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BANKING ACT

[Enforcement Date 19. Oct, 2017.] [Act No.14826, 18. Apr, 2017., Partial Amendment] 금융위원회(은행과), 02-2100-2953

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 2 (Definitions)

- (1) The terms used in this Act shall be defined as follows: <Amended by Act No. 12101, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>
- 1. The term "banking business" means business lending funds raised by bearing debts owed to many and unspecified persons, by the receipt of deposits or the issuance of securities and other bonds;
- 2. The term "bank" means all corporations, other than the Bank of Korea, which regularly and systematically manage banking business;
- 3. The term "commercial financial business" means business lending funds primarily raised by the receipt of demand deposits within a period not exceeding one year, or lending money for a period of not less than one year but less than three years within a lending limit determined by the Financial Services Commission, taking into account total deposits;
- 4. The term "long-term financial business" means business lending funds raised by capital, reserves, other surplus, or time deposits with a maturity of not less than one year, or by the issuance of debentures or other bonds for a period exceeding one year;
- 5. The term "equity capital" means the sum of core capital and supplementary capital according to the standards set by the Bank for International Settlements;
- 6. The term "payment guarantee" means that a bank guarantees or acquires debts of other people;
- 7. The term "credit granting" means loans, payment guarantees, and the purchase of securities (limited to fund assistance in substance), or other direct and indirect transactions by a bank, which involve credit risk in financial transactions;
- 8. The term "same person" means the principal and a person having a special relationship prescribed by Presidential Decree with the principal (hereinafter referred to as "specially related person");

- 9. The term "non-financial business operator" means any of the following persons:
 - (a) The same persons where the total amount of gross capital (referring to the gross amount of assets less the gross amount of debts on the balance sheet; hereinafter the same shall apply) of the persons who are non-financial companies (referring to companies that operate business that is not financial business determined by Presidential Decree; hereinafter the same shall apply) is not less than 25/100 of the total amount of gross capital of the persons who are companies;
 - (b) The same person where the total amount of gross capital of the persons who are non-financial companies is not less than the amount prescribed by Presidential Decree, which is not less than two trillion won;
 - (c) An investment company under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "investment company") where a person referred to in item (a) or (b) holds more than 4/100 of the total number of its issued stocks (referring to cases where the same person owns stocks in his/her own name or any other person's name or has voting rights on such stocks through a contract, etc.; hereinafter the same shall apply);
 - (d) A private equity fund under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "private equity fund"), which falls under any of the following cases:
 - (i) Where a person referred to in any of items (a) through (c) is a limited partner who holds not less than 10/100 of shares in the total investments in the private equity fund (in such cases, shares of the relevant partner and those of other partners who have a special relationship with such partner shall be included in the calculation of shares);
 - (ii) Where a person referred to in any of items (a) through (c) is a general partner of the private equity fund (Provided, That, this shall not apply where a person falls under any of items (a) through (c) as a consequence of an investment by a general partner who does not fall under any of items (a) through (c) in stocks or shares of a non-financial company through another private equity fund but limited partners of the relevant private equity fund (including the relevant partner and other limited partners who have a special relationship with such partner) have not made an investment in another private equity fund);
 - (iii) Where the sum of shares in the private equity fund, acquired by affiliated companies (referring to affiliated companies defined by the Monopoly Regulation and Fair Trade Act; hereinafter the same shall apply) that belong to different enterprise groups subject to limitations on mutual investment (referring to an enterprise group subject to limitations on mutual investment under the Monopoly Regulation and Fair Trade Act; hereinafter the same shall apply), is not less than 30/100 of total investments in the private equity fund;
 - (e) A special purpose company where a private equity fund referred to in item (d) (including a person referred to in any of items (a) through (c) of this subparagraph, among persons who have acquired stocks or shares of the special purpose company under Article 249-13 (1) 3 (b) or (c) of the Financial Investment Services and Capital Markets Act) acquires and holds more than 4/100 of stocks or shares of the special purpose company or exercises a de facto influence over the major managerial matters of the special purpose company, such as appointment or dismissal of its executives;
- 10. The term "large stockholder" means any of the following persons:
 - (a) One stockholder of a bank where the same person including such stockholder holds more than 10/100 (15/100 in cases of a bank which does not operate nationwide (hereinafter referred to as "local bank")) of the total number of voting stocks issued by the bank;
 - (b) One stockholder of a bank where the same person, including such stockholder, holds more than 4/100 of the total number of outstanding voting stocks (excluding non-voting stocks under Article 16-2 (2)) issued by the

bank (excluding a local bank) and the same person is the largest stockholder of the bank or exercises de facto influence over the major managerial matters of the bank by appointing or dismissing its executives or by other methods, as prescribed by Presidential Decree.

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 3 (Applicable Acts)

(1) All banks in the Republic of Korea shall be operated in accordance with this Act, the Bank of Korea Act, the Act on the Establishment, Etc. of Financial Services Commission, the Act on Corporate Governance of Financial Companies, and regulations established and orders issued thereunder. Amended by Act No. 13453, Jul. 31, 2015>
 (2) This Act and the Bank of Korea Act shall prevail over the Commercial Act and any other statute.

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 4 (Juristic Persons)

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 5 Deleted.

by Act No. 14242, May 29, 2016>

Article 6 (Insurers, etc.)

Insurers, and companies exclusively engaged in savings bank business or trust business, shall not be deemed banks. [This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 7 (Determination on whether Juristic Persons are Banks)

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

CHAPTER II AUTHORIZATION, ETC. OF BANKING BUSINESS

Article 8 (Authorization of Banking Business)

- (1) Any person who intends to engage in banking business shall obtain authorization from the Financial Services Commission.
- (2) Any person who intends to obtain authorization for banking business pursuant to paragraph (1) shall meet all of the following requirements: <Amended by Act No. 12101, Aug. 13, 2013; Act No. 13453, Jul. 31, 2015>
- 1. The person shall have a capital of at least 100 billion won: Provided, That a local bank's required capital may be at least 25 billion won;
- 2. A plan for raising funds required for the management of the banking business shall be appropriate;
- 3. A plan for stockholder composition shall be in compliance with Articles 15, 15-3 and 16-2;
- 4. Large shareholders shall have sufficient investment capabilities, sound financial conditions and social creditability;
- 5. The person shall have a feasible and sound business plan;
- 6. The person's incorporators (limited to cases where incorporators are individuals) and executive officers shall meet the requirements under Article 5 of the Act on Corporate Governance of Financial Companies;
- 7. The person shall have human resources, business facilities, computer systems and other physical facilities sufficient to manage banking business.

- (3) Necessary details concerning the requirements, etc. referred to in paragraph (2) shall be prescribed by Presidential Decree.
- (4) The Financial Services Commission may impose necessary conditions for stabilizing financial markets, securing the soundness of banks and protecting depositors in granting authorization under paragraph (1).
- (5) A person who has obtained conditional authorization under paragraph (4) may file an application with the Financial Services Commission for the revocation or amendment of the imposed conditions where his/her circumstances have changed or other justifiable grounds exist. In such cases, the Financial Services Commission shall decide whether to revoke or amend the imposed conditions within two months, and promptly inform the applicant of the result thereof in writing.

Article 9 (Minimum Capital)

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

- **Article 10 (Approval for Capital Reduction)**(1) Where a bank intends to perform an act that reduces its capital, as prescribed by Presidential Decree, including a decrease in the number of stocks, etc., it shall obtain approval therefor from the Financial Services Commission: <Amended by Act No. 14129, Mar. 29, 2016>
 - (2) A person who wishes to obtain approval under paragraph (1) shall meet all the following requirements and file an application therefor: <Amended by Act No. 14129, Mar. 29, 2016>
 - 1. No capital reduction shall violate any relevant statute;
 - 2. The inevitability of the capital reduction, such as the purpose of improving the financial structure, shall be recognized;
 - 3. No capital reduction shall violate any right or interests of depositors and other banking users.
 - (3) Upon receipt of an application under paragraph (2), the Financial Services Commission shall decide whether to approve it, within 30 days from the filing date of the application. <Newly Inserted by Act No. 14129, Mar. 29, 2016>
 - (4) Further necessary details in relation to the requirements referred to in paragraph (2), etc. shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 14129, Mar. 29, 2016>
 - (5) Article 8 (4) and (5) shall apply mutatis mutandis where the Financial Services Commission grants approval under paragraph (1). <Newly Inserted by Act No. 14129, Mar. 29, 2016>

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 11 (Submission of Applications, etc.)

- (1) A person who intends to obtain authorization under Article 8 shall file an application therefor with the Financial Services Commission.
- (2) The contents and types of applications under paragraph (1) shall be determined by Presidential Decree. [This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 11-2 (Preliminary Authorization)

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

- (2) When the Financial Services Commission decides whether to grant preliminary authorization under paragraph
- (1), it shall verify that a person who intends to obtain preliminary authorization meets all requirements for substantive authorization.
- (3) The Financial Services Commission may impose conditions on preliminary authorization under paragraph (2).
- (4) Where a person who has obtained preliminary authorization applies for substantive authorization, the Financial Services Commission shall decide whether to grant substantive authorization after verifying that the person has fulfilled the imposed conditions on preliminary authorization under paragraph (3) and meets all requirements for substantive authorization.
- (5) Articles 8 (3) and 11 shall apply mutatis mutandis to preliminary authorization.

[This Article Newly Inserted by Act No. 10303, May 17, 2010]

Article 12 (Public Notification of Authorization, etc.)

Where the Financial Services Commission grants authorization under Article 8 or cancels authorization under Article 53 (2), it shall publicly notify such fact in the Official Gazette and publicly announce the fact on its website, etc. [This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

- (1) Where a bank intends to establish a subsidiary, etc. referred to in Article 37 (2) located outside the Republic of Korea (hereinafter referred to as "overseas local corporation") or a branch (hereinafter referred to as "overseas branch"), it shall develop an establishment plan.
- (2) In cases prescribed by Presidential Decree in consideration of the following matters, banks that have developed an establishment plan under paragraph (1) shall report the plan to the Financial Services Commission in advance:
- 1. Soundness in management of the relevant bank, its overseas local corporation and overseas branches;
- 2. How the overseas local corporation and overseas branches of the relevant bank launch;
- 3. Scope of affairs of the overseas local corporation and overseas branches of the relevant bank;
- 4. Characteristics of a country where the overseas local corporation and overseas branches of the relevant bank are located.
- (3) Where the details reported under paragraph (2) are likely to undermine soundness in the management of a bank and the stability of financial markets, the Financial Services Commission may order the bank to supplement, amend or restrict an establishment plan.

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 14 (Prohibition of Use of Similar Trade Names)

No person, other than the Bank of Korea and banks, shall use the word "bank" in his/her trade name, or the word "banking business" and "banking services" in indicating his/her business, and shall use any word prescribed by Presidential Decree that is a word in a foreign language meaning a bank, banking business or banking services. [This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

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

- (1) No same person shall hold stocks of a bank in excess of 10/100 of the total number of its issued voting stocks: Provided, That this shall not apply in any of the following cases and cases falling under paragraph (3) and Article 16-2 (3):
- 1. Where the Government or the Korea Deposit Insurance Corporation established under the Depositor Protection Act holds stocks of a bank;

- 2. Where the same person holds not more than 15/100 of the total number of issued voting stocks of a local bank.
- (2) In any of the following cases, the same person (excluding persons prescribed by Presidential Decree), he/she shall report to the Financial Services Commission the matters prescribed by Presidential Decree that are necessary for verifying changes in the status or ratio of stockholding of a bank: Amended by Act No. 13448, Jul. 24, 2015>
- 1. Where the same person holds stocks of a bank (excluding a local bank; hereafter in this paragraph the same shall apply) in excess of 4/100 of the total number of its voting stocks;
- 2. Where the same person under subparagraph 1 becomes the largest stockholder of the relevant bank;
- 3. Where the ratio of stockholding by the same person under subparagraph 1 changes by at least 1/100 of the total number of voting stocks of the relevant bank;
- 4. Where there is a change in partners of a private equity fund that holds more than 4/100 of the total number of voting stocks of a bank;
- 5. Where there is a change in shareholders or partners of a special purpose company that holds more than 4/100 of the total number of voting stocks of a bank (including cases where there is a change in partners of the private equity fund that is a shareholder or partner of the relevant special purpose company).
- (3) Notwithstanding the main sentence of paragraph (1), the same person may hold stocks of a bank by obtaining approval from the Financial Services Commission, whenever the following limits are exceeded: Provided, That the Financial Services Commission may grant approval by setting the separate stockholding limits, other than those specified in each subparagraph only where it is deemed necessary based on the possibility of enhancing the efficiency and soundness of banking business, the stock distribution of stockholders of the relevant bank, etc., and if the same person intends to hold stocks in excess of the approved limit, he/she shall obtain approval again from the Financial Services Commission:
- 1. The limit specified in the main sentence of paragraph (1) (the limit specified in paragraph (1) 2 in cases of a local bank);
- 2. 25/100 of the total number of voting stocks of the relevant bank;
- 3. 33/100 of the total number of voting stocks of the relevant bank.
- (4) Where the Financial Services Commission decides not to grant approval under paragraph (3), it shall notify the applicant thereof specifying the reasons therefor within the period prescribed by Presidential Decree.
- (5) Procedures, methods and detailed standards for reporting in applying paragraph (2), and the qualifications for any person capable of holding stocks of a bank, the requirements and procedures for approval related to stockholding in applying paragraph (3), and other necessary matters shall be prescribed by Presidential Decree in consideration of the following matters:
- 1. The possibility of undermining the soundness of the relevant bank;
- 2. The propriety of the scale of assets and the financing standing;
- 3. The size of credit granting from the relevant bank;
- 4. The possibility of enhancing the efficiency and soundness of banking business.
- (6) Where an investment company holds stocks of a bank by obtaining approval under paragraph (3), Article 81 (1)
- 1 (a) through (c) of the Financial Investment Services and Capital Markets Act shall not apply to the investment company.
- (7) In the following cases, the Financial Services Commission may grant approval to the relevant bank even if the bank fail to meet the requirements for approval under paragraph (5): <Amended by Act No. 13613, Dec. 22, 2015>
- 1. Where the bank is an insolvent financial institution under subparagraph 2 of Article 2 of the Act on the Structural Improvement of the Financial Industry;

- 2. Where the bank is an insolvent financial company under subparagraph 5 of Article 2 of the Depositor Protection Act;
- 3. Where the bank is an insolvent-threatened financial company under subparagraph 6 of Article 2 of the Depositor Protection Act;
- 4. Cases determined and publicly announced by the Financial Services Commission, such as a failure to comply with standards for managerial instructions under Article 34 (2).
- (8) The Financial Services Commission or a bank may request the stockholders of the bank to present necessary data in order to verify the same persons who hold the stocks of the bank and the scope of the stocks held by such same persons.
- (9) Necessary matters concerning requests for the presentation of data under paragraph (8) shall be prescribed by Presidential Decree.

Article 15-2 Deleted.

by Act No. 12101, Aug. 13, 2013>

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

- (1) Deleted.

by Act No. 12101, Aug. 13, 2013>
- (2) A private equity fund or a special purpose company that wishes to obtain approval under Article 15 (3) (hereinafter referred to as "private equity fund, etc.") shall meet all the following requirements: <Amended by Act No. 12101, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>
- 1. Requirements for the executive officer of a private equity fund:
 - (a) It, as a corporation, shall not be a person specially related to another partner or stockholder of a private equity fund, etc. for which it serves as executive partner or to whom the management of its property is entrusted;
 - (b) It shall have adequate ability, experience, and social credibility to the extent that it can preclude any other partner or stockholder of the private equity fund, etc. which it serves as executive partner or to whom the management of its property is entrusted, from exercising control over stocks or shares that are the property of the relevant private equity fund, etc.;
- 2. Other requirements prescribed by Presidential Decree in consideration of the impact that the holding of stocks of the private equity fund, etc. has on the soundness of the relevant bank.
- (3) Where the Financial Services Commission deems it necessary for verifying whether a private equity fund, etc. fulfills the requirements under paragraph (2) in order to conduct an examination for approval under Article 15 (3), it may request the private equity fund, etc. or the executive partner responsible for management of its property, etc. to provide the information or data prescribed by Presidential Decree, such as the articles of association of the relevant private equity fund, etc. and terms and conditions of contracts concluded by and among its stockholders or partners. <Amended by Act No. 12101, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>
- (4) Where the Financial Services Commission decides not to grant approval under Article 15 (3), it shall notify the applicant thereof, specifying the reasons therefor, within the period prescribed by Presidential Decree. Amended by Act No. 12101, Aug. 13, 2013>
- (5) Deleted.

by Act No. 12101, Aug. 13, 2013>
- (6) Where the Financial Services Commission grants approval pursuant to Article 15 (3), it may impose necessary conditions in connection with involvement of the relevant private equity fund, etc. in the management, etc. of the bank, if the relevant private equity fund, etc. is highly likely to exercise a de facto influence on major management issues of the relevant bank, in consideration of the distribution and composition of shares held by stockholders of

the relevant bank, the composition of partners or stockholders of the relevant private equity fund, etc., etc.

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<Amended by Act No. 12101, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>
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(7) Procedures for approval and methods of examining approval under Article 15 (3), detailed criteria for the requirements referred to in paragraph (2), and other necessary matters shall be prescribed by Presidential Decree. <Amended by Act No. 12101, Aug. 13, 2013>

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

Where any change occurs in the information or data submitted to the Financial Services Commission in accordance with Article 15-3 (3) by a private equity fund, etc., which holds stocks of a bank with approval granted under Article 15 (3), the private equity fund, etc. shall report the change to the Financial Services Commission, without delay.

<Amended by Act No. 12101, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

A private equity fund, etc. that holds stocks of a bank with approval granted under Article 15 (3) or its stockholders or partners shall not commit any of the following acts: <Amended by Act No. 12101, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

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

 Amended by Act No. 12101, Aug. 13, 2013>
- (2) In any of the following cases as a consequence of conversion of contingent bonds convertible into a bank's stocks, issued under Article 33 (1) 3, into the bank's stocks, the same person shall comply with the following subparagraphs, notwithstanding paragraph (1): <Newly Inserted by Act No. 14129, Mar. 29, 2016>
- 1. Where the person holds stocks of a bank in excess of the stockholding limits under Article 15 (1) and (3): The person shall complete all the following procedures and shall exercise no voting right on the stocks held in excess of the stockholding limits until such procedures are completed:
 - (a) The person shall report the holding of stocks of a bank in excess of the limits under Article 15 (1) and (3) to the Financial Services Commission within the period specified by Presidential Decree;
 - (b) The person shall complete the measures specified in either of the following sub-items within the period specified by Presidential Decree: Provided, That the period may be extended with approval thereof from the Financial Services Commission by not more than six months, in extenuating circumstances:

- (i) Measures to obtain the approval under Article 15 (3) from the Financial Services Commission;
- (ii) Measures not to exceed the limits set under Article 15 (1) and (3);
- 2. Where a person holds stocks of a bank in excess of the stockholding limit under Article 16-2 (1) (excluding cases of a local bank) but holds such stocks within the stockholding limit under Article 16-2 (2): The person shall exercise no voting right on the stocks held in excess of the stockholding limit and complete all the following procedures:
 - (a) The person shall report the holding of stocks of a bank in excess of the limit under Article 16-2 (1) to the Financial Services Commission within the period specified by Presidential Decree;
 - (b) The person shall complete either of the following measures within the period specified by Presidential Decree: Provided, That the period may be extended with approval thereof from the Financial Services Commission by not more than six months, in extenuating circumstances:
 - (i) Measures to obtain the approval under Article 16-2 (2) from the Financial Services Commission;
 - (ii) Measures to exceed the limits under Article 16-2 (1);
- 3. Where a person holds stocks of a bank in excess of the stockholding limit under Article 16-2 (1) (limited to a local bank) or of the stockholding limit under Article 16-2 (2): The person shall exercise no voting right on the stocks held in excess of the stockholding limit and shall take measures to meet the limits, without delay.
- (3) If the same person fails to comply with paragraph (1) or (2), the Financial Services Commission may order the person to dispose of the stocks held in excess of the limit within a specified period of not more than six months. <Amended by Act No. 12101, Aug. 13, 2013; Act No. 14129, Mar. 29, 2016>
- (4) The procedure, method, etc. for reporting under paragraph (2) 1 (a) and 2 (b) shall be determined and publicly announced by the Financial Services Commission. <Newly Inserted by Act No. 14129, Mar. 29, 2016>
 [This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 16-2 (Restrictions, etc. on Stockholding by Non-Financial Business Operators)

- (1) No non-financial business operator (including a person who is excluded from an enterprise group subject to the limitations on mutual contribution, etc. under Article 14-2 of the Monopoly Regulation and Fair Trade Act and so ceases to be a non-financial business operator, but for whom a period prescribed by Presidential Decree has not yet passed since the date of the exclusion; hereafter in paragraph (2) the same shall apply) may hold more than 4/100 of the total number of outstanding voting stocks of a bank (15/100 in cases of a local bank), notwithstanding Article 15 (1). <Amended by Act No. 12101, Aug. 13, 2013>
- (2) Notwithstanding paragraph (1), if a non-financial business operator obtains approval from the Financial Services Commission for stocks of a bank he/she intends to hold beyond the limit set out in paragraph (1) (excluding cases related to a local bank) on condition that he/she will not exercise his/her voting rights in the stocks, after satisfying the requirements prescribed by Presidential Decree including financial soundness, he/she may hold such stocks up to the limit set in the main sentence of Article 15 (1).
- (3) The main sentence other than the subparagraphs of Article 15 (1) and paragraph (3) of the same Article shall apply to the following non-financial business operators, notwithstanding paragraphs (1) and (2): <Amended by Act No. 12101, Aug. 13, 2013>
- 1. A non-financial business operator who has submitted to the Financial Services Commission a plan for converting itself into a person who is not a non-financial business operator within two years (hereinafter referred to as "conversion plan") and has obtained approval therefor;
- 2. A non-financial business operator who holds stocks within the scope of the stockholding ratio of a bank by a foreigner under the Foreign Investment Promotion Act (hereinafter referred to as "foreigner");

- 3. A non-financial business operator who has obtained approval from the Financial Services Commission by satisfying the following requirements as a fund under Article 5 of the National Finance Act or a juristic person managing and operating the fund (including such juristic persons entrusted with the management and operation of the fund by law; hereafter referred to as "fund, etc." in this subparagraph):
 - (a) To equip itself with systems prescribed by Presidential Decree in order to prevent potential conflicts of interest between the fund, etc. holding stocks of banks and the interested parties, such as depositors and other stockholders of the banks;
 - (b) To undergo supervision or inspections from an agency determined and announced by the Financial Services Commission within the necessary extent to prevent conflicts of interest referred to in item (a);
 - (c) Other requirements prescribed by Presidential Decree considering the effect of the fund, etc.'s stockholding on the soundness of a bank.
- (4) Where a non-financial business operator exceeds the ratio of stockholding by a foreigner as a result of holding stocks of a bank under paragraph (3) 2, he/she shall not exercise voting rights in the excess stocks.
- (5) The Financial Services Commission may order a non-financial business operator to dispose of the stocks held in excess under paragraph (4) within a specified period of not more than one year: Provided, That if the Financial Services Commission deems it inevitable in light of the number of stocks held in excess by a non-financial business operator and the situation of the securities market, etc., it may extend the period for disposing of the stocks within a specified limit.
- (6) The number of banks, the stocks of which may be held by a non-financial business operator under paragraph (3) 2 shall be limited to one.
- (7) Requirements for approval of the conversion plan under paragraph (3) 1 and procedures for and methods of approval referred to in paragraph (3) 3 and other matters necessary for the examination of approval shall be prescribed by Presidential Decree.

Article 16-3 (Appraisals, Inspections, etc. of Conversion Plans)

- (1) Any non-financial business operator who intends to apply for approval under Article 16-2 (3) 1 shall submit a conversion plan to the Financial Services Commission, and if it is necessary for a specialized institution to appraise the conversion plan, the Financial Services Commission may have the specialized institution conduct such appraisal, as determined by the Financial Services Commission.
- (2) The Financial Services Commission shall regularly inspect the implementation status of a conversion plan by a non-financial business operator (hereinafter referred to as "person subject to conversion") who holds stocks of a bank in excess of the limit set in Article 16-2 (1) with approval on the conversion plan under paragraph (3) 1 of the same Article, as prescribed by Presidential Decree, and shall publicly announce its results on its website and through other media.
- (3) Where the Financial Services Commission deems that a person subject to conversion fails to implement such conversion plan as a result of an inspection under paragraph (2), it may order him/her to implement it within a fixed period of not more than six months.
- (4) No person subject to conversion falling under any of the following subparagraphs may exercise the voting rights of the stocks of a bank held by himself/herself in excess of the limit set in Article 16-2 (1):
- 1. Any person subject to conversion who is in receipt of an order for implementation under paragraph (3) from the Financial Services Commission;

- 2. Any person subject to conversion who is found to have engaged in an illegal transaction with a bank through the inspection by the Governor of the Financial Supervisory Service under Article 43-2 (1) due to any cause referred to in Article 48-2 (1) 1 (b).
- (5) Where a person subject to conversion falls under any of the following subparagraphs, the Financial Services Commission may order him/her to dispose of the stocks of a bank held in excess of the limit set in Article 16-2 (1) within a specified period of not more than six months:
- 1. Where he/she fails to comply with an order for execution under paragraph (3);
- 2. Where he/she falls under paragraph (4) 2.

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

- (1) The Financial Services Commission shall examine whether a person holding stocks of a bank under Articles 15
- (3) and 16-2 (3) (hereafter in this Article referred to as "stockholder, etc. holding stocks in excess of limit") continues to meet the qualifications and approval requirements under Article 15 (5) and 15-3 (7) (hereafter in this Article referred to as "excess holding requirements, etc.") even after acquiring such stocks, as prescribed by Presidential Decree. <Amended by Act No. 12101, Aug. 13, 2013>
- (2) The Financial Services Commission may, where necessary for the examination referred to in paragraph (1), request a bank or a stockholder, etc. holding stocks in excess of limit to furnish necessary data or information.
- (3) Where the Financial Services Commission deems that a stockholder, etc. holding stocks in excess of limit has failed to meet the excess holding requirements, etc., based on the findings of the examination under paragraph (1), it may order him/her to meet such requirements within a specified period of not more than six months.
- (4) No stockholder, etc. holding stocks in excess of limit, upon receipt of an order under paragraph (3), may exercise any voting right on the stocks of a bank held in excess of the limit set in Article 15 (3) 1 (referring to the limits set in Article 16-2 (1), if such stockholder, etc. holding stocks in excess of limit is a non-financial business operator; hereafter in paragraph (5) the same shall apply) before he/she complies with such order. <Amended by Act No. 12101, Aug. 13, 2013>
- (5) Where a stockholder, etc. holding stocks in excess of limit in receipt of an order under paragraph (3) fails to comply with the order, the Financial Services Commission may order him/her to dispose of the stocks of a bank held by himself/herself in excess of the limit set in Article 15 (3) 1 within a specified period not exceeding six months.
- (6) Where the Financial Services Commission examines whether a person satisfies excess holding requirements, etc. under paragraph (1), it shall examine whether a person falling under Article 16-2 (3) 3 satisfies the requirements under the items of the same subparagraph.

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

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

- 1. It shall be appropriate for engaging in international business activities in light of the total amount of assets, business size, etc. and have sound reputation recognized on a global basis;
- 2. It shall receive proper supervision related to the soundness of the relevant foreign bank, etc. from the relevant foreign financial supervisory agency;
- 3. The Financial Services Commission shall have cooperative relations, such as exchange of information, with the relevant foreign financial supervisory agency.
- (2) The Financial Services Commission may determine and announce the matters necessary for detailed standards for requirements, procedures for and methods of application of the relevant foreign bank, etc. under paragraph (1). [This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 17 Deleted. <by Act No. 10303, May 17, 2010>

CHAPTER IV GOVERNANCE

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Article 18 Deleted. <by Act No. 13453, Jul. 31, 2015>
Article 19 Deleted. <by Act No. 5745, Feb. 5, 1999>
Article 20 Deleted. <by Act No. 13453, Jul. 31, 2015>
Article 21 Deleted. <by Act No. 10303, May 17, 2010>
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Article 21-2 (Prohibition on Divulgence of Confidential Information, etc.)

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

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Article 22 Deleted. <by Act No. 10303, May 17, 2010>

Article 23 Deleted. <by Act No. 10303, May 17, 2010>

Article 23-2 Deleted. <by Act No. 10303, May 17, 2010>

Article 23-3 Deleted. <by Act No. 10303, May 17, 2010>

Article 23-4 Deleted. <by Act No. 10303, May 17, 2010>

Article 23-5 Deleted. <by Act No. 10303, May 17, 2010>

Article 24 Deleted. <by Act No. 10303, May 17, 2010>

Article 25 Deleted. <by Act No. 10303, May 17, 2010>

Article 26 Deleted. <by Act No. 10303, May 17, 2010>

Article 26 Deleted. <by Act No. 10303, May 17, 2010>
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CHAPTER V BANKING SERVICES

Article 27 (Scope of Services)

- (1) A bank may be engaged in all services in banking business (hereinafter referred to as "banking services") within the scope of this Act and other related Acts.
- (2) The scope of banking services is as provided for in the following:
- 1. Receipt of deposits and saving deposits, and issuance of securities and other debentures;
- 2. Loans of funds or discount of notes;

3. Domestic and foreign exchange.

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 27-2 (Operation of Incidental Services)

- (1) A bank may be engaged in all services incidental to banking services (hereinafter referred to as "incidental services").
- (2) Where a bank intends to be engaged in incidental services, it shall file a report thereon with the Financial Services Commission within seven days prior to the date on which it intends to start such services: Provided, That it may be engaged in the services provided for in the following among the incidental services without reporting thereon:
- 1. Guarantee of debts or takeover of notes;
- 2. Mutual savings;
- 3. Factoring (referring to purchase and recovery of bonds on sales price of a company and affairs related thereto);
- 4. Safeguard deposits;
- 5. Execution of collection and payment as an agent;
- 6. A credit depository of a local government as an agent;
- 7. Execution of payment related to electronic commercial transactions as an agent;
- 8. Sale and lease of computer systems and software related to banking business;
- 9. Training on finance and publication of books and periodicals on finance;
- 10. Surveys and research on finance;
- 11. Other incidental services to banking services prescribed by Presidential Decree.
- (3) Where a bank files a report under paragraph (1), such report shall be accompanied by documents prescribed by Presidential Decree, such as business plans, documents on a profit and loss forecast, etc.
- (4) Where the reported details under paragraph (2) fall under any of the following cases, the Financial Services Commission may order the restriction or correction of the relevant incidental services:
- 1. Where the reported details undermine soundness in the management of the bank in question;
- 2. Where the reported details cause hindrance to the protection of bank users, such as depositors, etc.;
- 3. Where the reported details undermine the stability of financial markets, etc.
- (5) The Financial Services Commission shall give public notice of the incidental services reported under paragraph
- (2) and the incidental services subject to a restriction or corrective order under paragraph (4) on its website according to the method and procedure prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 10303, May 17, 2010]

Article 28 (Operation of Concurrent Business)

- (1) A bank may directly run the following business, other than banking business (hereinafter referred to as "concurrent business"):
- 1. Financial business prescribed by Presidential Decree among business requiring authorization, permission, registration, etc. under finance-related Acts and subordinate statutes prescribed by Presidential Decree;
- 2. Finance-related business provided for in Acts and subordinate statutes prescribed by Presidential Decree that are permitted for a bank to run under the relevant Acts and subordinate statutes;
- 3. Financial business prescribed by Presidential Decree that has no risk of falling under any subparagraph of Article 27-2 (4) even if a bank operates such business.
- (2) Where a bank intends to directly run concurrent business, it shall file a report thereon with the Financial Services Commission according to the following classifications:

- 1. Business under paragraph (1) 1: To file a report when applying for authorization, permission, registration, etc. pursuant to finance-related Acts and subordinate statutes;
- 2. Business under paragraph (1) 2 and 3: To file a report within seven days prior to the date on which a bank intends to run the relevant business.
- (3) Where the reported details under paragraph (2) are likely to fall under any subparagraph of Article 27-2 (4), the Financial Services Commission may order the restriction or correction of the relevant concurrent businesses.

Article 28-2 (Management of Conflict of Interest)

- (1) A bank shall recognize and evaluate the possibility of a conflict of interest to occur between services prescribed by Presidential Decree, and fairly manage such services by blocking information exchanges in order to prevent the conflict of interest between the bank and its users, and between a special user and any other users in operating the services stipulated in this Act.
- (2) A bank shall include methods, procedures, etc. for managing the conflict of interest under paragraph (1) in the internal control standards prescribed by Article 24 of the Act on Corporate Governance of Financial Companies (hereinafter referred to as "internal control standards," as prescribed by Presidential Decree. <Amended by Act No. 13453, Jul. 31, 2015>
- (3) Where a bank deems it difficult to fairly manage a conflict of interest, it shall fully inform the relevant users of such fact in advance, and shall conduct transactions after lowering the possibility of a conflict of interest to the extent that it does not compromise the protection, etc. of bank users pursuant to methods and procedures determined by the internal control standards.
- (4) No bank shall conduct a transaction if it deems it difficult to lower the possibility of a conflict of interest to occur pursuant to paragraph (3).
- (5) The Financial Services Commission may recommend amendment of the internal control standards concerning a conflict of interest, if deemed necessary for the protection, etc. of bank users.
- (6) A bank shall distinguish concurrent business and incidental services prescribed by Presidential Decree from banking services, as prescribed by Presidential Decree, and keep separate accounting books and records thereof. [This Article Newly Inserted by Act No. 10303, May 17, 2010]

Article 29 Deleted. <by Act No. 10303, May 17, 2010>

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

- (1) A bank shall hold not less than the minimum ratio of reserve requirements and reserve requirement assets under Section 2 of Chapter IV of the Bank of Korea Act to meet the reserve requirements subject to the reserve requirement rates under Article 55 of the Bank of Korea Act; Provided, That it may choose not to hold the reserves requirements and reserve requirement assets for the trust business operated under Article 28. <Amended by Act No. 11051, Sep. 16, 2011>
- (2) A bank shall abide by the following decisions, restrictions, etc. taken or placed by the Monetary Policy Committee under the Bank of Korea Act:
- 1. Decisions on the maximum interest rates on all kinds of deposits or other payments of banks;
- 2. Decisions on the maximum rates of interest for the credit business, such as all kinds of loans or other charges of banks;
- 3. Restrictions on the maturity for loans and kinds of securities handled by banks;

- 4. Restrictions on the maximum limits on loans and investment, or maximum limits by sector for banks within a given period in cases of national economic emergencies, such as hyperinflation, etc.;
- 5. Prior approval for loans by banks in cases of national economic emergency such as hyperinflation, etc.

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

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 32 (Handling of Current Accounts)

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

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

Article 33 (Issuance of Bank Debentures)

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

[This Article Wholly Amended by Act No. 14129, Mar. 29, 2016]

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

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

[This Article Newly Inserted by Act No. 14129, Mar. 29, 2016]

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

- (1) In order for an unlisted bank to issue contingent bonds convertible into stocks of a bank holding company, the unlisted bank and the listed bank holding company shall make a contract on the exchange of stocks, which shall contain the matters specified by Presidential Decree, including the total amount of the contingent bonds convertible into stocks of the bank holding company, in accordance with the articles of incorporation and shall complete the following procedures, respectively:
- 1. In cases of the unlisted bank: Resolution by the board of directors;
- 2. In cases of the listed bank holding company: Resolution by the board of directors and by the general meeting of stockholders made under Article 434 of the Commercial Act.
- (2) In order for an unlisted bank to issue contingent bonds convertible into stocks of a bank holding company, it shall register the bonds with the registry under Article 3 of the Registration of Bonds and Debentures Act. In such cases, such contingent bonds convertible into stocks of a bank holding company shall be registered by the method prescribed in Article 309 (5) of the Financial Investment Services and Capital Markets Act.
- (3) Where an unlisted bank issues contingent bonds convertible into stocks of a bank holding company, the unlisted bank and the listed bank holding company shall register the matters specified by Presidential Decree, including the total amount of the contingent bonds convertible into stocks of the bank holding company, with the registry having jurisdiction over the head office, respectively within two weeks the payment made under Article 476 of the Commercial Act is completed.
- (4) Where a stockholder of the listed bank holding company that has adopted a resolution at its board of directors under paragraph (1) 2 notifies the listed bank holding company of a dissent from the resolution, in writing, before a general meeting of stockholders is held, such stockholder may demand the listed bank holding company to purchase the stocks held by him/her in a written statement specifying the type and number of the stocks, within 20 days from the date of resolution. In such cases, Article 374-2 (2) through (5) of the Commercial Act shall apply mutatis mutandis to the determination, etc. of the period for purchase of stocks and the purchase price of stocks.
- (5) An unlisted bank and a listed bank holding company shall reserve the number of stocks to be issued for conversion and exchange during the period from the date of issuance of contingent bonds convertible into stocks of the bank holding company to the effective date set under paragraph (5) or the maturity, whichever comes earlier.
- (6) The conversion of contingent bonds convertible into stocks of a bank holding company into stocks of an unlisted bank and the exchange of the converted stocks into stocks of the listed bank holding company shall come into force on the day specified by Presidential Decree during the period from the date any trigger event occurs to the fifteenth business day thereafter.
- (7) Notwithstanding Article 355 (1) of the Commercial Act, an unlisted bank may decide not to issue stock certificates even where the conversion and exchange come into force under paragraph (6).

- (8) If a listed bank holding company ceases to have control (referring to the control defined by Article 2 (1) 1 of the Financial Holding Companies Act) over an unlisted bank after the unlisted bank issues contingent bonds convertible into stocks of the bank holding company, the contingent bonds convertible into stocks of the bank holding company, which have been issued until that time and in which case no trigger event has occurred, shall be deemed to be changed to contingent bonds convertible into bank stocks under the same conditions of conversion and subject to the occurrence of any of the same trigger events: Provided, That this shall not apply where the contract on the exchange of stocks made under paragraph (1) stipulates otherwise.
- (9) An unlisted bank and a listed bank holding company shall register a modification to contingent bonds convertible into stocks of the bank holding company with the registry having jurisdiction over the head office, respectively, as follows:
- 1. Registration of a modification due to the conversion and exchange made under paragraph (6): Within two weeks from the effective date referred to in the same paragraph;
- 2. Registration of a modification due to a change made under paragraph (8): Within two weeks from the date of change made under the same paragraph.
- (10) Articles 424, 424-2, and 429 through 432 of the Commercial Act and Article 165-6 (1), (2), and (4) and Articles 165-9 and 314 (8) of the Financial Investment Services and Capital Markets Act shall apply mutatis mutandis to the issuance of contingent bonds convertible into stocks of a bank holding company; and Articles 339, 348, 350 (2) and (3), 360-4, 360-7, 360-11, 360-12, and 360-14 of the Commercial Act shall apply mutatis mutandis to the conversion of stocks of an unlisted bank into contingent bonds convertible into stocks of a bank holding company and the exchange of such converted stocks with stocks of the listed bank holding company.
- (11) Except as otherwise provided for in paragraphs (1) through (10), matters that shall be stipulated by articles of incorporation, the specific standards for trigger events, and other detailed matters necessary for the issuance, etc. of contingent bonds convertible into stocks of a bank holding company shall be prescribed by Presidential Decree. [This Article Newly Inserted by Act No. 14129, Mar. 29, 2016]

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

- (1) Where the value of issuance of contingent bonds convertible into stocks of a bank holding company, which are issued by an unlisted bank, does not exceed 5/100 of the total stockholders' equity (referring to the amount calculated by subtracting the total liabilities from the total assets on the balance sheet) of the listed bank holding company, the resolution by the general meeting of stockholders of the listed bank holding company made under Article 33-3 (1) 2 (hereafter referred to as "special resolution" in this Article) may be substituted by resolution by the board of directors of the listed bank holding company made under the same subparagraph (a resolution by the general meeting of stockholders, if its articles of incorporation requires a resolution by the general meeting of stockholders under Article 368 (1) of the Commercial Act). In such cases, the contract on the exchange of stocks made under Article 33-3 (1) shall contain a clause that contingent bonds convertible into stocks of the bank holding company may be issued without a special resolution.
- (2) A listed bank holding company shall publicly announce the trade name and head office of the unlisted bank involved, the scheduled issue date of the contingent bonds convertible into stocks of the bank holding company, and the fact that it will issue the contingent bonds convertible into stocks of the bank holding company without a special resolution or shall notify each stockholder of such facts, within two weeks from the date it makes a contract on the exchange of stocks under the latter part of paragraph (1).

- (3) If a stockholder who holds stocks equivalent to not less than 20/100 of the total number of outstanding stocks of a listed bank holding company notifies a dissent from the issuance of contingent bonds convertible into stocks of the bank holding company, in writing, to the listed bank holding company within two weeks from the date of the public announcement or notification made under paragraph (2), the listed bank holding company may issue no contingent bonds convertible into stocks of the bank holding company in the manner prescribed in paragraph (1).
- (4) Article 33-3 (4) shall not apply to the cases of paragraph (1).
- (5) Except as otherwise provided for in paragraphs (1) through (4), Article 360-10 (6) of the Commercial Act shall apply mutatis mutandis to the issuance, etc. of a small number of contingent bonds convertible into stocks of a bank holding company.

[This Article Newly Inserted by Act No. 14129, Mar. 29, 2016]

CHAPTER VI MAINTAINING SOUND MANAGEMENT

Article 34 (Guidance for Sound Management)

- (1) A bank shall ensure soundness in its management by making its equity capital solid and maintaining appropriate liquidity in running banking business.
- (2) All banks shall observe management guidelines determined by the Financial Services Commission, as prescribed by Presidential Decree, in connection with the following matters to maintain soundness in their management:
- 1. Matters concerning capital adequacy;
- 2. Matters concerning asset soundness;
- 3. Matters concerning liquidity;
- 4. Other necessary matters for ensuring the soundness in management.
- (3) Where the Financial Services Commission determines the management guidelines pursuant to paragraph (2), it shall fully include the principles of supervision over the soundness of banks recommended by the Bank for International Settlement.
- (4) If the Financial Services Commission finds that a bank is likely to seriously undermine soundness in its management, including a failure to meet the management guidelines under paragraph (2), or that it is inevitable to maintain the soundness in management, it may request the bank to take necessary measures for improving business management, such as increasing capital, restricting dividends of income, securing assets with high liquidity, and issuing and holding a certain amount of contingent bonds (referring to the debentures defined by Article 33 (1) 2 through 4. <Amended by Act No. 14129, Mar. 29, 2016>

[This Newly Inserted by Act No. 10303, May 17, 2010]

Article 34-2 (Prohibition of Unsound Business Conduct)

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

(2) Specific types of the acts committed under paragraph (1) or the criteria therefor shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14129, Mar. 29, 2016]

Article 34-3 (Prevention of Financial Accidents)

- (1) Each bank shall prepare measures for preventing financial accidents, including the following matters, include the measures in its internal control standards, and shall comply with the measures: <Amended by Act No. 14826, Apr. 18, 2017>
- 1. Matters prescribed by Presidential Decree in regard to the management of financial accidents in branches (including agencies, overseas local corporations, and overseas branches; hereafter in subparagraph 2, the same shall apply);
- 2. Matters prescribed by Presidential Decree in regard to internal inspections on business operations of branches;
- 3. Matters prescribed by Presidential Decree in regard to the protection of information on banking users;
- 4. Matters prescribed by Presidential Decree in regard to business affairs with a high risk of financial accidents, including electronic computerization and cash transportation.
- (2) Deleted.

 by Act No. 14826, Apr. 18, 2017>
- (3) In cases of the occurrence of matters specified by Presidential Decree related to financial accidents that are likely to have a substantial impact on the management of a bank, the bank shall report details of such occurrence to the Financial Services Commission within the period specified by Presidential Decree, and shall give public notice thereof through its website, etc.

[This Article Newly Inserted by Act No. 14129, Mar. 29, 2016]

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

- (1) No bank shall extend credit exceeding 25/100 of the relevant bank's equity capital to the same individual, corporation or person with whom it shares credit risk prescribed by Presidential Decree (hereinafter referred to as "same borrowers"): Provided, That this shall not apply to any of the following cases prescribed by Presidential Decree:
- 1. Where it is necessary for the national economy or for a bank to promote effectiveness in securing claims;
- 2. Where a bank exceeds the limit referred to in the main sentence due to changes in its equity capital or changes in the composition of the same borrowers although it did not extend further credit.
- (2) Where a bank exceeds a limit referred to in the main sentences of paragraphs (1), (3) and (4) pursuant to paragraph (1) 2, it shall ensure that it meets the limit under the main sentences of paragraphs (1), (3) and (4) within one year from the date on which it exceeds such limit: Provided, That in cases falling under extenuating circumstances prescribed by Presidential Decree, the Financial Services Commission may extend it by setting such period.
- (3) No bank shall extend credit exceeding 20/100 of the relevant bank's equity capital to the same individual or corporation, respectively: Provided, That this shall not apply where it falls under the proviso to paragraph (1).
- (4) Where the credit that a bank extends to the same individual, corporation, or the same borrower respectively exceeds 10/100 of the relevant bank's equity capital, the total amount of such large credit shall not exceed five times the relevant bank's equity capital: Provided, That this shall not apply where it falls under the proviso to paragraph (1).

[This Article Wholly Amended by Act No. 10303, May 17, 2010]

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

- (1) The credit that a bank can extend to its large stockholders (including any person specially related to him/her excluding an overseas local corporation; hereafter the same shall apply in this Article) shall not exceed an amount equivalent to the ratio prescribed by Presidential Decree within the scope of 25/100 of the relevant bank's equity capital or an amount equivalent to the ratio of any contribution by the relevant large stockholder to the relevant bank, whichever is less.
- (2) The credit that a bank can extend to all of its large stockholders shall not exceed an amount equivalent to the ratio prescribed by Presidential Decree within the scope of 25/100 of the relevant bank's equity capital.
- (3) No bank shall extend credit to its large stockholders under mutual crossover for the purpose of circumventing the credit limit referred to in paragraphs (1) and (2).
- (4) Where a bank intends to extend its large stockholders credit of not less than an amount prescribed by Presidential Decree (including any transaction prescribed by Presidential Decree; hereafter in this Article the same shall apply), it shall undergo resolution thereon by the board of directors in advance. In such cases, the resolution shall be passed by an affirmative vote of all incumbent members of the board of directors.
- (5) Where a bank has extended its large stockholders credit of not less than an amount prescribed by Presidential Decree, it shall report thereon to the Financial Services Commission without delay, and disclose it through its web site, etc.
- (6) A bank shall disclose the matters concerning credit granting to its large stockholders through its web site, etc. each quarter, as prescribed by Presidential Decree.
- (7) No bank shall extend credit to support investment of large stockholders of the relevant bank in another company.
- (8) No bank shall gratuitously transfer its assets to any large stockholder of the relevant bank, or trade or exchange its assets or extend credit to or with the relevant bank under substantially unfavorable conditions compared with ordinary terms and conditions of transactions.

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

- (1) No bank shall acquire (including acquisition by running the trust business, as prescribed by Presidential Decree; hereafter in this Article the same shall apply) equity securities (referring to equity securities provided for in Article 4 (4) of the Financial Investment Services and Capital Markets Act; hereafter in this Article the same shall apply) issued by large stockholders of the bank in excess of an amount equivalent to the ratio prescribed by Presidential Decree within the scope of 1/100 of the relevant bank's equity capital: Provided, That this shall not apply where a bank that is a subsidiary, etc. of a bank holding company under Article 2 (1) 5 of the Financial Holding Companies Act (referring to a subsidiary defined by Article 4 (1) 2 of the Financial Holding Companies Act; hereafter the same shall apply in this paragraph) invests in a private equity fund for which any other subsidiary, etc. of the bank holding company serves as executive partner. <Amended by Act No. 13448, Jul. 24, 2015>
- (2) The Financial Services Commission may set a separate acquisition limit on equity securities by type within the acquisition limit referred to in the main sentence of paragraph (1).
- (3) Where a bank exceeds the limit referred to in paragraph (1) as a person who has not been its large stockholder newly becomes its large stockholder, it shall dispose of equity securities in excess of the limit within a period set by Presidential Decree.
- (4) Where a bank intends to acquire equity securities issued by its large stockholders not less than an amount prescribed by Presidential Decree, it shall undergo resolution thereon by the board of directors in advance. In such cases, the resolution shall be made by an affirmative vote of all incumbent members of the board of directors.