

# BANK OF KOREA ACT

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Amended by Act No. 138, May 5, 1950

Amended by Act No. 1074, May 24, 1962

Act No. 1556, Dec. 16, 1963

Act No. 2042, Jul. 25, 1968

Act No. 3035, Dec. 30, 1977

Act No. 3624, Dec. 31, 1982

Act No. 4541, Mar. 6, 1993

Act No. 5153, Aug. 8, 1996

Act No. 5491, Dec. 31, 1997

Act No. 6018, Sep. 7, 1999

Act No. 6256, Jan. 28, 2000

Act No. 6274, Oct. 23, 2000

Act No. 6429, Mar. 28, 2001

Act No. 6836, Dec. 30, 2002

Act No. 6971, Sep. 3, 2003

## Article 1 (Purpose)

The purpose of this Act is to contribute to the sound development of national economy by establishing the Bank of Korea and seeking price stabilization through the establishment and execution of effective monetary and credit policy.

## Article 2 (Legal Personality)

The Bank of Korea shall be a special legal person without capital.

## Article 3 (Neutrality of Bank of Korea)

The monetary and credit policy of the Bank of Korea shall be neutrally established and independently executed, and the autonomy of the Bank of Korea shall be respected.

## Article 4 (Harmony with Government Policies)

(1) The monetary and credit policy of the Bank of Korea shall be in harmony with the government's economic policy to the extent of not impeding the price stabilization.

(2) The Bank of Korea shall value the market mechanism in carrying out monetary and credit policy.

#### **Article 5 (Publicness and Transparency of Bank of Korea)**

The Bank of Korea shall make efforts to secure the publicness and transparency in the execution of its business and the operation of its machinery.

#### **Article 6 (Establishment of Operational Direction of Monetary and Credit Policy)**

(1) The Bank of Korea shall, in consultations with the Government, set the price stabilization target. *<Amended by Act No. 6971, Sep. 3, 2003>*

(2) The Bank of Korea shall annually establish and publish the operational direction of monetary and credit policy. *<Newly Inserted by Act No. 6971, Sep. 3, 2003>*

(3) The Bank of Korea shall do its best to meet the price stabilization target referred to in paragraph (1).

#### **Article 7 (Offices)**

The Bank of Korea shall have its main office in the Seoul Special Metropolitan City and may, if necessary, have its branch offices and agencies for the execution of its business on such terms and conditions as the Articles of Incorporation may determine.

#### **Article 8 (Articles of Incorporation)**

(1) The following matters shall be entered in the Articles of Incorporation of the Bank of Korea:

1. Purpose;
2. Name;
3. Matters on offices, branch offices and agencies;
4. Matters on executives and the staff;
5. Matters on the business and its execution;
6. Matters on budget and accounting;
7. Methods of public announcement and publication; and
8. Other matters as determined by the Presidential Decree.

(2) The Bank of Korea may amend the Articles of Incorporation through the deliberation and resolution of the Monetary Board referred to in Article 12.

#### **Article 9 (Registration)**

(1) The Bank of Korea shall register on such terms and conditions as the Presidential Decree may determine.

(2) The Bank of Korea shall come into existence on its registration at the seat of the main o

ffice.

(3) The Bank of Korea shall not set against a third party in respect of matters to be registered unless they are registered.

#### **Article 10 (Ban on Use of Similar Names)**

No person other than the Bank of Korea shall use the Bank of Korea or any similar name.

#### **Article 11 (Scope of Financial Institutions)**

(1) The term "financial institutions" in this Act means financial institutions referred to in Article 2 of the Banking Act and bank holding companies referred to in the Financial Holding Companies Act. *<Amended by Act No. 6274, Oct. 23, 2000>*

(2) Any credit business division of the National Agricultural Cooperative Federation and the National Federation of Fisheries Cooperatives shall be deemed a financial institution. *<Amended by Act No. 6256, Jan. 28, 2000>*

(3) Insurance companies and the companies exclusively engaged in mutual savings bank business or trust business shall not be deemed financial institutions. *<Amended by Act No. 6429, Mar. 28, 2001; Act No. 6971, Sep. 3, 2003>*

#### **Article 12 (Establishment)**

A Monetary Board as a policy-making body shall be established at the Bank of Korea.

#### **Article 13 (Composition)**

(1) The Monetary Board shall be composed of the following 7 persons: *<Amended by Act No. 6971, Sep. 3, 2003>*

1. Governor of the Bank of Korea;
2. Vice Governor of the Bank of Korea;
3. One member recommended by the Minister of Finance and Economy;
4. One member recommended by the Governor of the Bank of Korea;
5. One member recommended by the Chairman of the Financial Supervisory Commission;
6. One member recommended by the Chairman of the Korea Chamber of Commerce and Industry; and
7. One member recommended by the Chairman of the Korea Federation of Banks, an incorporated association.

(2) The Governor of the Bank of Korea (hereinafter referred to as the "Governor") shall concurrently serve as the Chairman of the Monetary Board (hereinafter referred to as "the Chairman"), and shall be appointed by the President after the deliberation of the State Council

. (3) The members listed in paragraph (1) 3 through 7 shall be persons much experienced or distinguishedly learned in finance, economy or industry, and shall be appointed by the President upon the recommendation of the recommenders on such terms and conditions as the Presidential Decree may determine. *<Amended by Act No. 6971, Sep. 3, 2003>*

(4) The members of the Monetary Board (hereinafter referred to as "members") shall be standing members.

#### **Article 14 (Chairman)**

(1) The Chairman shall represent the Monetary Board, and preside over the meetings of the Monetary Board and exercise general control over its affairs.

(2) Where the Chairman is unable to discharge his duties due to any inevitable cause, a member in advance designated by the Monetary Board shall act as Chairman on his behalf.

#### **Article 15 (Terms of Members)**

The terms of the members listed in Article 13 (1) 3 through 7 shall be four years, and they may be reappointed. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 16 (Terms of Alternate Members)**

Where any vacancy arises in the members referred to in Article 13 (1) 3 through 7, it shall be filled by a new appointment, and any newly appointed member shall hold office for the remainder of the predecessor. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 17 (Disqualifications for Members)**

No person who falls under any of the following subparagraphs shall be a member:

1. A person who is not a national of the Republic of Korea; and
2. A person who falls under any of subparagraphs of Article 33 of the State Public Officials Act.

#### **Article 18 (Guarantee of Member's Status, etc.)**

(1) No member shall be dismissed against his will during his term of office except where he falls under any of the following subparagraphs:

1. Where he falls under any of subparagraphs of Article 17;
2. Where he is unable to discharge his duties due to mental disorder and physical disability; and
3. Where it is improper for him to discharge his duties as a member for a violation of official duties under this Act.

(2) Where any member is dismissed due to any cause listed in paragraph (1), the act which he performed as a member before the dismissal shall not lose its validity.

**Article 19 (Ban on Political Activities)**

Members shall not join a political party, and shall not involve in political movements notwithstanding the provisions of Article 6 of the Political Parties Act.

**Article 20 (Ban on Holding Concurrent Office)**

Members shall not hold any of the following positions or be engaged in any business on a commercial basis during his term of office:

1. Any position as a National Assemblyman or local councillor;
2. Any position as a state public official or a local public official; and
3. Other positions in which remuneration is paid.

**Article 21 (Meetings)**

- (1) Any meeting of the Monetary Board shall be convened by the Chairman where the chairman deems necessary or not less than two members request.
- (2) Except as otherwise provided for in this Act, decisions of the meetings of the Monetary Board shall be taken with the attendance of not less than 5 members and by affirmative votes of a majority of members present.
- (3) Any member may propose a bill by affirmative votes of two persons or more: Provided, That the Chairman may propose a bill by himself.

**Article 22 (Attendance and Voice, etc.)**

- (1) The assistant vice governors of the Bank of Korea are entitled to attend and speak at the meetings of the Monetary Board. *<Amended by Act No. 6971, Sep. 3, 2003>*
- (2) The Monetary Board may have relevant experts, etc. attend the meetings and seek opinions from them as necessary.

**Article 23 (Exclusion of Members)**

Any member shall be excluded from deliberating and deciding on matters falling under any of the following subparagraphs:

1. Any matter in which he himself has direct interests; and
2. Any matter in which his spouse, relative by blood within the fourth degree or relative by marriage within the second degree has direct interests.

**Article 24 (Drawing Up of Written Decision)**

- (1) Where the Monetary Board makes a decision, it shall draw up a written decision and have it entered their names, sealed or signed by the members participating in the decision.
- (2) The Monetary Board shall take the minutes of the decision, and make them public on such terms and conditions as the Monetary Board may determine.

**Article 25 (Damage Liability)**

(1) Where the Monetary Board causes damage to the Bank of Korea due to any intention or grave negligence, all the members present at the relevant meeting shall be jointly liable to the Bank of Korea: Provided, That this shall not apply to any member who has clearly expressed his dissenting opinion at the meeting.

(2) For a lawsuit for damages referred to in paragraph (1), the auditor shall represent the Bank of Korea.

**Article 26 (Emergency Measures)**

(1) Where it is pressed for time to convene the Monetary Board as necessary to take emergency measures on the monetary and credit policy due to any troubles both at home and abroad, disaster or act of God or grave financial and economic crisis, the Governor may take necessary measures within the Monetary Board's authority.

(2) Where the Governor takes measures pursuant to paragraph (1), he shall promptly convene a meeting of the Monetary Board and report the contents to it.

(3) The Monetary Board may confirm, modify or suspend the measures referred to in paragraph (1).

**Article 27 (Operation of Meetings)**

Matters necessary for the operation of meetings of the Monetary Board shall be determined by the Presidential Decree.

**Article 28 (Decision on Monetary and Credit Policy)**

The Monetary Board shall deliberate and decide on the following matters with respect to monetary and credit policy: <Amended by Act No. 6971, Sep. 3, 2003>

1. Basic matters on the issue of the Bank of Korea notes;
2. Minimum reserve requirement rates to be maintained by financial institutions;
3. Rediscount rate for the financial institutions by the Bank of Korea, other standards for credit business and interest rate;
4. Basic matters on emergency credit extended to financial institutions by the Bank of Korea;
5. Designation of financial institutions which can be denied credit by the Bank of Korea ;
6. Basic matters on the sale and purchase of the Bank of Korea's national bonds or government-guaranteed bonds in the open markets;
7. Basic matters on the issue, selling, repurchase or redemption, etc. of the Bank of Korea

- ea's currency stabilization bonds;
8. Basic matters on the establishment and operation of the Bank of Korea's currency stabilization accounts;
  9. Basic matters of credit extended to profit-making enterprises other than financial institutions in time of extreme deflation;
  10. Basic matters on the operation and management of payment and settlement system pursuant to Article 81;
  11. Request for submission of materials to financial institutions and the institutions operating payment and settlement system: Provided, That this shall be limited to as necessary to establish monetary and credit policy and to facilitate the operation of payment and settlement system;
  12. Request for inspection and joint inspection of financial institutions to the Financial Supervisory Service: Provided, That this shall be limited as necessary to establish monetary and credit policy;
  13. Highest rate of interests on various kinds of deposits or other payments by financial institutions;
  14. Highest rate of interests on credit business such as various kinds of loans or other charges by financial institutions;
  15. Restrictions on the longest time limit of loans extended by financial institutions and kinds of securities;
  16. Restrictions on the ceiling or sector ceiling on loans and investments by financial institutions within a fixed period in urgent need of national economy such as hyperinflation;
  17. Prior approval on loan by financial institutions in urgent need of national economy such as hyperinflation; and
  18. Other matters provided for as the powers of the Monetary Board under this Act or other Acts.

#### **Article 29 (Decisions on Operation of Bank of Korea)**

The Monetary Board shall deliberate and decide on the following matters with respect to the operation of the Bank of Korea:

1. Matters on the amendment of the Articles of Incorporation of the Bank of Korea;
2. Matters on the organization and machinery of the Bank of Korea;
3. Matters on the budget and settlement of accounts of the Bank of Korea;

4. Matters on the remuneration base of the staff belonging to the Bank of Korea; and
5. Other matters provided for as the powers of the Monetary Board under this Act or the Articles of Incorporation in connection with the operation of the Bank of Korea.

#### **Article 30 (Establishment of Regulations)**

The Monetary Board may establish regulations as necessary to discharge its duties.

#### **Article 31 (Assistance in Members' Duties)**

The Monetary Board may have any staff belonging to the Bank of Korea assist members in the discharge of their duties.

#### **Article 32 (Executives)**

The Bank of Korea shall have one Governor, one Vice-Governor and five or less assistant vice governors.

#### **Article 33 (Governor)**

- (1) The Governor shall represent the Bank of Korea, and exercise general control over its affairs.
- (2) The term of the Governor shall be four years, and he may be reappointed only once.

#### **Article 34 (Powers and Obligations of Governor)**

- (1) The Governor shall carry out policies established by the Monetary Board, and exercise other powers granted under this Act and the Articles of Incorporation.
- (2) The Governor shall notify the matters to be heeded by the Monetary Board, and be under obligation to provide materials and opinions necessary for the deliberation and decision by the Monetary Board.

#### **Article 35 (Appointment of Representatives)**

- (1) The Governor may appoint representatives who are entitled to all judicial or extrajudicial acts with respect to the affairs of the Bank of Korea from among its Vice-Governor, assistant vice governors or staff.
- (2) The scope of the staff who are eligible for legal representatives pursuant to paragraph (1) shall be determined by the Presidential Decree.

#### **Article 36 (Vice-Governor)**

- (1) The Vice-Governor shall be appointed by the President upon recommendation of the Governor.
- (2) The term of the Vice-Governor shall be three years, and he may be reappointed only once.

#### **Article 36-2 (Assistant Vice Governors)**



- (1) The assistant vice governors shall be appointed by the Governor.
- (2) The terms of the assistant vice governors shall be three years, respectively, and they may be reappointed only once.

**Article 37 (Functions of Vice-Governor)**

The Vice-Governor shall assist the Governor, and assistant vice governors shall assist the Governor and the Vice-Governor, each taking partial charge of the affairs on such terms and conditions as the Articles of Incorporation may determine.

**Article 38 (Dismissal of Assistant Vice Governor)**

The Governor may dismiss an assistant vice governor if he falls under any of the following subparagraphs: *<Amended by Act No. 6971, Sep. 3, 2003>*

1. Where he is declared bankrupt;
2. Where he is sentenced to any punishment not lighter than imprisonment without prison labor or any punishment not lighter than fine under this Act or other finance-related Acts and subordinate statutes (including foreign finance-related Acts and subordinate statutes);
3. Where he is unable to discharge his duties due to mental disorder and physical disability; and
4. Where he violates this Act, an order under this Act or the Articles of Incorporation.

**Article 39 (Appointment and Dismissal of Staff)**

The staff of the Bank of Korea shall be appointed and dismissed by the Governor.

**Article 40 (Obligations of Executive Organs)**

- (1) The Governor, Vice-Governor, assistant vice governors and the staff shall execute in good faith the monetary and credit policy established by the Monetary Board.
- (2) The Monetary Board may request the Governor to correct or discipline as necessary for the discharge of the duties of the Governor, ViceGovernor, assistant vice governors, and the staff.

**Article 41 (Restriction on Holding Concurrent Office)**

The Governor, Vice-Governor, assistant vice governors and the staff shall not be engaged in any business on a commercial basis other than their duties, and shall not hold other duties concurrently unless approved by the appointer concerned.

**Article 42 (Duty of Integrity and Confidentiality)**

- (1) The Governor, Vice-Governor, assistant vice governors and the staff shall not extort credit or receive money and other valuables or other benefits from any financial institution or

any officer and employee of the institution.

(2) The Governor, the Vice-Governor, assistant vice governors and the staff or any person who was in such position shall not reveal any information learned with respect to their duties to others or use it for non-official purposes.

#### **Article 43 (Appointment)**

(1) The Bank of Korea shall have an Auditor.

(2) The Auditor shall be appointed by the President on the recommendation of the Minister of Finance and Economy. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 44 (Term of Office)**

The term of office of the Auditor shall be three years, and he may be reappointed only once

#### **Article 45 (Functions)**

(1) The Auditor shall audit ordinarily the affairs of the Bank of Korea, and shall report the results to the Monetary Board at any time.

(2) The Auditor shall prepare and submit comprehensive audit reports annually to the Government and the Monetary Board.

(3) The Governor shall consult with the Auditor about the appointment and dismissal of the staff necessary for the discharge of Auditor's duties: Provided, That this shall not apply to subordinate staff on such terms and conditions as the Articles of Incorporation may determine.

#### **Article 46 (Restriction on Holding Concurrent Office)**

The provisions of Articles 38, 41 and 42 shall apply mutatis mutandis to the dismissal, restriction on holding concurrent office, and the duties of integrity and confidentiality of the Auditor.

#### **Article 47 (Issue of Currency)**

The Bank of Korea shall have the exclusive right to issue currency within the territory of the Republic of Korea.

#### **Article 48 (Circulation of Bank of Korea Notes)**

Bank of Korea notes issued by the Bank of Korea shall as legal tender pass current freely for all transactions.

#### **Article 49 (Denominations of Bank of Korea Notes)**

The Bank of Korea may, upon approval of the Government, issue Bank of Korea notes of any size, pattern and denomination on such terms and conditions as the Monetary Board may

y determine.

#### **Article 50 (Bank of Korea Notes Held by Bank of Korea)**

Bank of Korea notes held by the Bank of Korea shall not be the assets or liabilities of the Bank of Korea.

#### **Article 51 (Collection of Claims by Bank of Korea)**

(1) The Bank of Korea shall collect claims and receive deposits in Bank of Korea notes: Provided, That deposit transactions shall be limited to those who are entitled to make a deposit in the Bank of Korea.

(2) The Bank of Korea shall refund a deposit immediately on the request of a depositor: Provided, That if an agreement is made on the date of refund, the deposit shall be refunded after it comes due.

#### **Article 52 (Exchange of Bank of Korea Notes)**

(1) The Bank of Korea shall meet a demand for exchange between denominations as far as circumstances in Bank of Korea notes permit.

(2) The Bank of Korea shall exchange any Bank of Korea note unsuitable for circulation due to damage, contamination or any other cause with a new note.

#### **Article 53 (Mintage of Coins)**

(1) The Bank of Korea may mint coins.

(2) The provisions of Articles 48 through 52 shall apply mutatis mutandis to coins referred to in paragraph (1).

#### **Article 54 (Bank of Korea's Receipt of Deposits)**

The Bank of Korea may receive deposits from financial institutions.

#### **Article 55 (Deposit of Reserve Requirements)**

(1) Any financial institution shall hold as reserve requirements an amount larger than that equivalent to reserve requirement rates referred to in Article 56 in proportion to deposit liabilities.

(2) Reserve requirements referred to in paragraph (1) shall be held as reserve requirement deposits in the Bank of Korea: Provided, That any financial institution may hold a portion of reserve requirement deposits as Bank of Korea notes in the financial institution on such terms and conditions as the Monetary Board may determine.

(3) Interests may be paid to any reserve requirement deposits referred to in paragraph (2) on such terms and conditions as the Monetary Board may determine.

#### **Article 56 (Determination of Reserve Requirement Rates)**

(1) The Monetary Board shall determine the minimum rates of reserve requirements (hereinafter referred to as "reserve requirement rates") to be held by respective financial institutions and may change them as necessary.

(2) The reserve requirement rates shall, except as otherwise provided for in Article 57, be not more than 50/100, and shall apply to all financial institutions in a uniform manner.

#### **Article 57 (Marginal Reserve Requirements)**

The Monetary Board may request to hold the full amount in excess of the amount equivalent to reserve requirement rates as minimum reserve requirements further to any increase exceeding the amount of deposits as of the date as designated by the Monetary Board as necessary in galloping inflation.

#### **Article 58 (Reserve Requirement Rates by Kinds of Deposits)**

The Monetary Board may determine reserve requirement rates differently by kinds of deposits within the scope under Articles 55 and 57 as necessary.

#### **Article 59 (Calculation of Minimum Reserve Requirements)**

(1) Minimum reserve requirements to be held by each financial institution shall be calculated semimonthly on such terms and conditions as the Monetary Board may determine.

(2) Minimum reserve requirements of each financial institution shall be calculated, putting those in its head office, branches, and sub-branches within the Republic of Korea together.

#### **Article 60 (Imposition of Fine for Negligence)**

(1) Where reserve requirements held by any financial institution during the half month fall short of minimum reserve requirements calculated pursuant to Article 59, the financial institution shall pay a fine for negligence equivalent to 1/100 of the average shortage during such a half month to the Bank of Korea.

(2) Where the shortage of minimum reserve requirements continues for a period of more than two and a half months, the Monetary Board may prohibit the financial institution from making new loans and investments or paying dividends to stockholders until it continues to hold minimum reserve requirements for not less than one month.

#### **Article 61 (Raise in Reserve Requirements Rates)**

Where the Monetary Board raises reserve requirement rates, it shall do so in a gradual manner, and notify in advance all financial institutions.

#### **Article 62 (Use of Reserve Requirements)**

Reserve requirements held in the Bank of Korea may be used as settlement funds for the Bank of Korea or other financial institutions on such terms and conditions as the Monetary Board

oard may determine.

#### **Article 63 (Reserve Requirement Assets System)**

The Monetary Board may, if necessary, request financial institutions to reserve requirement assets aside from reserve requirements on such terms and conditions as the Presidential Decree may determine.

#### **Article 64 (Credit Business for Financial Institutions)**

(1) The Bank of Korea may do the following credit business for financial institutions on such terms and conditions as the Monetary Board may determine:

1. Rediscount, discount and selling and buying of promissory notes, bills of exchange and other credit instruments received by financial institutions: Provided, That they shall be limited to instruments which become due within a year from the date on which the Bank of Korea acquires; and
2. Term loans within a year with the following instruments offered as security:
  - (a) Credit instruments listed in subparagraph 1;
  - (b) Negotiable instruments representing obligations of, or guaranteed by the Government;
  - (c) Negotiable instruments representing obligations of the Bank of Korea.

(2) The credit instruments rediscounted, discounted, bought, or acquired as security pursuant to paragraph (1) shall be endorsed thereon by or accompanied by a deed of transfer by any financial institution which offers them.

#### **Article 65 (Emergency Credit to Financial Institutions)**

(1) The Bank of Korea may, in any of the following subparagraphs, extend credits to any financial institution secured on assets whose properness has been temporarily granted with the consent of not less than four members:

1. Where it extends credits temporarily to any financial institution in a vital emergency in which the stabilization of currency and banking business are directly threatened; and
2. Where it extends credits temporarily recognized as creating serious obstacles to discharging its affairs through a temporary deficiency in payment funds to financial institutions due to disorder in computer data processing system or any accident.

(2) Any financial institution which receives credits pursuant to paragraph (1) shall not, unless it redeems them, increase loans and investments without approval.

(3) The Bank of Korea may investigate and confirm the operations and financial status of

the financial institution as necessary in connection with credits referred to in paragraph (1).

**Article 66 (Bank of Korea's Denial of Loans)**

(1) Where the Monetary Board deems that any financial institution which has applied to the Bank of Korea for loans has been relied heavily on credits extended by the Bank of Korea or maintained unsound loan or investment directions, the Bank of Korea may deny the financial institution loans.

(2) The Monetary Board may, where it grants credits to any financial institution falling under paragraph (1), raise discount rates or interest rates applied to credits to the financial institution.

**Article 67 (Restriction on Bank of Korea's Credits)**

The Bank of Korea shall restrict credits to financial institutions in hyperinflation, and shall extend new credits only under inevitable circumstances and make efforts to reduce credit amount as soon as possible.

**Article 68 (Open Market Operation)**

(1) The Bank of Korea may sell and buy the following bonds in open markets on its own account in order to carry out monetary and credit policy on such terms and conditions as the Monetary Board may determine:

1. State bonds;
2. Securities which the Government guarantees the redemption of their principal and interests; and
3. Other securities as determined by the Monetary Board.

(2) Securities listed in any of subparagraphs of paragraph (1) shall be limited to those which are freely negotiated and of which issue conditions are fully fulfilled.

**Article 69 (Bank of Korea Currency Stabilization Bonds)**

(1) The Bank of Korea may issue Bank of Korea currency stabilization bonds (hereinafter referred to as "currency stabilization bonds") in open markets on such terms and conditions as Acts and the Monetary Board may determine.

(2) The Bank of Korea may repurchase currency stabilization bonds or redeem by drawing them at par value prior to the date of maturity.

(3) The matters on interest rates, date of maturity and redemption conditions of currency stabilization bonds shall be determined by the Monetary Board.

(4) Redemptions by drawing referred to in paragraph (2) may be made only where the Monetary Board deems necessary.

(5) The Bank of Korea shall collect and discard without delay currency stabilization bonds repurchased or redeemed: Provided, That this shall not apply in case it buys them on conditions of repurchase and sale.

(6) The provisions of Article 50 shall apply mutatis mutandis to currency stabilization bonds held by the Bank of Korea: Provided, That this shall not apply in case it buys them on conditions of repurchase and sale.

#### **Article 70 (Establishment of Bank of Korea Currency Stabilization Bond Accounts)**

(1) The Bank of Korea may establish Bank of Korea currency bond accounts and it may have financial institutions deposit currency stabilization bonds in the accounts on such terms and conditions as the Monetary Board may determine.

(2) The amount of deposits made in Bank of Korea currency stabilization bond accounts shall not be deemed reserve requirements referred to in Section 2 of Chapter IV.

#### **Article 71 (Deposit-Receiving Agency)**

The Bank of Korea shall handle government money as an agency receiving Republic of Korea government money on such terms and conditions as the National Treasury Management Act may determine. <Amended by Act No. 6836, Dec. 30, 2002>

#### **Article 72 (Safe Deposit-Receiving Business)**

The Bank of Korea may accept bonds, documents or other valuables which belong to the Government, on safe deposit.

#### **Article 73 (Handling of State Affairs)**

The Bank of Korea may assist the State with collecting revenues and handle the issue, sale, redemption of state bonds or other affairs on such terms and conditions as Acts and subordinate statutes may determine.

#### **Article 74 (Commission)**

The Bank of Korea may charge rates or commissions within the scope of actual costs for handling government's affairs.

#### **Article 75 (Credit for Government)**

(1) The Bank of Korea may extend overdrafts or another form of credits to the Government and accept government bonds directly from the Government.

(2) The total amount of credits and directly accepted government bonds referred to in paragraph (1) shall not exceed the debt limit decided by the National Assembly putting all debts together borne by the Government to financial institutions and the general public.

(3) Interest rates or other conditions on credits referred to in paragraph (1) shall be determined

ned by the Monetary Board.

#### **Article 76 (Direct Acceptance of Government-Guaranteed Claims)**

(1) The Bank of Korea may accept directly bonds which the Government guarantees their principal and interests.

(2) Interest rates or other conditions on the accepted bonds referred to in paragraph (1) shall be determined by the Monetary Board.

#### **Article 77 (Extending Loans to and Accepting Deposits from Government Agencies)**

(1) The Bank of Korea may accept deposits from, and extend loans to government agencies

(2) The term "government agencies" as used in paragraph (1) means legal persons discharging public projects or functions for the Government in producing, purchasing, selling or distributing, which are designated by the Government.

(3) The loans referred to in paragraph (1) shall be extended only where the Government guarantees the redemption of their principal and interests.

(4) The Monetary Board shall determine the Bank of Korea lending rates or other terms on government agencies.

#### **Article 78 (Restriction on Credits to Government Agencies)**

The Bank of Korea shall make efforts to restrain credits to government agencies and to reduce the amount of credits in inflation.

#### **Article 79 (Transaction Restrictions with Private Individuals)**

Except as otherwise provided for in this Act, the Bank of Korea shall not do deposit or loan transactions with legal persons or individuals other than the Government, government agencies or financial institutions, or buy bonds representing the obligations of any legal person or individual other than the Government, government agencies or financial institutions: Provided, That the Bank of Korea may do deposit transactions with legal persons as are deemed necessary for the discharge of its business on such terms and conditions as the Monetary Board may determine.

#### **Article 80 (Credits to Profit-Making Enterprises)**

(1) In severe deflation of monetary credits where financial institutions collect loaned money and restrain new loans, the Bank of Korea may, notwithstanding the provisions of Article 79, extend credits to profit-making enterprises such as those who are engaged in financial business, not financial institutions with the consent of not less than four members.

(2) Credits referred to in paragraph (1) shall abide by such terms and conditions as the Mon



etary Board may determine.

(3) The provisions of Article 65 (3) shall apply mutatis mutandis in case the Bank of Korea extends credits pursuant to paragraph (1).

#### **Article 81 (Payment and Settlement Business)**

(1) The Bank of Korea may, for the purpose of promoting the safety and efficiency of payment and settlement system, determine necessary matters in relation to the payment and settlement system operated by the Bank of Korea.

(2) The Bank of Korea may, if it is necessary with respect to the payment and settlement system operated by other institution than the Bank of Korea, request the operating institution or its supervisory agency to improve the operating standards, etc.

(3) The Bank of Korea may, for the purpose of facilitating the operation of payment and settlement system, request the institution operating the payment and settlement system under paragraph (2) to furnish materials related to the payment and settlement. In that case, the institution thus requested shall comply with such a request.

(4) The Bank of Korea may ask an institution participating in such payment and settlement system as referred to in paragraph (1) to submit necessary materials.

#### **Article 82 (Foreign Exchange Business)**

The Bank of Korea may carry out the business falling under any of the following subparagraphs on authorization by the Minister of Finance and Economy: *<Amended by Act No. 6971, September 3, 2003>*

1. Foreign exchange business and foreign currency holdings;
2. Receiving deposits from foreign financial institutions, international financial organizations, foreign governments and their agencies or the United Nations agencies; and
3. Selling and buying precious metals.

#### **Article 83 (Consultation on Exchange Rate Policy)**

The Bank of Korea shall carry out consultative functions on the Government exchange rate policy, foreign exchange banks' receiving and crediting foreign currencies, and policy on setting a ceiling on excess for purchase and sale of foreign currency.

#### **Article 84 (Exchange Transaction Agreement)**

The Bank of Korea may make exchange transaction agreements with financial institutions on such terms and conditions as the Monetary Board may determine.

#### **Article 85 (Government Representatives in International Organizations)**

The Bank of Korea shall represent the Government in its business, negotiations and transac

tions with the International Monetary Fund or financial organizations in which the Republic of Korea has joined as members, under instructions from the Government.

**Article 86 (Collection and Compilation of Statistical Data)**

The Bank of Korea may collect and compile the statistical data on currency, banking business, finance, prices, wages, production, balance of international payments, and other economy in general necessary for the establishment of monetary and credit policy, carry out some research on the economy, and request any government agency, legal person or individual for data and information necessary therefor.

**Article 87 (Right to Request for Submission of Data)**

The Bank of Korea may request financial institutions (including those who are engaged in financial business, not financial institutions, and have made current deposit transaction agreements with the Bank of Korea) to submit data as the Monetary Board deems necessary for the discharge of monetary and credit policy. In this case, data to be requested shall be confined to the least necessary scope, taking into account fully the business burden of financial institutions.

**Article 88 (Request for Inspection and Joint Inspection)**

(1) The Bank of Korea may request the Financial Supervisory Service established under the Act on the Establishment, etc. of Financial Supervisory Organization (hereinafter referred to as "the Financial Supervisory Service") to inspect any financial institution by setting the specific scope as the Monetary Board deems necessary for the discharge of monetary and credit policy, and may request the staff belonging to the Bank of Korea to take part jointly in the inspection of a financial institution as necessary. In that case, the Financial Supervisory Service shall without delay comply with such a request. *<Amended by Act No. 6971, Sep. 3, 2003>*

(2) The Bank of Korea may request that the Financial Supervisory Service transmit the inspection results referred to in paragraph (1) or take necessary corrective measures on a financial institution depending on the inspection results. In that case, the Financial Supervisory Service shall comply with such a request. *<Amended by Act No. 6971, Sep. 3, 2003>*

(3) Deleted. *<by Act No. 6971, Sep. 3, 2003>*

**Article 89 (Right to Request for Reconsideration)**

(1) Where the Monetary Board is dissatisfied with the measures directly related to monetary and credit policy which are taken by the Financial Supervisory Commission, it may request the Commission to reconsider them.

(2) Where a request for reconsideration referred to in paragraph (1) is made, the measures listed in paragraph (1) shall become definite if the Financial Supervisory Commission takes the same decision as the previous one with the consent of two-thirds of all members.

#### **Article 90 (Attendance at State Council)**

(1) The Governor may attend and speak at the State Council on the matters on finance and currency.

(2) The Government may request the Governor to attend at the State Council.

#### **Article 91 (Presence and Speaking)**

The Vice Minister of Finance and Economy may be present and speak at a meeting of the Monetary Board. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 92 (Request for Reconsideration)**

(1) Where any decision taken by the Monetary Board is judged to contradict the government economic policy, the Minister of Finance and Economy may request the Board to reconsider it. *<Amended by Act No. 6971, Sep. 3, 2003>*

(2) Where a request for reconsideration referred to in paragraph (1) is made, the President shall take the last decision if the Monetary Board takes the same decision as the previous one with the consent of five or more members.

(3) Where the Minister of Finance and Economy makes a request referred to in paragraph (1), he shall publish it promptly on such terms and conditions as the Presidential Decree may determine. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 93 (Advice at Policy-Making)**

The Government shall seek advice from the Monetary Board in establishing important policies on finance and currency.

#### **Article 94 (Cooperation on Data)**

The Minister of Finance and Economy, the Monetary Board and the Financial Supervisory Commission may request data one another as necessary to establish policies. In this case, each shall comply with such request unless any special cause exists. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 95 (Audit by Board of Audit and Inspection)**

The Bank of Korea shall be audited annually by the Board of Audit and Inspection.

#### **Article 96 (Report to National Assembly)**

(1) The Bank of Korea shall prepare a report on the execution situations of monetary and c

redit policies at least twice every year and submit it to the National Assembly. *<Amended by Act No. 6971, Sep. 3, 2003>*

(2) The Governor shall attend and reply where the National Assembly or any its committee requests him to attend in connection with the report submitted pursuant to paragraph (1).

#### **Article 97 (Fiscal Year)**

The fiscal year of the Bank of Korea shall be in accordance with that of the Government.

#### **Article 98 (Budgets and Settlement of Accounts)**

(1) Any budget of each fiscal year of the Bank of Korea shall be finalized through a decision of the Monetary Board.

(2) The Bank of Korea shall obtain approval in advance from the Minister of Finance and Economy on such a budget as prescribed by the Presidential Decree, including an appropriation for pay of the budget listed in paragraph (1). *<Amended by Act No. 6971, Sep. 3, 2003>*

(3) The Bank of Korea shall submit a written budget for the budget as referred to in paragraph (2) to the Minister of Finance and Economy 60 days prior to the commencement of the fiscal year concerned. *<Amended by Act No. 6971, Sep. 3, 2003>*

(4) The Governor shall submit the year's statement of accounts to the Minister of Finance and Economy within 2 months after the closing of the fiscal year concerned. *<Amended by Act No. 6971, Sep. 3, 2003>*

#### **Article 99 (Disposal of Profits)**

(1) Where there leaves a balance after appropriating net profits at closing accounts for depreciating assets every fiscal year, the Bank of Korea shall accumulate 10/100 of net profits at closing accounts every year.

(2) Where there leaves a balance after accumulating net profits at closing accounts pursuant to paragraph (1), the Bank of Korea may accumulate the balance as special purpose reserves on approval by the Government.

(3) Where there leaves a balance after disposing of net profits at closing accounts pursuant to paragraphs (1) and (2), the Bank of Korea shall pay it as revenues to the Government.

#### **Article 100 (Compensation for Losses)**

Losses incurred in a fiscal year of the Bank of Korea shall be compensated from reserves, and if reserves are insufficient, they shall be compensated by the Government on such terms and conditions as the Budget and Accounts Act may determine.

#### **Article 101 (Announcement of Balance Sheet)**

(1) The Bank of Korea shall announce a balance sheet which itemizes assets and liabilities

as of the last working day of the previous month not later than the 20th day of every month . In this case, the balance sheet as of the last working day of every fiscal year may be announced within 2 months after the closing of the fiscal year.

(2) The Governor, the Auditor and the responsible person in charge of preparing a balance sheet referred to in paragraph (1) shall sign and seal the balance sheet and enter their names in it.

#### **Articles 102 (Publication of Annual Report)**

(1) The Bank of Korea shall submit to the Government and publish an annual report which outlines the business status of the Bank of Korea and currency and government foreign exchange policies during the fiscal year and analyzes financial and economic conditions within 3 months after the expiry of every fiscal year.

(2) An annual report referred to in paragraph (1) shall be subject to a decision by the Monetary Board.

#### **Article 103 (Ban on Profit-Making Activities)**

The Bank of Korea shall not, whether directly or indirectly, be engaged in profit-making activities or own or operate any profit-making enterprise, and it shall not buy or own real estate unless necessary for the execution of its business.

#### **Article 104 (Penal Provisions)**

Any person who violates the provisions of Article 42 (2) (including the application mutatis mutandis under Article 46) shall be punished by imprisonment for not more than 3 years or a fine not exceeding 20 million won.

#### **Article 105 (Penal Provisions)**

Any person who violates the provisions of Article 10 shall be punished by imprisonment for not more than one year or a fine not exceeding 10 million won.

#### **Article 106 (Fiction as Public Officials in Application of Penal Provisions)**

(1) The members of the Monetary Board and the assistant vice governors, Auditor and the staff of the Bank of Korea shall be deemed public officials in the application of penal provisions under the Criminal Act or other Acts. <Amended by Act No. 6971, Sep. 3, 2003>

(2) The scope of the staff who are deemed public officials pursuant to paragraph (1) shall be determined by the Presidential Decree.

## **ADDENDA**

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

This Act shall enter into force on April 1, 1998.

## **Article 2 (Examples of Application to Restriction on Reappointment of Vice-Governor and Auditor)**

Amendments to Articles 36 (2) and 44 shall apply starting from a ViceGovernor and an Auditor first appointed under this Act.

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

(1) Any authorization, approval, decision, order, disposition or other acts done by the Monetary Operating Board pursuant to the previous provisions prior to the entry into force of this Act shall be deemed acts done by Monetary Board under this Act.

(2) Any application, report or other acts done to the Monetary Operating Board pursuant to the previous provisions prior to the entry into force of this Act shall be deemed acts done to the Monetary Board under this Act.

## **Article 4 (Transitional Measures on Members and Executives, etc.)**

At the time of the entry into force of this Act, the Chairman and members of the Monetary Operating Board, and the Governor, Vice-Governor, directors and Auditor of the Bank of Korea shall discharge the functions of the Chairman and members of the Monetary Board, and the Governor, Vice-Governor, assistant vice governors and Auditor of the Bank of Korea under this Act until they are newly appointed under this Act.

## **Article 5 (Special Cases for Terms of Members)**

The terms of members referred to in Article 13 (1) 2 through 4 from among members first appointed under this Act shall be two years, notwithstanding the amendment to Article 15 (2).

## **Article 6 (Amendment to Articles of Incorporation)**

The Bank of Korea shall have the Articles of Incorporation amended to bring into consistency with the amendment to this Act and obtain authorization from the Minister of Finance and Economy simultaneously with the entry into force of this Act.

## **Article 7 (Amendment of Other Acts)**

## **Article 8 (Relations with Other Acts and Subordinate Statutes)**

Where other Acts and subordinate statutes cite the provisions of the former Bank of Korea Act at the time of the entry into force of this Act, the clauses corresponding to this Act shall be deemed to have been cited if this Act includes the provisions corresponding to them; the directors of the Bank of Korea shall be deemed to cite the assistant vice governors of the Bank of Korea; the Office of Banking Supervision at the Bank of Korea or the Office of Ba

anking Supervision shall be deemed to cite the Financial Supervisory Service; and the Director of the Office of Banking Supervision at the Bank of Korea or the Director of the Office of Banking Supervision shall be deemed to cite the Director of the Financial Supervisory Service.

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 21 Omitted.**

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

**Article 1 (Enforcement Date)**

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

(2) Omitted.

**Articles 2 through 14 Omitted.**

**ADDENDA** <Act No. 6274, Oct. 23, 2000>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 6 Omitted.**

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

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date as prescribed by the Presidential Decree within the limit not exceeding 2 years from the promulgation date of this Act. (Proviso Omitted.) <Enforcement date of this Act shall be Mar. 1, 2002 pursuant to the Presidential Decree No. 17519, Feb. 25, 2002>>

**Articles 2 through 11 Omitted.**

**ADDENDA** <Act No. 6836, Dec. 30, 2002>

**Article 1 (Enforcement Date)**

This Act shall enter into force on January 1, 2003.

**Articles 2 through 7 Omitted.**

## ADDENDA &lt;Act No. 6971, Sep. 3, 2003&gt;

- (1) (Enforcement Date) This Act shall enter into force on January 1, 2004.
- (2) (Transitional Measures on Terms of Members and Vice-Governor) At the time of the entry into force of this Act, the terms of office of the members of the Monetary Board appointed under the previous provisions of Article 13 (1) 7 and of the Vice-Governor appointed under the previous provisions of Article 36 (1) shall be until December 31, 2003, notwithstanding the previous provisions.