

# BANKING ACT OF KOREA

## Chapter I GENERAL PROVISIONS

### Article 1 (Purpose)

The purpose of this Act is to contribute to the development of the national economy by ensuring the sound operation of financial institutions, protecting depositors, and maintaining credit order.

### Article 2 (Definitions)

(1) For the purpose of this Act, the definitions of terms shall be as follows: <Amended by Act No. 5745, Feb. 5, 1999>

1. The term "banking business" means a business of lending funds raised by bearing debts from many unspecified persons through the receipt of deposits and issuance of securities and other bonds;
2. The term "financial institutions" means all legal persons other than the Bank of Korea regularly and systematically engaged in the banking business;
3. The term "commercial financial business" means a business which loans funds primarily raised by receipt of demand deposits within a period of less than a year, or makes loans for a period of not less than a year but less than three years, within the scope not exceeding the ceiling limit on loans as determined by the Financial Supervisory Commission, taking into account the total deposits;
4. The term "long-term financial business" means a business which loans funds raised by capital stock, reserves, other surplus, or time deposits with a maturity of more than one year, or through the issue of debentures or other bonds for a period exceeding one year;
5. The term "equity capital" means the total amount of core capital and supplementary capital according to the standards set by the Bank for International Settlements;
6. The term "payment guarantee" means a guarantee or acceptance of another person by financial institutions; and
7. The term "credits" means loans, payment guarantees and purchase of securities (limited to those of fund assistance nature)

or other direct and

indirect transactions by financial institutions, which involve credit risk in financial transactions.

(2) The specific scope of equity capital and credits under paragraph (1) 5 and 7 shall be determined by the Financial Supervisory Commission on such terms and conditions as the Presidential Decree may determine. <Newly Inserted by Act No. 5745, Feb. 5, 1999>

### Article 3 (Applicable Provisions)

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

(2) This Act and the Bank of Korea Act shall prevail over the Commercial Act

and other Acts and subordinate statutes.

**Article 4 (Legal Persons)**

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

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

Any credit business sector of the National Agricultural Cooperatives Federation, the National Federation of Fisheries Cooperatives and its member, fisheries cooperatives and the National Livestock Cooperatives Federation shall be deemed a financial institution.

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

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

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

(1) Whether a legal person is a financial institution shall be determined by the Financial Supervisory Commission. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

(2) The Financial Supervisory Commission may require any legal person concerned to submit books and other documents as necessary to make decisions referred to in paragraph (1). <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

**Chapter II AUTHORIZATION, ETC. OF BANKING BUSINESS**

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

(1) Any person who desires to be engaged in the banking business shall be subject to authorization by the Financial Supervisory Commission. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

(2) In determining whether to grant authorization under paragraph (1), the Financial Supervisory Commission shall confirm the feasibility of a business project, the appropriateness of capital stock, stockholders' makeup and stock subscription capital, managerial abilities and probity of the organizers or the management, and the public-interest. In this case, the matters necessary for confirmation methods, etc. shall be determined by the Presidential Decree. <Amended by Act No. 5540, May 25, 1998; Act No. 5745, Feb. 5, 1999; Act No. 5982, May 24, 1999>

(3) The Financial Supervisory Commission may set conditions for authorization under paragraph (1). <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

**Article 9 (Minimum Capital Stock)**

Capital stock of a financial institution shall be not less than one hundred billion won: Provided, That capital stock of a financial institution which does not operate nationwide may be not less

than twenty-five billion won.

**Article 10 (Authorization on Amendment of Articles of Association and Reduction in Capital Stock)**

(1) Where any financial institution desires to perform the following activities, it shall be subject to authorization by the Financial Supervisory Commission:

1. Amendment of the articles of association: Provided, That this shall not apply where it intends to alter minor matters as determined by the Financial Supervisory Commission; and

2. Reduction in capital stock as determined by the Presidential Decree.

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

(3) The Financial Supervisory Commission may set conditions for authorization referred to in paragraph (1).

**Article 11 (Submission of Application)**

(1) Any person who intends to obtain authorization under Articles 8 (1) and 10 (1) shall submit an application to the Financial Supervisory Commission.

<Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

(2) The contents and type of the application under paragraph (1) shall be determined by the Financial Supervisory Commission. <Amended by Act No. 5982, May 24, 1999>

**Article 12 (Public Notice for Authorization)**

Where the Financial Supervisory

Commission grants authorization under Article 8 (1) or 10 (1), he shall make public notification of the contents in the Gazette or one or more daily newspapers published in Seoul Special Metropolitan City. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

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

The Financial Supervisory Commission may set the standards and procedures on the establishment and closure of branches, agents or other business places or offices of a financial institution, and the relocation of its head office, branches, agents or other business places or offices.

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

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

**Chapter III STOCKHOLDING LIMIT BY FINANCIAL INSTITUTIONS**

**Article 15 (Stockholding Limit, etc. by Same Persons)**

(1) One stockholder and a person who has a special relationship associated

with the former as determined by the Presidential Decree (hereinafter referred to as the "same person") shall not hold or control (including those which the same person holds in another's name or casts votes in collusion, hereinafter in this Article, Articles 16 and 26 referred to as "holding") more than 4/100 of the total number of issued voting stock): Provided, That this shall not apply to any case falling under any of the following subparagraphs and paragraphs (2) through (4):

1. Where the Government or the Korea Deposit Insurance Corporation established under Article 3 of the Depositor Protection Act holds stocks of a financial institution; and

2. Where he holds less than 15/100 of the total number of issued voting stocks of a financial institution which does not operate nationwide.

(2) Foreigners listed in subparagraph 1 of Article 2 of the Foreign Investment Promotion Act (hereinafter referred to as "foreigners") may hold less than 10/100 of the total number of issued voting stocks in financial institutions, notwithstanding the provisions of the main sentence of paragraph (1). In this case, the foreigners shall report to the Financial Supervisory Commission.

<Amended by Act No. 5745, Feb. 5, 1999>

(3) Where any person intends to hold voting stocks of a financial institution as any of the following subparagraphs may determine, he may, notwithstanding the provisions of the main sentence of paragraph (1), upon approval by the Financial Supervisory Commission, hold stocks to the extent approved:

1. Where he intends to hold stocks of such financial institution at the time of the establishment of a joint financial institution as determined by the Presidential Decree;

2. Where he intends to hold stocks of such financial institution at the time of the establishment of a financial institution established by foreigners as determined by the Presidential Decree; and

3. Where a foreigner intends to hold stocks of a financial institution above the limits under any of the following items:

(a) Limit in paragraph (2) (for financial institutions under paragraph (1)2, the limit in the same paragraph and subparagraph);

(b) 25/100 of the total number of issued voting stocks of the relevant financial institution; and

(c) 33/100 of the total number of issued voting stocks of the relevant financial institution.

(4) Nationals or legal persons of the Republic of Korea referred to in subparagraphs 2 and 3 of Article 2 of the Foreign Investment Promotion Act may, notwithstanding the provisions of the main sentence of paragraph (1), hold stocks of the relevant financial institution through the same procedures within the limit of a report under paragraph (2) or of approval obtained under paragraph (3)3 by any foreigner. <Amended by Act No. 5745, Feb. 5, 1999> (5) Where the Financial Supervisory Commission refuses to accept a report under paragraphs (2) and (4) or does not grant approval under paragraphs (3) and (4), it shall specify and notify such cause to the applicant within the period as determined by the Presidential Decree.

(6) In applying the provisions of paragraphs (2) through (5), the qualifications for any person to hold stocks of financial institutions, the requirements and procedures of report or approval related to stockholding and

other necessary matters shall be determined by the Presidential Decree in consideration of the propriety of the size of assets and financial status, size of loans from the financial institution, and the possible contribution to the efficiency and soundness of the banking business: Provided, That the number of financial institutions in which any enterprise belonging to an affiliated business group as determined by the Presidential Decree and its persons concerned can hold stocks under paragraphs (3) and (4), taking into account the size of loans, shall be limited to one.

(7) The total amount of loans and debt-payment guarantees which a financial institution can make to the same person who holds stocks of the financial institution upon approval under paragraphs (3) and (4) shall not exceed the amount equivalent to the ratio as determined by the Presidential Decree, within the scope of 45/100 of the financial institution's equity capital or the amount equivalent to the ratio of contribution made to the financial institution by the same person, whichever is smaller.

(7) Credits which can be extended to the same person who holds more than 10/100 (15/100 for any financial institution which does not cover the nationwide territory) of the total number of issued voting stocks of the relevant financial institution shall, within the limit of 25/100 of the financial institution's equity capital, not exceed the amount equivalent to the ratio as determined by the Presidential Decree or the ratio invested by the same person in the financial institution, whichever is smaller.

<Amended by Act No. 5745, Feb. 5, 1999> <<Enforcement Date: Jan. 1, 2000>>

(8) A stockholder of a financial institution shall not have the financial institution in which he holds stocks force any act derogating from any sound financial trade or exercise influence on it.

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

(1) Where the same person holds stocks beyond the stockholding limit referred to in Article 15, the extent to which he is entitled to cast votes on the stocks shall be restricted to the limit referred to in Article 15, and he shall ensure that he conforms to the limit.

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

Article 17 Deleted. <by Act No. 5745, Feb. 5, 1999>

### **Chapter IV OFFICERS AND EMPLOYEES**

#### **Article 18 (Qualifications, etc. for Officers)**

(1) No person falling under any of the following subparagraphs shall be an officer of any financial institution, and if he falls hereunder after becoming one, he shall lose the office: <Amended by Act No. 5540, May 25, 1998; Act No. 5745, Feb. 5, 1999>

1. Deleted; <by Act No. 5540, May 25, 1998>

2. A minor or a person who is incompetent or quasi-incompetent;

3. A bankrupt who has not been reinstated;

4. A person who has been sentenced to imprisonment without prison labor or more severe punishment and for whom five years have not elapsed since he

completed the sentence (including where he is deemed to have completed the sentence) or was exempted from the sentence;

5. A person who has been sentenced to a fine or more severe punishment under this Act or any foreign country's banking Acts and subordinate statutes and other finance-related Acts and subordinate statutes as determined by the Presidential Decree and for whom five years have not elapsed since he completed the sentence (including where he is deemed to have completed the sentence) or was exempted from the sentence;

6. A person who has been granted a stay of execution of a sentence to imprisonment without prison labor or more severe punishment and who is under a suspended sentence;

7. A person who has been dismissed or removed from office by disciplinary punishment under this Act, the Bank of Korea Act, the Act on the Establishment, etc. of Financial Supervisory Organizations, the Act on the Structural Improvement of the Financial Industry, or any foreign country's finance-related Acts and subordinate statutes, and for whom five years have not elapsed since he was dismissed or removed by disciplinary punishment; and

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

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

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

<Amended by Act No. 5745, Feb. 5, 1999>

**Article 19 Deleted. <by Act No. 5745, Feb. 5, 1999>**

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

(1) No officer or employee of a financial institution shall be an officer or employee of the Bank of Korea or other financial institution, and no permanent officer of a financial institution shall be engaged in the day-to-day operations of other profit-making corporations: Provided, That this shall not apply where an officer of a financial institution is appointed as manager pursuant to the Company Reorganization Act.

(2) No officer or employee of a financial institution shall be an officer or employee of its subsidiary referred to in Article 37 (2): Provided, That this shall not apply where the Presidential Decree may otherwise determine.

<Amended by Act No. 5745, Feb. 5, 1999>

### **Article 21 (Prohibition of Bribery, etc.)**

No officers or employees of a financial institutions shall request or accept bribes, or receive or promise bribes in connection with his duties.

### **Article 22 (Composition of Board of Directors)**

(1) Deleted. <by Act No. 5745, Feb. 5, 1999>

(2) The board of directors of a financial institution shall be composed of permanent directors and non-permanent directors, and the permanent directors shall be less than 50/100 of all the directors.

(3) The non-permanent directors shall be recommended by the stockholders' representatives and the board of directors, respectively, according to the ratio as determined in the following subparagraphs:

1. 70/100 of all the non-permanent directors shall be recommended by the stockholders' representatives;

2. 30/100 of all the non-permanent directors shall be recommended by the board of directors.

(4) Where the composition of the board of directors fails to meet the requirements under paragraph (2) or (3) due to any non-permanent director's resignation or death, the composition of the board of directors shall be adjusted to meet the requirements under paragraphs (2)

and (3) by the date of the regular general stockholders' meeting convened for the first time after such a cause occurs.

(5) Candidates for non-permanent directors as recommended by the stockholders' representatives pursuant to paragraph (3) shall be the stockholders' representatives themselves or persons recommended by the stockholders' representatives.

(6) The stockholders' representatives referred to in paragraph (3) shall be appointed, excluding those falling under any of the following subparagraphs:

1. An institutional investor as determined by the Presidential Decree;

2. A person of bad credit standing as determined by the Presidential Decree;

3. An enterprise belonging to any affiliated business group as determined by the Presidential Decree, taking into account the size of credit from financial institutions;

4. A person who controls any affiliated business group listed in subparagraph 3 (hereinafter referred to as an "owner of affiliated enterprises"); and

5. A person who has a special relationship under Article 15 (1) with the owner of affiliated enterprises.

(7) No person who falls under any of the following subparagraphs shall be a non-permanent director referred to in paragraph (3):

1. An officer or equivalent of an enterprise belonging to any affiliated business group as determined by the Presidential Decree, taking into account the size, etc. of credit from financial institutions;

2. An owner of affiliated enterprises; and

3. A person who has a special relationship under Article 15 (1) with the owner of affiliated enterprises.

(8) In applying the provisions of paragraph (3), the method of dealing with fractions, the mode of appointing the stockholders' representatives, and the mode of recommending non-permanent directors shall be determined by the Presidential Decree.

(9) Deleted. <by Act No. 5745, Feb. 5, 1999>

(10) The necessary matters on the operation, composition, and procedures of the board of directors not provided in this Act shall be determined by the Presidential Decree.

### **Article 23 (Powers of Board of Directors)**

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

1. Matters on management objectives and evaluation;
2. Matters on the amendment of the articles of association;
3. Matters on the budget and settlement of accounts, including the remuneration of officers and employees;
4. Deleted; and <by Act No. 5745, Feb. 5, 1999>
5. Matters on major changes in organization such as dissolution, business transfer, and merger.

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

### **Article 24 (Recommendation for Candidates as Bank Governor and Auditors)**

Candidates for governor and auditors of a bank shall be recommended by a committee on recommendations for candidates which is composed of all of the non-permanent directors. In this case, the committee on recommendations for candidates shall make decisions by an affirmative vote of a two-thirds majority of all the non-permanent directors.

### **Article 25 (Restriction on Voting Right of Interested Persons)**

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

### **Article 26 (Exclusion, etc. from Application)**

(1) The provisions of Article 22 (3) and (5) through (9) shall not apply to the following financial institutions: <Amended by Act No. 5745, Feb. 5, 1999>

1. Financial institutions under Article 15 (3)1, and financial institutions in which the same person holds more than 10/100 (15/100 for any financial institution which does not cover the territory nationwide)

but not more than 50/100 of the total number of issued voting stocks pursuant to subparagraph 3 of the said paragraph; and

2. Financial institutions having a stable management agency and meeting the standards as determined by the Presidential Decree, such as being unlikely to bring about the centralization of economic power, in consideration of stock distribution.

(2) The provisions of Articles 22 through 24 shall not apply to financial institutions under Article 15 (3)2 and financial institutions in which the same person holds more than 50/100 of the total number of issued voting stocks. <Amended by Act No. 5745, Feb. 5, 1999>

(3) Deleted. <by Act No. 5745, Feb. 5, 1999>



## **Chapter V BANKING OPERATIONS**

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

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

(2) The scope of banking operations referred to in paragraph (1) shall be determined by the Presidential Decree. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

### **Article 28 (Authorization on Combined Business)**

(1) Where any financial institution intends to conduct any business other than the banking business, it shall be subject to authorization by the Financial Supervisory Commission. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

(2) Where engaged in the business listed in paragraph (1), the financial institution shall separate the business from banking operations and maintain distinct records.

### **Article 29 (Trust Business)**

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

(2) The provisions of Article 30 (1) shall not apply to a trust business referred to in paragraph (1). <Amended by Act No. 5745, Feb. 5, 1999>

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

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

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

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

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

(1) Financial institutions may combine their commercial financial business and

long-term financial business.

(2) Any loan with a maturity of not less than three years shall be repaid regularly on an installment plan of not more than a year: Provided, That any loan for an enterprise to which income accrues after a lapse of a given period may be granted a grace period for a specified period.

### **Article 32 (Handling of Checking Accounts)**

Checking accounts may be handled

only by financial institutions which are engaged in the commercial financial business.

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

The necessary matters on the

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

<Amended by Act No. 5745, Feb. 5, 1999>

### **Article 34**

Deleted. <by Act No. 5745, Feb. 5, 1999>

### **Article 35 (Credit Line on Same Borrower, etc.)**

(1) No financial institution shall make loans exceeding 15/100 of the equity capital of the financial institution to the same individual or corporation:

Provided, That this shall not apply to the following subparagraphs:

1. Where it has, due to an urgent national economic need, obtained approval from the Financial Supervisory Commission within the scope as determined by the Presidential Decree; and
2. Where it makes loans to any governmental agency under the Bank of Korea Act.

(2) No financial institution shall provide a debt-payment guarantee exceeding 30/100 of the equity capital of the financial institution: Provided, That this shall not apply where it has, due to an urgent national economic need, obtained approval from the Financial Supervisory Commission within the scope as determined by the Presidential Decree.

(3) The kinds of loans and debt-payment guarantees, method of approval under paragraphs (1) and (2), and other necessary matters, and the kinds of loans and debt-payment guarantee under Article 15 (7) shall be determined by the Presidential Decree. Article 35 (Credit Line on Same Borrowers, etc.)

- (1) No financial institution shall extend credits exceeding 25/100 of the financial institution's equity capital to the same individual, corporation or person with whom it shares credit risk as determined by the Presidential Decree (hereinafter referred to as the "same borrowers"): Provided, That this shall not apply hereunder as determined by the Presidential Decree: <<Enforcement Date: Jan. 1, 2000>>
1. Where it is necessary for the national economy or for a financial institution to promote the effectiveness of securing claims; and
  2. Where a financial institution exceeds the line referred to in the main sentence due to changes in its equity capital or changes in the composition

of the same borrowers although it did not extend further credits.

(2) Where a financial institution exceeds the line referred to in the main sentence of paragraph (1) pursuant to paragraph (1)2, it shall ensure that it meets the line under the main sentence of paragraph (1) within one year from the date on which it exceeds such line: Provided, That in any inevitable cause as determined by the Presidential Decree, the Financial Supervisory Commission may extend it by setting such period. <<Enforcement Date: Jan. 1, 2000>>

(3) No financial institution shall extend credits exceeding 20/100 of the financial institution's equity capital to the same individual or corporation, respectively: Provided, That this shall not apply where it falls under the proviso of paragraph (1). <<Enforcement Date: Jan. 1, 2000>>

(4) Where credit which a financial institution extends to the same individual, corporation, or the same borrower exceeds 10/100 of the financial institution's equity capital, the total amount of such large credits shall not exceed five times of the financial institution's equity capital: Provided, That this shall not apply where it falls under the proviso of paragraph (1). [This Article Wholly Amended by Act No. 5745, Feb. 5, 1999]

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

Loans to governmental agencies

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

#### **Article 37 (Restriction on Investments in Other Companies)**

(1) No financial institution shall hold more than 10/100 of issued stocks (including stakes; hereinafter in this Article the same shall apply) in any other company. <Amended by Act No. 5520, Feb. 24, 1998>

(2) Notwithstanding the provisions of paragraph (1), a financial institution, if a company falls under any category of business as determined by the Financial Supervisory Commission or obtains approval from the Financial Supervisory Commission as necessary for promoting corporate restructuring, may hold more than 15/100 of issued stocks in the company: Provided, That this shall apply only where it falls under the following subparagraphs: <Amended by Act No. 5520, Feb. 24, 1998; Act No. 5745, Feb. 5, 1999>

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

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

(3) No financial institution shall carry out the following activities in doing business with its subsidiaries: <Amended by Act No. 5745, Feb. 5, 1999>

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

2. Credits in which the stocks of the financial institution's subsidiaries are offered as security, and credits to purchase the stocks of the financial institution's subsidiaries; and

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

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

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

No financial institution shall conduct the

following activities: <Amended by Act No. 5745, Feb. 5, 1999>

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

2.Ownership of real estate (excluding real estate acquired through the exercise of a security such as mortgage)other than real estate for business purposes;

3.Ownership of real estate used for business purposes in excess of an amount equivalent to the ratio as determined by the Presidential Decree with the limits of 100/100 of equity capital;

4.Loans of funds to speculate in commodities or securities;

5.Loans in which stocks of the financial institution or stocks exceeding 20/100 of issued stocks of other stock companies are offered as security, whether directly or indirectly.

6.Loans contingent on the purchase of stocks of the financial institution, whether directly or indirectly;

7.Loans for political funds, directly or indirectly;

8.Loans to officers or employees of the financial institution (excluding petty loans as determined by the Financial Supervisory Commission); and

9.Acquisition or ownership of stocks of the financial institution (excluding where determined by the Presidential Decree, such as the acquisition of nonvoting stocks).

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

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

## **Chapter VI ACCOUNTING**

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

A financial institution shall accumulate not less than 10/100 of its net profits until the reserve amounts to the total amount of capital stock each time it pays dividends on earned net profits.

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

(1) A financial institution shall make public notice of balance sheets as of closing date, a profit and loss statement for the period for settlement of accounts concerned, and consolidated financial statements as determined by the Financial Supervisory Commission in accordance with the form as determined by the Financial Supervisory Commission within three months from the closing date: Provided, That for documents which cannot be made public within three months for compelling reasons, the public notice may be delayed upon approval by the Financial Supervisory Commission.

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

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

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

(1) A financial institution shall submit its balance sheets at the end of every month to the Bank of Korea, and the Bank of Korea shall carry them in the statistical monthly of the Bank of Korea.

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

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

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

A financial institution may, upon

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

### **Chapter VII SUPERVISION AND INSPECTION**

#### **Article 44 (Supervision over Financial Institutions)**

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

#### **Article 45 (Guidance for Sound Management)**

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

(2) The Financial Supervisory Commission may set the guidelines for management

guidance to ensure the sound management of financial institutions under conditions as the Presidential Decree may determine.

(3) In its determining the guidelines for management guidance pursuant to paragraph (2), the Financial Supervisory Commission shall reflect the principle of asset quality for financial institutions recommended by the Bank for International Settlements. <Newly Inserted by Act No. 5745, Feb. 5, 1999>

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

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

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

#### **Article 47 (Submission of Business Report, etc.)**

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

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

(3) Financial institutions shall provide materials for the execution of his functions as may be requested by the FSS Governor.

#### **Article 48 (Inspection)**

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

(2) Financial institutions shall, upon request by the FSS Governor or his employees, provide books, records, or other material necessary for the inspection.

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

#### **Article 49 (Contributions)**

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

(2) The sharing rate and limit of contributions under paragraph (1) and other

necessary matters on the payment of contributions shall be determined by the Presidential Decree.

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

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

- 1.Changes in book values of assets;
- 2.Holding reserves for unsound assets; and
- 3.Writing off assets deemed valueless.

### **Article 51 (Disclosure of Management)**

Financial institutions shall disclose important information and other materials on management conditions other than those provided for in Article 41 (1) on conditions as the Financial Supervisory Commission may determine.

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

(1)A financial institution shall protect the rights and interest of the users of the financial institution in conducting business under this Act, and where it intends to establish or modify the contractual standards relating to financial transactions, it shall make a report in advance to the Financial Supervisory Commission.

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

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

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

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

(1)Where any financial institution violates this Act or any rules, orders, or instructions under this Act, or does business in an unsound manner, the Financial Supervisory Commission may, upon the recommendation of the FSS Governor, take any of the following measures against it or have the FSS Governor take appropriate measures, such as suspending unlawful acts or issuing a warning: <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

- 1.Suspension of such unsound business activities;
- 2.Suspension of operations for less than six months; and
3. Cancellation of banking business authorization.

(2)Deleted. <by Act No. 5982, May 24, 1999>

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

(1)Where any officer of a financial institution intentionally violates this Act or any rules, orders, or instructions under this Act, or performs an act which seriously damages the sound operation of the financial institution, the Financial Supervisory Commission may, upon the recommendation of the FSS

Governor, order the officer to suspend the execution of his functions or recommend that the general stockholders' meeting dismiss the officer, and may have the FSS Governor take appropriate measures such as issuing a warning.

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

## **Chapter VIII MERGER, CLOSURE, AND DISSOLUTION**

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

(1) Where any financial institution intends to perform any of the following acts, it shall be subject to authorization by the Financial Supervisory Commission: <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

1. Merger with any other financial institution;
  2. Dissolution or closure of banking business; and
  3. Transfer or takeover of business operations in whole or in part.
- (2) The Minister of Finance and Economy may set conditions for authorization under paragraph (1). <Amended by Act No. 5540, May 25, 1998>

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

- (1) Deleted. <by Act No. 5745, Feb. 5, 1999>
- (2) A financial institution shall be dissolved when its authorization on banking business is cancelled pursuant to Article 53.
- (3) Where any financial institution is dissolved pursuant to paragraph (2), the court may, at the request of interested persons or the Financial Supervisory Commission, or ex officio, appoint or dismiss a liquidator. <Amended by Act No. 5540, May 25, 1998; Act No. 5745, Feb. 5, 1999; Act No. 5982, May 24, 1999>

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

- (1) Where any financial institution is dissolved or goes bankrupt, the FSS Governor or one of his employees shall be appointed as liquidator or trustee in bankruptcy.
- (2) The FSS Governor or his employee appointed as liquidator or trustee in bankruptcy pursuant to paragraph (1) shall not demand remuneration for his functions: Provided, That expenses required for the execution of his functions may be disbursed from the property concerned.

## **Chapter IX DOMESTIC BRANCHES OF FOREIGN FINANCIAL INSTITUTIONS**

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

- (1) Where any foreign financial institution (meaning any institution



established under any foreign Act or subordinate statute and conducting the banking business in a foreign country; hereinafter the same shall apply) intends to establish any branch or agent to conduct the banking business in the Republic of Korea, it shall be subject to authorization for each branch or agent by the Financial Supervisory Commission. The same shall apply where it closes or relocates any branch or agent, or establishes or closes an office. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>  
(2)The Financial Supervisory Commission may set conditions for authorization under paragraph (1). <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999 >

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

(1)Branches or agents of foreign financial institutions authorized pursuant to Article 58 (1)shall be deemed financial institutions under this Act, and the domestic representatives of foreign financial institutions shall be deemed officers of financial institutions under this Act: Provided, That the provisions of Articles 4, 9 and 15 shall not apply. <Amended by Act No. 5745, Feb. 5, 1999>

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

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

(1)Where the head office of a foreign financial institution falls under any of the following subparagraphs, the Financial Supervisory Commission may cancel the authorization for any branch or agent of the foreign financial institution referred to in Article 58 (1): <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

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

(2)Where the head office of a foreign financial institution falls under any of subparagraphs of paragraph (1), any branch, agent, or office of the foreign financial institution shall report to the Financial Supervisory Commission within seven days from the date on which such a cause occurs. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

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

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

(1)Where any branch or agent of a foreign financial institution has or is

deemed to have its authorization cancelled pursuant to Article 53 or 60 (1) or (3), the branch or agent shall be closed and shall liquidate all properties in the Republic of Korea.

(2) The court may, at the request of interested persons or the Financial Supervisory Commission, or ex officio, appoint or dismiss a liquidator. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

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

#### **Article 62 (Domestic Assets of Foreign Financial Institutions)**

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

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

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

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

### **Chapter X SUPPLEMENTARY PROVISIONS**

#### **Article 64 (Hearing)**

The Financial Supervisory Commission shall hold a hearing where he intends to take any of the following dispositions: <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

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

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

(1) Deleted. <by Act No. 5982, May 24, 1999>

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

### **Chapter XI PENAL PROVISIONS**

#### **Article 66 (Penal Provisions)**

Any person who violates the provisions of Article 21 shall be punished by imprisonment for not more than five years or a fine not exceeding thirty million won.

#### **Article 67 (Penal Provisions)**

Any person who is engaged in the banking business without authorization by the Financial Supervisory Commission shall be

punished by imprisonment for not more than three years or a fine not exceeding twenty million won. <Amended by Act No. 5540, May 25, 1998; Act No. 5982, May 24, 1999>

#### **Article 68 (Penal Provisions)**

(1)Where any officer, manager, agent representative (where the agent representative is a corporation, any member, officer, manager, or any other corporation's representative executing the functions), or liquidator of a financial institution (hereinafter referred to as "officer, etc. of a financial institution")performs any of the following acts, he shall be punished by imprisonment for not more than one year or a fine not exceeding ten million won: <Amended by Act No. 5745, Feb. 5, 1999>

1. Where its capital stock falls short of the standards under Article 9;
2. Where he violates the provisions of Article 10 (1);
3. Where he violates the provisions of Article 29 (1);
4. Where he violates the provisions of Article 30;
5. Where he violates the provisions of Article 32;
6. Where he issues bonds in violation of Article 33;
7. Deleted; <by Act No. 5745, Feb. 5, 1999>
8. Where he violates the provisions of Article 35 (1), (2), (3)or (4);
9. Where he violates the provisions of Article 37 (1)through (3);
10. Where he violates the provisions of Article 38;
11. Where he violates the provisions of Article 40;
12. Where he gives a false public notice under Article 41;
13. Where he makes a false entry in a report under Article 47;
14. Where he performs acts as well as without authorization under Article 55 (1);
15. Where he violates the provisions of Article 58 (1)(excluding those to be authorized in order to establish a new branch or agent);
16. Where he violates the provisions of Article 62 (1)or (2); and
17. Where he hinders an inspection under this Act by concealing books and documents, making a false report, or other means.

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

(3)Where any officer or employee who serves or has served at financial institutions discloses any information which he has learned in the course of business, or uses it for non-occupational purposes, he shall be punished by imprisonment for not more than one year or a fine not exceeding ten million won.

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

(1)Where any financial institution violates this Act or any rules, orders, or instructions under this Act, it shall be punished by a fine for negligence not exceeding twenty million won.

(2)Where any financial institution falls under any of the following subparagraphs, it shall be punished by a fine for negligence for not exceeding ten million won.

1. Where any officer or employee of a financial institution violates the

provisions of Article 20;

2. Where any officer, etc. of a financial institution neglects to keep, submit, report, announce, or make public documents under this Act; and

3. Where any officer, etc. of a financial institution violates any rules, orders, or instructions under this Act.

(3) Where any stockholder of a financial institution violates an order issued by the Financial Supervisory Commission under Article 16 (2), he shall be punished by a fine for negligence not exceeding twenty million won.

(4) A fine for negligence under paragraphs (1) through (3) shall be imposed and collected by the Financial Supervisory Commission on conditions as the Presidential Decree may determine.

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

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

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

## **ADDENDA**

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

(1) This Act shall enter into force on April 1, 1998: Provided, That the amended provisions of Article 64 and amended provisions of Article 7 of the Addenda shall enter into force on January 1, 1998 and the provisions of Articles 15 through 17, 22 (1) through (8)

and (10), 26, 35 (3), and the amended provisions of Articles 6 (3) and 10 (2) shall enter into force on the date of its promulgation.

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

### **Article 2 (Example of Application on Term of Office of Auditors)**

The term of

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

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

(1) Any authorization, approval, decisions, orders, dispositions, or other

acts by the Minister of Finance and Economy, the Monetary Board, or the Director of the Board of Bank Supervision at the Bank of Korea under the previous provisions prior to the entry into force of this Act shall be deemed to be acts by the Minister of Finance and Economy, the Financial Supervisory Commission, or the FSS Governor under this Act.

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

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

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

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

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

#### **Article 6 (Special Cases for Ceiling, etc. on Stockholding)**

(1) Notwithstanding the amended purview of Article 15 (1), financial institutions converted under the Act on the Structural Improvement of the Financial Industry prior to the entry into force of this Act may hold or control a limit of 8/100 of the total number of issued voting stocks of the financial institution concerned, or cast votes on the stocks.

(2) At the time of entry into force of the amended provisions of Article 17-3 (1) of Act No. 4833 amendment to the Banking Act, where the same person holds or controls stocks exceeding the limit under the amended provisions of the said Act and paragraph, he shall ensure that he shall conform to the limit under the amended provisions of the said Article and paragraph within three years from May 29, 1995 (for financial institutions whose stocks are not listed on the Korea Stock Exchange under the Securities and Exchange Act, the date on which their stocks become listed), and the extent in which he is entitled to cast votes on stocks shall be restricted to the limit under the amended provisions of paragraph (2) of the same Article: Provided, That this shall not apply where the same person makes a report to or obtains approval from the Financial Supervisory Commission pursuant to the amended provisions of Article 15 (4).

(3) Where any institutional investor under the previous provisions of Article 17-3 (1) 6 at the time of entry into force of this Act holds issued voting stocks of financial institutions exceeding the limit under the purview of Article 15 (1) as of the date of entry into force of the previous provisions of Article 15, he shall make a report on the holding to the Financial

Supervisory Commission. In this case, where the institutional investor meets the qualifications listed in Article 15 (6), he may hold issued voting stocks of financial institutions exceeding the limit under the purview of Article 15 (1).

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

- (1) Any financial institution to which the previous provisions of Article 14-7 did not apply as of January 1, 1998 and in which the term of office of the governor or auditors expires at the first regular general stockholders' meeting convened after January 1, 1998, shall compose a provisional committee on recommendations for candidates.
- (2) The members of the provisional committee on recommendations for candidates under paragraph (1) shall be composed of candidates for non-permanent directors under the amended provisions of Article 22, and shall not be subject to appointment by a general stockholders' meeting.
- (3) The number of members of the provisional committee on recommendations for candidates under paragraph (1) shall be determined by the board of directors.
- (4) The chairman of the provisional committee on recommendations for candidates shall be chosen from among members.
- (5) The members of the provisional committee on recommendations for candidates shall be recommended as candidates for non-permanent directors at the first regular general stockholders' meeting convened after January 1, 1998.

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

With regard to financial institutions converted under the Act on Structural Improvement of the Financial Industry prior to the entry into force of this Act, the amended provisions of Article 22 (3), (5) through (9) shall not apply. <Amended by Act No. 5745, Feb. 5, 1999>

**Article 9**

Omitted.

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

- (1) Where any of Acts or subordinate statutes at the time of the entry into force of this Act cite the previous provisions of the Banking Act, the provisions corresponding to this Act, if included, shall be deemed to have been cited.
- (2) Notwithstanding the provisions of Article 2 of the Framework Act on the Management of Government-Invested Institutions, where the Government holds not less than 50/100 of issued stocks of financial institutions, the financial institutions shall not be deemed to be government-invested institutions.

ADDENDA <Act No. 5520, Feb. 24, 1998>

- (1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.
- (2) (Transitional Measures concerning Authorization of Financial Supervisory Commission) The approving power of the Financial Supervisory Commission in

connection with the enforcement of the amended provisions of Article 37 (2) shall be exercised by the Director of the Board of Bank Supervision at the Bank of Korea from the date on which this Act is promulgated until March 31, 1998.

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

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

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

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

This Act shall enter into force on April 1, 1999:

Provided, That the amendments to Articles 15 (7) and 35 (1) through (3) shall

enter into force on January 1, 2000.

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

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

(2) A financial institution which extends credits in excess of the line under the amendments to Article 35 (4) at the time of the entry into force of this Act shall ensure that it conforms to the said amendments not later than March 31, 2000, and shall present a detailed plan for such implementation to and obtain approval from the Financial Supervisory Commission not later than April 30, 1999.

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

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

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

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

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

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

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

This Act shall enter into force on the date of its  
promulgation. <Proviso Omitted.>  
Articles 2 through 6 Omitted.