it has exercised the voting rights over the corporation that has issued the stocks held in excess of the ratio or amount prescribed by Presidential Decree (hereafter in Article referred to as "corporation required to disclose its voting rights to the public") as part of the collective investment property, including the details of such exercise (or the grounds for failure to exercise its voting rights, if applicable) in the manner prescribed by Presidential Decree.

(8) Each collective investment business entity shall disclose to the public the details of the voting rights exercised in relation to the stocks prescribed by Presidential Decree (in cases of stock-listed corporations as defined in Article 9 (15) 3 (b), including depositary receipts related to the stocks), from among stocks that belong to the collective investment property, etc., as classified below. In such cases, the method of public disclosure and other necessary matters shall be prescribed by Presidential Decree: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. Where it has exercised its voting rights in relation to the major matters for decision in accordance with paragraphs (2) and (3): Specific details of how it has exercised voting rights and the grounds therefor;
2. Where it has exercised its voting rights in relation to a corporation required to disclose its voting rights to the public: Specific details of how it has exercises its voting rights in accordance with paragraph (7);
3. Where it has exercised voting rights in relation to a corporation required to disclose its voting rights to the public: Specific grounds for the failure to exercise its voting rights in accordance with paragraph (7).

(9) In disclosing to the public the matters concerning the exercise of voting rights in accordance with paragraph (8), each collective investment business entity shall also disclose the data specified by Presidential Decree as necessary for investors to ascertain whether the exercise of, or failure to exercise, voting rights was proper, etc.

Article 88 (Delivery of Asset Management Reports)

(1) Each collective investment business entity shall prepare an asset management report at least once every three months and shall deliver the asset management report to each investor of the relevant collective investment scheme subject to verification from the trust business entity that keeps in custody and manages the relevant collective investment property: Provided, That it need not deliver such asset management report to each investor in cases prescribed by Presidential Decree as unlikely to undermine investors' interests, including frequent changes of investors. *<Amended on Feb. 3, 2009>*

(2) Each collective investment business entity shall state the following matters in the asset management report prepared under paragraph (1):

1. Assets and liabilities of the collective investment scheme and the base prices of the collective investment securities as at any of the following date (hereafter in this Article referred to as "base date"):

(a) The date three months elapse from the commencement date of each accounting period;

(b) The last day of each accounting period;

(c) The last day of the contract term or the expiry date of the existence term;

(d) The date of termination or dissolution;

2. A summary of management progress during the period from the immediately preceding base date (referring to the initial date of creation or formation of the relevant collective investment scheme, if no immediately preceding base date is available) to the pertinent base date (hereafter in this Article referred to as "pertinent management period") and the matters concerning profit and loss during the pertinent management period;

3. The assessed value of each type of asset that belong to the collective investment property and the ratio of such assessed value to the total value of the collective investment property as at the base date;

4. The total number of stocks traded, total trading amount, and turnover rate prescribed by Presidential Decree during the pertinent management period;

5. Other matters prescribed by Presidential Decree.

(3) The timing and method for delivering the asset management report under paragraph (1), cost bearing, and other relevant matters shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

Article 89 (Ad Hoc Public Disclosure)

(1) A collective investment business entity of an investment trust or an undisclosed investment association shall, when any of the following events or causes occurs, disclose such event or cause to the public without delay, as prescribed by Presidential Decree: *<Amended on Feb. 3, 2009; Aug. 4, 2011>*

1. Where any fund manager is replaced: Such fact and fund management career (referring to the name of the collective investment scheme managed, and the scale of and rate of return from the collective investment property) of the replaced fund manager;

2. Decisions on deferment or resumption of redemption and the reason therefor;

3. Details of non-performing assets, if any, specified by Presidential Decree, and the depreciation rate thereof;

4. Details of resolutions of the general meeting of collective investors;

5. Other matters prescribed by Presidential Decree as necessary for the protection of investors.

(2) Ad hoc public disclosure shall be made in any manner described below: *<Newly Inserted on Feb. 3, 2009>*

1. Disclosing to the public through the website of a collective investment business entity, an investment trader or broker that sold the relevant collective investment securities, and the Association;

2. Informing investors through electronic mail by an investment trader or investment broker that sold the relevant collective investment securities;

3. Posting a public notice at the head office, branch offices, and other sales offices of a collective investment business entity, an investment trader or investment broker that sold the relevant collective investment securities.

Article 90 (Reporting on Collective Investment Property)

(1) A collective investment business entity (limited to the collective investment business entities of an investment trust or an undisclosed investment association; hereafter the same shall apply in this Article) shall prepare a business report for each quarter concerning the collective investment property in accordance with the manner prescribed by Presidential Decree, and shall submit it to the Financial Services Commission and the Association no later than two months after the end of each quarter. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(2) A collective investment business entity shall, when any of the following causes or events occur, submit documents of settlement of accounts under Article 239 to the Financial Services Commission and the Association within two months from the day on which such cause or event occurs: *<Amended on Feb. 29, 2008>*

1. The end of the fiscal term of a collective investment scheme;
2. The end of the contract term or existence term of a collective investment scheme;
3. Termination or dissolution of a collective investment scheme.

(3) The Financial Services Commission and the Association shall disclose the documents submitted in accordance with paragraphs (1) and (2) to the public through its website, etc. *<Amended on Feb. 29, 2008>*

(4) The Association shall compare management performance of each collective investment property including the details of change in net asset value of each collective investment property in accordance with the manner prescribed by Presidential Decree, and shall disclose the result thereof to the public through its website, etc.

Article 91 (Inspection and Public Disclosure of Account Books and Documents)

(1) An investor may request a collective investment business entity (limited to the collective investment business entities of an investment trust or an undisclosed investment association, but including the investment trader and the investment broker who sold the relevant collective investment securities; hereafter the same shall apply in this Article), in writing stating the reasons, to allow him or her to inspect account books and documents related to the collective investment property in which he or she has an interest during business hours, or to issue a certified copy or abstract of such account books and documents. In such cases, the collective investment business entity shall not reject such request, unless there is good cause as prescribed by Presidential Decree.

(2) Matters pertaining to the range of the account books and documents subject to the request for inspection or issuance of a certified copy or extract thereof under paragraph (1) shall be prescribed by Presidential Decree.

(3) An investment business entity shall publicly disclose its collective investment agreement through its website, etc.

Article 92 (Notice of Deferment of Redemption)

(1) A collective investment business entity (limited to collective investment business entities of an investment trust or an undisclosed investment association; hereafter the same shall apply in this Article) shall, when any of the following events occur, notify the investment trader or the investment broker who sold the relevant collective investment securities thereof without delay:

1. When the redemption of the collective investment securities is deferred in accordance with Article 237 (1);
2. When the accounting auditor's audit opinion on the collective investment scheme under Article 240 (3) is not an unqualified one.

(2) A collective investment business entity shall, when the event under paragraph (1) terminates, notify the investment trader or the investment broker who sold the relevant collective investment securities thereof without delay.

Article 93 (Special Cases concerning Management of Derivatives)

(1) When the collective investment property of a collective investment scheme, which is allowed to invest its property in derivatives to the extent that the assessed risks contingent to the trading of derivatives (referring to the assessed risks under Article 81 (1) 1 (e); hereafter the same shall apply in this Article) exceed the guidelines prescribed by Presidential Decree, is invested in derivatives, the collective investment business entity shall publicly disclose the contract amount and other indexes related to risks, as prescribed by Presidential Decree, through its website, etc. In such cases, the investment prospectus (referring to the investment prospectus under Article 123 (1)) of the collective investment scheme shall contain a statement that the summary of indexes related to contingent risks and the indexes related to such risks shall be publicly disclosed.

(2) When the collective investment property of a collective investment scheme, which is allowed to invest its property in over-the-counter derivatives to the extent that the assessed risks contingent to the trading of over-the-counter derivatives exceed the guidelines prescribed by Presidential Decree, is invested in such over-the-counter derivatives, the collective investment business entity shall prepare a risk management scheme for management of over-the-counter derivatives, and shall report it the Financial Services Commission subject to a prior confirmation of the trust business entity that keeps in custody and manages the collective investment property. *<Amended on Feb. 29, 2008>*

Article 94 (Special Cases concerning Management of Real Property)

(1) Where a collective investment business entity acquires real estate with the collective investment property (including the management of real estate in the case of a real estate fund referred to in

subparagraph 2 of Article 229), it may borrow money on the collective investment scheme's account in the manner prescribed by Presidential Decree, notwithstanding the main clause of Article 83 (1). *<Amended on Mar. 29, 2016>*

(2) A collective investment business entity may lend money to a corporation that engages in the business of developing real estate (including real estate trust business entities and other persons specified further by Presidential Decree) out of the collective investment property in the manner prescribed by Presidential Decree, notwithstanding Article 83 (4).

(3) Whenever a collective investment business entity acquires or disposes of real estate with the collective investment property, it shall prepare and keep a due-diligence report, which shall contain the current status of the real estate, its trading price, and other matters prescribed by Presidential Decree.

(4) Whenever a collective investment business entity intends to invest the collective investment property in a real estate development project, it shall prepare a business plan, which shall contain the timetable and method for promotion, and other matters prescribed by Presidential Decree, subject to confirmation from an appraisal corporation, etc. under the Act on Appraisal and Certified Appraisers on whether the business plan is feasible, and shall disclose the business plan on its website, etc. *<Amended on Jan. 19, 2016; Apr. 7, 2020>*

(5) Where a collective investment business entity acquires real estate with the investment trust property, it need not enter the description of beneficiaries in the statement of trust for the purposes of Article 81 of the Registration of Real Estate Act. *<Amended on Apr. 12, 2011>*

(6) Matters pertaining to the limits on borrowing and lending money under paragraphs (1) and (2), restrictions on the management of borrowed money shall be prescribed by Presidential Decree.

Article 95 (Liquidation)

(1) The Financial Services Commission shall supervise the affairs related to liquidation of a financial investment business entity that has engaged in a collective investment business. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission may inspect the status of liquidation affairs and property or issue an order to deposit the property in securities depository or any other order as may be necessary for the supervision of liquidation. *<Amended on Feb. 29, 2008>*

(3) The Financial Services Commission shall, when a financial investment business entity that has engaged in a collective investment business is dissolved due to the revocation of its authorization for its financial investment business, appoint a liquidator ex officio. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission shall, if a financial investment business entity that has engaged in a collective investment business is dissolved by an order or a judgment of a court or if there is no liquidator, appoint a liquidator ex officio or upon request of an interested party. *<Amended on Feb. 29, 2008>*

(5) The Financial Services Commission may, when it appoints a liquidator, require a financial investment business entity that has engaged in a collective investment business to pay remuneration to the liquidator. In such cases, the Financial Services Commission shall determine the amount of remuneration and provide public notice of such. *<Amended on Feb. 29, 2008>*

(6) If a liquidator is significantly unfit for executing such affairs or commits a serious violation of any statute, the Financial Services Commission may remove the liquidator ex officio or upon request of an interested party. *<Amended on Feb. 29, 2008>*

Subsection 3 Rules on Business Conduct by Investment Advisory Business Entities and Discretionary Investment Business Entities

Article 96 (Fiduciary Duty of Due Care and Duty of Good Faith)

(1) An investment advisory business entity owes the fiduciary duty of due care to investors in providing advice for investment, and a discretionary investment business entity owes the fiduciary duty of due care to investors in managing the discretionary investment property.

(2) An investment advisory business entity and discretionary investment business entity shall execute its business affairs in good faith to protect investors' interests.

Article 97 (Execution of Contracts)

(1) When an investment advisory business entity or discretionary investment business entity intends to enter into an investment advisory contract or a discretional investment contract with an ordinary investor, it shall deliver written materials containing the following matters in advance to the ordinary investor: *<Amended on May 28, 2013>*

1. The scope of advising for investment, the method of providing such service, the scope of discretionary investment, and the financial investment instruments, etc. advisable for investment;
2. General guidelines and procedure established by the investment advisory business entity or discretionary investment business entity, in connection with the execution of the investment advisory business or discretionary investment business;
3. Names and major professional experience of executive officers and/or employees who actually run the investment advisory business or discretionary investment business;
4. Guidelines and procedure established by the investment advisory business entity or discretionary investment business entity in order to prevent conflict of interests with investors;
5. The fact that the results of investment shall be imputed to each investor in relation to the investment advisory contract or discretionary investment contract and matters concerning the liability of each investor;
6. Matters concerning fees;

7. The method of notifying investors of the evaluation of performance of investments and the outcomes of investments (limited to a discretionary investment contract);

7.2. The fact that the investor may change the method of management of discretionary investment property or request to terminate the contract;

8. Other matters prescribed by Presidential Decree as those that serve as important guidelines for investors' judgment when they determine whether to sign a contract.

(2) An investment advisory business entity or discretionary investment business entity shall, whenever it executes an investment advisory contract or a discretionary investment contract with an ordinary investor, state the following matters in the contract documents delivered to the ordinary investor in accordance with Article 23 (1) of the Act on the Protection of Financial Consumers. In such cases, the descriptions therein shall not differ from those contained in the written materials delivered in accordance with paragraph (1): *<Amended on Mar. 24, 2020>*

1. Matters under the subparagraphs of paragraph (1);

2. Matters concerning contractual parties;

3. Contract term and contract date;

4. Matters concerning amendment to and termination of the contract;

5. The investment trader or investment broker in which the discretionary investment property is deposited, and names of other financial institutions and their sales offices.

Article 98 (Prohibition on Unsound Business Activities)

(1) Neither investment advisory business entity nor discretionary investment business entity shall engage in any of the following activities: Provided, That the investment advisory business entity or discretionary investment business entity may engage in such activities in circumstances prescribed by Presidential Decree where it is unlikely to undermine the protection of investors and sound trading practices: *<Amended on May 28, 2013>*

1. Receiving money, securities, or any other property from an investor for keeping in custody or deposit;

2. Lending money, securities, or any other property to an investor, or acting as a broker, an intermediary or agent of a third party for lending the third party's money, securities, or any other property to an investor;

3. Engaging any person other than an investment advisor or a fund manager to run the investment advisory business or discretionary investment business;

4. Receiving any consideration in addition to the fees stipulated in the agreement;

5. Buying or selling on its own account, or soliciting a third party to buy or sell, a financial investment instrument, etc., after determining to give advices on the judgment of investment or to make a purchase or sale, which may produce a significant impact on the price of the financial investment instrument, etc., while providing advices as requested or managing the discretionary investment property, but before

putting such determination into action.

(2) In the course of managing the discretionary investment property, no discretionary investment business entity shall engage in any of the following activities: Provided, That the discretionary investment business entity may engage in such activities in circumstances prescribed by Presidential Decree where it is unlikely to undermine the protection of investors and sound trading practices: *<Amended on May 28, 2013>*

1. Failing to comply with an investor's request to change the method of management or to terminate the contract, without any justifiable grounds;
2. Buying securities underwritten by itself or a related underwriter for the discretionary investment property;
3. Buying specific securities, etc. (referring to specific securities, etc. under Article 172 (1); hereafter the same shall apply in this subparagraph), using the discretionary investment property with intent to create an artificial market value (referring to the market value under Article 176 (2) 1) for the specific securities, etc. of a corporation for which the corporation itself or its related underwriter was in charge of the underwriting affairs as prescribed by Presidential Decree;
4. Undermining a specific investor's interest to pursue its own or a third party's interest;
5. Trading the discretionary investment property for another discretionary investment property, collective investment property, or trust property managed by itself;
6. Trading the discretionary investment property for the proprietary property of the discretionary investment business entity or its interested party;
7. Investing the discretionary investment property in securities issued by the discretionary investment business entity or its interested party without the investor's consent;
8. Managing several investors' assets collectively instead of managing the discretionary investment property separately for each investor;
9. Obtaining authorization for any of the following activities from an investor:
   (a) Designating or changing the investment trader, investment broker, or any other financial institution for depositing the discretionary investment property;
   (b) Depositing or withdrawing the discretionary investment property;
   (c) Exercising voting rights or any other rights in securities that belong to the discretionary investment property;
10. Other activities specified by Presidential Decree as likely to undermine the protection of investors or sound trading practices.

Article 98-2 (Restriction on Contingent Remuneration)

(1) Neither investment consulting business entity nor discretionary investment business entity shall receive remuneration that is contingent upon the investment outcome related to investment advice or management performance of discretionary investment property: Provided, That it may receive contingent remuneration where it is unlikely to undermine the protection of investors or sound trading practices in circumstances

prescribed by Presidential Decree.

(2) Where an investment consulting business entity or discretionary investment business entity intends to receive contingent remuneration under the proviso of paragraph (1), it shall state the method to calculate the contingent remuneration and other matters prescribed by Presidential Decree in the contract for investment advice services or discretionary investment services.

Article 99 (Delivery of Discretionary Investment Report)

(1) A discretionary investment business entity shall prepare a report on the following matters (hereafter referred to as "discretionary investment report" in this Article) at least once every three months, and shall deliver it to each ordinary investor who signed the discretionary investment contract: *<Amended on Feb. 3, 2009>*

1. Current status of management of the discretionary investment property;
2. Time and outcome of trading in a specific asset among the discretionary investment property with the proprietary property of the discretionary investment business entity and the balance thereof, if there was such transaction.

(2) Matters concerning the mandatory descriptions of the discretionary investment report, the delivery method thereof, etc. shall be prescribed by Presidential Decree.

Article 100 (Special Cases concerning Offshore Investment Advisory Business Entity)

(1) Articles 28-2, 30 through 36, 38, 40, 41, 44, 45, 50 through 52, 56, and 61 through 63 shall not apply to any foreign investment advisory business entity (hereinafter referred to as "offshore investment advisory business entity") or foreign discretionary investment business entity (hereinafter referred to as "offshore discretionary investment business entity") that engage in investment advisory business or discretionary investment business under the proviso of Article 18 (2) 1. *<Amended on Jul. 31, 2015>*

(2) An offshore investment advisory business entity or offshore discretionary investment business entity shall place a person in charge of liaison, who meets the requirements prescribed by Ordinance of the Prime Minister, within the Republic of Korea for the protection of investors. *<Amended on Feb. 29, 2008>*

(3) Each offshore investment advisory business entity or offshore discretionary investment business entity shall include in each investment advisory contract or a discretionary investment contract concluded with a domestic resident, provisions stipulating that the contract is governed by the laws of the Republic of Korea and the courts of the Republic of Korea have jurisdiction over lawsuits arising from the contract.

(4) Each offshore investment advisory business entity or offshore discretionary investment business entity shall prepare the proper guidelines and procedures with which its executive officers and/or employees shall comply in performing their duties to monitor whether the matters provided for in Article 98 are complied with, and shall monitor the actual status of its operation on a regular basis.

(5) Each offshore investment advisory business entity or offshore discretionary investment business entity shall prepare a business report in the manner prescribed by Presidential Decree, and shall submit the

business report to the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(6) No offshore discretionary investment business entity shall engage in the discretionary investment business with the aim to solicit for investment any person other than those specified by Presidential Decree from among professional investors.

(7) Each offshore discretionary investment business entity shall keep foreign currency securities acquired with the discretionary investment property in the custody of a foreign depository institution specified by Presidential Decree.

(8) Other matters pertaining to the business method, procedure, etc. for offshore investment advisory business entities or offshore discretionary investment business entities shall be prescribed by Presidential Decree.

Article 101 (Reporting on Quasi-Investment Advisory Businesses)

(1) A person who intends to engage in the business providing advice concerning judgments on investment in financial investment instruments or the values of financial investment instruments, as prescribed by Presidential Decree, using a periodical published for unspecified people, electronic mail, etc. (hereafter in this Article referred to as "quasi-investment advisory business") shall file a report with the Financial Services Commission in the form prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) Where any of the following events occur, an entity who engages in quasi-investment advisory business shall report such event to the Financial Services Commission within two weeks: *<Amended on Feb. 29, 2008>*

1. Where the entity closes the quasi-investment advisory business;
2. Where its name or domicile is changed;
3. Where its representative is changed.

(3) The Financial Services Commission may request that an entity engaging in quasi-investment advisory business submit materials concerning the details of its business, the business method, etc., if deemed necessary to maintain the sound practices in the quasi-investment advisory business and to protect customers, etc. In such cases, the person requested to submit the materials shall comply with such request unless there is good cause. *<Amended on Feb. 29, 2008; Dec. 31, 2018>*

(4) Article 98 (1) (excluding subparagraph 3) shall apply mutatis mutandis to any person who is required to file a report in accordance with paragraph (1).

(5) Notwithstanding paragraph (1), where any person falls under any of the following, his or her report of quasi-investment advisory business need not be accepted: *<Newly Inserted on Dec. 31, 2018>*

1. A person (including an executive officer in case of a corporation) who has been sentenced to a fine or greater punishment in violation of this Act or any finance-related statute prescribed by Presidential Decree, such as the Act on the Regulation of Conducting Fund-Raising Business without Permission, and for whom five years have not elapsed since the execution of the sentence imposed has been

completed (including cases in which the execution of the sentence is deemed to be completed) or remitted;

2. A person for whom one year has not elapsed since the closure of quasi-investment advisory business is reported pursuant to paragraph (2);

3. A person who fails to receive education under paragraph (7);

4. A person for whom five years have not elapsed since a report is cancelled pursuant to paragraph (9);

5. A person who falls under a case equivalent to any of subparagraphs 1 through 4, and is prescribed by Presidential Decree, considering necessity for protecting investors.

(6) The validity period of a report under paragraph (1) shall be five years from the date of receiving the report. <*Newly Inserted on Dec. 31, 2018*>

(7) A person who intends to file a report under paragraph (1) shall receive education necessary for conducting quasi-investment advisory business to protect investors. <*Newly Inserted on Dec. 31, 2018*>

(8) Matters necessary for institutions which conduct education under paragraph (7), persons subject thereto, and contents, methods and procedure therefor shall be determined and publicly announced by the Financial Services Commission. <*Newly Inserted on Dec. 31, 2018*>

(9) The Financial Services Commission may, ex officio, cancel a report concerning a person falling under any of the following subparagraphs: <*Newly Inserted on Dec. 31, 2018*>

1. A person who files a report on closure of quasi-investment advisory business with the head of the competent tax office pursuant to Article 8 of the Value-Added Tax Act, or the registration of whose business is cancelled by the head of the competent tax office;

2. A person on whom administrative fines under Article 449 have been imposed for three consecutive times in violation of paragraph (2) or the latter part of paragraph (3);

3. A person falling under any subparagraph of paragraph (5).

(10) The Financial Services Commission may, if necessary for cancellation under paragraph (9) 1, request the head of the competent tax office to provide information on whether any business operator has closed the business. In such cases, the head of the competent tax office requested shall, pursuant to Article 39 of the Electronic Government Act, provide information on whether such business operator has closed the business. . <*Newly Inserted on Dec. 31, 2018*>

(11) In cases falling under any of the following, the Governor of the Financial Supervisory Service may inspect the related business affairs and property status, and Article 419 shall apply mutatis mutandis to the inspection. <*Newly Inserted on Dec. 31, 2018*>

1. Where a person engaging in quasi-investment advisory business fails to file or falsely files a report under paragraph (2);

2. Where a person engaging in quasi-investment advisory business fails to submit or falsely submits the materials under the latter part of paragraph (3) without good cause.

Subsection 4 Rules on Business Conduct by Trust Business Entities

Article 102 (Fiduciary Duty of Due Care and Duty of Good Faith)

(1) A trust business entity owes the fiduciary duty of due care to beneficiaries in managing the trust property.

(2) A trust business entity shall execute its business affairs in good faith to protect beneficiaries' interests.

Article 103 (Restrictions on Trust Property)

(1) No trust business entity shall accept any property, other than the following, in its trust: *<Amended on May 19, 2011>*

1. Money;
2. Securities;
3. Monetary claims;
4. Movable property;
5. Real property;
6. Superficies, rights to lease on a deposit basis, leasehold interests in real property, claims for transfer registration of ownership of real property, and other rights related to real property;
7. Intangible property rights (including intellectual property rights).

(2) Any trust business entity may comprehensively accept in a trust two or more assets among the assets referred to in the subparagraphs of paragraph (1) from a trustor under a single trust contract.

(3) Matters necessary for the acceptance in trusts of assets referred to in the subparagraphs of paragraph (1), the kind of trusts in connection with acceptance of a comprehensive property trust under paragraph (2), compensation for losses, guarantee for returns, and other terms and conditions of trust transactions shall be prescribed by Presidential Decree.

(4) Where a trust business entity enters into a trust contract for real estate development projects, it may accept in a trust the asset referred to in paragraph (1) 1 for each real estate development project under the trust contract within 15 percent of the project cost prescribed by Presidential Decree.

Article 104 (Segregation of Trust Property from Proprietary Property)

(1) Article 34 (2) of the Trust Act shall not apply to any trust business entity. *<Amended on Jul. 25, 2011; Mar. 27, 2018>*

(2) Each trust business entity may acquire a trust asset with its proprietary property, in accordance with the terms and conditions of a trust contract in any of the following cases: *<Amended on May 28, 2013>*

1. Where it is necessary for performing the obligation that it owes to a beneficiaries as a consequence of its trust activities (limited to where the asset acquired in the course of managing a monetary trust asset has a market value (referring to the market value under Article 176 (2) 1) in an exchange market (including the trades conducted in an alternative trading system) or an overseas market similar to any of

the aforesaid markets));

2. In circumstances prescribed by Presidential Decree where it is inevitable to protect beneficiaries, due to termination of the trust contract or on other grounds (limited to a trust contract under which losses shall be compensated or returns shall be guaranteed, in accordance with Article 103 (3)).

Article 105 (Restrictions on Management of Trust Property)

(1) A trust business entity shall manage the money within the trust property in accordance with the following methods:

1. Purchasing securities (limited to the securities specified by Presidential Decree);
2. Purchasing exchange-traded or over-the-counter derivatives;
3. Depositing the money in a financial institution, as specified by Presidential Decree;
4. Purchasing monetary claims;
5. Making loans;
6. Purchasing bills;
7. Purchasing commodities;
8. Purchasing intangible property rights;
9. Purchasing or developing real estate;
10. The methods specified by Presidential Decree, considering the safety, profitability, etc. of the trust property.

(2) No trust business entity shall borrow money for the proprietary property of the trust business entity on the trust's account, except where it is entrusted with only the assets under Article 103 (1) 5 and 6 or where there exists any ground prescribed otherwise by Presidential Decree.

(3) Matters pertaining to the specific extent, conditions, limitations of management of trust property under paragraphs (1) and (2), and other methods of, and restrictions on, management of trust property shall be prescribed by Presidential Decree.

Article 106 (Management of Surplus Fund)

A trust business entity shall, when it is entrusted with only the assets under Article 103 (1) 5 and 6, manage the surplus fund raised in the course of management of such trust property in accordance with the following methods:

1. Depositing the money in a financial institution specified by Presidential Decree;
2. Purchasing national bonds, local government bonds, or special bonds;
3. Purchasing securities for which the payment is guaranteed by the government or a financial institution specified by Presidential Decree;
4. Other methods specified by Presidential Decree as those that will not undermine the safety, profitability, etc. of trust property under Article 103 (1) 5 and 6.

Article 107 Deleted. *<Feb. 3, 2009>*

Article 108 (Prohibition on Unsound Business Activities)

No trust business entity shall engage in any of the following activities: Provided, That trust business entities may engage in such activities in cases prescribed Presidential Decree as unlikely to undermine the protection of beneficiaries or sound trading practices:

1. Buying or selling financial investment instruments or any other investable asset on its own account or soliciting a third party to buy or sell such instruments or assets after deciding on a purchase or sale, which may significantly affect the price of the financial investment instruments or other investable assets, but before putting the decision into action, while managing the trust property;
2. Buying securities underwritten by itself or a related underwriter with the trust property;
3. Buying specific securities, etc. (referring to specific securities, etc. as defined in Article 172 (1); hereafter the same shall apply in this subparagraph) with the trust property to create an artificial market price (referring to the market price as defined in Article 176 (2) 1) for the specific securities, etc. of a corporation for which the corporation itself or its related underwriter was in charge of the underwriting affairs prescribed by Presidential Decree;
4. Undermining a specific trust property's interest to pursue its own or a third party's interest;
5. Trading the trust property for any other trust property, collective investment property, or discretionary investment property managed by the trust business entity;
6. Trading the trust property for the proprietary property of the trust business entity or its interested party;
7. Investing the trust property in securities issued by the trust business entity or its interested party without consent of beneficiaries;
8. Engaging any person other than fund managers to manage the trust property;
9. Other activities specified by Presidential Decree as likely to undermine the protection of beneficiaries or sound trading practices.

Article 109 (Trust Contract)

A trust business entity shall, whenever it executes a trust contract with a trustor, state the following matters in the contract documents delivered to the trustor in accordance with Article 23 (1) of the Act on the Protection of Financial Consumers: *<Amended on Mar. 24, 2020>*

1. Name or designation of the trustor, the beneficiaries, and the trust business entity;
2. Matters concerning designation and change of beneficiaries;
3. Kinds, quantity and value of the trust property;
4. Purpose of trust;

5. Contract term;

6. Details of specific assets, if there are assets specified for acquisition in the course of management of the trust property;

7. Matters concerning the rate of compensation or guarantee, if losses shall be compensated for or returns shall be guaranteed;

8. Matters concerning remuneration to which the trust business entity shall be entitled;

9. Matters concerning termination of the trust contract;

10. Other matters prescribed by Presidential Decree as necessary for the protection of beneficiaries or sound trade practice.

Article 110 (Beneficiary Certificate)

(1) A trust business entity may issue beneficiary certificates that represent the beneficial interest under a monetary trust contract.

(2) A trust business entity shall, whenever it intends to issue beneficiary certificates under paragraph (1), file a report with the Financial Services Commission along with the accompanying documents specified by Presidential Decree. <*Amended on Feb. 29, 2008*>

(3) Beneficiary certificates shall be in bearer form: Provided, That they may be issued in registered form if there is such request from beneficiaries.

(4) Registered beneficiary certificates may be changed to bearer certificates upon such request of beneficiaries.

(5) Each beneficiary certificate shall contain the following descriptions and shall bear the printed name, and an affixed seal, or it shall be signed by the representative of the trust business entity:

1. Trade name of the trust business entity;

2. Name or designation of beneficiary if it is in registered form;

3. Par value;

4. Details of the management method agreed upon, if any;

5. Details of compensation or guarantee, if there is a condition to compensate for losses or guarantee of returns in accordance with Article 103 (3) in the contract;

6. Trust contract term;

7. Time period and place for repayment of principal of the trust and distribution of earnings;

8. Calculation method of remuneration for trust;

9. Other matters prescribed by Presidential Decree.

(6) In cases where beneficiary certificates have been issued, the beneficial interest under the relevant trust contract shall be transferred or exercised along with the beneficiary certificates: Provided, That the beneficial interest may be transferred or exercised without the beneficiary certificates if they are registered beneficiary certificates.

Article 111 (Repurchasing Beneficiary Certificates)

A trust business entity may repurchase beneficiary certificates as its proprietary property in accordance with the manner prescribed by Presidential Decree. In such cases, Article 36 of the Trust Business Act shall not apply. *<Amended on Jul. 25, 2011>*

Article 112 (Voting Rights)

(1) The rights for stocks acquired with the trust property shall be exercised by the trust business entity. In such cases, the trust business entity shall faithfully exercise the voting rights in relation to the stocks that consist of the trust property to protect the beneficiary's interests. *<Amended on May 28, 2013>*

(2) In exercising voting rights in relation to stocks that consist of the trust property, a trust business entity shall exercise the voting rights so as not to affect a resolution passed by the number of stocks, as calculated by subtracting the number of the stocks that consist of the trust property from the stocks held by shareholders present at the general meeting of shareholders of the corporation that issued the stocks that consist of the trust property, notwithstanding paragraph (1), in any of the following cases: Provided, That this shall not apply in cases where the corporation that issued the stocks that consist of the trust property is merged, its business is transferred, it acquires any business transferred, an executive officer is appointed or dismissed, or there is any other cause or event similar to the aforesaid, and if it is obviously foreseeable that such event or cause will result in any loss to the trust property:

1. Where any of the following entities intends to incorporate the corporation that issued the stocks consisting of the trust property, into a group of its affiliates:

(a) The trust business entity or an entity in a special relationship specified by Presidential Decree with the business entity;

(b) An entity specified by Presidential Decree that has de facto control over the trust business entity;

2. Where the corporation that issued the stocks that consist of the trust property has any of the following relationships with the trust business entity:

(a) Where it is an affiliate;

(b) Where it has a relationship prescribed by Presidential Decree under which it exercises de facto control over the trust business entity;

3. Where it is likely to undermine the protection of beneficiaries or the appropriate management of the trust property in circumstances prescribed by Presidential Decree.

(3) No trust business entity may exercise the voting rights in relation to the stocks that consist of the trust property, if any of the following applies to such stocks:

1. Excess stocks, where such stocks have been acquired in excess of 15 percent of the total number of the stocks issued by an identical corporation;

2. Stocks of a corporation that issued stocks consisting of the trust property, if the corporation engages the trust property entity to acquire them under a trust contract with intent to secure treasury stocks.

(4) No trust business entity shall engage in any conduct to circumvent any provision of paragraphs (2) and (3) by cross-exercising the voting rights under an agreement with a third party.

(5) The proviso of paragraph (2) shall not apply to any trust business entity that belongs to a business group subject to limitations on cross shareholding.

(6) Where a trust business entity exercises the voting rights in relation to stocks that consist of the trust property, in violation of paragraphs (2) through (5), the Financial Services Commission may order the trust business entity to dispose of such stocks within a prescribed period not exceeding six months. *<Amended on Feb. 29, 2008>*

(7) When a trust business entity exercises voting rights in accordance with paragraph (2) in relation to a matter concerning a change in the management of business, such as a merger, transfer or acquisition of business, or appointment of an executive officer, the trust business entity shall disclose to the public the details of the exercised voting rights on its website, etc. in the manner prescribed by Presidential Decree.

Article 113 (Inspection and Public Disclosure of Account Books and Documents)

(1) A beneficiary may request a trust business entity, in writing with the reasons contained therein, to allow him or her to inspect account books and documents related to the trust property, in which he or she has an interest, during business hours, or to issue a certified copy or abstract of such account books and documents. In such cases, the trust business entity shall not reject such request, unless a justifiable ground exists as prescribed by Presidential Decree.

(2) Matters pertaining to the range of the account books and documents subject to the request for inspection or issuance of a certified copy or extract thereof under paragraph (1) shall be prescribed by Presidential Decree.

Article 114 (Accounting of Trust Property)

(1) In accounting the trust property, a trust business entity shall comply with the accounting standards prescribed and publicly notified by the Financial Services Commission, following deliberation by the Securities and Futures Commission. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission may entrust the establishment or amendment of the accounting standards referred to in paragraph (1) to an entity prescribed by Presidential Decree from among non-governmental corporations or organizations with expertise. In such cases, upon establishing or amending the accounting standards, such non-governmental corporation or organization shall report the established or amended accounting standards to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

(3) A trust business entity shall undergo an audit conducted by an auditor under subparagraph 7 of Article 2 of the Act on External Audit of Stock Companies, Etc. (hereinafter referred to as "auditor") for its trust property within two months after the end of each fiscal year of the trust business entity: Provided, That it need not undergo such audit where it is unlikely to undermine beneficiaries' interests in circumstances

prescribed by Presidential Decree. *<Amended on Oct. 31, 2017>*

(4) Upon the appointment or replacement of an auditor for the trust property, each trust business entity shall report such fact to the Financial Services Commission within one week after such appointment or replacement. *<Amended on Feb. 29, 2008>*

(5) The auditor shall audit as to whether a trust business entity has complied with related statutes when the trust business entity calculates the base prices of beneficiary certificates and accounting of the trust property, and shall notify the findings thereof to the internal auditor of the trust business entity (referring to an audit committee, if such audit committee is established therein).

(6) Each auditor shall conduct an audit in compliance with the audit standards referred to in paragraph (9) and the audit standards prescribed under Article 16 of the Act on External Audit of Stock Companies, Etc. *<Amended on Feb. 3, 2009; Oct. 31, 2017>*

(7) Each auditor may request a trust business entity to allow him or her to inspect and copy relevant materials, including account books of the trust property, or request the trust business entity to submit materials necessary for the audit. In such cases, the trust business entity shall comply with the request without delay.

(8) Article 20 of the Act on External Audit of Stock Companies, Etc. shall apply mutatis mutandis to the audit of trust property under paragraph (3). *<Amended on Oct. 31, 2017>*

(9) Matters necessary for the guidelines for appointing auditors, the audit standards, the authority of auditors, and the submission, public disclosure, etc. of the audit report shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

Article 115 (Auditor's Liability for Damage)

(1) An auditor shall be liable for any damage sustained by a beneficiary, if the auditor has caused such damage to the beneficiary who has relied on any false statement or representation concerning a material fact or an omission to state or represent a material fact in an audit report prepared after the audit is completed under Article 114 (3). In such cases, where the auditor works in a team of auditors referred to in subparagraph 7 (b) of Article 2 of the Act on External Audit of Stock Companies, Etc. the persons who have participated in the audit of the trust property shall be jointly liable for such damage. *<Amended on Oct. 31, 2017>*

(2) Where an auditor is liable for any damage sustained by a beneficiary and a director or an auditor of the trust business entity (referring to a member of an audit committee, if such audit committee is established therein; hereafter the same shall apply in this paragraph) has also attributable reason for such damage, the auditor and the director or auditor of the trust business entity shall be jointly liable for such damage: Provided, That where a person liable for damage has no intention, the person who shall be liable for damage according to the rate of liability determined by the court dependent upon the causes attributable. *<Amended on Jan. 28, 2014>*

(3) Notwithstanding the proviso of paragraph (2), where the amount of income recognized (referring to the amount of income recognized as defined in subparagraph 8 of Article 2 of the National Basic Living Security Act) does not exceed the amount prescribed by Presidential Decree, an auditor shall be jointly liable for damage with a director and an auditor of the trust business entity. *<Newly Inserted on Jan. 28, 2014>*

(4) Article 31 (6) through (9) of the Act on External Audit of Stock Companies, Etc. shall apply mutatis mutandis to cases falling under paragraphs (1) and (2). *<Amended on Jan. 28, 2014; Oct. 31, 2017>*

Article 116 (Merger)

(1) In cases where trust business entities are merged, the trust business entity surviving the merger or thereby newly established shall succeed to the rights and obligations related to the trust of ceased trust business entity.

(2) In cases where any beneficiary raises an objection to a merger of trust business entities, Articles 11 and 17 (1) and (3) of the Trust Act shall apply to the termination of the mission of the trust business entity, the appointment of a new trust business entity, etc. *<Amended on Jul. 25, 2011>*

(3) In cases where a trust business entity continues its business after changing its purpose of business to engage in another business, the Financial Services Commission may order the entity to place its property in deposit until its obligations related to the trust are fully performed, or issue any other order as may be necessary. The same shall apply in cases where any company other than a trust business entity carries out business affairs necessary for termination of the mission of a trust business entity in the course of its merger. *<Amended on Feb. 29, 2008>*

Article 117 (Liquidation)

@Article 95 shall apply mutatis mutandis to the liquidation of a financial investment business entity that engages in trust business.

Article 117-2 (Special Cases concerning Managerial Trust)

(1) Where a trust business entity entrusted with only one type of property referred to in Article 103 (1) 4 through 6 concludes a managerial trust contract, it may be entrusted with any monetary claims accompanied by such trust property.

(2) Matters necessary for the methods of management of trust property and restriction thereon under paragraph (1) shall be prescribed by Presidential Decree.

CHAPTER V SPECIAL CASES CONCERNING CROWDFUNDING BROKERS, ETC.

Article 117-3 (Prohibition on Business Activities without Registration)

No one shall engage in the brokerage of crowdfunding unless he or she has been registered as a crowdfunding broker under this Act.

Article 117-4 (Registration)

(1) An entity who intends to be a crowdfunding broker shall be deemed to have obtained authorization under Article 12, if the person has been registered with the Financial Services Commission.

(2) An entity who intends to be registered as a crowdfunding broker under paragraph (1) shall satisfy each of the following requirements: *<Amended on Jul. 31, 2015>*

1. The entity shall be either of:
   (a) A stock company incorporated under the Commercial Act;
   (b) A foreign crowdfunding broker (referring to an entity engages in any business equivalent to crowdfunding brokerage in a foreign country under the statutes of the foreign country; hereafter the same shall apply) that has established a branch or other places of business necessary for the crowdfunding brokerage;
2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 500 million won;
3. Its business plan shall be feasible and sound;
4. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect investors and conduct the business in which it intends to engage;
5. None of its executive officers shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;
6. Its major shareholders (referring to the major shareholders as defined in Article 12 (2) 6 (a)) or the foreign crowdfunding broker shall have sufficient investment capabilities, good financial standing and social credibility;
7. It shall have good financial standing prescribed by Presidential Decree, such as the fulfillment of guidelines for management soundness, and good social credibility prescribed by Presidential Decree, such as having no record of violations of statutes;
8. It shall have a system for preventing conflicts of interest between the crowdfunding broker and investors, as well as between a specific investor and other investors, which shall satisfy the requirements prescribed by Presidential Decree.

(3) A person who intends to be registered under paragraph (1) shall file an application for registration with the Financial Services Commission.

(4) Upon receipt of an application for registration filed under paragraph (3), the Financial Services Commission shall examine the contents of the application; determine whether to approve the registration within two months, and give written notice of its determination and the grounds for such determination to the applicant without delay. In this case, the Financial Services Commission may request that the applicant

correct his or her application, if such application is incomplete.

(5) The duration for correcting an incomplete application for registration or other durations specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4).

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exists:

1. Where the applicant fails to satisfy any of the requirements for registration provided for in under paragraph (2);
2. Where the application for registration filed under paragraph (3) contains false information;
3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) Upon having determined to approve a registration pursuant to paragraph (4), the Financial Services Commission shall enter the necessary matters in the register of crowdfunding brokers, and shall give public notice of the details of such registration on the Official Gazette, its website, etc.

(8) A crowdfunding broker shall be comply with the requirements for registration provided for in the subparagraphs of paragraph (2) (excluding subparagraph 7 of the same paragraph; and referring to the relaxed requirements prescribed by Presidential Decree in the case of subparagraph 2 and 6 the same paragraph) in the course of conducting its business following registration.

(9) Matters concerning filing applications for registration, including the mandatory descriptions and accompanying documents of the applications for registration under paragraphs (1) through (8), and other necessary matters, including the methods and procedures for examination of registration, shall be prescribed by Presidential Decree.

Article 117-5 (Prohibition, etc. on Use of Similar Name)

(1) A crowdfunding broker that does not engage in any other types of financial investment business (including investment brokerage business that does not fall within the category of crowdfunding brokerage) shall use "financial investment" or the foreign words prescribed by Presidential Decree, which have a similar meaning, in his or her trade name.

(2) No entity, other not a crowdfunding broker, shall use the expression "crowdfunding brokerage" or a similar in its title.

Article 117-6 (Corporate Governance, etc.)

(1) Where the major shareholder of a crowdfunding broker is changed, the crowdfunding broker shall report such change to the Financial Services Commission within two weeks. *<Amended on Mar. 27, 2018>*

(2) A crowdfunding broker shall establish internal control standards that shall be complied with by its executive officers and/or employees as appropriate guidelines and procedures when they perform their

duties, which include matters prescribed by Presidential Decree.

(3) Articles 28, 28-2, 29, 30 and 31 shall not apply to any crowdfunding broker.

Article 117-7 (Regulations on Business Activities)

(1) Articles 40, 48, 50 through 53, 61, 66 through 70, 72 through 77, 77-2, 77-3, and 78 of this Act, and Articles 17 through 19, 21, 23, 25 (1), 26, 44 through 46 shall not apply to a crowdfunding broker. *<Amended on Mar. 24, 2020>*

(2) No crowdfunding broker shall acquire on his or her own account any securities for which he or she performs crowdfunding brokerage, or act as an intermediary or agent for the issuance of or subscription for such securities.

(3) No crowdfunding broker shall provide any advice that may affect an investor's judgment on the credit of a person who issues securities through crowdfunding brokerage (hereafter in Chapter referred to as "issuer of online small-value securities") or on making any investment, or any advice on the management of an issuer of online small-value securities.

(4) No crowdfunding broker shall accept an investor's declaration of intent to subscribe for securities before it ascertains, by any method prescribed by Presidential Decree, such as the investor's signature that the investor has thoroughly examined the contents of documents stating the details of the subscription, risks contingent on investment, restrictions on the sale of securities, conditions for issuing securities, and the financial standing of the issuer of online small-value securities, and the business plan.

(5) A crowdfunding broker may impose restrictions on the qualifications, etc. of investors according to the reasonable and clear criteria, if requested by an issuer of online small-value securities.

(6) No crowdfunding broker shall subscribe for any security with an investor's property unless the investor has indicated his or her intent to subscribe.

(7) No crowdfunding broker shall unfairly give preferential treatment to, or discriminate any particular issuer of online small-value securities or any investor in the course of performing such affairs as providing information on the issuer of online small-value securities, and processing the orders for subscription: Provided, That this shall not apply where good cause prescribed by Presidential Decree exists, such as where an investor indicates his or her intent to subscribe in advance.

(8) Upon expiration of the subscription period of securities, a crowdfunding broker shall give notice to each investor of the details of the subscription and issuance of the securities without delay by the method prescribed and publicly notified by the Financial Services Commission.

(9) A crowdfunding broker take necessary measures to ensure that the limit of issuance of securities and the limit of investment by an investor prescribed in Article 117-10 (1) and (6) are complied with.

(10) No crowdfunding broker shall engage in any activities soliciting subscriptions for securities, except for the following activities: *<Amended on Oct. 31, 2017>*

1. Posting advertisements soliciting investment referred to in the main clause of Article 117-9 (1) on his or her website or providing the information referred to in subparagraphs of the same paragraph pursuant

to the proviso of the same paragraph;

2. Posting the details posted by an issuer of online small-value securities under Article 117-10 (2) on his or her website;

3. Managing his or her website to allow investors to exchange opinions on the securities, the brokerage of which is conducted by himself or herself, or on the issuer of online small-value securities: Provided, That no crowdfunding broker shall delete or modify any investor's opinions posted on his or her website at his or her own discretion;

4. Transmitting the details posted by an issuer of online small-value securities under Article 117-10 (2) to a specific investor, where the subscription of securities is solicited through private placement.

Article 117-8 (Management of Subscription Deposits)

(1) No crowdfunding broker shall take the custody and deposit of any money, securities or other property from investors.

(2) A crowdfunding broker shall place investors' subscription deposits in deposit or trust account with a bank prescribed by Presidential Decree (hereafter in Article referred to as "bank") or securities finance company.

(3) A crowdfunding broker shall expressly state that the investors' subscription deposits placed in a deposit or trust account with a bank or securities finance company under paragraph (2) is the investors' property.

(4) No one shall offset or seize (including provisional seizure) any investor's subscription deposit placed in a deposit or trust account with a bank or securities finance companies under paragraph (2); and no crowdfunding broker shall transfer or provide as collateral any investor's subscription deposit placed in a deposit or trust account with a bank or securities finance company, except in circumstances prescribed by Presidential Decree.

(5) Upon the occurrence of any event prescribed by Presidential Decree, such as cancellation of registration, resolution of dissolution, etc., a crowdfunding broker shall take measures so as to pay the investors' subscription deposits placed in a deposit or trust account with a bank or securities finance company preferentially to its investors.

(6) Matters necessary for placing subscription deposits in a deposit or trust account under paragraphs (1) through (5) shall be prescribed by Presidential Decree.

Article 117-9 (Special Cases concerning Advertisements Soliciting Investment)

(1) Neither crowdfunding broker nor issuer of online small-value securities shall advertise for investment through any means other than the website opened by the crowdfunding broker: Provided, That a crowdfunding broker or issuer of online small-value securities may provide the following matters using other media: *<Amended on Oct. 31, 2017>*

1. The address of the website on which the advertisement soliciting investment is posted;

2. Means to access the website on which the advertisement soliciting investment is posted;

3. Names of the crowdfunding broker and the issuer of online small-value securities, business category of the issuer of online small-value securities, and subscription period of the securities (limited to where these are provided using a website opened by the crowdfunding broker or a portal service (referring to a service providing search function of other Internet addresses, information, etc. as well as electronic mail, communities, etc.) operated by a provider of information and communications services defined in Article 2 (1) 3 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc.).

(2) No one, other than a crowdfunding broker or an issuer of online small-value securities, shall advertise for investment concerning crowdfunding brokerage.

(3) Except as expressly provided for in this Article, Article 57 shall apply mutatis mutandis where a crowdfunding broker or an issuer of online small-value securities runs any advertisement soliciting investment.

Article 117-10 (Special Cases concerning Public Offering of Securities)

(1) Articles 119 and 130 shall not apply to any public offering of securities exceeding the amount prescribed by Presidential Decree through crowdfunding brokerage.

(2) To protect investors, an issuer of online small-value securities shall post the terms and conditions for issuing securities, its financial standing and business plan, and other matters prescribed by Presidential Decree on the website opened by a crowdfunding broker and take other measures prescribed by Presidential Decree.

(3) Where any online small-value securities are placed for public offering through crowdfunding brokerage, if the amount of subscription falls short of the amount calculated by multiplying the amount scheduled for public offering by the ratio prescribed by Presidential Decree, the issuer of the online small-value securities shall cancel the issuance thereof.

(4) An issuer of online small-value securities may provide information that can help investors make their judgment on investment on the website managed by a crowdfunding broker under Article 117-7 (10) 3 until seven days prior to the end of the subscription period of securities: Provided, That where the information containing a material fact that may affect investors in making their judgment on investment is different from the details posted under paragraph (2), the issuer of online small-value securities shall immediately correct the relevant details posted under paragraph (2) and post the correction on the website managed by the crowdfunding broker (where the date of posting the correction falls within seven days from the last day of the subscription period, the last day of the subscription period shall be deemed to be changed to the date which falls seven days after the date of posting), as prescribed by Presidential Decree.

(5) Neither issuer of online small-value securities nor its major shareholder (referring to the major shareholder as at the time immediately before funds are raised through crowdfunding brokerage) shall sell any share he or she holds to a third person during the period prescribed by Presidential Decree, which shall

be at least one year from the time the issuer of online small-value securities issues the securities through crowdfunding brokerage. *<Amended on Mar. 27, 2018>*

(6) The amount of investment to be made by an investor (excluding persons prescribed by Presidential Decree, such as professional investors) through crowdfunding brokerage shall not exceed the following limits: *<Amended on Oct. 31, 2017>*

1. A person who meets the requirements prescribed by Presidential Decree, such as income:
   (a) Cumulative amount of investment in the same issuer of online small-value securities for the most recent one year: An amount prescribed by Presidential Decree not exceeding ten million won;
   (b) Cumulative amount of investment for the most recent one year: An amount prescribed by Presidential Decree not exceeding 20 million won;
2. A person who fails to meet the requirements referred to in subparagraph 1:
   (a) Cumulative amount of investment in the same issuer of online small-value securities for the most recent one year: An amount prescribed by Presidential Decree not exceeding five million won;
   (b) Cumulative amount of investment for the most recent one year: An amount prescribed by Presidential Decree not exceeding ten million won.

(7) An investor shall deposit or safeguard his or her securities issued through crowdfunding brokerage without delay in the Securities Depository by the method prescribed in Article 309 (5); and shall not sell such securities (including securities acquired by exercising the rights vested in the securities) or otherwise transfer to any third person for six months from the date of the deposit or safeguard: Provided, That the investor may sell or transfer his or her securities in any of the following cases: *<Amended on Oct. 31, 2017>*

1. Sale to a professional investor;
2. Sale to a person prescribed Presidential Decree who is aware of the possibility of investment loss, low possibility of circulation, etc. of the relevant securities.

(8) An investor may withdraw his or her intention for subscription, as prescribed by Presidential Decree, by not later than the end of the subscription period of the securities issued through crowdfunding brokerage. In such cases, the crowdfunding broker shall return the subscription deposit to the investor without delay.

Article 117-11 (Ascertaining Facts of Posted Matters)

(1) A crowdfunding broker shall ascertain the following matters concerning an issuer of online small-value securities before conducting crowdfunding brokerage:

1. Financial standing of the issuer of online small-value securities;
2. Whether the business plan of the issuer of online small-value securities contains items prescribed by Presidential Decree for the protection of investors;
3. Careers of the representative and management personnel of the issuer of online small-value securities;

4. Whether the plan to use raised fund contains items prescribed by Presidential Decree for the protection of investors;

5. Other matters prescribed by Presidential Decree, based on which the creditability of the issuer of online small-value securities can be ascertained.

(2) The methods and procedures for ascertaining the facts of the matters prescribed in subparagraphs of paragraph (1) shall be prescribed and publicly notified by the Financial Services Commission.

Article 117-12 (Liability for Damage)

(1) Each of the following persons shall be liable for any damage sustained by a person who has acquired a security through crowdfunding brokerage due to a false statement or representation of a material fact in a document stating the conditions for the issuance of securities, financial standing, etc. posted under Article 117-10 (2) or a business plan (including any correction thereof posted under Article 117-10 (4)), or due to an omission to state or represent a material fact therein: Provided, That where a person who shall be otherwise liable for such damage proves that he or she was unable to know such fact although he or she exercised reasonable care, or the purchaser of a security was aware of such fact as at the time of subscription for the acquisition of the security, each of the following persons shall be exempt from his or her liable for such damage:

1. The issuer of online small-value securities;

2. The representative or a director (referring to any equivalent person if no director exists; and referring to a promoter where the document stating the conditions for the issuance of securities, financial standing, etc. or the business plan was prepared before the incorporation of a corporation) as at the time such document or business plan was prepared;

3. A person referred to in any subparagraph of Article 401-2 (1) of the Commercial Act, who instructed or executed the preparation of the document stating the conditions for the issuance of securities, financial standing, etc. or the business plan;

4. A person prescribed by Presidential Decree, such as a certified public accountant, a certified appraiser or a credit rating specialist, (including the organization with which he or she is affiliated), who certified that the document stating the conditions for the issuance of securities, financial standing, etc. or the business plan was true and accurate by affixing his or her signature thereto;

5. A person who consented to include his or her statement of appraisal, analysis or verification in the document stating the conditions for the issuance of securities, financial standing, etc. or the business plan and confirmed the contents as described therein.

(2) Article 126 shall apply mutatis mutandis to the calculation of the amount of damages under paragraph (1).

(3) The liability for damage provided for in paragraph (1) ceases, if a claimant fails to exercise the right to make a claim within the one-year period beginning on the date he or she becomes of the relevant facts, or within the three-year period beginning on seven days prior to the end of the subscription period of the

relevant securities.

Article 117-13 (Central Record Keeping Agency)

(1) Upon receipt of a request for the brokerage of public offering or private placement of securities from an issuer of online small-value securities or upon receipt of an order for subscription from an investor, a crowdfunding broker shall provide data prescribed by Presidential Decree, such as the details of the request or order, information on the issuer of online small-value securities and the investor, without delay to the Central Recording Keeping Agency (referring to the agency that manages information on the issuers of online small-value securities and investors, etc. provided by crowdfunding brokers, as prescribed by Presidential Decree; hereinafter the same shall apply).

(2) A crowdfunding broker shall entrust the Central Recording Keeping Agency with the matters necessary to take the measures referred to in Article 117-7 (9).

(3) The Central Recording Keeping Agency shall keep in custody and manage the data received under paragraph (1) by the method prescribed by Presidential Decree.

(4) The Central Recording Keeping Agency shall not provide the data received under paragraph (1) to any third person: Provided, That the Central Recording Keeping Agency may provide the data for the crowdfunding brokers or issuers of online small-value securities, or in other cases prescribed by Presidential Decree.

Article 117-14 (Management of Register of Investors)

(1) An issuer of online small-value securities shall entrust the affairs related to the management of a register of investors (referring to a register containing the details of owners of securities, such as a list of shareholders, for management) to the Securities Depository.

(2) Upon acceptance of the entrustment under paragraph (1), the Securities Depository shall prepare and keep a register of investors containing the following matters:

1. Address and name of each investor;
2. Quantity of securities owned by each investor;
3. Where real securities are issued, the numbers thereof.

(3) The Securities Depository shall not provide information prescribed in the subparagraphs of paragraph (2) to any third person: Provided, That the Securities Depository may provide such information for crowdfunding brokers or issuers of online small-value securities, or in other cases prescribed by Presidential Decree.

(4) Article 358-2 (1) and (2) of the Commercial Act shall apply mutatis mutandis to the securities issued through crowdfunding brokerage.

Article 117-15 (Responsibilities of Providers of Electronic Message Board Services)

(1) A provider of information and communications services defined in Article 2 (1) 3 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. who operates a message board defined in subparagraph 9 of the same paragraph (hereinafter referred to as "electronic message board service provider") shall comply with the following matters to prevent any damage to investors, if the provider provides the information referred to in subparagraphs of Article 117-9 (1) using the relevant message board: *<Amended on Oct. 31, 2017>*

1. Where an issuer of online small-value securities or a crowdfunding broker provides matters referred to in subparagraphs of Article 117-9 (1) using the message board, the electronic message board service provider shall give guidance and recommendations to comply with the obligations prescribed in Article 117-9;

2. Where an issuer of online small-value securities or a crowdfunding broker who provides matters referred to in subparagraphs of Article 117-9 (1) using the message board violates this Act, the electronic message board service provider shall take the following measures:

(a) Measures to prevent damage to investors, such as restricting access by the violator, and deleting information posted in violation of the Act;

(b) Reporting to the Financial Services Commission on the fact that the violator has violated the Act;

3. Other matters prescribed by Presidential Decree.

(2) Where an electronic message board service provider fails to comply with any of the matters prescribed in paragraph (1), the Financial Services Commission may request that the Korea Communications Commission issue a corrective order or impose an administrative fine.

Article 117-16 (Inspections and Measures)

@Article 419 (2) through (4) and (8) shall not apply to a crowdfunding broker.

PART III ISSUANCE AND CIRCULATION OF SECURITIES

CHAPTER I REGISTRATION STATEMENT

Article 118 (Scope of Application)

No provision of this Chapter shall apply to national bonds, local government bonds, bonds issued by a corporation established directly pursuant to an Act specified by Presidential Decree, or other securities deemed to be those in which investors are properly protected through sufficient public disclosure pursuant to other Acts or in any other way, as specified by Presidential Decree.

Article 119 (Registration of Public Offering or Sale)

(1) No securities shall be publicly offered or sold, unless and until the registration statement filed by the issuer in connection with the public offering or sale of the securities with the Financial Services

Commission is accepted by the Commission (limited to where the total amount of securities publicly offered or sold, as calculated by the formula prescribed by Presidential Decree, is not less than the amount prescribed by Presidential Decree). *<Amended on Feb. 29, 2008>*

(2) Where a registration statement for a total amount of securities to be publicly offered en bloc over a certain period (hereinafter referred to as "universal shelf registration statement") in accordance with the guidelines and methods prescribed by Presidential Decree, considering the type of securities, scheduled issue period, frequency of issuance, requirements for the issuer, etc., is filed with and accepted accordingly by the Financial Services Commission, such securities may be publicly offered or sold without submitting a registration statement each time such securities are publicly offered or sold during the period stated therein, notwithstanding paragraph (1). In such cases, the documents related to the universal shelf registration statement (hereinafter referred to as "supplements to the universal shelf registration statement"), as prescribed by Presidential Decree, shall be submitted each time such securities (excluding collective investment securities and derivatives-linked securities, prescribed by Presidential Decree) are publicly offered or sold. *<Amended on Feb. 29, 2008; May 28, 2013>*

(3) An issuer may make a statement or representation of the following matters (hereinafter referred to as "forward-looking statement") concerning predictions or projections for the financial status of the issuer (referring to an investment trust or undisclosed investment association, where the beneficiary certificates of an investment trust or the equity securities of an undisclosed investment association are involved; hereafter the same shall apply in this paragraph), its future business performance, etc. in the registration statement filed under paragraph (1) and the universal shelf registration statement filed under paragraph (2) (hereinafter referred to as "registration statement"). In such cases, the forward-looking statement shall be made as provided for in Article 125 (2) 1, 2, and 4:

1. Matters concerning predictions and projections for the issuer's sales performance, including sales volume, size of income, and other business performance;
2. Matters concerning predictions and projections for the issuer's financial status, including size of capital and cash flow;
3. Matters concerning the issuer's business performance in connection with the occurrence of a specific event or the establishment of a specific plan, or the targeted level at a certain point in time;
4. Other matters prescribed by Presidential Decree as those concerning future predictions and projections for the issuer.

(4) If any part of the descriptions required in a registration statement or in any accompany document is the same as the part in the one prior-submitted, when filing a registration statement, a written statement that indicates and makes reference to the part may be filed in lieu of the registration statement.

(5) In filing a registration statement, the representative director (referring to the representative executive officer in the case of a company with executive officer system; hereafter the same shall apply in this Article) of the issuer and the director responsible for filing the registration statement (or a person in an equivalent position, if there is no representative director or director responsible for filing the registration

statement) shall review and confirm the matters prescribed by Presidential Decree, such as the fact that there is no false statement or representation of a material fact, nor omission of a material fact in the descriptions of the registration statement; and each of them shall affix his or her signature to the registration statement. *<Amended on May 28, 2013>*

(6) Notwithstanding paragraphs (1) through (5), no registration statement need be submitted if the conditions prescribed by Presidential Decree are met, such as where disclosure of information is sufficiently made public to the issuer and securities of the same type. *<Newly Inserted on May 28, 2013>*

(7) Matters necessary for the mandatory descriptions of a registration statement and its accompanying documents under paragraphs (1) through (4) shall be prescribed by Presidential Decree. *<Amended on May 28, 2013>*

(8) If the issuance or sale of at least two securities is deemed the issuance or sale of virtually the same securities taking into comprehensive consideration the matters prescribed by Presidential Decree, such as the homogeneity of the funding plans, paragraph (1) shall apply as if a single security is issued or sold. *<Newly Inserted on Oct. 31, 2017>*

Article 119-2 (Right to Request Data)

(1) A corporation obligated to submit a registration statement among corporations having any subsidiary companies (where an issuer which is a dominant corporation is in a dominant-subordinate relationship with a specific company as prescribed in the Presidential Decree pursuant to subparagraph 3 of Article 2 of the Act on External Audit of Stock Companies, Etc., referring to such specific company that is subordinate to the corporation; and in cases of foreign corporations, etc. having any subordinate companies obligated to prepare consolidated financial statements under the accounting standards applied by the issuer, such as international accounting standards, referring to such subsidiary company as prescribed in the relevant international accounting standards; hereinafter the same shall apply) (hereinafter referred to as "corporation subject to preparation of consolidated financial statements") may request its subsidiary companies to submit relevant data to the extent necessary for preparation of the registration statement. *<Amended on Oct. 31, 2017>*

(2) A corporation obligated to submit a registration statement among corporations subject to preparation of consolidated financial statements may examine the business affairs and financial standing of its subsidiary companies, when it is unable to acquire the data necessary for the preparation of the registration statement or when it needs to verify the contents of the data submitted by the subsidiary companies.

Article 120 (Effective Date of Registration Statement)

(1) The registration of securities under Article 119 (1) and (2) (hereinafter referred to as "securities registration") shall be effective on the day after the expiration of the time period prescribed by Ordinance of the Prime Minister, considering the type of securities or the characteristics of the transaction, etc., which shall begin on the day on which the registration statement is submitted and accepted by the

Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission shall not refuse to approve a registration statement, unless it is not prepared in conformity with the prescribed form of the registration statement, there is any false description or representation in the registration statement concerning a material fact, or any description or representation of a material fact is omitted. *<Amended on Feb. 29, 2008>*

(3) The effectiveness under paragraph (1) shall not include any effect of acknowledging that the descriptions of the relevant registration statement are true or correct, or the Government's assurance or approval of the value of the securities.

(4) An issuer of securities shall, when it intends to withdraw its securities registration, file a withdrawal statement with the Financial Services Commission no later than the day before the date set for offering to acquire or purchase the securities stated in the relevant registration statement. *<Amended on Feb. 29, 2008>*

Article 121 (Restrictions on Trading)

(1) If there is an offer to acquire or purchase securities before the registration under Article 120 becomes effective, the issuer, seller, or its agent of the securities shall not accept such offer.

(2) If it is required to submit supplements to a universal shelf registration statement in accordance with Article 119 (2), the issuer, seller, or its agent shall not accept an offer to acquire or purchase the securities, unless and until such supplements to the universal shelf registration statement are submitted.

Article 122 (Corrective Registration Statement)

(1) If a registration statement submitted has not been prepared in conformity with the prescribed form for the statement, there is any false description or representation of a material fact in the registration statement or any omission of a material fact, or there is any uncertain description or representation of a material fact in the registration statement which may undermine investors' reasonable judgment on investment or significantly mislead investors, the Financial Services Commission may demand that the person present the grounds therefor and submit a registration statement (hereafter in Chapter referred to as "corrective registration statement") with correct contents of the registration statement by no later than the date prior to the date set for offering to acquire or purchase the securities stated in the registration statement. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(2) Upon a demand under paragraph (1), the relevant registration statement shall be deemed not accepted from the date such demand is made.

(3) A person who has filed a registration statement (including supplements to a universal shelf registration statement referred to in Article 119 (2); hereafter in this paragraph the same shall apply) intends to correct any description of the registration statement, the person may file a corrective registration statement by no later than the date prior to the date set for offering to acquire or purchase the securities stated in the registration statement. In such cases, if the person intends to correct any material fact prescribed by Presidential Decree, or if it is necessary to correct any description of the registration statement for

protecting investors in circumstances prescribed by Presidential Decree, the person must file a corrective registration statement. *<Amended on May 28, 2013>*

(4) Notwithstanding paragraph (3), a person who has filed a universal shelf registration statement may file a corrective registration statement before the expiration of the scheduled issue period. In such cases, the predetermined issue amount and the scheduled issue period of securities, other than those prescribed by Presidential Decree from among collective investment securities, shall not be corrected: Provided, That the predetermined issue amount that is reduced below the limit prescribed by Presidential Decree, may be corrected by up to 20 percent of the predetermined issue amount. *<Amended on Feb. 3, 2009>*

(5) Where a corrective registration statement has been filed in accordance with paragraph (1), (3), or (4), the relevant registration statement shall be deemed to have been accepted on the date of acceptance of the corrective registration statement.

(6) Where an issuer fails to submit a corrective registration statement within the period prescribed by Presidential Decree after receiving a demand made under paragraph (1), the relevant registration statement shall be deemed to have been withdrawn. *<Newly Inserted on May 28, 2013>*

Article 123 (Preparation and Public Disclosure of Investment Prospectus)

(1) When an issuer publicly offers or sells securities in accordance with Article 119, the issuer shall file an investment prospectus (hereinafter referred to as "investment prospectus") and a short-form investment prospectus referred to in Article 124 (2) 3 (limited to the cases where the securities for public offer or sales are collective investment securities; hereafter the same shall apply in this Article), prepared in accordance with the manner prescribed by Presidential Decree, with the Financial Services Commission on the day on which the relevant registration statement becomes effective (or the day on which the supplements to a universal shelf registration statement are filed, in cases where the supplements to the universal shelf registration statement shall be filed in accordance with Article 119 (2)) and keep it at a place specified by Ordinance of the Prime Minister to make it available to the public for inspection. *<Amended on Feb. 29, 2008; May 28, 2013>*

(2) No investment prospectus shall contain any description different from the one described in the relevant registration statement (including any supplements to a universal shelf registration statement under Article 119 (2); hereafter the same shall apply in this Chapter) or omit any description stated therein: Provided, That a description may be omitted, if it is necessary to omit the description in consideration of the balance between confidentiality in corporate management, etc. and protection of investors, etc., as prescribed further by Presidential Decree.

(3) An issuer of the collective investment securities or derivatives-combined securities prescribed by Presidential Decree shall file an additional investment prospectus and a short-form investment prospectus separately from the ones under paragraph (1) in accordance with the following subparagraphs, with the Financial Services Commission, and shall keep it at a place specified by Ordinance of the Prime Minister to make it available to the public for inspection: Provided, That such filing, keeping, and disclosure may

be omitted, if offering or selling such collective investment securities or derivatives-combined securities is discontinued: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. A revised investment prospectus and a short-form investment prospectus shall be filed at least once after the investment prospectus and a short-form investment prospectus under paragraph (1) are filed within an interval prescribed by Ordinance of the Prime Minister;

2. In cases where an amendment to registration is filed in accordance with Article 182 (8), an investment prospectus and a short-form investment prospectus in which such amendment is reflected shall be filed within five days after a notice of amended registration is delivered.

Article 124 (Fair Use of Investment Prospectus)

(1) No one shall allow any other person to acquire securities or sell securities to any other person, unless an investment prospectus (referring to a short-form investment prospectus under paragraph (2) 3, if any investor in collective investment securities fails to separately request the delivery of an investment prospectus under Article 123; hereafter the same shall apply in this paragraph and Article 132) prepared in conformity with Article 123 is delivered to the person (excluding professional investors and those specified by Presidential Decree) who intends to acquire the securities after the relevant registration statement becomes effective. In such cases, it shall be deemed that the investment prospectus is delivered at the time the following requirements are fully satisfied, if the investment prospectus is delivered by means of an electronic document under Article 436: *<Amended on May 28, 2013>*

1. The person to whom the electronic document is addressed (hereinafter referred to as "addressee of the electronic document") shall consent to the delivery of the investment prospectus by means of an electronic document;

2. The addressee of the electronic document shall designate the kind of an electronic transmission medium and place for receiving the electronic document;

3. The addressee of the electronic document shall confirm his or her receipt of the electronic document;

4. The contents of the electronic document shall be identical with those of the investment prospectus in writing.

(2) A person who intends to solicit, etc. an offer for public offering or sale of securities subject to securities registration or any other transaction thereof shall do so in any of the following manners:

1. Using the investment prospectus after the registration statement becomes effective in accordance with Article 120 (1);

2. Using the preliminary investment prospectus (referring to an investment prospectus with an additional statement that the relevant registration statement has not become effective yet; hereinafter the same shall apply) prepared by the issuer in a manner prescribed by Presidential Decree, after the registration statement was accepted pursuant to Article 120 (1), but before the registration statement has not become effective yet;

3. Using a short-form investment prospectus (referring to a document, an electronic document, or any other similar description or representation, by omitting a part of the mandatory descriptions of the investment prospectus or making an abstract of important descriptions thereof; hereinafter the same shall apply) prepared by the issuer in a manner prescribed by Presidential Decree, through an advertisement, a notice, or a leaflet via newspapers, broadcasting, magazines, or an electronic transmission medium, after the relevant registration statement is accepted pursuant to Article 120 (1).

(3) In cases of collective investment securities, a short-form investment prospectus may be used, notwithstanding paragraph (2): Provided, That this shall not apply where any investor separately requests to use an investment prospectus prescribed in Article 123. *<Newly Inserted on May 28, 2013>*

(4) Where a short-form investment prospectus of collective investment securities is delivered or used under paragraph (1) or (3), investors shall be informed that they may separately request an investment prospectus prescribed in Article 123. *<Newly Inserted on May 28, 2013>*

Article 125 (Liabilities for Damage Caused by False Descriptions)

(1) Each of the following persons shall be liable for damage sustained by any purchaser of securities due to a false description or representation of any material fact in a registration statement (including a corrective registration statement and accompanying documents; hereafter the same shall apply in this Article) and an investment prospectus (including a preliminary investment prospectus and a short-form investment prospectus; hereafter the same shall apply in this Article) or an omission of a material fact therefrom: Provided, That such person shall not be liable if he or she proves that he or she was unable to discover such false description or representation or omission although he or she exercised due care or that the purchaser of the securities was aware of the fact as at the time he or she made an offer to purchase them: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. The registrant of that registration statement and a director of the issuer as at the time of filing the registration (referring to a person in a similar position if no director exists, or a promoter if the registration statement was filed prior to the incorporation of the corporation);

2. A person referred to in any subparagraphs of Article 401-2 (1) of the Commercial Act, who instructed or executed the preparation of that registration statement;

3. A person specified by Presidential Decree, including a certified public accountant, a certified appraiser or a credit rating specialist (including an organization with which each of them is affiliated), who certified that the descriptions of that registration statement or the accompanying documents were true and accurate by affixing his or her signature thereto;

4. A person who consented to include his or her statement of appraisal, analysis, or verification in the descriptions of the registration statement or the accompanying documents and confirmed the contents as described therein;

5. An underwriter or intermediary of the securities (referring to a person specified by Presidential Decree, if two or more underwriters or intermediaries exist);

6. A person who prepared or delivered the investment prospectus;

7. The seller as at the time the registration statement for sale was filed, if the case involved a sale of securities.

(2) If a forward-looking statement is made as provided for in the following, none of the persons referred to in the subparagraphs of paragraph (1) shall be liable for any damage incurred therefrom: Provided, That such persons shall be liable for damage, if the purchaser of the relevant securities proves that he or she was not aware that there was a false statement or representation of a material fact in the forward-looking statement or an omission of a statement or representation of a material fact therein as at the time he or she made an offer to purchase such securities and that there was an intentional or grossly negligent act on the part of the persons referred to in the subparagraphs of paragraph (1) in connection with such statement or representation:

1. It was clearly stated that the statement or representation at issue was a forward-looking statement;

2. The grounds for assumption or judgment related to the predictions or projections were clearly stated;

3. The statement or representation at issue was made in good faith based on the reasonable ground or assumption;

4. It shall be accompanied by cautionary statements that actual results may differ from the estimates in relation to the statement or representation.

(3) Paragraph (2) shall not apply where a registration statement is filed in order for an unlisted corporation to make an initial public offering or sale of stocks.

Article 126 (Amount of Damages)

(1) The amount of damages for which a person shall be held liable in accordance with Article 125 shall be the amount estimated by subtracting any of the following amounts from the amount actually paid by the claimant for acquiring the securities at issue:

1. The market price of the securities at the time of closing the proceedings of the lawsuit filed for the claim of damages in accordance with Article 125 (referring to an estimate disposal price if there is no market price available);

2. The disposal price if the securities are disposed of before the closing of the proceedings under subparagraph 1.

(2) Notwithstanding paragraph (1), a person who shall be otherwise liable in accordance with Article 125 shall not be held liable for partial damages, if he or she proves that all or part of the damages sustained by the claimant were not caused by a false description or representation of any material fact, or by an omission of a description or representation of such material fact.

Article 127 (Cease of Claims for Damage)

The liability for damage provided for in Article 125 ceases, if a claimant fails to exercise the right to make a claim within one year from the date on which he or she becomes aware of the relevant facts, or within

the three-year period beginning on the date a registration statement related to the relevant securities takes effect.

Article 128 (Post-Issuance Report)

An issuer of securities issued under an effective registration statement shall file a report on the results of issuance of such securities (hereinafter referred to as "post-issuance report") with the Financial Services Commission in the manner prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

Article 129 (Public Disclosure of Registration Statement and Post-issuance Report)

The Financial Services Commission shall make the following documents available to the public for inspection at a certain place for three years, and shall disclose them to the public through its website, etc. In such cases, the descriptions specified by Presidential Decree may be excluded from such availableness and public disclosure in consideration of the balance between confidentiality in corporate management, etc. and protection of investors, etc.: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. The registration statement and the corrective registration statement;
2. The investment prospectus (including the short-form investment prospectus referred to in Article 124 (2) 3, in cases of collective investment securities);
3. The post-issuance report.

Article 130 (Public Offering or Sale without Filing Registration Statement)

(1) An issuer who makes a public offering or sale of securities without filing a registration statement in accordance with Article 119 (1) shall disclose the matters concerning its financial status and take measures prescribed by Presidential Decree for protecting investors: Provided, That this shall not apply to cases not falling under any ground prescribed in Article 119 (6). *<Amended on May 28, 2013; Oct. 31, 2017>*

(2) If the issuance or sale of at least two securities is deemed the issuance or sale of virtually the same securities taking into comprehensive consideration the matters prescribed by Presidential Decree, such as the homogeneity of the funding plans, paragraph (1) shall apply as if a single security is issued or sold. *<Newly Inserted on Oct. 31, 2017>*

Article 131 (Reporting and Inspection)

(1) The Financial Services Commission may, if necessary for protection of investors, order the registrant of a registration statement, an issuer, a seller, an underwriter, or any other related person of securities to submit a report or materials for reference, or may engage the Governor of the Financial Supervisory Service to inspect its account books, documents, and other materials. *<Amended on Feb. 29, 2008>*

(2) A person who conducts an inspection pursuant to paragraph (1) shall carry identification indicating his or her authority and present it to relevant persons.

Article 132 (Measures by Financial Services Commission)

The Financial Services Commission may, in any of the following cases, order the registrant of a registration statement, an issuer, seller, underwriter, or intermediary of securities, to disclose to the public relevant facts, along with the grounds therefor and make a correction therefor, or suspend or prohibit the issuance, public offering or sale, or any other transaction of such securities, or take any of measures prescribed by Presidential Decree, if necessary. In such cases, the procedures and guidelines necessary for taking such measures shall be prescribed by Ordinance of the Prime Minister: *<Amended on Feb. 29, 2008; Feb. 3, 2009; May 28, 2013>*

1. When the registration statement, the corrective registration statement, or the post-issuance report has not been filed;
2. When there exists a false description or representation of a material fact or an omission of a description or representation of a material fact in the registration statement, the corrective registration statement, or the post-issuance report;
3. When the acceptance of an offer to acquire or purchase securities violates Article 121;
4. When there is a violation of Article 123 or 124 in relation to the investment prospectus;
5. When there is a violation of Article 124 (2) in connection with the public offering or sale or any other transaction of securities under a preliminary investment prospectus or a short-form investment prospectus;
6. When the measures under Article 130 have not been taken.

CHAPTER II SYSTEMS RELATED TO CORPORATE ACQUISITIONS AND MERGERS

SECTION 1 Public Tender Offer

Article 133 (Subject Matters of Tender Offer)

(1) The term "tender offer" in this Section means to make an offer to unspecified people to purchase (including an exchange with other securities; hereafter in this Section the same shall apply) voting stocks or any other securities specified by Presidential Decree (hereinafter referred to as "stocks, etc.") or to invite them to sell (including an exchange with other securities; hereafter in this Section the same shall apply) such stocks, etc. and purchase them outside the securities market and alternative trading system (including a similar market in a foreign country; hereafter in this Section the same shall apply). *<Amended on May 28, 2013>*

(2) The term "tender offer agent" means a person who performs the affairs related to taking custody of stocks, etc. subject to purchase, exchange, bidding, or otherwise acquisition for value (hereafter in this Section referred to as "purchase, etc."), payment or delivery of the fund necessary for tender offer or the

securities for exchange, and other affairs related to tender offer on behalf of the person who intends to make a tender offer.

(3) A person who intends to make a purchase, etc. of stocks, etc. from not less than the number of persons prescribed by Presidential Decree, outside the securities market, shall make a tender offer, if the aggregate of the number of stocks, etc. to be held by the person and his or her related persons (referring to those in a special relationship determined by Presidential Decree; hereinafter the same shall apply) after the purchase, etc. (including ownership or other equivalent cases prescribed by Presidential Decree; hereafter the same shall apply in this Section and Section 2), is not less than five percent of the total number of the stocks, etc. (including where a person who holds not less than five percent of the total number of the stocks, etc. along with those held by his or her related persons, makes a tender offer for purchase, etc. of such stocks, etc.): Provided, That stocks, etc. may be purchased by any means other than tender offer, in cases of purchase, etc. prescribed by Presidential Decree, considering the purpose and type of purchase, etc., and the possibility of causing a detriment to other shareholder's interests.

(4) For the purposes of paragraph (3), stock purchase, etc., by any means other than competitive trading in the securities market, as prescribed by Presidential Decree, shall be deemed to have been conducted outside the securities market.

(5) The number and total number of stocks, etc. referred to in paragraph (3) shall be the numbers calculated by a formula prescribed by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

Article 134 (Public Disclosure of Tender Offer and Submission of Tender Offer Statement)

(1) A person who intends to make a tender offer shall publicly disclose the following matters (hereinafter referred to as "public disclosure of tender offer") in a manner prescribed by Presidential Decree:

1. The person who intends to make a tender offer;
2. The issuer of the stocks, etc. subject to the tender offer (referring to the person specified by Presidential Decree, in the case of depositary receipts related to such stocks, etc. or any other stocks, etc. specified by Presidential Decree);
3. The purpose of the tender offer;
4. The class and number of stocks, etc. subject to the tender offer;
5. The terms and conditions of the tender offer, including the period, price, and payment date of the tender offer;
6. The details of the purchasing fund and other matters prescribed by Presidential Decree as necessary for the protection of investors.

(2) A person who has given public notice of a tender offer (hereinafter referred to as "tender offeror") shall file a statement with descriptions of the following matters (hereinafter referred to as "tender offer statement") with the Financial Services Commission and an exchange on the date of the public notice of the tender offer (hereinafter referred to as "public notice date of tender offer") in a manner prescribed by Presidential Decree: Provided, That if the public notice date of the tender offer falls on a holiday

(including the Workers' Day designated under the Designation of Workers' Day Act and Saturdays) or any other day prescribed and publicly notified by the Financial Services Commission, it may be filed on the day immediately following such holiday: *<Amended on Feb. 29, 2008>*

1. Matters concerning the tender offeror and his or her related persons;
2. The issuer of the stocks, etc. subject to the tender offer;
3. The purpose of the tender offer;
4. The class and number of the stocks, etc. subject to the tender offer;
5. The terms and conditions of the tender offer, including the period, price, and payment date of the tender offer;
6. The provisions of a contract for purchase, etc. of stocks, etc. without tender offer after the public notice date of tender offer, if such contract exists;
7. The details of the purchasing fund and other matters prescribed by Presidential Decree as necessary for the protection of investors.

(3) The tender offer period under paragraphs (1) and (2) shall not exceed the period set by Presidential Decree.

(4) A tender offeror may make the issuer's forward-looking statement about the stocks, etc. involved in the tender offer statement. In this regard, such forward-looking statement shall be made as provided for in Article 125 (2) 1, 2, and 4.

(5) Accompanying documents of the tender offer statement and other matters pertaining to the tender offer statement shall be prescribed by Presidential Decree.

Article 135 (Submission of Copied Tender Offer Statement)

A tender offeror shall, upon filing a tender offer statement, send a copy thereof to each of the issuers of stocks, etc. subject to the tender offer without delay.

Article 136 (Corrective Statement and Public Announcement)

(1) The Financial Services Commission may demand the filing of a corrective statement with the grounds therefor and the corrected contents of the relevant tender offer statement therein (hereafter in this Section referred to as "corrective statement") by no later than the end of the tender offer period, if the tender offer statement filed has not been prepared in conformity with the prescribed form, or if there is any false description or representation of a material fact or any omitted description or representation of a material fact in the tender offer statement. *<Amended on Feb. 29, 2008>*

(2) Upon a demand under paragraph (1), the relevant tender offer statement shall be deemed not submitted from the date such demand is made.

(3) A tender offeror shall file a corrective statement with the Financial Services Commission and an exchange by no later than the expiry of the tender offer period, if he or she intends to correct terms and conditions of the tender offer or any other description of the tender offer statement, or if it is necessary to

correct the contents of the tender offer statement for the purpose of protecting investors, as prescribed by Ordinance of the Prime Minister: Provided, That no changes shall be made in relation to the decrease in purchase price, reduction of the proposed number of stocks, etc. for the tender offer, extension of the payment term of the purchasing price (excluding cases falling under paragraph (4) 1), and other terms and conditions specified by Presidential Decree may not be modified. *<Amended on Feb. 29, 2008>*

(4) Where a tender offeror files a corrective statement in relation to a tender offer statement in accordance with paragraph (1) or (3), the tender offer period shall expire on the following dates:

1. The date ten days has elapsed since such corrective statement is filed, where the day on which the corrective statement was filed falls within ten days prior to the expiration of the tender offer period provided by public notice in accordance with Article 134 (1) 5;
2. The date the tender offer period expires, where the day on which the corrective statement was filed fails to fall within ten days prior to the expiration of the tender offer period provided by public notice in accordance with Article 134 (1) 5.

(5) Upon filing a corrective statement in accordance with paragraph (1) or (3), a tender offeror shall promptly disclose such fact and the corrected contents (limited to the contents included in the relevant public disclosure of tender offer). In such cases, the public notice shall be made in a manner set forth in Article 134 (1).

(6) Upon filing a corrective statement concerning a tender offer statement, a tender offeror shall promptly forward a copy thereof to the issuer of the stocks, etc. subject to the tender offer.

Article 137 (Preparation and Public Disclosure of Prospectus for Tender Offer)

(1) A tender offeror (including a tender offer agent; hereafter the same shall apply in this Article) shall, when he or she intends to purchase securities through tender offer, prepare a prospectus for such tender offer (hereinafter referred to as "prospectus for tender offer") in a manner prescribed by Presidential Decree, submit it to the Financial Services Commission and an exchange on the public notice date of tender offer, and keep it at a place designated by Ordinance of the Prime Minister in order to make it available to the public for inspection. In this regard, the proviso of Article 134 (2) shall apply mutatis mutandis. *<Amended on Feb. 29, 2008>*

(2) No prospectus for tender offer shall contain a description different from the one stated in the relevant tender offer statement or omit any description therein.

(3) No tender offeror shall purchase stocks, etc., before and unless he or she delivers a prospectus for tender offer in conformity with paragraph (1) to a person who intends to sell such stocks, etc. subject to tender offer. In this regard, the prospectus for tender offer shall be deemed delivered when it satisfies all the following requirements, if it is to be delivered by means of electronic document under Article 436:

1. The addressee of the electronic document shall consent to receive the prospectus for tender offer by means of electronic document;

2. The addressee of the electronic document shall designate the kind of electronic transmission medium and the place for receiving the electronic document;

3. The addressee of the electronic document shall confirm his or her receipt of the electronic document;

4. The contents of the electronic document shall be identical with those of the relevant prospectus for tender offer.

Article 138 (Manifestation of Opinion on Tender Offer)

(1) An issuer of stocks, etc. for which a tender offer statement has been filed may manifest its opinion on the tender offer in a manner prescribed by Presidential Decree.

(2) An issuer shall, upon manifesting its opinion in accordance with paragraph (1), submit a document with the opinion contained therein to the Financial Services Commission and an exchange without delay. *<Amended on Feb. 29, 2008>*

Article 139 (Revocation of Tender Offer)

(1) No tender offeror may revoke his or her tender offer after the public notice date of the tender offer: Provided, That it may be revoked by the last day of the tender offer period, if there is a counter tender offer (referring to another tender offer made against the tender offer during the tender offer period), if the tender offeror is dead, dissolved, or bankrupt, or if there is no possibility of undermining the protection of investors in circumstances prescribed by Presidential Decree.

(2) To revoke a tender offer in accordance with paragraph (1), a tender offeror shall file a revocation statement with the Financial Services Commission and an exchange, and shall give public notice thereof. In this regard, such public notice shall be given as prescribed in Article 134 (1). *<Amended on Feb. 29, 2008>*

(3) Upon filing a revocation statement concerning a tender offer, a tender offeror shall forward a copy thereof without delay to the issuer of the stocks, etc. for which the tender offer is to be revoked.

(4) A person who accepted an offer to purchase or made an offer to sell (hereinafter referred to as "tender") the stocks, etc. subject to a tender offer (hereinafter referred to as "tendering shareholder") may revoke his or her tender at any time during the tender offer period. In this regard, no tender offeror is entitled to claim against the tendering shareholder for compensation for damage incurred by the revocation of the tender or to pay a penalty.

Article 140 (Prohibition on Purchase Other than through Tender Offer)

No tender offeror (including his or her related persons and tender offer agent) shall purchase the relevant stocks, etc. other than through the tender offer from the public notice date of the tender offer until the end of the tender offer period: Provided, That such purchase, etc. may be allowed, if there is no possibility of undermining other shareholder's interests, in circumstances prescribed by Presidential Decree, even if the relevant stocks, etc. are purchased other than through the tender offer.

Article 141 (Terms, Conditions and Manner of Tender Offer)

(1) A tender offeror shall purchase without delay all the stocks, etc. tendered according to the purchasing terms, conditions and manners stated in the tender offer statement on and after the day following the expiry date of the tender offer period: Provided, That if any of the following conditions included in the public disclosure of tender offer and the tender offer registration exist, he or she may decline to purchase all or part of the stocks, etc. tendered in accordance with the said conditions:

1. A condition that he or she will not purchase all tendered stocks, etc., if the total number of tendered stocks, etc. fails to reach the contemplated purchasing number of stocks, etc.;
2. A condition that if the total number of tendered stocks, etc. exceeds the proposed number of stocks, etc. for the tender offer, he or she will buy the stocks pro rata within the limit of the proposed number of stocks, etc. for tender offer and will not purchase all or part of the excess stocks, etc.

(2) The purchasing prices at the time when a tender offeror purchases stocks, etc. under a tender offer in accordance with paragraph (1) shall be uniform.

Article 142 (Liability for Damage of Tender Offeror)

(1) Each of the following persons shall be liable for damage sustained by tendering shareholders due to the inclusion of a false description or representation of a material fact in a tender offer statement (including accompanying documents; hereafter the same shall apply in this Article) and the public notice thereof, a corrective statement (including accompanying documents; hereafter the same shall apply in this Article) and the public notice thereof, or a prospectus for tender offer, or an omission of a description or representation of a material fact: Provided, That a person who shall be otherwise held liable for damage is exempt from his or her liability if the person proves that he or she was unable to know the relevant fact although he or she exercised reasonable care, or that the tendering shareholder knew the fact as at the time he or she made the tender:

1. The registrant of the tender offer statement and its corrective statement (including the registrant's related persons, and directors if the registrant is a corporation) and his or her agent;
2. The person who prepared the prospectus for tender offer and his or her agent.

(2) If a forward-looking statement is made in accordance with the following, none of the persons referred to in the subparagraphs of paragraph (1) shall be liable for damage caused by the forward-looking statement, notwithstanding paragraph (1): Provided, That each of the persons referred to in the subparagraphs of paragraph (1) shall be liable for such damage, if a tendering shareholder did not know that there was a false statement or representation of a material fact in the forward-looking statement, or an omission of a description or representation of a material fact as at the time the tendering shareholder tendered his or her stocks, etc., and if he or she proves that there was an intentional or grossly negligent act on the part of each of the persons referred to in the subparagraphs of paragraph (1) in connection with the statement or representation:

1. It was clearly stated that the statement or representation at issue was a forward-looking statement;

2. The grounds for assumption or judgment related to the predictions or projections were clearly stated;

3. The statement or representation at issue was made in good faith based on the reasonable ground or assumption;

4. It shall be accompanied by cautionary statements that actual results may differ from the estimates in relation to the statement or representation.

(3) The amount of damages for which a person shall be held liable in accordance with paragraphs (1) and (2) shall be the amount estimated by subtracting an amount actually received as the price for the tender from the market price (referring to an estimated disposal price if there is no market price available) of the stocks, etc. at the time of closing the proceedings of the lawsuit filed for the claim of such damages.

(4) Notwithstanding paragraph (3), a person who shall be liable in accordance with Article paragraphs (1) and (2) shall not be held liable for partial damages, if he or she proves that all or part of the damages sustained by the tendering shareholders were not caused by a false description or representation of any material fact, or by an omission of a description or representation of such material fact.

(5) The liability for damage under paragraphs (1) and (2) ceases, if a tendering shareholder fails to exercise his or her right to claim within one year from the date on which he or she becomes aware of the fact, or within three years from the public notice date of the relevant tender offer.

Article 143 (Post Tender Offer Report)

A tender offeror shall file a report on the results of the tender offer (hereinafter referred to as "post tender offer report") with the Financial Services Commission and an exchange in a manner prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

Article 144 (Public Disclosure of Statements)

The Financial Services Commission and an exchange shall make the following documents available to the public for inspection for three years from the date of receipt thereof, and shall also disclose them to the public through its website, etc.: *<Amended on Feb. 29, 2008>*

1. The tender offer statement and the corrective statement thereof;
2. The prospectus for tender offer;
3. Documents under Article 138;
4. The revocation statement under Article 139 (2);
5. The post tender offer report.

Article 145 (Limitations on Voting Rights)

A person who violates Article 133 (3) or 134 (1) or (2) in purchasing stocks, etc., may not exercise voting rights for the stocks (including the stocks acquired by exercising any right related to the stocks, etc.) from the day of such violation, and the Financial Services Commission may issue an order to dispose of such

stocks, etc. (including the stocks, etc. acquired by exercising any right related to the stocks, etc.) within a given period, not exceeding six months. *<Amended on Feb. 29, 2008>*

Article 146 (Inspections and Measures)

(1) If necessary for protecting investors, the Financial Services Commission may order a tender offeror, his or her related persons or tender offer agent, and other persons involved, to submit a report or materials for reference, or may authorize the Governor of the Financial Supervisory Service to inspect their account books, documents, and other materials. In this regard, Article 131 (2) shall apply mutatis mutandis. *<Amended on Feb. 29, 2008>*

(2) In any of the following cases, the Financial Services Commission may order a tender offeror, his or her related person or tender offer agent to give public notice of the relevant facts, specifying the grounds therefor or to make a correction therefor, and may suspend or prohibit a tender offer or take any of the measures prescribed by Presidential Decree, if necessary. In such cases, the procedures and guidelines necessary for taking such measures shall be prescribed by Ordinance of the Prime Minister: *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

1. Where the public notice of a tender offer or the public notice under Article 136 (5) has not been provided;
2. Where the tender offer statement, corrective statement, or post tender offer report has not been filed;
3. Where there exists a false description or representation of a material fact, or an omission of a description or representation of a material fact in the public notice of a tender offer, the tender offer statement, the corrective statement, the public notice under Article 136 (5), or the post tender offer report;
4. Where a copy of the tender offer statement, the corrective statement, or the revocation statement has not been forwarded to the issuer in violation of Article 135, 136 (6) or 139 (3);
5. Where the contents differ from the contents of a statement or an omission of contents in the copy of the statement forwarded in accordance with Article 135, 136 (6) or 139 (3);
6. Where there is a violation of Article 137 in connection with the prospectus for tender offer;
7. Where the tender offer has been revoked in violation of Article 139 (1) or (2);
8. Where purchasing, etc. has been done other than through the tender offer in violation of Article 140;
9. Where a tender offer has been made in violation of Article 141;
10. Where Article 145 has been violated in exercising voting rights or an order for disposal issued under the same Act has been disobeyed.

SECTION 2 Reports on Stocks Held in Bulk

Article 147 (Report on Stocks Held in Bulk)

(1) A person who holds stocks, etc. (excluding stocks of an investment company which is an exchange trade fund referred to in Article 234 (1) shall be excluded herefrom; hereafter the same shall apply in this Section) of a stock-listed corporation in bulk (referring to where the aggregate of the number of the stocks, etc. held by the person and his or her related persons is not less than five percent of the total number of the stocks, etc.) shall report the status of the stocks he or she holds, the purpose of holding (referring to whether he or she has any intention to exercise influence on the issuer's business administration), essential terms and conditions of the contract related to the stocks, etc. he or she holds, and other matters prescribed by Presidential Decree, to the Financial Services Commission and an exchange in a manner prescribed by Presidential Decree within five days from the date the person becomes a holder of the stocks in such a quantity (excluding the days specified by Presidential Decree; hereafter the same shall apply in this Section), and shall also report the details of a change, where the change occurs in relation to the aggregate of the number of stocks, etc. he or she holds by not less than one percent of the total number of stocks, etc. (excluding where there no change occurs in relation to the number of stocks, etc. he or she holds or other case prescribed by Presidential Decree), to the Financial Services Commission and an exchange within five days from the date such change occurs in a manner prescribed by Presidential Decree. In this regard, the details, timing, etc. of reporting may be otherwise prescribed by Presidential Decree, where the purpose of holding the stocks is not to exercise influence over the issuer's business administration (referring to matters prescribed further by Presidential Decree, such as appointment and dismissal of an executive officer, or suspension of duties, amendment of the articles of incorporation in connection with the organs of the company, including the board of directors) and where a professional investor specified by Presidential Decree is involved. *<Amended on Feb. 29, 2008; Mar. 29, 2016>*

(2) The number of stocks, etc. and the total number of stocks, etc. referred to in paragraph (1) shall be calculated by the formula prescribed by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

(3) Where an event occurs before the date the status of stocks, etc. held in bulk, the purpose of such holding, or the details of a change shall be reported in accordance with paragraph (1) to trigger a duty to report a new change, the details of such a new change shall be reported together at the time the original status of stocks, etc. held in bulk, the purpose of such holding, or the details of a change is reported.

(4) A person who has filed a report in accordance with paragraph (1) shall, whenever there is a change in relation to a material fact specified by Presidential Decree, such as a change in the purpose of holding or an essential term and condition of the contract related to the stocks, etc. held, report it to the Financial Services Commission and an exchange. *<Amended on Feb. 29, 2008>*

Article 148 (Dispatching of Report on Stocks Held in Bulk to Issuer)

A person who has filed a report in accordance with Article 147 (1) or (4) shall dispatch a copy of the report to the issuer (referring to a person specified by Presidential Decree, in the case of stocks, etc. specified by Presidential Decree) of the relevant stocks, etc. without delay.

Article 149 (Public Disclosure of Reports)

The Financial Services Commission and an exchange shall keep the reports filed in accordance with 147 (1) and (4) for three years, and shall also disclose them through their websites, etc. *<Amended on Feb. 29, 2008>*

Article 150 (Restrictions on Exercise of Voting Rights in Relation to Stocks Held in Violation)

(1) A person who fails to file a report (including a correction report) in accordance with Article 147 (1), (3), or (4); a person who files a false report of a material fact specified by Presidential Decree; or a person who omits to state a material fact specified by Presidential Decree shall not exercise voting rights in relation to the stocks held in violation among the stocks held in excess of five percent of the total number of outstanding voting stocks during the time period prescribed by Presidential Decree, and the Financial Services Commission may order the portion held in violation to be disposed of within a prescribed period, not exceeding six months. *<Amended on Feb. 29, 2008>*

(2) A person who has filed a report in accordance with Article 147 (1), (3), or (4), stating that his or her purpose of holding stocks, etc. is to exercise influence on the issuer's business administration, shall not acquire the issuer's stocks, etc. additionally nor exercise his or her voting rights in relation to the stocks, etc. held, for the period from the date there occurred an event that triggered the duty to file such report to five days after the date such report was filed.

(3) A person who acquires stocks, etc. additionally in violation of paragraph (2) shall not exercise his or her voting rights in relation to the stocks, etc. additionally acquired, and the Financial Services Commission may order the portion acquired additionally to be disposed of with a prescribed period, not exceeding six months. *<Amended on Feb. 29, 2008>*

Article 151 (Inspection and Demand for Correction)

(1) The Financial Services Commission may, if necessary for the protection of investors, order a person who has filed a report in accordance with Article 147 (1) or (4), or any other related person, to submit a report or materials for reference, or get the Governor of the Financial Supervisory Service to inspect account books, documents and other materials. In this regard, Article 131 (2) shall apply mutatis mutandis. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission may, if a report filed in accordance with Article 147 (1) or (4) has not been prepared in conformity with the prescribed report form, or if there is a false description or representation of a material fact or an omission of a description or representation of a material fact in the report, order a correction of the report showing the grounds therefor, and suspend or prohibit transactions or take any of the measures prescribed by Presidential Decree, if necessary. *<Amended on Feb. 29, 2008>*

SECTION 3 Restriction on Solicitation to Exercise Voting Right by Proxy

Article 152 (Solicitation to Exercise Voting Rights by Proxy)

(1) A person who intends to solicit a person to exercise voting rights by proxy (hereinafter referred to as "proxy solicitor") for listed stocks (including securities depositary receipts related to the listed stocks; hereafter the same shall apply in this Section) shall deliver the proxy form and reference documents to the other person (hereinafter referred to as "solicited voting right holder") for such solicitation in accordance with the manner prescribed by Presidential Decree.

(2) The term "solicitation to exercise voting rights by proxy" in paragraph (1) means any of the following acts performed by the proxy solicitor: Provided, That such acts shall not be deemed an act of solicitation to exercise voting rights by proxy in any case prescribed by Presidential Decree, considering the number of solicited voting right holders, etc.:

1. Soliciting for the permission of himself or herself or a third party to exercise voting right by proxy;
2. Demanding the exercise or non-exercise of voting rights, or demanding the revocation of delegation of voting rights;
3. Sending a proxy form to a shareholder for the purpose of securing a voting right, persuading to revoke delegation of a voting right, etc. or presenting an opinion in any other way.

(3) In cases where a listed corporation specified by Presidential Decree among corporations that engage in an industry essential to the national economy, such as a national key industry (hereinafter referred to as "public purpose corporation"), is involved, only the public purpose corporation may solicit for the exercise of voting rights by proxy of its stocks.

(4) The proxy form under paragraph (1) shall be prepared in such a manner as to allow each solicited voting right holder to express whether he or she approves or disapproves each item on the agenda to be raised at the general meeting of shareholders.

(5) No proxy solicitor may exercise a voting right in contravention of the solicited voting right holder's intention expressed on the proxy form.

(6) Matters pertaining to the descriptions included in the proxy form, reference documents, etc. shall be prescribed by Presidential Decree.

Article 152-2 (Relationship between Issuer and Proxy Solicitor)

(1) Where a proxy solicitor who is not an issuer is requested by an issuer to solicit a person to exercise voting rights by proxy, he or she may request the issuer to do any of the following acts: *<Amended on Mar. 22, 2016>*

1. To allow the proxy solicitor who is not an issuer to inspect or print the register of shareholders;
2. To forward the proxy form and reference documents to a shareholder for the proxy solicitor who is not an issuer at the proxy solicitor's expense.

(2) Upon receipt of a request pursuant to paragraph (1), an issuer shall comply therewith within two days (excluding the dates prescribed by Presidential Decree) from the date of receiving such request.

Article 153 (Keeping and Inspection on Proxy Form and Reference Documents)

A proxy solicitor shall file a proxy form and reference documents with the Financial Services Commission and an exchange at least two days (excluding any days specified by Presidential Decree) before the day on which such form and documents are provided to solicited voting right holders under Article 152, and shall keep them at a place designated by Ordinance of the Prime Minister to make them available to the general public for inspection. *<Amended on Feb. 29, 2008; May 28, 2013>*

Article 154 (Fair Use of Proxy Form)

No proxy solicitor shall include a false description or representation in relation to a matter that may produce a significant impact on solicited voting right holders' judgment regarding delegation of voting rights (hereafter in this Section referred to as "material fact related to the delegation of voting rights") in the proxy form and reference documents or omit a description or indication of a material fact related to the delegation of voting rights therein.

Article 155 (Manifestation of Opinion)

An issuer of listed stocks subject to a solicitation to exercise voting rights by proxy shall, when it manifests its opinion concerning the solicitation to exercise voting rights by proxy, submit without delay a written statement with such contents therein to the Financial Services Commission and an exchange. *<Amended on Feb. 29, 2008>*

Article 156 (Demand for Correction)

(1) If the proxy form or its reference documents have not been prepared in conformity with the prescribed form, or if there is any false description or representation concerning a material fact related to the delegation of voting rights in the proxy form or its reference documents, or any omission of a description or indication of a material fact related to the delegation of voting rights therein, the Financial Services Commission may demand a correction of the proxy form and its reference documents, showing the grounds therefor. *<Amended on Feb. 29, 2008>*

(2) If there is a demand under paragraph (1), it shall be deemed that the proxy form and its reference documents originally submitted have not been submitted.

(3) A proxy solicitor may, if he or she intends to correct any description in the proxy form or reference documents, correct and submit it no later than seven days (excluding any days specified by Presidential Decree) before the opening date of the general meeting of shareholders to be held in relation to the solicitation. In this regard, if he or she intends to correct a material fact specified by Presidential Decree, or if it is necessary to correct any description on the proxy form or reference documents, as prescribed

further by Presidential Decree, he or she is obligated to make such corrections before submission.

Article 157 (Public Disclosure of Proxy Forms)

The Financial Services Commission and an exchange shall keep the proxy forms and reference documents referred to in Article 152, the written statement under Article 155, and the corrected contents under Article 156 for three years from the filing date, and shall disclose them to the general public through their websites, etc. *<Amended on Feb. 29, 2008>*

Article 158 (Inspection and Disposition)

(1) If necessary for the protection of investors, the Financial Services Commission may order a proxy solicitor or his or her related person to submit a report or materials for reference, or may get the Governor of the Financial Supervisory Service to inspect account books, documents, and other materials. In this regard, Article 131 (2) shall apply mutatis mutandis. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission may, in any of the following cases, provide public notice of the relevant facts and order a proxy solicitor to take corrective measures, after showing the grounds therefor, and may also suspend or prohibit solicitation to exercise voting rights by proxy or take measures prescribed by Presidential Decree, if necessary. In such cases, the procedures and guidelines necessary for taking such measures shall be prescribed by Ordinance of the Prime Minister: *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

1. When the proxy form and reference documents have not been delivered to the solicited voting right holder in violation of Article 152 (1);
2. When any person other than a public purpose corporation solicits to exercise voting rights by proxy in violation of Article 152 (3);
3. When there is a violation of Article 153 or 154 in relation to the proxy form or reference documents;
4. When there exists a false description or representation of a material fact related to the delegation of voting rights in the proxy form or reference documents submitted in accordance with Article 153 or 156 (1) or (3), or there has been an omission of a description or representation of a material fact related to the delegation of voting rights therein;
5. When a corrected document has not been submitted in violation of the latter part of Article 156 (3).

CHAPTER III LISTED CORPORATION'S BUSINESS REPORTS

Article 159 (Submission of Business Report)

(1) A stock-listed corporation or a corporation specified by Presidential Decree (hereinafter referred to as "corporation subject to business reporting") shall submit its business report to the Financial Services Commission and an exchange within 90 days of the closing of each business year: Provided, That the obligation to submit a business report may be excused if it is virtually impossible or impractical to submit

the report, due to bankruptcy or any other reason prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

(2) A corporation subject to business reporting shall state the following matters in its business report referred to in paragraph (1), which shall be accompanied by the documents prescribed by Presidential Decree: *<Amended on May 28, 2013; Mar. 29, 2016>*

1. Purpose, trade name, and details of business of the corporation;
2. Remuneration of executive officers (including stock options granted under the Commercial Act and other Acts, but limited to those prescribed by Presidential Decree; hereafter in this paragraph the same shall apply);
3. Remuneration of each executive officer and detailed standards for and methods of calculation thereof (limited to where the remuneration of an executive officer is not less than the amount prescribed by Presidential Decree, which shall not exceed 500 million won);
3-2. Remuneration, etc. of each top five individual based on the total amount of remuneration, and detailed standards and methods for calculation thereof (limited to where the remuneration paid to each person is not less than the amount prescribed by Presidential Decree within 500 million won);
4. Matters concerning financial standing;
5. Other matters prescribed by Presidential Decree.

(3) A corporation subject to the first-time business reporting in accordance with paragraph (1) shall submit its business report for the immediately preceding business year to the Financial Services Commission and an exchange within five days from the date the corporation becomes subject to business reporting (or within the time period for submission of the business report under paragraph (1), if the corporation becomes subject to business reporting during that time period): Provided, That the corporation need not submit a business report for the immediately preceding business year, if it has already disclosed the matters equivalent to a business report for the immediately preceding year through its registration statement, etc. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(4) In preparing the business report under paragraph (1), a corporation subject to business reporting shall follow the method of description and use the form prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(5) Deleted. *<Feb. 3, 2009>*

(6) A corporation subject to business reporting may make a forward-looking statement in the business report. In such cases, the forward-looking statement shall be made in the manners set forth in Article 125 (2) 1, 2, and 4.

(7) To submit a business report, the representative director (referring to the representative executive officer in cases of a company with executive officer system) of a corporation and the director responsible for the submission of the business report as at the time of submission shall review and confirm the matters prescribed by Presidential Decree, such as the facts that there is no false statement or representation of a material fact in the business report nor omission of a statement or representation of a material fact therein,

and each of them shall sign and seal, respectively. *<Amended on May 28, 2013>*

Article 160 (Submission of Half-Yearly and Quarterly Reports)

A corporation subject to business reporting shall submit a business report for the six-month period beginning on the first day of the pertinent business year (hereinafter referred to as "half-yearly report") and a business report respectively for the three-month period and the nine-month period beginning on the first day of the pertinent business year (hereinafter referred to as "quarterly report") to the Financial Services Commission and an exchange within 45 days of the closing of each term. However, if a corporation subject to business reporting submits a half-yearly report and quarterly reports prepared based on the consolidated financial statements to the Financial Services Commission and an exchange, stating the matters on finance, the supplementary schedules and the matters prescribed and publicly notified by the Financial Services Commission, the corporation may submit the half-yearly report and quarterly reports within 60 days of the closing of each term only for the first business year and the following business year. In this regard, Article 159 (2) (in the case of a quarterly report, excluding subparagraph 3 and 3-2 of the same paragraph), (4), (6), and (7) shall apply mutatis mutandis. *<Amended on Feb. 29, 2008; Feb. 3, 2009; Mar. 29, 2016>*

Article 161 (Submission of Reports on Material Facts)

(1) Where any of the following events occurs, a corporation subject to business reporting shall submit a report on the details of such event (hereinafter referred to as "material fact report") to the Financial Services Commission by the day immediately following the day such event occurs (where an event referred to in subparagraph 6 occurs, within three days from the date of occurrence of such event). In this regard, Article 159 (6) and (7) shall apply mutatis mutandis: *<Amended on Feb. 29, 2008; May 28, 2013; Dec. 30, 2014; Mar. 29, 2016>*

1. Where a bill or check issued by the corporation is dishonored or its current account transactions with a bank are suspended or banned;
2. Where its business activities are completely suspended or a substantial part thereof is partially suspended, or where the board of directors, etc. passes a resolution on such suspension;
3. Where an application is filed to commence proceedings for rehabilitation or simplified proceedings for rehabilitation under the Debtor Rehabilitation and Bankruptcy Act;
4. Where any ground occurs for the corporation's dissolution under this Act, the Commercial Act, or any other Act;
5. Where the board of directors, etc. passes a resolution to adjust any of the capital or liabilities meeting the conditions prescribed by Presidential Decree;
6. Where a cause or event set forth in Article 360-2, 360-15, 522, or 530-2 of the Commercial Act occurs;

7. Where a resolution to acquire by transfer, an essential business or asset specified by Presidential Decree, or to transfer such business or asset, is passed;

8. Where a resolution to acquire (including execution of a trust contract for the acquisition of treasury stocks), or to dispose of treasury stocks (including a termination of a trust contract for the acquisition of treasury stocks), is passed;

9. Where there occurs any other cause or event specified by Presidential Decree, which may have a significant impact on the management, properties, etc. of the corporation.

(2) Where a corporation subject to business reporting submits a material fact report in accordance with paragraph (1), it shall attach the documents specified by Presidential Decree to the material fact report for each case provided for in the subparagraphs of paragraph (1).

(3) In preparing a material fact report, a corporation subject to business reporting shall follow the method of description and use the Form prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Where it is necessary to promptly inform the public of the contents of the material fact report submitted because such report is likely to significantly influence investors' investment judgment, the Financial Services Commission may request administrative agencies and other related institutions to furnish or exchange information as necessary. In this regard, the agencies and institutions in receipt of such requests shall cooperate therein, unless there is a compelling reason not to do so. *<Amended on Feb. 29, 2008>*

(5) Upon receipt of a material fact report submitted in accordance with paragraph (1), the Financial Services Commission shall forward it to an exchange without delay. *<Amended on Feb. 29, 2008>*

Article 161-2 (Right to Request Data)

(1) A corporation subject to business reporting among the corporations subject to the preparation of consolidated financial statements may request its subsidiary to submit related data to the extent required for the preparation of a business report, etc. under Article 162 (1).

(2) A corporation subject to business reporting among the corporations subject to the preparation of consolidated financial statements may examine the business affairs and financial standing of its subsidiary, when it is unable to obtain the data necessary for the preparation of the report, etc. under Article 162 (1) or when it is necessary to check the contents of the data submitted by its subsidiary.

Article 162 (Liability for Damage Caused by False Description)

(1) Each of the following persons shall be liable for any damage sustained by a person who acquired or disposed of a security (including depositary receipts related to the security and other securities specified by Presidential Decree; hereafter the same shall apply in this Article) issued by a corporation subject to business reporting due to a false statement or representation of a material fact in a business report, half-yearly report, quarterly report, or material fact report submitted under Article 159 (1) (hereinafter referred

to as "business report, etc.") or an accompanying document (excluding an audit report prepared by an auditor), or due to an omission of a statement or representation of a material fact therein: Provided, That a person held liable for such damage shall not be liable if the person proves that he or she was unable to know such fact although he or she exercised reasonable care, or that the person who acquired or disposed of such security knew the fact as at the time he or she acquired or disposed of that security: *<Amended on Feb. 3, 2009>*

1. A person who submitted the business report, etc. and the directors of the corporation subject to business reporting as at the time of the submission;
2. A person referred to in any subparagraph of Article 401-2 (1) of the Commercial Act, who instructed or executed the preparation of the business report, etc.;
3. A person specified by Presidential Decree, including a certified public accountant, a certified appraiser or a credit rating specialist (including an organization with which each of them is affiliated), who certified that the descriptions of the business report, etc. and the accompanying document was true and accurate by affixing his or her signature thereto;
4. A person who consented to include his or her statement of appraisal, analysis, or verification in the descriptions of the business report, etc. and the accompanying document, and confirmed the contents as described therein.

(2) If a forward-looking statement is made as provided for in the following, none of the persons referred to in the subparagraphs of paragraph (1) shall be liable for damage caused by the forward-looking statement, notwithstanding paragraph (1): Provided, That each of the persons referred to in the subparagraphs of paragraph (1) shall be liable for such damage, if the person who acquired or disposed of the relevant security was not aware of the existence of a false statement or representation of a material fact, or an omission to state or represent a material fact, in the forward-looking statement, as at the time he or she acquired or disposed of the security, and if the person proves that there was an intentional or grossly negligent act on the part of each of the persons referred to in the subparagraphs of paragraph (1) in connection with such statement or representation:

1. It was clearly stated that the statement or representation at issue was a forward-looking statement;
2. The grounds for assumption or judgment related to the predictions or projections were clearly stated;
3. The statement or representation at issue was made in good faith based on the reasonable ground or assumption;
4. It shall be accompanied by cautionary statements that actual results may differ from the estimates in relation to the statement or representation.

(3) The amount of damages for which a person shall be held liable in accordance with paragraphs (1) and (2) shall be estimated by calculating the difference between the amount actually paid or received by the claimant as the price for acquisition or disposition of a security and any of the following amounts (only subparagraph 1 shall apply in the case of disposition):

1. The market price (referring to an estimated disposal price if there is no market price available) of the security at the time of closing the proceedings of the lawsuit filed to claim such damages in accordance with paragraphs (1) and (2);

2. The disposal price, if the security was disposed of before the closing of proceedings under subparagraph 1.

(4) Notwithstanding paragraph (3), a person who shall be liable under paragraphs (1) and (2) shall not be held liable for partial damages if the person proves that all or part of the damage sustained by the claimant was not caused by a false statement or representation of a material fact, or an omission to state or represent a material fact.

(5) The liability for damages under paragraphs (1) and (2) ceases, if the claimant fails to exercise the right to claim within one year from the date on which he or she becomes aware of the fact, or within three years from the date of submission.

Article 163 (Public Disclosure of Business Report)

The Financial Services Commission and an exchange shall keep business reports, etc. for three years, and shall also disclose them to the public through its website, etc. In this regard, the matters specified by Presidential Decree may be excluded from such availability and disclosure in consideration of the balance between confidentiality in corporate management, etc. and the protection of investors, etc. <*Amended on Feb. 29, 2008*>

Article 164 (Inspection and Measures)

(1) The Financial Services Commission may, if necessary for the protection of investors, order a corporation subject to business reporting or other related person, to submit a report or materials for reference, or may get the Governor of the Financial Supervisory Service to inspect account books, documents, and other materials. In this regard, Article 131 (2) shall apply mutatis mutandis. <*Amended on Feb. 29, 2008*>

(2) The Financial Services Commission may, in any of the following cases, order a corporation subject to business reporting to disclose relevant facts to the public, after showing the grounds therefor, and make a correction, and it may suspend or prohibit issuance of securities or any other transaction, or take any of measures prescribed by Presidential Decree, if necessary. In such cases, the procedures and guidelines necessary for taking such measures shall be prescribed by Ordinance of the Prime Minister: <*Amended on Feb. 29, 2008; Feb. 3, 2009*>

1. When a business report, etc. has not been submitted;

2. When there exists a false description or representation of a material fact, or an omission of a description or representation of a material fact, in a business report, etc.

Article 165 (Special Cases concerning Submission of Business Reports)

(1) Notwithstanding Articles 159 through 161, foreign corporations, etc. may be differently treated in application of the provisions in accordance with the guidelines and methods prescribed by Presidential Decree, including exemption from the duty of submission and a different deadline for submission. *<Amended on Aug. 13, 2013>*

(2) Notwithstanding Article 160, corporations that have issued stock certificates listed on the securities market prescribed by Presidential Decree that trades stock certificates issued by small and medium businesses under Article 2 of the Framework Act on Small and Medium Enterprises may be differently treated in application of the provisions in accordance with the guidelines and methods prescribed by Presidential Decree, including exemption from the duty of submission of semiannual or quarterly reports and a different deadline for submission. *<Newly Inserted on Aug. 13, 2013>*

(3) Notwithstanding Articles 159 and 160, where a corporation subject to business reporting agrees with the auditor in advance that it is inevitable to extend the deadline for submitting a business report, etc. to prepare an audit report and files reports with the Financial Services Commission and an exchange at least seven days before the expiration of the deadline for submitting a business report stating the reasons for extending the deadline, etc. under Article 159 (1) or 160, the corporation subject to business reporting may submit the business report, etc. by extending the deadline only once by up to five business days. *<Newly Inserted on Oct. 31, 2017>*

(4) In filing reports with the Financial Services Commission and an exchange pursuant to paragraph (3), a corporation subject to business reporting shall follow the method of description and forms prescribed and publicly notified by the Financial Services Commission; and a statement of reasons for extending the deadline prepared, signed and sealed by the auditor, shall be appended thereto. *<Newly Inserted on Oct. 31, 2017>*

CHAPTER III-2 SPECIAL CASES CONCERNING STOCK-LISTED CORPORATIONS

Article 165-2 (Scope of Application)

(1) This Chapter shall apply to stock-listed corporations not falling under either of the following subparagraphs:

1. Foreign corporations, etc.: Provided, That this shall not apply to Articles 165-16 and 165-18;
2. Investment companies.

(2) This Chapter shall apply to stock-listed corporations in preference to Part III of the Commercial Act.

Article 165-3 (Special Cases concerning Acquisition and Disposition of Own Stocks)

(1) A stock-listed corporation may acquire its own stocks by either of the following methods:

1. The method specified in Article 341 (1) of the Commercial Act;

2. The method of recovering from a trust business entity that has acquired its own stocks under a trust contract, at the time the trust contract is cancelled or terminated (limited to cases where the trust business entity has acquired such own stocks of the relevant stock-listed corporation by the method specified in Article 341 (1) of the Commercial Act).

(2) In cases falling under paragraph (1), the total amount of acquisition of one's own stocks shall not exceed the limit for payment of dividends under Article 462 (1) of the Commercial Act:

(3) Where a stock-listed corporation intends to acquire its own stocks by a method falling under paragraph (1) or under any subparagraph of Article 341 (1) of the Commercial Act, it may do so by resolution of the board of directors, notwithstanding Article 341 (2) of the same Act.

(4) Where a stock-listed corporation acquires its own stocks under paragraph (1) (including conclusion of a trust contract with a trust business entity that agrees to acquire its own stock) or dispose of its own stocks so acquired (including termination of a trust contract with a trust business entity that agrees to acquire its own stocks), it shall follow the guidelines for requirements, methods, etc. prescribed by Presidential Decree.

Article 165-4 (Special Cases concerning Mergers)

(1) A stock-listed corporation shall comply with the guidelines, such as requirements and methods prescribed by Presidential Decree, if it intends to engage in any of the following activities (hereafter in this Article referred to as "merger, etc."): *<Amended on May 28, 2013>*

1. Merger with another corporation;
2. Acquisition or transfer of essential business or assets prescribed by Presidential Decree;
3. All-inclusive swap or transfer of stocks;
4. Split-off, or split and merger.

(2) Where a stock-listed corporation intends to conduct a merger, etc. with another company, it shall undergo the assessment of the merger price, etc. and other matters prescribed by Presidential Decree, by a specialized assessment institution (hereafter in this Article and Article 165-18, referred to as "external assessment institution"), as prescribed by Presidential Decree for the protection of investors and sound trading practices. *<Newly Inserted on May 28, 2013>*

(3) Where the assessment result of a merger, etc. conducted by an external assessment institution is deemed significantly insufficient, or where it is likely to undermine the protection of investors or sound trading practices in circumstances prescribed by Presidential Decree, the Financial Services Commission may limit the services of assessment pursuant to paragraph (2). *<Newly Inserted on May 28, 2013>*

(4) The scope of external assessment institutions, methods for limiting assessment services under paragraph (3) and other relevant matters shall be prescribed by Presidential Decree. *<Newly Inserted on May 28, 2013>*

Article 165-5 (Special Cases concerning Appraisal Rights of Shareholders)

(1) A shareholder (including shareholders of classes of shares having no, or limited voting rights under Article 344-3 (1) of the Commercial Act; hereafter the same shall apply in this Article) who is opposed to the resolution of the board of directors with respect to the matters for resolution specified by a stock-listed corporation under Articles 360-3, 360-9, 360-16, 374, 522, 527-2 and 530-3 (limited to the split and merger under Article 530-2 of the same Act and the split under the same Article which is prescribed by Presidential Decree) of the Commercial Act may request the corporation to purchase the stocks he or she owns (limited to stocks proven by shareholders who reported his or her opposition that such stocks had been acquired prior to public notice of the resolution of the board of directors pursuant to Article 391 and the stocks proven that such stocks fall under the cases prescribed by Presidential Decree even though they have been acquired after the public notice of the resolution of the board of directors) within 20 days from the date when the resolution of the general meeting of shareholder is made (in cases of the shareholders of the company becoming a complete subsidiary under Article 360-9 of the Commercial Act and shareholders of a company to be extinguished under Article 527-2 of the same Act, the date two weeks lapse from the date when the public notice or notification under Articles 360-9 (2) and 527-2 (2) of the same Act is made), in writing by indicating the type and number of stocks, only when the shareholder has informed the corporation of his or her intention to oppose the resolution in writing prior to the general meeting of shareholder (in cases of shareholders of the company becoming a complete subsidiary under Article 360-9 of the Commercial Act and shareholders of a company to be extinguished under Article 527-2 of the same Act, within two weeks from the date when the public notice or notification under Articles 360-9 (2) and 527-2 (2) of the same Act is made). *<Amended on Apr. 5, 2013; May 28, 2013>*

(2) The relevant corporation which receives the request under para- graph (1) shall purchase the stocks within one month from the expiration of the period for exercising appraisal rights.

(3) The purchase price of stocks under paragraph (2) shall be determined by the consultation between shareholders and the relevant corporation: Provided, That if the consultation is not made, the purchase price shall be the amount calculated in a manner prescribed by Presidential Decree based on the transaction price of the stocks traded on the securities market prior to the date when the resolution of the board of directors is made, and if the corporation or shareholders who requested for the purchase opposes such purchase price, the determination of a purchase price may be filed with a court.

(4) A stock-listed corporation shall dispose of the stocks purchased pursuant to paragraph (1) within the period prescribed by Presidential Decree. *<Amended on Apr. 5, 2013>*

(5) Where a stock-listed corporation provides notification or public notice on the convocation of a general meeting of shareholders with respect to the matters specified under Article 360-3, 360-16, 374, 522 and 530-3 (limited to split and merger under Article 530-2 of the Commercial Act and the split under the same Article which is prescribed by Presidential Decree) of the same Act pursuant to Article 363 of the same Act, or provides notification or public notice pursuant to Articles 360-9 (2) and 527-2 (2) of the same Act,

the stock-listed corporation shall indicate the details of, and methods of exercising, appraisal rights of shareholders under paragraph (1). In such cases, the corporation shall provide such notification or public notice to the shareholders of shares having no, or limited voting rights under Article 344-3 (1) of the same Act. *<Amended on Apr. 5, 2013; May 28, 2013>*

Article 165-6 (Special Cases concerning Issuance and Allocation of Stocks)

(1) Allocation of new stocks (including stocks already issued in cases falling under subparagraph 3; hereafter the same shall apply in this paragraph and paragraph (4)) by a stock-listed corporation shall be subject to the following methods:

1. Offering shareholders an opportunity to make subscriptions for new stocks in order to allocate new stocks in proportion to the number of stocks held by them;

2. Offering specified persons (including persons holding stocks of the relevant stock-listed corporation) an opportunity to make subscription for new stocks, in order to allocate new stocks to them through other methods than that prescribed in subparagraph 1, where it is necessary to achieve the managerial purpose of the corporation, such as for the introduction of a new technology or the improvement of financial structure;

3. Offering unspecified persons (including persons holding stocks of the relevant stock-listed corporation) an opportunity to make subscription for new stocks through other methods than that prescribed in subparagraph 1, and allocating new stocks to those who have made subscriptions taking advantage of such opportunity.

(2) Where a stock-listed corporation allocates new stocks, the issuance of the stocks for which no subscription has been made or the price of which has not been paid until the date of allocation (hereafter in this Article and Article 165-18 referred to as "forfeited stocks") shall be withdrawn: Provided, That this shall not apply to cases where new stocks are issued at a price higher than that prescribed and publicly notified by the Financial Services Commission, in any of the following cases:

1. Where an investment trader who is not in a special relationship prescribed by Presidential Decree concludes a contract with the relevant stock-listed corporation for the purpose of acquiring all the forfeited stocks as an underwriter, if any forfeiture of stocks occurs;

2. In cases falling under paragraph (1) 1, where the relevant stock-listed corporation and a shareholder agree separately at the time the subscription is made to make a subscription for stocks exceeding the number of stocks to be allocated under the subscription for new stocks (hereafter in this subparagraph referred to as "excessive subscription"), with the purpose of allocating the forfeited stocks preferentially to such shareholder who has made the excessive subscription. In such cases, the number of forfeited stocks to be allocated shall not exceed the number of stocks calculated by multiplying the number of stocks to be allocated under the subscription for new stocks, by the percentage prescribed by Presidential Decree;

3. Other cases prescribed by Presidential Decree taking into comprehensive consideration the efficiency of fund raising by stock-listed corporations, protection of shareholders, etc., and the need to maintain fair market order.

(3) In allocating new stocks in the manner prescribed in paragraph (1) 1, a stock-listed corporation shall issue preemptive rights certificates to shareholders, notwithstanding subparagraphs 5 and 6 of Article 416 of the Commercial Act. In such cases, it shall ensure that the preemptive rights certificates are traded by the method prescribed by Presidential Decree, taking into consideration the protection of shareholders, etc. and necessity of maintaining fair market order.

(4) Where new stocks are allocated in the manner referred to in paragraph (1) 3, they shall be allocated by any of the following methods in accordance with a resolution adopted by the board of directors in accordance with the articles of incorporation. In such cases, Article 418 (1) and the proviso of Article 418 (2) of the Commercial Act shall not apply:

1. Allocating new stocks to unspecified subscribers without categorizing persons to be offered an opportunity for making subscriptions for new stocks;

2. Offering unspecified persons an opportunity to make subscriptions for new stocks including the stocks that have been allocated to the members of an employee stock ownership association under Article 165-7 but failed to obtain their subscriptions;

3. Offering unspecified persons an opportunity to make subscriptions for new stocks for which a preferential opportunity has been given to shareholders to make subscriptions therefor but failed to get their subscriptions;

4. Offering specifically categorized persons an opportunity to make subscriptions for new stocks in accordance with reasonable standards prescribed by Presidential Decree, such as a demand forecast prepared by an investment trader or investment broker as an underwriter or intermediary, which is a method acknowledged by the Financial Services Commission.

Article 165-7 (Special Cases concerning Allocation of Stocks to Members of Employee Stock Ownership Associations)

(1) Where a stock-listed corporation prescribed by Presidential Decree or a corporation intending to list its stock certificates on the securities market prescribed by Presidential Decree (hereafter referred to as "relevant corporation" in this Article) intends to publicly offer or sell its stocks, it shall allocate 20 percent of the total number of stocks subject to the public offering or sale to members of an employee stock ownership association (referring to members of an employee stock ownership association established under the Framework Act on Labor Welfare; hereinafter the same shall apply) of the relevant corporation, notwithstanding Article 418 of the Commercial Act: Provided, That this shall not apply in any of the following cases: *<Amended on Jun. 8, 2010; Apr. 5, 2013; May 28, 2013>*

1. Where a corporation prescribed by Presidential Decree, from among foreign-capital invested companies as defined in the Foreign Investment Promotion Act, issues stocks;

2. Other cases prescribed by Presidential Decree where it is impracticable for the relevant corporation to preferentially allocate its stocks to members of an employee stock ownership association.

(2) Paragraph (1) shall not apply where the number of stocks held by members of an employee stock ownership association exceeds 20 percent of the total number of stocks that have been issued and are newly issued.

(3) Where new stocks are issued in the manner provided for in Article 165-6 (1) 1, Article 419 (1) through (3) of the Commercial Act shall not apply to the portion allocated to members of an employee stock ownership association pursuant to paragraph (1). *<Newly Inserted on May 28, 2013>*

(4) The Financial Services Commission may determine and publicly notify standards necessary for the allocation of stocks to members of an employee stock ownership association under paragraph (1) and the disposal thereof, etc. *<Amended on May 28, 2013>*

Article 165-8 (Special Cases concerning Issuance Less Than Par Value)

(1) Notwithstanding Article 417 of the Commercial Act, a stock-listed corporation may issue stocks at a price less than their par value only with the resolution of the general meeting of shareholders under Article 434 of the same Act without the authorization of a court: Provided, That this shall not apply to cases where the corporation fails to complete the amortization of the total amount of the prices less than their par value. *<Amended on Apr. 5, 2013>*

(2) The resolution of the general meeting of shareholders under paragraph (1) shall determine the minimum issue value of stocks. In such cases, the minimum issue value shall be at least the price calculated by the methods prescribed by Presidential Decree.

(3) A stock-listed corporation shall issue stocks under paragraph (1) within one month from the date when the resolution of a general meeting of shareholders is made, except as otherwise determined by the general meeting of shareholders.

Article 165-9 (Special Cases concerning Notification or Public Notice to Shareholders)

@Article 418 (4) of the Commercial Act shall not apply where a material fact report submitted to the Financial Services Commission under Article 161 (1) 5 is publicly disclosed at the Financial Services Commission and an exchange not later than one week before the deadline for payment thereof under Article 163 at the time new stocks are allocated in the manner prescribed in Article 165-6 hereof or Article 418 (2) of the Commercial Act. *<Amended on Oct. 31, 2017>*

Article 165-10 (Special Cases concerning Issuance and Allocation of Bonds)

(1) Articles 165-6 (1), (2) and (4), and 165-9 shall apply mutatis mutandis where a stock-listed corporation issues any of the following bonds (hereinafter referred to as "stock-related corporate bonds"): *<Amended on Mar. 29, 2016; Apr. 18, 2017>*

1. Bonds provided for in Article 165-11 (1) (limited to bonds with options to be converted into stocks);
2. Bonds provided for in Articles 469 (2) 2, 513 and 516-2 of the Commercial Act;

(2) In issuing bonds provided for in Article 516-2 (1) of the Commercial Act, no stock-listed corporation may issue corporate bonds allowing a bondholder to transfer only the securities from the preemptive right to new stocks through private placement, notwithstanding Article 516-2 (2) 4 of the same Act. *<Amended on Jul. 24, 2015>*

Article 165-11 (Issuance of Contingent Capital Securities)

(1) A stock-listed corporation (excluding entities that may issue the relevant bonds under Article 33 (1) 2 or 3 of the Banking Act or under Article 15-2 (1) 2 or 3 of the Financial Holding Companies Act) may, by a resolution passed by the board of directors, as prescribed by its articles of incorporation, issue bonds which are different from the bonds provided for in Articles 469 (2), 513 and 516-2 of the Commercial Act, with an option to be converted into stocks, or to mitigate the obligations to redeem and to pay interest, upon the occurrence of a trigger event pre-specified based on the objective and reasonable criteria as at the time of issuance of the bonds, and other bonds prescribed by Presidential Decree. *<Amended on Mar. 29, 2016; Apr. 18, 2017>*

(2) Other necessary matters, including the details of bonds to be issued pursuant to paragraph (1), details of issuance, methods of circulation, etc. and detailed terms and conditions, shall be prescribed by Presidential Decree.

Article 165-12 (Special Cases concerning Dividends)

(1) A stock-listed corporation which sets a period for the settlement of accounts once a year may pay dividends (hereinafter referred to as "quarterly dividends") in the form of a cash payout to shareholders as of the last days of the third month, sixth month and ninth month, respectively, from the date of commencement of a business year during the business year by resolution of the board of directors, as prescribed by its articles of incorporation.

(2) The board of directors shall pass a resolution under paragraph (1) within 45 days from the last days under paragraph (1).

(3) The quarterly dividends referred to in paragraph (1) shall be paid within 20 days from the date the board of directors passes a resolution: Provided, That if the articles of incorporation otherwise prescribe a period for the payment of dividends, such period shall apply.

(4) Quarterly dividends shall be limited to the amount calculated by deducting the following amounts from the net assets on the balance sheet of the immediately preceding period for the settlement of accounts:

1. The amount of capital of the immediately preceding period for the settlement of accounts;
2. The total amount of capital reserve and earned surplus reserve accumulated until the immediately preceding period for the settlement of accounts;

3. The amount determined for dividends at the general meeting of shareholders of the immediately preceding period for the settlement of accounts;

4. The total amount of earned reserves to be accumulated in the relevant period for the settlement of accounts according to quarterly dividends.

(5) Where there is a concern over the net assets on the balance sheet of the relevant period for the settlement of accounts falling short of the aggregate amounts provided for in the subparagraphs of Article 462 (1) of the Commercial Act, no quarterly dividends shall be paid.

(6) Where a director supports the resolution of the board of directors for paying dividends although the net assets on the balance sheet of the relevant period for the settlement of accounts fall short of the aggregate of the amounts provided for in the subparagraphs of Article 462 (1) of the Commercial Act, the director shall be jointly liable for the difference (where the aggregate of quarterly dividends is less than the difference, the aggregate of quarterly dividends) to the corporation: Provided, That if the director proves that he or she could not know there is a concern provided for in paragraph (5) although he or she exercised reasonable care, the director shall not be held liable for such difference.

(7) For the purposes of Articles 340 (1), 344 (1), 354 (1), 370 (1), 457 (2), 458, 464, and subparagraph 3 of Article 625 of the Commercial Act, quarterly dividends shall be deemed dividends under Article 462 (1) of the same Act; and for the purposes of Article 635 (1) 22-2 of the same Act, the period prescribed in paragraph (3) shall be deemed a period prescribed in Article 464-2 (1) of the same Act. *<Amended on Dec. 29, 2020>*

(8) Articles 399 (3) and 400 of the Commercial Act shall apply mutatis mutandis where a director has joint liabilities pursuant to paragraph (6), and Articles 462 (2) and (3) of the Commercial Act shall apply mutatis mutandis to dividends paid in violation of paragraph (4).

(9) Where a stock-listed corporation decides to pay dividends by resolution of the board of directors under the proviso of Article 462 (2) of the Commercial Act, a director shall report the matters prescribed by Presidential Decree, such as the basis for computation of dividends, at a general meeting of shareholders. *<Newly Inserted on Mar. 29, 2016>*

Article 165-13 (Special Cases concerning Stock Dividends)

(1) Notwithstanding the proviso of Article 462-2 (1) of the Commercial Act, a stock-listed corporation may pay dividends using newly issued stocks up to the limit of the amount equivalent to the total amount of dividends: Provided, That if the market price of relevant stock falls short of its par value, the proviso of Article 462-2 (1) of the Commercial Act shall apply.

(2) The methods of calculating a market price of a stock under the proviso of paragraph (1) shall be prescribed by Presidential Decree.

Article 165-14 Special Cases concerning Dividends of Public Purpose Corporations)

(1) A public purpose corporation may, when it distributes profits or interests, pay all or part of dividends to be paid to the Government to a person falling under any of the following subparagraphs from among shareholders of the corporation under the conditions prescribed by Presidential Decree, notwithstanding Article 464 of the Commercial Act:

1. Members of an employee stock ownership association of the corporation that has issued the relevant stocks;

2. A person who meets the standards prescribed by Presidential Decree, taking into consideration annual income level and amount of property owned.

(2) Notwithstanding Article 461 (2) of the Commercial Act, a public purpose corporation may, when it capitalizes all or part of reserve, issue all or part of stocks to be issued to the Government to shareholders who have held stocks issued by the public purpose corporation for a certain period under the guidelines and methods prescribed by Presidential Decree.

Article 165-15 (Special Cases concerning Stocks with No, or Limited Voting Rights)

(1) In applying the limit on the total number of stocks with no, or limited voting rights under Article 344-3 (1) of the Commercial Act, stocks without voting rights issued by a stock-listed corporation (including a corporation which publicly offers or sell stocks for the purpose of listing them initially; hereafter in this Article, the same shall apply) shall not be included in the calculation of such limit in either of the following cases: *<Amended on Apr. 5, 2013; May 28, 2013>*

1. Where a stock-listed corporation issues stocks in a foreign country in a manner prescribed by Presidential Decree or issues stock-issued-in-a foreign-country-related corporate bonds, and other securities related to stocks as a result of exercising its rights of convertible bonds;

2. Where stocks are issued by a corporation meeting standards prescribed by Presidential Decree, which is recognized by the Financial Services Commission as necessary to issue stocks without voting rights from among corporations engaged in an industry essential to the national economy, such as a national key industry.

(2) The total number of stocks without voting rights falling under any of the subparagraphs of paragraph (1) and stocks with no, or limited voting rights under Article 344-3 (1) of the Commercial Act shall not exceed 1/2 of the total number of issued and outstanding stocks. *<Amended on Apr. 5, 2013>*

(3) A stock-listed corporation of which total number of stocks with no, or limited voting rights exceeds 1/4 of the total number of issued and outstanding stocks may issue stocks with no, or limited voting rights in a manner of exercising preemptive right, capitalization of reserve or stock dividends, etc. as prescribed by Presidential Decree within the ratio provided under paragraph (2). *<Amended on Apr. 5, 2013>*

Article 165-16 (Standards for Financial Management of Stock-listed Corporations)

(1) The Financial Services Commission may, in order to protect investors and establish fair trade order, establish standards for financial management for stock-listed corporations with respect to the following

matters and provide them by public notice, or make other necessary recommendations: Provided, That the Commission may set different standards for financial management for corporations under Article 9 (15) 3 (b): *<Amended on May 28, 2013>*

1. Matters concerning requirements for paid-in capital increase;
1-2. Matters concerning issuance of stock-related corporate bonds;
2. Matters concerning dividends;
3. Matters concerning the issuance of overseas securities prescribed by Presidential Decree;
4. Other matters prescribed by Presidential Decree as necessary for the sound management of finance.

(2) A stock-listed corporation shall comply with guidelines for financial management under paragraph (1).

Article 165-17 (Reporting on Granting of Stock Options)

(1) When a general meeting of shareholders or the board of directors pass a resolution on the grant of the stock options, a stock-listed corporation that has granted stock options under Article 340-2 or 542-3 of the Commercial Act shall report the fact to the Financial Services Commission and an exchange, as prescribed by Presidential Decree, and the Financial Services Commission and an exchange shall keep record of the fact and make a public disclosure thereof on their websites, etc. during the period from the date of the report to the end of duration of the stock options. *<Amended on Apr. 5, 2013>*

(2) A non-standing director or outside director of a stock-listed corporation who has been appointed in accordance with the Act on the Improvement of Managerial Structure and Privatization of Public Enterprises, the Act on Corporate Governance of Financial Companies or other Acts shall be deemed to be an outside director who has been appointed in compliance with the requirements, procedures, etc. provided for in the Commercial Act. *<Amended on Jul. 31, 2015>*

(3) When stock-listed corporation appoints or dismisses an outside director or an outside director resigns due to a reason other than the expiry of his or her term of office, it shall report the fact to the Financial Services Commission and an exchange by date immediately following the date of such appointment, dismissal or resignation.

Article 165-18 (Measures against Stock-Listed Corporations)

In any of the following cases, the Financial Services Commission may order a stock-listed corporation to disclose the relevant facts to the public, specify the grounds therefor and to make a correction thereof, and recommend a general meeting of shareholders to dismiss an executive officer, restrict the issuance of securities for a certain period or take any of the measures prescribed by Presidential Decree, if necessary. In such cases, procedures and guidelines necessary for taking such measures shall be prescribed by Ordinance of the Prime Minister: *<Amended on Apr. 5, 2013; May 28, 2013; Mar. 29, 2016; Apr. 18, 2017>*

1. Where the stock-listed corporation acquires its treasury stocks, in violation of Article 165-3 (2);
2. Where the stock-listed corporation acquires (including conclusion of a trust contract with a trust business entity that agrees to acquire its treasury stocks) or disposes of (including termination of a trust

contract with a trust business entity that agrees to acquire its treasury stocks) its treasury stocks, in violation of Article 165-3 (4);

3. Where the stock-listed corporation engages in any of the activities referred to in subparagraphs of Article 165-4 (1), in violation of the same paragraph;

4. Where the stock-listed corporation fails to undergo an assessment conducted by an external assessment institution, in violation of Article 165-4 (2);

5. Where the stock-listed corporation fails to dispose of relevant stocks within one month from the expiry of the period for exercising appraisal rights, in violation of Article 165-5 (2);

6. Where the stock-listed corporation fails to dispose of stocks within the period prescribed by Presidential Decree, in violation of Article 165-5 (4);

7. Where the stock-listed corporation provides any notification or public notice, in violation of the procedures provided for in Article 165-5 (5), or fails to provide notification or public notice required under the same paragraph;

8. Where the stock-listed corporation fails to withdraw the issuance of forfeited stocks, in violation of Article 165-6 (2);

9. Where the stock-listed corporation fails to issue a preemptive rights certificate or fails to ensure the trading thereof, in violation of Article 165-6 (3);

10. Where the stock-listed corporation allocates new stocks to unspecified subscribers (including persons who hold stocks of the relevant stock-listed corporation), in violation of Article 165-6 (4);

11. Where the stock-listed corporation allocates any stocks to members of an employee stock ownership association, in violation of Article 165-7;

12. Where the stock-listed corporation issues a stock at a price less than its par value, in violation of the proviso of Article 165-8 (1);

13. Where the stock-listed corporation fails to determine the minimum issue value, in violation of Article 165-8 (2), or fails to calculate the minimum issue value by the methods specified in the latter part of the same paragraph;

14. Where the stock-listed corporation fails to issue stocks within one month from the date the resolution of the general meeting of shareholders is passed, in violation of Article 165-8 (3);

15. Where the stock-listed corporation issues any stocks, in violation of Article 165-10;

16. Where the stock-listed corporation issues any contingent capital securities, in violation of Article 165-11;

17. Where the stock-listed corporation pays any quarterly dividends without a resolution passed at the board of directors, in violation of Articles 165-12 (1) and (2);

18. Where the stock-listed corporation fails to pay quarterly dividends, in violation of Article 165-12 (3);

19. Where the stock-listed corporation pays quarterly dividends, in violation of Article 165-12 (5);

20. Where the stock-listed corporation pays stock dividends, in violation of Article 165-13 (1);

21. Where the stock-listed corporation calculates the market price of a stock, in violation of Article 165-13 (2);

22. Where the stock-listed corporation issues stocks with no or limited voting rights, in violation of Article 165-15 (2);

23. Where the stock-listed corporation fails to comply with any of the guidelines for financial management, in violation of Article 165-16 (2);

24. Where the stock-listed corporation fails to report the granting of stock options by the methods specified in Article 165-17 (1), in violation of the same paragraph;

25. Where the stock-listed corporation fails to report the appointment, dismissal or resignation of an outside director, in violation of Article 165-17 (3).

Article 165-19 (Special Cases concerning Outside Directors and Standing Auditors)

@Articles 542-8 (excluding the proviso of paragraph (1), and paragraphs (4) and (5)) and 542-10 of the Commercial Act shall not apply to corporations that have issued stock certificates listed on the securities market prescribed by Presidential Decree that trades stock certificates issued by small and medium businesses under Article 2 of the Framework Act on Small and Medium Enterprises.

Article 165-20 (Special Cases concerning Gender Composition of Board of Directors)

No stock-listed corporation that holds not less than two trillion won in total amount of assets as at the end of the preceding business year *[total amount of capital (referring to the total amount of assets less the total amount of liabilities on its balance sheet) or capital, whichever is the greater, in the case of a corporation engaged in a financial or insurance business] shall have a board of directors made up of just one gender.*

CHAPTER IV OVER-THE-COUNTER TRADING

Article 166 (Over-the-Counter Trading)

Where financial investment instruments are traded or otherwise transacted outside an exchange market or an alternative trading system, matters pertaining to the methods related to such trading or transactions, the payment method therefor and other relevant matters shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009; May 28, 2013>*

Article 166-2 (Trading of Over-the-Counter Derivatives)

(1) An investment trader or investment broker shall comply with the following guidelines when engaging in the investment trading or investment brokerage of over-the-counter derivatives: *<Amended on Mar. 12, 2010; Apr. 18, 2017>*

1. Where the investment trader or investment broker trades or acts as an intermediary, a broker or an agent in the trading of an over-the-counter to an ordinary investor, such trading shall be limited to where the ordinary investor makes transactions for the purpose of hedging risk prescribed by Presidential Decree. In such cases, the investment trader or investment broker shall confirm the type and amount of the risk that the ordinary investor intends to hedge through the trading of over-the-counter derivatives and shall keep relevant materials;

2. The amount of risk (referring to the amount of risk prescribed and publicly notified by the Financial Services Commission) incurred from the trading over-the-counter derivatives shall not exceed the limit prescribed and publicly notified by the Financial Services Commission;

3. Where an amount obtained by dividing the amount calculated by subtracting gross risks from net operating capital by the aggregate of equity capital for each authorized or registered business unit required under Article 15, 20, 117-4 (8), or 249-3 (8) (referring to the relaxed requirements prescribed in Presidential Decree in each relevant provision) falls below 150/100 (in cases of concurrently-run financial investment entities, referring to cases prescribed and publicly notified by the Financial Services Commission), trading of new over-the-counter derivatives shall be suspended to the date when such shortage is resolved and only business related to concluding outstanding transactions or hedging risks shall be conducted;

4. The investment trader or investment broker shall obtain approval from a person in charge of derivatives business appointed under Article 28-2 whenever trading an over-the-counter derivative: Provided, That this shall not apply where an over-the-counter derivative is traded under the conditions predetermined between counter-parties by contract which meets the guidelines prescribed and publicly notified by the Financial Services Commission;

5. The investment trader or investment broker shall report the details of the over-the-counter derivatives (including derivatives-linked securities) he or she has traded or has acted as an intermediary, a broker or an agent in the trade of which, to the Financial Services Commission on a monthly basis by the tenth day of the following month;

6. The investment trader or investment broker shall undergo prior deliberation by the Association to newly deal with any of the following over-the-counter derivatives: Provided, That this shall not apply in cases prescribed by Presidential Decree:

(a) An over-the-counter derivative, the underlying assets of which are those referred to in Article 4 (10) 4 or 5;

(b) An over-the-counter derivative for ordinary investors;

(2) Management of risks linked to the transactions of over-the-counter derivatives and other matters necessary for the protection of investors shall be prescribed and publicly notified by the Financial Services Commission.

(3) The Governor of the Financial Supervisory Service shall supervise the compliance with the guidelines provided for in each subparagraph of paragraph (1) with respect to the transactions, etc. of over-the-

counter derivatives by investment traders or investment brokers.

Article 166-3 (Obligation to Clear Over-the-Counter Transactions)

Where a financial investment business entity trades over-the-counter derivatives prescribed by Presidential Decree or engages in any other over-the-counter transaction (limited to where the default from such transaction is likely to have a material effect on the domestic capital market; hereafter in this Article referred to as "transaction subject to clearing") with another financial investment business entity or a person prescribed by Presidential Decree (hereafter in this Article referred to as "counterparty to the transaction"), it shall require a central counterparty or any other entity corresponding thereto which is prescribed by Presidential Decree to bear obligations of itself and the counterparty to the transaction incurred in connection with such transaction subject to clearing, through assumption of the obligations, novation, or through an analogous legally binding arrangement.

Article 167 (Limitations on Ownership of Stocks Issued by Public Purpose Corporations)

(1) No one shall own any stocks issued by a public purpose corporation in whosever name on his or her account in excess of the following guidelines. In such cases, non-voting stocks shall not be included in the total number of outstanding stocks; and any stock owned in the name of his or her affiliated person shall be deemed to be acquired on his or her account:

1. The holding ratios, in cases of a shareholder who owns not less than ten percent of the total number of outstanding stocks as at the time the stocks are listed;
2. The ratio provided for in the articles of incorporation within three percent of the total number of outstanding stocks, in cases of any person other than the shareholder referred to in subparagraph 1.

(2) Notwithstanding paragraph (1), where a person obtains approval from the Financial Services Commission in respect to the holding ratio limit, the person may own stocks issued by a public purpose corporation to the limit approved. *<Amended on Feb. 29, 2008>*

(3) No person who actually owns stocks in excess of the ratio or limit set forth in paragraphs (1) and (2) shall exercise voting rights in relation to the stock held in excess, and the Financial Services Commission may order the person who in fact owns stocks in excess of the ratio or limit to take corrective measures to meet the ratio or limit within a prescribed period, not exceeding six months. *<Amended on Feb. 29, 2008>*

Article 168 (Restrictions on Foreigners' Trading of Securities and Exchange-Traded Derivatives)

(1) With respect to trading and other transactions involving securities or exchange-traded derivatives by foreigners (referring to individuals with no address or residence for not less than six months in the Republic of Korea; hereafter the same shall apply in this Article), foreign corporations, etc., restrictions may be placed on the limit of acquisition, etc. in accordance with the guidelines and methods prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

(2) With respect to the acquisition of stocks of a public purpose corporation by foreigners, foreign corporations, etc., a separate restriction may be set in accordance with the articles of incorporation of the public purpose corporation in addition to the restrictions placed under paragraph (1).

(3) No person who has acquired any stock, in violation of paragraph (1) or (2) shall be entitled to exercise a voting right in relation to the stock, and the Financial Services Commission may order a person who has traded a security or exchange-traded derivative, in violation of paragraph (1) or (2) to take corrective measures within a prescribed period, not exceeding six months. *<Amended on Feb. 29, 2008>*

(4) Other matters pertaining to the protection of investors or sound trading practices in connection with trading and other transactions of securities or exchange-traded derivatives by foreigners, foreign corporations, etc. shall be prescribed by Presidential Decree.

Article 169 (Audit Certification by Auditors)

(1) A person specified by Presidential Decree among the persons who submit finance-related documents to the Financial Services Commission and an exchange pursuant to this Part shall be audited as prescribed in the Act on External Audit of Stock Companies, Etc.: Provided, That the matters specified by Presidential Decree may be exempted from the audit in consideration of the balance between confidentiality of corporate management, the burden to the corporation, etc. and the protection of investors, etc. *<Amended on Feb. 29, 2008; Oct. 31, 2017>*

(2) If deemed necessary for the protection of investors, the Financial Services Commission may order an auditor who conducted an audit in accordance with paragraph (1) or an audited corporation to submit materials or a report or to take any other measures as may be necessary. *<Amended on Feb. 29, 2008>*

(3) A foreign corporation, etc. audited in accordance with the statutes related to the financial investment business of a foreign country shall be deemed to be audited in accordance with the main clause of paragraph (1), if the foreign corporation satisfies the guidelines prescribed by Presidential Decree. In such cases, paragraph (2) shall apply mutatis mutandis to the auditor who conducts the audit in accordance with the statutes related to the financial investment business of the foreign country (hereinafter referred to as "foreign auditor") or to the audited foreign corporation, etc.

Article 170 (Auditor's Liability for Damage)

(1) Where a bona fide investor has sustained any damage by relying on an audit report of an auditor (including a foreign auditor; hereafter the same shall apply in this Article) accompanying the business report, etc., Article 31 (2) through (9) of the Act on External Audit of Stock Companies, Etc. shall apply mutatis mutandis to the auditor's liability for damage. *<Amended on Feb. 3, 2009; Jan. 28, 2014; Oct. 31, 2017>*

(2) The amount of damages for which a person is liable to pay in accordance with paragraph (1) shall be estimated by calculating the difference between the amount actually paid or received by the claimant as the price for acquisition or disposition of the securities (including depositary receipts related to such

securities and other securities specified by Presidential Decree; hereafter the same shall apply in this Article) and any of the following amounts (only subparagraph 1 shall apply in cases of disposal):

1. The market price (referring to an estimated disposal price if there is no market price available) of the securities as at the time of closing the proceedings of the lawsuit filed to claim such damages under paragraph (1);

2. The disposal price if the securities are disposed of before the closing of the proceedings under subparagraph 1.

(3) Notwithstanding paragraph (2), a person who is liable in accordance with paragraph (1) shall not be held liable for partial damages, if he or she proves that all or part of the damages sustained by the claimant was not caused by a false statement or representation of any material fact, or by an omission to state or represent such material fact.

Article 171 (Alternative Payment for Security Deposit)

(1) Any guarantee money or deposit money specified by Presidential Decree from among the security deposits and deposits payable to the State, a local government, or a public institution referred to in the Act on the Management of Public Institutions (hereafter in this Article referred to as "public institution") may be paid alternatively by listed securities.

(2) The State, a local government, or a public institution shall not refuse to accept the alternative payment by listed securities in accordance with paragraph (1).

(3) The guidelines for evaluating the listed stocks allowable for alternative payment to the State, a local government, or a public institution in accordance with paragraph (1) and the values of such listed stocks shall be prescribed by Presidential Decree.

(4) Deleted. <*Mar. 22, 2016*>

(5) Deleted. <*Mar. 22, 2016*>

(6) Deleted. <*Mar. 22, 2016*>

PART IV REGULATION OF UNFAIR TRADING

CHAPTER I INSIDER TRADING

Article 172 (Return of Insider's Short-Swing Profit)

(1) If an executive officer (including any of the persons referred to in the subparagraphs of Article 401-2 (1) of the Commercial Act; hereafter in this Chapter the same shall apply), employee (limited to the person who is in a position to acquire material nonpublic information as defined in Article 174 (1), as specified by Presidential Decree; hereafter in this Article the same shall apply), or a major shareholder of a stock-listed corporation earns a profit by purchasing (including the sale of specific securities, etc., through which he or she becomes a counterparty of a person who exercises a right, and acquires the status of a purchaser;

hereafter in this Article the same shall apply) any of the following financial investment instruments (hereinafter referred to as "specific securities, etc.") and then selling (including the purchase of specific securities, etc., in which he or she may exercise a right and acquire the status of a seller; hereafter in this Article the same shall apply) them within six months, or by selling specific securities, etc. and then purchasing them within six months, the corporation may require the executive officer and/or employee or major shareholder to return the profit (hereinafter referred to as "short-swing profit") to the corporation. In such cases, matters pertaining to guidelines for computing such profit, the procedure for returning, etc. shall be prescribed by Presidential Decree:

1. Securities issued by the corporation (excluding securities specified by Presidential Decree);
2. Depositary receipts related to the securities referred to in subparagraph 1;
3. Exchangeable bonds issued by any person other than the corporation, which are exchangeable with the securities referred to in subparagraph 1 or 2;
4. Financial investment instruments, the underlying assets of which only consist of the securities referred to in subparagraphs 1 through 3.

(2) A shareholder (including an owner of any equity security or depositary receipt other than stocks; hereafter the same shall apply in this Article) of a corporation may demand that the corporation make a claim against a person who has earned a short-swing profit as set forth in paragraph (1) to return the short-swing profit, and the shareholder may make the claim on behalf of the corporation, if the corporation fails to make such claim within two months after receiving such demand.

(3) Upon becoming aware of the fact that a short-swing profit has accrued under paragraph (1), the Securities and Futures Commission shall notify the relevant corporation thereof. In such cases, the corporation shall disclose the contents of such notice to the public on its website, etc. in a manner prescribed by Presidential Decree.

(4) If the shareholder who files a lawsuit for the claim under paragraph (1) wins the lawsuit, the shareholder may claim legal expenses from the corporation and all other expenses incurred in relation to the lawsuit.

(5) The rights provided for in paragraphs (1) and (2) cease, if they are not exercised within two years after the profit is acquired.

(6) Paragraph (1) shall not apply in cases prescribed by Presidential Decree, taking into account the nature of the sale or purchase by an executive officer and/or employee, or a major shareholder, other circumstances, etc., and where the major shareholder involved was not a shareholder at the time of either purchase or sale.

(7) Paragraphs (1) and (2) shall apply mutatis mutandis to an investment trader who has underwritten specific securities, etc. publicly offered, privately placed, or sold by a stock-listed corporation during a period prescribed by Presidential Decree.

Article 173 (Reporting on Status of Specific Securities Owned by Executive Officers)

(1) An executive officer or significant shareholder of a stock-listed corporation shall report the status of specific securities, etc. owned on his or her own account, in whosever name, within five days (excluding the days specified by Presidential Decree; hereafter the same shall apply in this Article) from the day on which he or she became an executive officer or a significant shareholder, or within five days from the day on which any change occurred in the status of specific securities, etc. owned by him or her (excluding insignificant change in status of securities owned which is prescribed by Presidential Decree; hereafter the same shall apply in this Article), to the Securities and Futures Commission and an exchange respectively in a manner prescribed by Presidential Decree. In such cases, the content and timing of the report may be prescribed differently by Presidential Decree, where any change in status of owned specific securities, etc. exists due to any extenuating circumstances, and in cases of the persons prescribed by Presidential Decree among professional investors. *<Amended on May 28, 2013>*

(2) The Securities and Futures Commission and an exchange shall keep such report under paragraph (1) for public inspection for three years, and shall also disclose it through their websites, etc. *<Amended on Feb. 3, 2009>*

Article 173-2 (Reporting on Exchange-Traded Derivatives Held in Bulk)

(1) A person who holds (referring to the holding of exchange-traded derivatives on his or her own account in whosever name; hereafter the same shall apply in this paragraph) exchange-traded derivatives (limited to derivatives, the underlying assets of which are ordinary commodities referred to in Article 4 (10) 3 and others prescribed by Presidential Decree that are traded in the derivatives market; hereafter the same shall apply in this Article) of the same item in excess of the quantity prescribed and publicly notified by the Financial Services Commission shall report the status of such holding and other matters prescribed by Presidential Decree to the Financial Services Commission and an exchange in a manner prescribed by Presidential Decree within five days (excluding days specified by Presidential Decree; hereafter the same shall apply in this Article) from the date the person becomes a holder of the stocks in such a quantity, and shall, when the quantity he or she holds is changed in excess of a quantity prescribed and publicly notified by the Financial Services Commission, report such change to the Financial Services Commission and an exchange in a manner prescribed by Presidential Decree within five days from the date of occurrence of such a change. *<Amended on May 28, 2013>*

(2) Any of the following persons who becomes aware of information which could affect market prices in the derivatives market in the course of performing his or her duties and any person who receive such information from the person shall not divulge the information; use it for the trading of an exchange-traded derivative referred to in paragraph (1) and its underlying assets or other transactions; or allow any third person to use it: *<Amended on May 28, 2013>*

1. A person who drafts, establishes, or implements polices that could affect the market prices of exchange-trade derivatives;

2. A person who creates and manages information that could affect the market prices of exchange-traded derivatives;

3. A person who engages in the business of intermediating, circulating, or inspecting underlying assets of exchange-traded derivatives.

Article 174 (Prohibition on Use of Material Nonpublic Information)

(1) None of the following persons (including a person in whose case one year has not passed since he or she no longer fell under any of subparagraphs 1 through 5) shall use any material nonpublic information (referring to any information that may produce a significant impact on investors' investment judgment, and that has not been disclosed yet to unspecified people in a manner prescribed by Presidential Decree; hereafter in this paragraph the same shall apply) related to the business of a listed-corporation (including a corporation which will be listed within six months or an unlisted corporation having the effect of being listed within six months by means of merger with a listed corporation, all-inclusive exchange of stocks, or other methods of corporate combination (hereafter in this paragraph referred to as "corporate, etc. scheduled to be listed"); hereafter in this paragraph and Article 443 (1) 1 the same shall apply) in trading or any other transaction involving specific securities, etc. (including relevant specific securities issued by a corporate scheduled to be listed or others; hereafter the same shall apply in Article 443 (1) 1) or allow another person to use it: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. The corporation (including its affiliated companies; hereafter the same shall apply in this subparagraph and subparagraph 2) or its executive officer and/or employee, or agent, who becomes aware of the material nonpublic information in the course of performing the business;

2. A significant shareholder of the corporation, who becomes aware of the material nonpublic information in the course of exercising his or her rights;

3. A person having authority to grant permission or authorization, give an instruction, or supervise the corporation or any other power pursuant to a relevant statute, who becomes aware of the material nonpublic information in the course of exercising such authority or power;

4. A person who has entered into a contract with the corporation or is under contract negotiation with the corporation, and becomes aware of the material nonpublic information in the course of entering into, negotiating, or performing such contract;

5. An agent of a person falling under any of subparagraphs 2 through 4 (including executive officers and/or employees, and agents if the principal falling hereunder is a corporation), or a servant or employee of such person (or an executive officer and/or employee, or agent of a corporation if the person falling under any of subparagraphs 2 through 4 is the corporation), who becomes aware of the material nonpublic information in connection with his or her job;

6. A person who received the material nonpublic information from a person falling under any of subparagraphs 1 through 5 (including a person in whose case one year has not passed since the day on which he or she no longer fell under any of subparagraphs 1 through 5).

(2) None of the following persons (including a person in whose case one year has not passed since the day on which he or she no longer fell under any of subparagraphs 1 through 5) shall use material nonpublic information (referring to information not yet disclosed to a multiple number of unspecified people by the method prescribed by Presidential Decree; hereafter the same shall apply in this paragraph) regarding the initiation or discontinuance of a tender offer (referring to the tender offer under Article 133 (1); hereafter in this paragraph the same shall apply) for stocks, etc. in trading or any other transaction involving specific securities, etc. related to the stocks, etc. or allow another person to use such information: Provided, That this shall not apply to cases where a person who intends to make a public tender offer (hereafter in this Article referred to as "prospective public tender offeror") is deemed to have no intention of utilizing any nonpublic information on the initiation or discontinuation of public tender offer of stocks, etc. in trading specific securities, etc. related to such stocks, etc. or in any other transactions, considering that he or she continues to hold stocks, etc. for a considerable period till after the public announcement for the tender offer is made: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. A prospective public tender offeror (including its affiliated companies; hereafter the same shall apply in this subparagraph and subparagraph 2) or an executive officer and/or employee, or agent of the prospective tender offeror, who becomes aware of the material nonpublic information regarding the initiation or discontinuance of the tender offer in connection with his or her job;
2. A significant shareholder of the prospective public tender offeror, who becomes aware of the material nonpublic information regarding the initiation or discontinuance of the tender offer in the course of exercising his or her rights;
3. A person having authority to grant permission or authorization, give an instruction, or supervise the prospective public tender offeror or any other power pursuant to a relevant statute, who becomes aware of the material nonpublic information regarding the initiation or discontinuance of the tender offer in the course of exercising such authority or power;
4. A person who has entered into a contract with the prospective public tender offeror or is under contract negotiation with the tender offeror, and becomes aware of the material nonpublic information regarding the initiation or discontinuance of the tender offer in the course of entering into, negotiating, or performing such contract;
5. An agent of a person falling under any of subparagraphs 2 through 4 (including executive officers and/or employees, and agents if the principal falling hereunder is a corporation), or a servant or employee of such person (or an executive officer and/or employee, or agent of a corporation if the person falling under any of subparagraphs 2 through 4 is a corporation), who becomes aware of the material nonpublic information regarding the initiation or discontinuance of the tender offer in connection with his or her job;
6. A person who acquired the material nonpublic information regarding the initiation or discontinuance of the tender offer from the prospective public tender offeror or a person falling under any of subparagraphs 1 through 5 (including a person in whose case one year has not passed since the day on

which he or she no longer fell under any of subparagraphs 1 through 5).

(3) None of the following persons (including a person in whose case one year has not passed since the day on which he or she no longer fell under any of subparagraphs 1 through 5) shall use material nonpublic information (referring to information not yet disclosed to a multiple number of unspecified people in a manner prescribed by Presidential Decree; hereafter in this paragraph the same shall apply) regarding acquisition or disposition of stocks, etc. in bulk (referring to an acquisition or disposition that may produce an impact on business control, as prescribed by Presidential Decree; hereafter in this paragraph the same shall apply) for stocks, etc. in trading or any other transaction of specific securities, etc. related to the stocks, etc. or allow another person to use such information: Provided, That this shall not apply to the cases where a person who intends to acquire or dispose of the stocks, etc. in bulk is deemed to have no intention of utilizing any nonpublic information on initiation or discontinuation of acquisition or disposal of the stocks, etc. in bulk in the trading of specific securities, etc. related to such stocks, etc. or in any other transactions, considering that he or she continues to hold stocks, etc. for a considerable period till after the public announcement thereof is made under Article 149: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. An affiliated company of the person who intends to acquire or dispose of the stocks, etc. in bulk, or an executive officer and/or employee, or agent of the person who intends to acquire or dispose of the stocks, etc. in bulk (including its affiliated companies; hereafter in this subparagraph and subparagraph 2 the same shall apply), who becomes aware of the material nonpublic information regarding the initiation or discontinuance of an acquisition or disposition in bulk in connection with his or her job;
2. A significant shareholder of the person who intends to acquire or dispose of the stocks, etc. in bulk, who becomes aware of the material nonpublic information regarding the initiation or discontinuance of an acquisition or disposition in bulk in the course of exercising his or her rights;
3. A person having authority to grant permission or authorization, give an instruction, or supervise the person who intends to acquire or dispose of the stocks, etc. in bulk, or any other power pursuant to a relevant statute, who becomes aware of the material nonpublic information regarding the initiation or discontinuance of an acquisition or disposition in bulk in the course of exercising such authority or power;
4. A person who has entered into a contract with the person who intends to acquire or dispose of the stocks, etc. in bulk or is under contract negotiation with the person acquiring or disposing of the stocks, etc. in bulk, and becomes aware of the material nonpublic information regarding the initiation or discontinuance of an acquisition or disposition in bulk in the course of entering into, negotiating, or performing such contract;
5. An agent of a person falling under any of subparagraphs 2 through 4 (including executive officers and/or employees, and agents if the principal falling hereunder is a corporation), or a servant or employee of such person (or an executive officer and/or employee, or agent of a corporation if the person falling under any of subparagraphs 2 through 4 is a corporation), who becomes aware of the material nonpublic information regarding the initiation or discontinuance of an acquisition or

disposition in bulk in connection with his or her job;

6. A person who acquired the material nonpublic information regarding the initiation or discontinuance of an acquisition or disposition in bulk from the person who intends to acquire or dispose of the stocks, etc. in bulk, or a person falling under any of subparagraphs 1 through 5 (including a person in whose case one year has not passed since the day on which he or she no longer fell under any of subparagraphs 1 through 5).

Article 175 (Liability for Damage Caused by Use of Material Nonpublic Information)

(1) A person who violates Article 174 shall be liable for any damage sustained by a person who trades, or makes any other transaction of, the relevant specific securities, etc. in connection with the trading or other transaction of securities, etc.

(2) The right to claim damages under paragraph (1) ceases by prescription, if it is not exercised within two years from the time the claimant becomes aware of a violation of Article 174, or within five years from the time such violation was committed. <*Amended on Mar. 27, 2018*>

CHAPTER II MARKET PRICE MANIPULATION

Article 176 (Prohibition on Market Price Manipulation)

(1) No one shall engage in any of the following acts with intent to mislead anyone into misapprehending that the trading of listed securities or exchange-traded derivatives is in bull market, or to mislead any third person into making a wrong judgement:

1. Selling securities or exchange-traded derivatives in collusion with third person to sell the securities or exchange-traded derivatives at the same price as his or her sale price, or at an agreed value at the same time he or she sells them;

2. Purchasing securities or exchange-traded derivatives in collusion with third person to sell the securities or exchange-traded derivatives at the same price as his or her purchase price, or at an agreed value at the same time he or she purchases them;

3. Appearing to trade securities or exchange-traded derivatives with no intent to transfer the interest or right therein;

4. Entrusting or being entrusted with any act set forth in subparagraphs 1 through 3.

(2) No one shall engage in any of the following acts with intent to attract anyone to trade listed securities or exchange-traded derivatives: <*Amended on May 28, 2013*>

1. Misleading any person into misapprehending that the trading of such securities or derivatives is in bull market, or selling or purchasing, or entrusting or being entrusted with the sale or purchase of, such securities or derivatives to cause a fluctuation in the market price (referring to the market price formed in the securities market or the derivatives market, or the market price formed in the course of intermediating the trading of listed stocks through an alternative trading system, or other market price

prescribed by Presidential Decree; hereinafter the same shall apply);

2. Disseminating a rumor that a fluctuation in the market price for such securities or derivatives is being caused by his or her or a third person's market manipulation;

3. Making a false or misleading representation concerning a material fact in trading such securities or exchange-traded derivatives.

(3) No one shall engage in making purchases or sales in connection with listed securities or exchange-traded derivatives or shall entrust or be entrusted with such act, with intent to fix or stabilize the market price of the listed securities or exchange-traded derivatives: Provided, That this shall not apply in any of the following cases:

1. Where an investment trader (limited to an investment trader who has entered into an underwriting contract with the issuer or owner of the securities subject to public offering or sale; hereafter the same shall apply in this Article) trades such securities with intent to make the public offering or sale of the securities smooth by stabilizing the price of the securities (hereafter in this paragraph referred to as "manipulation for stabilization") during the period beginning on a day specified by Presidential Decree not exceeding 30 days before the end of the subscription period for the public offering or sale of the securities, and ending on the expiration of the subscription period;

2. Where an investment trader trades securities to create supply and demand (hereafter in this paragraph referred to as "market creation") for the securities publicly offered or sold in a manner prescribed by Presidential Decree during a period prescribed by Presidential Decree not exceeding six months from the day on which the securities are listed;

3. Where a person specified by Presidential Decree, such as an executive officer of the issuer of securities publicly offered or sold, entrusts an investment trader with manipulation for stabilization;

4. Where an investment trader is entrusted with manipulation for stabilization in accordance with subparagraph 3;

5. Where an underwriter of securities publicly offered or sold, entrusts an investment trader with marker creation;

6. Where an investment trader is entrusted to create market in accordance with subparagraph 5.

(4) Where any of securities, derivatives or underlying assets of the securities or derivatives are listed on an exchange, or in other equivalent circumstances prescribed by Presidential Decree, no one shall engage in any of the following acts in connection with the trade of such securities or derivatives or other transactions (hereafter in this paragraph and Articles 177 and 443 (1) 7 referred to as "trade, etc."): <*Amended on Feb. 3, 2009; May 28, 2013*>

1. Causing a fluctuation in, or fixing, the market price of underlying assets of certain derivatives with intent to earn or causing a third party to earn unjust profits from the trade, etc. of such derivatives;

2. Causing a fluctuation in, or fixing, the market price of derivatives with intent to earn, or causing a third party to earn, unjust profits from the trade, etc. of such underlying assets of derivatives;

3. Causing a fluctuation in, or fixing, the market price of securities linked to certain securities prescribed by Presidential Decree or underlying assets of such securities with intent to earn, or causing a third party to earn, unjust profits from the trade, etc. of such securities;

4. Causing a fluctuation in, or fixing, the market price of securities with intent to earn, or causing a third party to earn, unjust profits from the trade, etc. of underlying assets of such securities;

5. Causing a fluctuation in, or fixing, the market price of derivatives the underlying assets of which is the same as or similar to those of such derivatives with intent to earn, or causing a third party to earn, unjust profits from the trade, etc. of such derivatives.

Article 177 (Liability for Damage Caused by Market Price Manipulation)

(1) A person who violates Article 176 shall be liable for damage as classified in the following: *<Amended on May 28, 2013>*

1. Damage sustained by a person who has conducted trading, etc. or has entrusted trading, etc. of the relevant securities or derivatives due to such trading, etc. or entrustment at the price formed by such violation;

2. Damage, other than that referred to in subparagraph 1, sustained by a person who has conducted trading, etc. or has entrusted trading, etc. of other securities, derivatives or underlying assets of such securities or derivatives, the price of which was affected by such violation (limited to a violation provided for in subparagraphs of Article 176 (4)) due to such trading, etc. or entrustment;

3. Damage, other than that referred to in subparagraphs 1 and 2, in connection with securities or derivatives, the exercise of the right or fulfillment of conditions for which is decided or payment of money, etc. is settled depending on the price or figures at a specific point of time due to such violation (limited to a violation provided for in any subparagraph of Article 176 (4)), which is sustained by a person who has held such securities or derivatives and caused by the decision or payment in accordance with the price or figures formed by such violations.

(2) The right to claim damages under paragraph (1) ceases by prescription, if it is not exercised within two years from the time the claimant becomes aware of a violation of Article 176, or within five years from the time such violation was committed. *<Amended on Mar. 27, 2018>*

CHAPTER III UNFAIR TRADING

Article 178 (Prohibition on Unfair Trading)

(1) No one shall commit any of the following acts in connection with trading (including public offering, private placement, and sale in case of securities; hereafter the same shall apply in this Article and Article 179) or other transaction of financial investment instruments:

1. Utilizing an unfair means, scheme, or trick;

2. Attempting to earn money or any interest in property, by using a document containing a false description or representation of a material fact, or an omission of a description or representation of a material fact necessary for preventing others from being misled, or any other description or representation;

3. Using an inaccurate market price with intent to attract another to trade or make any other transaction in financial investment instruments.

(2) No one shall disseminate a rumor, use a deceptive scheme, or make a threat, with intent to trade or make any other transaction in financial investment securities or attempt to cause a fluctuation in the market price.

Article 178-2 (Prohibition on Market Disturbances)

(1) None of the persons referred to in subparagraph 1 shall use, or allow any third person to use, the information provided for in subparagraph 2 for the sales or purchase of securities listed on the securities market (including securities issued by a corporation, etc. which will be listed under Article 174 (1)), exchange-traded derivatives or derivatives, the underlying assets of which are the securities or exchange-traded derivatives (hereafter referred to as "designated financial investment instruments", inclusive of all the aforementioned in this paragraph) or other transactions (hereafter in this Article referred to as "trade, etc."): Provided, That any act that is unlikely to undermine the protection of investors or sound market practices in circumstances prescribed by Presidential Decree and any of the acts provided for in Article 173-2 (2), 174, or 178 shall be excluded herefrom:

1. Any of the following persons:

(a) A person who receives or subsequently acquires any material nonpublic information or nonpublic information, knowingly that such information has been imparted from a person referred to in any subparagraph of paragraphs of Article 174;

(b) A person who produces or becomes aware of the information provided for in subparagraph 2 (hereafter in this subparagraph referred to as "information") in connection with his or her duty;

(c) A person who becomes aware of the information by hacking, theft, deceit, intimidation, or other wrongful means;

(d) A person who receives or subsequently acquires the information, knowing that such information has been imparted from a person referred to in item (b) or (c);

2. Any of the following information:

(a) Information that could materially affect whether to conduct any trade, etc. or on the conditions of trade, etc. of designated financial investment instruments;

(b) Information regarding the fact unknown to investors and has not been disclosed to be generally available by many, unspecified persons.

(2) No person shall engage in any of the following acts in connection with the trade, etc. of any listed securities or exchange-traded derivatives: Provided, That this shall not apply where such act falls under

Article 176 or 178:

1. An act that adversely affects, or is likely to, adversely affect the market price by submitting a large volume of asking prices at which deals are unlikely to be concluded, or by repeatedly correcting or canceling asking prices after submitting them;

2. An act that adversely affects, or is likely to, adversely affect the market price by conducting a false trade with no intent to transfer the right thereof;

3. An act that adversely affects, or is likely to, adversely affect the market price by conducting a trade after conspiring in advance with a third person to purchase the same listed securities or exchange-traded derivatives, at the same price as his or her sale or purchase price or at an agreed value at the same time he or she sells them, for the purpose of transferring a profit or loss or evading a tax;

4. An act that is likely to cause other persons to misjudge or misapprehend the status of supply and demand or the prices of listed securities or exchange-traded derivatives, or is likely to distort the prices of listed securities or exchange-traded derivatives, by spreading a rumor, devising an artifice, etc.

Article 178-3 (Notification of Unfair Trade Practices)

(1) Where any penalty surcharge case under Article 429 or 429-2 is deemed to be in suspicion of violating Article 173-2 (2), 174, 176 or 178, the Securities and Futures Commission shall notify the Prosecutor General thereof.

(2) The Securities and Futures Commission may provide the relevant information for prosecuting a person who has violated Article 173-2 (2), 174, 176 or 178, in receipt of a request by the Prosecutor General.

Article 179 (Liability for Damage Caused by Unfair Trading)

(1) A person who violates Article 178 shall be liable for any damage sustained by any person who trades or makes any other transaction in financial investment instruments due to the violation in connection with such trading or transaction.

(2) The right to claim damages under paragraph (1) ceases by prescription, if it is not exercised within two years from the time the claimant becomes aware of a violation of Article 178, or within five years from the time such violation was committed. *<Amended on Mar. 27, 2018>*

Article 180 (Restrictions on Short Sales)

(1) No one shall make any of the following sales (hereinafter referred to as "short sale") of listed securities (limited to securities prescribed by Presidential Decree; hereafter the same shall apply in this Chapter) in the securities market (including transactions involving the sale and purchase of securities via an alternative trading system; hereafter the same shall apply in this Chapter), or entrust someone or be entrusted with such sale: Provided, That such sale may be allowed in cases falling under subparagraph 2 (hereinafter referred to as "covered short sale") and the sale is made in a manner prescribed by Presidential Decree to maintain the stability of the securities market and to form fair market prices: *<Amended on May 28, 2013;*

Mar. 29, 2016>

1. A sale of listed securities that a person does not own;
2. A sale with intent to make a payment with borrowed listed securities.

(2) Notwithstanding the main clause of paragraph (1), a sale shall not be deemed a short sale in any of the following cases:

1. When listed securities for which a purchase contract was made in the securities market are sold before the settlement date within the amount of the corresponding quantity;
2. When stocks to be acquired through the exercise of a right to convertible bonds, exchangeable bonds, bonds with stock warrants, etc., a capital increase for value or without compensation, or stock dividends, are sold and it is possible to settle the account because the stocks will be listed by the settlement date;
3. When there is otherwise no possibility of failing to perform the settlement, as prescribed by Presidential Decree.

(3) The Financial Services Commission may, at the request from an exchange, restrict the covered short sale by determining the scope of listed securities and the types, time limit, etc. of sales transactions, if it is likely to undermine the stability of the securities market and formation of fair market prices. *<Newly Inserted on Mar. 29, 2016; Jan. 5, 2021>*

Article 180-2 (Reporting on Net Positions)

(1) A person who has conducted covered short sale of stock-listed securities under the proviso of Article 180 (1) (excluding persons who have conducted covered short sale of securities through any transaction prescribed by Presidential Decree; hereafter in this Chapter referred to as "seller") shall file a report on the matters concerning the net position of the seller and other necessary matters with the Financial Services Commission and an exchange, if the net position that he or she holds as a consequence of the purchase of the stock-listed securities or other transactions (hereafter in this Chapter referred to as "net position") exceeds a specified percentage of the number of issued stocks.

(2) If the report filed under paragraph (1) contains any false statement or representation or omits to state or represent any matter required therein, the Financial Services Commission may order that the report be corrected, specifying the grounds therefor.

(3) A professional investor obliged to file a report under paragraph (1) shall keep data concerning the computation of net position for a period prescribed by Presidential Decree, and promptly submit them if requested by the Financial Services Commission.

(4) Detailed scope of sellers, methods of computing net position, standards for filing reports, including the percentage of net position, and other necessary matters to be reported shall be prescribed in Presidential Decree, and the procedures and methods of filing reports shall be prescribed and publicly notified by the Financial Services Commission.

Article 180-3 (Public Disclosure of Net Positions)

(1) Where the ratio of the net position of each issue of listed securities held by a seller to the total number issued listed securities by issue prescribed by Presidential Decree, meets the criteria prescribed by Presidential Decree, the seller shall disclose matters concerning the seller, matters concerning the net position, and other matters prescribed by Presidential Decree to the public.

(2) Detailed matters necessary for public disclosure, such as the procedures and methods thereof, shall be prescribed and publicly notified by the Financial Services Commission.

Article 180-4 (Restrictions on Acquisition of Stocks by Public Offering or Sale by Short Sellers)

No person shall acquire stocks through public offering or sale in the securities market, if he or she has sold short, or entrust short-selling orders on, the same issue as the stocks subject to public offering or sale in the securities market during the period prescribed by Presidential Decree from the time a plan for public offering or sale of the stocks listed in the securities market is disclosed until the amount of public offering or sale is determined: Provided, That this shall not apply to cases specified by Presidential Decree where such short-selling or entrustment does not undermine the formation of fair prices of public offering or sales.

Article 180-5 (Retention of Information on Lending and Borrowing Transactions for Covered Short Sale)

(1) A person who enters into a listed securities lending and borrowing agreement for the purpose of a covered short sale shall retain information on the lending and borrowing transactions prescribed by Presidential Decree, including the date and time of the conclusion of the contract, and the items and quantity of securities, for five years in a manner prescribed by Presidential Decree.

(2) If the Financial Services Commission and an exchange request the submission of relevant data, a person who has the duty to preserve information on lending and borrowing transactions pursuant to paragraph (1) shall without delay submit such data.

PART V COLLECTIVE INVESTMENT SCHEME

CHAPTER I GENERAL PROVISIONS

Article 181 (Application of Related Statutes)

Collective investment schemes shall be governed by the Commercial Act and the Civil Act, except as otherwise provided in this Act.

Article 182 (Registration of Collective Investment Scheme)

(1) Where a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, an investment limited company, an investment limited partnership company, an investment limited liability company, or an investment limited partnership (hereafter in this Chapter referred to as "investment company, etc.") creates and establishes a collective investment scheme, it shall register the collective investment scheme with the Financial Services Commission. *<Amended on Feb. 29, 2008; May 28, 2013>*

(2) The requirements for registration of a collective investment scheme referred to in paragraph (1) are as follows:

1. None of the following entities shall be in a period of suspension of business:
   (a) The collective investment business entity that manages the collective investment property;
   (b) The trust business entity that keeps in custody and manages the collective investment property;
   (c) The investment trader or the investment broker that sells the collective investment securities;
   (d) The fund accounting and administration company (referring to a fund accounting and administration company registered under Article 254; hereinafter the same shall apply) entrusted with the affairs referred to in Article 184 (6) by an investment company, where an investment company is involved;
2. The collective investment scheme shall have been created and established lawfully pursuant to this Act;
3. The collective investment agreement shall neither violate any statute, nor explicitly infringe on any investor's interests;
4. All other requirements prescribed by Presidential Decree shall be satisfied, considering the form, etc. of the collective investment scheme referred to in each subparagraph of Article 9 (18).

(3) When a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. intends to have its collective investment scheme registered, it shall file an application for registration with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Upon receipt of an application for registration filed under paragraph (3), the Financial Services Commission shall examine the contents of the application, determine whether to approve the registration within 20 days, and give written notice of its determination and the grounds for such determination to the applicant without delay. In such cases, the Commission may request that the applicant correct his or her application, if such application is incomplete. *<Amended on Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Feb. 29, 2008>*

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds

exist: *<Amended on Feb. 29, 2008>*

1. Where the applicant fails to meet any of the requirements provided for in paragraph (2);
2. Where the application for registration filed under paragraph (3) contains false information;
3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) Upon determining to approve an application for registration pursuant to paragraph (4), the Financial Services Commission shall enter the information on necessary matters in the register of collective investment schemes, and shall publicly announce the contents of the registration on its website, etc. *<Amended on Feb. 29, 2008>*

(8) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall, whenever any matter registered in accordance with paragraph (1) is changed, file the details of such change as a revised registration with the Financial Services Commission within two weeks, except in circumstances prescribed by Presidential Decree where it is unlikely to undermine the protection of investors. In such cases, paragraphs (2) through (7) shall apply mutatis mutandis. *<Amended on Feb. 29, 2008>*

(9) Matters concerning filing an application for registration and revised registration, including the mandatory descriptions and accompanying documents of the application for registration under paragraphs (1) through (8), and other necessary matters shall be prescribed by Presidential Decree.

Article 182-2 (Registration of Passport Funds)

(1) Where a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. intends to sell collective investment securities of a collective investment scheme in a foreign country whose government has concluded an agreement on the cross-border marketing of collective investment schemes (hereinafter referred to as "cross-border marketing agreement, etc.") with the Government of the Republic of Korea, it may register the collective investment scheme as a passport fund with the Financial Services Commission.

(2) Requirements for registering a passport fund under paragraph (1) (hereinafter referred to as "passport fund") shall be as follows:

1. To be a collective investment scheme registered under Article 182 (1);
2. A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. that manages a passport fund shall meet the qualification requirements prescribed by Presidential Decree, such as equity capital, executives, and investment managers;
3. All other requirements prescribed by Presidential Decree shall be satisfied, considering the terms and conditions of the cross-border marketing agreement, etc., such as investable assets of the collective investment property.

(3) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall, whenever any matter registered in accordance with paragraph (1) is changed, file the details of such change as a revised registration with the Financial Services Commission within two weeks, except in circumstances prescribed by Presidential Decree where it is unlikely to undermine the protection of investors.

(4) Article 182 (3) through (7) shall apply mutatis mutandis to the procedures, etc. for registration and revised registration of a passport fund under paragraphs (1) and (3). In such cases, necessary matters, such as entries in an application for registration and an application for revised registration and accompanying documents, shall be prescribed by Presidential Decree.

Article 183 (Name of Collective Investment Scheme)

(1) A collective investment scheme shall use the words (referring to words such as securities, real estate, special asset, mixed assets, and short-term finance) indicating the type of collective investment scheme as set forth in the subparagraphs of Article 229 in its trade name or title.

(2) No entity, other than a collective investment scheme registered under this Act, shall use "collective investment", "indirect investment", "investment trust", "investment company", "investment limited company", "investment limited partnership company", "private equity fund", "investment limited liability company", "investment limited partnership", "undisclosed investment association", or any other similar words in its name: Provided, That a collective investment business entity and those referred to in Article 6 (5) 1 may use such words. <*Amended on May 28, 2013; Jul. 24, 2015*>

Article 184 (Business Execution of Collective Investment Schemes)

(1) Voting rights in relation to equity securities (including depositary receipts related to the equity securities; hereafter the same shall apply in this Article) that belong to the property of an investment trust or an undisclosed investment association shall be exercised by the collective investment business entity of the investment trust or the undisclosed investment association; and voting rights in relation to the equity securities that belong to the collective investment property of an investment company, etc. shall be exercised by the investment company, etc.: Provided, That an investment company, etc. may entrust the collective investment business entity of the investment company, etc. to exercise the voting rights in relation to the equity securities that belong to the collective investment property of the investment company, etc.

(2) Management of the property of an investment trust or an undisclosed investment association shall be conducted by the collective investment business entity of the investment trust or the undisclosed investment association, while management of the collective investment property of an investment company, etc. shall be conducted by the corporate director, the managing member or the manager of the investment company, etc. or the collective investment business entity that is a general partner. <*Amended on May 28, 2013*>

(3) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall entrust the trust business entity with the custody and management of the collective investment property.

(4) No collective investment business entity shall act as a trust business entity that keeps in custody and manages a collective investment property operated on its behalf.

(5) To sell the collective investment securities of a collective investment scheme, a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall execute a sales contract with an investment trader or a sales entrustment contract with an investment broker: Provided, That it is not necessary to execute a sales contract or a sales entrustment contract, where the collective investment business entity of an investment trust or an undisclosed investment association sells the collective investment securities of the collective investment scheme in the capacity of an investment trader or an investment broker.

(6) An investment company shall entrust a fund accounting and administration company with the following affairs:

1. Issuing stocks of the investment company and transferring the title thereto;
2. Computing the property of the investment company;
3. Giving notices and public notices pursuant to relevant statutes or the articles of incorporation;
4. Affairs related to calling and opening the directors' meeting and the general meeting of shareholders, preparation of minutes, etc.;
5. Other matters prescribed by Presidential Decree as necessary for handling the affairs of the investment company.

(7) No investment company, etc. shall have a full-time executive officer and/or employee, nor shall have any sales office other than the head office.

Article 185 (Joint Liability)

A collective investment business entity, a trust business entity, an investment trader, an investment broker, a fund accounting and administration company, a fund rating company (referring to a fund rating company registered under Article 258) and a bond rating company (referring to a bond rating company registered under Article 263) shall, when they are held liable for any damage sustained by investors pursuant to this Act, be jointly liable for the damage if they are culpable for such damage.

Article 186 (Restriction on Acquisition of One's Own Collective Investment Securities)

(1) No investment company, etc. shall acquire collective investment securities issued by itself on its own account nor receive them as the subject matter of a pledge right: Provided, That collective investment securities issued by itself on its own account may be acquired in any of the following cases:

1. When it is necessary for exercising a security right or other right. In this regard, the collective investment securities so acquired shall be disposed of in a manner prescribed by Presidential Decree;

2. When the collective investment securities of an investment company, etc. are redeemed in accordance with Article 235;

3. When stocks are purchased in accordance with Article 201 (4).

(2) The provisions of Articles 87 and 89 through 92 shall apply mutatis mutandis to investment companies, etc. In this regard, the term "collective investment business entity (limited to a collective investment business entity of an investment trust or an undisclosed investment association; hereafter the same shall apply in this Article)" in Article 87 shall be construed as "investment company, etc. (referring to a collective investment business entity in cases where an investment company, etc. entrusts the collective investment business entity to exercise voting rights; hereafter the same shall apply in this Article)," the term "collective investment business entity" in Article 87 as "investment company, etc.," the term "collective investment business entity of an investment trust or an undisclosed investment association" in Article 89 (1) as "investment company, etc.," and the terms "collective investment business entity (limited to the collective investment business entity of an investment trust or an undisclosed investment association; hereafter the same shall apply in this Article)" and "collective investment business entity" in Articles 90 and 92 as "investment company, etc." respectively, while the term "collective investment business entity (limited to the collective investment business entity of an investment trust or an undisclosed investment association, but including the investment trader or the investment broker that sold the relevant collective investment securities; hereafter the same shall apply in this Article)" in Article 91 shall be construed as "investment company, etc. (including the investment trader or the investment broker that sold the relevant collective investment securities; hereafter the same shall apply in this Article)" and the term "collective investment business entity" in Article 91 as "investment company, etc." respectively. *<Amended on Feb. 3, 2009>*

Article 187 (Keeping and Maintaining Records)

(1) An investment company, etc. shall keep and maintain records of data related to its business by categories of data as specified by Presidential Decree during the period prescribed by Presidential Decree.

(2) An investment company, etc. shall establish and implement measures appropriate for preventing the records of data to be kept and maintained in accordance with paragraph (1) from being destroyed, counterfeited, or altered.

CHAPTER II ORGANIZATION OF COLLECTIVE INVESTMENT SCHEMES

SECTION 1 Investment Trust

Article 188 (Execution of Trust Contract)

(1) A collective investment business entity shall, when it intends to create an investment trust, execute a trust contract with a trust business entity in a trust contract form that contains the following matters therein: *<Amended on Mar. 22, 2016>*

1. The trade names of the collective investment business entity and the trust business entity;
2. Matters concerning the value of the principal of the trust and the total number of units of beneficiary interest in the investment trust (hereinafter referred to as "beneficiary certificates") issued pursuant to Article 189 (1) and (3);
3. Matters concerning the operation and management of the investment trust property;
4. Matters concerning the distribution of income and redemption;
5. Matters concerning the computation method and the time and method of payment of the remuneration and other fees to which the collective investment business entity and the trust business entity shall be entitled: Provided, That the contract shall include a provision that the fees for computation of the base price shall be borne by the relevant investment trust property in cases where the collective investment business entity entrusts someone else with the affairs related to computation of the base price;
6. Matters concerning the general meeting of beneficiaries;
7. Matters concerning public disclosure and reports;
8. Other matters prescribed by Presidential Decree necessary for the protection of beneficiaries.

(2) A collective investment business entity that has created an investment trust shall, when it intends to amend the relevant trust contract, execute an amended contract with the trust business entity. In this regard, in cases where any of the following matters in the trust contract is to be amended, the case shall be brought for resolution in advance to the general meeting of beneficiaries under the main clause of Article 190 (5): *<Amended on May 28, 2013>*

1. An increase in the remuneration or any other fee to which the collective investment business entity, the trust business entity, etc. shall be entitled;
2. A change in the nature of the trust business entity (excluding cases where it is changed due to a merger, division, merger after division, or any other reason as specified by Presidential Decree);
3. Amendment of the trust contract term (excluding the cases where the amendment of such term is specified in the trust contract at the time the investment trust is created);
4. Other matters prescribed by Presidential Decree as an important matter related to beneficiaries' interests.

(3) A collective investment business entity that has created an investment trust shall, upon amending the trust contract in accordance with paragraph (2), disclose such amendment through its website, etc., and shall, upon amending the trust contract in accordance with the latter part of paragraph (2), notify the beneficiaries thereof, in addition to disclosing such amendment to the public.

(4) A collective investment business entity shall, when it creates an investment trust in accordance with paragraph (1), pay the full amount of the principal of the trust stipulated in the relevant trust contract to the trust business entity in cash.

Article 189 (Beneficial Interests of Investment Trusts)

(1) A collective investment business entity that has created an investment trust shall divide the beneficiary interest in the investment trust equally and issue beneficiary certificates. *<Amended on Mar. 22, 2016>*

(2) Each beneficiary shall have an equal right in the redemption of the principal of the trust, the distribution of profit, etc. in proportion to the number of units of beneficiary certificates.

(3) A collective investment business entity that has created an investment trust shall, upon completing the payment of the full amount of the principal of the trust provided for in the trust contract, issue beneficiary interest in investment trust by the method of electronic registration under the Act on Electronic Registration of Stocks and Bonds. *<Amended on Mar. 22, 2016>*

(4) Beneficiary certificates shall be in registered form with no par value.

(5) A collective investment business entity that has created an investment trust shall, in case of issuing beneficiary certificates under paragraph (3), shall have the following matters electronically registered or recorded pursuant to the Act on Electronic Registration of Stocks and Bonds. In such cases, such registration or record shall be subject to confirmation by the representative directors (referring to the representative executive officers in cases of a company with executive officer system) of such collective investment business entity and the trust business entity that keeps in custody and manages, pursuant to the methods and procedures prescribed by Presidential Decree: *<Amended on May 28, 2013; Mar. 22, 2016>*

1. The trade names of the collective investment business entity and the trust business entity;
2. Names or titles of beneficiaries;
3. The value of the principal of the trust at the time of executing the trust contract and the total number of units of beneficiary certificates;
4. The issue date of the beneficiary certificates;
5. Deleted. *<Mar. 22, 2016>*

(6) A collective investment business entity that has created an investment trust shall entrust the affairs related to preparation of a list of beneficiaries to an electronic registry under subparagraph 6 of Article 2 of the Act on Electronic Registration of Stocks and Bonds (hereinafter referred to as “electronic registry”). *<Amended on Mar. 22, 2016>*

(7) The electronic registry shall, upon being entrusted in accordance with paragraph (6), prepare and keep the list of beneficiaries containing the following descriptions: *<Amended on Mar. 22, 2016>*

1. Addresses and names of beneficiaries;
2. Number of units of beneficiary certificates owned by each beneficiary;
3. Deleted. *<Mar. 22, 2016>*

(8) The electronic registry shall not furnish any other person with the information under the subparagraphs of paragraph (7): Provided, That it may be furnished in cases where it is furnished to the collective investment business entity for purposes of opening the general meeting of beneficiaries and other cases prescribed by Presidential Decree. *<Amended on Mar. 22, 2016>*

(9) The provisions of Articles 337, 339 and 340 of the Commercial Act and the latter part of Article 35 (3) of the Act on Electronic Registration of Stocks and Bonds shall apply mutatis mutandis to beneficiary interest and beneficiary certificates, while Articles 353 and 354 of the Commercial Act shall apply mutatis mutandis to the list of beneficiaries. *<Amended on Mar. 22, 2016>*

Article 190 (General Meeting of Beneficiaries)

(1) An investment trust shall hold a general meeting of beneficiaries consisting of all beneficiaries, and the general meeting of beneficiaries shall have the power to adopt resolutions for only the matters provided for by this Act or the trust contract.

(2) The general meeting of beneficiaries shall be convened by the collective investment business entity that has created an investment trust.

(3) A collective investment business entity that has created an investment trust shall convene a general meeting of beneficiaries within one month, if the trust business entity that keeps in custody and manages the investment trust property or the beneficiaries who hold at least five percent of the total number of units of beneficiary certificates, request the collective investment business entity in writing to convene the general meeting of beneficiaries, stating the purpose of the general meeting of beneficiaries and the grounds for convening the meeting. In such cases, if the collective investment business entity does not initiate the procedure for convening the general meeting of beneficiaries without good cause, the trust business entity or the beneficiaries who hold at least five percent of the total number of units of beneficiary certificates may hold the general meeting of beneficiaries subject to approval by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Article 363 (1) and (2) of the Commercial Act shall apply mutatis mutandis to a notice for convening a general meeting of beneficiaries. In such cases, "shareholders" shall be construed as "beneficiaries," "list of shareholders" as "list of beneficiaries," and "company" as "collective investment business entity."

(5) The general meeting of beneficiaries shall adopt a resolution by the affirmative vote of a majority of the voting rights of the beneficiaries present at the meeting and not less than 1/4 of the total number of units of outstanding beneficiary certificates: Provided, That a resolution on the matters for which a resolution by the general meeting of beneficiaries is required in accordance with the provisions of the trust contract, other than the matters that require a resolution at the general meeting of beneficiaries pursuant to this Act, may be adopted by the majority of voting rights of the beneficiaries present at the meeting and not less than 1/5 of the total number of units of beneficiary certificates. *<Amended on May 28, 2013>*

(6) A beneficiary may exercise his or her voting rights in writing without attending the general meeting of beneficiaries: Provided, That, if the beneficiary meets each of the following conditions, he or she shall be deemed to have exercised his or her voting rights to the extent that they do not affect the details of the resolutions made by the total number of units of beneficiary certificates owned by beneficiaries present at the general meeting of beneficiaries (hereafter in this paragraph referred to as "deemed exercise of voting rights"): *<Amended on May 28, 2013>*

1. The voting rights have not been exercised despite that a notice on the exercise of voting rights was given in the manner prescribed by Presidential Decree;

2. The method for deemed exercise of voting rights shall be specified in the collective investment agreement;

3. Total number of units of beneficiary certificates the voting rights of which were exercised at the general meeting of beneficiaries shall not be less than 1/10 of the total number of units of outstanding beneficiary certificates;

4. Compliance with other methods and procedures prescribed by Presidential Decree for the protection of beneficiaries.

(7) Where no resolution was adopted at a general meeting of beneficiaries under paragraph (5), a collective investment business entity that has created an investment trust (including a trust business entity or beneficiaries holding not less than five percent of the total number of units of outstanding beneficiary certificates, who convene the general meeting of beneficiaries pursuant to the latter part of paragraph (3); hereafter in this paragraph the same shall apply) shall convene a postponed general meeting of beneficiaries (hereinafter referred to as "postponed general meeting of beneficiaries") within two weeks from the initial date of the general meeting of beneficiaries. *<Amended on May 28, 2013>*

(8) Paragraphs (5) and (6) shall apply mutatis mutandis to the resolution at a postponed general meeting of beneficiaries. In such cases, "not less than 1/4 the total number of units of outstanding beneficiary certificates" shall be construed as "not less than 1/8 of the total number of units of outstanding beneficiary certificates," and "not less than 1/5 of the total number of units of beneficiary certificates" as "not less than 1/10 of the total number of units of beneficiary certificates." *<Amended on May 28, 2013>*

(9) The method of convening the general meeting of beneficiaries and the postponed general meeting of beneficiaries, the method of exercising voting rights in writing, and other matters concerning the general meeting of beneficiaries shall be prescribed by Presidential Decree.

(10) Articles 364, 366-2 (2) and (3), 367, 368 (3) and (4), 368-4, 369 (1) and (2), 371 through 373, 376, 377, and 379 through 381 shall apply mutatis mutandis to the general meeting of beneficiaries. In this regard, "shareholder" shall be construed as "beneficiary," "articles of incorporation" as "trust contract," "stocks" as "beneficiary certificates," "company" as "collective investment business entity," and "resolution at the board of directors" as "resolution at a collective investment business entity." *<Amended on May 28, 2013>*

Article 191 (Dissenting Beneficiary's Right to Require Purchase of Beneficiary Certificates)

(1) In cases falling under any of the following subparagraphs, a beneficiary of an investment trust may require the collective investment business entity in writing specifying the number of beneficiary certificates to purchase the beneficiary certificates held by him or her: *<Amended on May 28, 2013>*

1. Where a beneficiary who dissents from the resolution adopted by the general meeting of beneficiaries regarding an amendment of the trust contract under the latter part other than the subparagraphs of

Article 188 (2) or a merger of the investment trust under Article 193 (2) (limited to cases where he or she has sent a notice of his or her dissent from such resolution to the relevant collective business entity before the opening of the general meeting of beneficiaries) requires to purchase the beneficiary certificates within 20 days from the date the resolution was adopted by the general meeting of beneficiaries;

2. Where a beneficiary who dissents from the merger of the investment trust under the proviso, with the exception of the subparagraphs, of Article 193 (2) requires to purchase the beneficiary certificates in the manner prescribed by Presidential Decree.

(2) Upon receipt of a claim under paragraph (1), the collective investment business entity that has created the investment trust shall not require the beneficiary to bear the fees for purchasing the beneficiary certificates and other expenses.

(3) Upon receipt of a claim under paragraph (1), the collective investment business entity that has created the investment trust shall purchase the beneficiary certificates within 15 days from the expiration of the time period for claiming such purchase with the investment trust property in a manner prescribed by Presidential Decree: Provided, That purchasing the beneficiary certificates may be postponed subject to a prior approval of the Financial Services Commission, if it is impossible to comply with the claim for purchasing because of a lack of funds for purchasing. *<Amended on Feb. 29, 2008>*

(4) A collective investment business entity that has created an investment trust shall, upon purchasing beneficiary certificates in accordance with the main clause of paragraph (3), retire such beneficiary certificates without delay.

Article 192 (Termination of Investment Trust)

(1) A collective investment business entity that has created an investment trust may terminate the investment trust subject to prior approval of the Financial Services Commission: Provided, That an investment trust may be terminated without approval of the Financial Services Commission, if it is unlikely to undermine beneficiaries' interests in circumstances prescribed by Presidential Decree. In such cases, the collective investment business entity shall report the termination to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008; May 28, 2013>*

(2) A collective investment business entity that has created an investment trust shall terminate the investment trust without delay, if any of the following events occurs. In such cases, the collective investment business entity shall report the termination to the Financial Services Commission immediately: *<Amended on Feb. 29, 2008; May 28, 2013; Jul. 24, 2015; Mar. 27, 2018>*

1. Expiration of the trust contract term stipulated by the trust contract;
2. Resolution at the general meeting of beneficiaries to terminate the investment trust;
3. Absorbed merger of the investment trust;
4. De-registration of the investment trust;

5. Where total number of beneficiaries becomes one: Provided, That cases prescribed by Presidential Decree to be deemed a collective investment under Article 6 (6) or unlikely to undermine sound trading practices, shall be excluded herefrom;

6. Where the collective investment business entity is ordered to terminate a hedge fund, which is an investment trust, pursuant to Article 249-9 (1).

(3) Where a collective investment business entity that has created an investment trust terminates the investment trust in accordance with paragraph (1) or (2) (excluding subparagraph 3), it may distribute the assets that belong to the investment trust property to the relevant beneficiaries in accordance with the terms and conditions of the trust contract.

(4) The mandatory descriptions of an application and accompanying documents in cases of applying for approval for termination in accordance with paragraph (1), the methods for disposal of receivables, payables, etc. in cases of terminating an investment trust in accordance with paragraph (1) or (2), and other matters concerning the termination of an investment trust shall be prescribed by Presidential Decree.

(5) A collective investment business entity that has created an investment trust may terminate a part of an investment trust, where it is necessary for complying with a beneficiary's claim for redemption or any other case as prescribed by Presidential Decree.

Article 193 (Merger of Investment Trusts)

(1) A collective investment business entity that has created an investment trust may merge the investment trust by absorbing another investment trust operated by the collective investment business entity.

(2) Where a collective investment business entity that has created an investment trust intends to merge the investment trusts in accordance with paragraph (1), it shall prepare a merger plan that shall contain the following matters, and shall present such plan for resolution to the general meetings of beneficiaries of the investment trusts subject to the merger: Provided, That the cases prescribed by Presidential Decree, such as a merger of small-scale investment trusts, which is least likely to undermine sound trading practices, shall be excluded herefrom: *<Amended on May 28, 2013>*

1. The increased value of the trust principal and the number of units of beneficiary certificates of the investment trust surviving the merger of the investment trusts;

2. Matters concerning the distribution of beneficiary certificates to the beneficiaries of the investment trust disappearing through the merger of the investment trusts;

3. The details of payment where the beneficiaries of the investment trust disappearing through the merger of the investment trusts are to be paid in cash;

4. The dates of the general meeting of beneficiaries of each investment trust to be merged;

5. The date on which the merger is to be effected;

6. Any amended terms and conditions of the trust contract of the investment trust surviving the merger of the investment trusts, if amended;

7. Other matters prescribed by Presidential Decree.

(3) Article 527-5 (1) and (3) of the Commercial Act shall apply mutatis mutandis to the case of a merger of investment trusts that have creditors. In this regard, "company" shall be construed as "collective investment business entity", and "general meeting of shareholders" as "general meeting of beneficiaries", respectively.

(4) A collective investment business entity that has created an investment trust shall keep the following documents at its head office and the sales offices of the investment trader or the investment broker, from two weeks before the date of the general meeting of beneficiaries and until six months have elapsed after the merger. In this regard, beneficiaries and creditors of the investment trust may inspect such documents at any time during business hours, and may also request it to deliver a certified copy or an abstract of the documents:

1. The final version of closing documents of each merged investment trust;
2. A written statement that describes the matters concerning the distribution of beneficiary certificates to the beneficiaries of the investment trust disappearing through the merger and the grounds therefor;
3. The merger plan.

(5) Upon having merged the investment trusts in accordance with paragraph (1), a collective investment business entity that has created an investment trust shall report such merger to the Financial Services Commission without delay. In this regard, it shall also report such merger to an exchange, if the beneficiary certificates of the merged investment trust have been listed in the securities market. *<Amended on Feb. 29, 2008>*

(6) A merger of investment trusts shall become effective at the time the collective investment business entity of the surviving investment trust completes its report to the Financial Services Commission in accordance with paragraph (5). In this regard, the disappearing investment trust shall be deemed terminated. *<Amended on Feb. 29, 2008>*

(7) The investment trust surviving a merger shall succeed to the rights and obligations of the investment trust disappearing through the merger.

(8) The formula for the computation of the merged value of beneficiary certificates, the notice to beneficiaries of the matters approved at the general meeting of beneficiaries, and other matters pertaining to a merger of investment trusts shall be prescribed by Presidential Decree.

SECTION 2 Collective Investment Scheme in Form of Company

Subsection 1 Investment Company

Article 194 (Incorporation of Investment Company)

(1) Any person provided for in Article 5 of the Act on Corporate Governance of Financial Companies cannot be a promoter of an investment company. *<Amended on May 28, 2013; Jul. 31, 2015>*

(2) Promoters who intend to incorporate an investment company shall prepare articles of incorporation which shall state the following matters, on which all promoters shall print their names and affix their seals or signatures: <*Amended on Feb. 3, 2009*>

1. Purpose;
2. Trade name;
3. Total number of stocks to be issued;
4. Total number and value of stocks issued at the time of incorporation;
5. Location of company;
6. Matters concerning the operation and management of the investment company's property;
7. Minimum amount of net assets (referring to the amount computed by subtracting liabilities from assets) that the investment company is required to maintain (hereinafter referred to as "minimum net assets");
8. Matters concerning distribution of profit and redemption;
9. Matters concerning public disclosure and reports;
10. Methods of making a public announcement;
11. Other matters prescribed by Presidential Decree as necessary for the protection of shareholders.

(3) The capital at the time of incorporation of an investment company shall be the total value of the stocks issued.

(4) The total number of stocks to be issued at the time of incorporation of an investment company may be determined by setting a maximum limit and a minimum limit.

(5) Deleted. <*Jul. 24, 2015*>

(6) Promoters of an investment company shall subscribe (referring to subscription under Article 293 of the Commercial Act; hereafter the same shall apply in this Chapter) to the total number of stocks issued at the time of incorporation of the investment company.

(7) Promoters who subscribe to stocks in accordance with paragraph (6) shall pay the value of subscribed stocks in cash without delay.

(8) Upon having paid the value of subscribed stocks issued at the time of incorporation of the investment company, promoters shall appoint directors by the affirmative vote of a majority of voting rights without delay, and the directors so appointed shall inspect whether there is any violation of the relevant statutes, or of the articles of incorporation of the investment company, in relation to the incorporation of the investment company and report the findings thereof to the board of directors.

(9) If directors discover any violation of the relevant statutes, or of the articles of incorporation of the investment company, through an inspection conducted under paragraph (8), they shall report their findings to the promoters without delay.

(10) Promoters of an investment company shall complete the registration for incorporation by reporting the following matters along with the accompanying documents prescribed by Presidential Decree within two weeks from the date of completion of the report under paragraph (8):

1. Matters referred to in paragraph (2) 1 through 3 and matters referred to in subparagraphs 5, 7, and 10 of the same paragraph;

2. Where the articles of incorporation provide for the term of existence of the investment company or reasons for dissolution thereof, the details thereof;

3. Names and resident registration numbers of directors (or trade name and business registration number in cases of a corporation).

(11) No promoter of an investment company shall establish any investment company that invests its investment property in ships, and no investment company shall amend its articles of incorporation after its incorporation to fall within the category of an investment company that invests its investment property in ships. *<Amended on Mar. 29, 2016>*

Article 195 (Amendment of Articles of Incorporation)

(1) An investment company may amend its articles of incorporation by a resolution of its board of directors: Provided, That an amendment of any of the following matters requires a resolution of the general meeting of shareholders under the main clause of Article 201 (2): *<Amended on May 28, 2013>*

1. An increase in the remuneration or any other fee to which the collective investment business entity, the trust business entity, etc. shall be entitled;

2. A change in the nature of the collective investment business entity or the trust business entity;

3. An amendment of its continuance term or the grounds for dissolution, if its articles of incorporation provide for the continuance term or the grounds for dissolution;

4. Other matters prescribed by Presidential Decree as important matters related to shareholders' interests.

(2) Notwithstanding paragraph (1), an investment company may amend its articles of incorporation without a resolution of the board of directors or the general meeting of shareholders, in cases where the collective investment business entity or the nature of the trust business entity is changed due to a merger, division, merger after division, or any other event prescribed by Presidential Decree.

(3) An investment company shall, when it amends its articles of incorporation in accordance with paragraph (1) or (2), disclose such amendment through its website, etc., and shall provide notice to its shareholders in addition to public disclosure, in cases where it amends its articles of incorporation in accordance with the proviso of paragraph (1).

Article 196 (Investment Company's Stocks)

(1) An investment company's stocks shall be in the registered form with no par value.

(2) An investment company shall issue stocks by the electronic method under the Act on Electronic Registration of Stocks and Bonds without delay. *<Amended on Mar. 22, 2016>*

(3) When an investment company issues new stocks after its formation, the number of new stocks, the issue value and the deadline for the payment therefor shall be determined by its board of directors:

Provided, That the provisions of its articles of incorporation shall apply if its articles of incorporation provides otherwise.

(4) When an investment company that is allowed to repurchase its own stocks from a shareholder upon request from the shareholder (hereafter referred to as an "open-end investment company" in this Article) issues new stocks after its formation, its board of directors may determine the following matters. In such cases, such open-end investment company shall post the daily issue value fixed in a manner under subparagraph 3 at the branch offices and sales offices of the investment trader or the investment broker that sells the investment company's stocks, and shall also disclose such information on its website, etc.:

1. The time period for issuance of new stocks;

2. The maximum limit of the number of new stocks issued within the time period for issuance under subparagraph 1;

3. The daily issue value during the time period for issuance under subparagraph 1 and the method for determining the deadline for payment of the stock price.

(5) If an investment company issues new stocks after its formation, it shall make equal the issue value of new stocks issued on the same day and other terms and conditions of issuance. In such cases, the issue value of new stocks shall be determined in a manner prescribed by Presidential Decree based on the net asset value of assets owned by the investment company.

(6) Article 194 (7) shall apply mutatis mutandis to the subscribers for stocks when issuing new stocks.

(7) Where an investment company issues new stocks after its formation, subscribers for the stocks shall acquire the rights and duties of a shareholder simultaneously with the payment of the stock price.

Article 197 (Classification of Directors)

(1) Directors of an investment company shall be classified into the director that is the collective investment business entity (hereafter in this Sub-Section referred to as "corporate director") and supervisory directors.

(2) An investment company shall have one corporate director and two or more supervisory directors.

Article 198 (Corporate Director)

(1) A corporate director shall represent an investment company, and shall execute the business affairs of the investment company.

(2) The corporate director shall obtain a resolution at the board of directors when it intends to execute any of the following business affairs:

1. Execution of a business entrustment contract (including an amendment of the business entrustment contract) with a collective investment business entity, a trust business entity, an investment trader, an investment broker, or a fund accounting and administration company;

2. Payment of remuneration for management, keeping in custody, etc. of assets;

3. Matters concerning the distribution of money and stocks;

4. Other matters provided for in its articles of incorporation as deemed important to the operations of the investment company.

(3) The corporate director shall report the status of execution of its business and the details of asset management to the board of directors at least once every three months.

(4) The corporate director may appoint a person who shall partially perform its duties within the prescribed scope on its behalf from among its executive officers and/or employees. In such cases, the collective investment business entity shall notify the investment company of such appointment in writing.

(5) Acts done by the person notified to the investment company in accordance with paragraph (4) within the scope of his or her duties shall be deemed conducted by the corporate director.

Article 199 (Supervisory Director)

(1) A supervisory director shall oversee the business affairs executed by a corporate director and may, if necessary for ascertaining the status of business and property of the investment company, demand that the corporate director and the trust business entity that keeps in custody and manages the property of the investment company, the investment trader or the investment broker that sells the investment company's stocks, or the fund accounting and administration company that has been entrusted by the investment company with the business affairs referred to in Article 184 (6), submit a report on the status of the business and property relevant to the investment company.

(2) A supervisory director may, if deemed necessary for performing his or her duties, demand that the auditor referred to in Article 240 (3) submit an audit report.

(3) A person who receives a demand from a supervisory director pursuant to paragraph (1) or (2) shall comply with such demand, unless there is a compelling reason not to do so.

(4) None of the following persons may become a supervisory director, and the person shall be dismissed from office, where the person is found to fall under any of the following after being appointed as a supervisory director: *<Amended on May 28, 2013; Jul. 31, 2015>*

1. A person provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

2. A promoter of the relevant investment company (limited to where a supervisory director of the investment company is appointed for the first time in accordance with Article 194 (8));

3. A major shareholder of the investment company or his or her affiliated person;

4. An affiliated person of the corporate director or a person who receives remuneration regularly from the corporate director;

5. An affiliated person of the investment trader or the investment broker that sells the investment company's stocks;

6. A full-time executive officer and/or employee of a corporation, if a director of the investment company takes a concurrent office as a director of the corporation;

7. Other persons specified by Presidential Decree among those who could compromise the impartiality of a supervisory director.

(5) Article 54 shall apply mutatis mutandis to supervisory directors.

Article 200 (Board of Directors)

(1) The directors' meeting shall be called by a director.

(2) A director who intends to call the directors' meeting shall notify each director of the call to meeting no later than three days before the meeting: Provided, That the period for notice may be shortened by the provisions of the articles of incorporation.

(3) The board of directors shall have the authority to adopt a resolution only for the matters provided for in this Act and the articles of incorporation.

(4) The board of directors shall, whenever it has a vacancy on the board, call a general meeting of shareholders immediately to appoint a director.

(5) A resolution by the directors' meeting requires the attendance of the majority of directors and the affirmative vote of the majority of directors present at the meeting.

Article 201 (General Meeting of Shareholders)

(1) The general meeting of shareholders of an investment company shall be called by its board of directors.

(2) The general meeting of shareholders shall adopt a resolution by the majority of the voting rights of shareholders present at the meeting and one-fourth or more of the total number of outstanding stocks: Provided, That a resolution on the matters for which a resolution by the general meeting of shareholders is required in accordance with the provisions of the collective investment agreement, other than the matters that require a resolution of the general meeting of shareholders pursuant to this Act may be adopted by the majority of voting rights of the shareholders present at the meeting and one-fifth or more of the total number of number of outstanding stocks. *<Amended on May 28, 2013>*

(3) The provisions of Article 190 (1), (3) and (6) through (9) shall apply mutatis mutandis to the general meeting of shareholders of an investment company. In this regard, the term "investment trust" shall be construed as "investment company", the term "trust contract" as "articles of incorporation", the terms "collective investment business entity that has created an investment trust" and "collective investment business entity" as "board of directors of an investment company" collectively, the term "property of an investment trust" as "property of an investment company", the term "beneficiary certificates" as "stocks", the term "total number of units" as "total number", the term "beneficiaries" as "shareholders", the term "general meeting of beneficiaries" as "general meeting of shareholders", the term "number of units" as "number", and the term "paragraph (5)" in paragraph (8) of the same Article as "paragraph (2)". *<Amended on May 28, 2013>*

(4) Article 191 shall apply mutatis mutandis to an amendment of the articles of incorporation under the proviso of Article 195 (1) or the shareholders dissenting from a merger under Article 204 (2). In this regard, the term "trust contract" shall be construed as "articles of incorporation", the terms "investment trust", "collective investment business entity", and "collective investment business entity that has created an investment trust" as "investment company" collectively, the term "general meeting of beneficiaries" as "general meeting of shareholders", the term "beneficiaries" as "shareholders", the term "beneficiary certificates" as "stocks", and the term "property of an investment trust" as "property of an investment company". *<Amended on May 28, 2013>*

Article 202 (Dissolution)

(1) An investment company shall be dissolved if any of the following events or causes occurs. In such cases, a liquidator shall file a report on the reason for and date of dissolution, names and resident registration numbers of the liquidator and the liquidation overseer (or the trade name and business registration number, if the liquidator is a corporate director) with the Financial Services Commission within 30 days from the date of dissolution: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Expiration of the term of existence or occurrence of other reasons for dissolution as stipulated in the articles of incorporation;
2. Resolution for dissolution at the general meeting of shareholders;
3. Absorbed merger of the investment company;
4. Bankruptcy of the investment company;
5. Order or judgment of a court;
6. De-registration of the investment company;
7. Total number of shareholders (excluding a shareholder who is a corporate director) becomes one: Provided, That cases prescribed by Presidential Decree as unlikely to undermine sound trading practices shall be excluded herefrom.

(2) When an investment company is dissolved, the investment company shall register the following matters along with the documents prescribed by Presidential Decree, within two weeks from the date of its dissolution, if the corporate director acts as the liquidator, or within two weeks from the date of appointment of a liquidator, if such liquidator is appointed:

1. Name and resident registration number of the liquidator (or the trade name and business registration number, if the liquidator is a corporate director);
2. Details of any agreement by which the representative liquidator shall be appointed among liquidators, or two or more liquidators shall jointly represent the investment company.

(3) When an investment company is dissolved, the investment company shall register the name and resident registration number of the liquidation overseer, along with accompanying documents specified by Presidential Decree, within two weeks from the date of dissolution, if a supervisory director acts as the liquidation overseer, or within two weeks from the date of appointment of the liquidation overseer, if a

liquidation overseer is appointed.

(4) When an investment company is dissolved (excluding dissolution due to the cause set forth in paragraph (1) 3 or 4), the investment company shall hold a liquidators' meeting comprised of the liquidator and the liquidation overseers.

(5) When an investment company is dissolved due to the cause set forth in paragraph (1) 1, 2 or 7, the corporate director and the supervisory director shall act as the liquidator and the liquidation overseers, except as provided for otherwise by the articles of incorporation or the general meeting of shareholders. *<Amended on May 28, 2013>*

(6) When any of the following applies to an investment company, the Financial Services Commission shall appoint a liquidator and liquidation overseers at the request of an interested person: *<Amended on Feb. 29, 2008>*

1. When the investment company is dissolved due to the cause set forth in paragraph (1) 5;
2. When neither liquidator nor liquidation overseers exist;
3. When the investment company is liquidated in accordance with Article 193 (1) of the Commercial Act.

(7) When an investment company is dissolved due to the cause set forth in paragraph (1) 6, the Financial Services Commission shall, ex officio, appoint a liquidator and liquidation overseers. *<Amended on Feb. 29, 2008>*

(8) If a liquidator or liquidation overseer is substantially unfit to perform his or her duties or commits any serious violation of a relevant law or statute, the Financial Services Commission may, ex officio or at the request of an interested person, dismiss the liquidator or liquidation overseer. In such cases, the Financial Services Commission may, ex officio, appoint a new liquidator or liquidation overseer. *<Amended on Feb. 29, 2008>*

(9) If any of the following events occurs, the Financial Services Commission shall request the registry office having jurisdiction over the domicile of the investment company to enter the relevant registration along with a written statement that certifies the cause of registration: *<Amended on Feb. 29, 2008>*

1. When an investment company is dissolved due to the cause set forth in paragraph (1) 6;
2. When the Financial Services Commission, ex officio, dismisses a liquidator or liquidation overseer.

Article 203 (Liquidation)

(1) A liquidator shall inspect the status of property of the investment company immediately after his or her inauguration, prepare a property list and balance sheet within the period prescribed by Ordinance of the Prime Minister, submit it to the liquidators' meeting for approval, and submit a certified copy of such to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

(2) A liquidation overseer shall, when he or she discovers that the liquidator has violated an statute, or the articles of incorporation, in the course of performing his or her duties, or that he or she is otherwise likely to inflict serious damage upon the investment company, report his or her discovery to the Financial

Services Commission. <*Amended on Feb. 29, 2008*>

(3) A liquidator shall provide peremptory notices to creditors of the investment company within one month of his or her inauguration by providing public notice, at least twice, that creditors shall file a statement on their receivables within a certain period and that the receivables on which a statement has not been filed during such period shall be excluded from the liquidation proceedings. In this regard, the period for filing such statement shall be at least one month.

(4) Notwithstanding paragraph (3), a liquidator may omit the procedure for the peremptory notice to a creditor, following the manner prescribed by Presidential Decree, if the investment company involved is subject to a restriction on borrowing loans, guaranteeing obligations, or offering an asset as security: Provided, That the procedure shall not be omitted where there exists an obligation to perform a contract in connection with trading exchange-traded derivatives, or in any other case prescribed by Presidential Decree.

(5) A liquidator shall, upon completion of the liquidation proceedings, prepare a report of the settlement of accounts without delay for approval of the general meeting of shareholders. In this regard, he or she shall provide public notice of the report on the settlement of accounts and submit it to the Financial Services Commission and the Association. <*Amended on Feb. 29, 2008*>

(6) A liquidator or liquidation overseer may receive remuneration from the investment company as prescribed by the articles of incorporation or resolved by the general meeting of shareholders, in cases falling under Article 202 (5), or as determined by the Financial Services Commission in cases where he or she was appointed pursuant to paragraph (6) or (7) of the same Article. <*Amended on Feb. 29, 2008*>

(7) A liquidator shall keep the property list and balance sheet as approved in accordance with paragraph (1) until the liquidation proceedings are closed, and shall dispatch them to the collective investment business entity and the investment trader or investment broker, requiring them to keep the documents in their sales offices.

Article 204 (Mergers)

(1) No investment company may merge with another company unless it conducts a merge by absorbing another company whose corporate director is the same as that of the investment company.

(2) To conduct a merger as prescribed in paragraph (1), an investment company shall obtain a resolution of the general meeting of shareholders under the proviso of Article 201 (2): Provided, That the cases prescribed by Presidential Decree, such as a merger of small-scale investment companies, which is less likely to undermine sound trading practices, shall be excluded herefrom. <*Amended on May 28, 2013*>

(3) Article 193 (4), (5), and (8) shall apply mutatis mutandis to a merger of investment companies. In this regard, "collective investment business entity that created an investment trust", "investment trust", and "collective investment business entity of an investment trust" shall be construed as "investment company" collectively; "general meeting of beneficiaries" as "general meeting of shareholders"; and "beneficiary certificates" as "stocks".

Article 205 (Special Cases concerning Investment Companies)

(1) Part III of Chapter III shall not apply to investment companies.

(2) Article 33 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to shareholders of an investment company. In this regard, "finance company" shall be construed as "investment company", "10/10,000" in paragraph (1) of the same Article as "10/1,000"; "150/10,000" and "75/10,000" in the forepart of paragraph (2) of the same Article as "30/1,000" and "15/1,000", respectively; "250/100,000" and "125/100,000" in paragraph (3) of the same Article as "50/10,000" and "25/10,000", respectively, "25/1,000,000" and "125/1,000,000" in paragraph (4) of the same Article as "50/100,000" and "25/100,000", respectively; "1/100,000" of paragraph (5) of the same Article as "1/10,000"; and "50/100,000" and "25/100,000" in subparagraph (6) of the same Article as "10/10,000" and "5/10,000", respectively. *<Amended on Jul. 31, 2015>*

Article 206 (Relation to Commercial Act)

(1) In applying the Commercial Act to investment companies, the term "court" in Articles 259 (4), 298 (4), 299, 299-2, 300, 325, 422, 467 (1) through (3), 536, 539, and 541 of the Commercial Act shall be construed as "Financial Services Commission", while the term "public prosecutor" in Article 176 of the same Act shall be construed as "Financial Services Commission". *<Amended on Feb. 29, 2008>*

(2) Articles 19, 177, 288, 292, 298 (1) through (3), 301 through 313, and 330, 335 (1) (proviso), 335-2 through 335-7, 341, 341-2, 341-3, 342, 342-2, 342-3, 343, 344, 344-2, 344-3, 345 through 351, 365, 374-2, 383, 389 (1), 397, 408-2 through 408-9, 409, 409-2, 410 through 412, 412-2 through 412-5, 413, 413-2, 414, 415, 415-2, 417 through 420, 420-2 through 420-5, 438, 439, 449, 449-2, 450, 458 through 461, 461-2, and 604 of the Commercial Act shall not apply to investment companies. *<Amended on May 28, 2013>*

Subsection 2 Investment Limited Liability Company

Article 207 (Incorporation of Investment Limited Liability Company)

(1) A collective investment business entity that intends to incorporate an investment limited liability company shall prepare articles of incorporation, which shall provide for the following matters, and shall print its name and affix its seal thereon, or sign it:

1. Purpose;
2. Trade name;
3. Trade name and business registration number of the corporate director under Article 209 (1);
4. Address of the company;
5. Matters concerning operation and management of the property of the investment limited liability company;

6. Matters concerning distribution of profit and redemption;

7. Matters concerning public disclosure and reports;

8. Other matters prescribed by Presidential Decree as necessary for the protection of partners.

(2) The collective investment business entity shall, upon completing preparation of the articles of incorporation, pay the contribution in cash at the time of incorporation of the investment limited liability company.

(3) The collective investment business entity shall complete the incorporation registration of the following matters, along with the accompanying documents specified by Presidential Decree, within two weeks from the day on which the contribution is paid:

1. Matters under paragraph (1) 1 through 4;

2. Terms and conditions related to the continuance term of the investment limited liability company and the grounds for its dissolution, if the articles of incorporation provide for such terms and conditions.

(4) Contributions by partners of an investment limited liability company shall only be made by cash.

(5) No investment limited liability company shall admit any person other than the collective investment business entity as its partner before it completes the registration under Article 182.

Article 208 (Equity Securities)

(1) Each partner of an investment limited company shall have an equal right to the return of contributions, the distribution of profit, etc. in proportion to the number of equity securities.

(2) The equity securities of an investment limited company shall bear the following descriptions, and the corporate director under Article 209 (1) shall print its name and affix its seal thereon, or sign them:

1. The trade name of the company;

2. Date of formation of the company;

3. Issue date of the equity securities;

4. Names of partners (or trade name if a partner is a corporation);

5. Other matters prescribed by Presidential Decree as necessary for the protection of partners of an investment limited company.

(3) Article 196 (excluding paragraph (2)) shall apply mutatis mutandis to the equity securities of an investment limited liability company. In such cases, “investment company" shall be construed as "investment limited company," "stocks" as "equity securities," "new stocks" as "new equity securities," "board of directors" as "corporate director," "shareholders" as "partners," and "stock price" as "price for equity securities." *<Amended on May 28, 2013>*

Article 209 (Corporate Director)

(1) Each investment limited liability company shall have one director who shall be a collective investment business entity (hereafter in this Sub-Section referred to as "corporate director").

(2) Article 198 (1), (4), and (5) shall apply mutatis mutandis to the corporate director of an investment limited liability company. In such cases, "investment company" shall be construed as "investment limited liability company."

Article 210 (General Meeting of Partners)

(1) The general meeting of partners of an investment limited company shall be called by the corporate director.

(2) The general meeting of partners of an investment limited company shall adopt a resolution by the affirmative vote of a majority of voting rights of partners present at the meeting and not less than 1/4 of the total number of outstanding equity securities: Provided, That a resolution on the matters subject to a resolution by the general meeting of partners in accordance with the provisions of the articles of incorporation, other than the matters subject to a resolution of a general meeting of partners pursuant to this Act may be adopted by a majority of the voting rights of partners present at the meeting and not less than 1/5 of the total number of outstanding equity securities. *<Amended on May 28, 2013>*

(3) Article 190 (1), (3), (4), and (6) through (10) shall apply mutatis mutandis to the general meeting of partners of an investment limited company. In this regard, "collective investment business entity that created an investment trust" and "collective investment business entity" shall be construed as "corporate director of an investment limited company" collectively; "property of an investment trust" as "property of an investment limited company"; "beneficiary certificates" as "equity securities"; "total number of units" as "total number"; "beneficiaries" as "partners"; "general meeting of beneficiaries" as "general meeting of partners"; "list of beneficiaries" as "list of partners"; "number of units" as "number"; and "paragraph (5)" in paragraph (8) of the same Article as "paragraph (2)". *<Amended on May 28, 2013>*

Article 211 (Provisions Applicable Mutatis Mutandis)

(1) Article 195 shall apply mutatis mutandis to an amendment of the articles of incorporation of an investment limited company. In this regard, "investment company" shall be construed as "investment limited company"; "by a resolution of its board of directors" in paragraph (1) of the same Article as "by the corporate director"; "proviso of Article 201 (2)" as "proviso of Article 210 (2)"; "resolution of the general meeting of shareholders" in paragraph (1) of the same Article and "resolution of the board of directors or the general meeting of shareholders" in paragraph (2) of the same Article as "resolution of the general meeting of partners" collectively; and "shareholders" as "partners".

(2) Articles 202 (excluding paragraphs (3) and (4)), 203 (excluding paragraph (2)), and 204 shall apply mutatis mutandis to the dissolution, liquidation, and merger of an investment limited company. In this regard, "shareholders" shall be construed as "partners (excluding partners who are corporate directors)"; "investment company" as "investment limited company"; "general meeting of shareholders" as "general meeting of partners"; "corporate director and supervisory directors" as "corporate director"; "liquidator and/or liquidation overseers" as "liquidator"; "prepare a property list and balance sheet, and submit them

to the liquidators' meeting for approval, and submit a certified copy of them" as "prepare a property list and balance sheet, and submit a certified copy of them"; "proviso of Article 201 (2)" as "proviso of Article 210 (2)"; and "stocks" as "equity securities". *<Amended on May 28, 2013>*

Article 212 (Relationship to Commercial Act)

(1) In applying the Commercial Act to investment limited companies, the term "court" in Articles 582, 613 (1) (only where Articles 259 (4), 536 (2), and 541 (2) shall apply mutatis mutandis), and 613 (2) (only where Article 539 shall apply mutatis mutandis) of the same Act shall be construed as "Financial Services Commission". *<Amended on Feb. 29, 2008>*

(2) Articles 543 (3), 546, 560 (only where Articles 341-3, 342, and 343 (1) shall apply mutatis mutandis), 568 through 570, 575 (proviso), 583 (only where Articles 449 (1) and (2), 450, and 458 through 460 shall apply mutatis mutandis), 584 through 592, 597 (only where Article 439 (1) and (2) shall apply mutatis mutandis), and 607 of the Commercial Act shall not apply to investment limited companies. *<Amended on May 28, 2013>*

Subsection 3 Investment Limited Partnership Company

Article 213 (Incorporation of Investment Limited Partnership Company)

(1) A collective investment business entity that intends to incorporate an investment limited partnership company shall prepare articles of incorporation that shall state the following matters, on which one general partner and one limited partner shall print their names and affix their seals and signatures:

1. Purpose;
2. Trade name;
3. Trade name and business registration number of the managing member;
4. Address of the company;
5. Matters concerning operation and management of the property of the investment limited partnership company;
6. Matters concerning distribution of profit and redemption;
7. Matters concerning public disclosure and reports;
8. Other matters prescribed by Presidential Decree as necessary for the protection of partners.

(2) Upon preparing the articles of incorporation, the collective investment business entity shall pay a contribution in cash at the time of incorporation of the investment limited partnership company.

(3) The collective investment business entity shall complete a registration for incorporation by reporting the following matters, along with the accompanying documents specified by Presidential Decree, within two weeks from the date on which the contribution is paid:

1. Matters referred to in paragraph (1) 1 through 4;

2. Where the articles of incorporation provide for the term of existence of the investment limited partnership company or reasons for dissolution thereof, the details thereof.

(4) Contributions by the partners of an investment limited partnership company shall be made only in cash.

(5) No investment limited partnership company shall admit any person other than the partners referred to in paragraph (1) as its partner before it completes the registration under Article 182.

Article 214 (Managing Member)

(1) An investment limited partnership company shall not have any general partner in addition to one managing member. In this regard, the managing member shall be a collective investment business entity, notwithstanding Article 173 of the Commercial Act.

(2) Article 198 (1), (4), and (5) shall apply mutatis mutandis to the managing member of an investment limited partnership company. In this regard, "corporate director" shall be construed as "managing member", and "investment company" as "investment limited partnership company", respectively.

Article 215 (General Meeting of Partners)

(1) An investment limited partnership company shall hold a general meeting of partners, which shall consist of all partners, and the general meeting of partners shall have the power to adopt a resolution only for the matters provided for in this Act or the articles of incorporation.

(2) The general meeting of partners of an investment limited partnership company shall be called by the managing member.

(3) The general meeting of partners of an investment limited partnership company shall adopt a resolution by affirmative vote of a majority of the voting rights of partners present at the meeting and not less than 1/4 of the total number of outstanding equity securities: Provided, That a resolution on the matters subject to a resolution by the general meeting of partners in accordance with the provisions of the articles of incorporation, other than the matters subject to a resolution of the general meeting of partners pursuant to this Act, may be adopted by a majority of voting rights of the partners present at the meeting and not less than 1/5 of the total number of number of outstanding equity securities. *<Amended on May 28, 2013>*

(4) Article 190 (3), (4), and (6) through (10) shall apply mutatis mutandis to the general meeting of partners of an investment limited partnership company. In this regard, "collective investment business entity that has created an investment trust" and "collective investment business entity" shall be construed as "managing member of an investment limited partnership company" collectively; "property of an investment trust" as "property of an investment limited partnership company"; "beneficiary certificates" as "equity securities"; "total number of units" as "total number"; "beneficiaries" as "partners"; "general meeting of beneficiaries" as "general meeting of partners"; "list of beneficiaries" as "list of partners"; "number of units" as "number"; and "paragraph (5)" in paragraph (8) of the same Article as "paragraph (3)", respectively. *<Amended on May 28, 2013>*

Article 216 (Provisions to be Applied Mutatis Mutandis)

(1) Article 195 shall apply mutatis mutandis to an amendment of the articles of incorporation of an investment limited partnership company. In this regard, "investment company" shall be construed as "investment limited partnership company"; "by a resolution of its board of directors" in paragraph (1) of the same Article as "by the managing member"; "proviso of Article 201 (2)" as "Article 215 (3)"; "resolution of the general meeting of shareholders" in paragraph (1) of the same Article and "resolution of the board of directors or the general meeting of shareholders" in paragraph (2) of the same Article as "resolution of the general meeting of partners" collectively; and "shareholders" as "partners", respectively.

(2) Article 208 shall apply mutatis mutandis to equity securities of an investment limited partnership company. In this regard, "investment limited company" shall be construed as "investment limited partnership company"; "corporate director under Article 209 (1)" and "corporate director" as "managing member" collectively; and "partner" in paragraph (1) of the same Article as "limited partner", respectively.

(3) Articles 202 (excluding paragraphs (3) and (4)), 203 (excluding paragraph (2)), and 204 shall apply mutatis mutandis to the dissolution, liquidation, and merger of an investment limited partnership company. In this regard, "shareholders" shall be construed as "partners (excluding managing members); "investment company" as "investment limited partnership company"; "general meeting of shareholders" as "general meeting of partners"; "corporate director" and "corporate director and supervisory directors" as "managing member" collectively; "liquidator and/or liquidation overseers" as "liquidator"; "prepare a property list and balance sheet, and submit them to the liquidators' meeting for approval, and submit a certified copy of them" as "prepare a property list and balance sheet, and submit a certified copy of them"; "proviso of Article 201 (2)" as "Article 215 (3)"; and "stocks" as "equity securities", respectively. *<Amended on May 28, 2013>*

Article 217 (Relation to Commercial Act)

(1) In applying the Commercial Act to investment limited partnership companies, the term "court" in Articles 200-2, 205, 259, and 277 of the same Act shall be construed as "Financial Services Commission". *<Amended on Feb. 29, 2008>*

(2) Articles 198, 217 through 220, 224, 280, and 286 of the Commercial Act shall not apply to investment limited partnership companies.

(3) Notwithstanding Article 279 of the Commercial Act, a limited partner of an investment limited partnership company shall be liable for obligations of the investment limited partnership company within the limit of the amount that he or she has contributed.

(4) In distributing dividends in accordance with the articles of incorporation, any investment limited partnership company may make distinctions between the general partner and limited partners regarding dividend rate, priority in distribution of dividends, etc.

(5) In allocating losses, no investment limited partnership company shall make a distinction between the general partner and limited partners regarding allocation rate, order of allocation, etc.

Subsection 4 Investment Limited Liability Company

Article 217-2 (Establishment of Investment Limited Liability Company)

(1) A collective investment business entity that intends to establish an investment limited liability company shall prepare articles of incorporation which shall state the following matters, on which one partner shall print his or her name and affix his or her seal or signature:

1. Purpose;
2. Trade name;
3. Trade name and business registration number of the manager appointed under Article 217-4 (1);
4. Address of the company;
5. Matters concerning the operation and management of the property of the investment limited liability company;
6. Matters concerning the distribution of income and redemption;
7. Matters concerning public disclosure and reports;
8. Other matters prescribed by Presidential Decree as necessary for the protection of partners.

(2) Upon having formulated the articles of incorporation, each partner of an investment limited liability company shall pay a contribution in cash until the time the incorporation of the investment limited liability company is registered.

(3) The collective investment business entity shall complete a registration for incorporation by reporting the following matters, along with the accompanying documents specified by Presidential Decree, within two weeks from the date on which the contribution is paid:

1. Matters referred to in paragraph (1) 1 through 4;
2. Where the articles of incorporation provide for the term of existence of the investment limited liability company or reasons for dissolution thereof, the details thereof.

(4) Contributions by the partners of an investment limited liability company shall be made only in cash.

(5) No investment limited liability company shall admit any person other than the partners referred to in paragraph (1) as its partner before completing the registration under Article 182.

Article 217-3 (Equity Securities)

(1) Each partner of an investment limited liability company shall have an equal right to the return of contributions, the distribution of profit, etc. in proportion to the number of equity securities.

(2) The equity securities of an investment limited liability company shall bear the following descriptions, and the executive officer under Article 217-4 (1) shall print his or her name and affix his or her seal thereon, or sign them:

1. Trade name of the company;
2. Date of formation of the company;
3. Issue date of the equity securities;
4. Names of partners (or trade name if a partner is a corporation);
5. Other matters prescribed by Presidential Decree as necessary for the protection of partners of an investment limited liability company.

(3) Article 196 (excluding paragraph (2)) shall apply mutatis mutandis to the equity securities of an investment limited liability company. In such cases, "investment company" shall be construed as "investment limited liability company", "stocks" as "equity securities", "new stocks" as "new equity securities", "board of directors" as "corporate director", "shareholders" as "partners", and "stock price" as "price for equity securities".

Article 217-4 (Managers)

(1) Each investment limited liability company shall appoint one manager who is either a partner or an entity other than its partner (hereafter in this Subsection referred to as "manager"). In such cases, the manager shall be a collective investment business entity.

(2) Article 198 (1), (4) and (5) shall apply mutatis mutandis to the manager of an investment limited liability company. In such cases, "corporate director" shall be construed as "manager" and "investment company" as "investment limited liability company."

Article 217-5 (General Meeting of Partners)

(1) An investment limited liability company shall hold a general meeting of partners, which shall consist of all partners, and the general meeting of partners shall have the power to adopt a resolution only for the matters provided for in this Act or the articles of incorporation.

(2) The general meeting of partners of an investment limited liability company shall be called by the manager.

(3) The general meeting of partners of an investment limited liability company shall adopt a resolution by the affirmative vote of a majority of the voting rights of partners present at the meeting and not less than 1/4 of the total number of outstanding equity securities: Provided, That a resolution on the matters subject to a resolution by the general meeting of partners in accordance with the provisions of the articles of incorporation, other than the matters subject to a resolution of the general meeting of partners pursuant to this Act, may be adopted by a majority of voting rights of the partners present at the meeting and not less than 1/5 the total number of number of outstanding equity securities.

(4) Article 190 (3), (4), and (6) through (10) shall apply mutatis mutandis to the general meeting of partners of an investment limited liability company. In such cases, "collective investment business entity that has created an investment trust" and "collective investment business entity" shall be construed as "manager of an investment limited liability company," respectively; "property of an investment trust" as

"property of an investment limited liability company"; "beneficiary certificates" as "equity securities"; "total number of units" as "total number"; "beneficiaries" as "partners"; "general meeting of beneficiaries" as "general meeting of partners"; "list of beneficiaries" as "list of partners"; "number of units" as "number", respectively; and "paragraph (5)" in paragraph (8) of the same Article as "paragraph (3)".

(5) Article 191 shall apply mutatis mutandis to an amendment of the articles of incorporation of an investment limited liability company under the proviso of Article 195 (1) or to the partners dissenting from a merger under Article 204 (2). In such cases, "trust contract" shall be construed as "articles of incorporation"; "investment trust", "collective investment business entity", and "collective investment business entity that has created an investment trust" as "investment limited liability company," respectively; "general meeting of beneficiaries" as "general meeting of partners"; "beneficiaries" as "partners"; "beneficiary certificates" as "equity securities"; and "property of an investment trust" as "property of an investment limited liability company".

Article 217-6 (Provisions to be Applied Mutatis Mutandis)

(1) Article 195 shall apply mutatis mutandis to an amendment of the articles of incorporation of an investment limited liability company. In this regard, "investment company" shall be construed as "investment limited liability company"; "by a resolution of its board of directors" in paragraph (1) of the same Article as "by the manager"; "Article 201 (2)" as "Article 217-5 (3)"; "resolution of the general meeting of shareholders" in paragraph (1) of the same Article and "resolution of the board of directors or the general meeting of shareholders" in paragraph (2) of the same Article as "resolution of the general meeting of partners" collectively; and "shareholders" as "partners".

(2) Articles 202 (excluding paragraphs (3) and (4)), 203 (excluding paragraph (2)), and 204 shall apply mutatis mutandis to the dissolution, liquidation, and merger of an investment limited liability company. In this regard, "shareholders" shall be construed as "partners (excluding the partner who is the manager)"; "investment company" as "investment limited liability company"; "general meeting of shareholders" as "general meeting of partners"; "corporate director and supervisory directors" as "manager"; "liquidator and/or liquidation overseers" as "liquidator"; "prepare a property list and balance sheet, and submit them to the liquidators' meeting for approval, and submit a certified copy of them" as "prepare a property list and balance sheet, and submit a certified copy of them"; "proviso of Article 201 (2)" as "Article 217-5 (3)"; and "stocks" as "equity securities".

Article 217-7 (Relationship to Commercial Act)

(1) In applying the Commercial Act to investment limited liability companies, the term "court" in Articles 287-13 (only where Article 200 (2) shall apply mutatis mutandis), 287-14, 287-17 (only where Article 205 shall apply mutatis mutandis), and Article 287-45 (only where Article 259 (4) shall apply mutatis mutandis) of the same Act shall be construed as "Financial Services Commission".

(2) Articles 287-9, 287-10, 287-12, 287-15, 287-16, 287-23 (3), and 287-24 through 287-44 of the Commercial Act shall not apply to investment limited liability companies.

SECTION 3 Collective Investment Scheme in Form of Association

Subsection 1 Investment Limited Partnership

Article 218 (Establishment of Investment Limited Partnership)

(1) A collective investment business entity that intends to establish an investment limited partnership shall prepare a partnership agreement that shall state the following matters, on which one general partner appointed under Article 219 (1) and one limited partner shall print their names and affix their seals or signatures: *<Amended on May 28, 2013>*

1. Purpose;
2. Name of the investment limited partnership;
3. Trade name and business registration number of the general partner;
4. Address of the investment limited partnership;
5. Matters concerning the operation and management of the property of the investment limited partnership;
6. Details of the term of existence or the reasons for dissolution, if stipulated by the partnership agreement;
7. Matters concerning distribution of profit and redemption;
8. Matters concerning public disclosure and reports;
9. Other matters prescribed by Presidential Decree as necessary for the protection of partners.

(2) Contributions by partners shall be made only in cash.

(3) No investment limited partnership shall admit any person other than the partners referred to in paragraph (1) as its partner before it completes the registration under Article 182. *<Amended on May 28, 2013>*

(4) An investment limited partnership shall complete a registration by reporting the following matters along with the documents prescribed by Presidential Decree, within two weeks from the date of its establishment: *<Newly Inserted on May 28, 2013>*

1. Matters referred to in paragraph (1) 1 through 4;
2. Where the partnership agreement provides for the term of existence of the investment limited partnership or the reasons for dissolution thereof, the details thereof.

Article 219 (General Partner)

(1) An investment limited partnership shall be composed of one general partner that shall be a collective investment business entity and shall take unlimited liability for debts of the investment limited

partnership, and limited partners, who shall take limited liability for such debts within the limit of the contribution made by each partner. *<Amended on May 28, 2013>*

(2) Article 198 (1), (4), and (5) shall apply mutatis mutandis to the general partner of an investment limited partnership. In this regard, "corporate director" shall be construed as "general partner", while "investment company" shall be construed as "investment limited partnership". *<Amended on May 28, 2013>*

Article 220 (General Meeting of Partners)

(1) An investment limited partnership shall hold a general meeting of partners, which shall consist of all partners, and the general meeting of partners shall have the power to adopt a resolution only for the matters provided for in this Act or the partnership agreement. *<Amended on May 28, 2013>*

(2) The general meeting of partners of an investment limited partnership shall be called by the general partner. *<Amended on May 28, 2013>*

(3) The general meeting of partners of an investment limited partnership shall adopt a resolution by the affirmative vote of a majority of the voting rights of partners present at the meeting and not less than 1/4 of the total number of outstanding equity securities: Provided, That apart from the matters subject to a resolution of the general meeting of partners pursuant to this Act, a resolution on the matters subject to a resolution by the general meeting of partners in accordance with the provisions of the partnership agreement may be adopted by a majority of voting rights of the partners present at the meeting and not less than 1/5 of the total number of outstanding equity securities. *<Amended on May 28, 2013>*

(4) Article 190 (3), (4), and (6) through (10) shall apply mutatis mutandis to the general meeting of partners of an investment limited partnership. In such cases, "collective investment business entity that has created an investment trust" and "collective investment business entity" shall be construed as “general partner of an investment limited partnership" collectively; "property of an investment trust" as "property of an investment limited partnership"; "beneficiary certificates" as "equity securities"; "total number of units" as "total number"; "beneficiaries" as "partners"; "general meeting of beneficiaries" as "general meeting of partners"; "list of beneficiaries" as "list of partners"; "number of units" as "number"; and "paragraph (5)" in paragraph (8) of the same Article as "paragraph (3)". *<Amended on May 28, 2013>*

Article 221 (Dissolution and Liquidation of Investment Limited Partnership)

(1) An investment limited partnership shall be dissolved if any of the following events occurs. In this regard, a liquidator shall file a report on the matters prescribed by Presidential Decree to the Financial Services Commission: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Expiration of the term of existence or occurrence of other reasons for dissolution as stipulated in the partnership agreement;
2. Resolution for dissolution by the general meeting of partners;
3. De-registration of the investment limited partnership;

4. Total number of limited partners becomes one: Provided, That the cases prescribed by Presidential Decree as unlikely to undermine sound trading practices, shall be excluded herefrom.

(2) When an investment limited partnership is dissolved, the general partner shall act as a liquidator, except as provided for otherwise by the partnership agreement or at the general meeting of partners. *<Amended on May 28, 2013>*

(3) When an investment limited partnership fails to, or will not, have a liquidator under paragraph (2), the Financial Services Commission shall, ex officio, appoint a liquidator. *<Amended on Feb. 29, 2008; May 28, 2013>*

(4) If a liquidator is substantially unfit to perform his or her duties, or commits any serious violation of a relevant statute, the Financial Services Commission may, ex officio or at the request of an interested person, dismiss the liquidator. In such cases, the Financial Services Commission may, ex officio, appoint a new liquidator. *<Amended on Feb. 29, 2008>*

(5) In distributing the residual property of the investment limited partnership to partners, a liquidator may give assets that belong to the property of the investment limited partnership to the partners as stipulated in the partnership agreement. *<Amended on May 28, 2013>*

(6) Article 203 (excluding paragraph (2)) shall apply mutatis mutandis to the dissolution of an investment limited partnership. In this regard, "investment company" shall be construed as "investment limited partnership"; "prepare a property list and balance sheet, and submit them to the liquidators' meeting for approval, and submit a certified copy of them" as "prepare a property list and balance sheet, and submit a certified copy of them"; "general meeting of shareholders" as "general meeting of partners"; and "liquidator and liquidation overseers" as "liquidator". *<Amended on May 28, 2013>*

Article 222 (Provisions to be Applied Mutatis Mutandis)

(1) Article 195 shall apply mutatis mutandis to an amendment of the limited partnership agreement of an investment limited partnership. In this regard, "investment company" shall be construed as "investment limited partnership"; "by a resolution of its board of directors" in paragraph (1) of the same Article as "by the general partner"; "Article 201 (2)" as "Article 220 (3)"; "resolution of the general meeting of shareholders" in paragraph (1) of the same Article and "resolution of the board of directors or the general meeting of shareholders" in paragraph (2) of the same Article as "resolution of the general meeting of partners" collectively; and "shareholders" as "partners". *<Amended on May 28, 2013>*

(2) Article 208 shall apply mutatis mutandis to equity securities of an investment limited partnership. In this regard, "investment limited company" and "company" shall be construed as "investment limited partnership" collectively; "corporate director under Article 209 (1)" and "corporate director" as "general partner"; "articles of incorporation" as "partnership agreement"; "partner" in paragraph (1) of the same Article as "limited partner"; and "partner" in paragraphs (2) and (3) of the same Article as "partner". *<Amended on May 28, 2013>*

Article 223 (Relationship to Commercial Act and Civil Act)

(1) In applying the Commercial Act to an investment limited partnership, the term "court" in Article 86-8 (2) of the same Act (only where Article 277 shall apply mutatis mutandis) and paragraph (3) of the same Article (only where Article 277 shall apply mutatis mutandis) shall be construed as "the Financial Services Commission," respectively.

(2) Articles 86-8 (2) of the Commercial Act (only where Articles 198, 208 (2) or 287 shall apply mutatis mutandis) shall not apply to investment limited partnerships.

(3) Articles 703, 706 through 713, and 716 through 724 of the Civil Act shall not apply to investment limited partnerships.

(4) Where an investor purchases equity securities of the investment limited partnership, it shall be deemed that he or she is admitted to an investment limited partnership as a partner.

(5) In distributing dividends in accordance with the partnership agreement, an investment limited partnership may make distinctions between the general partner and limited partners in terms of determining dividend rate, priority in distribution of dividends, etc.

(6) In allocating losses, no investment limited partnership shall make a distinction between the general partner and limited partners in terms of allocation rate, order of allocation, etc.

Subsection 2 Undisclosed Investment Association

Article 224 (Establishment of Undisclosed Investment Association)

(1) A collective investment business entity that intends to establish an undisclosed investment association shall prepare an undisclosed association agreement which shall provide for the following matters, and one business operator and one undisclosed partner shall print their names and affix their seals thereon, or sign it:

1. Purpose;
2. Name of the undisclosed investment association;
3. Trade name and business registration number of the business operator;
4. Address of the undisclosed investment association;
5. Matters concerning operation and management of the property of the undisclosed investment association;
6. Terms and conditions related to the continuance term or the grounds for dissolution, if there are such terms and conditions agreed upon;
7. Matters concerning distribution of profit and redemption;
8. Matters concerning public disclosure and reports;
9. Other matters prescribed by Presidential Decree as necessary for the protection of undisclosed partners.

(2) Contributions by undisclosed partners shall only be made by cash.

(3) The business operator of an undisclosed investment association shall not admit any person other than the undisclosed partner under paragraph (1) as its undisclosed partner before it completes the registration under Article 182.

Article 225 (Business Operator)

(1) The property of an undisclosed investment association shall be managed by a single business operator, which shall be a collective investment business entity.

(2) Article 198 (1), (4), and (5) shall apply mutatis mutandis to the business operator of an undisclosed investment association. In this regard, the term "corporate director" shall be construed as "business operator," while the term "investment company" shall be construed as "undisclosed investment association."

Article 226 (General Meeting of Undisclosed Partners)

(1) An undisclosed investment association shall hold a general meeting of undisclosed partners, which shall consist of all undisclosed partners, and the general meeting of undisclosed partners shall have the power to adopt a resolution only for the matters provided for in this Act or the undisclosed association agreement.

(2) A general meeting of undisclosed partners of an undisclosed investment association shall be called by the business operator.

(3) A general meeting of undisclosed partners of an undisclosed investment association shall adopt a resolution by affirmative vote of the majority of the voting rights of undisclosed partners present at the meeting and one-fourth or more of the total number of outstanding equity securities: Provided, That apart from the matters subject to a resolution of the general meeting of undisclosed partners pursuant to this Act, a resolution on the matters subject to a resolution by the general meeting of undisclosed partners in accordance with the provisions of the undisclosed association agreement may be adopted by the majority of voting rights of the undisclosed partners present at the meeting and one-fifth or more of the total number of number of outstanding equity securities. *<Amended on May 28, 2013>*

(4) Article 190 (3), (4), and (6) through (10) shall apply mutatis mutandis to the general meeting of undisclosed partners of an undisclosed investment association. In this regard, the terms "collective investment business entity that has created an investment trust" and "collective investment business entity" shall be construed as "business operator of an undisclosed investment association" collectively, the term "property of an investment trust" as "property of an undisclosed investment association," the term "beneficiary certificates" as "equity securities," the term "total number of units" as "total number," the term "beneficiaries" as "undisclosed partners," the term "general meeting of beneficiaries" as "general meeting of undisclosed partners," the term "list of beneficiaries" as "list of undisclosed partners," the term "number of units" as "number," and the term "paragraph (5)" in paragraph (8) of the same Article as

"paragraph (3)," the term "two-thirds or more of the voting rights of the beneficiaries present at the meeting and one-third or more of the total number of outstanding beneficiary certificates" as "two-thirds or more of the voting rights of undisclosed partners present at the meeting," and the terms "majority of the voting rights of the beneficiaries present at the meeting and one-fourth or more of the total number of outstanding beneficiary certificates" and "majority of the voting rights of the beneficiaries present at the meeting" as "two-thirds or more of the voting rights of the undisclosed partners present at the meeting and one-third or more of the total number of outstanding equity securities" and "two-thirds or more of the voting rights of the undisclosed partners present at the meeting" respectively. *<Amended on May 28, 2013>*

Article 227 (Provisions to be Applied Mutatis Mutandis)

(1) Article 195 shall apply mutatis mutandis to an amendment of the undisclosed association agreement of an undisclosed investment association. In this regard, "investment company" shall be construed as "undisclosed investment association"; "by a resolution of its board of directors" in paragraph (1) of the same Article as "by the business operator"; "proviso of Article 201 (2)" as "Article 226 (3)"; "resolution of the general meeting of shareholders" in paragraph (1) of the same Article and "resolution of the board of directors or the general meeting of shareholders" in paragraph (2) of the same Article as "resolution of the general meeting of undisclosed partners" collectively; and "shareholders" as "undisclosed partners".

(2) Article 208 shall apply mutatis mutandis to equity securities of an undisclosed investment association. In this regard, "investment limited company" and "company" shall be construed as "undisclosed investment association" collectively; "corporate director under Article 209 (1)" and "corporate director" as "business operator"; "partner" as "undisclosed partner"; and "articles of incorporation" as "undisclosed association agreement".

(3) Article 221 shall apply mutatis mutandis to the dissolution and liquidation of an undisclosed investment association. In such cases, "investment association" shall be construed as "undisclosed investment association"; "limited partner" as "undisclosed partner"; "general meeting of partners" as "general meeting of undisclosed partners"; and "general partner" as "business operator," respectively. *<Amended on May 28, 2013>*

Article 228 (Relationship to Other Statutes)

(1) Articles 82 (3), 83, and 84 of the Commercial Act shall not apply to undisclosed investment associations.

(2) Chapter III of the Trust Act shall apply mutatis mutandis to undisclosed investment associations. In such cases, "trust property" shall be construed as "property of an undisclosed investment association," "trustee" as "business operator," "entrustment" as "participation in an undisclosed investment association as a partner," and "trustor" and "beneficiary" as "undisclosed partner," respectively.

(3) It shall be deemed that an investor is admitted to an undisclosed investment association as an undisclosed partner when he or she purchases equity securities of the undisclosed investment association.

CHAPTER III TYPES OF COLLECTIVE INVESTMENT SCHEMES

SECTION 1 Types of Collective Investment Schemes

Article 229 (Types of Collective Investment Schemes)

Collective investment schemes shall be categorized into the following according the object in which the collective investment property is invested:

1. Securities fund: A collective investment scheme, neither real estate fund nor special asset fund provided for in subparagraphs 2 and 3, that invests the collective investment property in securities (excluding the securities specified by Presidential Decree, but including derivatives based on underlying assets consisting of any securities other than the securities specified by Presidential Decree; hereafter the same shall apply in this Article) in excess of the ratio prescribed by Presidential Decree, which shall not be less than 40 percent of the collective investment property;

2. Real estate fund: A collective investment scheme that invests the collective investment property in real estate (including investment in derivatives based on underlying assets consisting of real estate, loans to corporations related to the development of real estate, and other investment in real estate in a manner prescribed by Presidential Decree and in real estate-related securities prescribed by Presidential Decree; hereafter the same shall apply in this Article) in excess of the ratio prescribed by Presidential Decree, which shall not be less than 40 percent of the collective investment property;

3. Special asset fund: A collective investment scheme that invests the collective investment property in special assets (referring to investable assets other than securities and real estate) in excess of the ratio prescribed by Presidential Decree, which shall not be less than 40 percent of the collective investment property;

4. Mixed asset fund: A collective investment scheme subject to no restrictions provided for in subparagraphs 1 through 3 in operating the collective investment property;

5. Money market fund: A collective investment scheme that invests the collective investment property in full in short-term financial instruments specified by Presidential Decree, which is managed in any manner prescribed by Presidential Decree.

SECTION 2 Collective Investment Schemes in Extraordinary Form

Article 230 (Closed-End Fund)

(1) Notwithstanding Article 235 (1), a collective investment business entity, or the promoters of an investment company that intends to create or establish an investment trust, an investment limited company, an investment limited partnership company, an investment limited liability company, an

investment limited partnership, or an undisclosed investment association (hereafter in this Section referred to as "collective investment business entity, etc.") may create or establish a collective investment scheme under which the collective investment scheme with a predetermined continuance period shall not allow any claim for redemption of collective investment securities (hereafter in this Article referred to as "closed-end fund"). *<Amended on May 28, 2013>*

(2) The collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. may issue additional collective investment securities for a closed-end fund only when there is no possibility of undermining the existing investors' interests, as prescribed by Presidential Decree.

(3) The collective investment business entity of an investment trust or an investment company shall, if there is no specific method provided for in the trust contract or the articles of incorporation for guaranteeing liquidity, etc. to investors, list the collective investment securities within 90 days from the day on which the collective investment securities of a closed-end fund are initially issued.

(4) Article 238 (6) through (8) shall not apply to collective investment securities of a closed-end fund: Provided, That the provisions shall apply when the closed-end fund is allowed to issue additional collective investment securities in accordance with paragraph (2).

(5) A collective investment business entity, etc. shall create or establish a collective investment scheme as a closed-end fund, in cases prescribed by Presidential Decree, considering the circumstances, etc. under which it is difficult to convert the investable assets of the collective investment scheme into cash.

Article 231 (Multiple-Class Funds)

(1) Notwithstanding Articles 189 (2), 196 (5), and 208 (1) (including where the afore-said Article shall apply mutatis mutandis pursuant to Article 216 (2), 222 (2), or 227 (2)), a collective investment business entity, etc. may create or establish a collective investment scheme that issues collective investment securities of the same collective investment scheme in multiple classes with varying base prices or varying sales commissions according to the difference in sales remuneration under Article 76 (4) (hereafter in this Article referred to as "multiple class fund").

(2) Where a resolution by the general meeting of collective investors is required, but such resolution is related only to the interests of the investors of the collective investment securities in a specific class, the multiple class fund may hold a general meeting of investors with the attendance of the investors in the specific class only.

(3) Matters concerning creation and establishment of a multiple class fund, issuance, sale, and redemption of the collective investment securities of such fund, and other matters concerning multiple class funds shall be prescribed by Presidential Decree.

Article 232 (Umbrella Funds)

(1) Where a collective investment business entity, etc. creates or establishes a collective investment scheme with a mechanism for granting investors a right to convert collective investment securities held by investors of a collective investment scheme into those of another collective investment scheme between a multiple number of collective investment schemes (hereafter referred to as "umbrella fund" in this Article), the collective investment business entity shall satisfy all of the following requirements: *<Amended on Jul. 24, 2015>*

1. There shall be a collective investment agreement applicable in common to a multiple number of collective investment schemes;
2. The collective investment agreement shall prohibit conversion between collective investment schemes referred to in Article 9 (18) 1 through 4, 4-2, 5 and 6, and (19) 1.

(2) Matters concerning the conversion of collective investment securities and other matters concerning the umbrella funds shall be prescribed by Presidential Decree.

Article 233 (Master-Feeder Funds)

(1) When a collective investment business entity, etc. creates or establishes a collective investment scheme (hereafter in this Article referred to as "feeder fund") with a mechanism for acquiring collective investment securities issued by another collective investment scheme (hereafter in this Article referred to as "master fund"), the collective investment business entity, etc. shall satisfy all of the following requirements:

1. The feeder fund shall not be allowed to acquire any collective investment securities other than those of the master fund;
2. No person other than the feeder fund shall be allowed to acquire collective investment securities of the master fund;
3. The collective investment properties of the feeder fund and the master fund shall be operated by one and the same collective investment business entity.

(2) Article 81 (1) 3 (excluding item (d)) shall not apply where the feeder fund acquires collective investment securities from the master fund.

(3) Matters concerning creation and establishment of a master and feeder fund (hereafter in this Article referred to as "master-feeder fund"), sale and redemption of collective investment securities, and other matters pertaining to master-feeder funds shall be prescribed by Presidential Decree.

Article 234 (Exchange-Traded Fund)

(1) Articles 34 (1) 1 and 2, 87 (3) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2)), 88, 147, 172, 173, and 235 through 237 shall not apply to any collective investment scheme that meets all of the following requirements (hereafter in this Article referred to as "exchange-traded fund"): *<Amended on Feb. 3, 2009; May 28, 2013>*

1. Its purpose shall be to link its operation and management to the fluctuation of indexes indicting the price levels of a multiple number of items for each price or each type of underlying assets in a collective manner. In such cases, the price or type of underlying assets shall meet the requirements prescribed by Presidential Decree;

2. It shall allow redemption of beneficiary certificates or stocks of an investment company;

3. The beneficiary certificates or stocks of an investment company shall be listed in the securities market within 30 days from the date of creation of the relevant investment trust or the date of establishment of the investment company.

(2) A person specified by Presidential Decree among investment traders or investment brokers shall not be deemed to engage in discretionary investment business where the person sells securities on its own account or on a third party's account to create or establish an exchange-traded fund.

(3) When an exchange-traded fund is created or additionally created, or when an exchange-traded fund is established and issues new stocks, the payment therefor may be made with assets other than money, notwithstanding Articles 188 (4) and 194 (7) (including the case to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 196 (6)). *<Amended on Feb. 3, 2009>*

(4) Creation, additional creation, establishment and issuance of new stocks of an exchange-traded fund, sale and redemption of collective investment securities, listing and delisting, and public notice of property owned, and other necessary matters shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

Article 234-2 Deleted. *<Aug. 13, 2013>*

CHAPTER IV REDEMPTION OF COLLECTIVE INVESTMENT SECURITIES

Article 235 (Claim for Redemption and Manner therefor)

(1) An investor may make a claim for redemption of collective investment securities at any time.

(2) An investor who intends to make a claim for redemption of collective investment securities shall make such claim to the investment trader or the investment broker that sold the collective investment securities: Provided, That such claim may be made directly to the collective investment business entity of the relevant collective investment scheme in a manner prescribed by Ordinance of the Prime Minister, if the investment trader or the investment broker is unable to perform the redemption due to its dissolution, revoked authorization, suspended business, or any other reason specified by Presidential Decree (hereafter in this paragraph referred to as "dissolution, etc."), while such claim may be made to the trust business entity that keeps in custody and manages the relevant collective investment property, if the collective investment business entity is unable to perform the redemption due to its dissolution, etc. *<Amended on Feb. 29, 2008>*

(3) An investment trader or an investment broker shall, upon receipt of a claim for redemption in accordance with the main clause of paragraph (2), demand that the collective investment business entity of the relevant investment trust or undisclosed investment association, where the beneficiary certificates or equity securities of the undisclosed investment association are involved, or the investment company, etc., where collective investment securities issued by the investment company, etc. are involved, perform the redemption without delay, and the collective investment business entity or the trust business entity shall, upon receipt of a claim in accordance with the proviso of paragraph (2) for redemption of collective investment securities issued by an investment company, etc., demand that the investment company, etc. perform the redemption without delay.

(4) A collective investment business entity of an investment trust or an undisclosed investment association (including the trust business entity that keeps in custody and manages the relevant collective investment property) or an investment company, etc. shall, upon receipt of a claim for redemption or a demand for performance of the redemption in accordance with paragraph (2) or (3), pay the redemption money on the day prescribed for redemption by the collective investment agreement within 15 days from the day on which the investor made a claim for redemption, except as otherwise provided for by Presidential Decree, considering the liquidity of the investable assets of the collective investment scheme.

(5) A collective investment business entity of an investment trust or an undisclosed investment association (including the trust business entity that keeps in custody and manages the relevant collective investment property) or an investment company, etc. shall, when it pays the redemption money in accordance with paragraph (4), make such payment in cash held as part of the collective investment property or raised by disposing of the collective investment property, within the limit of the collective investment property: Provided, That such payment may be made with the collective investment property held by the collective investment scheme if all investors of the collective investment scheme consent to do so.

(6) An investment trader or an investment broker that sells collective investment securities, a collective investment business entity that operates collective investment property, or a trust business entity that keeps in custody and manages collective investment property shall not acquire the collective investment securities, the redemption of which is claimed or the performance of redemption of which is demanded, on its own account or solicit another person to acquire them: Provided, That the investment trader, investment broker, collective investment business entity, or trust business entity may acquire the collective investment securities, the redemption of which is claimed or the performance of redemption of which is demanded, on its own account, if it is necessary for facilitating the redemption of the collective investment securities or if there is no possibility of undermining investors' interests, as prescribed by Presidential Decree.

(7) A collective investment business entity of an investment trust or an undisclosed investment association (including the trust business entity that keeps in custody and manages the relevant collective investment property; hereafter in this Chapter the same shall apply), or an investment company, etc. shall, upon redeeming collective investment securities in accordance with this Chapter, retire the collective investment securities.

Article 236 (Redemption Price and Commission)

(1) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall make redemption of the collective investment securities based on a base price computed after the day on which redemption is claimed: Provided, That the base price computed before the day on which redemption is claimed may be applied to redemptions if there is no possibility of undermining investors' interests or the stable management of the collective investment property, as prescribed by Presidential Decree.

(2) The redemption commission charged on redeemed collective investment securities shall be borne by the investor who claims redemption of the collective investment securities in a manner prescribed by Presidential Decree, and the redemption commission paid by the investor shall belong to the collective investment property.

(3) Matters pertaining to the redemption price, including computation of the base price after the day on which redemption is claimed in accordance with paragraph (1), shall be prescribed by Presidential Decree.

Article 237 (Postponement of Redemption)

(1) Where a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. is unable to redeem collective investment securities on the date of redemption prescribed by the collective investment agreement, owing to impossibility of disposing of assets that belong to the collective investment property or any other cause prescribed by Presidential Decree, it may postpone the redemption of the collective investment securities. In such cases, the collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall obtain a resolution (referring to a resolution under the main clause of Article 190 (5), the proviso of Article 201 (2), the proviso of Article 210 (2), Articles 215 (3), 220 (3) and 226 (3)) on the matters concerning the redemption of the collective investment securities, as prescribed by Presidential Decree, at a general meeting of collective investors held within six weeks after such postponement of redemption.

(2) Where the general meeting of collective investors under the latter part of paragraph (1) fails to adopt a resolution on matters concerning the redemption of collective investment securities, or it is impossible to implement a resolution adopted at the general meeting of collective investors on the matters concerning redemption, the collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. may postpone the redemption continuously.

(3) Where the general meeting of collective investors under the latter part of paragraph (1) adopts a resolution on the matters concerning redemption or it is determined to postpone the redemption continuously in accordance with paragraph (2), the collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc., shall notify investors of the resolution or determined, according to the following categories as the case may be, without delay:

1. Where the general meeting of collective investors adopts a resolution on the matters concerning the redemption:

(a) Resolution adopted in relation to the redemption;

(b) Other matters prescribed by Presidential Decree;

2. Where it is determined to postpone the redemption continuously:

(a) Reason for postponing the redemption;

(b) Period during which the redemption is postponed;

(c) Payment method of redemption price, when the redemption is resumed;

(d) Other matters prescribed by Presidential Decree.

(4) Where the cause of postponement of redemption is completely or partially terminated, the collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall notify investors for whom redemption has been postponed of its intention to resume the redemption, and shall pay the redemption price in a manner prescribed by Presidential Decree.

(5) Where any of the causes of postponement of redemption prescribed under paragraph (1) effects a part of the collective investment property, the collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. may postpone the redemption for such part and perform the redemption for the remaining part in the proportion to the units of the collective investment securities held by each investor.

(6) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. may create or establish a separate collective investment scheme only with the collective investment property for which redemption has been postponed in accordance with paragraph (5). Articles 81, 88, 238 (7), 240 (3) through (8), and 248 shall not apply in such cases.

(7) Matters pertaining to the payment method of the redemption price under paragraph (5), the creation or establishment of a separate collective investment scheme under paragraph (6), etc. shall be prescribed by Presidential Decree.

(8) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. may refuse to approve a claim for redemption under Article 235 (1) in any of the following cases:

1. Where the collective investment scheme (excluding an investment trust) is dissolved;

2. Where the net asset value of the investment company fails to reach the minimum net asset value stipulated by the articles of incorporation;

3. Where the redemption is restricted by a statute or an order issued pursuant to such a statute;

4. When a beneficiary of an investment trust, a shareholder of an investment company, or a pledgee of such beneficiary or shareholder makes a claim for redemption during a period between a date fixed in accordance with Article 354 (1) of the Commercial Act for determining the person who can exercise his

or her right (including the case to which such provision shall apply mutatis mutandis under Article 189 (9); hereafter the same shall apply in this Article) and the date on which the right is exercisable, where it is provided that a beneficiary, shareholder, or pledgee recorded in the list of beneficiaries or the list of shareholders, as of the fixed date shall be deemed the beneficiary, shareholder, or pledgee who can exercise his or her right. In this regard, "three months" in Article 354 (3) of the same Act shall be construed as "two months".

CHAPTER V ASSESSMENT AND ACCOUNTING

Article 238 (Assessment of Collective Investment Property and Computation of Base Price)

(1) A collective investment business entity shall assess a collective investment property according to its market price, by a method prescribed by Presidential Decree, however, the collective investment business entity shall assess the market price according to the fair market value prescribed by Presidential Decree, if no reliable market price is available as of the date of assessment: Provided, That it may be assessed by the value prescribed by Presidential Decree, if investors are frequently changed or there is little possibility of undermining investors' interests in circumstances prescribed by Presidential Decree.

(2) A collective investment business entity shall organize and operate an assessment committee by the method prescribed by Presidential Decree, which shall perform the affairs related to the assessment of the collective investment property under paragraph (1).

(3) A collective investment business entity shall establish the standards for the assessment of the collective investment property and procedures therefor (hereafter in this Article referred to as "standards for assessment of the collective investment property"), which shall stipulate the following matters, subject to confirmation by the trust business entity that keeps in custody and manages the collective investment property, to ensure that the assessment of the collective investment property is conducted fairly and correctly:

1. Matters concerning organization and operation of the assessment committee under paragraph (2);
2. Matters concerning maintenance of consistency in the assessment of the collective investment property;
3. Matters concerning selection and change of a bond rating company (referring to a bond rating company registered under Article 263) in charge of assessing the price of the relevant collective investment property by types, if it retains such bond rating company, and the application of the price provided by such bond rating company;
4. Other matters specified by Presidential Decree.

(4) When the assessment committee organized under paragraph (2) assesses the collective investment property, a collective investment business entity shall inform the trust business entity that keeps in custody and manages the collective investment property of the details of such assessment without delay.

(5) The trust business entity that keeps in custody and manages collective investment property shall review the assessment by the collective investment business entity of the collective investment property to verify if it has been fairly conducted in accordance with the relevant statutes and the standards for assessment of the collective investment property.

(6) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall compute the base price of collective investment securities by the method prescribed by Presidential Decree, according to the results of the assessment of the collective investment property under paragraphs (1) through (5).

(7) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall publicly announce and post a public notice of the base prices computed in accordance with paragraph (6) daily: Provided, That the cycle for such public announcement and public notification of the base prices may be otherwise determined by the relevant collective investment agreement, within 15 days, if it is impracticable to publicly announce and post a public notice of the base prices daily or in any other case as specified further by Presidential Decree.

(8) If a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc., computes a false base price, in violation of paragraph (6), the Financial Services Commission may order the collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. to entrust the affairs related to the assessment of base prices to a fund accounting and administration company specifying the scope of the affairs. In such cases, the collective investment business entity, an affiliated company thereof, and affiliated companies of an investment company, investment limited company, investment limited partnership company and investment limited liability company shall be excluded from those eligible for such entrustment. *<Amended on Feb. 29, 2008; May 28, 2013>*

Article 239 (Preparation of Documents of Settlement of Accounts)

(1) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall prepare the following documents and accompanying statements (hereafter in this Article referred to as "documents of settlement of accounts") for each accounting period of a collective investment scheme:

1. Balance sheet;
2. Statement of profit and loss;
3. Asset management report prepared under Article 88.

(2) The corporate director of an investment company shall submit the documents of settlement of accounts to the board of directors for approval by no later than one week before holding the directors' meeting.

(3) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall keep the following documents at its head office (in cases of an investment company, etc., including the head office of the collective investment business entity that

operates the collective investment property of the investment company, etc.), and shall forward the documents to the investment trader or investment broker that sold the relevant collective investment securities to keep them at its sales offices:

1. Documents of settlement of accounts;
2. Audit report;
3. Minutes of the general meeting of collective investors;
4. Minutes of the directors' meeting (limited to an investment company).

(4) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. and the investment trader or investment broker that sold the relevant collective investment securities, shall keep the documents of settlement of accounts and the audit report for five years from the day such documents and report are newly stocked pursuant to paragraph (3).

(5) Investors and creditors of a collective investment scheme may inspect the documents kept in accordance with paragraph (3) at any time during business hours, and may also request a certified copy or an abstract of the documents from the relevant entity.

(6) Matters necessary for the mandatory descriptions of the documents of settlement of accounts shall be prescribed and publicly notified by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

Article 240 (Accounting of Collective Investment Property)

(1) In accounting the collective investment property, a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall comply with the accounting standards established and publicly notified by the Financial Services Commission, through deliberation by the Securities and Futures Commission. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission may entrust the establishment or amendment of the accounting standards referred to in paragraph (1) to an entity prescribed by Presidential Decree from among non-governmental corporations or organizations with expertise. In such cases, upon establishing or amending the accounting standards, such non-governmental corporation or organization shall report the established or amended accounting standards to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

(3) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall be audited by an auditor for the collective investment property within two months from the end of each accounting period and from any of the following dates: Provided, That this shall not apply where it is unlikely to undermine investors' interests in circumstances specified by Presidential Decree:

1. Upon expiration or termination of the contract term: The date of expiration or termination;
2. Upon expiration of the term of existence or dissolution: The date of expiration or dissolution.

(4) Upon appointing or replacing an auditor of the collective investment property, a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company,

etc. shall notify the trust business entity that keeps in custody and manages the collective investment property of such appointment or replacement, without delay, and shall also report such appointment or replacement to the Financial Services Commission within one week from the date of appointment or replacement. *<Amended on Feb. 29, 2008>*

(5) In auditing the affairs related to computation by a collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. of the base prices of collective investment securities and the affairs related to accounting of the collective investment property, an auditor shall ascertain whether the entity or company has complied with the standards for assessment of the collective investment property, and shall inform the auditor (or the audit committee, if established) of the collective investment business entity of the investment trust or the undisclosed investment association, or the investment company, etc. of the results thereof.

(6) Each auditor shall conduct an audit in compliance with the audit standards referred to in paragraph (10) and the audit standards prescribed under Article 16 of the Act on External Audit of Stock Companies, Etc. *<Amended on Feb. 3, 2009; Oct. 31, 2017>*

(7) An auditor may request the following persons to allow him or her to inspect or copy relevant materials such as account books of the collective investment property, or demand that such persons furnish the materials necessary for audit. In such cases, such persons shall comply with the request or demand without delay:

1. The collective investment business entity that operates the collective investment property.
2. The trust business entity that keeps in custody and manages the collective investment property;
3. The investment trader or the investment broker that sells the collective investment securities;
4. The fund accounting and administration company entrusted with the business affairs from the investment company entrusts under Article 184 (6), or the fund accounting and administration company entrusted with the affairs related to computation of the base price from the collective investment business entity of the investment trust or the undisclosed investment association, or the investment company, etc. under Article 238 (8).

(8) Article 20 of the Act on External Audit of Stock Companies, Etc. shall apply mutatis mutandis to the audit of a collective investment property under paragraph (3). *<Amended on Oct. 31, 2017>*

(9) Articles 4 and 8 of the Act on External Audit of Stock Companies, Etc. shall not apply to any investment company. *<Amended on Oct. 31, 2017>*

(10) Matters necessary for the guidelines for appointment of auditors, the audit standards, the authority of auditors, the submission and public disclosure of audit reports, etc. shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

Article 241 (Auditor's Liability for Damage)

(1) An auditor shall be liable for damage sustained by an investor, if the auditor has caused such damage to the investor who has relied on any false statement or representation concerning a material fact or any

omission to state or represent a material fact in an audit report prepared after the audit is completed under Article 240 (3). In such cases, where the auditor works in a team of auditors under subparagraph 7 (b) of Article 2 of the Act on External Audit of Stock Companies, Etc., the persons who have participated in the audit of the relevant collective investment property shall be jointly liable for such damage. *<Amended on Oct. 31, 2017>*

(2) Where an auditor is liable for damage sustained by an investor, and a director or an auditor (referring to a member of an audit committee, if such audit committee is established therein; hereafter the same shall apply in this paragraph) of the collective investment business entity that operates the relevant collective investment property or a supervisory director of the investment company has also attributable reason for such damage, the auditor and the director or auditor of the collective investment business entity or the supervisory director of the investment company shall be jointly liable for such damage: Provided, That where a person liable for damage has no intention, the person shall be liable for damage according to the rate of liability determined by the court dependent upon the causes attributable. *<Amended on Jan. 28, 2014>*

(3) Notwithstanding the proviso of paragraph (2), where the recognized amount of income (referring to the recognized amount of income defined in subparagraph 8 of Article 2 of the National Basic Living Security Act) does not exceed the amount prescribed by Presidential Decree, an auditor shall be jointly liable for damage with a director and an auditor of the trust business entity. *<Newly Inserted on Jan. 28, 2014>*

(4) Article 31 (6) through (9) of the Act on External Audit of Stock Companies, Etc. shall apply mutatis mutandis to cases falling under paragraphs (1) and (2). *<Amended on Jan. 28, 2014; Oct. 31, 2017>*

Article 242 (Distribution of Profit)

(1) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. shall distribute to investors the profit generated as a result of the operation of the collective investment property of a collective investment scheme in cash, or by newly issued collective investment securities: Provided, That any of the collective investment schemes specified by Presidential Decree, considering the characteristics of the collective investment schemes, may reserve the dividends of profit in the collective investment scheme in accordance with the provisions of its collective investment agreement.

(2) A collective investment business entity of an investment trust or an undisclosed investment association, or an investment company, etc. may distribute dividends in cash in excess of profit, if it is necessary to distribute dividends in excess of profit in light of the characteristics of the collective investment scheme: Provided, That no investment company may distribute dividends in excess of an amount calculated by subtracting the minimum net asset value from the net asset value.

(3) Matters necessary for the distribution of profit under paragraph (1) and distribution of money in excess of the profit under paragraph (2) shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

Article 243 Deleted. *<Jul. 24, 2015>*

CHAPTER VI SAFEKEEPING AND MANAGEMENT OF COLLECTIVE INVESTMENT PROPERTY

Article 244 (Fiduciary Duty of Due Care)

A trust business entity that keeps in custody and manages collective investment property shall exercise a fiduciary duty of due care in keeping in custody and managing the collective investment property, and shall protect investors' interests.

Article 245 (Exclusion from Application)

The provisions of Part II, Chapter IV, Section 2, Subsection 4 (excluding Articles 116 and 117) shall not apply to an investment trust when a trust business entity is entrusted with the property of the investment trust.

Article 246 (Limitations on Business of Trust Business Entities)

(1) No trust business entity that keeps in custody and manages collective investment property shall be an affiliated company of any of the following persons: *<Amended on May 28, 2013>*

1. The relevant collective investment scheme (limited to an investment company, an investment limited company, an investment limited partnership company, and an investment limited liability company);
2. The collective investment business entity that operates the collective investment property.

(2) A trust business entity that keeps in custody and manages collective investment property shall separate the collective investment property from its proprietary property, other collective investment property, and the property with which it has been entrusted by a third party for safekeeping and management. In such cases, it shall clearly earmark the facts pertaining to the collective investment property and the trustor.

(3) A trust business entity that keeps in custody and manages collective investment property shall separate, from its proprietary property, securities and other instruments specified by Presidential Decree, out of the collective investment property, and shall deposit them in the Securities Depository: Provided, That this shall not apply to cases prescribed by Presidential Decree taking into consideration whether the relevant securities have any possibility of trading, any method of trading under other statutes, and any feasibility of deposit, etc. *<Newly Inserted on May 28, 2013>*

(4) Whenever the collective investment business entity that operates the collective investment property gives it an instruction necessary for the performance of acquisition, disposition, etc. of an asset, or for safekeeping, management, etc. in accordance with Article 80, a trust business entity that keeps in custody and manages collective investment property shall execute such instruction separately for each collective investment scheme in a manner prescribed by Presidential Decree.

(5) A trust business entity that keeps in custody and manages collective investment property shall not trade collective investment property which is being kept and managed by it with its own property, other collective investment property or property entrusted with its custody by a third party: Provided, That this shall not apply to cases prescribed by Presidential Decree as necessary for the efficient management of collective investment property. *<Newly Inserted on Feb. 3, 2009; May 28, 2013>*

(6) A trust business entity that keeps in custody and manages collective investment property shall not trade collective investment property which is being kept and managed by it with the property of its interested persons. *<Newly Inserted on Feb. 3, 2009>*

(7) A trust business entity that keeps in custody and manages collective investment property shall not use information about the collective investment property of the collective investment scheme for the management of its own property, management of the property that it keeps in custody and manages, or the sales of collective investment securities that it sells. *<Newly Inserted on Feb. 3, 2009>*

Article 247 (Monitoring of Operational Acts)

(1) A trust business entity that keeps in custody and manages collective investment property (excluding the property of an investment company) shall examine whether a management instruction or an operational act of the collective investment business entity that operates the collective investment property violates an statute, the collective investment agreement, or the prospectus (including the preliminary prospectus and the simplified prospectus; hereafter the same shall apply in this Article) in accordance with the guidelines and manner prescribed by Presidential Decree, and shall demand that the collective investment business entity withdraw, revise, or rectify the management instruction or operational act, if any such violation exists therein.

(2) A trust business entity that keeps in custody and manages the property of an investment company shall examine whether an operational act of the collective investment business entity that operates the property of the investment company violates an statute, the articles of incorporation, the prospectus, etc. in accordance with the guidelines and manner prescribed by Presidential Decree, report any violation to the supervisory directors of the investment company, and the supervisory directors of the investment company shall, in turn, demand that the collective investment business entity that operates the property of the investment company rectify the operational act, if any such violation exists therein.

(3) A trust business entity that keeps in custody and manages collective investment property (excluding the property of an investment company), or the supervisory directors of an investment company shall, if the collective investment business entity that operates the collective investment property fails to comply with a demand under paragraph (1) or (2) by the third business day, report such fact to the Financial Services Commission, and shall disclose the matters prescribed by Presidential Decree to the public in a manner prescribed by Presidential Decree: Provided, That the trust business entity that keeps in custody and manages the property of the investment company shall take such measures, if the supervisory directors of the investment company fail to perform their duty to report to the Financial Services Commission or

make such public disclosure. *<Amended on Feb. 29, 2008>*

(4) A collective investment business entity may file an objection to a demand under paragraph (1) or (2) with the Financial Services Commission. In such cases, the parties involved shall comply with the decision made by the Financial Services Commission in accordance with the guidelines prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

(5) A trust business entity that keeps in custody and manages collective investment property shall confirm the following matters in connection with the collective investment property:

1. Whether the prospectus conforms to statutes, and the collective investment agreement;
2. Whether the asset management report under Article 88 (1) and (2) has been prepared properly;
3. Whether the risk management method under Article 93 (2) has been prepared properly;
4. Whether the assessment of the collective investment property has been made fairly in accordance with Article 238 (1);
5. Whether the computation of the base price under Article 238 (6) has been performed adequately;
6. The details of the performance of the collective investment business entity in relation to a demand for rectification, etc. under paragraph (1) or (2);
7. Other matters prescribed by Presidential Decree as necessary for the protection of investors.

(6) A trust business entity that keeps in custody and manages collective investment property may, if necessary for making a demand under paragraph (1), submitting a report under paragraph (2), or confirming the matters under the subparagraphs of paragraph (5), demand that the collective investment business entity or the investment trust company, etc. furnish relevant materials. In such cases, the collective investment business entity or the investment company, etc. shall comply with such demand, unless there is a good cause.

(7) Matters necessary for the time, procedure, scope, etc. concerning the confirmation by a trust business entity that keeps in custody and manages collective investment property of the matters under the subparagraphs of paragraph (5) shall be prescribed by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

Article 248 (Delivery of Report on Safekeeping and Management of Assets)

(1) A trust business entity that keeps in custody and manages collective investment property shall prepare a report on safekeeping and management of assets, which shall contain the following matters, within two months of the occurrence of any of the events set forth in the subparagraphs of Article 90 (2), and deliver such report to investors: Provided, that delivering the reports on safekeeping and management of assets to investors may be omitted if investors are frequently changed or there is no possibility of undermining investors' interests, as prescribed further by Presidential Decree: *<Amended on Feb. 3, 2009>*

1. Amendments to essential provisions of the collective investment agreement;
2. Changes in fund managers;

3. Details of a resolution adopted by the general meeting of collective investors;

4. Matters referred to in the subparagraphs of Article 247 (5);

5. Other matters prescribed by Presidential Decree.

(2) A trust business entity shall deliver the report on safekeeping and management of assets under paragraph (1) to the Financial Services Commission and the Association within the time period set forth in para- graph (1). *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(3) Matters necessary for the time, method, liability for expenses, etc. concerning the furnishing of the report on safekeeping and management of assets under paragraph (1) shall be prescribed by Presidential Decree.

CHAPTER VII SPECIAL CASES CONCERNING PRIVATELY PLACED FUNDS

SECTION 1 Hedge Funds

Article 249 (Prohibition on Business Activities without Registration)

No person shall engage in hedge fund investment business without having its hedge fund investment business registered under this Act.

Article 249-2 (Investors in Hedge Funds)

An investment trust in the form of a hedge fund, a hedge fund investment business entity of an undisclosed association, or an investment company, etc. in the form of a hedge fund may issue collective investment securities to the following investors only (hereafter in this Chapter referred to as "accredited investors"):

1. An investor prescribed by Presidential Decree from among professional investors;

2. An individual, corporation or any other organization (including the Funds established under the Acts set forth in attached Table 2 of the National Finance Act and collective investment schemes) that invests not less than the amount prescribed by Presidential Decree, which shall be at least 100 million won.

Article 249-3 (Registration of Collective Investment Business)

(1) An entity that wishes to engage in hedge fund investment business shall have its hedge fund investment business registered with the Financial Services Commission.

(2) An entity who intends to be registered as a crowdfunding broker under paragraph (1) shall satisfy each of the following requirements: *<Amended on Jul. 31, 2015>*

1. The entity shall be either of:

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

(b) A foreign collective investment business entity (referring to an entity that engages in any business equivalent to the collective investment business in a foreign country in accordance with the statutes of the foreign country; hereafter the same shall apply in this Article) that has established a branch office or any other business office necessary for conducting the collective investment business equivalent to the business being conducted in the foreign country;

2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 500 million won;

3. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect its investors and conduct the hedge fund investment business in which it intends to engage;

4. None of its executive officers shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

5. Its major shareholder, or the foreign collective investment business entity shall meet each of the following requirements:

(a) In cases falling under subparagraph 1 (a), the major shareholder (referring to major shareholders as defined in Article 12 (2) 6 (a)) shall have sufficient investment capabilities, good financial standing and social credibility;

(b) In cases falling under subparagraph 1 (b), the foreign collective investment business entity shall have sufficient investment capabilities, good financial standing and social credibility;

6. It shall have good financial standing prescribed by Presidential Decree, such as the fulfillment of guidelines for management soundness, and good social credibility prescribed by Presidential Decree, such as having no record of violations of relevant statutes or regulations;

7. It shall have a system for preventing conflicts of interest between the hedge fund investment business entity and investors, as well as between a specific investor and other investors.

(3) A person who intends to have its hedge fund investment business registered under paragraph (1) shall file an application for registration with the Financial Services Commission.

(4) Upon receipt of an application for registration filed under paragraph (3), the Financial Services Commission shall examine the contents of the application; determine whether to approve the registration within two months; and give written notice of its determination and the grounds for such determination to the applicant without delay. In such cases, the Financial Services Commission may request that the applicant correct his or her application, if such application is incomplete.

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4).

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exists:

1. Where the applicant fails to satisfy any of the requirements for registration of hedge fund investment business provided for in paragraph (2);

2. Where the application for registration filed under paragraph (3) contains false information;

3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) Upon having determined to register hedge fund investment business pursuant to paragraph (4), the Financial Services Commission shall enter the necessary matters in the register of hedge fund investment business entities, and shall give public notice of the details of such registration on the Official Gazette, its website, etc.

(8) Every hedge fund investment business entity shall be compliance with the requirements for registration provided for in the subparagraphs of paragraph (2) (excluding subparagraph 6 of the same paragraph; and referring to the relaxed requirements prescribed by Presidential Decree in the cases of subparagraph 2 and 5 the same paragraph) in the course of conducting its business following registration.

(9) Matters concerning filing applications for registration, including the mandatory descriptions and accompanying documents of the applications for registration under paragraphs (1) through (8), and other necessary matters, including the methods and procedures for examination of registration, shall be prescribed by Presidential Decree.

Article 249-4 (Duty to Verify Accredited Investors in Hedge Funds)

A financial investment business entity that sells collective investment securities of a hedge fund shall ascertain whether an investor is an accredited investor.

Article 249-5 (Advertisements Soliciting Investment by Hedge Funds)

A financial investment business entity that sells collective investment securities of a hedge fund shall comply with each of the following conditions, when it advertises for investment in the hedge fund:

1. Advertisements shall be targeted only for professional investors or investors prescribed by Presidential Decree;

2. Advertisements shall be placed on advertising media prescribed by Presidential Decree.

Article 249-6 (Creation or Establishment of, and Reporting on, Hedge Funds)

(1) An investment trust in the form of a hedge fund, a collective investment business entity of an undisclosed association, or an investment company in the form of a hedge fund, etc. shall create or establish a hedge fund upon satisfying each of the following requirements:

1. None of the following entities shall be in a period of suspension of business:

(a) A collective investment business entity that manages collective investment property of the hedge fund;

(b) A trust business entity that keeps in custody and manages the collective investment property of the hedge fund;

(c) An investment trader or investment broker that sells the collective investment securities of the hedge fund;

(d) A fund accounting and administration company with whom the affairs referred to in Article 184 (6) have been entrusted by an investment company, if an investment company is involved;

2. The hedge fund shall have been created and established lawfully pursuant to this Act;

3. The collective investment agreement shall have neither violated any statute or regulation, nor manifestly infringed on any investor's interests;

4. All other requirements prescribed by Presidential Decree shall be satisfied, considering the form, etc. of the collective investment scheme referred to in each subparagraph of Article 9 (18).

(2) Where an investment in the form of a hedge fund, a collective investment business entity of an undisclosed association, or an investment company in the form of a hedge fund, etc. creates or establishes a hedge fund under paragraph (1), it shall file a report thereon with the Financial Services Commission within two weeks from the date of creation or establishment: Provided, That it shall file a report without delay after the creation or establishment of a hedge fund in cases prescribed by Presidential Decree as likely to undermine the protection of investors and sound trading practices.

(3) The Financial Services Commission may require any report filed under paragraph (2) be corrected, if such report is incomplete.

(4) Where any matter reported under paragraph (2) is changed, an investment trust in the form of a hedge fund, a collective investment business entity of an undisclosed association, or an investment company in the form of a hedge fund, etc. shall file a report on the change with the Financial Services Commission within two weeks from the date of the change, except under the circumstances prescribed by Presidential Decree, which are likely to undermine the protection of investors. Paragraph (3) shall apply mutatis mutandis in such cases.

(5) Matters concerning the methods and procedures for reporting and reporting on the modification under paragraphs (1) through (4), and other necessary matters shall be prescribed by Presidential Decree.

Article 249-7 (Methods of Managing Collective Investment Property Held by Hedge Funds)

(1) Where a hedge fund investment business entity manages collective investment property held by each hedge fund, the aggregate of the following amounts shall not exceed the ratio prescribed by Presidential Decree within 400 percent of the value calculated by deducting the total amount of liabilities from the total amount of assets of the hedge fund: Provided, That in the case of a hedge fund prescribed by Presidential Decree, which is unlikely to undermine the protection of investors and the stable management of the collective investment property, the aggregate of the amounts prescribed in subparagraphs 1 and 2 or the amount prescribed in subparagraph 3 shall not respectively exceed the ratio prescribed by Presidential Decree within 400 percent of the value calculated by deducting the total amount of liabilities from the total

amount of assets of each hedge fund:

1. Where it invests in derivatives, the assessed risks contingent to the trading of the derivatives;

2. Where it manages the collective investment property by such means as guaranteeing the repayment of debts or providing it as collateral for any person other than the hedge fund, the amount of such debt guarantee or the value of the object for which the collateral is provided;

3. Where it obtains a loan on the account of the hedge fund, the total amount of the loan.

(2) No hedge fund investment business entity shall engage in any of the following activities in the course of investing the collective investment property of its hedge fund in real estate:

1. Disposing of real estate prescribed by Presidential Decree within the period prescribed by Presidential Decree not exceeding five years from the acquisition of the real estate: Provided, That where a parcel of land, buildings, etc. developed or constructed by a real estate development project are sold in lots or in units, or in cases prescribed by Presidential Decree as necessary for protecting investors, such disposal shall be excluded herefrom;

2. Disposing of a parcel of land without any building or other structure thereon before executing a real estate development project for such a parcel of land: Provided, That where the hedge fund is merged, terminated, or dissolved, or in cases prescribed by Presidential Decree as necessary for protecting investors, such disposal shall be excluded herefrom.

(3) A hedge fund investment business entity shall file a report with the Financial Services Commission on the status of managing collective investment property held by each hedge fund, status of loans, etc. referred to in paragraph (1) by the method prescribed by Presidential Decree.

(4) Where any event prescribed by Presidential Decree occurs in connection with the protection of investors, an investment trust in the form of a hedge fund, a collective investment business entity of an undisclosed association, or an investment company in the form of a hedge fund, etc. shall file a report on the event with the Financial Services Commission within two weeks from the date of occurrence of such event.

(5) Detailed methods of managing collective investment property held by each hedge fund and reporting procedures under paragraphs (1) through (4), and other necessary matters shall be prescribed by Presidential Decree.

Article 249-8 (Special Cases concerning Hedge Funds)

(1) Articles 76 (2) through (6), 81 through 83, 88, 89 (including the case to which the same Article shall apply mutatis mutandis pursuant to Article 186 (2)), 90 (including the case to which the same Article shall apply mutatis mutandis pursuant to Article 186 (2)), 91 (3) (including the case to which the same Article shall apply mutatis mutandis pursuant to Article 186 (2)), 92, 93, 94 (1) through (4) and (6), 182, 183 (1), 186 (excluding the case to which Article 87 shall apply mutatis mutandis), 188 (2) and (3), 189 (2), 195, 196 (5) (excluding the case to which such provision shall apply mutatis mutandis pursuant to Articles 208 (3), 216 (2), 217-3 (3), 222 (2) and 227 (2)), 197, 198 (2) and (3), 199, 200, 207 (5), 208 (1) (including the

case to which such provision shall apply mutatis mutandis pursuant to Articles 216 (2), 222 (2) and 227 (2)), 211 (1), 213 (5), 216 (1), 217-2 (5), 217-3 (10, 217-6 (1), 218 (3), 222 (1), 224 (3), 227 (1), 229, 230, 235, 237, 238 (6) through (8), 239 (1) 3 and (2) through (5), 240 (3) through (8) and (10), 241, 247 (1) through (4) and (5) 1 through 3, 6 and 7, and (6) and (7), 248, and 253, shall not apply to any hedge fund. *<Amended on Mar. 24, 2020>*

(2) No investor in any hedge fund shall transfer his or her collective investment securities to any person, other than an accredited investor.

(3) Notwithstanding Articles 188 (4), 194 (7) (including the case to which such provision shall apply mutatis mutandis under Article 196 (6)), 207 (4), 213 (4), 217-2 (4), 218 (2), and 224 (2), investors in a hedge fund (in the case of an investment trust, referring to a hedge fund investment business entity that manages the property of the investment trust) may make a payment with an asset, other than cash, such as securities, real estate or commodities, in a manner prescribed by Presidential Decree, if it is possible to assess the value of such asset objectively and there is no possibility of undermining other investors' interests.

(4) The general meeting of collective investors and the provisions related thereto shall not apply to any hedge fund.

(5) A notice given to all investors by a collective investment business entity in the form of a hedge fund, a collective investment business entity of an investment trust, or an investment company, etc. in the form of a hedge fund concerning matters that shall be publicly disclosed or notified under this Act or the Commercial Act, in a manner provided for in the collective investment agreement, shall be deemed to be a public disclosure or public notice made under this Act or the Commercial Act.

(6) An investment company in the form of a hedge fund shall have one corporate director that is a hedge fund investment business entity, and may have one or two directors, notwithstanding Article 383 (1) of the Commercial Act.

(7) A hedge fund may determine the matters concerning the distribution of profit or loss to its investors, the priority in profit or loss, etc. in accordance with its collective investment agreement.

(8) Notwithstanding Article 7 (6) 3, subparagraphs 5 through 7 of Article 71 (in the case of subparagraph 7, limited to the activities prescribed by Presidential Decree among those prescribed by Presidential Decree under the same subparagraph) and Articles 74 and 76 (1) shall apply mutatis mutandis where a hedge fund investment business entity sells collective investment securities of any hedge fund managed by itself. In such cases, "investment trader or investment broker" in Articles 74 and 76 (1) shall be deemed "hedge fund investment business entity that sells collective investment securities of any hedge fund managed by itself".

Article 249-9 (Measures in Relation to Hedge Funds)

(1) The Financial Services Commission may order a hedge fund to be terminated or dissolved in any of the following cases:

1. Where the hedge fund fails to meet any of the requirements provided for in subparagraphs of Article 249-6 (1);

2. Where the hedge fund fails to file a report or a report on any change under Article 249-6 (2) or (4);

3. Where the hedge fund files a report or a report on any change under Article 249-6 (2) or (4) by fraud or other improper means;

4. Where the hedge fund falls under any case prescribed by Presidential Decree, in violation of any Acts prescribed by Presidential Decree among the finance-related statutes, such as undermining social credibility;

5. Where the hedge fund fails to comply with a corrective order or a cease order issued paragraph (2) 3;

6. Where the hedge fund is likely to undermine investors' interests substantially or it is deemed impracticable for the hedge fund to continue its existence as such, in such cases as prescribed by Presidential Decree.

(2) Where any of the events prescribed in the subparagraphs of paragraph (1) or the subparagraphs of attached Table 2 occurs in relation to an investment company, etc. in the form of a hedge fund (including its collective investment business entity, corporate director, managing member, and general partner), the Financial Services Commission may take any of the following measures against the investment company, etc.:

1. Suspending its business completely or partially for not more than six months;

2. Issuing an order to transfer contracts;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) Where any of the following applies to a supervisory director of an investment company, the Financial Services Commission may take measures against the supervisory director, such as demanding dismissal, suspending his or her duties for not more than six months, issuing a reprimand warning, a caution warning or caution, or other measures prescribed by Presidential Decree: *<Amended on Feb. 19, 2020>*

1. Where the supervisory director has used any duty-related information without good cause in violation of Article 54 (1), which is applied mutatis mutandis in Article 199 (5);

2. In circumstances prescribed by Presidential Decree where there is a possibility of undermining the protection of investors or sound trading practices.

(4) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to the measures, etc. against hedge funds, hedge fund investment business entities, and the executive officers and/or employees thereof.

SECTION 2 Private Equity Funds

Article 249-10 (Establishment and Reporting)

(1) The articles of incorporation of a private equity fund shall state the following matters, on which all partners shall print their names or affix their seals and signatures:

1. Purpose;
2. Trade name;
3. Address of the company;
4. Purpose of contribution by each partner and the criteria for pricing or assessment;
5. Term of existence of the company (which shall not exceed 15 years from the date of registration for incorporation);
6. Reasons for dissolution of the company, if stipulated by the articles of incorporation;
7. The names, resident registration numbers (or trade name or title, and business registration number in the case of a corporation), and addresses of partners;
8. Distinction between the general partners and limited partners;
9. Date of preparation of the articles of incorporation.

(2) Every private equity fund shall register the following matters:

1. Matters referred to in paragraph (1) 1 through 3 and matters referred to in subparagraphs 5 and 6 of the same paragraph;
2. Trade name or name, business registration number, and address of each general partner.

(3) Every private equity fund shall meet both of the following requirements:

1. It shall have been established lawfully under this Act;
2. Its articles of incorporation shall neither violate any statute nor explicitly infringe on any investor's interests.

(4) Every private equity fund shall file a report on its incorporation with the Financial Services Commission within two weeks from the date of registration for incorporation, as prescribed by Presidential Decree: Provided, That in cases prescribed by Presidential Decree as likely to undermine the protection of investors and sound trading practices, the report shall be filed without delay after completing the registration for the incorporation of the private equity fund.

(5) The Financial Services Commission may require any report filed under paragraph (4) to be corrected, if such report is incomplete.

(6) If there is any change in the matters reported under paragraph (4), every private equity fund shall file a report on the change with the Financial Services Commission within two weeks from the date of the change, except in cases prescribed by Presidential Decree as minor matters. Paragraphs (4) and (5) shall apply mutatis mutandis in such cases.

(7) The methods and procedures for filing a report and a report on changes under paragraphs (4) through (6), and other necessary matters shall be prescribed by Presidential Decree.

Article 249-11 (Partners and Contributions)

(1) Partners of a private equity fund shall consist of one or more general partners and one or more limited partners, and the total number of partners shall not exceed 49 persons.

(2) In counting the total number of partners referred to in paragraph (1), the number of investors in another collective investment scheme shall be added, if that collective investment scheme holds not less than ten percent of the equity shares of the private equity fund.

(3) Persons specified by Presidential Decree from among professional investors shall be excluded for the calculation of the total number of partners referred to in paragraph (1).

(4) No limited partner shall engage in the exercise of voting rights in relation to stocks or equity shares that belong to the property of the private equity fund or in the duties of the managing member prescribed by Presidential Decree.

(5) Contributions by partners of a private equity fund shall be made in cash only: Provided, That securities may be acceptable for contributions if it is possible to assess their value objectively and there is no possibility of undermining partners' interests, subject to the consent of all other partners.

(6) A limited partner shall be any of the following persons or entities:

1. An investor prescribed by Presidential Decree from among professional investors;
2. An individual, corporation or any other organization (including the Funds established under the Acts set forth in attached Table 2 of the National Finance Act and collective investment schemes) that invests not less than the amount prescribed by Presidential Decree, which shall be at least 100 million won.

(7) The Korea Development Bank established under the Korea Development Bank Act and the Industrial Bank of Korea established under the Industrial Bank of Korea Act may make a contribution to a private equity fund to the extent that it conforms to the purpose for which they are established.

(8) If the ratio of equity shares held by a limited partner that is an affiliated person of the managing member of a private equity fund to the total equity shares of the private equity fund is not less than the ratio prescribed by Presidential Decree, the private equity fund shall file a report with the Financial Services Commission on the matters prescribed by Presidential Decree, such as information on the limited partner and its investment structure, within the period prescribed by Presidential Decree.

(9) Except as otherwise provided for in paragraphs (1) through (8), the methods and procedures for partners' contribution, procedures for filing reports, and other necessary matters shall be prescribed by Presidential Decree.

Article 249-12 (Methods for Managing Collective Investment Property of Private Equity Funds)

(1) A private equity fund (including where it is managed jointly with another private equity fund in a manner prescribed by Presidential Decree) shall manage its collective investment property by any of the

following methods:

1. Investing its collective investment property to hold not less than ten percent of the total number of outstanding voting stocks or the total amount of contribution of any other company (excluding an investment company, an investment limited company, an investment limited partnership company, an investment limited liability company, or any other company specified by Presidential Decree; hereafter in this Article the same shall apply);

2. Investing its collective investment property so that it can exercise de facto control over the major business affairs of an invested company, such as the appointment and dismissal of executive officers, notwithstanding subparagraph 1;

3. Investing its collective investment property (limited to an investment prescribed by Presidential Decree with the purpose set forth in subparagraph 1 or 2) in securities (excluding equity securities);

4. Investing its collective investment property in exchange-traded derivatives or over-the-counter derivatives prescribed by Presidential Decree as follows:

(a) An investment for hedging risks in investments in securities issued by an investable enterprise (referring to an enterprise in which a private equity fund or a special-purpose company provided for in Article 249-13 (hereinafter referred to as "special-purpose company") invests by any method set forth in subparagraphs 1 through 3; hereafter in this Chapter the same shall apply);

(b) An investment for hedging risks contingent upon fluctuations of the exchange rate of the collective investment property of a private equity fund;

5. Investing its collective investment property in securities issued by a company specializing in investment and financing for infrastructure established under the Act on Public-Private Partnerships in Infrastructure;

6. Investing its collective investment property in equity securities of a special-purpose company;

7. Making other investments prescribed by Presidential Decree, equivalent to those specified in subparagraphs 1 through 6.

(2) A private equity fund may manage its collective investment property remaining after managing it by the methods provided for in the subparagraphs of paragraph (1) by any of the following methods:

1. Providing short-term loans prescribed by Presidential Decree;

2. Depositing in financial companies prescribed by Presidential Decree;

3. Investing its collective investment property in securities prescribed by Presidential Decree, at a ratio prescribed by Presidential Decree not exceeding 30 percent of the value calculated by deducting the total amount of liabilities from the total amount of its assets;

4. Any other method prescribed by Presidential Decree, which is unlikely to undermine the sound asset management of the private equity fund.

(3) A private equity fund shall manage a certain amount of contributions by its partners at a ratio prescribed by Presidential Decree, which shall not be less than 50 percent of the amount of the contributions, within the period prescribed by Presidential Decree, exceeding six months from the date of

such contributions, by the method set forth in paragraph (1) 1, 2, 5, or 6 (limited to an investment made by a special-purpose company by the method set forth in paragraph (1) 1, 2, or 5): Provided, That this shall not apply where it is impracticable to select an investable enterprise, or in other cases prescribed by Presidential Decree, which are pre-approved by the Financial Services Commission.

(4) In cases falling under any of paragraph (1) 1 through 3, a private equity fund shall hold the equity securities issued by an invested enterprise or other securities prescribed by Presidential Decree (hereafter in this Article referred to as "equity securities, etc.") continuously for at least six month from the date it acquires them, and shall not dispose of such equity securities, etc. prior to the expiration of the six-month period: Provided, That it may dispose of such securities, etc. prior to the expiration of the six-month period, where it is apparent that continued holding of the equity securities is likely to undermine partners' interests, or in other cases prescribed by Presidential Decree, which are pre-approved by the Financial Services Commission. *<Amended on Mar. 27, 2018>*

(5) A private equity fund (including a person who became a shareholder or partner of a special-purpose company in accordance with Article 249-13 (1) 3 (b) or (c)) shall hold equity securities issued by a special-purpose company continuously for at least six months from the date of acquisition of the equity securities, and shall not dispose of such equity securities prior to the expiration of the six-month period: Provided, That it may dispose of such securities prior to the expiration of the six-month period, where it is apparent that continued holding of the equity securities of the special-purpose company is likely to undermine partners' interests, or in other cases prescribed by Presidential Decree, which are pre-approved by the Financial Services Commission.

(6) Where a private equity fund fails to comply with any of paragraph (1) 1 through 3 by the time six months elapses after it has acquired the equity securities, etc. of any other company for the first time, it shall transfer all the equity securities, etc. of the company it has acquired, to a third person (excluding a person who has an investment relationship with the private equity fund or who is under the control of such person through an investment) within the period prescribed by Presidential Decree, and shall report it to the Financial Services Commission without delay: Provided, That the private equity fund may elect not to dispose of such equity securities, etc. within the period prescribed by Presidential Decree, where it is impracticable to dispose of them, or in other cases prescribed by Presidential Decree, which are pre-approved by the Financial Services Commission.

(7) In any of the following circumstances, a private equity fund may obtain a loan or provide a debt guarantee for an investable enterprise or other person related to the investable enterprise. In such cases, the aggregate of the loan and the debt guarantee shall not exceed ten percent of the property of the private equity fund:

1. Where it is essential to return the contribution made by a withdrawing partner;
2. Where funds necessary to cover operating expenses becomes insufficient temporarily;
3. Where funds necessary to invest in an investable enterprise becomes insufficient temporarily.

(8) Methods for calculating the investment ratio of the collective investment property held by a private equity fund and other matters necessary for the private equity fund to manage its collective investment property, shall be prescribed by Presidential Decree.

(9) A private equity fund shall file a report with the Financial Services Commission on the status of management of its collective investment property under paragraph (2), the status of loans or debt guarantees under paragraph (7) (including the status of loans or debt guarantees a special-purpose company has obtained or provided under Article 249-13 (3)), etc., as prescribed by Presidential Decree.

Article 249-13 (Special-Purpose Companies)

(1) A special-purpose company means a company that satisfies each of the following requirements:

1. It shall be a stock company or limited liability company incorporated under the Commercial Act;
2. Its purpose shall be to make investments as prescribed in Article 249-12 (1);
3. Its shareholders or partners shall be any of the following, and the ratio of contribution made by a shareholder or partner who is an entity referred to in item (a) shall not be less than the ratio prescribed by Presidential Decree:
   (a) A private equity fund or a special-purpose company in which the private equity fund has invested;
   (b) An executive officer or a major shareholder of the company in which the special-purpose company invests;
   (c) Any other person prescribed by Presidential Decree who should be a shareholder or partner of the special-purpose company for the efficient management of the special-purpose company;
4. The aggregate number of partners of a private equity fund, who are its shareholders or partners, and shareholders or partners who are not the private equity fund, shall not exceed 49 persons;
5. Neither full-time executive officer nor employee shall be hired and no place of business, other than its head office, shall be established.

(2) The provisions of the Commercial Act governing stock companies or limited liability companies shall apply to special-purpose companies, except as otherwise expressly provided for in this Act.

(3) A special-purpose company may obtain a loan or provide a debt guarantee for an investable enterprise or any other person related to the investable enterprise. In such cases, the aggregate of the loan and the debt guarantee shall not exceed the limit prescribed by Presidential Decree.

(4) Methods for calculating the investment ratio of the property held by a special-purpose company and other matters necessary for the special purpose company to manage its property shall be prescribed by Presidential Decree.

(5) Articles 242, 249-11 (3), 249-12 (4) and (6) and 249-18 shall apply mutatis mutandis to special-purpose companies.

(6) Articles 317 (2) 2 and 3 and 549 (2) 2 of the Commercial Act shall not apply to any special-purpose company.

Article 249-14 (Managing Members)

(1) A private equity fund shall designate one or more general partners as managing members by its articles of incorporation. In this regard, each managing member shall have the rights and duties to execute the business affairs of the private equity fund.

(2) A person engaging in the business provided in the Acts prescribed by Presidential Decree among finance-related statutes may become a managing member, notwithstanding the provisions of such Acts. In such cases, the managing member may execute the business affairs to the extent not violating the provisions of such statutes that restricts or prohibits such execution.

(3) A private equity fund may stipulate the matters concerning the distribution of profit or loss to the managing members, the priority in profit or loss, etc. in its articles of incorporation.

(4) Article 11 shall not apply where the managing members of a private equity fund engages in such business as managing, keeping in custody, and administering the collective investment property of the private equity fund, and selling and redeeming the equity shares of the private equity fund.

(5) Every managing member shall perform his or her duties in good faith for the private equity fund, as prescribed in the statutes and the articles of incorporation.

(6) No managing member (including executive officers and/or employees of a corporation in cases referred to in subparagraph 2 and 3, if the corporation is a managing member) shall engage in any of the following activities:

1. Trading with the private equity fund (excluding where all partners consent to such trading);
2. Unduly soliciting a person to become a partner by promising to guarantee the principal or a certain amount of profit or in any other manner;
3. Furnishing a detailed statement of assets owned by the private equity fund to any person other than the partners without consent of all partners for the benefit of some partners or a third party;
4. Any other activities prescribed by Presidential Decree, which could undermine the protection of partners of the private equity fund and the stability, etc. of the collective investment property of the private equity fund.

(7) A private equity fund shall establish a code of conduct to be complied with by its managing members under paragraphs (5) and (6), and shall report to the Financial Services Commission without delay upon having established or amended the code of conduct. In this regard, the Financial Services Commission may order the code of conduct reported to be amended or supplemented if it violates any statute, or is likely to undermine partners' interests.

(8) A managing member shall furnish partners with the financial statements, etc. of the private equity fund and the special-purpose company in which the private equity fund has invested at least once per the period prescribed by Presidential Decree; explain the status of management and property to them; and keep and maintain a record of the facts related to such furnishing and explanation.

(9) A partner, other than a managing member, may request the inspection of account books and documents related to the property of the private equity fund, or the special-purpose company in which the private equity fund has invested, or a certified copy or an abstract of such account books and documents during business hours.

(10) If a managing member is substantially unfit to perform his or her duties or commits a serious violation in the course of performing his or her duties, a partner, other than a managing member, may inspect the business affairs and the status of the property of the private equity fund or the special-purpose company in which the private equity fund has invested, after obtaining approval from the Financial Services Commission.

(11) A private equity fund may pay remuneration (including compensation contingent upon the performance of management) to its managing member with the collective investment property of the private equity fund, as prescribed by its articles of incorporation.

Article 249-15 (Registration of Managing Members)

(1) An entity that intends to engage in the management of the collective investment property of a private equity fund as its managing member shall be registered with the Financial Services Commission upon meeting each of the following requirements: *<Amended on Jul. 31, 2015>*

1. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 100 million won;
2. None of its executive officers (including persons prescribed by Presidential Decree, such as a managing member of a limited partnership company) shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;
3. Its fund managing personnel shall not be less than the number prescribed by Presidential Decree;
4. It shall have the internal control standards appropriate for identifying, assessing and managing the likelihood of conflicts of interest under Article 44;
5. It shall have good financial standing and social creditability prescribed by Presidential Decree.

(2) A business entity that intends to be registered under paragraph (1) shall file an application for registration with the Financial Services Commission.

(3) Upon receipt of an application for registration filed under paragraph (2), the Financial Services Commission shall examine the contents of the application; determine whether to approve the registration within one month, and give written notice of its determination and the grounds for such determination to the applicant without delay. In such cases, the Financial Service Commission may request that the applicant correct his or her application for registration, if such application is incomplete.

(4) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (3).

(5) In determining whether to approve an application for registration under paragraph (3), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exists:

1. Where the applicant fails to meet any of the requirements provided for in paragraph (1);
2. If the application for registration filed under paragraph (2) contains false information;
3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (3).

(6) A managing member of a private equity fund shall be in compliance with the requirements for registration provided for in the subparagraphs of paragraph (1) in the course of managing the collective investment property of the private equity fund following registration under paragraph (1).

(7) The Financial Services Commission may revoke the registration of a managing member of a private equity fund, where any of the following applies to the managing member:

1. Where the managing member has been registered by fraud or other improper means;
2. Where the managing member has breached the duty to comply with the requirement prescribed in paragraph (6);
3. Where the managing member has performed its business affairs during the period for which its business operations are suspended;
4. Where the managing member has failed to comply with a corrective order or a cease order issued by the Financial Services Commission;
5. Any other case prescribed by Presidential Decree as likely to undermine investors' interests substantially or as impracticable to manage the collective investment property of the private equity fund.

(8) Matters concerning filing an application for registration, including mandatory descriptions in the application for registration and accompanying documents, and the methods and procedures for the examination of the application under paragraphs (1) through (5), and other necessary matters shall be prescribed by Presidential Decree.

Article 249-16 (Restrictions on Transactions with Interested Parties)

(1) No managing member shall engage in any transaction with any interested party prescribed by Presidential Decree (hereafter in this Article referred to as "interested party") while managing the collective investment property of a private equity fund: Provided, That the managing member may make any of the following transactions, if such transactions have no possibility of conflicts of interest with the private equity fund:

1. A transaction through an open market in which many unspecified people participate, such as a securities market;
2. A transaction favorable to the private equity fund in comparison to the general terms and conditions of transactions;

3. Any other transaction prescribed by Presidential Decree

(2) Where a managing member enters into a transaction with an interested party permitted under the proviso of paragraph (1) or an interested party is changed, the managing member shall immediately notify the details of such event to the trust business entity that keeps in custody and manages the relevant collective investment property of the private equity fund.

(3) No managing member shall acquire any security it has issued on the account of a private equity fund while managing the collective investment property of the private equity fund.

(4) No managing member shall acquire any security (including depositary receipts related to the equity securities issued by its affiliated company and investable assets prescribed by Presidential Decree) issued by any of the following companies affiliated therewith, in excess of the ratio prescribed by Presidential Decree not exceeding five percent of the collective investment property while managing the collective investment property of the private equity fund. In such cases, the securities to be acquired with the collective investment property of the private equity fund shall be appraised at their market price and the methods and procedures for appraisal shall be prescribed by Presidential Decree:

1. A company affiliated with the managing member;

2. A company affiliated with an entity prescribed by Presidential Decree, a limited partner that has de facto control over the private equity fund.

Article 249-17 (Transfer of Equity Shares)

(1) No general partner of a private equity fund shall transfer his or her equity shares in contribution to any third person: Provided, That the general partner may transfer his or her equity shares to a third person without splitting them with consent of all partners, if the articles of incorporation so allow.

(2) A limited partner of a private equity fund may transfer his or her equity shares in contribution to a third person without splitting them with the consent of all general partners.

(3) Notwithstanding the proviso of paragraph (1) and paragraph (2), a general partner and a limited partner of a private equity fund may split his or her equity shares and transfer such split equity shares to other persons as long as the total number of partners of the private equity fund after such transfer does not exceed 49 persons. Article 249-11 (3) shall apply mutatis mutandis in such cases.

(4) No private equity fund may be merged with any other company (including any other private equity fund).

(5) No limited partner of a private equity fund shall transfer his or her share to any person, other than the person or entity referred to in any subparagraph of Article 249-11 (6).

Article 249-18 (Restrictions on Private Equity Funds Affiliated with Business Groups subject to Limitations on Cross Shareholding)

(1) If a private equity fund that is an affiliated company of a business group subject to limitations on cross shareholding, or whose general partner is an affiliated company of a business group subject to limitations

on cross shareholding, acquires any other company (excluding foreign companies referred to in Article 9 (16) 4) as its affiliated company, it shall dispose of the equity securities of such other company to any person, other than an affiliated company of the business group subject to limitations on cross shareholding, within five years from the date of such acquisition.

(2) Notwithstanding paragraph (1), where a private equity fund that is an affiliated company of a business group subject to limitations on cross shareholding, or whose general partner is an affiliated company of a business group subject to limitations on cross shareholding, and whose ratio of the total amount of capital (referring to an amount calculated by deducting the total amount of liabilities from the total amount of assets on the balance sheet; hereafter the same shall apply in this paragraph) or capital stock, whichever is larger, of companies engaging in the business of finance or insurance, to the total amount of assets (in cases of a company engaging in the business of finance or insurance, referring to the total amount of capital or capital stock, whichever is larger) of all affiliated companies of a business group subject to limitations on cross shareholding, excluding the following entities (hereinafter referred as "private equity fund, etc."), is not less than the ratio prescribed by Presidential Decree, which shall be at least 75 percent, acquires any other company (excluding foreign companies referred to in Article 9 (16) 4) as its affiliated company, it shall dispose of the equity securities of such other company to any person, other than an affiliated company of the business group subject to limitations on cross shareholding, within seven years from the date of such acquisition: Provided, That the period for disposition may be extended for not more than three years, if an approval is obtained from the Financial Services Commission in the manner prescribed by Presidential Decree:

1. A private equity fund.
2. A special-purpose company in which an entity referred to in subparagraph 1 has invested;
3. A special-purpose company in which an entity referred to in subparagraph 2 has invested;
4. An investable enterprise in which any of the entities referred to in the subparagraphs 1 through 3 has invested;
5. A company controlled by an entity referred to in subparagraph 4.

(3) A private equity fund that is an affiliated company of a business group subject to limitations on cross shareholding or whose general partner is an affiliated company of a business group subject to limitations on cross shareholding shall not acquire any equity security issued by the affiliated company (excluding special-purpose companies and investable enterprises).

(4) No affiliated company of any business group subject to limitations on cross shareholding referred to in paragraph (2) shall engage in any of the following activities:

1. Acquiring or holding equity securities of an affiliated company that is not a private equity fund, etc. by a private equity fund, etc.;
2. Acquiring or holding equity securities of an entity referred to in paragraph (2) 4 or 5 by an affiliated company that is not a private equity fund, etc.

Article 249-19 (Special Cases concerning Regulation on Holding Companies)

(1) None of the provisions of the Monopoly Regulation and Fair Trade Act governing holding companies shall apply to any private equity fund or special-purpose company until the tenth anniversary of the date it satisfies the requirements prescribed in Article 249-12 (1) 1 or 2.

(2) If a private equity fund or special-purpose company is eligible under paragraph (1), it shall report the relevant fact to the Financial Services Commission in a manner prescribed by Presidential Decree within two weeks from the date it satisfies the requirement, and the Financial Services Commission shall, in turn, notify the Fair Trade Commission of such matter.

(3) A private equity fund (including a general partner of a private equity fund who is not an affiliated company of a business group subject to limitations on cross shareholding or a financial holding company) or a special-purpose company shall not be deemed a financial holding company established under the Financial Holding Companies Act until the tenth anniversary of the date on which it satisfies the requirements prescribed in Article 249-12 (1) 1 or 2: Provided, That Articles 45, 45-2 through 45-4 and 48 of the Act shall apply mutatis mutandis to a private equity fund or a special-purpose company, if it has control over at least one financial institution specified by Presidential Decree.

(4) Articles 45-2 through 45-4 of the Financial Holding Companies Act shall apply mutatis mutandis where a company is a managing member of a private equity fund. In such cases, "major investor of a bank holding company" shall be construed as "managing member" or "major shareholder of a managing member."

(5) A subsidiary under the Financial Holding Companies Act may acquire equity shares of a private equity fund, notwithstanding Article 19 of the same Act.

Article 249-20 (Special Cases concerning Private Equity Funds)

(1) Articles 182, 183 (1), 184 (1), (2), (5) and (6), 186, 213 through 215, 216 (excluding the part of Article 216 (3) applicable mutatis mutandis to the dissolution or liquidation of investment limited partnership companies), 217, 229 through 237, 238 (2) through (5) and (7) and (8), 239, 240 (3) through (10), 241, 247 (1) through (4), (5) 1 through 3 and 6 and 7, (6), and (7), 248, 249, 249-2 through 249-9, 250, 251, and 253 shall not apply to any private equity fund.

(2) Articles 173, 198, 217 (2), 224, 274, and 286 of the Commercial Act shall not apply to any private equity fund.

(3) Article 11 of the Monopoly Regulation and Fair Trade Act shall not apply where a voting right is exercised in relation to the equity securities of a special-purpose company or investable company (excluding enterprises the shares of which are owned by an affiliated person as prescribed in Article 7 (1) of the Monopoly Regulation and Fair Trade Act (limiting to the same person and his or her relatives) in a private equity fund that belongs to a business group subject to limitations on cross shareholding or in a special-purpose company in which such private equity fund has invested) owned by a private equity fund

that belongs to a business group subject to limitations on cross shareholding referred to in Article 249-18 (2) or by a special-purpose company in which such private equity fund has invested.

(4) Matters prescribed by Presidential Decree concerning the status of limited partners among the matters prescribed in Articles 11-3 and 11-4 of the Monopoly Regulation and Fair Trade Act shall not apply to any private equity fund that belongs to a business group subject to limitations on cross shareholding referred to in Article 249-18 (2).

Article 249-20 (Special Cases concerning Private Equity Funds)

(1) Articles 182, 183 (1), 184 (1), (2), (5) and (6), 186, 213 through 215, 216 (excluding the part of Article 216 (3) applicable mutatis mutandis to the dissolution or liquidation of investment limited partnership companies), 217, 229 through 237, 238 (2) through (5) and (7) and (8), 239, 240 (3) through (10), 241, 247 (1) through (4), (5) 1 through 3 and 6 and 7, (6), and (7), 248, 249, 249-2 through 249-9, 250, 251, and 253 shall not apply to any private equity fund.

(2) Articles 173, 198, 217 (2), 224, 274, and 286 of the Commercial Act shall not apply to any private equity fund.

(3) Article 25 (1) of the Monopoly Regulation and Fair Trade Act shall not apply where a voting right is exercised in relation to the equity securities of a special-purpose company or investable company (excluding enterprises the shares of which are owned by an affiliated person as prescribed in Article 9 (1) of the Monopoly Regulation and Fair Trade Act (limiting to the same person and his or her relatives) in a private equity fund that belongs to a business group subject to limitations on cross shareholding or in a special-purpose company in which such private equity fund has invested) owned by a private equity fund that belongs to a business group subject to limitations on cross shareholding referred to in Article 249-18 (2) or by a special-purpose company in which such private equity fund has invested. *<Amended on Dec. 29, 2020>*

(4) Matters prescribed by Presidential Decree concerning the status of limited partners among the matters prescribed in Articles 27 and 28 of the Monopoly Regulation and Fair Trade Act shall not apply to any private equity fund that belongs to a business group subject to limitations on cross shareholding referred to in Article 249-18 (2). *<Amended on Dec. 29, 2020>*

Article 249-21 (Measures against Private Equity Funds)

(1) Where any of the following applies to a private equity fund, the Financial Services Commission may order the private equity fund to be dissolved:

1. Where it fails to file a report or a report on any change required under Article 249-10 (4) or (6) or 249-11 (8);
2. Where it files a report or a report on any change required under Article 249-10 (4) or (6) or 249-11 (8) by fraud or other improper means;

3. Where it fails to meet any of the requirements prescribed in the subparagraphs of Article 249-10 (3);

4. Where any of the events set forth in the subparagraphs of attached Table 6 occurs in relation to the private equity fund, and circumstances prescribed by Presidential Decree exist;

5. Where it violates any of the Acts prescribed by Presidential Decree among the finance-related statutes, and circumstances prescribed by Presidential Decree exist, such as undermining social credibility;

6. Where it fails to comply with a corrective order or a cease order issued under paragraph (2) 3;

7. Where there is a possibility of seriously undermining investors' interests or it is deemed impracticable to continue its existence as a private equity fund, in circumstances prescribed by Presidential Decree.

(2) Where any subparagraph of paragraph (1) (excluding subparagraph 4) or any subparagraph of attached Table 6 applies to a private equity fund, the Financial Services Commission may take any of the following measures against the private equity fund:

1. Suspending its business completely or partially for not more than six months;

2. Issuing an order to transfer contracts;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the private equity fund;

6. Issuing a caution to the private equity fund;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) Where any subparagraph of paragraph (1) (excluding subparagraph 4) or any subparagraph of attached Table 6 applies to a managing member of a private equity fund, the Financial Services Commission may take any of the following measures:

1. Measures against the managing member:

(a) Request for dismissal;

(b) Suspending his or her duties for a period not exceeding six months;

(c) Issuing a warning to the private equity fund;

(d) Issuing a caution to the private equity fund;

(e) Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation;

2. Measures against the executive officer of the managing member:

(a) Request for dismissal;

(b) Suspending his or her duties for a period not exceeding six months;

(c) Issuing a reprimand warning;

(d) Issuing a caution warning;

(e) Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation;

3. Request for measures against an employee of the managing member:

(a) Removal;

(b) Suspending his or her duties for not more than six months;

(c) Salary reduction;

(d) Reprimand;

(e) Caution;

(f) Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to the measures, etc. against a private equity fund and its managing member.

Article 249-22 (Special Cases concerning Private Equity Funds for Corporate Financial Stability)

(1) "Private equity fund for corporate financial stability" in this Article means a private equity fund that aims at investing and managing its collective investment property as prescribed in paragraph (2) and distributing returns to its investors in order to normalize the management of any of the following companies subject to financial restructuring (excluding financial institutions defined in the Act on the Structural Improvement of the Financial Industry; hereafter in this Article the same shall apply) and to stabilize its financial stability:

1. A company showing a sign of insolvency as defined in subparagraph 7 of Article 2 of the Corporate Restructuring Promotion Act;

2. A company that has filed an application to commence rehabilitation procedures under Article 34 or 35 of the Debtor Rehabilitation and Bankruptcy Act;

3. A company that has filed a petition for bankruptcy with a court under Article 294 or 295 of the Debtor Rehabilitation and Bankruptcy Act;

4. A company that has entered into an agreement for improving its financial structure prescribed by Presidential Decree with a creditor financial institution (referring to a financial institution prescribed by Presidential Decree);

5. A company that intends to restructure or improve its financial structure, as prescribed by Presidential Decree, by such means as a merger, conversion, or liquidation of a corporation (including its affiliated companies);

6. Any other company that needs to improve its financial structure or to normalize its management and meets the requirements prescribed by Presidential Decree.

(2) Notwithstanding Article 249-12, a private equity fund for corporate financial stability shall manage at least 50 percent of the amount of investments by its partners, which shall not be less than the ratio prescribed by Presidential Decree, by any of the following methods within the period prescribed by

Presidential Decree, which shall be at least six months from the date of such investments by partners when managing its collective investment property and may manage any property remaining after being managed as aforementioned, as prescribed by Presidential Decree:

1. Trading of securities issued by a company subject to financial restructuring;
2. Trading of receivables, including loan receivables, the debtor of which is a company subject to financial restructuring, security rights thereto, and other rights;
3. Trading of assets having economic value held by a company subject to financial restructuring, such as real estate and goodwill;
4. Provision of loans and payment guarantees to a company subject to financial restructuring within the limit not exceeding the amount calculated by deducting the total liabilities from the total assets;
5. Investing in equity securities of a special-purpose company under paragraph (3).

(3) Notwithstanding Article 249-13 (1) 2, a special-purpose company, a shareholder or partner of which is a private equity fund for corporate financial stability and the ratio of investment by the shareholder or partner is not less than the ratio prescribed by Presidential Decree, may manage its property by any of the methods prescribed in paragraph (2) 1 through 4 (for the purposes of subparagraph 4, the total amount of assets means the total amount of assets of the special-purpose company) or by other methods prescribed by Presidential Decree. Article 249-12 (4) and (6) (including the case to which such provision shall apply mutatis mutandis under Article 249-13 (5)) shall not apply in such cases.

(4) Notwithstanding Article 83, a private equity fund for corporate financial stability may borrow money or provide a debt guarantee to a company subject to financial restructuring or any other person related to the company subject to financial restructuring. In such cases, the aggregate amount of money borrowed and the amount of the debt guarantee shall not exceed 200 percent of the amount calculated by deducting the total liabilities from the total assets of the private equity fund for corporate financial stability; and the amount of money borrowed and the amount of debt guarantees by a private equity fund for corporate financial stability, and the amount of money borrowed by a special-purpose company under paragraph (3), shall be aggregated for the purposes of calculating the limit referred to in Article 249-13 (3).

(5) An entity that manages each Fund referred to in Article 13 (1) 2 through 5 of the National Finance Act may invest the Fund in a private equity fund for corporate financial stability in an amount not exceeding ten percent of the amount of the surplus fund, within the ratio prescribed by Presidential Decree, in accordance with the management plan of the relevant Fund. In such cases, the amount invested by the Fund shall be calculated by aggregating the amount invested in a special-purpose company under paragraph (3).

(6) Neither private equity fund for corporate financial stability nor special-purpose company referred to in paragraph (3) shall dispose of any equity securities it has acquired, prior to the expiration of the six-month period from the date of acquisition: Provided, That it may dispose of the equity securities within the six-month period from the date of acquisition, where continuously holding such equity securities is likely to undermine the interests of its partners explicitly, or in other cases prescribed by Presidential Decree, which

are pre-approved by the Financial Services Commission.

(7) Methods for calculating the ratio of investment of the collective investment property held by a private equity fund for corporate financial stability and the property held by a special-purpose company under paragraph (3); the management of, and restrictions on management of, the collective investment property held by a private equity fund for corporate financial stability and the property held by a special-purpose company under paragraph (3); methods for calculating the limit on borrowing money; and other necessary matters therefor, shall be prescribed by Presidential Decree.

Article 249-23 (Special Cases concerning Private Equity Fund Specializing in Start-up or Venture Business)

(1) "Private equity fund specializing in start-up or venture business" in this Article means a private equity fund that aims at investing and managing its collective investment property as prescribed in paragraph (2) and distributing returns to its investors in order to create a foundation for the growth and sound development of any of the following companies (hereafter in this Article referred to as "start-up, venture business, etc."): *<Amended on Dec. 31, 2019; Feb. 11, 2020>*

1. A business starter defined in subparagraph 2 of Article 2 of the Support for Small and Medium Enterprise Establishment Act: Provided, That such cases shall be excluded herefrom, where any small and medium enterprise established or commencing business by the relevant business starter, is a small and medium enterprise falling under any subparagraph of Article 3 of the Support for Small and Medium Enterprise Establishment Act;
2. Venture businesses under Article 2 (1) of the Act on Special Measures for the Promotion of Venture Business.
3. A technical innovation-oriented small or medium enterprise under Article 15 of the Act on the Promotion of Technology Innovation of Small and Medium Enterprises or a management innovation-oriented small or medium enterprise under Article 15-3 of the same Act;
4. A new technology enterprise defined in subparagraph 1 of Article 2 of the Korea Technology Finance Corporation Act;
5. An enterprise specializing in materials and components defined in subparagraph 5 of Article 2 of the Act on Special Measures for Strengthening the Competitiveness of Materials, Components, and Equipment Industries, which is a small and medium enterprise under Article 2 of the Framework Act on Small and Medium Enterprises;
6. Any other enterprise prescribed by Presidential Decree, which requires the creation of foundation for growth and sound development as a small and medium enterprise under Article 2 of the Framework Act on Small and Medium Enterprises.

(2) Notwithstanding Article 249-12, when a private equity fund specializing in start-up and venture business manages its collective investment property, it shall manage a certain amount of contributions by its partners at a ratio prescribed by Presidential Decree, which shall not be less than 50 percent of the

amount of the contributions, within the period prescribed by Presidential Decree which exceeds six months from the date of such contributions, by any of the following methods, and the property remaining after such management may be managed as prescribed by Presidential Decree:

1. Investment in securities issued by a start-up, venture business, etc.;
2. Investment in equity securities of a special-purpose company referred to in paragraph (3);
3. Any other method prescribed by Presidential Decree, which is necessary to provide financial support to a start-up, venture business, etc.

(3) Notwithstanding Article 249-13 (1) 2, a special-purpose company, the shareholder or partner of which is a private equity fund specializing in start-up and venture business and the ratio of investment in which by the shareholder or partner is not less than the ratio prescribed by Presidential Decree, may manage its property by the method prescribed in paragraph (2) 1 or 3 or by any other method prescribed by Presidential Decree. In such cases, Article 249-12 (4) and (6) (including the case to which such provision shall apply mutatis mutandis under Article 249-13 (5)) shall not apply.

(4) Methods for calculating the ratios of investment of the collective investment property held by a private equity fund specializing in start-up and venture business and the property held by a special-purpose company under paragraph (3), and other matters necessary for the management of, and restrictions, etc. on management of, the collective investment property held by a private equity fund specializing in start-up and venture business and the property held by a special-purpose company under paragraph (3) shall be prescribed by Presidential Decree.

(5) A private equity fund specializing in start-up and venture business shall file a report on the current state of management of collective its investment property under paragraph (2) and other matters prescribed by Presidential Decree with the Financial Services Commission, as prescribed by Presidential Decree.

SECTION 3 Special Provisions concerning Banks and Insurance Companies

Article 250 (Special Provisions concerning Banks)

(1) A bank that has obtained authorization to run collective investment business under Article 12 (hereafter in this Article referred to as "bank that runs collective investment business concurrently") may engage in the business of creating and terminating investment trusts and managing investment trust property within the authorized scope of business.

(2) A bank that runs collective investment business concurrently shall establish a committee for the management of collective investment property, which shall be comprised of three executive officers (including two outside directors) who are not in charge of the business affairs referred to in paragraph (7) 1, 3, and 4, to make decisions related to the management of the collective investment property. In such cases, matters concerning the operation, etc. of the committee for the management of collective investment property shall be prescribed by Presidential Decree.

(3) No bank that runs collective investment business concurrently shall engage in any of the following acts in connection with the management of investment trust property:

1. Acquiring beneficiary certificates of an investment trust that the bank issues with its proprietary property;
2. Using the information on the property of an investment trust that the bank operates for selling other collective investment securities;
3. Selling beneficiary certificates of an investment trust that the bank operates through any other bank;
4. Creating a money market fund under subparagraph 5 of Article 229.

(4) No bank that keeps in custody of and manages collective investment property shall use information on the collective investment property of the collective investment scheme for managing the property of an investment trust that it operates or for selling the collective investment securities that it sells.

(5) No bank that engages in the business of a fund accounting and administration company shall use information on the collective investment property of the relevant collective investment scheme for managing the property of an investment trust that it operates or for selling the collective investment securities that it sells.

(6) No bank that sells collective investment securities with authorization for investment trading business or investment brokerage business shall engage in any of the following acts:

1. Using information on the collective investment property of the collective investment securities that it sells for managing the property of an investment trust that it operates or for selling the beneficiary certificates of an investment trust that it operates;
2. Discriminating against customers without good cause by linking the sales business of collective investment securities with the business affairs conducted under the Banking Act.

(7) To engage in collective investment business, trust business (including the business of taking custody and management of collective investment property; hereafter in this paragraph the same shall apply), or the business of a fund accounting and administration company under this Act, a bank shall have executive officers (including persons specified by Presidential Decree, who are virtually equivalent to executive officers; hereafter the same shall apply in this paragraph) assigned to such business; shall not assign concurrently any of the following business affairs to the executive officers and/or employees; and shall be equipped with a system for preventing conflicts of interest prescribed by Presidential Decree, including prohibiting the sharing of an electronic computer system, offices, etc. and restricting the exchange of information between executive officers and/or employees in charge of different business affairs: Provided, That an executive officer may take concurrent charge of any business affair specified in subparagraph 1, if there is little possibility of conflicts of interest between that business affair and the business affairs specified in subparagraphs 2 through 4, as prescribed by Presidential Decree, and the business affairs specified in subparagraphs 2 through 4, and the executive officer may also take concurrent charge of the business affairs specified in subparagraphs 3 and 4: <*Amended on Feb. 3, 2009; May 28, 2013*>

1. Business affairs conducted under the Banking Act (excluding the business affairs referred to in subparagraphs 2 through 4 and those prescribed by Presidential Decree);
2. Collective investment business;
3. Trust business;
4. Business affairs of a fund accounting and administration company.

Article 251 (Special Provisions concerning Insurance Companies)

(1) An insurance company that has obtained authorization to run financial investment business with respect to collective investment business under Article 12 (hereafter in this Article referred to as "insurance company that runs collective investment business concurrently") may engage in the business of creating and terminating investment trusts, and managing property of investment trusts, within the authorized scope of business. In such cases, the creation and termination of investment trusts and the management of property of investment trusts shall be limited to a special account under Article 108 (1) 3 of the Insurance Business Act (referring to each investment trust, if there are multiple investment trusts created under an individual trust contract within the special account; hereafter in this Article the same shall apply), and such a special account shall be deemed an investment trust established under this Act.
(2) Article 250 (3) (limited to subparagraph 2) shall apply mutatis mutandis to an insurance company that runs collective investment business concurrently, and paragraph (4) through (6) of the same Article shall apply mutatis mutandis to an insurance company. In such cases, "bank" shall be construed as "insurance company"; and "Banking Act" as "Insurance Business Act."
(3) To engages in collective investment business, trust business (including the business of keeping in custody and managing collective investment property; hereafter the same shall apply in this paragraph), or the business of a fund accounting and administration company under this Act, an insurance company shall have executive officers (excluding the executive officers in cases of management of the property of an investment trust in a manner prescribed by Presidential Decree, but including persons specified by Presidential Decree, who are virtually equivalent to executive officers; hereafter in this paragraph the same shall apply) assigned to such business; shall not assign concurrently any of the following business affairs to the executive officers and/or employees; and shall be equipped with a system for preventing conflicts of interest prescribed by Presidential Decree, including prohibiting the sharing of an electronic computer system, offices, etc. and restricting the exchange of information between executive officers and/or employees in charge of different business affairs: Provided, That an executive officer may take concurrent charge of any business affair specified in subparagraph 1, if there is little possibility of conflicts of interest between that business affair and the business affairs specified in subparagraphs 2 through 4, as prescribed by Presidential Decree, and the business affairs specified in subparagraphs 2 through 4, and the executive officer may also take concurrent charge of the business affairs specified in subparagraphs 3 and 4: *<Amended on Feb. 3, 2009; May 28, 2013>*

1. Business affairs conducted under the Insurance Business Act (excluding the business affairs referred to in subparagraphs 2 through 4 and those prescribed by Presidential Decree);

2. Collective investment business;

3. Trust business;

4. Business affairs of a fund accounting and administration company.

(4) Notwithstanding Article 83 (4), an insurance company that runs a collective investment business concurrently may manage assets that belong to investment trust property by granting loans to insurance policy holders in a manner provided for in the Insurance Business Act.

(5) Articles 182, 183 (1), and 188 (1) 2 and 6, the latter part of Article 188 (2), and paragraph (3) of the same Article, Articles 189 through 191, 192 (excluding the proviso of paragraph (1) of the same Article), 193, 230, 235 through 237, 238 (2) (limited to where investment trust property is managed in a manner prescribed by Presidential Decree), 239 (3), 253 (1), and 420 (1), shall not apply to any investment trust managed by an insurance company that run collective investment business concurrently. *<Amended on May 28, 2013>*

(6) Articles 82 and 86, Article 89 (1) 4, and Articles 90 and 92 shall not apply to any collective investment business run by an insurance company. *<Amended on Feb. 3, 2009>*

CHAPTER VIII SUPERVISION AND INSPECTION

Article 252 (Supervision and Inspection of Investment Companies)

(1) The Financial Services Commission may order investment companies, etc. to take measures necessary for the following matters in order to protect investors and maintain sound trade practice: *<Amended on Feb. 29, 2008>*

1. Matters concerning management of collective investment property;

2. Matters concerning public disclosures related to collective investment property;

3. Other matters prescribed by Presidential Decree as necessary for the protection of investors or sound trade practice.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of investment companies, etc.

Article 253 (Deregistration of Collective Investment Scheme)

(1) In any of the following circumstances, the Financial Services Commission may deregister a collective investment scheme: Provided, That the Financial Services Commission must deregister the collective investment scheme if an event set forth in subparagraph 3 occurs: *<Amended on Feb. 29, 2008>*

1. Where the collective investment scheme or any change of such collective investment scheme has been registered under Article 182 (1) or (8) by fraud or other improper means;

2. Where the collective investment scheme ceases to meet any of the requirements for registration provided for in the subparagraphs of Article 182 (2);

3. Where the collective investment scheme is terminated or dissolved;

4. Where the net asset value of the investment company falls short of the minimum net assets prescribed in 194 (2) 7 continuously for not less than three months;

5. Where any change of the collective investment scheme has not been registered as required under Article 182 (8);

6. Where the collective investment scheme fails to comply with a corrective order or a cease order issued by the Financial Services Commission;

7. In circumstances prescribed by Presidential Decree where the collective investment scheme falls under any of the subparagraphs of attached Table 2;

8. In circumstances prescribed by Presidential Decree where the collective investment scheme violates any finance-related statute, etc.;

9. Where there is a possibility of seriously undermining investors' interests or it is deemed impracticable to continue its existence as a collective investment scheme in circumstances prescribed by Presidential Decree.

(2) Where any subparagraph of paragraph (1) (excluding subparagraph 7) or any subparagraph of attached Table 2 applies to an investment company, etc. (including its collective investment business entity, corporate director, managing member and general partner), the Financial Services Commission may take any of the following measures against the investment company, etc.: *<Amended on Feb. 29, 2008>*

1. Suspending its business completely or partially for not more than six months;

2. Issuing an order to transfer contracts;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) Where any of the following applies to a supervisory director of an investment company, the Financial Services Commission may take measures against the supervisory director, such as demanding dismissal, suspending his or her duties for not more than six months, issuing a reprimand warning, a caution warning or caution, or other measures prescribed by Presidential Decree: *<Amended on Feb. 29, 2008; May 19, 2020>*

1. Where the supervisory director has amended the articles of incorporation in violation of the proviso of Article 195 (1);

2. Where the supervisory director has used any duty-related information without good cause in violation of Article 54 (1), which shall apply mutatis mutandis pursuant to Article 199 (5);

3. Where the supervisory director has adopted a resolution in violation of Article 200 (3);

4. Where the supervisory director fails to demand a correction in violation of Article 247 (2), or fails to perform the affairs related to reporting or public disclosure in violation of paragraph (3) of the said Article;

5. In circumstances prescribed by Presidential Decree where there is a possibility of undermining the protection of investors or sound trading practices.

(4) If a passport fund falls under any of the following subparagraphs, the Financial Services Commission may deregister the fund: Provided, That the Financial Services Commission shall deregister the fund in cases falling under subparagraphs 1 and 4: *<Newly Inserted on Nov. 26, 2019>*

1. Where the registration or revised registration of the passport fund under Article 182-2 (1) or (3) is filed by fraud or other improper means;

2. Where the passport fund ceases to meet the requirements prescribed in any subparagraph of Article 182-2 (2);

3. Where the passport fund fails to file a revised registration, in violation of Article 182-2 (3);

4. Where the passport fund is deregistered pursuant to paragraph (1);

5. Where there is a possibility of significantly undermining investors' interests or other cases prescribed by Presidential Decree where it is impracticable to continue its existence as a passport fund.

(5) The Financial Services Commission shall hold a hearing to deregister a collective investment scheme or a passport fund pursuant to paragraph (1) or (4) or demand dismissal of a supervisory director of an investment company pursuant to paragraph (3). *<Amended on Feb. 29, 2008; Nov. 26, 2019>*

(6) Articles 424 and 425 shall apply mutatis mutandis to the measures, etc. against a collective investment scheme and supervisory directors of investment companies. *<Amended on Nov. 26, 2019>*

CHAPTER IX COMPANIES RELATED TO COLLECTIVE INVESTMENT SCHEMES

Article 254 (Fund Accounting and Administration Company)

(1) An entity that intends to engage in the business provided for in the subparagraphs of Article 184 (6) under entrustment by an investment company in accordance with Article 184 (6), shall be registered with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) An entity that intends to be registered under paragraph (1) shall satisfy each of the following requirements: *<Amended on May 28, 2013; Jul. 31, 2015; Mar. 22, 2016>*

1. It shall be any of the following:

(a) A stock company established under the Commercial Act;

(b) A transfer agent;

(c) Any of financial institution specified by Presidential Decree;

2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 500 million won;

3. It shall retain professionals that meet the criteria prescribed by Presidential Decree as full-time executive officer or employee;

4. It shall be equipped with physical facilities specified by Presidential Decree, including an electronic computer system;

5. Its executive officers shall be qualified under Article 5 of the Act on Corporate Governance of Financial Companies;

6. It shall have a system for preventing conflicts of interest prescribed by Presidential Decree (limited to where it engages in financial business specified by Presidential Decree).

(3) An entity that intends to be registered under paragraph (1) shall file an application for registration with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Upon receipt of an application for registration filed under paragraph (3), the Financial Services Commission shall examine the contents of the application, determine whether to approve the registration within 30 days, and give written notice of its determination and the grounds for such determination to the applicant without delay. In such cases, the Commission may request that the applicant correct his or her application, if such application is incomplete. *<Amended on Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Feb. 29, 2008>*

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exist: *<Amended on Feb. 29, 2008>*

1. Where the applicant fails to meet any of the requirements provided for in paragraph (2);

2. Where the application for registration filed under paragraph (3) contains false information;

3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) Upon having determined to approve a registration pursuant to paragraph (4), the Financial Services Commission shall enter the necessary matters in the register of fund accounting and administration companies, and shall give public notice of the details of such registration on the Official Gazette, its website, etc. *<Amended on Feb. 29, 2008>*

(8) An entity registered under paragraph (1) (hereinafter referred to as "fund accounting and administration company") shall be in compliance with the requirements for registration provided for in the subparagraphs of paragraph (2) (referring to the relaxed requirement prescribed by Presidential Decree in the case of subparagraph 2 of same paragraph) in the course of conducting its business following registration.

(9) Mandatory descriptions and accompanying documents of the application for registration referred to in paragraphs (1) through (7), matters necessary for filing such application, the method and procedure for examination of applications, and other necessary matters shall be prescribed by Presidential Decree.

Article 255 (Provisions to be Applied Mutatis Mutandis)

@Articles 42, 54, 60, and 64 shall apply mutatis mutandis to fund accounting and administration companies.

Article 256 (Supervision and Inspection of Fund Accounting and Administration Companies)

(1) The Financial Services Commission may issue necessary orders to fund accounting and administration companies in relation to the following to protect investors and maintain sound trading practices: *<Amended on Feb. 29, 2008>*

1. Matters concerning management of its proprietary property;
2. Matters concerning maintenance of practices in operations;
3. Matters concerning operating methods;
4. Other matters prescribed by Presidential Decree necessary for protecting investors and maintaining sound trading practices.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of fund accounting and administration companies.

Article 257 (Measures against Fund Accounting and Administration Companies)

(1) Where any of the events referred to in the subparagraphs of attached Table 3 occurs in relation to a fund accounting and administration company, the Financial Services Commission may deregister the fund accounting and administration company under Article 254 (1). *<Amended on Feb. 29, 2008>*

(2) Where any of the events referred to in the subparagraphs of attached Table 3 occurs in relation to a fund accounting and administration company, the Financial Services Commission may take any of the following measures against the fund accounting and administration company: *<Amended on Feb. 29, 2008>*

1. Suspending its business completely or partially for not more than six months;
2. Issuing an order to transfer contracts;
3. Issuing an order to correct or cease the relevant violation;
4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;
5. Issuing a warning to the company;
6. Issuing a caution to the company;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) Where any of the events referred to in the subparagraphs of attached Table 3 occurs in relation to an executive officer of a fund accounting and administration company, the Financial Services Commission may take any of the following measures against the executive officer: *<Amended on Feb. 29, 2008>*

1. Demand dismissal;
2. Suspending the performance of his or her duties for not more than six months;
3. Reprimand warning;
4. Caution warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) Where any of the events referred to in the subparagraphs of attached Table 3 occurs in relation to an employee of a fund accounting and administration company, the Financial Services Commission may demand that the fund accounting and administration company take any of the following measures against the employee: *<Amended on Feb. 29, 2008>*

1. Removal;
2. Suspending the performance of his or her duties for not more than six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Article 422 (3) and 423 through 425 shall apply mutatis mutandis to the measures, etc. against fund accounting and administration companies and their executive officers and/or employees.

Article 258 (Fund Rating Companies)

(1) An entity that intends to engage in the business of assessing collective investment schemes and furnishing investors with such assessment shall be registered with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) An entity that intends to be registered under paragraph (1) shall satisfy each of the following requirements: *<Amended on May 28, 2013; Jul. 31, 2015>*

1. It shall be a stock company under the Commercial Act;
2. It shall not be an affiliate of any investment trader, investment broker or collective investment business entity;
3. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 100 million won;

4. It shall retain professionals that meet the criteria prescribed by Presidential Decree as full-time executive officers and/or employees;

5. It shall be equipped with physical facilities specified by Presidential Decree, including an electronic computer system;

6. None of its executive officers shall be provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

7. It shall have a system for assessment of collective investment schemes as prescribed by Presidential Decree

8. It shall have a system for preventing conflicts of interest prescribed by Presidential Decree (limited to where it engages in financial business specified by Presidential Decree).

(3) An entity that intends to be registered under paragraph (1) shall file an application for registration with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Upon receipt of an application for registration filed under paragraph (3), the Financial Services Commission shall examine the contents of the application, determine whether to approve the registration within 30 days, and give written notice of its determination and the grounds for such determination to the applicant without delay. In such cases, the Commission may request that the applicant correct his or her application, if such application is incomplete. *<Amended on Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Feb. 29, 2008>*

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exist: *<Amended on Feb. 29, 2008>*

1. Where the applicant fails to satisfy any of the requirements for registration provided for in under paragraph (2);

2. Where the application for registration filed under paragraph (3) contains false information;

3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) Upon having determined to approve a registration pursuant to paragraph (4), the Financial Services Commission shall enter the necessary matters in the register of fund rating companies, and shall give public notice of the details of such registration on the Official Gazette, its website, etc. *<Amended on Feb. 29, 2008>*

(8) An entity registered under paragraph (1) (hereinafter referred to as "fund rating company") shall remain compliant with the requirements for registration provided for in the subparagraphs of paragraph (2) (referring to the relaxed requirement prescribed by Presidential Decree in the case of subparagraph 3 of same paragraph) while conducting its business following registration.

(9) Matters concerning filing an application for registration, including the mandatory descriptions and accompanying documents of the application for registration under paragraphs (1) through (7), and other necessary matters, including the methods and procedures for examination of the application, shall be prescribed by Presidential Decree.

Article 259 (Business Conduct Standards)

(1) Each fund rating company shall establish business conduct standards, which shall provide for the matters prescribed by Presidential Decree.

(2) A collective investment business entity may furnish the details of its collective investment property to a fund rating company in a manner prescribed by Presidential Decree.

(3) Methods for disclosing the criteria for assessment by fund rating companies and other necessary matters shall be prescribed by Presidential Decree.

Article 260 (Provisions to be Applied Mutatis Mutandis)

@Articles 54, 60, and 64 shall apply mutatis mutandis to fund rating companies.

Article 261 (Supervision and Inspection of Fund Rating Companies)

(1) The Financial Services Commission may order necessary measures to a fund rating company in relation to the following to protect investors and maintain sound trading practices: *<Amended on Feb. 29, 2008>*

1. Matters concerning management of its proprietary property;
2. Matters concerning maintenance of order in operations;
3. Matters concerning operating methods;
4. Other matters prescribed by Presidential Decree as necessary for protecting investors and maintaining sound trading practices.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of fund rating companies.

Article 262 (Measures against Fund Rating Companies)

(1) Where any of the events referred to in the subparagraphs of attached Table 4 occurs in relation to a fund rating company, the Financial Services Commission may revoke the registration of the fund rating company under Article 258 (1). *<Amended on Feb. 29, 2008>*

(2) Where any of the events referred to in the subparagraphs of attached Table 4 occurs in relation to a fund rating company, the Financial Services Commission may take any of the following measures against the fund rating company: *<Amended on Feb. 29, 2008>*

1. Suspending its business completely or partially for not more than six months;

2. Issuing an order to transfer contracts;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) Where any of the events referred to in the subparagraphs of attached Table 4 occurs in relation to an executive officer of a fund rating company, the Financial Services Commission may take any of the following measures against the executive officer: *<Amended on Feb. 29, 2008>*

1. Demand for dismissal;

2. Suspending the performance of his or her duties for not more than six months;

3. Reprimand warning;

4. Caution warning;

5. Caution;

6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) Where any of the events referred to in the subparagraphs of attached Table 4 occurs in relation to an employee of a fund rating company, the Financial Services Commission may demand that the fund rating company take any of the following measures against the employee: *<Amended on Feb. 29, 2008>*

1. Removal;

2. Suspending the performance of his or her duties for not more than six months;

3. Salary reduction;

4. Reprimand;

5. Warning;

6. Caution;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to measures, etc. against fund rating companies and their executive officers and/or employees.

Article 263 (Bond Rating Companies)

(1) An entity that who intends to engage in the business of assessing the values of the assets belonging to collective investment property, including bonds, and furnishing investors with such assessment shall be registered with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) An entity that intends to be registered under paragraph (1) shall satisfy each of the following requirements: *<Amended on May 28, 2013; Jul. 31, 2015>*

1. It shall be a stock company under the Commercial Act;
2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least two billion won;
3. Contributions to the entity by a business group subject to limitations on cross shareholding or by a financial institution specified by Presidential Decree shall not exceed ten percent, respectively;
4. It shall retain professionals that meet the criteria prescribed by Presidential Decree as full-time executive officers and/or employees;
5. It shall be equipped with physical facilities specified by Presidential Decree, including an electronic computer system;
6. Its executive officers shall meet the qualifications provided for in Article 5 of the Act on Corporate Governance of Financial Companies;
7. It shall have a system for assessment of bonds, etc. as prescribed by Presidential Decree;
8. It shall have a system for preventing conflicts of interest prescribed by Presidential Decree (limited to where it engages in financial business specified by Presidential Decree).

(3) An entity that intends to be registered under paragraph (1) shall file an application for registration with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Upon receipt of an application for registration filed under paragraph (3), the Financial Services Commission shall examine the contents of the application, determine whether to approve the registration within 30 days, and give written notice of its determination and the grounds for such determination to the applicant without delay. In such cases, the Commission may request that the applicant correct his or her application, if such application is incomplete. *<Amended on Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Feb. 29, 2008>*

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exist: *<Amended on Feb. 29, 2008>*

1. Where the applicant fails to satisfy any of the requirements for registration provided for in under paragraph (2);
2. Where the application for registration filed under paragraph (3) contains false information;
3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) Upon having determined to approve a registration pursuant to paragraph (4), the Financial Services Commission shall enter the necessary matters in the register of bond rating companies, and shall give public notice of the details of such registration on the Official Gazette, its website, etc. *<Amended on Feb.*

29, 2008>

(8) An entity registered under paragraph (1) (hereinafter referred to as "bond rating company") shall be in compliance with the requirements for registration provided for in the subparagraphs of paragraph (2) (referring to the relaxed requirement prescribed by Presidential Decree in the case of subparagraph 2 of same paragraph) in the course of conducting its business following registration.

(9) Matters concerning filing an application for registration, including the mandatory descriptions and accompanying documents of the application for registration under paragraphs (1) through (7), and other necessary matters, including the methods and procedures for examination of the application, shall be prescribed by Presidential Decree.

Article 264 (Business Conduct Standards)

(1) A bond rating company shall establish business conduct standards, which shall provide for the matters prescribed by Presidential Decree.

(2) Methods for disclosing the criteria for assessment of securities by bond rating companies and other necessary matters shall be prescribed by Presidential Decree.

Article 265 (Provisions to be Applied Mutatis Mutandis)

@Articles 54, 60, and 64 shall apply mutatis mutandis to bond rating companies.

Article 266 (Supervision and Inspection of Bond Rating Companies)

(1) The Financial Services Commission may order necessary measures to a bond rating company in relation to the following to protect investors and maintain sound trading practices: *<Amended on Feb. 29, 2008>*

1. Matters concerning management of its proprietary property;
2. Matters concerning maintenance of order in operations;
3. Matters concerning operating methods;
4. Other matters prescribed by Presidential Decree necessary for protecting investors and maintaining sound trading practices.

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of bond rating companies.

Article 267 (Measures against Bond Rating Companies)

(1) Where any of the events referred to in the subparagraphs of attached Table 5 occurs in relation to a bond rating company, the Financial Services Commission may revoke the registration of the bond rating company under Article 263 (1). *<Amended on Feb. 29, 2008>*

(2) Where any of the events referred to in the subparagraphs of attached Table 5 occurs in relation to a bond rating company, the Financial Services Commission may take any of the following measures against

the bond rating company: *<Amended on Feb. 29, 2008>*

1. Suspending its business completely or partially for not more than six months;
2. Issuing an order to transfer contracts;
3. Issuing an order to correct or cease the relevant violation;
4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;
5. Issuing a warning to the company;
6. Issuing a caution to the company;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) Where any of the events referred to in the subparagraphs of attached Table 5 occurs in relation to an executive officer of a bond rating, the Financial Services Commission may take any of the following measures against the executive officer: *<Amended on Feb. 29, 2008>*

1. Demand for dismissal;
2. Suspending the performance of his or her duties for not more than six months;
3. Reprimand warning;
4. Caution warning;
5. Caution;
6. Other measures prescribed by Presidential Decree necessary for correcting or preventing the relevant violation.

(4) Where any of the events referred to in the subparagraphs of attached Table 5 occurs in relation to an employee of a bond rating company, the Financial Services Commission may demand that the bond rating company take any of the following measures against the employee: *<Amended on Feb. 29, 2008>*

1. Removal;
2. Suspending the performance of his or her duties for not more than six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to measures, etc. taken against bond rating companies and their executive officers and/or employees.

CHAPTER X ACCOUNTING OFFICERS

Article 268 Deleted. <*Jul. 24, 2015*>

Article 269 Deleted. <*Jul. 24, 2015*>

Article 270 Deleted. <*Jul. 24, 2015*>

Article 271 Deleted. <*Jul. 24, 2015*>

Article 272 Deleted. <*Jul. 24, 2015*>

Article 272-2 Deleted. <*Nov. 24, 2015*>

Article 273 Deleted. <*Jul. 24, 2015*>

Article 274 Deleted. <*Jul. 24, 2015*>

Article 275 Deleted. <*Jan. 9, 2009*>

Article 276 Deleted. <*Jul. 24, 2015*>

Article 277 Deleted. <*Jul. 24, 2015*>

Article 278 Deleted. <*Jul. 24, 2015*>

Article 278-2 Deleted. <*Aug. 13, 2013*>

Article 278-3 Deleted. <*Jul. 24, 2015*>

CHAPTER XI SPECIAL CASES CONCERNING FOREIGN COLLECTIVE INVESTMENT SECURITIES

Article 279 (Registration of Foreign Collective Investment Scheme)

(1) A foreign collective investment business entity (referring to a person who engages in business under the statutes of a foreign country, which corresponds to the collective investment business hereunder; hereinafter the same shall apply) of a foreign investment trust (referring to an investment trust created under the statutes of a foreign country, which is similar to the investment trust hereunder; hereinafter the same shall apply) or a foreign undisclosed investment association (referring to an undisclosed investment

trust established under the statutes of a foreign country, which is similar to the undisclosed investment association hereunder; hereinafter the same shall apply), or a foreign investment company, etc. (referring to an investment company, etc. established incorporated under the statutes of a foreign country; hereinafter the same shall apply) shall, when it intends to sell foreign collective investment securities (referring to those similar to the collective investment securities hereunder, which have been issued in a foreign country in accordance with the statutes of the foreign country; hereinafter the same shall apply) within this country, register the relevant foreign collective investment scheme (referring to one similar to the collective investment scheme hereunder and created or established in accordance with the statutes of a foreign country; hereinafter the same shall apply) with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) A foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, or a foreign investment company, etc. shall, when it intends to register a foreign collective investment scheme in accordance with paragraph (1), satisfy both the requirements of qualification for a foreign collective investment business entity and the requirements of qualification for sale of foreign collective investment securities as prescribed by Presidential Decree. In this regard, requirements of qualification for a foreign collective investment business entity and requirements of qualification for sale of foreign collective investment securities may be provided differently in any of the following cases: *<Amended on Nov. 26, 2019>*

1. Where it intends to sell foreign collective investment securities only to persons prescribed by Presidential Decree from among professional investors;
2. Where it intends to sell collective investment securities of a foreign collective investment scheme which is recognized to be created or established under a cross-border marketing agreement in a foreign country that has entered into the cross-border marketing agreement, etc.

(3) The provisions of Article 182 (2) through (9) shall apply mutatis mutandis to the registration of a foreign collective investment scheme in accordance with paragraph (1). In this regard, the term "this Act" in paragraph (2) 2 of the same Article shall be construed as "laws of the country in which the foreign collective investment scheme was created or established".

Article 280 (Domestic Sale of Foreign Collective Investment Securities)

(1) In selling foreign collective investment securities, a foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, or a foreign investment company, etc. shall execute sales through an investment trader or investment broker.

(2) A foreign collective investment business entity shall prepare an asset management report under Article 88 at least once every three months and furnish it to the investors of the relevant foreign collective investment scheme.

(3) An investor may request a foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, a foreign investment company, etc., or the investment trader

or the investment broker that sold the relevant foreign investment securities, in writing, to allow him or her to inspect account books and documents, as specified further by Presidential Decree, related to the collective investment property in which the investment has an interest or to issue a certified copy or an abstract of such, and the foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, the foreign investment company, etc., or the investment trader or the investment broker that sold the relevant foreign investment securities shall not reject such request, unless there is a good cause prescribed by Presidential Decree.

(4) A foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, or a foreign investment company, etc. shall provide public notice of, and post, the base price of the relevant collective investment securities daily: Provided, That a different interval for the public notice and posting of the base price may be prescribed by the relevant collective investment agreement, not exceeding 15 days, in cases where it is difficult to provide public notice of, and post, the base price daily, as prescribed further by Presidential Decree.

(5) Matters concerning the methods of selling foreign collective investment securities and furnishing reports in relation to domestic sales of foreign collective investment securities and other necessary matters shall be prescribed by Presidential Decree.

Article 281 (Supervision and Inspection of Foreign Collective Investment Business Entity)

(1) The Financial Services Commission may order a foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, or a foreign investment company, etc. to take measures as may be necessary for public disclosure, etc. of the relevant collective investment property in order to protect investors and maintain sound trade practice. *<Amended on Feb. 29, 2008>*

(2) Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of a foreign collective investment business entity of a foreign investment trust or a foreign undisclosed investment association, or a foreign investment company, etc.

Article 282 (Deregistration of Foreign Collective Investment Scheme)

(1) The Financial Services Commission may deregister a foreign collective investment scheme in any of the following cases: *<Amended on Feb. 29, 2008>*

1. Where the foreign collective investment scheme or any change thereof has been registered under Article 279 (1) or Article 182 (8), which shall apply mutatis mutandis under Article 279 (3), by fraud or other improper means;
2. Where it fails to satisfy any of the requirements for registration provided for in Article 182 (2), which shall apply mutatis mutandis under Article 279 (3);
3. Where it fails to file a revised registration under Article 182 (8), which shall apply mutatis mutandis pursuant to Article 279 (3);

4. Where it fails to satisfy any of the qualification requirements for foreign collective investment business entities or the qualification requirements for sale of foreign collective investment securities under Article 279 (2);

5. Where it violates Article 280;

6. Where it fails to comply with an order issued pursuant to Article 281 (1);

7. Where there is a possibility of seriously undermining investors' interests or it is deemed impracticable to continue its existence as a foreign collective investment scheme in circumstances prescribed by Presidential Decree.

(2) The Financial Services Commission shall hold a hearing to deregister a foreign collective investment scheme pursuant to paragraph (1). *<Amended on Feb. 29, 2008>*

(3) Articles 424 and 425 shall apply mutatis mutandis to the deregistration of foreign collective investment schemes.

PART VI FINANCIAL SERVICES-RELATED INSTITUTIONS

CHAPTER I KOREA FINANCIAL INVESTMENT ASSOCIATION

Article 283 (Establishment)

(1) The Korea Financial Investment Association shall be established for the purposes of maintaining business practices between members, ensuring fair trade, protecting investors, and promoting the sound development of financial investment services.

(2) The Association shall be established as a membership organization.

(3) The Association shall be established at the time it registers such establishment at the location of its head office in accordance with Presidential Decree.

(4) The provisions of the Civil Act related to an incorporated association shall apply mutatis mutandis to the Association, except as otherwise provided for in this Act.

Article 284 (Prohibition on Using Similar Names)

No person other than the Association shall use "Financial Investment Association", "Securities Dealers Association", "Futures Association", "Asset Management Association", or any other similar name.

Article 285 (Membership)

(1) An entity eligible to be a member of the Association shall be a financial investment business entity or an entity prescribed by Presidential Decree from among those engaging in any other business related to financial investment services.

(2) The Association may collect membership dues from members, as stipulated in its articles of association.

Article 286 (Business Affairs)

(1) The Association shall perform the following business affairs as prescribed by its articles of incorporation: *<Amended on Mar. 12, 2010>*

1. Self-regulation to maintain sound business practices among the members and to protect the interest of investors;
2. Self-resolution of disputes arising from the conduct of business of its members (limited to where any related party applies for mediation);
3. Registration and management of the following professionals conducting major tasks:
   (a) Investment advisors (referring to persons who make investment recommendations or provide investment advisory services);
   (b) Analysts (referring to persons who prepares research and analysis data, or conduct the review and approval thereof);
   (c) Fund managers (referring to persons who manage collective investment property, trust property or discretionary investment property);
   (d) Others persons conducting major tasks prescribed by Presidential Decree for the protection of investors or sound trading practices;
4. Prior deliberation where a financial investment business entity newly deals with any of the following over-the-counter derivatives:
   (a) An over-the-counter derivative, the underlying assets of which fall under Article 4 (10) 4 or 5;
   (b) An over-the-counter derivative for ordinary investors;
5. Over-the-counter transactions of stock certificates that are not listed on the securities market;
6. Research and study of regulations related to financial investment services;
7. Investor education and the establishment and operation of the foundation therefor;
8. Training in financial investment services;
9. Business affairs delegated by this Act, or other statutes;
10. Business affairs prescribed by Presidential Decree, other than those specified in subparagraphs 1 through 9;
11. Duties appertaining to the duties under subparagraphs 1 through 10.

(2) In performing the business affairs specified in the subparagraphs of paragraph (1), the Association shall ensure that the business affairs specified in subparagraphs 1, 2, and 4 of the same paragraph be performed independently from other business affairs and shall establish a separate organization for that purpose. *<Amended on Mar. 12, 2010>*

Article 287 (Articles of Incorporation)

(1) The articles of incorporation of the Association shall include the following matters:

1. Objectives;
2. Name;
3. Matters regarding the organization. In such cases, the organization shall be separately managed in accordance with Presidential Decree based on the types of financial investment services and the scope of financial investment instruments;
4. Matters regarding its offices;
5. Matters regarding its business;
6. Matters regarding the qualification, rights, and obligations of its members;
7. Matters regarding admission, expulsion, and other restrictive measures (including recommendation of restrictive measures against executive officers and/or employees by the members);
8. Matters regarding membership dues;
9. Methods of publication;
10. Other matters prescribed by Presidential Decree as relevant to the management of the Association.

(2) The Association shall, when it intends to change the matters prescribed by Presidential Decree in the articles of incorporation, obtain approval from the Financial Services Commission. *<Amended on Feb. 29, 2008>*

Article 288 (Self-Resolution of Disputes)

(1) The Association shall prescribe rules on dispute resolution necessary for conducting the self-resolution of disputes under Article 286 (1) 2.

(2) The Association may, if necessary for dispute resolution, request that related parties confirm the fact or submit relevant documents.

(3) The Association may, if necessary to hear the opinions of related parties or other interested persons, request that they attend a meeting and state their opinions.

Article 288-2 (Deliberative Committee of Over-the-Counter Derivatives)

(1) The Association shall establish a deliberative committee of over-the- counter derivatives (hereafter in this Article referred to as the "Committee") to conduct preliminary deliberation on over-the-counter derivatives under Article 286 (1) 4.

(2) The Committee shall be comprised of at least five, but not more than ten members, including one Chairperson.

(3) Meetings of the Committee shall adopt resolutions by the attendance of a majority of all incumbent members and the affirmative vote of 2/3 of the members present.

(4) The Committee shall, in conducting preliminary deliberation duties under paragraph (1), take account of the following matters:

1. Matters concerning the possibility of providing information on change in the prices of underlying assets in cases of over-the-counter derivatives, the underlying assets of which fall under Article 4 (10) 4 or 5;

2. Matters concerning the appropriateness of a sales plan, including the feasibility of risk-hedging structures, substantiality of explanatory materials distributed to ordinary investors, qualifications of and training for investment advisors, etc. in cases of over-the-counter derivatives for ordinary investors;

3. Other matters deemed necessary by the Committee for the protection of investors.

(5) The Committee may, if deemed necessary to conduct the preliminary deliberation duties under paragraph (1), request for the verification of the fact, the presentation of material, any other relevant matters to a financial investment business entity, etc.

(6) The Committee shall report, without delay, to the Governor of the Financial Supervisory Service if any resolution under paragraph (3) is adopted.

(7) The Association shall provide for necessary regulations for the composition and operation of the Committee, including the following matters:

1. Matters concerning the qualifications of, and method of designating, the Chairperson and members;

2. Matters concerning the term of office of the Chairperson and members;

3. Matters concerning securing the independence in the operation and decision-making of the Committee;

4. Matters concerning the effect of the deliberating procedures and decision-making of the Committee.

Article 289 (Provisions to be Applied Mutatis Mutandis)

@Articles 54 and 63 hereof and Article 5 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to the Association. *<Amended on Feb. 3, 2009; Jul. 31, 2015>*

Article 290 (Reporting on Rules of Business)

The Association shall, when it establishes, amends, or repeals rules with respect to its business, report thereon to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

Article 291 (Training Institute)

The Association may establish a training institute to improve qualifications of persons who engage in financial investment services and to share professional knowledge about financial investment services.

Article 292 (Inspection of Association)

@Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of the Association.

Article 293 (Measures against Association)

(1) The Financial Services Commission may take any of the following measures, where the Association falls under any of the subparagraphs of attached Table 7: *<Amended on Feb. 29, 2008>*

1. To suspend all or part of the business for up to six months;
2. To order transfer of contract;
3. To order correction or suspension of violation;
4. To order the Association to publish or disclose measures taken due to violation;
5. Institutional warning;
6. Institutional caution;
7. Other measures prescribed by Presidential Decree as necessary to correct or prevent violation.

(2) The Financial Services Commission may take any of the following measures where any executive officer of the Association falls under any of the subparagraphs of attached Table 7: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) The Financial Services Commission may request that the Association take any of the following measures where any employee of the Association falls under any of the subparagraphs of attached Table 7: *<Amended on Feb. 29, 2008>*

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand.
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) Article 422 (3), 423 (excluding subparagraph 1), 424 (excluding paragraph (2)) and 425 shall apply mutatis mutandis to the measures, etc. against the Association and its executive officers and/or employees.

CHAPTER II KOREA SECURITIES DEPOSITORY

SECTION 1 Establishment and Supervision

Article 294 (Establishment)

(1) The Korea Securities Depository shall be established in order to promote a centralized deposit of securities, etc. (referring to securities and others prescribed by Presidential Decree; hereafter in this Chapter, the same shall apply), transfer of securities between accounts, and settlement subsequent to transactions and smooth circulation.

(2) The Securities Depository shall be incorporated as a corporation.

(3) The Securities Depository shall complete its establishment by the registration of incorporation at the location of the head office in accordance with Presidential Decree.

Article 295 (Prohibition on Using Similar Names)

Any person other than the Korea Securities Depository shall not use the name "Korea Securities Depository" or any other name similar thereto.

Article 296 (Business Affairs)

(1) The Securities Depository shall engage in the following business affairs, as prescribed by its articles of incorporation: <*Amended on May 28, 2013*>

1. Centralized deposit of securities, etc.;
2. Transfer of securities, etc. between accounts;
3. Deleted. <*Mar. 22, 2016*>
4. Delivery and payment of securities, etc. subsequent to transactions outside the securities market (excluding transactions at an alternative trading system);
5. Deposit of securities, etc. by designating an account with a foreign corporation that engages in business similar to the Securities Depository (hereinafter referred to as "foreign securities depository") and transfer between accounts and the delivery and payment of securities, etc. subsequent to transactions;
6. Deleted; <*May 28, 2013*>
7. Deleted; <*May 28, 2013*>
8. Deleted; <*May 28, 2013*>
9. Deleted; <*May 28, 2013*>
10. Deleted; <*May 28, 2013*>

(2) The Securities Depository shall engage in any of following business affairs incidental to those prescribed in subparagraphs of paragraph (1), as prescribed by articles of incorporation: <*Newly Inserted on May 28, 2013*>

1. Lock-up of securities, etc.;

2. Management of collateral, etc. including that of depositary receipts;

3. Dealing with the instructions, etc. for acquisition, disposal, etc. of collective investment property between collective investment business entity or discretionary investment business entity and trust business entity that keeps in custody and manages the collective investment property, as provided for in Article 80;

4. Other business affairs approved by the Financial Services Commission.

(3) The Securities Depository may engage in the following business affairs in addition to those prescribed in subparagraphs of paragraphs (1) and (2), as prescribed by its articles of incorporation: *<Newly Inserted on May 28, 2013; Mar. 22, 2016>*

1. Business Affairs approved from the Financial Services Commission: In this regard, where any authorization, permission, registration, reporting, etc. is required under this Act or other Acts, it shall obtain authorization, permission, etc., or complete registration, file a report, or take other measures as necessary:

2. Business affairs prescribed by this Act or other statutes as the business affairs of the Securities Depository;

3. Deleted. *<Mar. 22, 2016>*

Article 297 (Securities Market Settlement Institution)

An electronic registry shall conduct the delivery and payment of securities subsequent to trades on the securities market (including trades of stocks in alternative trading facilities; hereinafter the same shall apply in Article 303 (2) 5). In such cases, an electronic registry may entrust affairs of paying purchase price to any other electronic registry separately designated by the Financial Services Commission. *<Amended on Mar. 22, 2016>*

Article 298 (Prohibition on Securities Depository Business)

(1) No entity, other than the Securities Depository, shall engage in the business of receiving securities, etc. and executing settlements by means of transfer between accounts in lieu of giving and receiving such securities, etc.

(2) No entity, other than an electronic registry, shall engage in the business of issuing any depositary receipts in the Republic of Korea. *<Amended on Mar. 22, 2016>*

Article 299 (Articles of Incorporation)

(1) The articles of incorporation of the Securities Depository shall describe the following matters:

1. Objectives;

2. Name;

3. The location of the principal office;

4. Matters regarding stocks and capital;
5. Matters regarding the qualifications to acquire stocks and the limit of ownership;
6. Matters regarding the general meeting of shareholders and the board of directors;
7. Matters regarding executive officers;
8. Matters regarding accounting;
9. Methods of publication.

(2) The Securities Depository shall, when it intends to amend its articles of incorporation, obtain approval from the Financial Services Commission. *<Amended on Feb. 29, 2008>*

Article 300 (Application Mutatis Mutandis of Commercial Act)

(1) The provisions of the Commercial Act (excluding Articles 517 through 521-2) with respect to a stock company shall apply mutatis mutandis to the Securities Depository, unless there is any special provision for the Securities Depository under this Act or any order issued in accordance with this Act.

(2) The Securities Depository shall be deemed a stock company under the Commercial Act, where it conducts business that requires authorization, permission, registration, report, etc. under this Act or other statutes. *<Newly Inserted on Apr. 5, 2013>*

Article 301 (Executive Officers)

(1) Executive officers of the Securities Depository shall be composed of the Chairperson & CEO, a senior managing director, directors and auditors.

(2) The Chairperson & CEO shall be elected at a general meeting of shareholders, subject to approval of the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(3) A standing auditor shall be elected at a general meeting of shareholders.

(4) Article 5 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to the executive officers of the Securities Depository. *<Amended on Jul. 31, 2015>*

(5) Neither full-time executive officer nor employee of the Securities Depository shall have any special interest prescribed by Presidential Decree in any financial investment business entity or other financial services-related institutions with respect to the financing, distribution of profit and loss, and other business.

Article 302 (Rules on Deposit Business)

(1) The Securities Depository shall prescribe rules on deposit business concerning the deposit of securities, etc., and management of deposited securities, etc. under Article 309 (3) 2.

(2) The rules on deposit business referred to in paragraph (1) shall include the following matters:

1. Matters regarding the designation or revocation of securities, etc. to be deposited under Article 308 and the management thereof;

2. Matters regarding the opening and closing of an account of a depositor;

3. Matters regarding the preparation and keeping of a depositor's account book;

4. Matters regarding the deposit and return of securities, etc. to be deposited under Article 308 and the transfer between accounts;

5. Matters regarding the creation and extinction of collateral right to deposited securities, etc. under Article 309 (3) 2 and the indication and cancellation of trust property;

6. Matters regarding the exercise of rights of deposited securities, etc. under Article 309 (3) 2;

7. Others necessary for the management of deposited securities, etc. under Article 309 (3) 2.

Article 303 (Rules on Settlement Business)

(1) The Securities Depository and electronic registries shall determine Rules on Settlement Business to conduct settlement business subsequent to transactions of securities, etc. In this case, the Rules on Settlement Business shall not conflict with the rules on clearing business referred to in Article 323-11, the Membership Regulations referred to in Article 387 and the Business Regulations referred to in Article 393. *<Amended on May 28, 2013; Mar. 22, 2016>*

(2) The Rules on Settlement Business referred to in paragraph (1) shall include the following matters: *<Amended on Mar. 22, 2016>*

1. Matters regarding the admission and expulsion, and rights and obligations of settlement members of the Securities Depository and electronic registries;

2. Matters regarding the opening and management of a settlement account;

3. Matters regarding the deadline of settlement;

4. Matters regarding the delivery of and payment of securities, etc.;

5. Matters regarding the notification to an exchange of the result of settlement execution subsequent to transactions of securities on the securities market (limited to Rules on Settlement Business of electronic registries);

6. Other necessary matters for the settlement execution.

Article 304 (Provisions to be Applied Mutatis Mutandis)

@Articles 54, 63, 408, 413 (limited to the duties specified in Article 296 (1) 1, 2 and 4) of this Act and Article 4 of the Act on Real Name Financial Transactions and Confidentiality shall apply mutatis mutandis to the Securities Depository. *<Amended on May 28, 2013; Mar. 22, 2016>*

Article 305 (Approval and Report on Business Rules)

(1) The Securities Depository shall obtain approval from the Financial Services Commission when it intends to establish, amend, or repeal the Business Rules referred to in Article 296 (1) 5, the Rules on Deposit Business referred to in Article 302, and the Rules on Settlement Business referred to in Article 303. *<Amended on Feb. 29, 2008; Mar. 22, 2016>*

(2) Deleted. *<Feb. 29, 2008>*

(3) The Securities Depository shall, when it establishes, amends or repeals any rules on business other than those referred to in paragraph (1), report thereon to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

Article 306 (Inspection of Securities Depository)

@Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of the Securities Depository.

Article 307 (Measures against Securities Depository)

(1) The Financial Services Commission may take any of the following measures where the Securities Depository falls under any of the subparagraphs of attached Table 8: *<Amended on Feb. 29, 2008>*

1. To suspend all or part of its business for up to six months;
2. To order transfer of contract;
3. To order correction or suspension of violation;
4. To order the Securities Depository to publish or disclose measures taken due to violation;
5. Institutional warning;
6. Institutional caution;
7. Other measures prescribed by Presidential Decree as necessary to correct or prevent violation.

(2) The Financial Services Commission may take any of the following measure where any executive officer of the Securities Depository falls under any of the following subparagraphs of attached Table 8: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary to correct or prevent violation.

(3) The Financial Services Commission may request that the Securities Depository take any of the following measures where any employee falls under any of the following subparagraphs of attached Table 8: *<Amended on Feb. 29, 2008>*

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand.
5. Warning;

6. Caution;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) Articles 422 (3), 423 (excluding subparagraph 1), 424 (excluding paragraph (2)) and 425 shall apply mutatis mutandis to the measures, etc. against the Securities Depository and its executive officers and/or employees.

SECTION 2 Systems Related to Deposit of Securities

Article 308 (Securities to be Deposited)

(1) Where any right that may or must be indicated on securities, etc. is electronically registered pursuant to the Act on Electronic Registration of Stocks and Bonds, this Section shall not apply to such securities, etc.

(2) The securities, etc. that may be deposited in the Securities Depository (hereinafter referred to as "securities, etc. to be deposited") shall be designated by the Securities Depository.

Article 309 (Deposit in Securities Depository)

(1) Any person who intends to deposit securities, etc. in the Securities Depository shall open an account in the Securities Depository.

(2) Any person who has opened an account pursuant to paragraph (1) (hereinafter referred to as "depositor") may deposit securities, etc. held by the person himself or herself and securities, etc. deposited by investors in the Securities Depository by obtaining the consent of investors.

(3) The Securities Depository shall prepare and keep a depositor's account book indicating the following matters, and establish distinction between the portion owned by the depositor and the portion deposited by the investors: *<Amended on Feb. 29, 2008>*

1. Name and address of the depositor;

2. Type and number of securities, etc. which are deposited (hereinafter referred to as "deposited securities, etc.") and the names of issuers;

3. Other matters prescribed by Ordinance of the Prime Minister.

(4) The Securities Depository may keep deposited securities in a mixed form according to the types and items.

(5) Where a depositor or its investor acquires or subscribes for securities, etc. or requests issuance of securities, etc. based on other grounds, the issuer of such securities, etc. may, upon the request of the depositor or its investor, issue such securities, etc. under the name of the Securities Depository on behalf of the depositor or its investor. *<Amended on Mar. 22, 2016>*

Article 310 (Investor's Deposit of Securities in Depositor)

(1) A depositor who re-deposits securities, etc. deposited by investors in the Securities Depository shall prepare and keep an investor's account book indicating each of the following subparagraphs: *<Amended on Feb. 29, 2008>*

1. Names and addresses of investors;
2. Type and number of deposited securities, etc. and names of issuers;
3. Other matters prescribed by Ordinance of the Prime Minister.

(2) The depositor shall, when it indicates the matters pursuant to paragraph (1), deposit securities, etc. in the Securities Depository without delay, specifying that such securities, etc. are deposited by investors.

(3) The depositor shall, when it indicates the matters under paragraph (1), keep securities, etc. separately from its own until it deposits such securities, etc. in the Securities Depository pursuant to paragraph (2).

(4) Securities, etc. indicated in an investor's account book under paragraph (1) shall be deemed to be deposited in the Securities Depository at the time of the indication.

Article 311 (Effect of Statement in Account Book)

(1) Any person who is stated in an investor's account book and the depositor's account book shall be deemed to hold the respective securities.

(2) Where a transfer between accounts is stated for the purpose of a transfer of securities, etc. in an investor's account book or depositor's account book or where securities, etc. are stated to be pledged for the purpose of a creation of pledge and such pledgees are stated in such account books, securities, etc. shall be deemed to have been delivered.

(3) Notwithstanding Article 3 (2) of the Trust Act, a trust of deposited securities, etc. may oppose a third party by stating in a depositor's account book or the investor's account book that such securities, etc. are part of the trust properties. *<Amended on Jul. 25, 2011>*

(4) Deleted. *<Mar. 22, 2016>*

Article 312 (Presumption of Rights)

(1) A depositor and its investors shall be presumed to have a co-ownership share on deposited securities, etc. according to the type, item, and quantity of securities, etc. indicated respectively in the investor's account book and depositor's account book.

(2) Any investor of a depositor and its pledgees may request that a depositor return securities, etc. corresponding to a co-ownership share of the investor, and the depositor may request that the Securities Depository return securities, etc. corresponding to the co-ownership share. In this case, the pledgees' consent shall be required for deposited securities, etc. designated as rights of pledge.

(3) Where the bankruptcy or dissolution of a depositor, or any other cause prescribed by Presidential Decree occurs, the Securities Depository may limit the return or inter-account transfer of the portion deposited by investors among deposited securities, etc. based on the standards and methods prescribed by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

Article 313 (Liability for Coverage)

(1) Where deposited securities, etc. come to fall short, the Securities Depository and a depositor provided for in Article 310 (1) shall make up such shortfall according to the methods and procedures prescribed by Presidential Decree. In this case, the Securities Depository and a depositor may exercise the right of indemnity against a person who is liable for such shortfall.

(2) The depositor referred to in paragraph (1) shall bear liability for coverage pursuant to paragraph (1), even after closing an account under Article 309 (1): Provided, That such liability ceases where five years has passed from the date the account is closed.

Article 314 (Exercise of Rights of Deposited Securities)

(1) The Securities Depository may exercise rights to deposited securities, etc. at the request of a depositor or the investors thereof. In such cases, the request of investors shall be made through the depositor.

(2) The Securities Depository may request a change of an entry of deposited securities, etc. in the register in the name of the Securities Depository. *<Amended on Mar. 22, 2016>*

(3) Where an entry in the register is changed in the name of the Securities Depository pursuant to paragraph (2), the Securities Depository may exercise rights as a shareholder with respect to the matters prescribed in Article 358-2 of the Commercial Act, matters stated in the list of shareholders and stock certificates, even if a depositor fails to make any request.

(4) Deleted. *<May 28, 2013>*

(5) Deleted. *<May 28, 2013>*

(6) The issuer of deposited securities, etc. shall notify the Security Depository of the matters prescribed by Presidential Decree without delay for the Securities Depository to exercise rights to the deposited securities under paragraph (1). *<Amended on May 28, 2013>*

(7) Paragraph (3) shall apply to non-bearer securities among deposited securities, etc.

(8) Matters necessary for the management of stock certificates in the name of the Securities Depository (including the rights arising from such stock certificates), the name of which is not changed to that of investors after being returned to the investors through the depositor. *<Newly Inserted on May 28, 2013; Mar. 29, 2016; Apr. 18, 2017; Mar. 22, 2016>*

Article 315 (Exercise of Rights by Beneficial Shareholders)

(1) Co-owners of stocks of deposited securities, etc. (hereinafter referred to as "beneficial shareholder") shall be deemed to hold stocks equivalent to a co-ownership share under Article 312 (1) in exercising rights as a shareholder.

(2) No beneficial shareholder can exercise his or her right under Article 314 (3): Provided, That this shall not apply to notification made to shareholders of a company, and a request for inspection and copying of a list of shareholders under Article 396 (2) of the Commercial Act.

(3) Where an issuer of stock certificates of deposited securities, etc. specifies a certain period or a certain date pursuant to Article 354 of the Commercial Act, the issuer shall notify the Securities Depository of such fact without delay, and the Securities Depository shall notify the relevant issuer or a transfer agent of the following matters with respect to beneficial shareholders on the first day of the period or on the date (hereafter in this Article referred to as "specified date for the closing of the list of shareholders") without delay:

1. Names and addresses;
2. Type and number of stocks under paragraph (1).

(4) The Securities Depository may request that a depositor as prescribed in Article 310 (1) publish the matters referred to in the subparagraphs of paragraph (3) with respect to beneficial shareholders on the specified date for the closing of the list of shareholders. In this case, the depositor in receipt of such request shall publish such matters without delay.

(5) Deleted. *<Mar. 22, 2016>*

(6) Deleted. *<Mar. 22, 2016>*

Article 316 (Preparation of Register of Beneficial Shareholders)

(1) An issuer or transfer agent who receives a notification pursuant to Article 315 (3) shall prepare and keep a roster of beneficial shareholders indicating matters regarding the notification and date thereof.

(2) The statement in the roster of beneficial shareholders with respect to stocks certificates of which are deposited in the Securities Depository shall have the same effect as the statement in the roster of shareholders.

(3) Where a person stated as a shareholder in the roster of shareholders is deemed the same as a person stated as a beneficial shareholder in the roster of beneficial shareholders, an issuer or transfer agent under para- graph (1) shall aggregate the number of stocks on the roster of shareholders and those on the register of beneficial shareholders in exercising rights as a shareholder.

Article 317 (Civil Execution)

Matters necessary for compulsory execution, execution of provisional seizure and provisional disposition, or auction with respect to deposited securities shall be determined by the Supreme Court Regulations.

Article 318 (Certificate of Beneficial Ownership)

(1) Where a depositor or its investors requests the issuance of documents proving deposit of securities, etc. in order to exercise rights as a shareholder (hereafter in this Article referred to as "certificate of beneficial ownership"), the Securities Depository shall issue them under the conditions prescribed by Ordinance of the Prime Minister. In such cases, the request of investors shall be made through the depositor. *<Amended on Feb. 29, 2008>*

(2) When the Securities Depository issues a certificate of beneficial ownership pursuant to paragraph (1), it shall promptly notify a relevant issuer of the fact.

(3) Where a depositor or its investors files a certificate of beneficial ownership issued pursuant to paragraph (1) with an issuer, the depositor or its investors may oppose the issuer notwithstanding Article 337 (1) of the Commercial Act.

Article 319 Deleted. *<Mar. 22, 2016>*

Article 320 (Special Cases concerning Deposit by Foreign Securities Depository)

(1) Articles 310, 313, 314 (6), 315, and 316 (3) shall not apply to a foreign securities depository: Provided, That the same shall apply to cases where such foreign securities depository requests an application. *<Amended on May 28, 2013>*

(2) Articles 309 (5), 314 (6), 315, 316, and 318 shall not apply to cases where any issuer of deposited securities, etc. is a foreign corporation, etc.: Provided, That the same shall apply to cases where such foreign corporation, etc. requests an application. *<Amended on May 28, 2013>*

Article 321 (Report and Confirmation)

The Securities Depository may request that a depositor submit a report or data concerning deposit business, provide access to the relevant books, or confirm the custody of securities, etc. kept under the depositor's own custody.

Article 322 (Control of Securities)

(1) A listed corporation and a transfer agent shall comply with the Securities Handling Regulations established by the Securities Depository with respect to the printed form, issuance, retirement, replacement, or effacement of securities, etc. and other matters regarding the control thereof.

(2) The Securities Depository may control the printed form of securities, etc. which a listed corporation keeps as back-up for issuance of securities, etc. (hereinafter referred to as "back-up certificates, etc.").

(3) The Securities Depository may, if necessary, ask the listed corporation and transfer agent for the submission of data related to the procedure for handling securities, etc. under paragraph (1) and the control of back-up certificates, etc., and have its staff confirm the data.

(4) Where an unlisted corporation intends to use printed forms specified in the Securities Handling Regulations of the Securities Depository for its issuance of securities, the unlisted corporation shall obtain approval from the Securities Depository. In this case, paragraphs (1) through (3) shall apply.

(5) Where a listed corporation becomes an unlisted corporation, para- graphs (1) through (3) shall apply to such corporation until the printed forms specified in the Securities Handling Regulations of the Securities Depository and securities, etc. issued using such printed forms are entirely effaced.

Article 323 (Notification of Description of Issuance and Notification of Description of Irregular Securities)

(1) An issuer of securities, etc. to be deposited shall, when it issues new securities, etc., notify the Securities Depository of the type of such securities, etc. and other matters prescribed by Ordinance of the Prime Minister without delay. *<Amended on Feb. 29, 2008>*

(2) Where an issuer of securities, etc. to be deposited receives a notification of orders with respect to the seizure, provisional seizure or provisional disposition of securities, etc. or where an issuer receives a report (including a public summon or nullification judgment pursuant to the Civil Procedure Act) that securities, etc. are stolen, lost or destroyed, the issuer shall notify the Securities Depository of the type of such securities, etc. and other matters prescribed by Ordinance of the Prime Minister without delay. *<Amended on Feb. 29, 2008>*

(3) The Securities Depository that has received a notification pursuant to paragraphs (1) and (2) shall publish the details thereof.

CHAPTER II-2 CENTRAL COUNTERPARTY

Article 323-2 (Prohibition against Clearing Business without Authorization)

No one shall engage in central counterparty clearing business without authorization (including authorization for changes) for such business under this Act.

Article 323-3 (Authorization for Central Counterparty Clearing Business)

(1) An entity that wishes to engage in central counterparty clearing business shall select all or any part of business units determined by Presidential Decree (hereinafter referred to as "authorized business unit for clearing business") by specifying trades subject to clearing and business entities subject to clearing as its constituents, and shall obtain authorization for a single central counterparty clearing business from the Financial Services Commission.

(2) An entity that wishes to obtain authorization for the central counterparty clearing business under paragraph (1) shall satisfy each of the following requirements: *<Amended on Jul. 31, 2015>*

1. It shall be a stock company incorporated under the Commercial Act;
2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 20 billion won for each authorized business unit for clearing business;
3. Its business plan shall be feasible and sound;
4. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect its investors and conduct the central counterparty clearing business in which it intends to engage;

5. Its articles of incorporation and rules on clearing business shall comply with relevant statutes and are adequate for conducting central counterparty clearing business;

6. None of its executive officers shall be provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

7. Its major shareholders (referring to the major shareholders as defined in Article 12 (2) 6 (a)) shall have sufficient investment capabilities, good financial standing and social credibility;

8. It shall have social credibility prescribed by Presidential Decree;

9. It shall have a system for preventing conflicts of interest.

(3) Matters necessary for the requirements for authorization provided for in paragraph (2) shall be prescribed by Presidential Decree.

Article 323-4 (Application for Authorization and Examination)

(1) Any entity that wishes to obtain authorization under Article 323-3 (1) shall file an application for authorization with the Financial Services Commission.

(2) The Financial Services Commission shall, within three months of receiving an application filed in accordance with paragraph (1), determine whether it grants authorization for financial investment business, and shall notify the applicant in writing of its decision and the grounds therefor, without delay. In such cases, the Commission may demand that the applicant make a supplementary correction, if any deficiency exists in the application for authorization.

(3) In calculating the examination time period provided under paragraph (2), the duration for making a supplementary correction of a deficiency in the application for authorization, or other duration specified by Ordinance of the Prime Minister shall not be included in the examination time period.

(4) The Financial Services Commission may, when granting authorization pursuant to paragraph (2), attach conditions as may be necessary for ensuring soundness in management of the central counterparty and maintaining sound market order.

(5) An entity that has obtained authorization with conditions attached thereto pursuant to paragraph (4) may file an application for revocation of, or revision to, such conditions with the Financial Services Commission, if any change in circumstances or any other justifiable ground exists. In such cases, the Financial Services Commission shall render a decision within two months on whether to revoke or revise the attached conditions, and shall notify the applicant in writing of its decision without delay.

(6) The Financial Services Commission shall, where it grants authorization pursuant to paragraph (2), provide public notice of the following matters through the Official Gazette, its website, or any other medium:

1. The contents of authorization;

2. The conditions attached to the authorization (limited to cases where such conditions are attached therewith);

3. Where any conditions attached to the authorization have been revoked or revised, the contents thereof (limited to cases where such conditions have been revoked or revised).

(7) Matters concerning an application for authorization under paragraphs (1) through (6), including mandatory descriptions in the application for authorization, its accompanying documents, and the method, procedure and other necessary matters for the examination for authorization shall be prescribed by Presidential Decree.

Article 323-5 (Preliminary Authorization)

(1) An entity that wishes to obtain authorization for central counterparty clearing business under Article 323-3 (hereafter in this Article referred to as "final authorization") may file an application in advance for a preliminary authorization with the Financial Services Commission.

(2) The Financial Services Commission shall, within two months of receiving an application for preliminary authorization, examine the application to determine whether the applicant meets the requirements specified in the subparagraphs of Article 323-3 (2) and notify the applicant in writing of its decision and the grounds therefor without delay after determining whether to grant the preliminary authorization. In such cases, the Commission may demand that the applicant cure defects, if any, in the application for preliminary authorization.

(3) In calculating the examination period provided in paragraph (2), the duration for curing defects in the application for preliminary authorization, or other duration specified by Ordinance of the Prime Minister shall not be included in the examination period.

(4) When granting a preliminary authorization pursuant to paragraph (2), the Financial Services Commission may attach conditions as may be necessary for ensuring the sound management of the central counterparty and for maintaining sound market order.

(5) Where an application for final authorization is filed by an entity to whom a preliminary authorization has been granted, the Financial Services Commission shall determine whether to grant a final authorization after ascertaining whether the applicant has fulfilled the conditions attached to the preliminary authorization under paragraph (4), and whether all the requirements of the subparagraphs of Article 323-3 (2) are met.

(6) Matters concerning an application for preliminary authorization under paragraphs (1) through (5) including mandatory descriptions to be stated in the application and its accompanying documents, and the method, procedure and other necessary matters for preliminary authorization shall be prescribed by Presidential Decree.

Article 323-6 (Sustainment of Requirements for Authorization)

A central counterparty shall continue to meet the requirements for authorization for central counterparty clearing business set forth in the subparagraphs of Article 323-3 (2) (excluding subparagraph 8), while engaging in central counterparty clearing business with proper authorization under Article 323-3.

Article 323-7 (Addition of Business Activities and Revision to Authorization)

A central counterparty shall, when it wishes to engage in central counterparty clearing business by adding other business units subject to authorization to the clearing business units already authorized pursuant to Article 323-3, obtain authorization on changes from the Financial Services Commission in accordance with Articles 323-3 and 323-4. In such cases, Article 323-5 shall apply.

Article 323-8 (Prohibition on Using Similar Names)

No person other than a central counterparty shall use the name of "clearing of financial investment instruments transactions", "clearing of financial investment instruments", "clearing of security transactions", "clearing of securities", "clearing of derivatives transactions", "clearing of derivatives", or any other similar name.

Article 323-9 (Executive Officers)

(1) None of full-time executive officers of any central counterparty shall be executive officers and/or employees of a business entity subject to clearing.

(2) Article 5 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to the qualifications for executive officers of a central counterparty. *<Amended on Jul. 31, 2015>*

(3) Neither full-time executive officer nor employee of any central counterparty shall have any special interest prescribed by Presidential Decree in any business entity subject to clearing or financial investment-related institution (excluding the central counterparty to which such full-time executive officers and/or employees belong) with respect to the financing, distribution of profit and loss, and other business.

Article 323-10 (Duties)

(1) A central counterparty shall perform the following duties as prescribed by its articles of incorporation:

1. Confirmation of transactions subject to clearing;
2. Bearing obligations through assumption of the obligations, novation, or through an analogous legally binding arrangement incurred from transactions subject to clearing;
3. Netting of multiple credits or obligations incurred from transactions subject to clearing;
4. Confirmation of objects and amount of settlement, and settlement arrangements for the settlement institutions;
5. Treatment of defaults;
6. Duties approved by the Financial Services Commission as incidental to those specified in subparagraphs 1 through 5.

(2) A central counterparty shall not engage in business other than those specified in the subparagraphs of paragraph (1): Provided, That this shall not apply to either of the following cases:

1. Where it conducts business prescribed by this Act or other statutes as business of a central counterparty;

2. Where an exchange or any other financial investment institution prescribed by Presidential Decree conducts central counterparty clearing business as prescribed by this Act or other Acts.

Article 323-11 (Rules on Clearing Business)

(1) Each central counterparty shall establish rules on clearing business. In such cases, the rules on clearing business shall not conflict with the Rules on Settlement Business referred to in Article 303, the Membership Regulations referred to in Article 387, and the Business Regulations referred to in Article 393.

(2) Each central counterparty shall obtain approval from the Financial Services Commission to amend its articles of incorporation or rules on clearing business established under paragraph (1).

(3) The rules on clearing business referred to in paragraph (1) shall include the following:

1. Matters regarding trades subject to clearing and financial investment instruments subject to such transactions;

2. Matters regarding the requirements for business entities subject to clearing;

3. Matters regarding the bearing of obligations through assumption and novation of the obligations or through an analogous legally binding arrangement, which is conducted as the central counterparty clearing business, and the performance thereof;

4. Matters regarding the securing of performance of obligations by business entities subject to clearing;

5. Matters regarding the collateral deposits for clearing and the Joint Compensation Fund;

6. Where a person who is not a business entity subject to clearing causes the central counterparty to bear obligations incurred from transactions subject to clearing through a business entity subject to clearing, matters regarding the brokerage or intermediary or agency services for the clearing of such financial investment instruments transactions;

7. Matters regarding cooperation with foreign central counterparties (referring to entities that engage in the business equivalent to the central counterparty clearing business in foreign countries under the foreign statutes);

8. Other matters prescribed and publicly notified by the Financial Services Commission as necessary for conducting central counterparty clearing business.

Article 323-12 (Prohibition on Undue Discrimination)

No central counterparty shall discriminatorily treat any specific business entity subject to clearing without justifiable grounds.

Article 323-13 (Guarantee Money for Clearing)

(1) A business entity subject to clearing shall deposit guarantee money for clearing in a central counterparty with money, etc. as prescribed by its rules on clearing business in order to guarantee the repayment of obligations to the central counterparty: Provided, That this shall not apply to trades subject to clearing acknowledged by the central counterparty.

(2) Where a business entity subject to clearing fails to repay obligations to a central counterparty incurred from a transaction subject to clearing, the central counterparty may appropriate the guarantee money of such business entity subject to clearing for the repayment of the obligations.

Article 323-14 (Joint Compensation Fund)

(1) A business entity subject to clearing shall set aside a Joint Compensation Fund in a central counterparty with money, etc. to compensate for losses incurred from default arising from transactions subject to clearing, as stipulated by the rules on clearing business: Provided, That this shall not apply to any business entity subject to clearing, as stipulated by the rules on clearing business.

(2) A central counterparty shall accumulate the Joint Compensation Fund referred to in paragraph (1) separately for each type of trade subject to clearing.

(3) A business entity subject to clearing (excluding business entities subject to clearing specified in the proviso of paragraph (1)) shall be jointly liable for any loss incurred from default arising from any trade subject to clearing within the limit of the Joint Compensation Fund accumulated under paragraphs (1) and (2).

(4) Where a central counterparty compensates for any loss pursuant to paragraph (1) from the Joint Compensation Fund, it is entitled to claim reimbursement for the amount compensated and all the expenses incurred therefrom against the business entity subject to clearing that has caused such loss.

(5) A central counterparty shall allocate the amount of money collected in accordance with paragraph (4) to the Joint Compensation Fund.

(6) The amount of the total amount of the Joint Compensation Fund accumulated under paragraph (1), method of the accumulation, use, management and repayment thereof, filing claims for reimbursement under paragraph (4), and other necessary matters, shall be prescribed by Presidential Decree.

Article 323-15 (Order of Repayment of Obligations)

(1) Where a business entity subject to clearing has caused any damage to a central counterparty or any other business entity subject to clearing as a result of default arising from a transaction subject to clearing, such central counterparty or business entity subject to clearing which suffers damage shall have the right to be paid in preference to any other creditor with respect to the guarantee money for clearing and the share of joint compensation fund of the business entity which has caused such damage.

(2) A central counterparty shall have the right to be paid in preference to any other creditor with respect to the object and amount of settlement that a business entity subject to clearing has paid for the settlement.

(3) Where the object or amount of settlement is delivered prior to the completion of settlement for a transaction subject to clearing and the relevant business entity subject to clearing causes any damage to the central counterparty due to the failure of the settlement, the central counterparty shall have the right to be paid in preference to any other creditor with respect to the property of such business entity subject to clearing: Provided, That this shall not apply to the receivables secured by right to lease on a deposit basis, a right of pledge, a mortgage, or a security right under the Act on Security over Movable Property, Claims, Etc. which has been created prior to the arrival of the deadline for such settlement.

Article 323-16 (Report on Transaction Information of Central Counterparty)

(1) A central counterparty shall keep and manage information on transactions subject to clearing under Article 116-3 and other transaction information prescribed by Presidential Decree.

(2) A central counterparty shall report transaction information that it keeps and manages under paragraph (1) to the Financial Services Commission and other persons prescribed by Presidential Decree.

(3) The outline and method of keeping, managing and reporting transaction information under paragraphs (1) and (2) and other necessary matters shall be prescribed by Presidential Decree.

Article 323-17 (Application Mutatis Mutandis)

@Articles 54, 63, 383 (1), 408 and 413 of this Act, and Article 4 of the Act on Real Name Financial Transactions and Confidentiality shall apply mutatis mutandis to a central counterparty.

Article 323-18 (Restrictions on Stockholding)

No one shall hold stocks issued by a central counterparty in excess of 20 percent of the total number of outstanding voting stocks of the central counterparty, except under either of the following circumstances. Articles 406 (2) through (4) and 407 shall apply mutatis mutandis in such cases:

1. Where the Government holds the stocks;
2. Where the person obtains approval from the Financial Services Commission, as prescribed by Presidential Decree.

Article 323-19 (Inspection of Central Counterparty)

@Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of a central counterparty.

Article 323-20 (Dispositions against Central Counterparty)

(1) Where a central counterparty falls under any of the following cases, the Financial Services Commission may revoke its authorization granted under Article 323-3 (1):

1. If the authorization is obtained by falsity or in any other fraudulent manner;

2. If it violates any condition of the authorization;

3. If it breaches the duty to continue to meet the requirements for authorization of Article 323-6;

4. If it conducts business during the period of business suspension;

5. If it fails to comply with an order of rectification or discontinuance issued by the Financial Services Commission;

6. If it falls under any subparagraph of attached Table 8-2, as prescribed further by Presidential Decree;

7. If it violates any finance-related statute, etc. specified by Presidential Decree, as prescribed further by Presidential Decree;

8. If there is a possibility of seriously undermining investors' interests or if it is deemed difficult to engage in relevant business, as prescribed further by Presidential Decree.

(2) If a central counterparty falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or under any subparagraph of attached Table 8-2, the Financial Services Commission may take any of the following measures:

1. Suspending its business completely or partially for not more than six months;

2. Issuing an order to transfer contracts;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) If an executive officer of a central counterparty falls under any subparagraph of paragraph (1) (excluding subparagraphs 6) or under any subparagraph of attached Table 8-2, the Financial Services Commission may take any of the following measures:

1. Demand for dismissal;

2. Suspension of performing duties for a period of up to six months;

3. Warning of reprimand;

4. Warning for attention;

5. Caution;

6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) If an employee of a central counterparty falls under any subparagraph of paragraph (1) (excluding subparagraphs 6) or under any subparagraph of attached Table 8-2, the Financial Services Commission may demand that the central counterparty take any of the following measures:

1. Removal;

2. Suspension of his or her duties for not more than six months;

3. Salary reduction;

4. Reprimand.

5. Warning;

6. Caution;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to the measures taken against central counterparties and their executive officers and/or employees;

CHAPTER III SECURITIES FINANCE COMPANY

Article 323-21 (Prohibition against Unauthorized Securities Finance Business)

No one shall engage in securities finance business (referring to the business prescribed in Article 326 (1); hereinafter the same shall apply) without authorization required under this Act: Provided, That the cases prescribed by Presidential Decree as unlikely to undermine sound trading practices shall be excluded herefrom.

Article 324 (Authorization)

(1) An entity that intends to engage in securities finance business including the business prescribed in Article 326 (1) 2 (hereinafter referred to as "securities finance business") shall obtain authorization from the Financial Services Commission. *<Amended on Feb. 29, 2008; May 28, 2013>*

(2) An entity that intends to obtain authorization under paragraph (1) shall satisfy each of the following requirements: *<Amended on May 28, 2013; Jul. 31, 2015>*

1. It shall be a stock company under the Commercial Act;

2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least two billion won;

3. Its business plan shall be feasible and sound;

4. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect its investors and conduct the business in which it intends to engage;

5. Its executive officers shall be qualified under Article 5 of the Act on Corporate Governance of Financial Companies;

6. Its major shareholder (referring to a major shareholder as defined in Article 12 (2) 6 (a)) shall have sufficient investment capabilities, good financial standing and social credibility;

7. It shall have a system for preventing conflicts of interest.

(3) An entity that intends to obtain authorization under paragraph (1) shall file an application for authorization with the Financial Services Commission. *<Amended on Act No. 8863, Feb. 29, 2008>*

(4) Upon receipt of an application for authorization filed under paragraph (3), the Financial Services Commission shall examine the contents of the application; determine whether to grant authorization within three months; and give written notice of its determination and the grounds for such determination to the applicant without delay. In this case, the Financial Services Commission may request that the applicant correct his or her application for registration, if such application is incomplete. *<Amended on Act No. 8863, Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Act No. 8863, Feb. 29, 2008>*

(6) The Financial Services Commission may impose conditions necessary for ensuring sound business management and for protecting investors when granting authorization pursuant to paragraph (4). *<Amended on Act No. 8863, Feb. 29, 2008>*

(7) An entity that has obtained authorization with conditions imposed under paragraph (6) may request that the Financial Services Commission change or cancel the conditions, if the entity has any change in its circumstances or for good cause. In this case, the Financial Services Commission shall determine whether to change or cancel such conditions within two months and give written notice of its determination to the applicant without delay. *<Amended on Act No. 8863, Feb. 29, 2008>*

(8) Upon having granted authorization pursuant to paragraph (4), the Financial Services Commission shall publish the following matters on the Official Gazette, its website, etc.: *<Amended on Act No. 8863, Feb. 29, 2008>*

1. Details of authorization;
2. Conditions on the authorization (limited to where any condition is imposed);
3. Details of any condition changed or canceled, if applicable.

(9) A securities finance company shall be in compliance with the requirements for authorization provided for in the subparagraphs of paragraph (2) (in the case of subparagraphs 2 and 6, referring to the relaxed requirements prescribed by Presidential Decree) in the course of conducting its business after obtaining authorization.

(10) Matters concerning the mandatory descriptions, accompanying documents, etc. of the application for authorization under paragraphs (1) through (8), the method and procedure for examination of authorization, and other matters pertaining to authorization, shall be prescribed by Presidential Decree.

Article 325 (Prohibition on Use of Similar Name)

Any person other than a securities finance company shall not use the name "securities finance" or any other name similar thereto.

Article 326 (Business Affairs)

(1) The securities finance business is as follows: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Lending money or securities to investment traders or investment brokers in relation to purchasing or selling financial investment instruments, issuing or underwriting securities, or soliciting an offer or brokerage, offering, and accepting an offer;

2. Lending money or securities necessary for the transactions at an exchange market (including the transactions through an alternative trading system) or the trades subject to clearing through an exchange, which is a clearing institution designated under Article 378 (1), or a central counterparty;

3. Providing loans by taking securities as collateral;

4. Other business approved by the Financial Services Commission.

(2) A securities finance company may engage in any of the following business in addition to the securities finance business: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Any of the following business. In this regard, it shall obtain any authorization, permission, registration, etc., if required under this Act or any other Acts:

(a) Business prescribed by Presidential Decree among investment trading business and investment brokerage business;

(b) Trust business;

(c) Taking custody and management of collective investment property;

(d) Lending and borrowing securities;

(e) Other business approved by the Financial Services Commission;

2. Business prescribed by this Act or other statutes as business of a securities finance company;

3. Other business approved by the Financial Services Commission.

(3) A securities finance company shall engage in any of the following business incidental to the securities finance business and the business set forth in paragraph (2) or Article 330: *<Amended on May 28, 2013>*

1. Lock-up business;

2. Other business approved by the Financial Services Commission.

Article 327 (Executive Officers)

(1) None of the full-time executive officers of a securities finance company shall be executive officers and/or employees of another financial investment business entity.

(2) Article 5 of the Act on Corporate Governance of Financial Companies shall apply to the executive officers of a securities finance company. *<Amended on Jul. 31, 2015>*

(3) Neither full-time executive officer nor employee of a securities finance company shall have any special interest prescribed by Presidential Decree in any financial investment business entity or financial services-related institution (excluding the securities finance company hiring the full-time executive officer and/or employee) with respect to the financing, distribution of profit and loss, and other business.

Article 328 (Provisions to be Applied Mutatis Mutandis)

@Articles 54, 63 and 64 hereof and Article 31 (excluding paragraph (5)) of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to securities finance companies.

Article 329 (Issuance of Corporate Bonds)

(1) A securities finance company may issue corporate bonds up to 20 times the aggregate amount of its capital and reserve. *<Amended on May 28, 2013>*

(2) A securities finance company may temporarily issue corporate bonds in excess of the limit for the purpose of the redemption of corporate bonds issued pursuant to paragraph (1). In this case, the limit referred to in paragraph (1) shall be met within one month after issuance.

(3) Matters necessary for the issuance of corporate bonds by a securities finance company pursuant to paragraph (1) shall be prescribed by Presidential Decree.

Article 330 (Deposit of Money by Financial Investment Business Entities)

(1) A securities finance company may receive the deposit of money from financial investment business entities, financial services-related institutions (excluding the securities finance company), an exchange, listed corporations, and others designated by Ordinance of the Prime Minister. *<Amended on Feb. 29, 2008>*

(2) A securities finance company may issue debt instruments under the conditions prescribed by Ordinance of the Prime Minister, if necessary for the business referred to in paragraph (1). *<Amended on Feb. 29, 2008>*

(3) The Bank of Korea Act and the Banking Act shall not apply in cases falling under paragraphs (1) and (2).

Article 331 (Supervision)

(1) The Financial Services Commission shall supervise a securities finance company pursuant to the provisions under this Act, and may issue an order to take necessary measures. *<Amended on Feb. 29, 2008>*

(2) Deleted. *<Feb. 29, 2008>*

(3) Articles 34 and 46 of the Banking Act shall apply to the supervision for maintaining the sound management of securities finance companies. In this case, the Financial Services Commission shall establish separate prudential management guidelines, taking into account the nature of securities finance companies. *<Amended on Feb. 29, 2008; May 17, 2010>*

Article 332 (Approval of Discontinuation of Business)

(1) A securities finance company shall, when it intends to discontinue or dissolve business under Article 326 (1), obtain approval from the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission shall, when it grants approval pursuant to paragraph (1), make it available to the public through the Official Gazette, its website, etc. *<Amended on Feb. 29, 2008>*

(3) The methods and procedures for the approval under paragraph (1) and necessary matters regarding handling approval shall be prescribed by Presidential Decree.

Article 333 (Report on Articles of Incorporation and Rules)

(1) A securities finance company shall, when it amends the articles of incorporation, report thereon to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

(2) A securities finance company shall, when it establishes, amends or repeals the rules on its business, report thereon to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

Article 334 (Inspection of Securities Finance Companies)

Article 335 (Measures against Securities Finance Companies)

(1) The Financial Services Commission may revoke authorization under Article 324 (1) where a securities finance company falls under any of the following subparagraphs: *<Amended on Feb. 29, 2008>*

1. Where authorization under Article 324 (1) is made through false or other fraudulent methods;
2. Where any requirement for authorization is violated;
3. Where any obligation to maintain requirements for authorization under Article 324 (9) is violated;
4. Where any business is conducted during a period of suspension;
5. Where any order of correction or suspension issued by the Financial Services Commission is not complied with;
6. Any case falling under the subparagraphs of attached Table 9 as prescribed by Presidential Decree
7. Any case prescribed by Presidential Decree where any finance-related statutes prescribed by Presidential Decree are violated;
8. Other cases prescribed by Presidential Decree as likely to significantly undermine the interest of investors or make it difficult to conduct the relevant business.

(2) The Financial Services Commission may take the following measures where a securities finance company falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or under any subparagraph of attached Table 9: *<Amended on Feb. 29, 2008>*

1. To suspend all or part of the business for up to six months;
2. To order transfer of contract;
3. Issuing an order to correct or cease the relevant violation;
4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;
5. Issuing a warning to the company;
6. Issuing a caution to the company;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) The Financial Services Commission may take measures falling under any of the following subparagraphs where any executive officer of a securities finance company falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or under any subparagraph of attached Table 9: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) The Financial Services Commission may request a securities finance company to take measures falling under any of the following subparagraphs where any employee of the securities finance company falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or any subparagraph of attached Table 9: *<Amended on Feb. 29, 2008>*

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand.
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3), Articles 423 through 425 shall apply mutatis mutandis to the measures, etc. against a securities finance company and its executive officers and/or employees. *<Amended on Feb. 29, 2008>*

CHAPTER III-2 CREDIT RATING COMPANY

Article 335-2 (Prohibition on Credit Assessment without Authorization)

No one shall engage in credit rating business without authorization required under this Act: Provided, That the cases prescribed by Presidential Decree as unlikely to undermine sound trading practices shall be excluded herefrom.

Article 335-3 (Authorization)

(1) An entity that wishes to engage in credit rating business shall obtain authorization from the Financial Services Commission.

(2) An entity that wishes to obtain authorization pursuant to paragraph (1) shall meet each of the following requirements: *<Amended on Jul. 31, 2015>*

1. It shall be a stock company incorporated under the Commercial Act or a corporation prescribed by Presidential Decree: Provided, That the following entities shall be excluded herefrom:
   (a) A corporation in which a company belonging to a business group subject to limitations on cross shareholding, has invested in excess of ten percent of its equity capital;
   (b) A corporation in which a financial institution prescribed by Presidential Decree has invested in excess of ten percent of its equity capital;
   (c) A corporation, the largest shareholder of which is a company provided for in item (a) or (b);
2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least five billion won;
3. Its business plan shall be feasible and sound;
4. It shall have human resources, electronic computer systems and other physical facilities sufficient to produce reliable credit ratings continuously;
5. Its executive officers shall be qualified under Article 5 of the Act on Corporate Governance of Financial Companies;
6. Its major shareholders (referring to the major shareholders as defined in Article 12 (2) 6 (a)) shall have adequate investment capabilities, good financial standing and social credibility;
7. It shall have a system for preventing conflicts of interest between the credit rating company and investors or issuers.

(3) Further details necessary for fulfilling the requirements for authorization provided for in paragraph (2) shall be prescribed by Presidential Decree.

Article 335-4 (Application for Authorization and Examination)

(1) Any entity that wishes to obtain authorization under Article 335-3 (1) shall file an application for authorization with the Financial Services Commission.

(2) The Financial Services Commission shall, within three months of receiving an application filed in accordance with paragraph (1), examine the application to determine whether authorization shall be granted, and shall notify the applicant in writing of its decision and the grounds therefor, without delay. In such cases, the Commission may demand that the applicant make a supplementary correction, if any deficiency exists in the application for authorization.

(3) In calculating the examination time period provided under paragraph (2), the duration for making a supplementary correction of deficiencies in the application for authorization or duration for others specified by Ordinance of the Prime Minister shall not be included in the examination time period.

(4) The Financial Services Commission may, when granting authorization pursuant to paragraph (2), attach conditions as may be necessary for ensuring soundness in management of the credit rating company and keeping sound market order.

(5) An entity that has obtained authorization with conditions attached thereto pursuant to paragraph (4) may file an application for revocation of, or revision to, such conditions with the Financial Services Commission, if any change in circumstances occurs or any other justifiable grounds exist. In such cases, the Financial Services Commission shall render a decision within two months on whether to revoke or revise the attached conditions, and shall notify the applicant in writing of its decision without delay.

(6) The Financial Services Commission shall, where it grants authorization pursuant to paragraph (2), provide public notice of the following matters through the Official Gazette, its website, or any other medium:

1. The contents of authorization;
2. The conditions attached to the authorization (limited to cases where such conditions are attached thereto);
3. The contents of revocation of, or revision to, the conditions attached to the authorization (limited to cases where such conditions have been revoked or revised).

(7) Matters concerning the application for authorization, including the mandatory descriptions in the application for authorization and its accompanying documents, and the method and procedure for an examination for authorization under paragraphs (1) through (6) and other necessary matters shall be prescribed by Presidential Decree.

Article 335-5 (Preliminary Authorization)

(1) An entity that wishes to obtain authorization for a credit rating business under Article 335-3 (hereafter in this Article referred to as "final authorization") may file an application for preliminary authorization with the Financial Services Commission.

(2) The Financial Services Commission shall, within two months of receiving an application for preliminary authorization, examine the application to determine whether the applicant is able to fulfill each requirement of the subparagraphs of Article 335-3 (2), thereby decide whether to grant the preliminary authorization, and notify the applicant in writing of its decision and the grounds therefor without delay. In such cases, the Commission may demand the applicant cure defects, if any, in the application for preliminary authorization.

(3) In calculating the examination period provided under paragraph (2), the duration for curing defects in the application for preliminary authorization or other durations specified by Ordinance of the Prime Minister shall not be included in the examination time period.

(4) When granting a preliminary authorization pursuant to paragraph (2), the Financial Services Commission may attach conditions as may be necessary for ensuring the sound management of the credit rating company and maintaining the sound market order.

(5) Upon receipt of an application for final authorization from an entity to whom a preliminary authorization has been granted, the Financial Services Commission shall verify whether the applicant has fulfilled the conditions attached to the preliminary authorization under paragraph (4), and whether the

applicant meets all the requirements of the subparagraphs of Article 335-2 (2), before it determines whether to grant a final authorization.

(6) Matters concerning an application for preliminary authorization under paragraphs (1) through (5), including mandatory descriptions in the application and its accompanying documents, and other necessary matters, including the method and procedure for preliminary authorization, shall be prescribed by Presidential Decree.

Article 335-6 (Sustainment of Requirements for Authorization)

Each credit rating company shall continue to meet the requirements for authorization set forth in the subparagraphs of Article 335-3 (2), while engaging in credit rating business with proper authorization under Article 335-3.

Article 335-7 (Prohibition on Using Similar Names)

No person other than a credit rating company shall use "credit appraisal" or any other similar names: Provided, That this shall not apply to other cases prescribed by Presidential Decree. *<Amended on Feb. 4, 2020>*

Article 335-8 (Executive Officers and Internal Control Standards)

(1) Articles 5 and 31 (excluding paragraph (5)) of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to a credit rating company and its executive officers. *<Amended on Jul. 31, 2015>*

(2) Each credit rating company shall establish internal control standards for Credit Assessment as appropriate guidelines and procedures to be complied with by its executive officers and/or employees in performing their duties (hereinafter referred to as "internal control standards"), which shall provide for the following:

1. Matters concerning the separation of an assessment organization and a sales organization;
2. Matters concerning the system for preventing conflicts of interest;
3. Matters concerning prevention on unfair business practices;
4. Matters concerning the introduction of guidelines for credit assessment fitted for the characteristics of entities subject to credit assessment;
5. Other necessary matters prescribed by Presidential Decree concerning the Internal Control Guidelines for Credit Assessment.

(3) A credit rating company (excluding a credit rating company prescribed by Presidential Decree considering the size of assets, turnover, etc.; hereafter the same shall apply in this Article) shall have at least one person to serve as compliance officers to take charge of monitoring compliance with the Internal Control Guidelines for Credit Assessment, investigating violations thereof, and reporting to the audit committee or the auditors (hereinafter referred to as "compliance officer") such violations of the Internal

Control Guidelines for Credit Assessment.

(4) A compliance officer shall perform his or her duties with due fiduciary care, and shall not take charge of a job engaging in any of the following:

1. Management of the proprietary property of the relevant credit rating company;
2. Matters related to the credit rating business that is run by the relevant credit rating company and any work incidental thereto;
3. Work concurrently run by the relevant credit rating company pursuant to Article 335-10.

(5) Articles 5, 25 (3), 26 (1) 1, and 30 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to a compliance officer of a credit rating company. *<Amended on Jul. 31, 2015>*

(6) Other matters necessary for the Internal Control Guidelines for Credit Assessment and compliance officers shall be prescribed by Presidential Decree.

Article 335-9 (Independence and Fairness)

Each credit rating company and its executive officers and/or employees shall perform their duties fairly and faithfully from an independent stance, while conducting their credit assessment work.

Article 335-10 (Concurrent Business and Incidental Business)

(1) A credit rating company may concurrently run the following business, which is unlikely to undermine the protection of investors and sound trading practices:

1. Business of a bond rating company registered under Article 263;
2. Other duties prescribed by Presidential Decree.

(2) A credit rating company may run business incidental to credit rating business, including any of the following business:

1. Assessing the repayment possibility of principal and interest of credit granted to business entities, etc. by banks and other financial institutions prescribed by Presidential Decree;
2. Assessing the solvency, financial standing, etc. of banks, insurance companies and other financial institutions prescribed by Presidential Decree;
3. Other duties prescribed by Presidential Decree.

(3) Where a credit rating company intends to run the business referred to in paragraph (1) or (2), it shall report thereon to the Financial Services Commission seven days prior to the date set for commencing such business.

(4) Article 41 (2) through (4) shall apply mutatis mutandis to a credit rating company.

Article 335-11 (Business Conduct Standards for Credit Rating Companies)

(1) A credit rating company shall determine the policy and method for granting, providing and giving access to credit ratings (hereinafter referred to as "credit assessment method"), as prescribed and publicly notified by the Financial Services Commission, and conduct the credit assessment in accordance with such

credit assessment method, etc.

(2) In assessing the credit of a person who has requested credit assessment (hereinafter referred to as "requester"), a credit rating company shall comprehensively assesses the current status, including financial standing and business performance, and future prospects, including business, managerial and financial risks.

(3) A credit rating company shall prepare a document stating the result of credit assessment (hereinafter referred to as "credit rating report"), including the following matters:

1. Credit rating;
2. Opinion of the credit rating company;
3. Where it assesses the credit of a person who is not prescribed by Presidential Decree under paragraph (7) 1, but has an investment relationship with the relevant credit rating company, matters concerning the investment relationship;
4. Other information prescribed and publicly notified by the Financial Services Commission as necessary for investors, etc. to make reasonable decisions.

(4) Where a credit rating company provides a credit rating report to the requester, it shall furnish credit rating records (referring to the records of the redemption rate of principal and interest, etc. by each credit rating assigned by the credit rating company), along with other documents prescribed and publicly notified by the Financial Services Commission as necessary for ascertaining its credit-rating ability (hereinafter referred to as "credit rating records, etc.").

(5) Each credit rating company shall preserve the following matters for three years:

1. Addresses and names of requesters;
2. Details of the work requested and the dates of the requests;
3. Details of the work conducted upon request, or credit rating reports furnished and the dates on which they have been furnished;
4. Other matters prescribed by Presidential Decree as necessary to be recorded and preserved for the protection of investors and maintenance of sound trading practices.

(6) None of any current or former executive officer and/or employee of a credit rating company shall divulge or use any confidential information he or she has become aware of in the course of conducting his or her duties: Provided, That this shall not apply in any of the following cases:

1. Where it is used for a purpose for which a requester has agreed on the provision and use thereof;
2. Where it is provided in accordance with a submission order issued by a court or a warrant issued by a judge;
3. Other cases where it is provided pursuant to an Act.

(7) No credit rating company shall engage in any of the following:

1. Assessing the credit of a person prescribed by Presidential Decree who is related to the credit rating company, such as an investment relationship of at least a certain ratio;

2. Compelling to purchase or use goods or services of the credit rating company or its affiliates in the course of conducting credit assessment;

3. Other activities prescribed by Presidential Decree, which are likely to undermine the protection of investors or sound trading practices.

Article 335-12 (Submission, Public Disclosure of Credit Rating Reports)

(1) Upon having determined or changed the credit assessment method under Article 335-11 (1), a credit rating company shall submit it to the Financial Services Commission, an exchange and the Association.

(2) A credit rating company shall submit a credit rating report to the Financial Services Commission, an exchange and the Association in any of the following cases:

1. Where an issuer, etc. is required to undergo credit assessment under this Act or other finance-related statutes;

2. Where a document that must be prepared under this Act or other finance-related statutes, such as a registration statement and a business report, accompanies a credit rating report;

3. Other cases prescribed by Presidential Decree as necessary to protect investors and to maintain sound trading practices.

(3) A credit assessment company shall submit documents prescribed and publicly notified by the Financial Services Commission concerning the adequacy, etc. of credit assessment to the Financial Services Commission, an exchange, and the Association.

(4) The Financial Services Commission and an exchange shall furnish the documents prescribed by Presidential Decree among the documents received pursuant to paragraphs (1) through (3) at a designated place for three years, and disclose such documents to the public on their websites, etc.

(5) Method, timing and procedure for submitting documents pursuant to paragraphs (1) through (3) and other necessary matters, shall be prescribed by Presidential Decree.

Article 335-13 (Restrictions on Voting Rights)

(1) Where a company belonging to a business group subject to limitations on cross shareholding or a financial institution referred to in Article 335-3 (2) 1 (b) holds stocks (including equity shares; hereafter the same shall apply in this Article) of a credit rating company in excess of the investment limit provided for in the Article 335-3 (2) 1 (a) or (b), the voting rights in relation to the relevant stocks shall be exercised to the limit provided for in the subparagraphs of the same paragraph, and shall correct its stockholding to comply with such limits without delay.

(2) The Financial Services Commission may order a business group subject to limitations on cross shareholding or a financial institution referred to in Article 335-3 (2) 1 (b) to dispose of the stocks of a credit rating company it holds in excess of the investment limit provided for in Article 335-3 (2) 1 (a) or (b), within a prescribed period not exceeding six months.

Article 335-14 (Provisions Applicable Mutatis Mutandis)

(1) Articles 33 (excluding paragraphs (2) through (4)), 63 (limited to the executive officers and/or employees taking charge of the credit assessment of financial investment instruments), and 415 through 419 (excluding paragraphs (2) through (4), and (8)) shall apply mutatis mutandis to a credit rating company.

(2) Article 259 (2) shall apply mutatis mutandis to a credit rating company. In such cases, "fund rating company" shall be construed as "credit rating company".

Article 335-15 (Dispositions against Credit Rating Companies)

(1) If a credit rating company falls under any of the following cases, the Financial Services Commission may revoke the authorization granted under Article 335-3 (1):

1. Where the authorization under Article 335-3 (1) is obtained by falsity or in any other fraudulent manner;
2. Where it violates any condition attached under Article 335-4 (4);
3. Where it violates the obligation to continue to fulfill the requirements for authorization referred to in Article 335-6;
4. Where it performs its business during the period of business suspension;
5. Where it fails to comply with an order to rectification or discontinuance issued by the Financial Services Commission;
6. Where it falls under any of the subparagraphs of attached Table 9-2, as prescribed further by Presidential Decree;
7. Where it violates any finance-related statute, etc. specified by Presidential Decree, as prescribed further by Presidential Decree;
8. Where there is a possibility of seriously undermining investors' interests or where it is deemed difficult to continue to perform the relevant business, as prescribed further by Presidential Decree.

(2) If a credit rating company falls under any subparagraph of paragraph (1) (excluding the cases falling under subparagraph 6) or any subparagraph of attached Table 9-2, the Financial Services Commission may take any of the following measures:

1. To suspend all or part of the business for up to six months;
2. To order transfer of contract;
3. Issuing an order to correct or cease the relevant violation;
4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;
5. Issuing a warning to the company;
6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) If an executive officer of a credit rating company falls under any subparagraph of paragraph (1) (excluding the cases falling under subparagraph 6) or any subparagraph of attached Table 9-2, the Financial Services Commission may take any of the following measures:

1. Demand for dismissal;
2. Suspension of performing duties for a period of up to six months;
3. Warning of reprimand;
4. Warning for attention;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) If an employee of a credit rating company falls under any subparagraph of paragraph (1) (excluding the cases falling under subparagraph 6) or any subparagraph of attached Table 9-2, the Financial Services Commission may demand the credit rating company take any of the following measures:

1. Removal;
2. Suspension of his or her duties for not more than six months;
3. Reduction of salary;
4. Reprimand;
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to dispositions against a credit rating company and its executive officers and/or employees.

CHAPTER IV MERCHANT BANKS

Article 336 (Business of Merchant Banks)

(1) Business of a merchant bank (referring to an entity that obtains authorization from the Financial Services Commission pursuant to Article 3 of the Merchant Banks Act; hereinafter the same shall apply) shall be as follows: *<Amended on Feb. 29, 2008>*

1. Issue, discount, trade, arrange, underwrite and guarantee bills whose maturities come within a period prescribed by Presidential Decree up to one year;
2. Make investments and loans for equipment or operating capital;
3. Underwrite securities and make a public offering of outstanding securities or to intermediate or arrange a public offering of new or outstanding securities, or act by proxy for that purpose;

4. Induce foreign capital and make overseas investments, to arrange international financing, or to borrow and sublease foreign capital;

5. Issue bonds;

6. Provide services on management consultation or mergers and acquisitions of enterprises;

7. Payment guarantees;

8. Business incidental to subparagraphs 1 through 7 prescribed by Presidential Decree.

(2) A merchant bank may engage in any business described below other than those specified in paragraph (1) by obtaining permission, authorization, registration, etc. as prescribed by this Act or related Acts:

1. Equipment rental business under the Specialized Credit Financial Business Act;

2. Collective investment scheme service (limited to the establishment and termination of an investment trust and the management of investment trust properties);

3. Trust business other than money trust;

4. Brokerage and dealing of securities (excluding the business falling under subparagraph 3 of paragraph (1));

5. Foreign exchange business under the Foreign Exchange Transactions Act;

6. Others prescribed by Presidential Decree as related to a business falling under any subparagraph of paragraph (1), or under any of subparagraphs 1 through 5.

(3) Matters necessary for methods, procedures, and their compliance in performing business under each subparagraph of paragraph (1) shall be prescribed by Presidential Decree.

Article 337 (Establishment of Branches)

A merchant bank shall obtain authorization from the Financial Services Commission in accordance with the standards and methods prescribed by Presidential Decree when it intends to establish any branches or offices, or other business offices similar thereto (including a sub-office or management office that conducts merely a part of business, or any other similar office; hereinafter referred to as "branches, etc."). *<Amended on Feb. 29, 2008>*

Article 338 (Prohibition of Use of Similar Names)

Any entity other than a merchant bank shall not use "merchant bank" or any other similar name.

Article 339 (Matters subject to Authorization)

(1) A merchant bank shall obtain authorization from the Financial Services Commission when it intends to discontinue or dissolve its business prescribed in Article 336 (1). *<Amended on Feb. 29, 2008>*

(2) A merchant bank shall report any of the following matters to the Financial Services Commission within seven days from the date of occurrence: Provided, That in the case of subparagraph 3, the merchant bank shall report to the Financial Services Commission in advance: *<Amended on Feb. 29, 2008>*

1. Amendments to the articles of incorporation.
2. Change in business methods;
3. Relocation of the head office, or relocation or discontinuation of branches, etc.

Article 340 (Issuance of Bonds)

(1) A merchant bank may, notwithstanding Article 470 of the Commercial Act, issue bonds up to ten times its equity capital.

(2) A merchant bank may issue bonds in excess of the limit temporarily for repayment of bonds issued pursuant to paragraph (1).

(3) Others necessary for the issuance of bonds shall be prescribed by Presidential Decree.

Article 341 (Special Cases concerning Collective Investment Business)

(1) Article 250 (3) (limited to subparagraphs 1 and 2), (5) and (6) shall apply mutatis mutandis to a merchant bank.

(2) Where a merchant bank provides services, such as establishing and terminating investment trusts and managing investment trust properties, the merchant bank shall appoint executive officers (including the persons prescribed by Presidential Decree in virtually equivalent positions to the executive officers; hereafter the same shall apply in this paragraph), prohibit executive officers and/or employees from taking concurrent charge of any of the following business affairs, and establish a system for preventing conflicts of interest prescribed by Presidential Decree, including prohibiting the shared use of electronic computer systems or offices and limiting the exchange of information among executive officers and/or employees who are conducting different business: Provided, That executive officers may take concurrent charge of the business affairs referred to in subparagraph 2 and business prescribed by Presidential Decree as unlikely to be in conflicts of interest with the business affairs referred to in subparagraph 2 among the business affair referred to in subparagraph 1:

1. Business affairs referred to in Article 336 (excluding business referred to in subparagraph 2);
2. Business affairs of establishing and terminating investment trusts and managing investment trust properties.

Article 342 (Limits on Credit Granting to Same Borrower)

(1) No merchant bank shall grant credit (referring to loans, discount of bills, payment guarantees, purchase of securities for financial support, and other direct or indirect transactions of a merchant bank entailing credit risk; hereafter in this Chapter the same shall apply) in excess of 25 percent of the merchant bank’s equity capital (referring to the aggregate of BIS Tier one capital and BIS Tier two capital; hereafter in this Chapter the same shall apply) to the same individual or corporation, and any person who shares credit risk therewith (hereafter in this Article referred to as the "same borrower").

(2) No merchant bank shall grant credit in excess of the limit prescribed by Presidential Decree within 25 percent of the merchant bank’s equity capital to any executive officer or affiliate of the merchant bank or any person who shares credit risk therewith (hereafter in this Article referred to as "related person").

(3) Where any individual credit granted by a merchant bank to the same borrowers exceeds ten percent of the merchant bank's equity capital, the total amount of such credits shall not exceed five times the merchant bank's equity capital as of the end of each month.

(4) No merchant bank shall grant credit in excess of 20 percent of its equity capital to the same individual or corporation, respectively.

(5) Notwithstanding paragraphs (1) through (4), a merchant bank may grant credit in excess of the credit limits referred to in paragraphs (1) through (4) in either of the following cases prescribed by Presidential Decree:

1. Where it is necessary to promote the national economy and the merchant bank's effectiveness in securing bonds;

2. Where the merchant bank exceeds the credit limits referred to in paragraphs (1) through (4) due to a change in its equity capital or a change in the composition of the same borrowers although it has not extended further credits.

(6) Where a merchant bank exceeds the credit limits referred to in paragraphs (1) through (4) pursuant to paragraph (5) 2, the merchant bank shall ensure that it meets the credit limits referred to in paragraphs (1) through (4) within one year from the date it exceeds such credit limits: Provided, That the Financial Services Commission may extend such duration in any inevitable case prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

(7) The specific scope of the equity capital, credit granting and the same borrowers referred to in paragraph (1), and related persons referred to in paragraph (2), shall be prescribed by Presidential Decree.

Article 343 (Restrictions on Transactions with Major Shareholders)

(1) A merchant bank shall not exceed the limit prescribed by Presidential Decree within 25 percent of its equity capital when it grants credit to its major shareholders (including its affiliated persons; hereafter in this Article, the same shall apply); and the major shareholders shall not accept credit from the merchant bank in excess of the limit.

(2) A merchant bank shall seek a resolution at the board of directors in advance when it grants credit (including transactions prescribed by Presidential Decree; hereafter in this Article, the same shall apply) to its major shareholders in excess of the amount prescribed by Presidential Decree within the limit prescribed under paragraph (1) or when it intends to acquire the stocks issued by its major shareholders in excess of the amount prescribed by Presidential Decree. In such cases, the resolution shall be passed by the unanimous consent of the board of directors.

(3) Where a merchant bank grants credit to its major shareholders in excess of the amount prescribed by Presidential Decree within the limit prescribed under paragraph (2) or intends to acquire stocks issued by

its major shareholders in excess of the amount prescribed by Presidential Decree, the merchant bank shall file a report thereon with the Financial Services Commission without delay and disclose the relevant facts to the public on its website, etc. *<Amended on Feb. 29, 2008>*

(4) A merchant bank shall file a comprehensive report on matters prescribed by Presidential Decree among the matters to be reported in relation to credit granting to its major shareholders and acquisition of stocks issued by its major shareholders with the Financial Services Commission on a quarterly basis, and disclose the same to the public on its website, etc. *<Amended on Feb. 29, 2008>*

(5) A merchant bank shall make itself compliant with paragraph (1) within the period set by Presidential Decree when it exceeds the limit prescribed under paragraph (1) due to a change in its equity capital or major shareholders although it has not granted further credits.

(6) Notwithstanding paragraph (5), a merchant bank may extend the period set under paragraph (5) with approval from the Financial Services Commission where there is any reasonable ground for doing so based on the deadline for credit granting and the scope of credit. *<Amended on Feb. 29, 2008>*

(7) A merchant bank that intends to obtain approval under paragraph (6) shall file a detailed proposal with the Financial Services Commission to meet the limit prescribed under paragraph (1) by three months prior to the expiration of the period set under paragraph (5), and the Financial Services Commission shall determine whether to approve the detailed proposal and notify the merchant bank of its determination within a month from the date of receipt of the proposal. *<Amended on Feb. 29, 2008>*

(8) The Financial Services Commission may order a merchant bank or any of its major shareholders to file necessary documents when the merchant bank or any of its major shareholders is suspected of having violated any of paragraphs (1) through (7). *<Amended on Feb. 29, 2008>*

(9) The Financial Services Commission may take the following measures in relation to a merchant bank in cases prescribed by Presidential Decree as likely to significantly undermine the sound management of the merchant bank due to a weak financial structure, including where the liability of major shareholders (limited to incorporated companies) of the merchant bank exceeds the assets thereof: *<Amended on Feb. 29, 2008>*

1. Prohibition on additional credit granting to the major shareholders;
2. Prohibition on additional acquisition of securities issued by the major shareholders;
3. Other measures prescribed by Presidential Decree, such as restrictions, etc. on transactions for providing financial support to the major shareholders.

Article 344 (Limits on Investment in Securities)

(1) No merchant bank shall invest in securities in excess of 100 percent of its equity capital except in cases prescribed by Presidential Decree. In this case, neither treasury bonds nor monetary stabilization bonds issued by the Bank of Korea, shall be included in the calculation of the investment limit.

(2) The Financial Services Commission may, if necessary, may otherwise determine and publish the limits on investment in securities and derivative-linked securities within the limit prescribed under paragraph (1)

by the method prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

Article 345 (Prohibited Acts regarding Funding)

(1) No merchant bank that belongs to a business group subject to limitations on cross shareholding shall engage in any of the following acts along with a financial institution (referring to a financial institution under the Act on the Structural Improvement of the Financial Industry; hereafter in this paragraph, the same shall apply) or a company that belongs to other business group subject to limitations on cross shareholding:

1. Cross-holding voting stocks of other financial institutions or companies or credit granting for the purpose of circumventing the limit set under Articles 342 through 344 or credit granting;
2. Acquisition of stocks by means of cross-holding to circumvent the restriction on the acquisition of treasury stocks pursuant to the Commercial Act and other statutes;
3. Other acts prescribed by Presidential Decree as likely to undermine the interests of depositors or investors severely.

(2) No merchant bank may exercise its voting rights in relation to stocks acquired in violation of paragraph (1).

(3) No merchant bank shall grant credit to a third person to cause the third person to purchase its stocks.

(4) The Financial Services Commission may take necessary measures against a merchant bank that has acquired stocks or granted credits, in violation of paragraph (1) or (3) to dispose of the stocks so acquired or to recover the credits within a prescribed period not exceeding six months. *<Amended on Feb. 29, 2008>*

Article 346 (Holding of Assets Required for Reserve)

A merchant bank shall, in accordance with Presidential Decree, hold assets required for reserve in order to ensure repayment of liabilities and urgent withdrawals.

Article 347 (Restrictions on Acquisition of Real Restate)

(1) No merchant bank can acquire or hold real estate, other than the real estate for business purposes: Provided, That this shall not apply where the merchant bank acquires real estate by exercising its collateral rights.

(2) No merchant bank shall acquire real estate for business purposes in excess of 100 percent of its equity capital.

(3) A merchant bank shall dispose of real estate acquired other than for business purposes or acquired pursuant to the proviso of paragraph (1) by the method prescribed by Presidential Decree.

(4) The scope of real estate for business purposes referred to in the main clause of paragraph (1) shall be prescribed by Presidential Decree.

Article 348 Deleted. *<Mar. 29, 2016>*

Article 349 (Penalty Surcharges)

(1) When a merchant bank violates Article 343 (1), the Financial Services Commission may impose a penalty surcharge on the merchant bank within the extent of the amount of credit granted in excess of the limit. *<Amended on Feb. 29, 2008; Apr. 18, 2017>*

(2) When a merchant bank violates Article 347 (1) or (2), the Financial Services Commission may impose a penalty surcharge on the merchant bank within the extent classified as follows: *<Newly Inserted on Apr. 18, 2017>*

1. Where Article 347 (1) is violated: 30 percent of the price for acquisition of real estate;
2. Where Article 347 (2) is violated: 30 percent of the price for acquisition of real estate which exceeds the limit.

(3) Articles 430 through 434 shall apply to the imposition of penalty surcharges under paragraphs (1) and (2). *<Amended on Apr. 18, 2017>*

Article 350 (Provisions to be Applied Mutatis Mutandis)

@Articles 31 through 33, 35, 36, 416, and 418 (limited to subparagraphs 4 through 9) hereof, and Article 31 (excluding paragraph (5) of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to a merchant bank. In this case, "financial investment business entity" (excluding concurrently-run financial investment entities; hereafter the same shall apply in this Section) under Article 31 (1) shall be deemed "merchant bank", and "financial investment business entity" (limited to subparagraphs 6 through 9 in the case of a concurrently-run financial investment entity) under Article 418, shall be deemed "merchant bank".

Article 351 Deleted. *<Feb. 3, 2009>*

Article 352 (Relationship to Other Statutes)

(1) The Bank of Korea Act and the Banking Act shall not apply to a merchant bank.

(2) Where a merchant bank runs the business provided for in Article 336, this Act or each relevant Act shall apply according to the type of the business except for any special provision in this Section.

Article 353 (Inspection of Merchant Banks)

@Article 419 (2) through (4) and (8) shall not apply to a crowdfunding broker.

Article 354 (Measures against Merchant Banks)

(1) The Financial Services Commission may revoke authorization where a merchant bank falls under any of the following subparagraphs: *<Amended on Feb. 29, 2008>*

1. Where any authorization requirement is violated;

2. Where any business is run during a period of suspension;

3. Where any order of correction or suspension from the Financial Services Commission is not complied with;

4. Any case falling under any of the subparagraphs of attached Table 10 as prescribed by Presidential Decree;

5. Any case prescribed by Presidential Decree where any finance-related statutes, etc. prescribed by Presidential Decree are violated;

6. Others prescribed by Presidential Decree as likely to undermine interest of investors or to make it difficult to maintain the business.

(2) The Financial Services Commission may take measures falling under any of the following subparagraphs where a merchant bank falls under any subparagraph of paragraph (1) or under any subparagraph of attached Table 10: *<Amended on Feb. 29, 2008>*

1. To suspend all or part of the business for up to six months;

2. To order transfer of contract;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) The Financial Services Commission may take measures falling under any of the following subparagraphs where any executive officer of a merchant bank falls under any subparagraph of paragraph (1) (excluding subparagraph 4) or under any subparagraph of attached Table 10: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;

2. Suspension from office for up to six months;

3. Disciplinary warning;

4. Cautionary warning;

5. Caution;

6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) The Financial Services Commission may request that a merchant bank take measures falling under any of the following subparagraphs where any employee of a merchant bank falls under any subparagraph of paragraph (1) (excluding subparagraph 4) or under any subparagraph of attached Table 10: *<Amended on Feb. 29, 2008>*

1. Dismissal;

2. Suspension from office for up to six months;

3. Salary reduction;

4. Reprimand;

5. Warning;

6. Caution;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3) and 423 through 425 shall apply mutatis mutandis to measures, etc. against a merchant bank and executive officers and/or employees thereof.

CHAPTER V FUND BROKERAGE COMPANY

Article 355 (Authorization for Fund Brokerage Companies)

(1) An entity that who intends to engage in the business of brokering fund transactions between financial institutions, etc. prescribed by Presidential Decree, shall obtain authorization from the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) An entity that intends to obtain authorization pursuant to paragraph (1) shall meet each of the following requirements: *<Amended on Act No. 11845, May 28, 2013; Act No. 13453, Jul. 31, 2015>*

1. It shall be a stock company under the Commercial Act;

2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least one billion won;

3. Its business plan shall be feasible and sound;

4. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect investors and conduct the business in which it intends to engage;

5. None of its executive officers shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

6. Its major shareholder (referring to a major shareholder as defined in Article 12 (2) 6 (a)) shall have sufficient investment capabilities and sound financial standing and social credibility.

(3) An entity that intends to obtain authorization pursuant to paragraph (1) shall file an application for authorization with the Financial Services Commission. *<Amended on Act No. 8863, Feb. 29, 2008>*

(4) Upon receipt of an application for authorization filed under paragraph (3), the Financial Services Commission shall examine the contents of the application; determine whether to grant authorization within three month; and give written notice of its determination and the grounds for such determination to the applicant without delay. In this case, the Financial Services Commission may request that the applicant correct his or her application, if such application is incomplete. *<Amended on Act No. 8863, Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for authorization or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Act No. 8863, Feb. 29, 2008>*

(6) In granting authorization pursuant to paragraph (4), the Financial Services Commission may impose conditions necessary for securing sound management and for protecting investors. *<Amended on Act No. 8863, Feb. 29, 2008>*

(7) An entity that has obtained authorization with conditions imposed under paragraph (6) may request that the Financial Services Commission change or cancel the conditions, if the entity has any change in its circumstances or for good cause. In this case, the Financial Services Commission shall determine whether to change or cancel such conditions within two months and give written notice of its determination to the applicant without delay. *<Amended on Act No. 8863, Feb. 29, 2008>*

(8) The Financial Services Commission shall, when it grants authorization pursuant to paragraph (4), publish the following matters in the Official Gazette, its website, etc.: *<Amended on Act No. 8863, Feb. 29, 2008>*

1. Details of authorization;
2. Conditions on the authorization (limited to where any condition is imposed);
3. Details of any condition changed or canceled, if applicable.

(9) A fund brokerage company shall be in compliance with the requirements for authorization provided for in the subparagraphs of paragraph (2) (in the case of subparagraphs 2 and 6, referring to the relaxed requirements prescribed by Presidential Decree) in the course of conducting its business after obtaining authorization.

(10) Matters concerning the mandatory descriptions, accompanying documents, etc. of the application for authorization under paragraphs (1) through (8), the method and procedure for examination of authorization, and other matters pertaining to authorization, shall be prescribed by Presidential Decree.

Article 356 (Prohibition on Use of Similar Name)

Any person other than a fund brokerage company shall not use "fund brokerage" or any other similar name.

Article 357 (Restrictions on Activities of Fund Brokerage Companies)

(1) No fund brokerage company shall engage in any financial investment business (excluding the financial investment business prescribed by Presidential Decree as having similar economic substance with the brokerage of fund transactions referred to in Article 355 (1)).

(2) Articles 31 through 33, 339 (excluding paragraph (3) 2), and 416 shall apply mutatis mutandis to a fund brokerage company. *<Amended on Jul. 31, 2015>*

(3) Methods and procedures necessary for fund brokerage companies to engage in the brokerage of fund transactions under Article 355 (1) and other matters, shall be prescribed by Presidential Decree.

(4) A full-time executive officer of a fund brokerage company who intends to engage in the ordinary business affairs of any other profit-making corporation prescribed by Presidential Decree, shall obtain approval from the Financial Services Commission. *<Newly Inserted on Jul. 31, 2015>*

Article 358 (Inspection of Fund Brokerage Companies)

@Article 419 (excluding paragraphs (2) through (4), and (8)) shall apply to inspection of fund brokerage companies.

Article 359 (Measures against Fund Brokerage Companies)

(1) The Financial Services Commission may revoke authorization under Article 355 (1) where a fund brokerage company falls under any of the following subparagraphs: *<Amended on Feb. 29, 2008>*

1. Where authorization under Article 355 (1) is made through false or other fraudulent methods;
2. Where any requirement for authorization is violated;
3. Where any obligation to maintain requirements for authorization under Article 355 (9) is violated;
4. Where any business is run during a period of suspension;
5. Where any order of correction or suspension from the Financial Services Commission is not complied with;
6. Any case falling under any of the subparagraphs of attached Table 11 as prescribed by Presidential Decree;
7. Any case prescribed by Presidential Decree where any finance-related statutes prescribed by Presidential Decree are violated;
8. Others prescribed by Presidential Decree as likely to significantly undermine the interests of investors or to make it difficult to conduct the relevant business.

(2) The Financial Services Commission may take measures falling under any of the following subparagraphs where a fund brokerage company falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or under any subparagraph of attached Table 11: *<Amended on Feb. 29, 2008>*

1. To suspend all or part of the business for up to six months;
2. To order transfer of contract;
3. To order of correction or suspension of violation;
4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;
5. Institutional warning;
6. Issuing a caution to the company;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) The Financial Services Commission may take measures falling under any of the following subparagraphs where any executive officer of a fund brokerage company falls under any subparagraph of

paragraph (1) (excluding subparagraph 6) or under any subparagraph of attached Table 11: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) The Financial Services Commission may request that a fund brokerage company take measures falling under any of the following subparagraphs where any employee of the fund brokerage company falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or under any subparagraph of attached Table 11: *<Amended on Feb. 29, 2008>*

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand;
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Article 422 (3) and 423 through 425 shall apply mutatis mutandis to measures, etc. against a fund brokerage company and its executive officers and/or employees.

CHAPTER VI SHORT-TERM FINANCE COMPANY

Article 360 (Short-term Financing Business of Financial Institutions)

(1) Any person who intends to run the business prescribed by Presidential Decree as the business of issuing, discounting, trading, arranging and underwriting bills, the maturities of which come within the period prescribed by Presidential Decree for up to one year, the business of guarantee, and any business incidental thereto prescribed by Presidential Decree (hereinafter referred to as "short-term financing business"), shall obtain authorization from the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) Any person who intends to obtain authorization under paragraph (1) shall meet each of the following requirements:

1. The person is required to be a bank or other financial institution prescribed by Presidential Decree;
2. The equity capital is required to be at least 20 billion won and to exceed the minimum threshold prescribed by Presidential Decree;

3. Its business plan shall be feasible and sound;

4. The person is required to have sufficient human resources, data-processing equipment, and other physical facilities to protect investors and run its business;

5. The major shareholder (referring to a major shareholder Article 12 (2) 6 (a)) is required to have sufficient contribution capacity and sound financial status and social standing.

(3) Any person who intends to obtain authorization under paragraph (1) shall file an application for authorization with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) Upon receipt of an application for authorization under paragraph (3), the Financial Services Commission shall review such application for authorization, determine whether to grant the authorization within three months, and notify the applicant of the results thereof and the grounds therefor in writing without delay. In the case of denial, the Commission may, when an application is found to be defective, request that the applicant cure such defects. *<Amended on Feb. 29, 2008>*

(5) In calculating the review period referred to in paragraph (3), the periods prescribed by Ordinance of the Prime Minister, including the supplementation period for a deficient application, shall not be added to the review period. *<Amended on Act No. 8863, Feb. 29, 2008>*

(6) When granting authorization pursuant to paragraph (4), the Financial Services Commission may add necessary conditions for securing sound management and for protecting investors. *<Amended on Feb. 29, 2008>*

(7) Any person who has obtained an authorization with conditions pursuant to paragraph (6) may request that the Financial Services Commission change or revoke the conditions where there is any change in circumstances or any other reasonable grounds. In such cases, the Financial Services Commission shall determine whether to change or revoke the conditions within two months and notify the applicant of the result thereof in writing without delay. *<Amended on Feb. 29, 2008>*

(8) When granting an authorization pursuant to paragraph (4), the Financial Services Commission shall provide public notice of the following matters through the Official Gazette, its website, etc.: *<Amended on Feb. 29, 2008>*

1. Details of authorization;

2. Conditions on the authorization (limited to where any condition is imposed);

3. Where any condition of authorization is changed or revoked, the details thereof.

(9) A short-term finance company shall maintain requirements for authorization (in case falling under subparagraphs 2 and 5, referring to the eased requirements prescribed by Presidential Decree) under each subparagraph of paragraph (2) in conducting its business after obtaining authorization.

(10) Matters regarding an application for authorization pursuant to paragraphs (1) through (8) including the entries of application for authorization and accompanying documents, etc., as well as the methods and procedures for reviewing the authorization, and other necessary matters shall be prescribed by Presidential Decree.

Article 361 (Provisions to be Applied Mutatis Mutandis)

@Articles 33, 339 (excluding subparagraphs 1 and 3 of paragraph (2)), 342, 352 (1), and 416 shall apply mutatis mutandis to a short-term finance company within the scope of authorization that has been granted for a short-term financing business.

Article 362 (Exemption from Deeming as Short-term Financing Business)

(1) Where a person who obtains the authorization of financial investment services for brokerage or dealing runs brokerage or dealing of commercial paper securities, such business shall not be deemed as a short-term financing business.

(2) Where a short-term finance company (including a merchant bank) runs the relevant business, such business shall not be deemed as brokerage or dealing of commercial paper securities.

Article 363 (Inspection of Short-term Finance Company)

@Article 419 (excluding paragraphs (2) through (4), and (8)) shall apply mutatis mutandis to the inspection of a short-term finance company.

Article 364 (Measures against Short-term Finance Company)

(1) The Financial Services Commission may revoke authorization under paragraph 360 (1) where a short-term finance company falls under any of the following subparagraphs: <*Amended on Feb. 29, 2008*>

1. Where authorization under Article 360 (1) is obtained through false or other fraudulent methods;
2. Where any requirement for authorization is violated;
3. Where obligation to maintain requirements for authorization under Article 360 (9) is violated;
4. Where any business is run during a period of suspension;
5. Where any order of correction or suspension issued by the Financial Services Commission is not complied with;
6. Any case falling under the subparagraphs of attached Table 12 as prescribed by Presidential Decree;
7. Any case prescribed by Presidential Decree where any finance-related statutes, etc. prescribed by Presidential Decree are violated;
8. Others prescribed by Presidential Decree as likely to undermine the interests of investors or make it difficult to conduct business.

(2) The Financial Services Commission may take measures falling under any of the following subparagraphs where a short-term finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of attached Table 12: <*Amended on Feb. 29, 2008*>

1. To suspend all or part of the business for up to six months;

2. To order transfer of contract;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) The Financial Services Commission may take measures falling under any of the following subparagraphs where any executive officer of a short-term finance company falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 6) or under any of the subparagraphs of attached Table 12: <*Amended on Feb. 29, 2008*>

1. Request for dismissal;

2. Suspension from office for up to six months;

3. Disciplinary warning;

4. Cautionary warning;

5. Caution;

6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) The Financial Services Commission may request that a short-term finance company take measures falling under any of the following subparagraphs where any employee of the short-term finance company falls under each subparagraph of paragraph (1) (excluding subparagraph 4) or under any of the subparagraphs of attached Table 12: <*Amended on Feb. 29, 2008*>

1. Dismissal;

2. Suspension from office for up to six months;

3. Salary reduction;

4. Reprimand;

5. Warning;

6. Caution;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3) and 423 through 425 shall apply to the measures, etc. against a short-term finance company and its executive officers and/or employees.

CHAPTER VII TRANSFER AGENT

Article 365 (Registration of Transfer Agents)

(1) Any person who intends to make changes of entries in a register as an agent shall be registered with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) Any person who intends to be registered pursuant to paragraph (1) shall meet all the requirements falling under the following subparagraphs: *<Amended on Mar. 22, 2016>*

1. The person is required to be an electronic registry or a bank with branches nationwide;
2. The person is required to be equipped with physical facilities prescribed by Presidential Decree, such as data-processing equipment, etc.;
3. The person is required to have a system to prevent conflict of interest prescribed by Presidential Decree.

(3) An entity that intends to be registered under paragraph (1) shall file an application for registration with the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission shall, when it receives a registration application under paragraph (3), review the registration application and make a decision on either accepting or denying registration within two months, and notify the applicant of the result thereof and the grounds therefor in writing without delay. When the registration application is found to be defective, the Commission may request that the applicant supplement such application. *<Amended on Feb. 29, 2008>*

(5) The duration for correcting an incomplete application for registration or other duration specified by Ordinance of the Prime Minister shall be disregarded for the purposes of calculating the period for examination under paragraph (4). *<Amended on Feb. 29, 2008>*

(6) In determining whether to approve an application for registration under paragraph (4), the Financial Services Commission shall not reject the application for registration, unless any of the following grounds exist: *<Amended on Feb. 29, 2008>*

1. Where the applicant fails to meet any of the requirements provided for in paragraph (2);
2. Where the application for registration filed under paragraph (3) contains false information;
3. Where the applicant fails to correct his or her application as requested under the latter part of paragraph (4).

(7) The Financial Services Commission shall, when it decides to accept the registration under paragraph (4), describe the necessary matters in the register of the transfer agent, and provide public notice of the registration through the Official Gazette, its website, etc. *<Amended on Feb. 29, 2008>*

(8) A transfer agent shall maintain the registration requirements of paragraph (2) in its conduct of business.

(9) Matters regarding the application of registration pursuant to paragraphs (1) through (7), including entries of application form and accompanying documents as well as the methods and procedures of reviewing the registration, and other necessary matters shall be prescribed by Presidential Decree.

Article 366 (Incidental Business of Transfer Agents)

A transfer agent may conduct the business of paying dividends, interests, and redemption amount of securities and issuing securities as an agent.

Article 367 (Provisions to be Applied Mutatis Mutandis)

@Articles 54, 63 (limited to executives and/or employees in charge of the change of entries in the register of securities), 64 and 416 shall apply mutatis mutandis to transfer agents.

Article 368 (Inspection of Transfer Agents)

@Article 419 (excluding paragraphs (2) through (4), and (8)) shall apply to the inspection of transfer agents

Article 369 (Measures against Transfer Agents)

(1) The Financial Services Commission may revoke registration under Article 365 (1) where a transfer agent falls under any of the following subparagraphs: *<Amended on Feb. 29, 2008>*

1. Where authorization under Article 365 (1) is obtained by means of false or other fraudulent methods;
2. Where any obligation to maintain requirements for registration under Article 365 (8) is violated;
3. Where any business is conducted during a period of suspension;
4. Where the collective investment scheme fails to comply with a corrective order or a cease order issued by the Financial Services Commission;
5. Any case falling under the subparagraphs of attached Table 13 as prescribed by Presidential Decree;
6. Any case prescribed by Presidential Decree where any finance-related statutes prescribed by Presidential Decree are violated;
7. Other cases prescribed by Presidential Decree as likely to significantly undermine the interest of investors or make it difficult to conduct the relevant business.

(2) The Financial Services Commission may take measures falling under any of the following subparagraphs where a transfer agent falls under any of subparagraphs of paragraph (1) (excluding subparagraph 5) or under any of subparagraphs of attached Table 13: *<Amended on Feb. 29, 2008>*

1. To suspend all or part of the business for up to six months;
2. To order to transfer a proxy contract regarding the change of entries in the register or other contracts;
3. Issuing an order to correct or cease the relevant violation;
4. To order the transfer agent to publish or post measures that have been taken due to violation;
5. Issuing a warning to the company;
6. Issuing a caution to the company;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) The Financial Services Commission may take measures falling under any of the following subparagraphs where any executive officer of a transfer agent falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 5) or under any of the subparagraphs of attached Table 13: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(4) The Financial Services Commission may request that a transfer agent take measures falling under any of the following subparagraphs when an employee of the transfer agent falls under any of the subparagraphs of paragraph (1) (excluding subparagraph 5) or under any of the subparagraphs of attached Table 13: *<Amended on Feb. 29, 2008>*

1. Dismissal;
2. Suspension from office for up to six months;
3. Salary reduction;
4. Reprimand.
5. Warning;
6. Caution;
7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Article 422 (3) and Articles 423 through 425 shall apply to disciplinary actions taken against a transfer agent and its executive officers and/or employees.

CHAPTER VIII ORGANIZATIONS RELATED TO FINANCIAL INVESTMENT

Article 370 (Establishment of, and Supervision on, Financial Services-Related Organizations)

(1) Any person who intends to establish an organization comprised of investors, stock-listed corporations or other persons prescribed by Presidential Decree for the protection of investors or sound trading practices, shall obtain permission from the Financial Services Commission. *<Amended on Feb. 29, 2008; Act No. 9407. Feb. 3, 2009>*

(2) To grant permission under paragraph (1), the Financial Services Commission shall examine the following matters: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. The purpose of establishment;
2. Financial status of, and prospects for the revenue and expense of, the relevant organization;
3. Composition of promoters and executive officers;
4. Contribution to the capital markets and financial investment business.

(3) Matters necessary for granting permission under paragraph (1), shall be prescribed by Presidential Decree.

(4) Each organization permitted under paragraph (1) shall report to the Financial Services Commission whenever it amends its articles of incorporation. *<Amended on Feb. 29, 2008>*

Article 371 (Inspection of Financial Services-related Organizations)

@Article 419 (excluding paragraphs (2) through (4) and (8)) shall apply mutatis mutandis to the inspection of a financial services-related organization.

Article 372 (Measures against Financial Services-related Organizations)

(1) The Financial Services Commission may revoke permission under Article 370 (1) where a financial services related organization falls under any of the following subparagraphs: *<Amended on Feb. 29, 2008>*

1. Where permission under Article 370 (1) is obtained through false or other fraudulent methods;
2. Where any requirement for permission is violated;
3. Where any business except for those pursuant to the objectives under the articles of incorporation is carried out;
4. Others prescribed by Presidential Decree as likely to undermine the protection of investors or sound trade practice.

(2) Articles 423 (excluding subparagraph 2), 424 (1) and 424 (2) and 425 shall apply to the revocation of permission for a financial-services-related organization. *<Amended on Feb. 29, 2008>*

PART VII EXCHANGES

CHAPTER I GENERAL PROVISIONS

Article 373 (Prohibition against Establishment of Markets without Permission)

No one may establish or operate a financial investment instruments market without permission for an exchange under this Act: Provided, That this shall not apply in any of the following cases:

1. Where an alternative trading system provides alternative trading services under Article 78;
2. Where the Association conducts the over-the-counter transactions of stock certificates that are not listed on the securities market;
3. In cases prescribed by Presidential Decree as unlikely to undermine the formation of fair prices, facilitation of stability and efficiency of trading and other transactions and protection of investors, even

though a person other than an exchange conducts the business of concluding contracts for the sale and purchase of financial investment instruments.

Article 373-2 (Permission for Exchange)

(1) An entity that wishes to establish or operate a financial investment instruments market, shall select units partially or wholly for market establishment defined by Presidential Decree, by specifying the following constituents, and shall obtain permission from the Financial Services Commission for one exchange:

1. Scope of financial investment instruments to be traded (referring to the securities and derivatives, including stock certificates among securities and others prescribed by Presidential Decree);

2. Scope of persons who are eligible for its members (referring to the persons who can participate in trades on an exchange market as persons prescribed by the Membership Regulations referred to in Article 387 (1)).

(2) Any entity that wishes to obtain permission for an exchange under paragraph (1) shall satisfy each of the following requirements: *<Amended on Jul. 31, 2015>*

1. It shall be a stock company under the Commercial Act;

2. Its equity capital shall not be less than the amount prescribed by Presidential Decree, which shall be at least 100 billion won for each unit permitted for an exchange;

3. Its business plan shall be feasible and sound;

4. It shall have human resources, electronic computer systems and other physical facilities sufficient to protect investors and to establish and operate a financial investment instruments market;

5. Its articles of incorporation, membership regulations, securities market business regulations, derivatives market business regulations, listing regulations, public disclosure regulations, market surveillance regulations, dispute resolution regulations, and other business regulations (hereafter in this subparagraph and Article 373-7 referred to as "articles of incorporation, etc.") shall conform to the statutes, facilitate the formation of fair prices and stability and efficiency of trading and other transactions, and be adequate for the protection of investors;

6. None of its executive officers shall be those provided for in Article 5 of the Act on Corporate Governance of Financial Companies;

7. Its major shareholders (referring to the major shareholders prescribed in Article 12 (2) 6 (a)) shall have adequate investment capabilities, sound financial standing and social credibility;

8. It shall have social credibility prescribed by Presidential Decree;

9. It shall have a system for preventing conflicts of interest.

(3) The details necessary for fulfilling the requirements for permission provided for in paragraph (2) shall be prescribed by Presidential Decree.

Article 373-3 (Application for Permission and Examination)

(1) An entity that wishes to obtain permission under Article 373-2 (1) shall file an application for permission with the Financial Services Commission.

(2) The Financial Services Commission shall, within three months of receiving an application filed in accordance with paragraph (1), examine the application to determine whether permission shall be granted, and notify the applicant in writing of its decision and the grounds therefor, without delay. In such cases, the Commission may demand that the applicant make a supplementary correction, if any deficiency exists in the application for permission.

(3) In calculating the examination time period provided under paragraph (2), the duration for making a supplementary correction of a deficiency in the application for permission, or other duration specified by Ordinance of the Prime Minister shall not be included in the examination time period.

(4) The Financial Services Commission may, when granting permission pursuant to paragraph (2), attach conditions as may be necessary for the fair formation of prices of securities and exchange-traded derivatives and trade thereof, and to ensure stability and efficiency of trade, soundness in management of the company and the protection of investors.

(5) An entity that has obtained permission with conditions attached thereto pursuant to paragraph (4) may file an application for revocation of, or revision to, such conditions with the Financial Services Commission, if any change in circumstances or any other justifiable ground exists. In such cases, the Financial Services Commission shall render a decision within two months on whether to revoke or revise the attached conditions, and shall notify the applicant in writing of its decision without delay.

(6) The Financial Services Commission shall, wherever it grants permission pursuant to paragraph (2), publicly announce the following matters on the Official Gazette, its website, or any other medium:

1. The contents of the permission;
2. The conditions attached to the permission (limited to cases where such conditions are attached thereto);
3. The contents of revocation of, or revision to, the conditions attached to the permission (limited to cases where such conditions have been revoked or revised).

(7) Matters concerning an application for permission, including the mandatory entries in the application for permission and its accompanying documents, and the method and procedure for an examination under paragraphs (1) through (6), and other necessary matters shall be prescribed by Presidential Decree.

Article 373-4 (Preliminary Permission)

(1) Any entity that wishes to obtain permission for an exchange under Article 373-2 (hereafter in this Article referred to as "final permission") may file an application for a preliminary permission with the Financial Services Commission.

(2) The Financial Services Commission, within two months of receiving an application for preliminary permission, shall examine the application to determine whether the applicant is capable of meeting the

requirements of the subparagraphs of Article 373-2 (2)), thereby determining whether to grant the preliminary permission, and notify the applicant in writing of its determination and the grounds therefor without delay. In such cases, the Commission may demand that the applicant cure defects, if any, in the in the application for preliminary permission.

(3) In calculating the examination period provided under paragraph (2), the duration for curing defects in the application for preliminary permission, or other duration specified by Ordinance of the Prime Minister shall not be included in the examination period.

(4) When granting a preliminary permission pursuant to paragraph (2), the Financial Services Commission may attach conditions as may be necessary for the fair formation of prices and trade of securities and exchange-traded derivatives, facilitating stability and efficiency of trade and ensuring the sound management of the company and the protection of investors.

(5) Upon receipt of an application for final permission from an entity to whom a preliminary permission has been granted, the Financial Services Commission shall verify whether the applicant has fulfilled the conditions attached to the preliminary permission under paragraph (4) and whether the applicant meets all the requirements of the subparagraphs of Article 373-2 (2), before determining whether to grant a final permission.

(6) Matters concerning an application for preliminary permission, including the application document for preliminary permission, mandatory descriptions to be stated in the application and its accompanying documents, and the method and procedure for the examination of preliminary permission under paragraphs (1) through (5), and other necessary matters for preliminary permission shall be prescribed by Presidential Decree.

Article 373-5 (Maintaining Requirements for Permission)

An exchange shall continue to meet the requirements for permission set forth in the subparagraphs of Article 373-2 (2) (excluding subparagraph 8) while establishing and operating it with the permission issued under Article 373-2.

Article 373-6 (Addition of Market Establishment Units and Revision to Permission)

Whenever an exchange intends to establish and operate a market establishment unit in addition to the market establishment unit already permitted pursuant to Article 373-12, it shall obtain permission for changes from the Financial Services Commission in accordance with Articles 373-2 and 373-3. In such cases, Article 373-4 shall apply.

Article 373-7 (Responsibility for Listing and Market Supervision)

An exchange shall be responsible for protecting investors and conducting fair trade of securities and exchange-traded derivatives on an exchange market in the course of conducting the following duties:

1. Duties related to listing and delisting of securities;
2. Duties prescribed in Article 402 (1) 1 through 3;
3. Other duties prescribed by Presidential Decree that are necessary to protect investors and secure fair market order.

Article 374 (Application of Commercial Act)

Except as otherwise provided in this Act, the provisions of the Commercial Act on stock companies shall apply to an exchange.

CHAPTER II ORGANIZATION

Article 375 Deleted. *<Jan. 28, 2013>*

Article 376 (Articles of Incorporation)

(1) The articles of incorporation of an exchange shall include the following matters: *<Amended on May 28, 2013>*

1. Objectives;
2. Trade name;
3. Total number of stocks to be issued by an exchange;
4. Price per stock;
5. Total number of stocks issued at the time of the establishment of an exchange;
6. Methods of public notice by an exchange;
7. Matters regarding the division into the securities market, the derivatives market, etc.;
8. Matters regarding the establishment, amendment and repeal of the regulations of an exchange;
9. Matters regarding executive officers and executive members of an exchange;
10. Matters regarding the board of directors, subcommittees established thereunder and the director nomination committee;
11. Matters regarding the audit committee;
12. Matters regarding the market supervision committee;
13. Matters regarding the performance of business.

(2) An exchange shall, when it intends to amend the articles of incorporation, obtain approval of the Financial Services Commission. In this case, the Financial Services Commission shall take into account the autonomous operation of each market with respect to granting the approval. *<Amended on Feb. 29, 2008>*

Article 377 (Business Affairs)

(1) An exchange shall perform the following business affairs as prescribed by its articles of incorporation: Provided, That the business affairs referred to in subparagraphs 3 and 4 shall be performed only by an exchange designated by the Financial Services Commission as a clearing institution or settlement institution under Article 378: *<Amended on May 28, 2013>*

1. Establishment and operation of an exchange market;
2. Transactions of securities and exchange-traded derivatives;
3. Transaction confirmation, debt acquisition, deduction, confirmation of settlement securities, settlement item, and settlement amount, settlement execution guarantee, follow-up measures in relation to settlement failure, or settlement instructions in relation to transactions of the securities and the exchange-traded derivatives (including trades at an alternative trading system;
4. Delivery of items subsequent to transactions of exchange-traded derivatives, and the payment of money;
5. Listing of securities;
6. Deciding on types of transactions of exchange-traded derivatives and items thereof;
7. Reporting and disclosure of listed corporations;
8. Surveillance of abnormalities in trading prescribed by Presidential Decree, including an abnormal fluctuation of prices or volumes of securities or exchange-traded derivatives (hereinafter referred to as "abnormal trading"), and the oversight of members;
9. Auction of securities;
10. Self-resolution of disputes (limited to where a party applies for resolution) arising in relation to transactions in an exchange market, etc.;
11. Duties incidental to the establishment of an exchange market;
12. Duties approved by the Financial Services Commission;
13. Other duties prescribed by the articles of incorporation.

(2) No exchange shall perform any business affair other than those specified in the subparagraphs of paragraph (1): Provided, That this shall not apply in any of the following cases: *<Newly Inserted on May 28, 2013>*

1. Where it performs any business affair permitted for an exchange under this Act or other statutes;
2. Where it engages in central counterparty clearing business with authorization granted under Article 323-3.

Article 378 (Clearing Institution and Settlement Institution)

(1) An exchange, which is designated as a clearing institution by the Financial Services Commission, shall perform transaction confirmation, debt acquisition, deduction, confirmation of settlement securities, settlement item and settlement amount, settlement execution guarantee, follow-up measures on settlement failure, or settlement instructions in relation to transactions on the securities and derivatives markets (including transactions at an alternative trading system), notwithstanding Articles 323-2 and 323-3.

<Amended on Apr. 5, 2013; May 28, 2013>

(2) An exchange, which is designated as a settlement institution by the Financial Services Commission, shall perform the business affairs delivering items and paying money on the derivatives market. *<Amended on May 28, 2013>*

Article 379 (Prohibition of Use of Similar Names)

No entity other than an exchange shall use "Korea Exchange", "Financial Instruments Exchange", "Financial Investment Instruments Exchange", "Securities and Futures Exchange", "Securities Exchange", "Futures Exchange", "Derivatives Exchange", "Securities Market", "Marketable Securities Market", "KOSDAQ", "Futures Market", "Derivatives Market" or others similar thereto for its firm name or trade name. *<Amended on May 28, 2013>*

Article 380 (Executive Officers)

(1) An exchange shall have not more than 15 executive officers as prescribed in the following:

1. One chief executive officer;
2. One member of the audit committee who is a full-time director;
3. One chairperson of the Market Oversight Commission;
4. Not more than 12 directors.

(2) The terms of executive officers shall be three years, and executive officers may be reappointed for a consecutive term, as prescribed by the articles of incorporation.

(3) The chief executive officer shall be appointed at a general meeting of shareholders upon the recommendation of the director nomination committee (hereinafter referred to as "nomination committee") established under Article 385 (1) from among persons who have experience and knowledge in finance as prescribed by Presidential Decree and who are unlikely to undermine the sound management of an exchange and fair trading practices.

(4) Where the chief executive officer appointed pursuant to paragraph (3) is deemed unfit to perform his or her duties in circumstances prescribed by Presidential Decree, the Financial Services Commission may request the dismissal of the chief executive officer, specifying the grounds therefor within one month from the date of appointment of the chief executive officer. In this case, the chief executive officer shall be suspended from performing his or her duties, and an exchange shall appoint a new chief executive officer within two months. *<Amended on Feb. 29, 2008>*

(5) Outside directors (referring to a person who is not engaged in full-time work and who meets all of the requirements prescribed by the articles of incorporation; hereafter the same shall apply in this Chapter) of an exchange and a member of the audit committee who is a full-time director shall be appointed at the general meeting of shareholders upon the recommendation of the nomination committee. In such cases, when the total number of voting stocks of an exchange held by the largest shareholder, its affiliated persons and other persons prescribed by Presidential Decree exceeds three percent (where the articles of

incorporation prescribe a lower portion, the portion) of the total number of outstanding voting stocks of an exchange, such shareholders shall not exercise the voting rights over such stocks held in excess in relation to the appointment and dismissal of a member of the audit committee who is a full-time director.

(6) None of the persons referred to in the subparagraphs of Article 384 (3) can be a member of the audit committee of an exchange who is a full-time director, and the person shall be dismissed from office where the person is found to fall under any subparagraph of Article 384 (3) after being appointed as a member of the audit committee of an exchange who is a full-time director: Provided, That a former or current member of the audit committee of an exchange who is a full-time director may become a member of the audit committee of an exchange who is a full-time director, notwithstanding Article 384 (3) 2. *<Amended on Jul. 31, 2015>*

Article 381 (Board of Directors)

(1) An exchange shall have the board of directors composed of persons referred to in subparagraphs of Article 380 (1). In this case, a majority of such members shall be outside directors.

(2) For the purpose of the effective performance of business of the board of directors, a subcommittee for each market shall be established in the board of directors pursuant to Article 393-2 of the Commercial Act as a committee which reviews and resolves the matters delegated by the board of directors.

(3) Other necessary matters for the composition and operation of the board of directors and subcommittees shall be prescribed by the articles of incorporation.

Article 382 (Qualifications for Executive Officers)

(1) Article 5 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to executive officers of an exchange. *<Amended on Jul. 31, 2015>*

(2) Article 6 (1) (excluding subparagraph 1) and (2) of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to outside directors of an exchange. *<Amended on Jul. 31, 2015>*

(3) No executive officer of an exchange shall concurrently hold at least two positions of executive officers of an exchange. *<Newly Inserted on May 28, 2013>*

Article 383 (Prohibition on Use of Information)

(1) A former or current executive officer and/or employee of an exchange shall neither divulge any confidential information he or she has become aware of in the course of performing his or her duties to any third person nor use such confidential information for any other purpose.

(2) Neither full-time executive officer nor employee of an exchange shall have any special interest prescribed by Presidential Decree in any financial investment business entity or financial services-related organization with respect to financing, distribution of profit and loss, or other business.

(3) Article 63 shall apply mutatis mutandis to executive officers and/or employees of an exchange.

Article 384 (Audit Committee)

(1) An exchange shall establish an audit committee.

(2) The audit committee shall satisfy each of the following requirements: *<Amended on Jul. 31, 2015>*

1. Not less than 2/3 of the total number of members shall be outside directors;
2. At least one member shall be an accounting or finance specialist prescribed by Presidential Decree;
3. The representative of the audit committee shall be an outside director.

(3) None of the following persons can be a member of the audit committee who is not an outside director, and the person shall be dismissed from office where the person is found to fall under any of the following after being appointed as a member of the audit committee who is not an outside director: Provided, That a former or current member of the audit committee, other than a full-time auditor or an outside director of an exchange, may become a member of the audit committee who is not an outside director, notwithstanding paragraph 2: *<Newly Inserted on Jul. 31, 2015>*

1. A major shareholder of an exchange;
2. A full-time executive officer and/or employee of an exchange, or a former full-time executive officer and/or employee of exchange within the recent two-year period;
3. A person prescribed by Presidential Decree from among persons who may influence the management of an exchange, and it is impracticable for whom to perform the duties faithfully as a member of the audit committee who is not an outside director.

(4) Where the number of outside directors of an exchange becomes unable to meet the requirements for composition of the audit committee due to unforeseeable circumstances, such as the resignation or death of an outside director, the exchange shall measures at the first general meeting of shareholders held after the occurrence of the relevant cause to satisfy the requirements prescribed in paragraph (2). *<Newly Inserted on Jul. 31, 2015>*

(5) Article 409 (2) and (3) of the Commercial Act stipulating the restriction on the exercise of the voting right on the appointment of an audit shall apply mutatis mutandis to the appointment of an outside director who becomes a member of the audit committee. *<Newly Inserted on Jul. 31, 2015>*

Article 385 (Director Nomination Committee)

(1) An exchange shall have a director nomination committee for the proper appointment of a chief executive officer and outside directors.

(2) A chief executive officer shall appoint the following persons as members of the director nomination committee, and the chairman of the committee shall be elected by mutual voting among members: *<Amended on May 28, 2013>*

1. Five outside directors;
2. Two persons recommended by the Association.

3. Two persons representing stock-listed corporations, prescribed by Presidential Decree;

4. Deleted; <*May 28, 2013*>

(3) Matters necessary for the composition and operation of the candidate recommendation committee shall be determined by the articles of incorporation.

CHAPTER III MARKETS

Article 386 (Establishment and Operation of Markets)

An exchange may establish and operate two or more financial investment instruments markets per each securities market or derivatives market for the purpose of efficient management of markets.

Article 387 (Members)

(1) An exchange shall establish Membership Regulations in order to manage its members (hereinafter referred to as the "Membership Regulations").

(2) Members shall be classified as follows:

1. Clearing member of an exchange;
2. Non-clearing member;
3. Other members prescribed by Presidential Decree.

(3) The Membership Regulations shall include the following matters:

1. Matters regarding the qualifications of members;
2. Matters regarding the admission and expulsion of members;
3. Matters regarding the rights and obligations of members;
4. Others necessary for managing members.

Article 388 (Eligibility for Trading in Market)

(1) Any person who is not a member of an exchange shall not make transactions on the securities market and the derivatives market: Provided, That this shall not apply to cases where the Membership Regulations prescribe that the person is eligible to trade specific securities.

(2) Any person who is eligible to make transactions on the securities market pursuant to the proviso of paragraph (1) shall be deemed as a member of an exchange in the application of subparagraph 8 of Article 377, Articles 387, 389, 394, 395, 396 (2), 397 through 400, 404 or 426 (6).

Article 389 (Conclusion of Transactions)

(1) Where a member is suspended from trading or loses its eligibility, an exchange shall require the member or any other member to conclude the transactions initiated by the relevant member on the securities market or the derivatives market. In this case, the member who loses its eligibility shall be deemed eligible until concluding those transactions.

(2) Where an exchange has any other member conclude transactions pursuant to paragraph (1), a delegation contract shall be deemed to be concluded between the ineligible member and the delegated member.

Article 390 (Listing Regulations)

(1) An exchange shall prescribe Listing Regulations of securities (hereinafter referred to as the "Listing Regulations") for reviewing the securities to be listed and for managing listed securities. In this case, an exchange may prescribe the Listing Regulations of two or more securities markets established and operated by an exchange. *<Amended on May 28, 2013>*

(2) The Listing Regulations shall include the following matters:

1. Matters regarding listing standards and listing review of securities;
2. Matters regarding de-listing and de-listing standards for securities;
3. Matters regarding suspension of transactions of securities and its revocation;
4. Others necessary for the management of listed corporations and listed securities.

Article 391 (Disclosure Regulations)

(1) An exchange shall prescribe Disclosure Regulations of stock-listed corporations (hereinafter referred to as the "Disclosure Regulations") for report, disclosure and management of matters related to the corporation that has listed stock certificates, and other securities prescribed by Presidential Decree (hereafter in this Article and Article 392 referred to as "stock-listed corporation"). In such cases, an exchange may separately prescribe the Disclosure Regulations for two or more securities markets established and operated by an exchange. *<Amended on May 28, 2013>*

(2) The Disclosure Regulations shall include the following matters:

1. Matters regarding which a stock-listed corporation is required to file a report;
2. Matters regarding the methods and procedures that a stock-listed corporation is required to observe in its reporting or disclosure;
3. Matters regarding the requests made by an exchange to report or ascertain as to whether a rumor and news, etc. concerning the listed corporation of stock certificates is true and as to the cause of significant changes in the price or trading volumes of securities issued by the listed corporation of stock certificates;
4. Matters to be excluded from the disclosure or reporting taking into account the protection of investors and confidentiality in management of the stock-listed corporation;
5. Matters regarding the disclosure of details reported by the stock-listed corporation;
6. Matters regarding the standards for determining whether a stock-listed corporation has committed a violation or the type of violation committed under subparagraphs 1 through 4 as well as the measures to be taken in response to the violation;

7. Matters regarding the management of the stock-listed corporation, such as the suspension of transactions;

8. Matters regarding the compliance with supervision over the reporting obligation of the stock-listed corporation;

9. Other necessary matters regarding the reporting or disclosure by the stock-listed corporation.

Article 392 (Securing Effectiveness of Disclosure)

(1) Where either of the following cases occurs to a stock-listed corporation, a bank shall notify an exchange thereof without delay:

1. Where any issued bill or check is defaulted;

2. Where any current account transaction with the bank is suspended or prohibited.

(2) An exchange may request that any administrative agency or any other related agency provide or exchange necessary information in accordance with Presidential Decree where it is deemed necessary to promptly inform investors of the matters that are likely to materially affect investors' decisions with respect to the report obligation pursuant to Article 391 (2) 1 and the report or confirmation obligation pursuant to Article 391 (2) 3. In this case, the agency that receives such request shall cooperate with an exchange unless there is any special cause.

(3) Where a stock-listed corporation makes a report pursuant to Article 391, an exchange shall send such report to the Financial Services Com- mission without delay. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission shall, when it receives a report under paragraph (3), make it available to the public through its website, etc. *<Amended on Feb. 29, 2008>*

Article 393 (Business Regulations)

(1) The following matters with respect to transactions on the securities market shall be prescribed by the Securities Market Business Regulations of an exchange. In this case, an exchange may separately prescribe the Business Regulations for two or more securities markets established and operated by an exchange: *<Amended on May 28, 2013>*

1. Matters regarding the type of transactions and the consignment thereof;

2. Matters regarding the opening, closing, suspension, or temporary closing of the securities market;

3. Matters regarding the methods of conclusion of transaction contracts and settlement thereof: Provided, That delivery of securities and payment shall be excluded;

4. Matters regarding the regulation of transactions, such as payment of margin;

5. Matters necessary for transactions.

(2) The following matters in respect of transactions on the derivatives market shall be prescribed by the Derivatives Market Business Regulations of an exchange:

1. Matters regarding the consignment of transactions of exchange-traded derivatives;

2. Matters regarding the types and items of transactions of exchange- traded derivatives;
3. Matters regarding the settlement month of transactions of exchange- traded derivatives;
4. Matters regarding the opening, closing, suspension, or temporary closing of the derivatives market;
5. Matters regarding the methods of conclusion of transaction contracts and restrictions thereof;
6. Matters regarding good faith deposits and member margin;
7. Matters regarding the methods of settlement;
8. Other necessary matters for transactions of exchange-traded derivatives and the consignment thereof.

Article 394 (Joint Compensation Fund)

(1) Any member of an exchange shall set aside a Joint Compensation Fund (hereinafter referred to as "Joint Fund") in an exchange to compensate for losses incurred from default arising from transactions on the securities market or the derivatives market: Provided, That the members designated by an exchange who are not liable to execute the settlement of transactions on the securities market or the derivatives market may elect not to set aside the Joint Compensation Fund.

(2) An exchange shall set aside the Joint Fund referred to in paragraph (1) separately for the securities market and the derivatives market.

(3) Any member of an exchange (excluding the members referred to in the proviso of paragraph (1)) shall be jointly liable for any loss incurred from default arising from transactions on the securities market or the derivatives market within the scope of the Joint Fund set aside under paragraphs (1) and (2).

(4) The total amount of the Joint Fund set aside under paragraph (1), the rate of setting aside by each member, the method for setting aside, the use, management and refund of the Joint Fund and others necessary for the management of the Joint Fund shall be prescribed by Presidential Decree.

Article 395 (Fidelity Guarantee Money)

(1) Any member of an exchange shall deposit fidelity guarantee money in an exchange in order to guarantee the repayment of debt which is likely to be incurred as a result of transactions on the securities market or the derivatives market.

(2) An exchange shall not offset the receivables entitled by the repayment or acquisition of debt with the fidelity guarantee money on behalf of members pursuant to Article 398.

(3) Any person who has consigned the transactions of securities or exchange-traded derivatives to a member shall have rights to be paid in preference to other creditors with respect to the receivables entitled from the consignment.

(4) Matters necessary for the minimum limit and management, etc. of fidelity guarantee money and the administration thereof shall be prescribed by the Membership Regulations of an exchange.

Article 396 (Good Faith Deposit and Member Margin)

(1) Any member of an exchange shall receive a good faith deposit from a consignor with respect to the consignment of the transactions on the derivatives market under the conditions prescribed by the Derivatives Market Business Regulations of an exchange.

(2) Any member of an exchange shall, when it executes transactions on the securities market or the derivatives market, set aside a member margin in an exchange as prescribed by the Securities Market Business Regulations and the Derivatives Market Business Regulations in order to guarantee the repayment of debt to an exchange.

Article 397 (Appropriation of Member Margin and Fidelity Guarantee Money for Repayment of Debt)

An exchange may appropriate a member's exchange margin and guarantee money for the repayment of the debt where the member fails to repay debt to an exchange or any other member with respect to the transactions on the securities market and the derivatives market.

Article 398 (Repayment by Exchange)

(1) An exchange may exercise or acquire receivables of its members, or repay or undertake debts thereof with respect to transactions on the securities market or the derivatives market on behalf of the members, as prescribed by the Securities Market Business Regulations and the Derivatives Market Business Regulations, to facilitate the transactions on the securities market or the derivatives market.

(2) Where the repayment or undertaking of debts under paragraph (1) causes damage to an exchange, the relevant member shall take responsibility for such debts to an exchange, as prescribed by the Securities Market Business Regulations and the Derivatives Market Business Regulations.

Article 399 (Exchange's Liability for Damage)

(1) An exchange shall be liable for any damage incurred from a violation of transaction contracts by any member on the securities market or the derivatives market.

(2) An exchange shall allocate property of the exchange and the Joint Fund set aside under Article 394, as prescribed by Presidential Decree, to compensate for damage pursuant to paragraph (1). *<Amended on Jul. 24, 2015>*

(3) An exchange that has compensated for damage pursuant to paragraphs (1) and (2) is entitled to claim the reimbursement of the compensated amount and all the expenses incurred therefrom against the member who has violated a transaction contract.

(4) Deleted. *<Jul. 24, 2015>*

(5) The exercise of a claim for reimbursement, the distribution of the amount collected under paragraph (3) and other necessary matters shall be prescribed by Presidential Decree. *<Amended on Jul. 24, 2015>*

Article 400 (Repayment Order)

(1) Where a member of an exchange causes any damage to an exchange or any other member as a result of the failure to repay debt incurred from transactions on the securities market or the derivatives market, an exchange or the other member shall have the right to be paid in preference to any other creditor with respect to member margin, fidelity guarantee money and joint fund.

(2) An exchange shall have the right to be paid in preference to any other creditor with respect to money, securities, and items paid for the settlement of transactions on the securities market or the derivatives market.

(3) Where money, securities and items are delivered prior to the settlement of transactions and a member causes any damage to an exchange as a result of the failure of the settlement, an exchange shall have the right to be paid in preference to any other creditor with respect to the property of such member: Provided, That this shall not apply to the receivables secured by the right to lease on a deposit basis, a right of pledge, a mortgage, or a security right under the Act on Security over Movable Property, Claims, Etc. which has been created prior to the arrival of the deadline for such settlement. *<Amended on Jun 10, 2010>*

(4) The preferential right of an exchange under paragraphs (1) through (3) shall override the right to fidelity guarantee money of the trustor under Article 395 (3).

Article 401 (Publication of Quotations)

An exchange shall publish the quotations (excluding the quotations formed in the course of providing alternative trading services by an alternative trading system; hereafter the same shall apply in this Article) of the following securities and exchange-traded derivatives by any of the methods prescribed by Presidential Decree: *<Amended on May 28, 2013>*

1. Daily trading volumes, daily settled prices, and the highest, lowest and closing prices of securities;
2. Daily trading volume, daily settled price, and the highest, lowest and closing prices or agreed amount of each item of exchange-traded derivatives;
3. Other quotations prescribed by Presidential Decree as necessary to form fair quotations and to protect investors.

CHAPTER IV MARKET OVERSIGHT AND DISPUTE RESOLUTION

Article 402 (Market Oversight Commission)

(1) A Market Oversight Commission shall be established in an exchange to perform the following duties: *<Amended on May 28, 2013; Dec. 30, 2014>*

1. Market surveillance, investigations of abnormal trading, and inspection of members (including surveillance, investigations into abnormal trading, and inspection of participants in trading conducted by a designated exchange under Article 78 (3) and (4));

2. Cross-market surveillance between the securities market and the derivatives market (including cross-market surveillance between an exchange market and another exchange market and between an exchange market and an alternative trading system, conducted by a designated exchange under Article 404 (2) and (3));

3. Determination on disciplinary measures against members or participants in trading or determination on the requests for disciplinary measures against relevant executive officers and/or employees, based on the findings from investigations into abnormal trading, inspection of members, and cross-market surveillance under subparagraph 1 and 2;

4. Activities for prevention, etc. of unfair trading;

5. Self-resolution of disputes under subparagraph 10 of Article 377;

6. Establishment, amendment, and repeal of the Market Oversight Regulations under Article 403 and the Dispute Mediation Regulations under Article 405 (1);

7. Other duties incidental to those specified in subparagraphs 1 through 6.

(2) The Market Oversight Commission shall be comprised of the following members: *<Amended on Feb. 29, 2008>*

1. The chairperson of the Market Oversight Commission (hereafter in this Article referred to as "chairperson of the Market Oversight Commission");

2. Deleted; *<Act No. 8863, Feb. 29, 2008>*

3. Two persons recommended by the Chairperson of the Financial Services Commission;

4. Two persons recommended by the Association.

(3) The terms of office of members of the Market Oversight Commission shall be three years and members may be reappointed for a consecutive term, as prescribed by the articles of incorporation.

(4) The chairperson of the Market Oversight Commission shall be appointed at the general meeting of shareholders upon the recommendation of the Market Oversight Commission, from among persons who have experience and knowledge in finance prescribed by Presidential Decree and who are unlikely to undermine the sound management of an exchange and fair trading practices.

(5) Where the chairperson of the Market Oversight Commission appointed under paragraph (4) is deemed to unfit to perform his or her duties in circumstances prescribed by Presidential Decree, the Financial Services Commission may request the dismissal of the chairperson, specifying the grounds therefor within one month from the date of appointment. In such cases, the chairperson shall be suspended from performing his or her duties, and an exchange shall appoint a new chairperson within two months. *<Amended on Feb. 29, 2008>*

(6) Article 5 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to the qualifications for the members of the Market Oversight Commission. *<Amended on Jul. 31, 2015>*

(7) A former or current member of the Market Oversight Commission shall neither divulge any confidential information he or she has become aware of in the course of performing his or her duties to any third person nor use such confidential information for any other purpose.

(8) Where any of the following applies to a member of the Market Oversight Commission, the Financial Services Commission may request that the member be suspended from performing his or her duties, or be dismissed from office within a prescribed period not exceeding six months: *<Amended on Feb. 29, 2008>*

1. Where the member divulges or uses any confidential information, in violation of paragraph (7);
2. Other cases prescribed by Presidential Decree as likely to undermine the protection of investors or sound trading practices.

(9) Other necessary matters for the composition and operation of the Market Oversight Commission shall be prescribed by its articles of incorporation.

Article 403 (Market Oversight Regulations)

The Market Oversight Commission shall establish the Market Oversight Regulations that provide for the matters prescribed in Article 402 (1) 1 through 4 and matters incidental thereto, and shall perform its duties in accordance with such Regulations: *<Amended on May 28, 2013; Dec. 30, 2014>*

1. Deleted; *<May 28, 2013>*
2. Deleted; *<May 28, 2013>*
3. Deleted; *<May 28, 2013>*
4. Deleted; *<May 28, 2013>*

Article 404 (Investigations into Abnormal Trading and Inspection of Members)

(1) In any of the following cases, an exchange may request a financial investment business entity (limited to an investment trader or broker who engages in the business of making financial investments in securities or exchange-traded derivatives) to submit relevant data, specifying the grounds therefor in writing, and inspect the business, financial status, books, documents, and other materials related to the members: *<Amended on May 28, 2013; Dec. 30, 2014>*

1. To identify the trading circumstances of relevant securities issues or trading items of exchange-traded derivatives, over which abnormal trading on an exchange market is duly suspected;
2. To ascertain whether members comply with the Business Regulations of an exchange;
3. To ascertain whether any member violates Article 178-2.

(2) If necessary for an investigation or inspection under paragraph (1), an exchange may demand that a member submit reports or materials related to abnormal trading or violations of the Business Regulations, or that related persons appear to make a statement, and a designated exchange may request another exchange or an alternative trading system to provide or exchange the information related to the investigation or inspection of abnormal trading. *<Amended on May 28, 2013>*

(3) Where a member refuses a request or demand made under paragraph (1) or (2) or does not cooperate with the inspection conducted under paragraph (1), an exchange may suspend membership or restrict transactions of securities and exchange-traded derivatives as prescribed by the Market Oversight Regulations, and a designated exchange may demand another exchange or an alternative trading system to

suspend his or her membership or qualification for participation in trading, or restrict the transactions of a participant in trading. *<Amended on May 28, 2013>*

Article 405 (Self-Resolution of Disputes)

(1) The Market Oversight Commission shall prescribe Dispute Resolution Regulations necessary for the self-resolution of disputes under subparagraph 10 of Article 377.

(2) The Market Oversight Commission may request that the relevant parties ascertain the facts or submit relevant materials, if necessary for dispute resolution.

(3) If deemed necessary to hear the opinions of the parties and other interested persons, the Market Oversight Commission may request that they appear and make statements.

CHAPTER V REGULATIONS ON OWNERSHIP, ETC.

Article 406 (Restrictions on Stockholding)

(1) No one shall hold stocks in excess of five percent of the total number of outstanding voting stocks issued by an exchange, except under the following circumstances: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Where a collective investment scheme holds the stocks (excluding where a privately place fund holds the stocks);
2. Where the Financial Services Commission grants approval, determining a specific limit of stocks to be held taking into consideration of the possibility of contribution to the efficiency and soundness of the capital market, dispersion of stocks held by shareholders of the relevant exchange, etc. for the necessity of cooperating with foreign exchanges (referring to the persons who perform the functions equivalent to an exchange in foreign countries in accordance with foreign statutes; hereinafter the same shall apply);
3. Where the Government holds the stocks;
4. Others prescribed by Presidential Decree as unlikely to undermine the fair operation of an exchange.

(2) Any of the following cases shall be deemed to be stockholding restricted under paragraph (1):

1. To hold rights to exercise voting rights in relation to the stocks in accordance with trust contracts or other contracts or the provisions of relevant Acts or to hold rights to instruct the exercise of voting rights in relation to the stocks;
2. To hold stocks by related persons prescribed by Presidential Decree;
3. Other cases prescribed by Presidential Decree as equivalent to subparagraphs 1 and 2.

(3) Where the stocks are held in violation of paragraph (1), the voting rights in relation to the stock held in excess cannot be exercised and the person who holds the stocks, in violation of paragraph (1) shall adjust the quantity of stockholding within the limit provided for in paragraph (1) without delay.

(4) The Financial Services Commission may order the person who fails to comply with paragraph (3) to dispose of the stocks held in excess, within a prescribed period not exceeding six months. *<Amended on*

Feb. 29, 2008>

Article 407 (Charges for Compelling Compliance)

(1) Where a person subject to an order to dispose of stocks pursuant to Article 406 (4) fails to comply with such order within the prescribed period, the Financial Services Commission shall re-order the person to dispose of the stocks within a further prescribed period. Where the person still fails to comply with such order within the further prescribed period, the Financial Services Commission shall impose a non-performance penalty on the person in an amount not exceeding five percent of the acquisition value of the stocks to be disposed of. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission shall give written notice of its intent to impose and collect a non-performance penalty under paragraph (1) before imposing the non-performance penalty under paragraph (1). *<Amended on Feb. 29, 2008>*

(3) The Financial Services Commission shall impose a non-performance penalty under paragraph (1) in writing which shall include indicating the amount, the grounds for imposition, the payment deadline and the receipt period of the non-performance penalty, the method of filing an objection, and the agencies to receive the objection. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission may repeatedly impose and collect a non-performance penalty under paragraph (1) up to twice annually starting from the date an order to dispose of stocks is issued pursuant to Article 406 (4), until the order is complied with. *<Amended on Feb. 29, 2008>*

(5) Where the person subject to an order to dispose of stocks complies with the order, the Financial Services Commission shall suspend the imposition of a new non-performance penalty and collect the non-performance penalty already imposed. *<Amended on Feb. 29, 2008>*

(6) Articles 430 (excluding paragraph (2)) through 434 shall apply to the imposition and collection of non-performance penalties.

Article 408 (Approval of Business Transfer)

An exchange shall obtain approval from the Financial Services Commission when an exchange intends to carry out a business transfer, merger, split-off, split-and-merger, or comprehensive exchange or transfer of stocks. *<Amended on Feb. 29, 2008>*

Article 409 (Approval of Listing and De-listing Securities Issued by Exchange)

(1) An exchange shall, when it lists or de-lists securities issued by an exchange itself, obtain approval of the Financial Services Commission. *<Amended on Feb. 29, 2008>*

(2) An exchange shall, when it lists securities pursuant to paragraph (1), conduct any investigation of abnormal trading, surveillance of members, ongoing disclosure and any other management of such listing by itself and report the results thereof to the Financial Services Commission. *<Amended on Feb. 29, 2008>*

CHAPTER VI SUPERVISION, ETC.

Article 410 (Reports and Inspections)

(1) The Financial Services Commission may, if necessary for the protection of investors or sound trade practice, order an exchange to submit reports or reference related to its business and property, and have the Governor of the Financial Supervisory Service inspect the business, financial status, books, documents, or other materials related to an exchange. *<Amended on Feb. 29, 2008>*

(2) Any person who conducts an inspection pursuant to paragraph (1) shall present a certificate indicating its authority to related persons.

(3) The Governor of the Financial Supervisory Service shall, when he or she conducts an inspection pursuant to paragraph (1), report the result to the Financial Services Commission. In this case, when an exchange is found to violate any provision of this Act, or other orders or disciplinary actions taken under this Act, the Governor shall accompany a written opinion as to how to take actions in response to such violation. *<Amended on Feb. 29, 2008>*

(4) Article 419 (9) shall apply mutatis mutandis to the inspection on an exchange.

Article 411 (Measures against Exchange)

(1) The Financial Services Commission may revoke the permission for an exchange granted under Article 373-2 (1) in any of the following cases: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Where it has obtained the permission under Article 373-2 (1) by fraud or other improper means;
2. Where it violates any condition for permission;
3. Where it violates the obligation to continue to fulfill the requirements for permission referred to in Article 373-5;
4. Where it performs its business during the period of business suspension;
5. Where it fails to comply with an order for rectification or discontinuance issued by the Financial Services Commission;
6. Where it falls under any of the subparagraphs of attached Table 14, as prescribed by Presidential Decree;
7. Where it violates any finance-related statute, etc. specified by Presidential Decree, as prescribed by Presidential Decree;
8. Where there is a risk of significantly undermining investors' interests or it is deemed impracticable to continue to perform the relevant business, as prescribed by Presidential Decree.

(2) The Financial Services Commission may take the following measures against an exchange, if it falls under any subparagraph of paragraph (1) (excluding subparagraph 6) or any subparagraph of attached Table 14: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. To suspend all or part of the business for up to six months;

2. To order transfer of contract;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(3) If an executive officer of an exchange falls under any subparagraph of paragraph (1) (excluding the cases falling under subparagraph 6) or any subparagraph of attached Table 14, the Financial Services Commission may take any of the following measures: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. To request the electronic registry to dismiss the executive;

2. Suspension of performing duties for a period of up to six months;

3. Warning of reprimand;

4. Warning for attention;

5. To caution him or her;

6. Other necessary measures prescribed by Presidential Decree to rectify or prevent violation.

7. Deleted; *<Jul. 18, 2017>*

(4) If an employee of an exchange falls under any subparagraph of paragraph (1) (excluding the cases falling under subparagraph 6) or any subparagraph of attached Table 14, the Financial Services Commission may demand the credit rating company take any of the following measures: *<Amended on May 28, 2013>*

1. Removal from his or her office;

2. Suspension of his or her duties for not more than six months;

3. Reduction of salary;

4. Reprimand;

5. Warning;

6. Caution;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(5) Articles 422 (3), 423 (excluding subparagraph 1), 424 (excluding paragraph (2)) and 425 shall apply mutatis mutandis to the measures, etc. against an exchange, and its executive officers and/or employees. *<Newly Inserted on May 28, 2013>*

Article 412 (Approval of Regulations of Exchange)

(1) An exchange shall obtain approval from the Financial Services Commission whenever it intends to establish, amend, or repeal the Membership Regulations, the Securities Market Business Regulations, the Derivatives Market Business Regulations, the Listing Regulations, the Disclosure Regulations, the Market Oversight Regulations, the Dispute Mediation Regulations, and other regulations on business. *<Amended on Feb. 29, 2008>*

(2) Deleted. *<Feb. 29, 2008>*

Article 413 (Disposition in Emergency)

The Financial Services Commission may, if it finds that the transactions of securities cannot be normally made because of natural disaster, warfare, disturbance, sudden and significant change in economic conditions or other incidents similar thereto, order the alteration of opening hours of an exchange, suspension of transactions or temporary closing of the securities market, or take other necessary measures. *<Amended on Feb. 29, 2008>*

Article 414 (Market Efficiency Committee)

(1) The Financial Services Commission shall establish a market efficiency committee in order to review matters regarding the reduction of transaction costs on the securities market and the derivatives market. *<Amended on Feb. 29, 2008; May 28, 2013>*

(2) Where any organization established by this Act or any other organization prescribed by Presidential Decree intends to change its commissions or invest more than the amount prescribed by Presidential Decree in data-processing facility, the organization shall proceed through the deliberation of the market efficiency committee.

(3) Matters necessary for the composition and operation of the market efficiency committee shall be prescribed by Presidential Decree.

PART VIII SUPERVISION AND DISPOSITIONS

CHAPTER I ORDERS, APPROVAL, ETC.

Article 415 (Supervision)

The Financial Services Commission shall supervise financial investment business entities to ensure that they properly complies with this Act, or other orders or disciplinary actions taken under this Act to protect investors and to maintain sound trading practices. *<Amended on Feb. 29, 2008>*

Article 416 (Financial Services Commission's Authority to Issue Orders)

The Financial Services Commission may issue necessary orders to financial investment business entities in relation to the following matters to protect investors and to maintain sound trading practices: Provided,

That the Financial Services Commission may issue necessary orders to trustors in relation to matters on the restriction on the trading volume of exchange-traded derivatives under subparagraph 7: *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

1. Matters regarding the management of proprietary property of the financial investment business entities;
2. Matters regarding the keeping in custody and management of investors' assets;
3. Matters regarding the operation of financial investment business entities and improvement of their business;
4. Matters regarding various disclosures;
5. Matters regarding the maintenance of business practices;
6. Matters regarding the methods of business operations;
7. Matters regarding the restriction on the trading volume of exchange-traded derivatives or over-the-counter derivatives;
8. Others prescribed by Presidential Decree as necessary for protecting investors or maintaining sound trading practices.

Article 417 (Matters subject to Approval)

(1) Every financial investment business entity shall obtain approval from the Financial Services Commission to engage in any of the following activities (limited to subparagraphs 4 through 7 in cases of a concurrently-run financial investment entity): Provided, That in cases of offshore investment advisory business entities and offshore discretionary investment business entities, they shall report the activities prescribed in subparagraphs 1 through 5 and 8 to the Financial Services Commission within seven days from the date they engages in such activities: *<Amended on Feb. 29, 2008; Mar. 27, 2018>*

1. Merger, split-off, or split and merger;
2. Comprehensive exchange or transfer of stocks;
3. Dissolution;
4. Transfer or acquisition of all the financial investment business (including cases equivalent to such business) referred to in any of Articles 6 (1) 1 through 6 (1) 3 and 6 (1) 6;
5. Transfer or acquisition of all the financial investment business (including cases equivalent to such business) referred to in any of Article 6 (1) 4 and 6 (1) 5;
6. Discontinuation of all financial investment business (including cases equivalent to such business) referred to in any of Article 6 (1) 1 through 6 (1) 3 and 6 (1) 6;
7. Discontinuation of all financial investment business (including cases equivalent to such business) referred to in any of Article 6 (1) 4 and 6 (1) 5;
8. Other activities prescribed by Presidential Decree as necessary for protecting investors or creditors.

(2) Upon granting approval or receiving reports under paragraph (1), the Financial Services Commission shall announce the details thereof in the Official Gazette and on its website. *<Amended on Feb. 29, 2008;*

Mar. 27, 2018>

(3) Standards and methods for granting approval or receiving reports under paragraph (1) and other matters necessary to process such approval and reports shall be prescribed by Presidential Decree. *<Amended on Mar. 27, 2018>*

Article 418 (Matters to Be Reported)

Every financial investment business entity (in cases of a concurrently-run financial investment entity, limited to subparagraphs 6 through 9) shall report to the Financial Services Commission as prescribed by Presidential Decree in any of the following cases: *<Amended on Feb. 29, 2008>*

1. Where it changes its trade name;
2. Where it has changed any material matter prescribed by Presidential Decree in the articles of incorporation;
3. Deleted; *<Jul. 31, 2015>*
4. Where the largest shareholder has been changed;
5. Where the number of stocks held by a major shareholder or its affiliated persons has been changed by not less than one percent of the total number of outstanding voting stocks;
6. Where it has transferred or acquired part of the financial investment business referred to in any of Articles 6 (1) 1 through 6 (1) 3 and 6 (1) 6;
7. Where it has transferred or acquired part of the financial investment business referred to in any of Articles 6 (1) 4 and 6 (1) 5;
8. Where it has discontinued part of the financial investment business referred to in any of Articles 6 (1) 1 through 6 (1) 3 and 6 (1) 6;
9. Where it has discontinued part of the financial investment business referred to in any of Articles 6 (1) 4 and 6 (1) 5;
10. Where it has newly established or closed a branch or business office;
11. Where it has changed the location of its head office;
12. Where it has suspended or resumed business operations at its head office, branch, or any other business office;
13. Others prescribed by Presidential Decree as necessary to protect investors or to maintain sound trading practices.

CHAPTER II INSPECTION AND MEASURES

Article 419 (Inspection on Financial Investment Business Entity)

(1) Each financial investment business entity shall receive inspections conducted by the Governor of the Financial Supervisory Service on the status of its business and property.

(2) If the Monetary Policy Committee concludes it necessary in connection with the business of a financial investment business entity under Article 40 (1) 3 or 4 for implementation of the monetary and credit policy and management of the payment settlement system, the Bank of Korea may demand the financial investment business entity that engages in the business under Article 40 (1) 3 or 4 to submit relevant materials. In such cases, the scope of the materials so demanded shall be limited to the minimum as may be necessary, considering the work load of the financial investment business entity. *<Amended on May 19, 2020>*

(3) If the Monetary Policy Committee concludes it necessary in connection with the business of a financial investment business entity under Article 40 (1) 3 or 4 for implementation of the monetary and credit policy, the Bank of Korea may demand the Governor of the Financial Supervisory Service to conduct an inspection or a joint inspection together with the Bank of Korea on the business of a financial investment business entity that engages in the business under subparagraph 3 or 4 of Article 40. *<Amended on May 19, 2020>*

(4) The Articles 87 and 88 of the Bank of Korea Act and Article 62 of the Act on the Establishment, etc. of Financial Services Commission shall apply mutatis mutandis to the method and procedure for the demands under paragraphs (2) and (3). *<Amended on Feb. 29, 2008>*

(5) The Governor of the Financial Supervisory Service may, if deemed necessary for conducting an inspection pursuant to paragraph (1), demand the financial investment business entity to submit a report on its business or property, submit relevant materials, bring witnesses for testimony, and give testimony or state an opinion.

(6) Each person who conducts an inspection pursuant to paragraph (1) shall carry an identification showing his or her authority, and shall present it to the relevant people.

(7) The Governor of the Financial Supervisory Service shall, upon completion of an inspection pursuant to paragraph (1), submit a report thereon to the Financial Services Commission. In this case, if there is any violation of this Act or an order or disposition issued or made pursuant to this Act, his or her written opinion on the countermeasures against such as violation shall be attached thereto. *<Amended on Feb. 29, 2008>*

(8) The Governor of the Financial Supervisory Service may, in accordance with Presidential Decree, entrust part of inspection works under paragraph (1) to an exchange or Association.

(9) The Financial Services Commission may determine, and give notification of, the methods and procedures for inspection, the standards for measures for the results of inspection, and other matters related to inspection works. *<Amended on Feb. 29, 2008>*

Article 420 (Dispositions against Financial Investment Business Entities)

(1) Where any of the following applies to a financial investment business entity, the Financial Services Commission may revoke the authorization granted under Article 12 or revoke its financial investment business registered under Article 18, 117-4 or 249-3: *<Amended on Feb. 29, 2008; Jul. 24, 2015; Mar. 24,*

2020>

1. Where it has obtained authorization or has been registered to engage in financial investment business by fraud or other improper means;

2. Where it has failed to meet any of the requirements for authorization;

3. Where it breaches its duty to comply with the requirements for authorization provided for in Article 15 or the requirements for registration provided for in Article 20, 117-4 (8) or 249-3 (8);

4. Where it continues its business during a period for which its business operations are suspended;

5. Where it fails to comply with an order issued by the Financial Services Commission to rectify or discontinue;

6. Where it falls under any subparagraph of attached Table 1 in cases prescribed by Presidential Decree;

7. Where it has violated any of the finance-related laws and statutes specified by Presidential Decree in cases prescribed by Presidential Decree;

8. Where it falls under Article 51 (1) 4 or 5 of the Act on the Protection of Financial Consumers;

9. Where it is likely to undermine investors' interests significantly or it is deemed impracticable to continue its financial investment business in cases prescribed by Presidential Decree.

(2) A financial investment business entity (excluding a concurrently-run financial investment entity) shall be dissolved, if both the authorization and the registration to engage in the financial investment business, are revoked pursuant to paragraph (1).

(3) The Financial Services Commission may take any of the following measures against a financial investment business entity if any of the events prescribed in any subparagraph of paragraph (1) (excluding subparagraph 6), any subparagraph of attached Table 1 hereof, any subparagraph of attached Table of the Act on Corporate Governance of Financial Companies (limited to the measure prescribed in subparagraph 1 hereof), or the main clause, with the exception of the subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to cases falling under subparagraph 1) occurs in relation to the financial investment business entity: *<Amended on Feb. 29, 2008; Jul. 31, 2015; Mar. 24, 2020>*

1. Suspending its business completely or partially for not more than six months;

2. Issuing an order to transfer the trust contract and other contracts;

3. Issuing an order to correct or cease the relevant violation;

4. Issuing an order to publicly notify or post the fact that it has been subject to a measure due to its violation;

5. Issuing a warning to the company;

6. Issuing a caution to the company;

7. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

Article 421 (Special Cases concerning Revocation of Authorization or Registration of Branch Offices of Foreign Financial Investment Business Entities)

(1) If any of the following events occurs in relation to a foreign financial investment business entity, the Financial Services Commission may revoke the authorization granted under Article 12 or the registration of the financial investment business under Article 18, 117-4 or 249-3 of the branch office or any other sales office of the foreign financial investment business entity: *<Amended on Feb. 29, 2008; Jul. 24, 2015>*

1. If it is dissolved;
2. If it becomes bankrupt;
3. If it ceases to exist following a merger, business transfer, etc.;
4. If it discontinues the business corresponding to the financial investment business, in which the domestic branch office or other sales office engages, or its authorization for or the registration of such business is revoked;
5. If it suspends or halts the business corresponding to the financial investment business in which the domestic branch office or other sales office engages;
6. If it violates any statute of the relevant foreign country (applicable only where it is deemed impracticable for the domestic branch office or other sales office to continue its business due to such a violation).

(2) If any of the events set forth in subparagraphs of paragraph (1) occurs, the branch office or any other sales office of a foreign financial investment business entity shall report the fact to the Financial Services Commission without delay. *<Amended on Feb. 29, 2008>*

(3) A branch office or any other sales office of a foreign financial investment business entity shall commence liquidation proceedings immediately when both of the authorization for and the registration of the financial investment business related to its business are revoked.

(4) Paragraphs (1) and (2) shall apply mutatis mutandis to the revocation, etc. of the registration of an offshore investment advisory business entity or an offshore discretionary business entity. In this case, "foreign financial investment business entity" in paragraph (1) shall be construed as "offshore investment advisory business entity or offshore discretionary investment business entity"; "branch office or any other sales office of a foreign financial investment business entity" as "offshore investment advisory business entity or offshore discretionary investment business entity"; "financial investment business in which the domestic branch office or any other sales office engages" in subparagraphs 4 and 5 of the same paragraph as "investment advisory business entity or discretionary investment business"; "domestic branch office or any other sales office" in subparagraph 6 of the same paragraph as "offshore investment advisory business entity or offshore discretionary investment business entity"; and "branch office or any other sales office of a foreign financial investment business entity" in paragraph (2) as "offshore investment advisory business entity or offshore discretionary investment business entity".

Article 422 (Dispositions against Executive Officers and/or Employees)

(1) The Financial Services Commission may take any of the following measures, if an executive officer of a financial investment business entity falls under any subparagraph of Article 420 (1) (excluding

subparagraph 6) or any subparagraph of attached Table 1: *<Amended on Feb. 29, 2008>*

1. Request for dismissal;
2. Suspension from office for up to six months;
3. Disciplinary warning;
4. Cautionary warning;
5. Caution;
6. Other measures prescribed by Presidential Decree as necessary for correcting or preventing the relevant violation.

(2) The Financial Services Commission may demand a financial investment business entity take any of the following measures against any of its employees, if the employee falls under any subparagraph of Article 420 (1) (excluding subparagraph 6) or any subparagraph of attached Table 1: *<Amended on Feb. 29, 2008>*

1. To remove the employee;
2. Suspension of service for a period of not more than six months;
3. To curtail his or her salary;
4. Reprimand.
5. Warning;
6. To caution him or her;
7. Other necessary measures prescribed by Presidential Decree to rectify or prevent violation.

(3) When the Financial Services Commission takes a measure against an executive officer and/or employee of a financial investment business entity or demands such a financial investment business entity to take a measure against any of its executive officers and/or employees pursuant to the paragraph (1) or (2) of this Article, it may also take another measure against a person responsible for control and supervision or demand such a measure: Provided, That such measure may be mitigated or exempted if the person responsible for control and supervision has exercised reasonable care in control of and supervision over the executive officer and/or employee. *<Amended on Feb. 29, 2008>*

Article 423 (Hearings)

The Financial Services Commission shall hold a hearing to take any of the following dispositions or measures: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Revoking the designation of a comprehensive financial investment business entity under Article 77-2 (4);
2. Revoking authorization for a central counterparty under Article 323-20 (1);
3. Demanding the dismissal or removal of an executive officer and/or employee of a central counterparty under Article 323-20 (3) or (4);
4. Revoking authorization for a credit rating company under Article 335-15 (1);
5. Demanding the dismissal or removal of an executive officer and/or employee of a credit rating company under Article 335-15 (3) or (4);

6. Revoking permission for an exchange under Article 411 (1);

7. Demanding the dismissal or removal of an executive officer and/or employee of an exchange under Article 411 (3) or (4);

8. Revoking authorization or registration of financial investment business under Article 420 (1) or 421 (1) (including the case to which such provision shall apply mutatis mutandis under paragraph (4) of the same Article);

9. Demanding the dismissal or removal of an executive officer and/or employee of a financial investment business entity pursuant to Article 422.

Article 424 (Keeping Records and Public Disclosure of Dispositions)

(1) When the Financial Services Commission makes a disposition or takes a measure pursuant to Articles 420 through 422, it shall keep and maintain the records of such a disposition or a measure. *<Amended on Feb. 29, 2008>*

(2) When the Financial Services Commission takes a measure pursuant to Article 420 (1) or (3) or 421 (1) (including cases applicable mutatis mutandis in paragraph (4) of the same Article), it shall publicly notify the fact in the Official Gazette and on its website. *<Amended on Feb. 29, 2008>*

(3) Where it is deemed that a retired executive officer or resigned employee of a financial investment business entity should have been subject to a measure under any provision of Article 422 (1) 1 through 5 or (2) 1 through 6 if he or she were in service or in employment, the Financial Services Commission may notify the relevant financial investment business entity of the details of the measure deemed to be probably given. In such cases, the financial investment business entity shall, upon receipt of such a notice, inform the relevant retired executive officer and/or retired employee of the notice. *<Amended on Feb. 29, 2008; Dec. 30, 2014; Apr. 18, 2017>*

(4) Paragraph (1) shall apply mutatis mutandis to cases where a financial investment business entity takes a measure against an executive officer and/or employee in accordance with the demand of the Financial Services Commission or where it receives a notice pursuant to paragraph (3). *<Amended on Feb. 29, 2008>*

(5) A financial investment business entity or its executive officers and/or employees (including former executive officers and/or employees) may inquire the Financial Services Commission about a disposition or measure taken against it or him or her pursuant to Articles 420 through 422 and the details of such a disposition or measure. *<Amended on Feb. 29, 2008>*

(6) Upon receipt of a request for inquiry under paragraph (5), the Financial Services Commission shall inform the requester as to whether any disposition or measure has been taken and the details of such a disposition or measure, if any, unless there is a good cause otherwise. *<Amended on Feb. 29, 2008>*

Article 425 (Raising Objections)

(1) A person who is dissatisfied with a disposition or measure under any provision of Article 420 (1) and (3), Article 421 (1) and (4), Article 422 (1) 2 through 6, and Article 422 (3) (which shall be limited to a

measure falling under any subparagraph of paragraph (1) 2 through 6) may file an objection, stating the grounds therefor, with the Financial Services Commission within 30 days after such a disposition or measure is notified. *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission shall make a decision on an objection filed under paragraph (1) within 60 days: Provided, That the period may be extended by up to 30 days, if it is impossible to make a decision within that period due to unavoidable circumstances. *<Amended on Feb. 29, 2008>*

CHAPTER III INVESTIGATIONS, ETC.

Article 426 (Reporting and Inspection)

(1) If there is any violation of this Act or an order issued or disposition made pursuant to this Act, or where it is deemed necessary for protecting investors or maintaining sound trading practices, the Financial Services Commission (or the Securities and Futures Commission in the case of violations of Articles 172 through 174, 176, 178, 178-2, 180, and 180-2 through 180-5; the same shall apply hereafter in this Article) may order a person suspected of the violation or any other related person to submit a report or materials for reference, or require the Governor of the Financial Supervisory Service to investigate account books, documents and other materials. *<Amended on Feb. 29, 2008; May 28, 2013; Dec. 30, 2014; Mar. 29, 2016>*

(2) For the investigation under paragraph (1), the Financial Services Commission may demand that any person suspected of a violation or any other related person: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Submit a statement on the facts and status of the matters under investigation;
2. Appear to make a statement on the matters under investigation;
3. Submit account books, documents, and other materials necessary for the investigation.

(3) The Financial Services Commission may take the following measures if deemed necessary to investigate into a violation of any of Articles 172 through 174, 176, 178, 178-2, 180, and 180-2 through 180-5 while conducting an investigation under paragraph (1): *<Amended on Feb. 29, 2008; Dec. 30, 2014; Mar. 29, 2016; Jan. 5, 2021>*

1. Taking the provisional custody of accounts books, documents, and other materials submitted under paragraph (2) 3;
2. Inspecting the business affairs, account books, and other materials therein through entering an office or a place of business of any related person.

(4) The Financial Services Commission may request that a financial investment business entity, an institution related to the financial investment business, or an exchange submit materials necessary for an investigation in the manner prescribed by Presidential Decree, if deemed necessary in conducting the investigation under paragraph (1). *<Amended on Feb. 29, 2008>*

(5) Where the Financial Services Commission finds any of the causes or events set forth in any subparagraph of attached Table 15 through its investigation conducted under paragraph (1), it may issue a corrective order or take other measure prescribed by Presidential Decree, and may also prescribe and

publicly notify the procedure, guidelines for measures, and other matters necessary to conduct the investigation and to take measures. *<Amended on Feb. 29, 2008>*

(6) Where an exchange becomes aware of a suspected violation of this Act, or an order issued or a disposition made pursuant to this Act as a result of its inquiry into an abnormal transaction or supervision over members, it shall notify the Financial Services Commission thereof. *<Amended on Feb. 29, 2008>*

(7) Each person who conducts an investigation under paragraph (3) 2 shall carry an identification indicating his or her authority and present it to interested persons.

(8) The Financial Services Commission may publicly announce the findings from the investigation into related persons, the measures taken against such persons based on the findings, and other information and materials necessary to prevent related persons from committing violations by the method prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

Article 427 (Seizure and Search for Investigation into Unfair Trading)

(1) If deemed necessary for investigating a violation of any provision of Articles 172 through 174, 176, 178, 180, and 180-2 through 180-5 (hereafter in this Article referred to "violation"), the Securities and Futures Commission may assign public officials specified by Presidential Decree (hereafter in this Article referred to as "investigative official") among public officials of the Financial Services Commission to interrogate the suspect involved in such violation, seize goods, or search his or her place of business, etc. *<Amended on Feb. 29, 2008; Mar. 29, 2016; Jan. 5, 2021>*

(2) To conduct a seizure or search for investigating a violation, each investigative official shall carry a warrant for seizure and search issued by a judge at the request of a public prosecutor.

(3) To conduct an interrogation, seizure, or search pursuant to paragraph (1), each investigative official shall carry an identification indicating his or her authority and present it to interested person.

(4) The provisions of the Criminal Procedure Act governing a seizure and search, execution of a warrant for seizure and search, return of seized goods, etc., shall apply mutatis mutandis to a seizure and search and a warrant for seizure and search provided for in this Act.

(5) Upon completing the provisional custody, interrogation, seizure or search, each investigative official shall make a record of all the proceedings; show it to the witness or interrogatee for confirmation, and print his or her name and affix his or her seal or signature thereon jointly with the witness or interrogatee. In this case, if the witness or interrogatee refuses to, or is unable to, print his or her name and affix his or her seal or signature thereon, the reasons therefor shall be stated therein additionally.

(6) Upon completing the investigation into a violation, each investigative official shall report the findings to the Securities and Futures Commission.

Article 427-2 (Prohibition against Abuse of Authority of Investigation)

(1) An investigative official or employee belonging to the Financial Supervisory Service who conducts investigative duties under Article 426 (hereinafter referred to as "investigator") shall conduct investigation

to the minimum extent necessary for the enforcement of this Act, and shall not abuse his or her authority of investigation for any other purposes.

(2) The Financial Services Commission may determine and publicly notify specific standards for preventing the abuse of authority of investigation and ensuring the legitimacy of investigation procedure.

CHAPTER IV PENALTY SURCHARGES

Article 428 (Penalty Surcharge on Financial Investment Business Entities)

(1) The Financial Services Commission may impose on a financial investment business entity a penalty surcharge not exceeding the amount of violation classified as follows, if it violates any provision of Article 34 (1) 1 or 2, 34 (2), or 77-3 (9): *<Amended on Feb. 29, 2008; May 28, 2013; Apr. 18, 2017; Mar. 27, 2018>*

1. Where it violates Article 34 (1) 1, the acquisition price;
2. Where it violates Article 34 (1) 2, the acquisition price exceeding the allowable ratio;
3. Where it violates Article 34 (2), the amount of credit granted;
4. Deleted; *<Apr. 18, 2017>*
5. Where it violates Article 77-3 (9), the amount of credit granted.

(2) Where a financial investment business entity violates any of Article 77-3 (5) through (7) (excluding cases falling under Article 77-3 (8)), the Financial Services Commission may impose on the financial investment business entity a penalty surcharge not exceeding 40 percent of the amount of credit granted in excess of the allowable amount. *<Newly Inserted on Apr. 18, 2017; Mar. 27, 2018>*

(3) The Financial Services Commission may impose a penalty surcharge on a financial investment business entity within the limit of profits accrued during the period of business suspension in lieu of taking a disposition suspending its business operations pursuant to Article 420 (3). *<Amended on Feb. 29, 2008; Apr. 18, 2017>*

(4) The Financial Services Commission shall include cases in which Article 54 (2) applies mutatis mutandis in Articles 42 (10), 52 (6), 199 (5), 255, 265, 289, 323-17, 3 or 377 (c) If a financial investment business entity or an executive officer or employee of the financial investment business entity and a person who receives and uses information subject to the prevention of exchange of information may be punished by a penalty surcharge not exceeding the amount obtained by trading the relevant violation (including unrealized profits) or the amount equivalent to 1.5 times the loss which it has avoided by such violation. *<Newly Inserted on May 19, 2020>*

Article 429 (Penalty Surcharges on Violation in Public Disclosure)

(1) The Financial Services Commission impose on a person referred to in each subparagraph of Article 125 (1) a penalty surcharge not exceeding three percent of the amount of public offering or sale written on the relevant registration statement (or two billion won if the amount exceeds two billion won), if: *<Amended on Feb. 29, 2008>*

1. The person makes a false description or representation concerning a material fact in the statement, prospectus, or any other document submitted as set forth in Article 119, 122, or 123 or omits to describe or represent any material fact therein;

2. The person fails to perform its duty to submit a statement, prospectus, or any other document as set forth in Article 119, 122, or 123.

(2) The Financial Services Commission may impose on a person referred to in each subparagraph of Article 142 (1) a penalty surcharge not exceeding three percent of the total amount for tender offer written on the relevant tender offer statement (or two billion won if the amount exceeds two billion won). In this case, the total amount for tender offer shall be calculated by multiplying the quantity of stocks, etc. for the tender offer by the tender offer price, if: *<Amended on Feb. 29, 2008>*

1. The person makes a false description or representation concerning a material fact in the statement, prospectus, or any other submitted document or public notice as set forth in Article 134, 136, or 137 or omits to describe or represent any material fact therein;

2. The person fails to perform its duty to submit or give public notice of a statement, prospectus, or any other document as set forth in Article 134, 136, or 137.

(3) The Financial Services Commission may impose on a corporation subject to business reporting under Articles 159 (1), 160, or 161 (1) a penalty surcharge not exceeding ten percent of the daily average trading amount, as traded in the securities market (including trades conducted by an alternative trading system; hereafter the same shall apply in this paragraph) during the immediately preceding business year, of the stocks (including depositary receipts related to the stocks; hereafter the same shall apply in this paragraph) issued by the corporation (two billion won if the amount exceeds two billion won or if the stocks issued by the corporation have not been traded in the securities market), if: *<Amended on Feb. 29, 2008; Feb. 3, 2009; May 28, 2013>*

1. The corporation makes a false description or representation concerning a material fact in its business report, etc. as set forth in Article 159 (1), 160, or 161 (1) or omits to describe or represent any material fact therein;

2. The corporation fails to perform its duty to submit its business report, etc. as set forth in Article 159 (1), 160, or 161 (1).

(4) The Financial Services Commission may impose on a person required to file a report under Article 147 (1) a penalty surcharge not exceeding 1/ 100,000 of the total market price (which shall be calculated by the method prescribed by Presidential Decree) of the stocks issued by the stock-listed corporation referred to in Article 147 (1) (500 million won, if it exceeds 500 million won), if: *<Amended on May 28, 2013>*

1. The person fails to file a report, in violation of Article 147 (1), (3) or (4);

2. The person makes a false description or representation concerning a material fact prescribed by Presidential Decree or omits to describe or represent a material fact in a report filed under Article 147 or in a corrected report submitted under Article 151 (2).

(5) No penalty surcharge prescribed in paragraphs (1) through (4) shall be imposed upon the lapse of the five-year period from the time each violation prescribed in the relevant provision is committed. *<Newly Inserted on May 28, 2013>*

Article 429-2 (Penalty Surcharge on Acts of Disturbing Market Order)

The Financial Services Commission may impose a penalty surcharge not exceeding 500 million won on a person who violates Article 178-2: Provided, That if the amount equivalent to 1.5 times the profit (including unrealized gain; hereafter the same shall apply in this Article) accrued from a trade related to such violation or the loss avoided by such violation exceeds 500 million won, it may impose a penalty surcharge not exceeding the amount equivalent to 1.5 times the amount of profit or avoided loss.

Article 429-3 (Penalty Surcharges for Unlawful Short Sale)

(1) The Financial Services Commission may impose a penalty surcharge on a person who conducts a short sale of listed securities in a prohibited manner, or who entrusts, or is entrusted with, an order for the short sale in violation of Article 180, within an amount not exceeding the amount in violation classified as follows:

1. The amount ordered for a short sale, in violation of Article 180, where it is for a short sale or entrusts the order for a short sale;
2. Where he or she is entrusted with an order for short sale, the amount of the order for short sale which is in violation of Article 180.

(2) The Financial Services Commission may impose a penalty surcharge not exceeding 500 million won on a person who violates Article 180-4: Provided, That if the amount equivalent to 1.5 times the profit (including unrealized gain; hereafter the same shall apply in this paragraph) accrued from a trade related to such violation or the loss avoided by such violation exceeds 500 million won, it may impose a penalty surcharge not exceeding the amount equivalent to 1.5 times the amount of profit or avoided loss.

(3) Where a penalty surcharge is imposed under paragraph (1) for the same violation for which a fine is imposed pursuant to Article 443 (1) 10, the Financial Services Commission may revoke the imposition of the penalty surcharge or exclude all or part of an amount equivalent to the fine from the penalty surcharge.

Article 430 (Imposition of Penalty Surcharges)

(1) The penalty surcharge under Articles 428, 429 (excluding paragraph (4)), and 429-3 (1) 2 shall be imposed only where a person subject to the imposition of a penalty surcharge commits a violation under the relevant provision by intent or gross negligence. *<Amended on May 28, 2013; Jan. 5, 2021>*

(2) Where the Financial Services Commission imposes a penalty surcharge pursuant to Article 428, 429, 429-2, or 429-3, it shall consider the following factors in accordance with the standards prescribed by Presidential Decree: *<Amended on Feb. 29, 2008; Feb. 3, 2009; Dec. 30, 2014; Apr. 18, 2017; Jan. 5, 2021>*

1. Details and severity of violations;
2. Duration and frequency of the violation;
3. Scale of gains from violations;
4. Period of business suspension (limited to cases where penalty surcharges are imposed pursuant to Article 428 (3)).

(3) If a corporation that violated this Act is merged or consolidated with another corporation, the Financial Services Commission may deem that such violation was committed by the surviving or resulting corporation following merger or consolidation, and impose and collect the penalty surcharge accordingly. *<Amended on Feb. 29, 2008>*

(4) Matters necessary for imposing penalty surcharges shall be prescribed by Presidential Decree.

Article 431 (Presenting Opinions)

(1) Before imposing a penalty surcharge, the Financial Services Commission shall give the relevant person, an interested person, etc. an opportunity to present an opinion. *<Amended on Feb. 29, 2008>*

(2) The relevant person, an interested person, etc. under paragraph (1) may attend at a meeting of the Financial Services Commission to make a statement or submit materials as may be necessary. *<Amended on Feb. 29, 2008>*

(3) In presenting an opinion, the relevant person or an interested person, etc. may be assisted by a lawyer or designate a lawyer as his or her proxy. *<Newly Inserted on May 28, 2013>*

Article 432 (Raising Objections)

(1) A person who is dissatisfied with the disposition imposing a penalty surcharge taken under Article 428, 429, 429-2, or 429-3 may file an objection, stating the grounds therefor, with the Financial Services Commission within 30 days after such a disposition is notified. *<Amended on Feb. 29, 2008; Dec. 30, 2014; Jan. 5, 2021>*

(2) The Financial Services Commission shall make a decision on an objection filed under paragraph (1) within 60 days: Provided, That the period may be extended by up to 30 days, if it is impossible to make a decision within that period due to unavoidable circumstances. *<Amended on Feb. 29, 2008>*

Article 433 (Extension of Deadline for Payment of Penalty Surcharges and Installment Payment)

(1) Where the Financial Services Commission recognizes that a person upon whom a penalty surcharge has been imposed (hereinafter referred to as "person obligated to pay a penalty surcharge") is unable to pay the full amount of the penalty surcharge by lump sum due to any of the following causes, it may extend the deadline for payment or permit the penalty surcharge to be paid in installment. In this case, the Commission may require the person to offer an asset as security, if deemed necessary: *<Amended on Feb. 29, 2008>*

1. Where the person suffers from a substantial property loss due to a disaster, theft, etc.;

2. Where the person's business faces a crucial crisis due to deteriorating business conditions;

3. Where the person obliged to pay a penalty surcharge is expected to suffer a substantial financial crisis if he or she pays the penalty surcharge in lump sum;

4. Where there is any cause similar to those set forth in subparagraphs 1 through 3.

(2) A person obligated to pay a penalty surcharge shall file an application with the Financial Services Commission no later than ten days before the deadline for payment to obtain an extension of the deadline for payment of the penalty surcharge or to pay it in installment pursuant to paragraph (1). *<Amended on Feb. 29, 2008>*

(3) Where any of the following applies to a person obligated to pay a penalty surcharge after the person is granted an extension of the deadline for the payment or is permitted to pay in installment, the Financial Services Commission may revoke its decision granting an extension of the deadline for payment or permitting the payment in installment and collect the penalty surcharge by lump sum: *<Amended on Feb. 29, 2008>*

1. Where he or she fails to pay the installment of the penalty surcharge as allowed by the deadline:

2. Where he or she fails to perform an order issued by the Financial Services Commission as necessary to replace or preserve security;

3. Where it is deemed impossible to collect the full amount or balance of the penalty surcharge due to compulsory execution, commencement of auction, declaration of bankruptcy, dissolution of the corporation, or the disposition on default of a national or local tax;

4. Where there is any cause similar to those set forth in subparagraphs 1 through 3.

(4) Matters necessary for extending the deadline for payment of the penalty surcharge, making payments in installment or security under paragraphs (1) through (3) and other necessary matters shall be prescribed by Presidential Decree.

Article 434 (Collection of Penalty Surcharges and Dispositions on Default)

(1) If a person liable to pay a penalty surcharge fails to pay the penalty surcharge by the deadline, the Financial Services Commission may collect additional charges as prescribed by Presidential Decree for the period from the day following the deadline to the day before the date the penalty surcharge is fully paid. *<Amended on Feb. 29, 2008>*

(2) If a person obligated to pay the penalty surcharge fails to pay the penalty surcharge by the deadline, the Financial Services Commission may demand the person to pay it within a given period, and may collect it in the same manner as delinquent national taxes are collected, if the person fails to pay the penalty surcharge and the additional charge imposed under paragraph (1) within the given period. *<Amended on Feb. 29, 2008>*

(3) The Financial Services Commission may entrust the Commissioner of the National Tax Service with the affairs related to the collection of the penalty surcharge and the additional charge or the disposition on

default under paragraphs (1) and (2). *<Amended on Feb. 29, 2008>*

(4) Where deemed necessary to collect any penalty surcharge in arrears, the Financial Services Commission may request the head of the relevant tax office or the head of the relevant local government to provide taxation information, in writing in accordance with the Framework Act on National Taxes or the Framework Act on Local Taxes. In such cases, the person in receipt of a request to provide taxation information, shall comply therewith, unless there is good cause. *<Newly Inserted on Dec. 30, 2014>*

(5) In addition to the provisions of paragraphs (1) through (4), matters necessary for the collection of penalty surcharges and additional charges shall be prescribed by Presidential Decree. *<Amended on May 28, 2013; Dec. 30, 2014>*

Article 434-2 (Refund of Overpayments or Erroneous Payments)

(1) The Financial Services Commission shall, when a person obligated to pay penalty surcharges requests the refund of the penalty surcharges excessively or erroneously paid according to such reasons as the adjudication for an objection or judgment of a court, etc., refund such excessive or erroneous payment without delay, and if the Financial Services Commission confirms any excessive or erroneous payment, the Commission shall refund it without the request of a person obligated to pay the penalty surcharges.

(2) The Financial Services Commission may, when it refunds excessive or erroneous payments pursuant to paragraph (1), appropriate such excessive or erroneous payments to the penalty surcharges if there exists any penalty surcharge to be paid to the Commission by the person subject to the refund.

Article 434-3 (Additional Payment on Refund of Penalty Surcharges)

The Financial Services Commission shall, when it refunds penalty surcharges pursuant to Article 434-2 (1), refund the additional payment on refund of penalty surcharges calculated by adding the interest rate for additional payment prescribed by Presidential Decree, accruing for the period from the date of payment of penalty surcharges to the date of refund thereof.

Article 434-4 (Disposition on Deficits)

The Financial Services Commission may write off penalty surcharges when a person obligated to pay penalty surcharges has any of the following reasons: *<Amended on Jun 10, 2010>*

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 of the right to collect the amount, etc. to be collected is completed;
3. Where the whereabouts of a delinquent person is unknown or it is proven that he or she has no property;
4. Where it is confirmed that no balance will remain after the estimated value of the total property, which is the object of a disposition on default, is appropriated to the cost of taking such disposition;

5. Where it is confirmed that no balance will remain after the total property, which is the object of a disposition on default, is appropriated to the repayment of national taxes, local taxes, debts secured with the right to lease on a deposit basis, a pledge, a mortgage, or a security right under the Act on Security over Movable Property, Claims, Etc. which take precedence over the money to be collected, etc.;
6. Other reasons prescribed by Presidential Decree as unlikely to collect.

PART IX SUPPLEMENTARY PROVISONS

Article 435 (Reporting on Violation and Protection of Informant)

(1) Anyone may report or give information on any unfair trading practice prescribed in Part IV or any other violation of this Act to the Financial Services Commission (or the Securities and Futures Commission in the cases of violations of Articles 172 through 174, 176, 178, 178-2, 180, and 180-2 through 180-5; hereafter in this Article the same shall apply), if he or she becomes aware of such violation or has been forced or proposed to commit such violation. *<Amended on Feb. 29, 2008; Dec. 30, 2014; Mar. 29, 2016; Jan. 5, 2021>*

(2) Upon receipt of a report or information under paragraph (1), the Financial Services Commission shall process the case promptly, and shall notify the person who has reported or given the information (hereafter in this Article referred to as "informant, etc.") of the results thereof. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(3) Deleted. *<Feb. 3, 2009>*

(4) The Financial Services Commission shall protect the identification, etc. of the informant, etc. when it receives a report or information under paragraph (1). *<Amended on Feb. 29, 2008>*

(5) Any institution, organization or company to which an informant, etc. belongs shall not directly or indirectly treat the informant, etc. unfavorably in connection with the report or information.

(6) An informant, etc. cannot be protected under this Act, if the informant has reported on or has given information although he or she knew or could have known that the contents reported were false.

(7) The Financial Services Commission may pay a monetary reward to an informant, etc. *<Amended on Feb. 29, 2008>*

(8) Except as provided in paragraphs (1) through (7), matters concerning the methods and processing of reports, methods for giving notice to informants, etc., the protection of informants, etc., and the payment of monetary rewards shall be prescribed by Presidential Decree. *<Amended on Feb. 3, 2009>*

Article 436 (Electronic Reporting)

(1) A statement, report, or other document or material may be submitted electronically, when it is submitted to the Financial Services Commission, the Securities and Futures Commission, the Governor of the Financial Supervisory Service, the Association, or the Depositary pursuant to this Act. *<Amended on Feb. 29, 2008>*

(2) The method and procedure for electronic reporting, etc. under paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

Article 437 (Exchange of Information with Foreign Financial Investment Supervisory Agencies)

(1) The Financial Services Commission may exchange information with the supervisory agency of financial investment business in foreign countries (hereafter in this Article referred to as "foreign financial investment supervisory agency"). *<Amended on Feb. 29, 2008>*

(2) The Financial Services Commission (or the Securities and Futures Commission in the case of violations of Articles 172 through 174, 176, 178, 178-2, 180, and 180-2 through 180-5; hereafter in this Article the same shall apply) may cooperate with a foreign financial investment supervisory agency if it requests that an investigation or inspection is conducted in relation to a violation of this Act or a foreign statute or regulation equivalent to this Act as prescribed in this Act, stating the purpose, scope, etc. of the investigation or inspection. In such cases, the Financial Services Commission may furnish the foreign financial investment supervisory agency or be furnished with materials for the investigation or inspection under the principle of reciprocity. *<Amended on Feb. 29, 2008; Feb. 3, 2009; Dec. 30, 2014; Mar. 29, 2016; Jan. 5, 2021>*

(3) The Financial Services Commission may furnish a foreign financial investment supervisory agency with materials for an investigation or inspection in accordance with the latter part of paragraph (2), only when the agency meets each the following conditions: *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

1. The foreign financial investment supervisory agency shall not use the materials for an investigation or inspection furnished for any purpose other than the purpose for which they are furnished;
2. The foreign financial investment supervisory agency shall keep confidential the materials for an investigation or inspection and the fact that such materials are furnished: Provided, That this shall not apply where the materials for the investigation or inspection are used for the disposition, trial, or procedures equivalent thereto in relation to the violation of a foreign statute equivalent to this Act, within the scope of purpose for which such materials are furnished;
3. Deleted. *<Feb. 3, 2009>*

(4) An exchange may exchange information with foreign exchanges. In such cases, an exchange shall pre-consult with the Financial Services Commission: Provided, That an exchange need not consult with the Commission where it exchanges the information disclosed to the public or in other cases prescribed by Presidential Decree. *<Amended on Feb. 29, 2008; Feb. 3, 2009>*

(5) Paragraph (2) shall apply mutatis mutandis to where an exchange exchanges information with foreign exchanges under paragraph (4). In this case, "Financial Services Commission," "foreign financial investment supervisory agency," and "investigation or inspection" referred to in paragraph (2) shall be construed as "exchange," "foreign exchange," and "examination or supervision," respectively. *<Newly Inserted on Feb. 29, 2008; Feb. 3, 2009>*

Article 438 (Delegation or Entrustment of Authority)

(1) Deleted. *<Feb. 29, 2008>*

(2) The Financial Services Commission may delegate part of its authority under this Act to the Securities and Futures Commission, as prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

(3) The Financial Services Commission may entrust part of its authority to an exchange or the Association, as prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

(4) The Financial Services Commission or the Securities and Futures Commission may delegate part of its authority under this Act to the Governor of the Financial Supervisory Service, as prescribed by Presidential Decree. *<Amended on Feb. 29, 2008>*

Article 439 (Deliberation by the Securities and Futures Commission)

The Financial Services Commission may refer a case to the Securities and Futures Commission for deliberation, in cases falling under any of the following subparagraphs: *<Amended on Feb. 29, 2008; Feb. 3, 2009; May 28, 2013; Dec. 30, 2014; Jan. 5, 2021>*

1. Where it involves the establishment of either of the following items:
   (a) Procedure and guidelines for the inspection and measures under Article 131 (1) or 132, the former part of paragraph (1) and paragraph (2) of Article 146, the former part of paragraph (1) and paragraph (2) of Article 151, the former part of paragraph (1) and paragraph (2) of Article 158, or the former part of paragraph (1) and paragraph (2) of Article 164;
   (b) Standards for financial management under Article 165-16;
   (c) Procedure and guidelines for the inspection and measures of the Financial Services Commission under Article 426 (5);
2. Where it involves any of the following dispositions, orders, etc.:
   (a) Measures under Article 132, 146 (2), 151 (2), 158 (2), 164 (2), or 165-18;
   (b) Recognition of issuance of non-voting stocks under Article 165-15 (1) 2;
   (c) Approval for the limitations on the ratio of stocks owned under Article 167 (2);
   (d) Order under Article 416;
   (e) Measures following the investigation results under Article 426 (5);
   (f) Disposition of imposition of the penalty surcharge under Article 428, 429, 429-2, or 429-3;
   (g) Disposition of imposing administrative fines under Article 449 (3);
3. Other matters deemed by the Financial Services Commission as necessary to deliberate on by the Securities and Futures Commission.

Article 440 (Instruction to, and Supervision over, the Governor of the Financial Supervisory Service)

(1) If deemed necessary for exercising the authority under this Act, the Financial Services Commission or the Securities and Futures Commission may give instructions to and supervise the Governor of the

Financial Supervisory Service; order him or her to change the method for performing business affairs; and take any other measure necessary for supervision. *<Amended on Feb. 29, 2008>*

(2) The Financial Supervisory Service shall perform the following affairs under the direction and supervision of the Financial Services Commission or the Securities and Futures Commission pursuant to the Act: *<Amended on Feb. 29, 2008; May 28, 2013>*

1. Affairs related to the registration statements;
2. Affairs related to the tender offer of securities;
3. Affairs related to the inspection of institutions that must be inspected by the Governor of the Financial Supervisory Service pursuant to this Act;
4. Affairs related to the control of listed corporations;
5. Affairs related to the reporting on business analysis and business status of listed corporations;
6. Affairs related to supervision over the trading of securities and over- the-counter derivatives outside an exchange market (including trades conducted at as alternative trading system);
7. Affairs entrusted by the Government;
8. Other affairs assigned pursuant to this Act;
9. Affairs incidental to those specified in subparagraphs 1 through 8.

Article 441 (Restriction, etc. on Trading of Financial Investment Instruments)

@Articles 63 and 383 (1) shall apply mutatis mutandis to the following persons: *<Amended on Feb. 29, 2008>*

1. Members of the Financial Services Commission and public officials belonging thereto;
2. Members of the Securities and Futures Commission;
3. The Governor, Senior Deputy Governors, Deputy Governors, auditors and/or employees of the Financial Supervisory Service.

Article 442 (Contributions)

(1) Each issuer (which refers to a collective investment business entity, where the relevant securities are collective investment securities) who files a registration statement with the Financial Services Commission shall bear part of the operating expenses of the Financial Services Commission. *<Amended on Feb. 29, 2008; May 28, 2013>*

(2) The rate and limit of allocated expenses under paragraph (1) and other matters necessary for the payment of such allocated expenses shall be prescribed by Presidential Decree.

PART X PENALTY PROVISIONS

Article 443 (Penalty Provisions)

(1) Any of the following persons shall be punished by imprisonment with labor for at least one year or by a fine equivalent to three to five times the profit accrued or loss avoided by a violation: Provided, That where no profit accrued or loss is avoided by the violation, or it is impracticable to calculate such profit or loss, or where the amount equivalent to five times the profit accrued or loss avoided by a violation is not exceeding 500 million won, the upper limit of the fine shall be 500 million won: *<Amended on May 28, 2013; Dec. 30, 2014; Apr. 18, 2017; Mar. 27, 2018; Jan. 5, 2021>*

1. A person who uses, or allows a third person to use, material nonpublic information related to the business, etc. of a listed corporation in trading specific securities, etc. or any other transaction, in violation of Article 174 (1);
2. A person who uses, or allows a third person to use, nonpublic information related to commencing or discontinuing a tender offer for stocks, etc., in trading specific securities, etc. related to such stocks, etc. or any other transaction, in violation of Article 174 (2);
3. A person who uses, or allows a third to use, nonpublic information related to commencing or discontinuing acquisition or disposal of stocks, etc. in bulk in trading specific securities, etc. related to such stocks, etc. or any other transaction, in violation of Article 174 (3);
4. A person who misleads a third person, in violation of Article 176 (1), into misapprehending that the trading of listed securities or exchange-traded derivatives is escalating, or commits a violation set forth in any subparagraph of Article 176 (1) with intent to mislead the third person into making a wrong judgment;
5. A person who conducts any act set forth in any subparagraph of Article 176 (2), with intent to induce trading of listed securities or exchange-traded derivatives, in violation of the same paragraph;
6. A person who conducts a series of purchases or sales in connection with listed securities or exchange-traded derivatives or entrusting or being entrusted with such act with intent to fix or stabilize the market price of the listed securities or exchange-traded derivatives, in violation of Article 176 (3);
7. A person who commits an act set forth in any subparagraph of Article 176 (4) in connection with trading, etc. of securities or derivatives;
8. A person who commits an act set forth in any subparagraph of Article 178 (1) in connection with trading or other transaction of financial investment instruments (including public offering, private placement, and public sale of securities);
9. A person who disseminates any rumor, uses any deceptive scheme, coerces any person by violence or threat with intent to trade or make any other transaction of financial investment securities (including public offering, private placement, and public sale of securities) or attempt to skew the market price, in violation of Article 178 (2);
10. A person who conducts a short sale of listed securities, or entrusts, or is entrusted with such sale in a prohibited manner, in violation of Article 180.

(2) A punishment by imprisonment with labor under paragraph (1) shall be aggravated according to the following categories, if gains accrued or loss avoided by a violation set forth in any subparagraph of

paragraph (1) (excluding subparagraph 10) exceeds 500 million won: *<Amended on Mar. 27, 2018; Jan. 5, 2021>*

1. If the amount of profit or avoided loss is at least five billion won, imprisonment with labor for between five years and life;

2. If the amount of profit or avoided loss is at least 500 million won, but not exceeding five billion won, imprisonment with labor for a limited term of at least three years.

(3) Where a person is sentenced to imprisonment with labor under paragraph (1) or (2), suspension of qualifications for not more than ten years may be imposed concurrently.

Article 444 (Penalty Provisions)

Any of the following persons shall be punished by imprisonment with labor for not more than five years or by a fine not exceeding 200 million won: *<Amended on Feb. 3, 2009; Apr. 5, 2013; May 28, 2013; Jul. 24, 2015; Mar. 27, 2018; May 19, 2020>*

1. A person who engages in financial investment business (excluding investment advisory business, discretionary investment business and hedge fund investment business) without authorization (including authorization for changes) for such financial investment business, in violation of Article 11;

2. A person who obtains authorization for financial investment business (including authorization for changes) under Article 12 by fraud or other improper means;

3. A person who engages in any of the activities prescribed in subparagraph 1 or 2, in violation of Article 34 (1);

4. A financial investment business entity that grants credit to a person, in violation of Article 34 (2) or the person receives grants from the financial investment business entity;

5. A major shareholder (including his or her affiliated persons) who engages in any act prescribed in the subparagraphs of Article 35 (including cases applied mutatis mutandis under Article 350) for the purposes of pursuing his or her own interest, in violation of the same Article;

6. A person who furnishes or discloses any trading information, etc. to a third party, in violation of any provision of paragraphs (1) and (3) through (5) of Article 4 of the Act on Real Name Financial Transactions and Confidentiality, which shall apply mutatis mutandis under Article 42 (10), 52 (6), or 304, and a person who demands such trading information;

6-2. A person who uses information subject to the prevention of information exchange under Article 45 (1) or (2) by himself or herself or allows a third party to use such information without good cause, or a person who acquires and uses information subject to the prevention of information exchange, in violation of Article 54 (2) (including cases applied mutatis mutandis pursuant to Article 42 (10), 52 (6), 199 (5), 255, 260, 265, 289, 304, 323-17, 328, or 367);

7. A person who trades financial investment instruments with the property deposited by investors, in violation of Article 70;

8. A person who engages in any activity prescribed in any subparagraph of Article 71 (excluding subparagraph 7), 85 (excluding subparagraph 8), 98 (1) (including where such provision shall apply mutatis mutandis under Article 101 (4)), 98 (2) (excluding subparagraph 10), or 108 (excluding subparagraph 9), in violation of any of such provisions;

8-2. A person who offers credit, in violation of any of Article 77-3 (5) through (7) (excluding the cases falling under Article 77-3 (8));

8-3. A person who fails to correct the amount of credit offered to be under the limit within the period prescribed in Article 77-3 (8);

8-4. A comprehensive financial investment business entity that offers credit, in violation of Article 77-3 (9) and a person who receives credit from the comprehensive financial investment business entity;

9. A person who engages in any act prescribed in any subparagraph of Article 81 (1) in managing a collective investment property, in violation of Article 81 (1);

10. A person who makes a transaction with an interested person, in violation of Article 84 (1) in managing a collective investment property;

11. A person who exercises his or her voting right, in violation of any provision of Article 87 (2) through (5) (including where such provision shall apply mutatis mutandis under Article 186 (2)) or Article 112 (2) through (5);

11-2. A person who subscribes for any security with an investor's property, in violation of Article 117-7 (6);

11-3. A person who takes the custody and deposit of an investor's property, in violation of Article 117-8 (1);

12. A person who publicly offers or sells securities, in violation of Article 119 (excluding paragraph (5));

13. A person who makes a false statement or representation of a material fact in any of the following documents or omits to state or represent a material fact; a person who affixes his or her signature to such a document under Article 119 (5) or 159 (7) (including where such provisions shall apply mutatis mutandis under the latter part of Article 160 or the latter part of Article 161 (1)), while knowing that there is a false statement or representation of a material fact or an omission of a material fact; and a certified public accountant, appraiser, or an expert in credit rating who affixes his or her signature to such a document to certify that the document is true and correct, knowing that it is not:

(a) A registration statement or supplements to a universal shelf registration statement under Article 119;

(b) A corrective registration statement under Article 122;

(c) An investment prospectus under Article 123 (including a short-form investment prospectus under Article 124 (2) 3 in cases of collective investment securities);

(d) A business report under Article 159;

(e) A quarterly or half-yearly report under Article 160;

(f) A material fact report under Article 161;

(g) A business report, etc. submitted in compliance with an order to correct under Article 164 (2);

14. A person who fails to submit a corrective registration statement, in violation of Article 122 (3);

15. A person who makes a false statement or representation of a material fact in any of the following public notices or documents, or omits to state or represent a material fact therein:

(a) Public disclosure of tender offer or tender offer statement under Article 134;

(b) A corrective registration statement or public notice under Article 136;

(c) Tender offer prospectus under Article 137 (1);

16. A person who fails to make a public announcement, in violation of Article 134 (1) or 136 (5);

17. A person who fails to file a tender offer statement, in violation of Article 134 (2);

18. A person who makes a false statement or representation of a material fact specified by Presidential Decree (hereafter in this subparagraph referred to as "material fact") or omits to state or represent a material fact in the documents reported under Article 147 or the corrective registration statement filed under Article 151 (2);

19. A person who makes a false statement or representation of a fact that may give a significant impact on the judgment on whether a solicited voting right holder shall delegate his or her voting right (hereafter in this subparagraph referred to as "material fact related to delegation of the voting right"), or a person who omits to state or represent a material fact related to delegation of the voting right in a letter of proxy or reference documents under Article 154 or corrected documents under Article 156;

19-2. A person who makes a transaction, in violation of Article 246 (5) or (6);

19-3. A person who manages any collective investment property, in violation of Article 249-7 (2);

19-4. A person who makes a transaction, in violation of Article 249-16 (1);

20. A person who engages in collective investment business, in violation of Article 250 (1) or 251 (1);

21. A person who sells foreign collective investment securities in the domestic market without the intermediation of an investment trader or investment broker, in violation of Article 280 (1);

21-2. A person who engages in central counterparty clearing business without the required authorization (including authorization for changes), in violation of Article 323-2;

21-3. A person who obtains authorization for central counterparty clearing business under Article 323-3 (including authorization for changes) by fraud or other improper means;

22. A person who engages in the business prescribed in Article 323-21, 335-2, 355 (1), or 360 (1) without the required authorization, in violation of Article 323-21, 335-2, 355 (1), or 360 (1);

23. A person who obtains authorization under Article 324 (1), 335-3 (1), 355 (1), or 360 (1) by false or in a fraudulent means;

24. A person who conducts business although authorization to engage in such business has been revoked under Article 335 (1), 354 (1), 359 (1), or 364 (1);

25. A merchant bank that grants credit to a person, in violation of Article 343 (1) and the person who receives such credit from the merchant bank;

26. A person who engages in financial investment business, in violation of Article 357 (1);

27. A person who establishes or operates a financial investment instruments market without obtaining permission for an exchange (including permission for revision of conditions), in violation of Article 373;

27-2. A person who obtains permission for an exchange (including permission for revision of conditions) under Article 373-2 by fraud or other improper means;

28. A person who engages in financial investment business although authorization to engage in such business has been revoked under Article 420 (1);

29. A person who discloses any confidential information on the identification, etc. of an informant, etc., in violation of Article 435 (4).

Article 445 (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 Feb. 29, 2008; Feb. 3, 2009; Apr. 5, 2013; May 28, 2013; Jul. 24, 2015; Mar. 29, 2016; Mar. 27; 2018; Nov. 26, 2019; May 19, 2020; Jan. 5, 2021>*

1. A person who engages in investment advisory business or discretionary investment business without having his or her financial investment business registered (including registration of changes), in violation of Article 17;

2. A person who applies for registration (including revised registration) of financial investment business under Article 18 by fraud or other improper means;

3. A person who lends his or her name to any other person to allow the person to engage in financial investment business, in violation of Article 39;

4. Deleted; *<May 19, 2020>*

5. Deleted; *<May 19, 2020>*

6. Deleted; *<Mar. 24, 2020>*

7. A person who make any investment recommendation before registration, in violation of Article 51 (2);

8. A person who permits any person, other than an investment solicitor, to act as an investment solicitor, in violation of Article 52 (1);

9. A person who uses nonpublic information acquired in the course of performing his or her duty for his or her own interest or a third party's interest, in violation of Article 54 (1) (including cases applied mutatis mutandis under Article 42 (10), 52 (6), 199 (5), 255, 260, 265, 289, 304, 323-17, 328, or 367);

10. A person who engages in any activity prescribed in any subparagraph of Article 55 (including where such provision shall apply mutatis mutandis under Article 42 (10) or 52 (6)), in violation of the same Article;

11. A person who fails to keep or maintain records of data, in violation of Article 60 (1) (including where such provision shall apply mutatis mutandis under Article 255, 260, or 265) or Article 187 (1);
12. A person who fails to comply with Article 63 (1) 1 in trading a financial investment instrument in violation of Article 63 (1) 1 (including where such provision shall apply mutatis mutandis under Article 289, 304, 323-17, 328, 335-14, 367, 383 (3), or 441);
13. A person who sells collective investment securities or advertises the sale of such collective investment securities, in violation of Article 76 (3);
13-2. A person who is designated as a comprehensive financial investment business entity under Article 77-2 (1) by fraud or other improper means;
13-3. A person who engages in prime brokerage business or any business referred to in any subparagraph of Article 77-3 (3) without being designated as a comprehensive financial investment business entity by the Financial Services Commission pursuant to Article 77-2;
14. A person who fails to distribute the outcomes of acquisition, disposal, etc. in accordance with the asset distribution schedule predetermined for each investment trust property, in violation of the former part of Article 80 (3);
15. A person who fails to dispose of stocks, in violation of an order issued pursuant to Article 87 (6) (including where such provision shall apply mutatis mutandis under Article 186 (2));
16. A person who acquires its proprietary property with a trust property, in violation of Article 104 (2);
17. Deleted; <*Feb. 3, 2009*>
18. A person who fails to undergo an audit, in violation of Article 114 (3) or 240 (3);
18-2. A person who engages in the brokerage of crowdfunding (including registration of changes), in violation of Article 117-3;
18-3. A person who is registered (including registration of changes) under Article 117-4 by fraud or other improper means;
18-4. A person who engages in any activity soliciting subscriptions for securities, in violation of Article 117-7 (10);
19. A person who makes a purchase, etc. of stocks, etc. without making a tender offer, in violation of Article 133 (3) or 140;
20. A person who fails to submit a report, in violation of Article 147 (1), (3), or (4);
21. A person who solicits any other person to exercise a voting right by proxy, in violation of Article 152 (1) or (3);
22. A person who fails to undergo an audit, in violation of Article 169 (1);
22-2. A person who divulges information that may affect market prices in the derivatives market, uses it for the trading of exchange-traded derivatives and their underlying assets or other transactions, or allows any other person to use it, in violation of Article 173-2 (2);
23. A person who fails to register a collective investment scheme, in violation of Article 182 (1);

24. A person who files for registration or revised registration under Article 182 (1) or (8) (including cases applied mutatis mutandis under Article 279 (3)), Article 182-2 (1) or (3), or Article 279 (1) by fraud or other improper means;
24-2. A person who uses information, in violation of Article 246 (7);
25. A person who fails to demand withdrawal, revision, or rectification, in violation of Article 247 (1);
25-2. A person who engages in hedge fund investment business without having such hedge fund investment business registered, in violation of Article 249;
25-3. A person who have his or her hedge fund investment business registered under Article 249-3 by fraud or other improper means;
26. A person who engages in an act prescribed in any subparagraph of Article 250 (3) (including where such provision shall apply mutatis mutandis under Article 251 (2) or 341 (1)), in violation of Article 250 (3);
27. A person who uses information on collective investment property for managing the investment trust property that the person manages or for selling collective investment securities that the person sells, in violation of Article 250 (4) (including where such provision shall apply mutatis mutandis under Article 251 (2)) or Article 250 (5) (including where such provision shall apply mutatis mutandis under Article 251 (2) or 341 (1));
28. A person who engages in an act prescribed in any subparagraph of Article 250 (6), in violation of the same Article (including where such provision shall apply mutatis mutandis under Article 251 (2) or 341 (1)), in violation of Article 250 (6);
29. A person who engages in business even after such business has been deregistered under Article 253 (1);
30. A person who engages in business without the required registration, in violation of Article 254 (1);
31. A person who is registered under 254 (1) by fraud or other improper means;
32. A person who engages in business even after such business has been deregistered pursuant to Article 257 (1);
32-2. A person who engages in business without being registered, in violation of Article 249-15 (1);
32-3. A person who is registered under Article 249-15 (1) by fraud or other improper means;
33. A person who sells foreign collective investment securities without filing a registration under Article 279 (1);
34. A person who sells foreign collective investment securities of a foreign collective investment scheme even after the foreign collective investment scheme has been deregistered under Article 282 (1);
35. A person who engages in the business of settling accounts by transfers between accounts or the business of issuing depositary receipts in the Republic of Korea, in violation of Article 298;
36. A person who has a special interest in financing, distribution of profit or loss, or any other business, in violation of Article 301 (5), 323-9 (3), 327 (3), or 383 (2) (including where such provision shall apply mutatis mutandis under Article 78 (6));

37. A person who runs business during a period for which business operations are suspended under Article 335 (2), 354 (2), 359 (2), or 364 (2);

37-2. A person who divulges or uses confidential information he or she has become aware of in the course of performing his or her duties, in violation of Article 335-11 (6);

37-3. A person who assesses the credit of a person related to a credit rating company, in violation of Article 335-11 (7) 1;

37-4. A person who compels the purchase or use of goods or services provided by a credit rating company or its affiliates in the course of conducting credit assessment, in violation of Article 335-11 (7) 2;

38. A person who closes or dissolves a business without authorization, in violation of Article 339 (1) (including where such provision shall apply mutatis mutandis under Article 357 (2) or 361);

39. A person who engages in business without registration, in violation of Article 365 (1);

40. A person who files for registration under Article 365 (1) by fraud or other improper means;

41. A person who engages in business even after the registration of the business has been revoked under Article 369 (1);

42. A person who divulges or uses confidential information, in violation of Article 383 (1) (including where such provision shall apply mutatis mutandis under Articles 78 (6), 323-17, and 441);

43. A person who fails to set aside the Joint Fund, in violation of Article 394 (1);

44. A person who divulges or uses confidential information, in violation of Article 402 (7);

45. A person who engages in an activity prescribed in any subparagraph of Article 417 (1) (limited to subparagraphs 4 through 7 in cases of a concurrently-run financial investment entity) without approval, in violation of the same paragraph (including where such provision shall apply mutatis mutandis under Article 335-14) or without reporting, in violation of the proviso of the same paragraph;

46. A person who engages in financial investment business even after the registration of such business has been revoked under Article 420 (1);

47. A person who engages in business even during a period for which the authorized business operations are suspended under Article 420 (3);

48. A person who fails to comply with a demand made by the Financial Services Commission (or the Securities and Futures Commission where Articles 172 through 174, 176, 178, 178-2, 180, and 180-2 through 180-5 are violated) under Article 426 (2).

Article 446 (Penalty Provisions)

Any of the following persons shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 30 million won: *<Amended on Feb 29, 2008; Feb. 3, 2009; Mar. 12, 2010; Apr. 5, 2013; May 28, 2013; Aug. 13, 2013; Jul. 24, 2015; Dec. 20, 2016; Dec. 31, 2018; May 19, 2020>*

1. Deleted; *<Jul. 31, 2015>*

2. Deleted; <*Jul. 31, 2015*>

3. A person who uses the words "financial investment," "securities," "derivatives," "futures," "collective investment," "investment trust," "asset management," "investment advice," "discretionary investment," or "trust" in his or her trade name, in violation of Article 38;

4. A person who entrusts affairs, in violation of the proviso of Article 42 (1) (including cases applied mutatis mutandis under Article 255);

4-2. A person who re-entrusts a third party with the entrusted business without the consent of the entrusting person, in violation of Article 42 (5) (including cases applied mutatis mutandis under Article 255);

5. A person who violates an order to revoke or amend an entrustment agreement issued pursuant to Article 43 (2);

6. Deleted; <*Mar. 24, 2020*>

7. A person who runs an investment solicitation agency even after his or her registration as an investment solicitor has been revoked under Article 53 (2), or who runs an investment solicitation agency during a period for which the business of the investment solicitation agency is suspended under Article 53 (2);

8. Deleted; <*Mar. 24, 2020*>

9. A person who fails to keep an asset in the Republic of Korea, in violation of Article 65 (2);

10. A person who fails to appropriate an asset first for performing obligations owed to persons who have their domicile or abode in the Republic of Korea, in violation of Article 65 (3);

11. A person who receives an offer or order for trading financial investment instruments without disclosing his or her identity whether he or she is an investment trader or an investment broker, in violation of Article 66;

12. A person who trades financial investment instruments, in violation of Article 67;

13. Deleted; <*May 28, 2013*>

14. A person who fails to provide an asset management report, a person who include a false statement in an asset management report, or a person who provides an asset management report which omits to state any required information, in violation of Article 88 or 280 (2);

15. A person who fails to make a public announcement or makes a false public announcement, in violation of Article 89 (including the case to which such provision shall apply mutatis mutandis under Article 186 (2));

16. A person who rejects a request for inspection or delivery, in violation of Article 91 (1) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2)), 113 (1), or 280 (3);

17. A person who violates an order issued under Article 95 (2) (including the case to which such provision shall apply mutatis mutandis under Article 117) or 116 (3);

17-2. A person who conducts quasi-investment advisory business without filing a report under Article 101 (1);

18. A person who accepts property in its trust, in violation of Article 103 (1) or (4);

19. A person who manages trust property, in violation of Article 105 (1) through (3);

19-2. A person who uses the word "financial investment" or “crowdfunding brokerage” in his or her trade name, etc., in violation of Article 117-5;

19-3. A person who acquires on his or her own account the securities for which he or she performs brokerage, in violation of Article 117-7 (2);

19-4. A person who provides advice, in violation of Article 117-7 (3);

19-5. A person who accepts an investor's declaration of intent to subscribe for securities, in violation of Article 117-7 (4);

19-6. A person who unfairly gives preferential treatment to, or discriminate a specific issuer of online small-value securities or an investor, in violation of Article 117-7 (7);

19-7. A person who run advertisements soliciting investment, in violation of Article 117-9 (2);

19-8. A person who rejects, interferes with, or evades a request of a corporation subject to preparation of consolidated financial statements to submit data or an investigation conducted by such corporation under Article 119-2 or 161-2, without good cause;

20. A person who accepts an offer to acquire or purchase securities, in violation of Article 121;

21. A person who fails to submit an investment prospectus (including a short-form investment prospectus under Article 124 (2) 3 in cases of collective investment securities), a tender offer statement, a proxy form, or a reference document, in violation of Article 123 (1), 137 (1), or 153;

22. A person who allows any other person to acquire or sells securities without delivering an investment prospectus in advance (including a short-form investment prospectus under Article 124 (2) 3 in cases of collective investment securities), in violation of Article 124 (1);

23. A person who fails to comply with the manner set forth in any subparagraph of Article 124 (2) in soliciting an offer, in violation of Article 124 (2);

24. A person who violates a disposition made by the Financial Services Commission under Article 132, 146 (2), 151 (2), 158 (2), or 164 (2);

25. A person who purchases stocks, etc. without delivering a tender offer statement in advance, in violation of Article 137 (3);

26. A person who violates an order to dispose of or correct, issued under Article 145, 150 (1) or (3), 167 (3), or 168 (3);

27. A person who fails to submit corrected documents, in violation of the latter part of Article 156 (3);

28. A person who fails to submit a business report, a quarterly or half- yearly report, or a material fact report, in violation of Article 159, 160, or 161 (1);

29. A person who owns stocks, in violation of Article 167 (1);

30. A person who violates an order or disposition requiring the submission of materials or a report under Article 169 (2) (including the case to which such provision shall apply mutatis mutandis under the latter part of Article 169 (3));
31. A person who fails to report or who files a false report, in violation of Article 173 (1);
32. A person who terminates an investment trust without approval, in violation of Article 192 (1);
33. A person who obtains approval under Article 192 (1) by fraud or other improper means;
34. A person who fails to terminate an investment trust or dissolve an investment company, etc., in violation of Articles 192 (2), 202 (1) (including the case to which such provision shall apply mutatis mutandis under Articles 211 (2), 216 (3), and 217-6 (2)) and 221 (1) (including the case to which such provision shall apply mutatis mutandis under Article 227 (3));
35. A person who pays a redemption price, in violation of Article 235 (4) or (5) or fails to pay a redemption price;
36. A person who fails to publicly announce or post a base price or publicly announces or posts a false price, in violation of Article 238 (7) or 280 (4);
37. A person who fails to manage collective investment property separately, in violation of Article 246 (2);
38. A person who fails to make a deposit, in violation of Article 246 (3);
39. A person who fails to perform an instruction of a collective investment business entity separately for each collective investment scheme, in violation of Article 246 (4);
40. A person who fails to furnish investors with a report on safekeeping and management of assets or prepares a false report to furnish, in violation of Article 248 (1);
41. A person who fails to file a report (including a report on change) or files a false report, in violation of Article 249-2 (2) or (4);
41-2. A person who transfers his or her collective investment securities to a third person, in violation of Article 249-8 (2);
41-3. A person fails to comply with an order to terminate or dissolve a hedge fund issued under Article 249-9 (1);
42. A person who runs business during a period for which business operations are suspended under Article 249-9 (2), 249-21 (2), 253 (2), 257 (2), or 369 (2);
43. A person who fails to file a report (including a report on change) or files a false report, in violation of Article 249-10 (4) or (6) or 249-11 (8);
44. Deleted; <*Jul. 24, 2015*>
45. A person who continues the management of equity securities, or fails to own or dispose of equity securities, etc., in violation of Article 249-12 (3), (4) (including the case to which such provision shall apply mutatis mutandis under Article 249-13 (5)) or (5), 249-22 (2) or (6), or 249-23 (2);
46. A person who fails to dispose of all equity securities of another company, which it had already acquired, in violation of Article 249-12 (6) (including the case to which such provision shall apply

mutatis mutandis under Article 249-13 (5));

46-2. A person who fails to file a report or files a false report, in violation of Article 249-12 (6) or (9) or 249-23 (5);

47. A person who engage in any act prescribed in any subparagraph of Article 249-14 (6) 1 through 3, in violation of Article 249-14 (6);

48. A person who transfers equity shares in contribution to a third person, in violation of Article 249-17 (1);

49. A person who fails to dispose of equity securities, in violation of Article 249-18 (1) (including the case to which such provision shall apply mutatis mutandis under Article 249-13 (5)) or acquires equity securities, in violation of Article 249-18 (3) (including the case to which such provision shall apply mutatis mutandis under Article 249-13 (5));

50. Deleted; <*Jun. 9, 2009*>

51. A person who fails to submit a report or submits a false report, in violation of Article 249-19 (2);

52. A person who fails to comply with an order to dissolve issued under Article 249-21 (1);

52-2. A managing member who conducts his or her duties during the period for which he or she is suspended from conducting his or her duties under Article 249-21 (3);

53. A person who fails to prepare or keep an account book of depositors or investors or prepares a false account book, in violation of Article 309 (3) or 310 (1);

53-2. A person who fails to keep and manage transaction information, in violation of Article 323-16 (1);

53-3. A person who fails to report on transaction information, in violation of Article 323-16 (2) or files a false report thereon;

54. A person who uses the words "merchant bank", "financial brokerage", or any similar name in his or her title, in violation of Article 338 or 356;

55. A person who grants credit, in violation of any provision of Article 342 (1) through (4) (including the case to which such provisions shall apply mutatis mutandis under Article 361) or 345 (3);

56. A person who invests in securities, in violation of Article 344;

57. A person who engages in any act prescribed in any subparagraph of Article 345 (1), in violation of the said paragraph;

58. A person who exercises his or her voting right, in violation of Article 345 (2);

59. A person who fails to take a measure under Article 345 (4);

60. Deleted; <*Apr. 18, 2017*>

61. Deleted; <*Apr. 18, 2017*>

62. A person who fails to dispose of real estate, in violation of Article 347 (3);

63. A person who engages in registered business during a period when registered business is suspended under Article 420 (3).

Article 447 (Concurrent Imposition of Imprisonment with Labor and Fine)

(1) Where any person is punished by imprisonment with labor under Article 443 (1) or (2), the fine prescribed in Article 443 (1) (excluding subparagraph 10) and (2) shall be imposed concurrently. *<Newly Inserted on Dec. 30, 2014; Jan. 5, 2021>*

(2) Any person who commits a crime under any provision of Articles 443 (1) 10 and 444 through 446 may be punished by imprisonment with labor and a fine concurrently. *<Amended on Dec. 30, 2014; Jan. 5, 2021>*

Article 447-2 (Confiscation and Punitive Collection)

The property acquired by a person who falls under any subparagraph of Article 443 (1) (excluding subparagraph 10) shall be confiscated, and if confiscation is unfeasible, the value thereof shall be collected punitively. *<Amended on Jan. 5, 2021>*

Article 448 (Joint Penalty Provisions)

If the representative of a corporation (including an organization; hereafter the same shall apply in this Article) or an agent, employee of, or other persons employed by, the corporation or an individual commits any violation prescribed in Articles 443 through 446 in connection with the business of the corporation or the individual, not only shall such offender be punished accordingly, but the corporation or the individual shall be punished by a fine under the relevant Articles: Provided, That this shall not apply where such corporation or individual has not been negligent in giving due attention and supervision over the relevant business to prevent such violation.

Article 449 (Administrative Fines)

(1) Any of the following persons shall be subject to an administrative fine not exceeding 100 million won: *<Amended on Feb. 3, 2009; Mar. 12, 2010; Apr. 5, 2013; May 28, 2013; Jul. 24, 2015; Mar. 29, 2016; Apr. 18, 2017; Dec. 31, 2018; Nov. 26; 2019; May 19, 2020; Jan. 5, 2021>*

1. Deleted; *<Jul. 31, 2015>*
2. Deleted; *<Jul. 31, 2015>*
3. Deleted; *<Jul. 31, 2015>*
4. Deleted; *<Jul. 31, 2015>*
5. Deleted; *<Jul. 31, 2015>*
6. Deleted; *<Jul. 31, 2015>*
7. Deleted; *<Jul. 31, 2015>*
8. Deleted; *<Jul. 31, 2015>*
9. Deleted; *<Jul. 31, 2015>*
10. Deleted; *<Jul. 31, 2015>*
11. Deleted; *<Jul. 31, 2015>*

12. Deleted; <*Jul. 31, 2015*>

13. A person who fails to submit a business report or prepares and submits a false business report, in violation of Article 33 (1) (including the case to which such provision shall apply mutatis mutandis under Article 335-14, 350, 357 (2), or 361);

14. A person who fails to keep or publicly disclose a document for public disclosure or prepares and keeps or publicly discloses a false document, in violation of Article 314 (6) or 315 (3) and (4) (including the case to which such provision shall apply mutatis mutandis under Article 350, 357 (2), or 361);

15. A person who fails to submit a report or make a public disclosure or submits a false report or makes a false public disclosure, in violation of Article 33 (3) (including the case to which such provision shall apply mutatis mutandis under Article 350, 357 (2), or 361);

15-2. A person who fails to submit a report or submits a false report, in violation of Article 33 (4) (including the case to which such provision shall apply mutatis mutandis under Article 350, 357 (2) or 361);

16. A person who fails to refer a case to the board of directors for resolution, in violation of Article 34 (3);

17. A person who fails to submit a report or to make a public disclosure, or submits a false report or makes a false public disclosure, in violation of Article 34 (4) or (5);

18. A person who violates an order to submit data issued under Article 34 (6) or Article 36 (including the case to which such provision shall apply mutatis mutandis under Article 350);

19. A person who fails to file a report, in violation of the latter part of Article 40 (1) or Article 41 (1);

20. A person who rejects, interferes with, or evades an inspection, investigation, or verification under Article 43 (1), 53 (1), 131 (1), 146 (1), 151 (1), 158 (1), 164 (1), Article 321 or 419 (1) (including the case to which such provisions shall apply mutatis mutandis under Articles 101 (11), 252 (2), 256 (2), 261 (2), 266 (2), 281 (2), 292, 306, 323-19, 334 and 335-14, 353, 358, 363, 368, or 371);

21. Deleted; <*Mar. 24, 2020*>

22. Deleted; <*Mar. 24, 2020*>

23. A person who fails to establish the working rules on investment recommendation under Article 50 (1) or the guidelines for making investment recommendation on behalf of financial investment entities under Article 52 (4);

24. A person who establishes or amends any of the terms and conditions without filing a report under the proviso of Article 56 (1) ;

25. A person who files a report under the proviso of Article 56 (1) by fraud or other improper means;

25-2. Deleted; <*Mar. 24, 2020*>

26. Deleted; <*Mar. 24, 2020*>

27. A person who fails to make a public announcement or individual notice, in violation of Article 62 (1);

28. Deleted; <*Apr. 18, 2017*>

28-2. A person who fails to perform any of the duties prescribed in Article 68 (1) through (5), in violation of Article 68 (1) through (5);

29. A person who engages in an act prescribed in subparagraph 7 of Article 71, subparagraph 8 of 85, 98 (2) 10, or subparagraph 9 of 108, in violation of the relevant provisions;

30. A person who receives sales commission or sales remuneration, in violation of Article 76 (4) through (6);

30-2. A person who fails to conclude a contract which includes the matters prescribed in each subparagraph of Article 77-3 (2), in violation of Article 77-3 (2);

31. A person who receives contingent remuneration, in violation of Article 86;

32. A person who fails to keep or maintain records, in violation of Article 87 (7) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2));

33. A person who fails to make a public disclosure or makes a false public disclosure, in violation of Article 87 (8) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2)) or Article 112 (7);

34. A person who fails to submit a sales report or documents of settlement of accounts or prepares and submits a false report or document, in violation of Article 90 (1) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2)) or Article 90 (2) (including the case to which such provision shall apply mutatis mutandis under Article 186 (2));

34-2. A person who receives contingent remuneration, in violation of Article 98-2;

35. A person who violates Article 114 (1) or 240 (1) in accounting;

35-2. A crowdfunding broker who fails to establish internal control standards, in violation of Article 117-6 (2);

35-3. A person who fails to take necessary measures, in violation of Article 117-7 (9);

35-4. A person who runs advertisements soliciting investment, in violation of Article 117-9 (1);

35-5. A person who fails to take the measures prescribed in Article 117-10 (2);

35-6. A person who violates Article 117-10 (3);

35-7. A person who fails to correct the matters posted under Article 117-10 (4);

35-8. A person who sells securities, in violation of Article 117-10 (5);

35-9. A person who fails to return the subscription deposit without delay under Article 117-10 (8);

35-10. A person who fails to take the measure prescribed in Article 117-11 (1);

36. A person who fails to take the measure prescribed in Article 130;

37. A person who fails to forward a tender offer statement or report or a copy thereof, in violation of Article 135, 136 (6), 139 (3), or 148;

38. A person who forwards a copy of a tender offer statement under Article 135, 136 (6), or 139 (3) or a report under Article 148 with any content different from the one in the original tender offer statement or report or with any content omitted;

39. Deleted; <*Jan. 5, 2021*>

39-2. A person who fails to file a report on the net position, in violation of Article 180-2 (1), or makes a false statement or representation in a report on the net position;

39-3. A person who fails to comply with a corrective order issued by the Financial Services Commission, in violation of Article 180-2 (2), or makes a false statement or representation in the report filed in accordance with a corrective order;

39-4. A person who fails to make a public disclosure, or makes a false public disclosure, in violation of Article 180-3;

39-5. A person who fails to retain information on securities lending and borrowing transactions or to comply with the Financial Services Commission's request for data, in violation of Article 180-5;

40. A person who fails to make a revised registration under Article 182 (8) (including cases applied mutatis mutandis under Article 279 (3)) or Article 182-2 (3);

41. A person who uses a name, in violation of Article 183 (2);

41-2. A person who fails to entrust the custody and management of collective investment property, in violation of Article 184 (3);

41-3. A person who fails to file a report, in violation or Article 249-7 (3), or files a false report;

42. A person who fails to have an executive officer or assign a concurrent office to an executive officer and/or employee, in violation of Article 250 (7), 251 (3), or 341 (2);

43. A person who fails to have a system for preventing conflicts of interests, in violation of Article 250 (7), 251 (3), or 341 (2);

44. A person who uses a name, in violation of Article 284, 295, 323-8, 325, 335-7, or 379;

44-2. A person who fails to establish the Internal Control Guidelines for Credit Assessment, in violation of Article 335-8 (2);

44-3. A person who fails to have a compliance officer, in violation of Article 335-8 (3);

44-4. A person who takes charge, or makes another person take charge, of duties engaging in the work prescribed in each subparagraph of Article 335-8 (4), in violation of the same paragraph;

44-5. A person who fails to submit the document determined and publicly notified by the Financial Services Commission or a credit rating report, or submits a false credit rating report, in violation of Article 335-12 (1) or (2);

45. A person who fails to refer a case to the board of directors for resolution, in violation of Article 343 (2);

46. A person who fails to file a report or to make a public disclosure, or files a false report or makes a false public disclosure, in violation of Article 343 (3) or (4);

47. A person who violates an order to submit materials issued under Article 343 (8);

47-2. A person who fails to hold assets required for reserve, in violation of Article 346;

48. A person who obtains permission under Article 370 (1) by fraud or other improper means;

49. A person who treats an informant, etc. unfavorably, in violation of Article 435 (5).

(2) A person who trades financial investment instruments on his or her own account without following the manner provided for in Article 63 (1) 2 through 4, in violation of Article 63 (1) (including the case to which such provision shall apply mutatis mutandis under Article 289, 304, 328, 367, 383 (3), or 441), shall be subject to an administrative fine not exceeding 50 million won. *<Newly Inserted on Apr. 18, 2017>*

(3) Any of the following persons shall be subject to an administrative fine not exceeding 30 million won: *<Amended on Feb. 3, 2009; May 28, 2013; Jul. 24, 2015; Mar. 22, 2016; Mar. 29, 2016; Apr. 18, 2017; Dec. 31, 2018>*

1. Deleted; *<Jul. 31, 2015>*

2. A person who fails to make a public disclosure or makes a false disclosure, in violation of Article 50 (2);

3. Deleted. *<Mar. 24, 2020>*

4. A person who fails to submit a report under the main clause of Article 56 (1) or submits a false report;

4-2. A person who fails to take a measure to protect customer service personnel or gives any disadvantage to a member of customer service personnel, in violation of Article 63-2;

5. A person who fails to give a notice of details of trading or gives a false notice, in violation of Article 73;

5-2. A person who fails to file a report under Article 101 (2) without good cause or files a false report;

5-3. A person who fails to submit data under the latter part of Article 101 (3) without good cause or submit false data;

6. Deleted; *<Dec. 31, 2018>*

6-2. A person who fails to file a report under Article 117-6 (1) or files a false report;

6-3. A person who fails give notice under Article 117-7 (8) or give false notice;

6-4. A person who fails to deposit or safeguard the securities, or sells or withdraws securities, in violation of Article 117-10 (7);

6-5. A person who fails to comply with the matters prescribed in Article 117-15 to prevent any damage to investors;

7. A person who fails to submit a report or prepares and submits a false report, in violation of Article 128 or 143;

8. A person who fails to comply with an order to submit a report or materials or to attend as a witness, give testimony or state an opinion in accordance with Article 131 (1), 146 (1), 151 (1), 158 (1), 164 (1), or 419 (5) (including the case to which such provision shall apply mutatis mutandis under the latter part of Article 43 (1), the latter part of Article 53 (1), Article 252 (2), 256 (2), 261 (2), 266 (2), 281 (2), 292, 306, 334, 335-14, 353, 358, 363, 368, or 371);

8-2. A person who fails to comply with a request made by a proxy solicitor who is not an issuer, in violation of Article 152-2 (2);

8-3. A person who fails to file a report under Article 173-2 (1) or file a false report;

8-4. A person who fails to keep data or to comply with the Financial Services Commission's request for data, in violation of Article 180-2 (3);

9. A person who fails to convene a postponed general meeting of beneficiaries, etc., in violation of Article 190 (7) (including the case to which such provision shall apply mutatis mutandis under Article 201 (3), 210 (3), 215 (4), 217-5 (4), 220 (4), or 226 (4));

10. A person who fails to establish the code of conduct or fails to report it, or submits a false report, in violation of Article 249-14 (7);

11. A person who fails to make a deposit, in violation of Article 310 (2);

12. A person who fails to keep securities, etc. separately, in violation of Article 310 (3);

13. Deleted. <*May 28, 2013*>

14. A person who fails to give notice or public notice, in violation of Article 314 (6) or 325 (3) or (4);

15. A person who fails to prepare and keep a list of de facto shareholders or prepares a false list thereof, in violation of Article 316 (1);

16. A person who fails to give notice, or gives false notice, in violation of Article 323 (1) or (2);

17. A person who fails to submit a report, or submits a false report, in violation of Article 339 (2) (including the case to which such provision shall apply mutatis mutandis under Article 357 (2) or 361), or a person who engages in the act prescribed in Article 339 (2) 3 without reporting it;

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

18-2. A person who violates an order to take measures issued under the proviso of Article 416 (including the case to which such provision shall apply mutatis mutandis under Article 335-14);

19. A person who fails to submit a report, or submits a false report, in violation of Article 418 (including the case to which such provision shall apply mutatis mutandis under Article 335-14 or 350).

(4) Administrative fines prescribed in paragraphs (1) through (3) shall be imposed and collected by the Financial Services Commission (or the Korea Communications Commission, in cases of administrative fines to be imposed and collected under paragraph (3) 6-5) in accordance with the manner and procedure prescribed by Presidential Decree. <*Amended on Feb. 29, 2008; Jul. 24, 2015; Apr. 18, 2017*>

(5) Deleted. <*Feb. 3, 2009*>

(6) Deleted. <*Feb. 3, 2009*>

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: Provided, That Articles 3, 5, and 6 of the Addenda shall enter into force one year after the date of its promulgation.

Article 2 (Repealed Acts)

The following Acts are hereby repealed:

1. The Securities and Exchange Act;
2. The Futures Trading Act;
3. The Indirect Investment Asset Management Business Act;
4. The Trust Business Act;
5. The Merchant Banks Act;
6. The Korea Securities and Futures Exchange Act.

Article 3 (Matters Concerning Establishment of Korea Financial Investment Association)

(1) The Korea Financial Investment Association (hereinafter referred to as the "Association") shall be established by merging the Korea Securities Dealers Association established under Article 162 of the former Securities and Exchange Act, the Futures Association established with permission under Article 75 of the former Futures Trading Act, and the Asset Management Association established with permission under Article 160 (3) of the Indirect Investment Asset Management Business Act (hereinafter collectively referred to "merged associations").

(2) The Organizational Committee for Establishment of the Korea Financial Investment Association (hereinafter referred to as the "Organizational Committee") shall be established, which shall be responsible for performing the affairs related to the merger and establishment of the Association under paragraph (1).

(3) The organization and operation of the Organizational Committee and other necessary matters shall be prescribed by Presidential Decree.

(4) The Organizational Committee may request that the merged associations provide support for human resources and materials as may be necessary for the establishment of the Association.

(5) The merged associations shall prepare a merger agreement with the contents prescribed by Presidential Decree, and each merged association shall obtain approval of the general meeting of members therefor by the affirmative vote of a majority of total number of voting rights.

(6) Each of the merged associations shall publicly notify its creditors, within one week after the general meeting of members adopts a resolution of approval under paragraph (5), that creditors shall, if they have any objection against the merger, file an objection within a period, which shall be at least two weeks, and shall also dispatch a peremptory notice to each credit known to the merged association.

(7) Article 232 (2) and (3) of the Commercial Act shall apply mutatis mutandis to the public notice and peremptory notice under paragraph (6).

(8) Upon completion of the process under paragraphs (6) and (7), the Organizational Committee shall call the inaugural general meeting of the Association without delay.

(9) Articles 309, 311 (1), 312, and 316 of the Commercial Act shall apply mutatis mutandis to the inaugural general meeting under paragraph (8). In such cases, "promoter" in Article 311 (1) of the same Act shall be construed as "Chairperson of the Organizational Committee."

(10) The Organizational Committee shall prepare an application for approval for the merger and the articles of association for the Association, and shall obtain approval from the Financial Services

Commission. <*Amended on Feb. 29, 2008*>

(11) The application for approval for the merger referred to in paragraph (10) shall contain the following descriptions, and shall be accompanied by the merger agreement and regulations related to its business:

1. Name of the Association;
2. Addresses of the main association and branch associations;
3. Names, resident registration numbers, and addresses of executive officers;
4. Trade names or titles of members.

(12) Upon obtaining the approval under paragraph (10), the Organizational Committee shall complete the registration for establishment of the Association without delay.

(13) The merger shall become effective upon completion of the registration for establishment of the Association in accordance with paragraph (12). In this case, the merged associations shall disappear simultaneously upon the establishment of the Association without necessarily undergoing the liquidation process.

(14) Upon completion of the registration for establishment under paragraph (12), the Organizational Committee shall transfer its business to the Chairperson of the Association.

(15) The organizational members shall be deemed to be dismissed upon completion of transfer of the business in accordance with paragraph (14).

(16) The Organizational Committee shall complete the process necessary for the establishment of the Association within six months after the lapse of one year from the promulgation date of this Act.

(17) Expenses incurred in relation to the establishment of the Association shall be borne by the Association.

(18) The Association shall succeed to all rights and obligations of the merged associations comprehensively, including employment of the employees of the merged associations that will be extinguished simultaneously upon the establishment of the Association.

(19) Other matters necessary for the merger of the merged associations and establishment of the Association shall be prescribed by Presidential Decree.

Article 4 (Applicability to Investment Recommendation)

@Articles 46 through 48 shall apply starting from the first investment recommendation to be made after this Act enters into force.

Article 5 (Special Cases concerning Authorization for, and Registration of, Financial Investment Business by Reporting)

(1) A person who engages in business referred to in any subparagraph of Article 6 (1) as on the date one year lapses after the promulgation date of this Act may file a report with the Financial Services Commission within two months after the lapse of one year from the promulgation date of this Act, upon satisfying the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20 within the scope of the business that it engages in. <*Amended*

on Feb. 29, 2008>

(2) Upon receipt of a report under paragraph (1), the Financial Services Commission shall examine whether the reporting person satisfies the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20, and shall give notice of the results thereof to the reporting person no later than the day immediately before the enforcement date of this Act. In such cases, the person who receives notice confirming that it satisfies the requirements for maintaining authorization under Article 15 or requirements for maintaining registration under Article 20, shall be deemed to have obtained authorization for financial investment business or to have completed the registration of financial investment business as on the enforcement date of this Act. *<Amended on Feb. 29, 2008>*

(3) A person who filed a report under paragraph (1) may continue the business, in which it has engaged, for the six-month period from the enforcement of this Act, although the person receives the notice that it has failed to satisfy the requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20, notwithstanding Articles 11 and 17 hereof.

(4) A person who filed a report may, upon receipt of the notice under paragraph (2) informing that he or she has failed to satisfy the requirements for maintaining authorization under Article 15 or requirements for maintaining registration under Article 20, file another report with the Financial Services Commission within three months from the enforcement date of this Act, upon satisfying the requirements. *<Amended on Feb. 29, 2008>*

(5) Upon receipt of a report under paragraph (4), the Financial Services Commission shall examine whether the reporting person satisfies requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20, and shall give notice of the results thereof to the reporting person within six months from the enforcement date of this Act. *<Amended on Feb. 29, 2008>*

Article 6 (Special Cases concerning Authorization for, and Registration of, Financial Investment Business Following Addition of Business Unit)

(1) If a person who has previously engaged in any business referred to in any subparagraph of Article 6 (1) as on the date one year lapses after the promulgation date of this Act wishes to add a business unit that requires authorization or registration, the person may file a collective application for authorization for, or registration of, the financial investment business for both the business in which it has previously engaged and the new business unit that it wishes to add, within two months after one year from the promulgation date of this Act.

(2) Upon receipt of an application for authorization or registration under paragraph (1), the Financial Services Commission shall examine the contents thereof, and shall give notice of the results thereof to the applicant no later than the day immediately before the date of enforcement of this Act. In such cases, Articles 12 and 13 shall apply mutatis mutandis to the requirements for authorization, the application therefor, the examination thereon, etc.; and Articles 18 and 19 shall apply mutatis mutandis

to the requirements for the registration, the application therefor, the examination thereon, etc.: Provided, That requirements for maintaining authorization under Article 15 or the requirements for maintaining registration under Article 20 shall apply mutatis mutandis to the requirements for authorization for, and registration of, the business that previously engaged in. *<Amended on Feb. 29, 2008>*

(3) An applicant for authorization or registration under paragraph (1) may continue the business, in which it has previously engaged, for the six-month period from the enforcement date of this Act, even in cases where its application for authorization or registration is rejected pursuant to paragraph (2), notwithstanding Articles 11 and 17 hereof. In this case, the person shall be deemed to be a financial investment business entity under this Act within the extent that it engages in the business.

(4) An applicant who has received a notice rejecting his or her application for authorization or registration pursuant to paragraph (1) may file another application for authorization or registration with the Financial Services Commission, upon satisfying the requirements of paragraph (2), within three months from the enforcement date of this Act. *<Amended by Act No. 8863, Feb. 29, 2008>*

(5) Upon receipt of an application for authorization or registration under paragraph (4), the Financial Services Commission shall examine or review whether the requirements for authorization or registration under paragraph (2) are satisfied, and shall give notice of the results thereof to the applicant within six months from the date of enforcement of this Act. *<Amended on Feb. 29, 2008>*

Article 7 (General Transitional Measures)

(1) Permission, authorization, approval, registrations, orders, dispositions, and other measures taken by the Financial Services Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service pursuant to the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, the former Trust Business Act, the former Merchant Banks Act, or the former Korea Securities and Futures Exchange Act, that was in force as at the time this Act enters into force, shall be deemed to be acts done by the Financial Services Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service pursuant to this Act. *<Amended on Feb. 29, 2008>*

(2) The registration statements, applications or reports filed with or done in relation to the Financial Services Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service pursuant to the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, the former Trust Business Act, the former Merchant Banks Act, or the former Korea Securities and Futures Exchange Act, that was in force as at the time this Act enters into force, shall be deemed to be acts done in relation to the Financial Services Commission, the Securities and Futures Commission, or the Governor of the Financial Supervisory Service pursuant to this Act. *<Amended on Feb. 29, 2008>*

Article 8 (Transitional Measures concerning Qualification for Executive Officers of Financial Investment Business Entity) <Amended on Feb. 3, 2009>

(1) Notwithstanding Article 24 (including the case to which such provision shall apply mutatis mutandis under Article 289, 301 (4), 327 (2), 382, or 402 (6)) hereof, the qualification for incumbent executive officers of a financial investment business entity as at the time this Act enters into force, shall be governed, until the expiration of their terms, by the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, the former Trust Business Act, or the former Korea Securities and Futures Exchange Act.

(2) For the purposes of subparagraphs 3 and 5 through 7 of Article 24 (including the case to which such provision shall apply mutatis mutandis under Article 289, 301 (4), 327 (2), 382, or 402 (6)), "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

(3) If an incumbent executive officer of a financial investment business entity as at the time this Act enters into force concurrently holds office, in violation of Article 45 (2) 2, Article 45 (2) 2 shall not apply to the incumbent executive officer until the earlier date of the expiration of his or her term as an executive officer of the financial investment business entity and the expiration of his or her term as an executive officer of the other company. *<Newly Inserted on Feb. 3, 2009>*

Article 9 (Transitional Measures concerning Appointment of Outside Director of Financial Investment Business Entity and Composition of Board of Directors)

Any of the following entities that is required to appoint new outside directors in accordance with Article 25 upon the enforcement of this Act shall appoint the outside directors in accordance with the same Article by the date of the first annual general meeting of shareholders called after this Act enters into force. In such cases, the outside directors appointed at the general meeting shall be deemed to have been recommended by the committee on the recommendation of candidates for outside directors in accordance with Article 25 (2) and (4):

1. A futures business entity registered under the former Futures Trading Act;
2. An investment advisory company registered under the former Indirect Investment Asset Management Business Act;
3. A trust company registered under the former Trust Business Act.

Article 10 (Transitional Measures concerning Establishment of Audit Committee of Financial Investment Business Entity)

Any of the following entities that is required to newly establish an audit committee in accordance with Article 26 upon the enforcement of this Act, shall establish the audit committee in accordance with the same Article by the date of the first annual general meeting of shareholders called after this Act enters into force:

1. A futures business entity registered under the former Futures Trading Act;
2. An investment advisory company registered under the former Indirect Investment Asset Management Business Act;

3. A trust company registered under the former Trust Business Act.

Article 11 (Transitional Measures concerning Appointment of Standing Auditor of Financial Investment Business Entity)

Any of the following entities that is required to newly appoint a standing auditor in accordance with Article 27 upon the enforcement of this Act shall appoint the standing auditor in accordance with the same Article by the date of the first annual general meeting of shareholders called after this Act enters into force:

1. A securities company registered under the former Securities and Exchange Act;
2. A futures business entity registered under the former Futures Trading Act;
3. An asset management company or an investment advisory company registered under the former Indirect Investment Asset Management Business Act;
4. A trust company registered under the former Trust Business Act.

Article 12 (Transitional Measures concerning Compliance Officer)

(1) Any of the following entities that is required to newly appoint a compliance officer in accordance with Article 28 upon the enforcement of this Act shall appoint the compliance officer in accordance with the same Article within one month after this Act enters into force:

1. A futures business entity registered under the former Futures Trading Act;
2. An investment advisory company registered under the former Indirect Investment Asset Management Business Act;
3. A trust company registered under the former Trust Business Act.

(2) Notwithstanding Article 28 (4), the requirements provided for in the former Securities and Exchange Act or the former Indirect Investment Asset Management Business Act shall apply to the compliance officers in service or in employment in accordance with the former Securities and Exchange Act or the former Indirect Investment Asset Management Business Act as at the time this Act enters into force, until the term of each compliance officer expires.

(3) For the purposes of Article 28 (4) 1 (d), each executive officer and/or employee's career in any of the merged associations shall be deemed to be included in his or her career in the Association.

(4) For the purposes of any provision of subparagraphs 3 and 5 through 7 of Article 24 as provided for in Article 28 (4) 2, "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

(5) For the purposes of Article 28 (4) 3, "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

Article 13 (Transitional Measures concerning Maintenance of Financial Soundness)

Where a securities company referred to in any subparagraph of Article 3 of the Addenda to the Securities and Exchange Act (partially amended by Act No. 6176) becomes an investment trader or investment broker in accordance with Article 5 or 6 of the Addenda of this Act, Article 30 (1) shall not apply to the securities company in relation to the requirements for maintenance of the financial soundness until the date prescribed in Article 3 of the Addenda to the Securities and Exchange Act (partially amended by Act No. 6176).

Article 14 (Transitional Measures concerning Reporting on Incidental Business of Financial Investment Business Entity)

A person who engages in both the business referred to in subparagraph 2 or 5 of Article 40 in accordance with the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, or the former Trust Business Act, and the incidental business referred to in Article 41 (1) as at the time this Act enters into force may file a report thereon with the Financial Services Commission within one month from the enforcement date of this Act, notwithstanding the latter part of Article 40 and Article 41 (1) hereof. *<Amended on Feb. 29, 2008>*

Article 15 (Transitional Measures concerning Solicitor for Acquiring Indirect Investment Securities)

Notwithstanding Articles 51 and 52 hereof, solicitation for acquiring collective investment securities may be entrusted, until one month from the date of enforcement of this Act, to a person who meets the requirements for being entrusted with solicitation for acquiring indirect investment securities in accordance with the former statutes governing indirect investment asset management business, as at the time this Act enters into force. In such cases, the person to whom solicitation for acquiring collective investment securities is entrusted may solicit investments, notwithstanding Article 51 (2) hereof.

Article 16 (Transitional Measures concerning Quasi-Investment Advisory Business Entity)

A person who has filed a report to engage in quasi-investment advisory business entity pursuant to Article 149 of the former Indirect Investment Asset Management Business Act as at the time this Act enters into force shall be deemed to have filed a report to engage in quasi-investment advisory business entity pursuant to Article 101.

Article 17 (Transitional Measures concerning Audit of Trust)

@Articles 114 and 115 shall not apply to any trusts created in accordance with the terms and conditions or the standard contract established or amended before the Trust Business Act (partially amended by Act No. 6180) enters into force: Provided, That Articles 114 and 115 shall apply to the trusts created in accordance with the terms and conditions or the standard contract established or amended before the Trust Business Act (partially amended by Act No. 6180) enters into force to the extent of the trust added after the Trust Business Act (partially amended by Act No. 6180) enters into force.

Article 18 (Transitional Measures concerning Registration Statements)

The former Securities and Exchange Act shall apply to the registration statements, universal shelf registration statements, corrective registration statements, business prospectuses (including preliminary

business prospectuses and simplified business prospectuses), and reports on issuance of securities filed with the Financial Services Commission in accordance with the former Securities and Exchange Act as at the time this Act enters into force, notwithstanding Articles 118 through 132 hereof. *<Amended on Feb. 29, 2008>*

Article 19 (Transitional Measures concerning Report on Treasury Stocks, Merger, Etc.)

The former Securities and Exchange Act shall apply where the duty to file a report arises under Article 189-2 or 190-2 of the former Securities and Exchange Act as at the time this Act enters into force, notwithstanding Articles 118 through 132 and 161 through 165 hereof.

Article 20 (Transitional Measures concerning Tender Offer Statement, Etc.)

The former Securities and Exchange Act shall apply to the tender offer statements, corrective statements, tender offer prospectus, and revocation statements filed, and the public notices of tender offer and correction submitted under the former Securities and Exchange Act as at the time this Act enters into force, notwithstanding Articles 133 through 146 hereof.

Article 21 (Transitional Measures concerning Reporting on Stocks, etc. Held in Bulk, Etc.)

(1) Where a person who holds stocks, etc. in bulk in accordance with Article 200-2 (1) of the former Securities and Exchange Act and who is exempted from the duty to file report in accordance with Article 200-2 (1) is required to file a report under Article 147 (1) hereof as at the time this Act enters into force, the filing period shall not exceed one month from the enforcement date of this Act, notwithstanding Article 147 (1) hereof.

(2) A person who filed a report in accordance with Article 200-2 (1) of the former Securities and Exchange Act and who has changed any material fact prescribed by Presidential Decree, including the essential terms and conditions of the contract related to stocks, etc. held by the person, shall file a report under Article 147 (4) within one month from the enforcement date of this Act.

(3) Article 148 shall not apply where the duty to file a report has arisen in accordance with Article 200-2 (1) or (4) of the Securities and Exchange Act as at the time this Act enters into force.

(4) If the duty to file a report has arisen in accordance with Article 200-2 (4) of the Securities and Exchange Act, as at the time this Act enters into force, the restriction, etc. on the exercise of voting right in relation to stocks, etc. in violation shall be governed by Article 200-3 (1) of the former Securities and Exchange Act, notwithstanding Article 150 (1) hereof.

(5) Article 150 (3) shall not apply where the duty to report has arisen in accordance with Article 200-2 (1), (3), or (4) of the Securities and Exchange Act as at the time this Act enters into force, because the purpose of holding stocks, etc. was to give influence on the issuer's business control.

Article 22 (Transitional Measures concerning Solicitation for Exercising Voting Right by Proxy)

The former Securities and Exchange Act shall apply to the solicitation for exercising voting right by proxy in relation to the general meeting of shareholders where a notice or public notice of calling the general meeting of shareholders has been given as at the time this Act enters into force, notwithstanding Articles 152 through 158 hereof.

Article 23 (Transitional Measures concerning Occasional Public Disclosures, Business Reports, Etc.)

The former Securities and Exchange Act shall apply where the duty to report has arisen in accordance with Article 186 of the former Securities and Exchange Act or the duty to submit has arisen in accordance with Article 186-2 or 186-3 of the former Securities and Exchange Act, as at the time this Act enters into force, notwithstanding Articles 159 through 165 hereof.

Article 24 (Transitional Measures concerning Limitations on Ownership of Stocks Issued by Public Purpose Corporation)

The former Securities and Exchange Act shall apply to the ownership of stocks by a shareholder who falls under Article 200 (1) 1 of the former Securities and Exchange Act as at the time this Act enters into force, notwithstanding Article 167 (1) 1 hereof.

Article 25 (Transitional Measures concerning Auditor's Liability for Damage)

@Article 197 of the former Securities and Exchange Act shall apply to the damage to be borne by an auditor who has conducted an audit in accordance with Article 194-3 of the former Securities and Exchange Act, notwithstanding Article 170 hereof.

Article 26 (Transitional Measures concerning Return of Insider's Short-Swing Profit)

Where an executive officer and/or employee, or a major shareholder of a stock-listed corporation or KOSDAQ-listed corporation under the former Securities and Exchange Act earns a profit by purchasing or selling stocks, etc. before this Act enters into force and re-selling or re-purchasing them within six months (applicable only where such stocks, etc. are sold or purchased after this Act enters into force), claims for the return of the profit, basis for calculation of the profit and procedures for returning such profit shall be governed by Article 188 (2) through (4) of the former Securities and Exchange Act, notwithstanding Article 172 (1) through (3).

Article 27 (Transitional Measures concerning Reporting on Ownership Status of Specific Securities, etc.)

(1) The time period during which an executive officer or a major shareholder of a stock-listed corporation or KOSDAQ-listed corporation under the former Securities and Exchange Act, who holds specific securities, etc. as at the time this Act enters into force, is required to submit a report on the status of the specific securities, etc. he or she owns, shall not exceed one month from the date this Act enters into force, notwithstanding Article 173 (1).

(2) Where an executive officer or a major shareholder of a stock-listed corporation or KOSDAQ-listed corporation under the former Securities and Exchange Act, who holds only stocks as at the time this Act enters into force, has any change in the number of stocks he or she owns before this Act enters into force, the report thereon shall be governed by Article 188 (6) of the former Securities and Exchange Act.

Article 28 (Transitional Measures concerning Indirect Investment Funds, Etc.)

(1) The former Indirect Investment Asset Management Business Act shall apply to the investment trusts (excluding special accounts created by insurance companies) and investment companies created or

established in accordance with the former Indirect Investment Asset Management Business Act as at the time this Act enters into force.

(2) The special accounts of insurance companies under Article 135 (1) of the former Indirect Investment Asset Management Business Act as at the time this Act enters into force shall be deemed to be the special accounts of insurance companies under Article 251 hereof. In such cases, an insurance company that manages a special account shall, if the trust contract of the special account contravenes this Act, amend the trust contract of the special account in conformity with this Act within three months after this Act enters into force.

(3) Private equity firms registered in accordance with the former Indirect Investment Asset Management Business Act as at the time this Act enters into force shall be deemed to be private equity firms registered in accordance with this Act.

(4) The former Indirect Investment Asset Management Business Act shall apply to foreign indirect investment securities reported to the Financial Services Commission in accordance with the former Indirect Investment Asset Management Business Act as at the time this Act enters into force. *<Amended by on Feb. 29, 2008>*

(5) The former Securities Investment Trust Business Act or the former Securities Investment Company Act shall apply to the securities investment trusts and securities investment companies referred to in the proviso of Article 2 (1) of the Addenda to the Indirect Investment Asset Management Business Act (Act No. 6987).

(6) The provisions of this Act governing trust business or the Insurance Business Act shall apply to the money trust and special accounts referred to in Article 14 (2) of the Addenda to the Indirect Investment Asset Management Business Act (Act No. 6987).

(7) This Act shall not apply to real estate investment companies (excluding self-managed real estate companies), ship investment companies, companies specializing in cultural industries, corporate restructuring limited partnerships, small and medium business start-up investment funds, new technology venture capital funds, the Korea Venture Fund, private investment funds, investment associations specializing in components and materials, and corporate restructuring investment companies created or established in accordance with any of the following Acts as at the time this Act enters into force: *<Amended on Feb. 3, 2009>*

1. Deleted; *<Feb. 3, 2009>*
2. The Real Estate Investment Company Act;
3. The Ship Investment Company Act;
4. The Framework Act on the Promotion of Cultural Industries;
5. The Industrial Development Act;
6. The Support for Small and Medium Enterprise Establishment Act;
7. The Specialized Credit Finance Business Act;

8. The Act on Special Measures for the Promotion of Venture Businesses;

9. The Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Components and Materials;

10. Deleted; *<Feb. 3, 2009>*

11. The former Corporate Restructuring Investment Companies Act.

Article 29 (Transitional Measures concerning Conversion of Indirect Investment Funds)

(1) Notwithstanding Article 28 (1) of the Addenda, a collective investment business entity that manages the property of an investment trust (excluding special accounts managed by insurance companies; the same shall apply hereafter in this Article) created in accordance with the former Indirect Investment Asset Management Business Act or investment company may register the investment trust or the investment company as a collective investment scheme under this Act with the Financial Services Commission in accordance with Article 182. In such cases, it shall file a registration statement with the Financial Services Commission in accordance with Article 119 (1) or (2). *<Amended on Feb. 29, 2008>*

(2) Notwithstanding Article 28 (4) of the Addenda, a collective investment business entity of a foreign investment trust that issued foreign indirect investment securities reported to the Financial Services Commission in accordance with the former Indirect Investment Asset Management Business Act or a foreign investment company may register the foreign investment trust or the foreign investment company as a foreign collective investment scheme under this Act with the Financial Services Commission in accordance with Article 279. In such cases, it shall file a registration statement with the Financial Services Commission in accordance with Article 119 (1) or (2). *<Amended on Feb. 29, 2008>*

Article 30 (Transitional Measures concerning Sale, etc. of Indirect Investment Securities)

(1) No dealers registered under the former Indirect Investment Asset Management Business Act shall sell any indirect investment securities under the former Indirect Investment Asset Management Business Act (including foreign indirect investment securities reported to the Financial Services Commission in accordance with the former Indirect Investment Asset Management Business Act) upon the lapse of three months from the date of enforcement of this Act: Provided, That this shall not apply in cases prescribed otherwise by Presidential Decree. *<Amended on Feb. 29, 2008>*

(2) No dealers registered under the former Indirect Investment Asset Management Business Act shall sell any beneficiary certificates of any securities investment trust and stocks of any securities investment company under Article 11 of the Addenda to the Indirect Investment Asset Management Business Act (Act No. 6987): Provided, That this shall not apply in cases prescribed by Presidential Decree.

(3) No financial institution established under the Banking Act or an insurance company established under the Insurance Business Act, both of which are deemed to have obtained permission to engage in asset management business pursuant to Article 14 of the Addenda to the Indirect Investment Asset Management Business Act (Act No. 6987), shall add any other monetary trust or special account to the monetary trusts or special accounts created before the Indirect Investment Asset Management Business

Act (Act No. 6987) enters into force: Provided, That this shall not apply in cases prescribed by Presidential Decree.

Article 31 (Transitional Measures concerning Qualification for Promoters, etc. of Investment Companies)

For the purposes of subparagraphs 3 and 5 through 7 of Article 24 as provided for in Articles 194 (1) and 199 (4) 1, "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

Article 32 (Transitional Measures concerning Related Companies of Collective Investment Scheme and Executive Officers Thereof)

(1) The fund accounting and administration companies, fund rating companies, and bond rating companies registered with the Financial Services Commission in accordance with Articles 25, 154, and 155 of the former Indirect Investment Asset Management Business Act as at the time this Act enters into force, shall be deemed to be the fund accounting and administration companies, fund rating companies, and bond rating companies registered in accordance with Articles 254, 258, and 263 hereof respectively. In such cases, each of them shall meet the requirements for maintaining registration under Articles 254 (8), 258 (8), and 263 (8) respectively within three months from the date of enforcement of this Act. *<Amended on Feb. 29, 2008>*

(2) Notwithstanding Articles 254 (2) 5, 258 (2) 6, and 263 (2) 6 hereof, the qualification for an incumbent executive officer of a fund accounting and administration company, fund rating company, or bond rating company as at the time this Act enters into force shall be governed by the former Indirect Investment Asset Management Business Act, until his or her term of office expires.

(3) For the purposes of subparagraphs 3 and 5 through 7 as provided for in Articles 254 (2) 5, 258 (2) 6, and 263 (2) 6 hereof, "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

Article 33 (Transitional Measures concerning Special Purpose Companies)

The special purpose companies registered under the former Indirect Investment Asset Management Business Act as at the time this Act enters into force may revise any description in their registration pursuant to Article 271 (5) after this Act enters into force.

Article 34 (Transitional Measures concerning Korea Depository)

(1) The Korea Securities Depository established pursuant to Article 173 of the former Securities and Exchange Act shall be deemed to be the Korea Depository under Article 294 hereof.

(2) Securities designated be deposited under Article 173-7 of the former Securities and Exchange Act by the Korea Securities Depository shall be deemed to have been designated to be deposited under

Article 308 hereof by the Korea Depository.

(3) The account book of customers under Article 174-2 of the former Securities and Exchange Act shall be deemed to be the account book of investors under Article 310 hereof.

(4) Approvals granted by the Korea Securities Depository pursuant to Article 176-2 (4) of the former Securities and Exchange Act shall be deemed to be granted by the Korea Depository pursuant to Article 322 (4) hereof.

Article 35 (Transitional Measures concerning Securities Financial Companies)

(1) The securities financial companies permitted by the Financial Services Commission under Article 145 of the former Securities and Exchange Act shall be deemed to be the securities financial companies authorized under Article 324 (1) hereof. In such cases, such companies shall satisfy requirements for maintaining authorization in accordance with Article 324 (9) within three months from the date of enforcement of this Act. *<Amended on Feb. 29, 2008>*

(2) For the purposes of subparagraphs 3 and 5 through 7 of Article 24 as provided for in Articles 324 (2) 5, "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

Article 36 (Transitional Measures concerning Merchant Banks)

(1) A merchant bank shall, if its investment in securities exceeds the limit set under Article 344 (1) as a consequence of this Act entering into force, shall meet the limit set under Article 344 (1) within one year from the enforcement date of this Act.

(2) The qualification of an incumbent executive officer of a merchant bank as at the time this Act enters into force shall be governed, until his or her term of office expires, by the former Merchant Banks Act, notwithstanding Article 24 hereof, which shall apply mutatis mutandis under Article 350.

(3) For the purposes of subparagraphs 3 and 5 through 7 of Article 24 hereof, which shall apply mutatis mutandis under Articles 350, "this Act" shall be construed to include the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

(4) Each merchant bank that is required to appoint outside directors in accordance with Article 25 (1), which shall apply mutatis mutandis under Article 350, shall appoint the outside directors by the date of the first annual general meeting of shareholders called after this Act enters into force in accordance with Article 25 (1).

(5) Each merchant bank that is required to establish the audit committee in accordance with Article 26 (2), which shall apply mutatis mutandis under Article 350, shall establish the audit committee by the date of the first annual general meeting of shareholders called after this Act enters into force in accordance with Article 26 (2).

(6) The requirements provided for in the former Merchant Banks Act shall apply to a compliance officer of a merchant bank in service or in employment in accordance with the former Merchant Banks Act as at the time this Act enters into force, until his or her term of office expires (or until three years from the enforcement date of this Act, if the compliance officer is an employee), notwithstanding Article 28 (4) hereof, which shall apply mutatis mutandis pursuant to Article 350.

(7) For the purposes of Article 28 (4) 3 hereof, which shall apply mutatis mutandis pursuant to Article 350, "this Act" shall be construed as including the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

Article 37 (Transitional Measures concerning Fund Brokerage Companies)

(1) The fund brokerage companies established with approval of the Financial Services Commission pursuant to Article 9 (1) of the former Merchant Banks Act shall be deemed to be the fund brokerage company authorized pursuant to Article 355 (1) hereof. In such cases, such companies shall satisfy the requirements for maintaining authorization in accordance with paragraph (9) of the same Article within three months from the enforcement date of this Act. *<Amended on Feb. 29, 2008>*

(2) The former Merchant Banks Act shall apply to the qualification for an incumbent executive officer of a financial brokerage company as at the time this Act enters into force, until his or her term of office expires, notwithstanding Article 355 (2) 5 hereof.

(3) For the purposes of subparagraphs 3 and 5 through 7 of Article 24 as provided for in Articles 355 (2) 5, "this Act" shall be construed as including the former Securities and Exchange Act; the former Futures Trading Act; the former Indirect Investment Asset Management Business Act; the former Trust Business Act; the former Korea Securities and Futures Exchange Act; and the former Merchant Banks Act.

Article 38 (Transitional Measures concerning Concurrent Operation of Short-Term Financial Business by Financial Institutions)

A financial institutions authorized by the Financial Services Commission pursuant to Article 3-2 (1) of the former Merchant Banks Act shall be deemed to have obtained authorization from the Financial Services Commission for the short-term financial business in accordance with Article 360 (1). In such cases, it shall satisfy the requirements for maintaining authorization in accordance with Article 360 (9) within three months from the enforcement date of this Act. *<Amended on Feb. 29, 2008>*

Article 39 (Transitional Measures concerning Transfer Agents)

A transfer agent registered with the Financial Services Commission pursuant to Article 180 of the former Securities and Exchange Act as at the time this Act enters into force shall be deemed to be a transfer agent registered in accordance with Article 365 (1). In such cases, it shall satisfy the requirements for maintaining registration in accordance with Article 365 (8) within three months from the date of enforcement of this Act. *<Amended on Feb. 29, 2008>*

Article 40 (Transitional Measures concerning Exchange)

(1) The Korea Securities and Futures Exchange under the former Korea Securities and Futures Exchange Act as at the time this Act enters into force shall be deemed to be an exchange under Article 373 hereof.

(2) The transactions of securities and futures, closed but unsettled finally at the securities exchange, the KOSDAQ market, and the futures market opened by the Korea Securities and Futures Exchange under the former Korea Securities and Futures Exchange Act as at the time this Act enters into force, shall be deemed to have been closed on the same terms and conditions at the securities exchange, the KOSDAQ market, and the derivatives market opened by an exchange established pursuant to this Act.

(3) The Join Compensation Fund for the breach of contracts set aside under Article 95 (1) of the former Securities and Exchange Act or Article 27 (1) of the former Futures Trading Act shall be deemed to be the Joint Compensation Fund accumulated under Article 394 hereof.

(4) The committee for enhancement of market efficiency established pursuant to Article 25 of the former Korea Securities and Futures Exchange Act as at the time this Act enters into force shall be deemed to be the committee for enhancement of market efficiency established under Article 414 hereof.

Article 41 (Transitional Measures concerning Penalty Provisions, etc.)

(1) In applying penalty provisions and imposing administrative fines against violations of the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, the former Trust Business Act, the former Merchant Banks Act, or the former Korea Securities and Futures Exchange Act, if committed before this Act enters into force, the former provisions shall apply.

(2) In imposing penalty surcharges or taking any other administrative measures against violations of the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, the former Trust Business Act, the former Merchant Banks Act, or the former Korea Securities and Futures Exchange Act, if committed before this Act enters into force and completed before the enforcement of this Act or continued after this Act enters into force, the former provisions shall apply.

Article 42 Omitted.

Article 43 (Transitional Measures Following Amendment to other Acts)

(1) The companies specializing in investment and financing, established in accordance with the former Act on Public-Private Partnerships in Infrastructure as at the time this Act enters into force, shall be governed by the former provisions, notwithstanding the provisions of the Act on Public-Private Partnerships in Infrastructure as amended pursuant to Article 42 (57) of the Addenda.

(2) For the purposes of Article 7 (1) 3 of the Real Estate Investment Company Act as amended pursuant to Article 42 (58) of the Addenda, "Financial Investment Services and Capital Markets Act" shall be construed to include the former Trust Business Act; the former Securities and Exchange Act; the former Futures Trading Act; the former Korea Securities and Futures Exchange Act; the former Indirect

Investment Asset Management Business Act; and the former Merchant Banks Act.

(3) The business affairs related to the investment and management of the assets entrusted to a real estate investment company or an asset management company established in accordance with the former Real Estate Investment Company Act as at the time this Act enters into force shall be governed by the former provisions, notwithstanding the Real Estate Investment Company Act as amended pursuant to Article 42 (58) of the Addenda.

(4) The business affairs, etc. entrusted to a ship investment company or ship management company established in accordance with the former Ship Investment Company Act as at the time this Act enters into force into force shall be governed by the former provisions, notwithstanding the Ship Investment Company Act as amended pursuant to Article 42 (59) of the Addenda.

(5) The business affairs, etc. entrusted to a company specializing in cultural industries established in accordance with the former Framework Act on the Promotion of Cultural Industries or a business manager as at the time this Act enters into force shall be governed by the former provisions, notwithstanding the Framework Act on the Promotion of Cultural Industries amended pursuant to Article 42 (60) of the Addenda.

(6) The business affairs, etc. of a corporate restructuring limited partnership registered in accordance with the former Industrial Development Act as at the time this Act enters into force or a corporate restructuring limited partnership formed by a specialized corporate restructuring company before this Act enters into force shall be governed by the former provisions, notwithstanding the Industrial Development Act as amended pursuant to Article 42 (61) of the Addenda.

(7) The business affairs, etc. of a starting-up investment fund registered in accordance with the former Support for Small and Medium Enterprise Establishment Act as at the time this Act enters into force or a starting-up investment fund formed by a starting-up investment company business before this Act enters into force shall be governed by the former provisions, notwithstanding the Support for Small and Medium Enterprise Establishment Act as amended pursuant to Article 42 (62) of the Addenda.

(8) The business affairs, etc. of a new technology venture capital fund formed in accordance with the former Specialized Credit Financial Business Act as at the time this Act enters into force or a new technology venture capital fund formed by a new technology venture capitalist before this Act enters into force shall be governed by the former provisions, notwithstanding the Specialized Credit Finance Business Act as amended pursuant to Article 42 (63) of the Addenda.

(9) The Korean Venture Fund or a private investment fund registered in accordance with the former Act on Special Measures for the Promotion of Venture Businesses as at the time this Act enters into force shall be governed by the former provisions, notwithstanding the Act on Special Measures for the Promotion of Venture Businesses as amended pursuant to Article 42 (64) of the Addenda.

(10) An investment associations specializing in components and materials, which is registered in accordance with the former Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Component and Material as at the time this Act enters into force shall be governed by the former

provisions, notwithstanding the Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Components and Materials as amended pursuant to Article 42 (65) of the Addenda.

(11) A specialized overseas resources development investment company, established in accordance with the former Overseas Resources Development Business Act as at the time this Act enters into force, shall be governed by the former provisions, notwithstanding the Overseas Resources Development Business Act as amended pursuant to Article 42 (66) of the Addenda.

Article 44 (Relations with other Acts)

(1) A citation of the former Securities and Exchange Act, the former Futures Trading Act, the former Indirect Investment Asset Management Business Act, the former Trust Business Act, the former Merchant Banks Act, or the former Korea Securities and Futures Exchange Act, or any provision thereof by any other Act, if any, enforceable at the time when this Act enters into force shall be deemed to be a citation of this Act or a corresponding provision hereof in lieu of the former provision, if such a corresponding provision exists herein.

(2) A citation of a securities company under the former Securities and Exchange Act, a futures business entity under the former Futures Trading Act, an asset management company under the former Indirect Investment Asset Management Business Act, or a trust company under the former Trust Business Act by any other Act, as at the time this Act enters into force, shall be deemed to be a citation of a financial investment business entity under this Act within the extent of such a citation.

(3) A citation of a merchant bank, a fund brokerage company, or a person who engages in short-term financial business under the former Merchant Banks Act by any other Act, as at the time this Act enters into force, shall be deemed to be a citation of a merchant bank, a fund brokerage company, or a short-term financial company under this Act.

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

Article 1 (Enforcement Date)

This Act 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. 9407, Feb. 3, 2009*>

Article 1 (Enforcement Date)

This Act shall enter into force on Feb. 4, 2009.

Article 2 (Applicability to Submission of Half-yearly and Quarterly Reports)

The amended provisions of Article 160 shall apply starting with the half-yearly and quarterly reports submitted first after this Act enters into force.

Article 3 (Applicability to Privately Placed Fund Subject to Accredited Investors)

The amended provisions of Article 249-2 shall apply starting with the privately placed fund for accredited investors created or established first after this Act enters into force.

Article 4 (Transitional Measures concerning Acquisition or Disposal of One's Own Stocks)

(1) A stock-listed corporation holding (including the conclusion of trust contracts) its own stocks as of the time when this Act enters into force after acquiring them pursuant to Article 189-2 of the Securities and Exchange Act shall be deemed to have acquired them in accordance with the amended provisions of Article 165-2.

(2) The amended provisions of Article 165-2 (2) 3 shall apply to the trust contracts concluded pursuant to the former Article 189-2 (2) of the Securities and Exchange Act as of the time when this Act enters into force.

Article 5 (Transitional Measures concerning Excessive Portion of Limit to Acquire One's Own Stocks)

A corporation which has issued stock certificates listed on the KOSDAQ market after acquiring its own stocks at the time when the amended provisions of the Securities and Exchange Act (Act No. 5736) entered into force, and which is holding them in excess of the acquisition limit stipulated in the latter part of Article 189-2 (1) of the same Act shall be in conformity of the amended provisions of Article 165-2 (2) until the money trust contract, etc. under paragraph (2) of the same Article is terminated.

Article 6 (Transitional Measures concerning Retirement of Stocks)

Where treasury stocks acquired and being held pursuant to the Article 189-2 of the former Securities and Exchange Act meet the requirements of the subparagraph of Article 16 of the Addenda to the Securities and Exchange Act as amended by Act No. 6423 at the time when the amended provisions of the Securities and Exchange Act (Act No. 6423) entered into force, such stocks may be retired pursuant to the amended provisions of Article 165-3 (1). In such cases, the amended provisions of Articles 165-3 (4) and (5) shall apply.

Article 7 (Transitional Measures concerning Appraisal Rights of Stock- holders)

(1) Where any resolution of the board of directors under Article 191 (1) of the former Securities and Exchange Act exists at the time when this Act enters into force, the former provisions shall apply, notwithstanding the amended provisions of Article 165-5 (1).

(2) Where any adjustment of purchase prices of stocks pursuant to Article 191 (3) of the former Securities and Exchange Act is filed at the time when this Act enters into force, the former provisions shall apply, notwithstanding the amended provisions of Article 165-5 (3).

Article 8 (Transitional Measures concerning New Types of Corporate Bonds)

New types of bonds issued pursuant to Article 191-4 of the former Securities and exchange Act (including the cases referred to in Article 21 of the Addenda to the Securities and Exchange Act as amended by Act No. 5254)) at the time this Act enters into force shall be deemed to have been issued in accordance with the amended provisions of Article 165-11.

Article 9 (Transitional Measures concerning Non-voting Stocks)

Non-voting stocks issued pursuant to each subparagraph of Article 191- 2 (1) of the former Securities and Exchange Act (including the cases referred to in Article 20 of the Addenda to the Securities and Exchange Act as amended by Act No. 5254)) at the time this Act enters into force shall be deemed to have been issued in accordance with the amended provisions of each subparagraph of Article 165-15 (1).

Article 10 (Transitional Measures concerning Report on Exchange-traded Derivatives Held in Bulk)

Where any duty to make a report pursuant to Article 32 (2) of the former Futures Trading Act occurs at the time this Act enters into force, the former provisions shall apply, notwithstanding the amended provisions of Article 173-2.

Article 11 (Transitional Measures concerning Korea Listed Companies Association)

The Korea Listed Companies Association established under the permission of the Financial Services Commission pursuant to Article 181 (1) of the former Securities and Exchange Act at the time this Act enters into force shall be deemed to have been established in accordance with the amended provisions of Article 370 (1).

Article 12 Omitted.

ADDENDA *<Act No. 9408, Feb. 3, 2009>*

Article 1 (Enforcement Date)

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

Articles 2 through 14 Omitted.

ADDENDA *<Act No. 9625, Apr. 22, 2009>*

Article 1 (Enforcement Date)

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

Articles 2 through 9 Omitted.

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.

Articles 2 through 4 Omitted.

ADDENDA *<Act No. 10063, Mar. 12, 2010>*

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation: Provided, That the amended provisions of Article 10 (3) shall enter into force on the date of its promulgation.

Article 2 (Term of Validity concerning Deliberation on Over-the-Counter Derivatives)

The amended provisions of Articles 166-2, 286 and 288-2 concerning the deliberation of over-the-counter derivatives shall remain valid by December 31, 2011.

Article 3 (Term of Validity, etc. concerning Investment Companies for Corporate Financial Stability and Private Equity Funds for Corporate Financial Stability)

(1) The amended provisions of Articles 234-2 and 278-2 shall remain valid for three years from the date this Act enters into force.

(2) Notwithstanding paragraph (1), this Act shall remain applicable to an investment company for corporate financial stability and a private equity fund for corporate financial stability registered with the Financial Services Commission and a special-purpose company in which the private equity fund for corporate financial stability invests as a shareholder or a partner pursuant to Article 278-2 (3) as at the time the amended provisions of Articles 234-2 and 278-2 become invalid, until the existence term of the relevant company.

(3) No investment company for corporate financial stability, private equity fund for corporate financial stability and special-purpose company subject to this Act pursuant to paragraph (2) may receive additional investment from the date the amended provisions of Articles 234-2 and 278-2 become invalid.

Article 4 (Transitional Measures concerning Deliberation on Over-the-Counter Derivatives)

An over-the-counter derivative traded under the former provisions before this Act enters into force shall be deemed to have undergone deliberation under the amended provisions of Article 166-2 (1) 6.

Article 5 (Applicability to Revised Authorization and Registration of Financial Investment Business Entities)

The requirements of authorization on changes and revised registration for the addition of affairs under the amended provisions of Articles 16 and 21 shall apply beginning from the first violation after this Act enters into force.

Article 6 (Applicability to Qualifications of Executive Officers)

The amended provisions of Article 24 shall apply beginning from the executive officer first appointed (including a person under Article 401-2 (1) 3 of the Commercial Act who is prescribed by Presidential

Decree) after this Act enters into force.

Article 7 (Applicability to Ceiling on Sales Commission and Sales Remuneration)

The amended provisions of Article 76 (5) shall apply to a collective investment scheme created or established after this Act enters into force.

Article 8 (Applicability to Revised Registration of Private Equity Funds)

A private equity fund registered with the Financial Services Commission as at the time this Act enters into force may file a revised registration as a private equity fund for corporate financial stability under the amended provisions of Article 278-2, as provided for in the articles of incorporation of the relevant private equity fund. In such cases, the fund shall be deemed the private equity fund for corporate financial stability from the date the revised registration is filed with the Financial Services Commission.

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. (Proviso Omitted.)

Articles 2 through 10 Omitted.

ADDENDA *<Act No. 10361, Jun. 8, 2010>*

Article 1 (Enforcement Date)

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

Articles 2 through 12 Omitted.

ADDENDA *<Act No. 10366, Jun 10, 2010>*

Article 1 (Enforcement Date)

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

Articles 2 through 4 Omitted.

ADDENDA *<Act No. 10580, Apr. 12, 2011>*

Article 1 (Enforcement Date)

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

Articles 2 through 5 Omitted.

ADDENDA <*Act No. 10629, May 19, 2011*>

Article 1 (Enforcement Date)

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

Article 2 Omitted.

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

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. 10924, Jul. 25, 2011*>

Article 1 (Enforcement Date)

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

Articles 2 through 4 Omitted.

ADDENDA <*Act No. 11040, Aug. 4, 2011*>

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

(2) (Applicability to Ad Hoc Public Disclosure) The amended provisions of Article 89 shall apply to the first public disclosure made after this Act enters into force.

ADDENDA <*Act No. 11758, Apr. 5, 2013*>

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 165-2, 165-3, 165-5, 165-7 through 165-10, 165-15, 165-17, and 165-18 shall enter into force on the date of its promulgation.

Article 2 (Transitional Measures concerning Penalty Provisions, etc.)

(1) The application of penalty provisions and administrative fines against an act committed before this Act enters into force shall be governed by the former provisions.

(2) The application of disposition for imposing a penalty surcharge or other administrative disposition against a violation committed before this Act enters into force and completed before this Act enters into force or the state of which continues till after this Act enters into force, shall be governed by the former provisions.

Article 3 Omitted.

ADDENDA <*Act No. 11845, May 28, 2013*>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation: Provided, That each of the following amended provisions shall enter into force on date set forth in the relevant subparagraph:

1. Amended Articles 4 (4), 9 (18), (20) and (22), 119 (5), 159 (7), 182 (1), 183 (2), 184 (2), 189 (5), 206 (2), 212 (2), 217-2 through 217-7 (including the case to which such provision shall apply mutatis mutandis under Article 249 or 249-2), 218 through 223 (including the case to which such provision shall apply mutatis mutandis under Article 249 or 249-2), 227 (3), 230 (1), 238 (8), 246 (1), 270 (1), subparagraphs 178, 179, 181 through 185, 190 through 193, 205, 208 through 211, 218 through 225, 233, 235 through 239, 241 through 247, 249, 250, 267 of attached Table 1, subparagraphs 6, 26, 27, 29 through 31, 38, 40 through 45, and 47 of attached Table 2: The date of promulgation;

2. Amended provisions of Articles 159 (2), 443 (1), and 447 (2): Six months after the promulgation;

3. Amended provisions of Articles 6 (5), 192 (2) 5, 202 (1) 7, 221 (1) 4, 314 (4) through (6), 320 (1) and (2), 449 (2) 13, and subparagraph 18 of attached Table 8: January 1, 2015.

Article 2 (Applicability to Time Period for Examination to Revoke or Revise Conditions of Authorization for Financial Investment Business)

The amended Article 13 (3) shall begin to apply from the first application filed with the Financial Services Commission to revoke or revise the conditions on or after this Act enters into force.

Article 3 (Applicability to Contract for Investment Advisory Services or for Discretionary Investment)

The amended Article 98-2 shall begin to apply from the first contract for investment advisory services or for discretionary investment to be concluded on or after this Act enters into force.

Article 4 (Applicability to Withdrawal of Forfeited Stocks)

The amended Article 165-6 (2) (including the case to which such provision shall apply mutatis mutandis under Article 165-10 (1)) shall begin to apply from the first resolution passed by a board of directors to issue new stocks, stock-related corporate bonds, etc. on or after this Act enters into force.

Article 5 (Applicability to Issuance of Preemptive Rights Certificates)

The amended Article 165-6 (3) shall begin to apply from the first resolution passed by a board of directors to issue new stocks on or after this Act enters into force.

Article 6 (Applicability to Bonds with Detachable Warrant)

The amended Article 165-10 (2) shall begin to apply from the first resolution passed by a board of directors to issue bonds with detachable warrant on or after this Act enters into force.

Article 7 (Applicability to Resolution, etc. of General Meeting of Collective Investors)

The amended Article 190 (5) through (8) (including the case to which such provision shall apply mutatis mutandis under Article 201 (3), 210 (3), 215 (4), 217-5 (4), 220 (4), or 226 (4)), 201 (2), 210

(2), 215 (3), 217-5 (3), 220 (3) and 226 (3), shall begin to apply from the general meetings of beneficiaries, postponed general meetings of beneficiaries, general meetings of shareholders, general meetings of partners, etc. that pass the first resolutions on or after such amended provisions enters into force.

Article 8 (Transitional Measures concerning Collective Investment Schemes)

Notwithstanding the amended provisions of Articles 6 (5), 192 (2) 5 and 202 (1) 7, a collective investment scheme registered as at the time this Act enters into force and its number of investors is one (limited to where no additional collective investment security of such collective investment scheme is issued after this Act enters into force) shall be governed by former provisions.

Article 9 (Transitional Measures concerning Designation of Comprehensive Financial Investment Business Entities)

(1) Where an entity that has been engaged in prime brokerage business under the former provisions as at the time this Act enters into force intends to be designated as a comprehensive financial investment business entity under the amended Article 77-2 (1), it may file an application for designation as a comprehensive financial investment business entity with the Financial Services Commission two months before this Act enters into force.

(2) Where an entity that has applied for designation under paragraph (1) satisfies all the requirements prescribed in subparagraphs of Article 77-2 (1), the Financial Services Commission shall notify the applicant of the designation as a comprehensive financial investment business entity not later than the day before this Act enters into force.

(3) Notwithstanding the amended Articles 77-2 and 77-3, an entity that has filed an application for designation under paragraph (1) may continue to engage in prime brokerage business under former provisions for up to six months after this Act enters into force, even it fails to be designated as a comprehensive financial investment business entity under paragraph (2).

Article 10 (Transitional Measures concerning Registration Statement, Etc.)

Notwithstanding the amended Articles 119 (2) and (6), 119-2, 122 (3) and (6), 123 (1) and (3), 124 (1), (3) and (4), 125 (1) 5, and subparagraph 5 of Article 129, the former provisions shall apply to the registration statements, universal shelf registration statements, supplements to the universal shelf registration statements, corrective registration statements, investment prospectuses, and short-form investment prospectuses which have been submitted to the Financial Services Commission under former provisions as at the time this Act enters into force.

Article 11 (Transitional Measures concerning Solicitation to Exercise Voting Rights by Proxy)

Where a notice or public notice of calling a general meeting of shareholders have been given as at the time this Act enters into force, solicitations to exercise voting rights by proxy with respect to such general meeting of shareholders, shall be governed by the former provisions, notwithstanding the amended Articles 152-2 and 153.

Article 12 (Transitional Measures concerning Managing Members of Private Equity Firms)

A managing member of a private equity firm registered as at the time this Act enters into force shall be deemed registered with the Financial Services Commission under the amended Article 272-2 (1) for the duty of managing the property of the private equity firm only.

Article 13 (Transitional Measures concerning Concurrent Business of the Securities Depository)

With respect to the business that has been conducted by the Securities Depository under the former Article 296 as at the time this Act enters into force, the Securities Depository shall be deemed to have obtained authorization, permission, etc., or to have filed a registration, report, etc. under the amended latter part of Article 296 (3) 1.

Article 14 (Transitional Measures concerning Credit Rating Companies)

(1) A credit rating company permitted by the Financial Services Commission under Article 4 (2) of the former Credit Information Use and Protection Act as at the time this Act enters into force shall be deemed authorized under the amended Article 335-3 (1).

(2) Orders, dispositions and other acts which have been issued or done in relation to a credit rating company by the Financial Services Commission or the Governor of the Financial Supervisory Service under the former Credit Information Use and Protection Act as at the time this Act enters into force, shall be deemed issued or done by the Financial Services Commission or the Governor of the Financial Supervisory Service under this Act.

(3) Registrations, applications, reports or other acts which have been filed with or done to the Financial Services Commission or the Governor of the Financial Supervisory Service by a credit rating company under the Credit Information Use and Protection Act as at the time this Act enters into force, shall be deemed filed with or done to the Financial Services Commission or the Governor of the Financial Supervisory Service under this Act.

Article 15 (Transitional Measures concerning the Korea Exchange)

(1) The Korea Exchange permitted under the former Article 373 (hereinafter referred to as the "Korea Exchange") as at the time this Act enters into force shall be deemed to have obtained permission for an exchange for all of market establishment units under the amended Article 373-2 (1).

(2) The securities and derivatives, the trades of which have been concluded in the marketable securities market, KOSDAQ market and derivatives market opened by the Korea Exchange and the settlement of which have not been concluded as at the time this Act enters into force shall be deemed traded on the same conditions on the securities market and derivatives market established by an exchange which shall be deemed to have obtained permission for an exchange under paragraph (1).

(3) An exchange which is deemed to have obtained permission for an exchange under paragraph (1) shall be deemed designated by the Financial Services Commission as a designated exchange under the amended Article 78 (3), a clearing institution under the amended Article 378 (1), and a settlement institution under the amended Article 378 (2).

(4) The principal office of an exchange, which is deemed to have obtained permission for an exchange under paragraph (1), shall be located in Busan Metropolitan City.

(5) The Joint Compensation Fund, which has been set aside in the Korea Exchange under Article 394, as at the time this Act enters into force shall be deemed set aside in an exchange under paragraph (1).

Article 16 Omitted.

Article 17 (Relations with Other Statutes)

(1) A citation of the Korea Exchange in any other statutes as at the time this Act enters into force shall be deemed a citation of an exchange that has obtained permission for an exchange under Article 15 (1) of the Addenda.

(2) A citation of a credit rating company registered under the Credit Information Use and Protection Act in any other statutes as at the time this Act enters into force shall be deemed a citation of a credit rating company registered under this Act.

(3) A citation of the former Financial Investment Services and Capital Markets Act or the provisions thereof in any other statutes as at the time this Act enters into force shall be deemed a citation of this Act or the relevant provisions of this Act in lieu of the former Financial Investment Services and Capital Markets Act or the provisions thereof, if such relevant provisions exist herein.

Article 18 (Transitional Measures Concerning Exercise of Rights in Depositary Receipts, Etc.)

(1) Notwithstanding Article 314 (5), the Korea Securities Depository may exercise a voting right concerning any of the following matters, among the agenda items tabled at the general meeting of shareholders of a corporation which requires shareholders to exercise voting rights in electronic manners without attending the general meeting pursuant to Article 368-4 of the Commercial Act and solicits every shareholder of securities with voting rights to exercise the voting rights by proxy pursuant to Article 152, under the former provisions until December 31, 2017:

1. Appointment or dismissal of an auditor and an audit committee member;

2. The agenda items tabled at the general meeting of shareholders, in cases of corporations that meet the criteria prescribed and publicly notified by the Financial Services Commission in consideration of the number of shareholders, etc.

(2) Notwithstanding Articles 314 (4) and (6), and 449 (2) 13, and subparagraph 18 of attached Table 8, the former provisions shall apply to the exercise of voting rights of the Securities Depository referred to in paragraph (1) of this Article.

ADDENDA <*Act No. 12102, Aug. 13, 2013*>

Article 1 (Enforcement Date)

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

Article 2 (Effective Period, etc. of Private Equity Fund for Corporate Financial Stability)

(1) The amended provisions of Article 278-3 shall take effect for three years after the enforcement date of this Act.

(2) Notwithstanding paragraph (1), with respects to a private equity fund for corporate financial stability registered with the Financial Services Commission as at the time the amended provisions of Article 278-3 loses its effect and a special-purpose company in which the private equity fund for corporate financial stability has made an investment as a shareholder or partner under the amended provisions of paragraph (3) of the same Article, the same amended provisons shall apply until the period of existence of the relevant company.

(3) A private equity fund for corporate financial stability and a special-purpose company under paragraph (2) may not receive any additional investment from the date the amended provisions of Article 278-3 loses its effect.

Article 3 (Applicability to Revision to Registration of Private Equity Fund)

A private equity fund registered with the Financial Services Commission as at the time this Act enters into force may have its registration revised to a private equity fund for corporate financial stability under the amended provisions of Article 278-3 as prescribed by the articles of incorporation of the relevant private equity fund. In such cases, it shall be construed as a private equity fund for corporate financial stability from the date the revision to registration is registered with the Financial Services Commission.

Article 4 (Transitional Measures concerning Private Equity Fund for Corporate Financial Stability)

(1) A special-purpose company in which a private equity fund for corporate financial stability registered with the Financial Services Commission under the former Article 278-2 and a special-purpose company in which the private equity fund for corporate financial stability has made an investment as a shareholder or partner under paragraph (3) of the same Article shall be respectively construed as a special-purpose company in which a private equity fund for corporate financial stability registered with the Financial Services Commission under the amended provisions of Article 278-3 and a special-purpose company in which the private equity fund for corporate financial stability has made an investment as a shareholder or partner under the amended provisions of paragraph (3).

(2) Notwithstanding Article 3 (3) of the Addenda to the partially amended Financial Investment Business and Capital Markets Act (Act No. 10063), each private equity fund for corporate financial stability and special-purpose company to which this Act applies pursuant to paragraph (1) may receive additional investments from the date this Act enters into force until the date the amended provisions of Article 278-3 loses its effect.

ADDENDA <*Act No. 12383, Jan. 28, 2014*>

Article 1 (Enforcement Date)

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

Article 2 (Applicability to Compensation for Damage)

The amended Articles 115 (2) and (3), 170 (1), and 241 (2) and (3) shall begin to apply from the financial statements and audit reports for the first business year commencing in the year in which the enforcement date of this Act falls.

ADDENDA *<Act No. 12892, Dec. 30, 2014>*

Article 1 (Enforcement Date)

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

Articles 2 through 5 Omitted.

ADDENDA *<Act No. 12947, Dec. 30, 2014>*

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 424 (3) and the amended provisions of Article 18 of the Addenda to the Financial Investment Business and Capital Markets Act (Act No. 11845) shall enter into force on the date of its promulgation.

Article 2 (Applicability to Notification of Details of Measures Taken against Retired Executive Officers, etc.)

This amended provisions of Article 424 (3) shall apply to cases where the details of the disciplinary measures are notified to the executive officers and/or employees retired or resigned after the relevant amended provisions enter into force.

Article 3 (Transitional Measures concerning Penalty Provisions, etc.)

(1) Application of penalty provisions against any act committed before this Act enters into force shall be governed by the former provisions.

(2) Imposition disposition of penalty surcharges or any other administrative disposition against any act committed before 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: Provided, That the following amended provisions shall respectively enter into force on each date specified in the relevant subparagraph:

1. The amended provisions of Articles 4 (1), 9 (27), 117-3 through 117-16, 339 (2), (4) and (5) (including the penalty provisions and the attached Tables related thereto): The date six months pass after the promulgation;

2. The amended provisions of Articles 165-10 (2), 194 (5), and 243 (including the penalty provisions and the attached Tables related thereto): The date of promulgation.

Article 2 (Effective Period, etc. of Private Equity Funds for Corporate Financial Stability)

(1) The amended provisions of Article 249-22 shall remain effective until November 23, 2016.

(2) Notwithstanding paragraph (1), the amended provisions of Article 249-22 shall remain applicable to a private equity fund for corporate financial stability registered with the Financial Services Commission and a special-purpose company in which the private equity fund for corporate financial stability invests as a shareholder or a partner pursuant to the amended provisions of Article 249-22 (3) as at the time the amended provisions of Article 249-22 becomes invalid, until the expiration of the term of existence of the special-purpose company.

(3) Neither private equity fund for corporate financial stability nor special-purpose company referred to in paragraph (2) shall receive additional investment from the date the amended provisions of Article 249-22 becomes invalid.

Article 3 (Applicability to Restrictions on Issuance of Bonds with Detachable Warrant)

The amended provisions of Article 165-10 (2) shall begin to apply from the first resolution passed by a board of directors to issue bonds with detachable warrant after the amended provisions enter into force.

Article 4 (Special Cases concerning Collective Investment Business Entities, Etc.)

(1) A collective investment business entity (including an investment company, an investment limited company, an investment limited partnership company, an investment limited liability company or an investment limited partnership, which is a privately placed fund and has that collective investment business entity as its corporate director, managing member, manager, or general partner; hereafter in this Article referred to as "collective investment business entity, etc.") that manages, as at the time this Act enters into force, a privately placed fund registered under Article 182 before this Act enters into force, may create or establish a privately placed fund under the former provisions for the three-year period from the date this Act enter into force.

(2) The term of existence of any privately placed fund to be created or established under paragraph (1) shall be determined within four years from the date this Act enter into force.

(3) The aggregate of collective investment securities of a privately placed fund to be issued by a collective investment business entity, etc. shall not exceed the aggregate of the collective investment property of the privately placed fund to be terminated or dissolved after this Act enters into force among the collective investment property of the privately placed fund managed as at the time this Act enters into force.

(4) Detailed standards and methods for the calculation of collective investment securities and collective investment property referred to in paragraph (3) and other relevant matters shall be prescribed by

Presidential Decree.

Article 5 (Special Cases concerning Registration of Hedge Fund Investment Business by Reporting)

(1) A person who engages in a collective investment business and has obtained authorization for all of the collective investment business or for collective investment business for the former hedge fund as at the time this Act is promulgated, may file a report with the Financial Services Commission upon satisfying the requirements for maintaining authorization prescribed in the amended provisions of Article 249-3 (8) within two months after the promulgation of this Act.

(2) Upon receipt of a report filed under paragraph (1), the Financial Services Commission shall examine whether the person who has filed the report satisfies the requirements for maintaining registration prescribed in the amended provisions of Article 249-3 (8), and shall notify him or her of the result thereof within four months from the filing date of the report. In such cases, the person who receives a notice confirming that he or she satisfies the requirements for maintaining registration shall be deemed to have been registered to engage in the hedge fund investment business on the enforcement date of this Act.

(3) A person who receives a notice that he or she fails to satisfy the requirements for maintaining registration prescribed in the amended provisions of Article 249-3 (8) among persons who has filed a report under paragraph (1) and a person who fails to file a report under paragraph (1), may continue the business related to the privately placed fund created or established before this Act enters into force pursuant to the former provisions for the five-year period from the date this Act enter into force, notwithstanding the amended provisions of Article 249-3 (1).

Article 6 (Special Cases concerning Registration of Hedge Fund Investment Business by Application)

(1) A person who engages in a collective investment business and has obtained an authorization other than the authorization referred to in Article 5 (1) of the Addenda as at the time this Act is promulgated, may file an application for registration of hedge fund investment business with the Financial Services Commission within two months after the promulgation of this Act.

(2) Upon receipt of an application for registration filed under paragraph (1), the Financial Services Commission shall examine the contents thereof and notify the applicant of the result of the examination within four months from the filing date of the application. In such cases, the amended the amended provisions of Article 249-3 (1) through (7) shall apply mutatis mutandis to the requirements for registration, filing applications and examination of applications.

(3) A person whose application is rejected under paragraph (2) among persons who has filed an application under paragraph (1) and a person who fails to file an application under paragraph (1), may continue the business related to the privately placed fund created or established before this Act enters into force pursuant to the former provisions for the five-year period from the date this Act enter into force, notwithstanding the amended provisions of Article 249-3 (1).

Article 7 (Special Cases concerning Exclusion from Application to Hedge Funds)

@Articles 184 (3), (4) and (6), 238 (4) and (5), and 247 (5) 4 and 5 shall not apply to any hedge fund deemed to be a hedge fund under Article 10 (2) of the Addenda as at the time this Act enters into force, notwithstanding the amended provisions of Article 249-8 (1).

Article 8 (Special Cases concerning Exclusion from Application to Private Equity Funds)

@Articles 184 (3) and (4), 185, 244 through 246, and 247 (5) 4 and 5 shall not apply to any private equity fund deemed to be a private equity firm under Article 10 (3) of the Addenda as at the time this Act enters into force, notwithstanding the amended provisions of Article 249-20 (1).

Article 9 (Transitional Measures concerning Borrowing Money)

Where the total amount of money borrowed on a collective investment scheme's account as at the time this Act enters into force fails to comply with the amended provisions of Article 83 (2), such amount shall be deemed to be in compliance with such amended provisions for the one-year period from the date this Act enter into force.

Article 10 (Transitional Measures concerning Privately Placed Funds)

(1) Privately placed funds created or established, and registered under Article 182 before this Act enters into force, shall be governed by the former provisions.

(2) Hedge funds created or established, and reported under the former Article 249-2 before this Act enters into force, shall be deemed to be hedge funds created or established, and reported under the amended provisions of Article 249-6.

(3) Private equity firms established and registered under the former Article 268 before this Act enters into force, shall be deemed to be private equity funds established and registered under the amended provisions of Article 249-10.

(4) Private equity firms for corporate financial stability established and registered under the former Article 268 before this Act enters into force shall be deemed to be private equity funds for corporate financial stability established and reported under the amended provisions of Article 249-10.

Article 11 (Transitional Measures, etc. concerning Management of Hedge Funds)

(1) Where a hedge fund deemed to be a hedge fund under Article 10 (2) of the Addenda fails to comply with the amended provisions of Article 249-7 (1) as at the time this Act enters into force, the hedge fund shall be deemed to be in compliance with such amended provisions for the one-year period from the date this Act enter into force.

(2) The amended provisions of Article 249-7 (2) shall begin to apply from the real estate acquired by a hedge fund that is deemed to be a hedge fund under Article 10 (2) of the Addenda as at the time this Act enters into force, after this Act enters into force.

Article 12 (Transitional Measures concerning Loans, etc. by Private Equity Funds)

Where a private equity firm which is deemed to be a private equity fund under Article 10 (3) of the Addenda fails to comply with the amended provisions of Article 249-12 (7) as at the time this Act enters into force, the private equity firm shall be deemed to be in compliance with such amended provisions for the one-year period from the date this Act enter into force.

Article 13 (Transitional Measures concerning Managing Members)

A managing member of a private equity firm registered under the former Article 272-2 as at the time this Act enters into force, shall be deemed registered under the amended provisions of Article 249-15 for the duty of managing the property of the private equity firm only.

Article 14 (Transitional Measures concerning Acquisition, etc. of Equity Securities of Affiliated Companies of Business Groups subject to Limitations on Cross Shareholding)

Where an affiliated company of a business group subject to limitations on cross shareholding that falls under the amended provisions of Article 249-18 (2) as at the time this Act enters into force fails to comply with the amended provisions of Article 249-18 (4), the affiliated company, shall be deemed to be in compliance with such amended provisions for the six-month period from the date this Act enter into force.

Article 15 (Transitional Measures concerning Management of, Loans by, Private Equity Funds for Corporate Financial Stability)

Where a private equity firm for corporate financial stability which is deemed to be a private equity fund for corporate financial stability under Article 10 (4) of the Addenda as at the time this Act enters into force fails to comply with the amended provisions of Article 249-22 (2) 4 or (4), the private equity firm shall be deemed to be in compliance with such amended provisions for the one-year period from the date this Act enter into force.

Article 16 (Transitional Measures for Exchange's Liability for Damage)

Notwithstanding the amended provisions of Article 399 (2), (4) and (5), compensation for any damage caused by the violation of the trading contract by any member of an exchange in the securities market or the derivatives market under Article 399 (1) before the amended provisions of Articles 399 (1), (4) and (5) enters into force, shall be governed by the former provisions.

Article 17 (Transitional Measures concerning Administrative Dispositions, etc.)

Administrative dispositions, etc. against a violation committed before this Act enters into force shall be governed by the former provisions.

Article 18 (Transitional Measures concerning Penalty Provisions)

The application of penalty provisions against a violation committed before this Act enters into force shall be governed by the former provisions.

Article 19 Omitted.

Article 20 (Relations with other Statutes)

(1) A citation of a private equity firm in any other statutes as at the time this Act enters into force, shall be deemed a citation of a private equity fund under this Act in lieu thereof.

(2) A citation of a privately placed fund in any other statutes as at the time this Act enters into force, shall be construed to include a privately placed fund created or established, and registered under Article 182 before this Act enters into force; and a privately placed fund created or established under Article 4 (1) of the Addenda, until the expiration of its term of existence.

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. 13782, Jan. 19, 2016*>

Article 1 (Enforcement Date)

This Act shall enter into force on September 1, 2016.

Articles 2 through 8 Omitted.

ADDENDA <*Act No. 14075, Mar. 18, 2016*>

Article 1 (Enforcement Date)

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

Articles 2 through 7 Omitted.

ADDENDA <*Act No. 14096, Mar. 22, 2016*>

Article 1 (Enforcement Date)

This Act shall enter into force on the date prescribed by Presidential Decree, which is no later than four years after the date of its promulgation.

Articles 2 through 11 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.)

Articles 2 through 8 Omitted.

ADDENDA <*Act No. 14130, Mar. 29, 2016*>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation: Provided, That the following amended provisions shall enter into force on the date prescribed in each subparagraph:

1. Amended Articles 28-2, 81 (4), 94 (1), the latter part of Article 160 (limited to the part that excludes subparagraph 3 pertaining to quarterly reports) and Article 194 (11): The date of promulgation of this Act;

2. Amended Article 159 (2) and the latter part of Article 160 (limited to the part that excludes subparagraph 3-2 pertaining to quarterly reports): Two years after the date of promulgation of this Act.

Article 2 (Applicability to Real Estate Funds, Etc.)

(1) The amended Articles 81 (4) and 94 (1) shall also apply to real estate funds referred to in subparagraph 2 of Article 229, which have been created or established before such amended provisions enter into force.

(2) The amended Article 194 (11) shall also apply to real estate funds referred to in subparagraph 2 of Article 229 and hedge funds referred to in Article 249-6 which have been established before such amended provisions enter into force.

Article 3 (Applicability to Entry of Remuneration, etc. of Each Person whose Total Amount of Remuneration Ranks at Top Five)

The amended Article 159 (2) shall begin to apply from a half-yearly report to be submitted in 2018.

Article 4 (Applicability to Quarterly Reports)

The amended provisions in the latter part of Article 160 shall begin to apply from the first quarter report to be submitted after such amended provisions enter into force.

Article 5 (Applicability to Reporting on Board of Directors' Decision to Pay Dividends at General Meeting of Shareholders)

The amended Article 165-12 (9) shall begin to apply from the first decision to pay dividends by a resolution of the board of directors after this Act enters into force.

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. 14458, Dec. 20, 2016>*

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2017: Provided, That the amended provisions of Article 249-22 shall enter into force on the date of its promulgation.

Article 2 (Transitional Measures concerning Private Equity Funds for Corporate Financial Stability)

(1) A private equity fund for corporate financial stability reported to the Financial Services Commission under the former Article 249-22 as at the time the amended provisions of Article 249-22 enters into

force and a special-purpose company to which a private equity fund for corporate financial stability has contributed as its shareholder or partner under paragraph (3) of the same Article, shall be deemed a private equity fund for corporate financial stability reported to the Financial Services Commission under the same amended provisions and a special-purpose company to which a private equity fund for corporate financial stability has contributed as its shareholder or partner under the same amended provisions of paragraph (3), respectively.

(2) Notwithstanding Article 2 (2) of the Addenda to the partially amended Financial Investment Services and Capital Markets Act (Act No. 13448), a private equity fund for corporate financial stability and a special-purpose company, to which this Act applies pursuant to paragraph (1), may receive additional contribution, starting from the date the amended provisions of Article 249-22 becomes effective.

ADDENDA <*Act No. 14817, Apr. 18, 2017*>

Article 1 (Enforcement Date)

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

Articles 2 through 5 Omitted.

ADDENDA <*Act No. 14827, 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 Articles 166-2 (1) 3 and 443 (1) shall enter into force on the date of its promulgation, and Article 5 of the Addenda shall enter into force on the enforcement date of the Act on Electronic Registration of Stocks, Bonds, Etc. (Act No. 14096).

Article 2 (Special Cases concerning Trading, etc. of Over-the-Counter Derivatives)

Notwithstanding the amended provisions of Article 166-2 (1) 3, any of the following persons shall be governed by the former provisions until one year passes from the enforcement date of the same amended provisions:

1. An investment trader or investment broker whose net operating capital is not less than twice the amount of gross risks and falls short of the ratio prescribed in the amended provisions of Article 166-2 (1) 3, as at the time the same amended provisions enters into force;

2. An investment trader or investment broker who has filed with the Governor of the Financial Supervisory Service an application for the application of the former provisions for one year from the enforcement date of the amended provisions of Article 166-2 (1) 3, as a person whose net operating capital is not less than twice the amount of gross risks and meets the ratio prescribed in the same amended provisions, as at the time the same amended provisions enters into force.

Article 3 (Transitional Measures concerning Penalty Surcharges)

Notwithstanding the amended provisions of Article 349, 428 (1) and (2), imposition of a penalty surcharge against any violation committed before this Act enters into force shall be governed by the former provisions.

Article 4 (Transitional Measures concerning Penalty Provisions)

(1) Notwithstanding the amended provisions of Article 443 (1), application of penalty provisions to any violation committed before the same amended provisions enter into force, shall be governed by the former provisions.

(2) Notwithstanding the amended provisions of subparagraphs 60 and 61 of Article 446, application of a penalty provisions to any violation committed before the same amended provisions enter into force, shall be governed by the former provisions.

Article 5 Omitted.

ADDENDUM *<Act No. 15021, Oct. 31, 2017>*

This Act shall enter into force on the date of its promulgation: Provided, That the amended provisions of Articles 119 (8), 130 and 165-9 shall enter into force six months after the date of its promulgation.

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.

ADDENDUM *<Act No. 15549, Mar. 27, 2018>*

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

ADDENDA *<Act No. 16191, Dec. 31, 2018>*

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 56 (1) and (5) through (7), and Article 449 (1) 24 and 25 and (3) 4 shall enter into force one year after the date of its promulgation.

Article 2 (Applicability to ex officio cancellation)

The number of impositions of an administrative fine under Article 101 (9) 2 shall be counted from the date this Act enters into force.

Article 3 (Applicability to Existing Quasi-Investment Advisory Business Entities)

Where a person who conducts quasi-investment advisory business after reporting such business before this Act enters into force completes education under Article 101 (7) within one year after this Act enters into force, he or she shall be deemed to report that business pursuant to the amended provisions, and the validity period of such report shall be five years from the date of completing the education.

ADDENDUM *<Act No. 16657, Nov. 26, 2019>*

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

ADDENDA *<Act No. 16859, Dec. 31, 2019>*

Article 1 (Enforcement Date)

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

Articles 2 through 10 Omitted.

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. 16958, Feb. 4, 2020>*

Article 1 (Enforcement Date)

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

Article 2 (Transitional Measures concerning Gender Composition of Board of Directors)

A stock-listed corporation that fails to meet the amended provisions of Article 165-20 as at the time this Act enters into force, shall comply with the amended provisions within two years from the date this Act enters into force.

ADDENDA *<Act No. 16998, Feb. 11, 2020>*

Article 1 (Enforcement Date)

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

Articles 2 through 11 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.

ADDENDA <*Act No. 17219, Apr. 7, 2020*>

Article 1 (Enforcement Date)

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

Articles 2 and 3 Omitted.

ADDENDUM <*Act No. 17295, May 19, 2020*>

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

ADDENDA <*Act No. 17764, Dec. 29, 2020*>

Article 1 (Enforcement Date)

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

Articles 2 through 4 Omitted.

ADDENDA <*Act No. 17799, Dec. 29, 2020*>

Article 1 (Enforcement Date)

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

Articles 2 through 26 Omitted.

ADDENDUM <*Act No. 17805, Dec. 29, 2020*>

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

ADDENDA <*Act No. 17879, Jan. 5, 2021*>

Article 1 (Enforcement Date)

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

Article 2 (Applicability to Restrictions on Acquisition of Stocks through Public Offering or Sale by Short Sellers)

The amended provisions of Article 180-4 shall begin to apply to cases where a plan for public offering or sale of stocks listed on the securities market is disclosed after this Act enters into force.

Article 3 (Transitional Measures concerning Administrative Fines)

The application of administrative fines to any violation of Article 180 before this Act enters into force shall be governed by the previous provisions.

Last updated : 2021-10-29