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### Financial Holding Companies Act

National Assembly of the Republic of Korea

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# FINANCIAL HOLDING COMPANIES ACT

Act No. 6274, Oct. 23, 2000  
Amended by Act No. 6692, Apr. 27, 2002  
Act No. 7338, Jan. 17, 2005  
Act No. 7428, Mar. 31, 2005  
Act No. 7529, May 31, 2005  
Act No. 8571, Aug. 3, 2007  
Act No. 8635, Aug. 3, 2007  
Act No. 8863, Feb. 29, 2008  
Act No. 8906, Mar. 14, 2008  
Act No. 9086, Mar. 28, 2008  
Act No. 9407, Feb. 3, 2009  
Act No. 9617, Apr. 1, 2009  
Act No. 9788, Jul. 31, 2009  
Act No. 10303, May 17, 2010  
Act No. 10361, jun. 8, 2010  
Act No. 11758, Apr. 5, 2013  
Act No. 12099, Aug. 13, 2013  
Act No. 12713, May 28, 2014  
Act No. 13216, Mar. 11, 2015  
Act No. 13448, Jul. 24, 2015  
Act No. 13453, Jul. 31, 2015  
Act No. 14121, Mar. 29, 2016  
Act No. 14817, Apr. 18, 2017

## Article 1 (Purpose)

The purpose of this Act is to facilitate the establishment of financial holding companies, to promote the sound management of financial holding companies and their subsidiaries by preventing any possible side effect which might occur in relation to the financial conglomeration and universal banking of financial companies, such as transfer of risks and excessive expansion of control, and to protect rights and interests of financial consumers and other interested parties, with the aim of bolstering the competitiveness of the finance industry as well as contributing to a sound development of the national economy.

## Article 2 (Definitions)

(1) The terms used in this Act shall be defined as follows: <Amended by Act No. 6692, Apr. 27, 2002; Act Nos. 8571 & 8635, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009; Act No. 10303, May 17, 2010; Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015; Act No. 13453, Jul. 31, 2015>

1. The term "financial holding company" means a company, the primary business of which is to control (hereinafter referred to as "control") companies carrying on financial business (hereinafter referred to as "financial institutions") or other companies closely related to the operation of financial business through the ownership of their stocks (including equities; hereinafter the same shall apply) according to the standards prescribed by Presidential Decree, which meets all the following:

- (a) It shall control at least one financial institution;
- (b) Its total assets shall be not less than the standards prescribed by Presidential Decree;
- (c) It shall obtain authorization from the Financial Services Commission under Article 3;

2. The term "subsidiary" means a company (including foreign corporations) controlled by a financial holding company;

3. The term "second-tier subsidiary" means a company (including foreign corporations) controlled by a subsidiary;

3-2. The term "third-tier subsidiary" means a company (including foreign corporations) controlled by a second-tier subsidiary;

4. The terms "complete holding company" and "complete subsidiary" mean, in the event that a financial holding company owns all stocks issued by a subsidiary, such financial holding company and such subsidiary, respectively;

5. The term "bank holding company" means a financial holding company which controls one or more financial institutions, including any of the following:

- (a) A bank established after obtaining authorization under the Banking Act;
- (b) Deleted; <by Act No. 9788, Jul. 31, 2009>
- (c) A financial institution which runs banking business under Article 2 (1) 1 of the Banking Act, as prescribed by Presidential Decree;
- (d) A financial holding company that controls financial institutions referred to in items (a) and (c);

6. The term "local bank holding company" means a bank holding company that does not control any bank or any bank holding company falling under the following:

- (a) A bank whose business area covers the whole nation;
- (b) A bank holding company controlling banks under item (a);

6-2. The term "non-bank holding company" means a financial holding company which does not control any financial institution falling under any of the items of subparagraph 5;

6-3. The term "insurance holding company" means a non-bank holding company which controls one or more financial institutions, including an insurance company under subparagraph 5 of Article 2 of the Insurance Business Act (hereinafter referred to as "insurance company");

6-4. The term "financial investment holding company" means a non-bank holding company which does not control any of the following financial institutions while controlling one or more financial institutions which are financial investment business entities under Article 8 (1) of the Financial Investment Services and Capital Markets Act:

- (a) An insurance company;
- (b) A mutual savings bank established after obtaining authorization under Article 6 of the Mutual Savings Banks Act;
- (c) A financial institution prescribed by Presidential Decree, as a person who carries on business of acquiring money from many, unspecified persons and managing such money by an agreement to pay money or any other valuable property for the purpose of earning a profit or avoiding a loss, when concluding a contract without investment risk under Article 3 (1) of the Financial Investment Services and Capital Markets Act;
- (d) A financial holding company which controls financial institutions under items (a) through (c);

7. The term "same person" means a principal and any other person in a special relationship prescribed by Presidential Decree with the principal (hereinafter referred to as "specially related person");

8. The term "non-financial investor" means an entity falling under any of the following:

- (a) The same person concerned, where the total amount of capital (referring to the amount obtained by subtracting the total liabilities from the total assets in the balance sheet; hereinafter the same shall apply) of the same person's non-financial companies (referring to companies in the operation of business other than the financial business prescribed by Presidential Decree; hereinafter the same shall apply) is at least 25/100 of the total amount of capital of companies of the same person concerned;
- (b) The same person concerned, where the total amount of capital of the same person's non-financial companies is at least two trillion won and not less than the amount prescribed by Presidential Decree;
- (c) The investment company concerned, where an investment company under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "investment company") which falls under item (a) or (b) holds (referring to cases where the same person owns stocks under his/her name or another's name or holds the voting rights by means of contract, etc.; hereinafter the same shall apply) stocks in excess of 4/100 of the total amount of outstanding stocks of the investment company;
- (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:
- (e) The special purpose company concerned, where a private equity fund falling under item (d) [including a person falling under any of items (a) through (c) among the persons who have acquired stocks or equities of a special purpose company under the Financial Investment Services and Capital Markets Act (hereinafter referred to as "special purpose company") in accordance with Article 249-13 (1) 3 (b) or (c) of the said Act] acquires or holds stocks or equities in excess of 4/100 of the stocks or equities of a special purpose

*company or exercises de facto control over major matters to a corporation through appointment or dismissal of executive officers or in any other way;*

9. The term "large stockholder" means a stockholder provided for in subparagraph 6 of Article 2 of the Act on Corporate Governance of Financial Companies;

10. The term "major investor" means a person falling under any of the following:

(a) The stockholder concerned, where the same person, including one stockholder of a bank holding company, owns more than 10/100 (15/100 in cases of local bank holding companies) of the total outstanding voting stocks of such bank holding company;

(b) The stockholder concerned, where the same person, including one stockholder of a bank holding company, owns more than 4/100 of the total outstanding voting stocks (excluding non-voting stocks pursuant to Article 8-2 (2)) of a bank holding company (excluding local bank holding companies), and the same person concerned is the largest stockholder, or a stockholder who exercises de facto influence in major affairs of management of the bank holding company, its subsidiaries and second- and third-tier subsidiaries (including other companies included in a financial holding company according to Article 19-2; hereinafter referred to as "bank holding company, etc."), by means of appointing or dismissing of executive officers, etc., as prescribed by Presidential Decree.

(2) The scope of financial business referred to in paragraph (1) 1, the scope of companies closely related to the operation of financial business and the standards for the primary business shall be determined by Presidential Decree.

### **Article 3 (Authorization)**

(1) Any person who meets the requirements for financial holding companies under Article 2 (1) 1 (excluding the requirements for authorization under item (c) of the same subparagraph; hereinafter referred to as "requirements for financial holding companies") shall obtain authorization from the Financial Services Commission in advance. *<Amended by Act No. 9788, Jul. 31, 2009>*

(2) Any person who intends to obtain authorization referred to in paragraph (1) shall file with the Financial Services Commission an application therefor, as prescribed by Presidential Decree. *<Amended by Act No. 8863, Feb. 29, 2008>*

(3) The Financial Services Commission may attach conditions to authorization referred to in paragraph (1): Provided, That conditions to improve the soundness of management shall be attached to the authorization in case where it is deemed that the soundness of management of the relevant financial holding company is likely to be significantly undermined due to reasons like owning stocks of its subsidiary through debts of the financial holding company. *<Amended by Act No. 9788, Jul. 31, 2009>*

(4) The Financial Services Commission shall, when granting authorization under paragraph (1), consult in advance the Fair Trade Commission with respect to whether competition in the relevant market may substantially be restricted. *<Amended by Act No. 9788, Jul. 31, 2009>*

### **Article 4 (Standards for Authorization)**

(1) Any person who intends to obtain authorization under Article 3 shall meet each of the following standards: *<Amended by Act No. 6692, Apr. 27, 2002; Act No. 8571, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009; Act No. 13453, Jul. 31, 2015>*

1. The business plan as a stock company shall be appropriate and sound;
2. The business plan of a company that is to be a subsidiary or a second- or third-tier subsidiary (including other companies included in the financial holding company according to Article 19-2 or 32; hereinafter referred to as "subsidiary, etc.") shall be appropriate and sound;
3. Large stockholders (including stockholders who are specially related persons of the largest stockholder, and if the largest stockholder is a corporation, including persons determined by Presidential Decree, who are stockholders exercising de facto control over major affairs of management of the corporation) shall have adequate investment capacity, financial soundness, and social credibility;
4. The financial standing and business management of a company that is to be a financial holding company and its subsidiary, etc. shall be sound;
5. Where it becomes a complete holding company through an all-inclusive stock swap pursuant to Article 360-2 of the Commercial Act (here-in after referred to as "stock swap") or an all-inclusive stock transfer pursuant to Article 360-15 of the said Act (hereinafter referred to as "stock transfer"), the swap ratio of stocks shall be appropriate.

(2) Detailed standards for granting authorization pursuant to paragraph (1) shall be prescribed by Presidential Decree. *<Amended by Act No. 8571, Aug. 3, 2007>*

**Article 5 Deleted.** *<by Act No. 9788, Jul. 31, 2009>*

**Article 5-2 (Obligation to Obtain Authorization, etc.)**

(1) Any person who meets the requirements of financial holding company due to unavoidable causes prescribed by Presidential Decree, such as increase in stock price of a subsidiary (hereafter referred to as "financial holding company subject to authorization" in this Article) shall report such fact to the Financial Services Commission within a period determined by Presidential Decree. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

(2) Financial holding companies subject to authorization shall obtain authorization under Article 3 or cease to be subject to the requirements for financial holding company within a period determined by Presidential Decree: Provided, That the period may be extended by up to one year, with the approval from the Financial Services Commission, when unavoidable causes occur. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

(3) Matters necessary for methods and procedures for reporting under paragraph (1) shall be determined and publicly notified by the Financial Services Commission. *<Amended by Act No. 8863, Feb. 29, 2008>*

**Article 5-3 (Prohibition from Using Trade Names)**

No person other than a financial holding company shall use words indicating a financial holding company as its trade name or title.

#### **Article 6 (Public Announcement of Authorization, etc.)**

The Financial Services Commission shall, when it grants authorization under Article 3 or revokes authorization under Article 57 (2), make a public announcement of the details thereof without delay in the Official Gazette and make such details available to the public by means of computer communications networks, etc. *<Amended by Act No. 8863, Feb. 29, 2008>*

#### **Article 6-2 (Report on Modification of Capital or Articles of Incorporation)**

(1) Where a financial holding company intends to decrease its capital or amend its articles of incorporation, it shall report to the Financial Services Commission in advance: Provided, That where it modifies negligible matters in its articles of incorporation, which are determined by the Financial Services Commission, it shall report such fact to the Financial Services Commission within seven days from the date of modification. *<Amended by Act No. 8863, Feb. 29, 2008>*

(2) Where the details of report received under the main sentence of paragraph (1) violate related statutes or they are likely to damage the sound management of the financial holding company, the Financial Services Commission may recommend amendments or supplementation to the relevant financial holding company. *<Amended by Act No. 8863, Feb. 29, 2008>*

#### **Article 6-3 (Restriction on Owning Stocks of Non-Financial Companies by Financial Holding Companies)**

No financial holding company shall own stocks of a non-financial company except as otherwise provided in this Act: Provided, That if a financial holding company has owned the stocks of a non-financial company as at the time of incorporation, it may own the stocks of the non-financial company for two years from the date of incorporation.

#### **Article 6-4 (Restriction on Owning Stocks of Affiliates by Financial Holding Companies)**

No financial holding company shall own stocks of an affiliate other than a subsidiary: Provided, That the foregoing shall not apply where the financial holding company owns the stocks of its affiliate due to any of the following grounds:

1. Where the financial holding company owns the stocks of its affiliate as at the time it has met the requirements for financial holding company, and two years have not passed since it met the requirements for financial holding company;
2. Where the financial holding company did not hold the stocks of an affiliate but has owned the stocks of the affiliate in the course of incorporating such affiliate as its subsidiary, and one year has not passed since the date of the acquisition of such stocks (limited to cases where the affiliate has become a subsidiary within the same period);
3. Where one year has not passed since the date when a subsidiary ceases to be one of the subsidiaries of the financial holding company in the course of excluding the subsidiary from its subsidiaries.

#### **Article 7 (Restriction on Control Relationship between Financial Institutions and Financial Holding Companies)**

(1) No financial holding company shall be in a control relationship prescribed by Presidential Decree (hereafter referred to as "control relationship" in this Article) with any financial institution (including any financial institution incorporated in accordance with foreign statutes): Provided, That the foregoing shall not apply to cases falling under any of the following and meeting the requirements determined by Presidential Decree: <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 13448, Jul. 24, 2015>

1. Where the financial holding company is in a control relationship with another financial holding company;
2. Where the financial holding company is in a control relationship with an investment company, a private equity fund or a special purpose company;
3. Where the financial holding company is in a control relationship with a person authorized by the Financial Services Commission as a foreign financial institution prescribed by Presidential Decree (referring to a person carrying on financial business in a foreign country, which is incorporated in accordance with foreign statutes) in light of the capacity, scale and soundness of its business management.

(2) Notwithstanding the main sentence of paragraph (1), where a financial institution is in a control relationship with a financial holding company due to unavoidable causes prescribed by Presidential Decree, such as exercise of security rights, it shall withdraw from a control relationship with the financial holding company within a period determined by Presidential Decree: Provided, That where unavoidable reasons exist, such period may be extended with the approval from the Financial Services Commission by up to one year. <Newly Inserted by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>

(3) In the case of paragraph (1) 1, another financial holding company and its subsidiary, etc. in a control relationship with a financial holding company shall not be deemed the subsidiary, etc. of the relevant financial holding company in the application of Articles 19 and 19-2. <Newly Inserted by Act No. 9788, Jul. 31, 2009>

**Article 7-2 Deleted.** <by Act No. 13453, Jul. 31, 2015>

#### **Article 8 (Restriction on Ownership of Stocks of Bank Holding Companies)**

(1) No same person may hold stocks of a bank holding company in excess of 10/100 of stocks which have been issued by the bank holding company and carry voting rights: Provided, That the foregoing shall not apply to any of the following cases, paragraph (3) of this Article, and Article 8-2 (3):

1. Where the Government or the Korea Deposit Insurance Corporation under the Depositor Protection Act holds stocks issued by the bank holding company;
2. Where it holds stocks issued by the bank holding company controlled by a financial holding company;
3. Where it holds less than 15/100 of all voting stocks of a local bank holding company.



(2) When the same person (excluding those prescribed by Presidential Decree) falls under any of the following, the person shall report to the Financial Services Commission matters prescribed by Presidential Decree as necessary for the confirmation of changes in stock holding or stock holding ratio of a bank holding company: <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 13448, Jul. 24, 2015>

1. When he/she holds stocks in excess of 4/100 of all outstanding stocks with voting rights in the bank holding company (excluding a local bank holding company; hereafter the same shall apply in this paragraph);
2. When the same person who falls under subparagraph 1 becomes the largest stockholder of the bank holding company concerned;
3. When the stock holding ratio of the same person who falls under subparagraph 1 changes in excess of 1/100 of all outstanding stocks with voting rights in the bank holding company concerned;
4. In cases of a private equity fund holding in excess of 4/100 of all outstanding stocks with voting rights in the bank holding company, when changes in its partners occur;
5. In cases of a special purpose company holding in excess of 4/100 of all outstanding stocks with voting rights in the bank holding company, when changes in its stockholders or partners occur (including when changes in partners of a private equity fund which are stockholders or partners of the relevant special purpose company occur).

(3) Notwithstanding the main sentence of paragraph (1) other than any subparagraphs, whenever the same person exceeds the respective limits classified in the following, he/she may hold stocks of a bank holding company with the approval from the Financial Services Commission: Provided, That the Financial Services Commission may designate and approve, only when it is deemed necessary in consideration of the possibility of contribution to the efficiency and soundness of the banking business, stock distribution among stockholders of the bank holding company concerned, etc., other specific holding limits besides the limits stipulated in the following, and where the same person intends to hold stocks in excess of the approved limit, he/she shall obtain the approval separately from the Financial Services Commission: <Amended by Act No. 8863, Feb. 29, 2008>

1. Limit stipulated in the main sentence of paragraph (1) other than each subparagraph (in cases of a local bank holding company, the limit stipulated in paragraph (1) 3);
2. 25/100 of all outstanding stocks with voting rights in the bank holding company concerned;
3. 33/100 of all outstanding stocks with voting rights in the bank holding company concerned.

(4) Where the Financial Services Commission does not grant the approval under paragraph (3), it shall specify the grounds and inform the applicant thereof within a period prescribed by Presidential Decree. <Amended by Act No. 8863, Feb. 29, 2008>

(5) Procedures, methods, and detailed criteria for a report and other necessary matters in the application of paragraph (2), as well as the qualifications of persons eligible to hold stocks of a bank holding company, requirements and procedures for the approval related to holding stocks and other necessary matters in the

application of paragraph (3), shall be prescribe by Presidential Decree, taking into account the risk of undermining the soundness of the relevant bank holding company, etc., the appropriateness of the scale of assets and financial status, the level of credit extended by the relevant bank holding company, etc., the possibility to contribute to the efficiency and the soundness of the financial industry, etc. <Amended by Act No. 9788, Jul. 31, 2009>

(6) Where an investment company holds stocks of a bank holding company with the approval under paragraph (3), Article 81 (1) 1 (a) through (c) under the Financial Investment Services and Capital Markets Act shall not apply to the relevant investment company and the asset management company which is a corporate director of the investment company. <Amended by Act Nos. 8571 & 8635, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009>

#### **Article 8-2 (Restriction on Ownership of Stocks, etc. of Non-Financial Contributors)**

(1) Notwithstanding Article 8 (1), no non-financial investor (including persons excluded from an enterprise group, etc. subject to the limitation on mutual investment under Article 14-2 of the Monopoly Regulation and Fair Trade Act and consequently ceasing to constitute a non-financial investor, for whom the period prescribed by Presidential Decree has not passed from the date of such exclusion; hereafter the same may apply in paragraph (2)) may hold stocks of a bank holding company in excess of 4/100 (in cases of a local bank holding company, 15/100) of all outstanding stocks with voting rights of the bank holding company. <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>

(2) Notwithstanding paragraph (1), where a non-financial investor has obtained the approval from the Financial Services Commission by satisfying the requirements, including financial soundness, etc., prescribed by Presidential Decree on condition that it shall not exercise voting rights for the stocks in a bank holding company that it intends to hold in excess of the limit of paragraph (1) (excluding cases of a local bank holding company), it may hold stocks up to the limit stipulated in the main sentence of Article 8 (1) other than each subparagraph. <Amended by Act No. 8863, Feb. 29, 2008>

(3) Notwithstanding paragraphs (1) and (2) of this Article, the main sentence of Article 8 (1) other than each subparagraph and paragraph (3) of the same Article shall apply to any of the following non-financial investors: <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>

1. A non-financial investor who has obtained the approval after filing with the Financial Services Commission a plan for being converted into a person who is not a non-financial investor (hereinafter referred to as "conversion plan") within two years;

2. A non-financial investor who has obtained the approval from the Financial Services Commission with respect to holding stocks of a bank holding company by meeting all the following requirements, as a fund under Article 5 of the National Finance Act or a corporation managing and operating such fund (including corporations entrusted with the management and operation of funds in accordance with Acts; hereafter referred to as "funds, etc." in this subparagraph):

- (a) The non-financial investor shall be equipped with systems prescribed by Presidential Decree in order to prevent conflicts of interest among the funds which hold stocks of a bank holding company

and interested parties of a bank holding company, etc., such as other stockholders and depositors;

(b) The non-financial investors shall receive supervision and inspection from the institutions prescribed and publicly notified by the Financial Services Commission in order to prevent conflicts of interest under item (a) within the necessary scope;

(c) Other requirements prescribed by Presidential Decree, taking into account the impact which stock holding of funds, etc. might have on the soundness of a bank holding company, etc.

(4) The requirements for the approval for a conversion plan under paragraph (3) 1, methods and procedures for the approval under subparagraph 2 of the same paragraph and other matters necessary for a review of the approval shall be prescribed by Presidential Decree. *<Amended by Act No. 9788, Jul. 31, 2009>*

### **Article 8-3 (Appraisal, Inspections, etc. of Conversion Plans)**

(1) A non-financial investor who intends to apply for the approval under Article 8-2 (3) 1 shall submit a conversion plan to the Financial Services Commission, and if deemed necessary for the appraisal of the conversion plan by a specialized organization, the Financial Services Commission may conduct such appraisal, as prescribed by the Financial Services Commission. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

(2) The Financial Services Commission shall regularly inspect the status of compliance with the conversion plan of a non-financial investor who holds stocks of a bank holding company in excess of the limit under Article 8-23 (1) with the approval on the conversion plan under paragraph (3) 1 of the same Article (hereinafter referred to as "person subject to conversion"), as prescribed by Presidential Decree, and then make such results available to the public by means of computer communications networks, etc. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

(3) Where a person subject to conversion is not acknowledged to be executing the conversion plan after an inspection pursuant to of paragraph (2), the Financial Services Commission may order him/her to execute it, setting a period not exceeding six months. *<Amended by Act No. 8863, Feb. 29, 2008>*

(4) No person subject to conversion falling under any of the following may exercise voting rights over the stocks of a bank holding company, which are held in excess of the limit stipulated in Article 8-2 (1): *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

1. A person subject to conversion who has received an order of execution from the Financial Services Commission pursuant to paragraph (3);

2. A person subject to conversion who has been ascertained to have been involved in any illegal transactions with a bank holding company, etc. after an inspection by the Governor of the Financial Supervisory Service (referring to the Financial Supervisory Service under the Act on the Establishment, etc. of the Financial Services Commission; hereinafter the same shall apply) due to the grounds under Article 51-2 (1) 1 (b).

(5) Where a person subject to conversion falls under any of the following, the Financial Services Commission may set a period of up to six months and order him/her to dispose of any surplus stocks of a bank holding company held in excess of the limit stipulated in Article 8-2 (1): *<Amended by Act No. 8863,*

Feb. 29, 2008>

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

**Article 8-4 Deleted.** <by Act No. 12099, Aug. 13, 2013>

**Article 8-5 (Approval, etc. on Stock Holdings by Private Equity Funds, etc.)**

(1) Deleted. <by Act No. 12099, Aug. 13, 2013>

(2) Where a private equity fund or special purpose company (hereinafter referred to as “private equity fund, etc.”) intends to obtain the approval under Article 8 (3), it shall meet all the following requirements:

<Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>

1. The following requirements with respect to a managing general partner of a private equity fund:

- (a) The managing general partner shall not be a specially related person of other partners or stockholders of a private equity fund, etc. in which the managing general partner is a managing general partner as a corporation or the management of property of which is entrusted by him/her;
- (b) The managing general partner shall have capacity to manage assets, experience and social standing to the extent that can exclude the exercise of the influence over stocks or equities which are the property of the relevant private equity fund, etc. by other partners or stockholders of a private equity fund, etc. in which the managing general partner him/herself is a managing general partner or the management of property of which is entrusted by him/her;

2. Other requirements prescribed by Presidential Decree, taking into account the influence of the stock holdings by a private equity fund, etc. over the soundness of the relevant bank holding company.

(3) In reviewing the approval under Article 8 (3), the Financial Services Commission may, if necessary for verification as to whether the requirements under paragraph (2) are satisfied, request the relevant private equity fund, etc. or the managing general partner in charge of the management of property thereof to furnish information or data prescribed by Presidential Decree, such as the articles of incorporation of the relevant private equity fund, etc., and other details of contracts concluded between the stockholders or partners. <Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>

(4) The Financial Services Commission shall, when it does not grant the approval under Article 8 (3), notify the applicant within a period prescribed by Presidential Decree, indicating the reasons therefor.

<Amended by Act No. 12099, Aug. 13, 2013>

(5) Deleted. <by Act No. 12099, Aug. 13, 2013>

(6) The Financial Services Commission may, when granting the approval under Article 8 (3), attach necessary conditions in connection with participation in the management, etc. when the relevant private equity fund, etc. is likely to exercise de facto influence over the major management issues of a bank holding company, etc. taking into account of detailed composition, etc. of members or shareholders of the relevant private equity funds. <Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>

(7) Procedures and review methods for the approval under Article 8 (3), detailed standards of requirements under paragraph (2) and other necessary matters shall be prescribed by Presidential Decree. <Amended by

*Act No. 12099, Aug. 13, 2013>*

**Article 8-6 (Matters to Be Reported by Private Equity Funds, etc.)**

Where any detail of information or data submitted to the Financial Services Commission under Article 8-5 (3) by a private equity fund, etc. which holds stocks of a bank holding company with the approval under Article 8 (3) is changed, the private equity fund, etc. shall report thereon to the Financial Services Commission without delay. *<Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>*

**Article 8-7 (Obligations of Private Equity Funds, etc.)**

No private equity fund, etc. or stockholder or partner thereof shall conduct any of the following acts, where it holds stocks of a bank holding company with the approval under Article 8 (3): *<Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>*

1. Any act that a person who is not a limited partner of a private equity fund or a managing general partner of a private equity fund entrusted with the management of property from a special purpose company has influence over the exercise of voting rights to the stocks of a bank holding company, which are held by the private equity fund, etc.;
2. Any investment under Article 249-12 (1) 1 or 2 of the Financial Investment Services and Capital Markets Act by investing stocks or equities of a non-financial company;
3. Any act violating this Act or any order thereunder;
4. Any act prescribed by Presidential Decree, such as the conclusion of contracts between stockholders or partners in violation of this Act or other finance-related statutes.

**Article 9 (Special Cases concerning Foreign Banks, etc.)**

(1) Where the Financial Services Commission determines whether the same person, including a company mainly carrying on banking business in a foreign country or a holding company of the relevant corporation (hereafter referred to as "foreign bank, etc." in this Article) falls under Article 2 (1) 8 (a) and (b), the Financial Services Commission may exclude a corporation (or an organization or association corresponding thereto, which is acknowledged by the Financial Services Commission) established in accordance with foreign laws as a foreign corporation whose stocks or equities are directly or indirectly held by the relevant foreign bank, etc. notwithstanding subparagraph 7 of the same paragraph from the scope of the same person when the foreign bank, etc. meets the following and applies for such exclusion: Provided, That the foregoing shall not apply where the relevant foreign bank, etc. directly or indirectly holds stocks of a bank holding company which holds the stocks of the relevant foreign bank, etc.:

1. The foreign bank, etc. shall be appropriate to conduct international business and have high international credibility in light of the total assets, scale of business, etc.;
2. The foreign bank, etc. shall receive adequate supervision from a financial supervisory authority in connection with the soundness of the relevant foreign bank, etc.;
3. The Financial Services Commission shall have a cooperative relation with the financial supervisory authority of the relevant foreign country, such as exchange of information.

(2) The Financial Services Commission may prescribe and publicly notify the detailed standards under paragraph (1) and other matters necessary for the procedures for and methods of application by the relevant foreign bank, etc.

#### **Article 10 (Restriction on Voting Rights of Stocks Held in Excess of Limit)**

(1) Any person who holds stocks of a bank holding company in excess of the stock holding limit under Article 8 (1) and (3) or 8-2 (1) and (2) shall not exercise voting rights in relation to the stocks held in excess of the limit under Article 8 (1), (3) or 8-2 (1) or (2) and shall, without delay, comply with the limit.

*<Amended by Act No. 6692, Apr. 27, 2002; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>*

(2) Notwithstanding paragraph (1), if a person falls under any of the following subparagraphs when a contingent convertible bond issued pursuant to Article 15-2 (1) 3 is converted into the stocks of a bank holding company, or a contingent convertible bond of a bank holding company issued pursuant to Article 33 (1) 4 of the Banking Act are converted into unlisted bank stocks under the same subparagraph and the converted stocks are simultaneously exchanged with stocks of a listed bank holding company under the same subparagraph, he/she shall comply with the following classifications: *<Newly Inserted by Act No. 14121, Mar. 29, 2016; Act No. 14817, Apr. 18, 2017>*

1. In the case of a person who holds stocks of a bank holding company in excess of the stock holding limit under Article 8 (1) and (3): He/she shall complete all the following procedures and shall not, before completing the procedures, exercise his/her voting right in relation to the stocks held in excess of the aforementioned limit:

(a) He/she shall report his/her ownership of the stocks of a bank holding company in excess of the stock holding limit under Article 8 (1) and (3) to the Financial Services Commission within the period prescribed by Presidential Decree;

(b) He/she shall complete either of the following measures within the period prescribed by Presidential Decree: Provided, That where there exists any unavoidable ground, the period may be extended up to six months after obtaining approval therefor by the Financial Services Commission:

2. In the case of a person who holds stocks of a bank holding company in excess of the stock holding limit under Article 8-2 (1) (excluding the case of a local bank holding company) and within the stock holding limit under Article 8-2 (2): He/she shall complete all the following procedures and shall not exercise his/her voting right with respect to his/her stocks held in excess of the aforementioned limit:

(a) He/she shall report his/her ownership of the stocks of a bank holding company in excess of the stock holding limit under Article 8-2 (1) to the Financial Services Commission within the period prescribed by Presidential Decree;

(b) He/she shall complete either of the following measures within the period prescribed by Presidential Decree: Provided, That where there exists any unavoidable ground, the period may be extended up to six months after obtaining approval therefor by the Financial Services Commission:

3. In the case of a person who holds stocks of a bank holding company in excess of the stock holding limit under Article 8-2 (1) (limited to the case of a local bank holding company) or the stock holding

limit under Article 8-2 (2): He/she shall not exercise his/her voting right with respect to his/her stocks held in excess of the aforementioned limit and shall without delay take measures to meet the limit.

(3) The Financial Services Commission may order a person who fails to comply with the provisions of paragraph (1) or (2) to dispose of the stocks exceeding the limit, within a prescribed period of up to six months. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013; Act No. 14121, Mar. 29, 2016>

(4) The procedures, methods, etc. for reporting pursuant to paragraph (2) 1 (a) and 2 (a) shall be determined and publicly notified by the Financial Services Commission. <Newly Inserted by Act No. 14121, Mar. 29, 2016>

#### **Article 10-2 (Deliberation on Eligibility, etc. of Stockholders, etc. Holding Stocks in Excess of Limit)**

(1) The Financial Services Commission shall deliberate, as prescribed by Presidential Decree, whether a person who holds stocks of a bank holding company pursuant to Articles 8 (3) and 8-2 (3) (hereafter referred to as "stockholders, etc. holding stocks in excess of limit" in this Article) continues to meet the requirements for eligibility and approval under Articles 8 (5) and 8-5 (2), respectively, (hereafter referred to as "requirements for excess holdings" in this Article) even after the person holds the relevant stocks. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>

(2) If deemed necessary for deliberation under paragraph (1), the Financial Services Commission may request data or information with respect to a bank holding company or stockholders, etc. holding stocks in excess of limit. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>

(3) When the Financial Services Commission recognizes that stockholders, etc. holding stocks in excess of limit fail to meet the requirements, etc. for excess holdings after deliberation under paragraph (1), it may issue an order to meet the requirements for excess holdings within a period of up to six months. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>

(4) No stockholder, etc. holding stocks in excess of limit who has been ordered pursuant to paragraph (3) may exercise voting rights to the stocks of a bank holding company held in excess of the limit under the following classifications until he/she complies with the relevant order: <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>

1. The same person obtaining the approval under Article 8 (3): The limit under Article 8 (3) 1;

2. A non-financial investor falling under any subparagraph of Article 8-2 (3): The limit under Article 8-2 (1);

3. Deleted. <by Act No. 12099, Aug. 13, 2013>

(5) Where a stockholder, etc. holding stocks in excess of limit who has been ordered pursuant to paragraph (3) fails to comply with the relevant order, the Financial Services Commission may issue an order to dispose of the stocks of the bank holding company held in excess of the limit under the classification under each subparagraph of paragraph (4) within a period of up to six months. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>

(6) The Financial Services Commission shall, when deliberating on whether the requirements, etc. for excess holdings under paragraph (1), deliberate on whether a person falling under Article 8-2 (3) 2 meets the requirements under each item of the same subparagraph. <Newly Inserted by Act No. 9788, Jul. 31, 2009>

**Articles 11 and 12 Deleted.** <by Act No. 6692, Apr. 27, 2002>

**Article 13 (Special Cases for Bank Holding Companies)**

Any bank holding company may hold stocks in excess of 10/100 of all outstanding stocks with voting rights, notwithstanding the main sentence of Article 15 (1) of the Banking Act other than each subparagraph. <Amended by Act No. 6692, Apr. 27, 2002; Act No. 9788, Jul. 31, 2009>

**Article 14 Deleted.** <by Act No. 6692, Apr. 27, 2002>

**Article 15 (Business Affairs)**

No financial holding company shall engage in other profit-making business affairs except for business affairs prescribed by Presidential Decree as incidental to managing its subsidiaries.

**Article 15-2 (Issuance of Bank Debenture)**

(1) A bank holding company may issue the bonds falling under each of the following subparagraphs (hereinafter referred to as “bank debenture”):

1. Corporate bonds as prescribed under the Commercial Act;
2. A bond bearing a condition that its debtor’s duty to repay the principle and interest be partly or entirely exempted upon occurrence of the events preliminarily agreed (hereinafter referred to as “preliminarily agreed event”), as at the time of issuance of the bond, in accordance with objective and reasonable standards (hereinafter referred to as “contingent redeemable bond”), among the bonds as prescribed in Article 165-11 (1) of the Financial Investment Services and Capital Markets Act;
3. A bond bearing a condition that the bond be converted to the stocks of a bank holding company upon occurrence of the preliminarily agreed events, as at the time of issuance of the bond (hereinafter referred to as “contingent convertible bond”), among the bonds as prescribed in Article 165-11 (1) of the Financial Investment Services and Capital Markets Act;
4. Other bonds equivalent to the bonds under subparagraphs 1 through 3, as prescribed by Presidential Decree.

(2) Matters necessary concerning the condition and method, etc. of issuance of the bank debenture shall be prescribed by Presidential Decree.

(3) Where a bank holding company has issued the bank debenture (limited to the contingent redeemable bond and the contingent convertible bond; hereafter the same shall apply in this paragraph) without obtaining the resolution of its board of directors meeting or general meeting of shareholders under Article 165-11 (2) of the Financial Investment Services and Capital Markets Act to be applied mutatis mutandis pursuant to Article 15-3, the Financial Services Commission may order the bank holding company not to issue a bank debenture for a certain period of time determined by the Financial Services Commission.

**Article 15-3 (Procedure, etc. for Issuance of Contingent Redeemable Bond and Contingent Convertible Bond)**



(1) Regarding issuance, etc. of the contingent redeemable bond, Articles 165-11 (2) and 314 (8) of the Financial Investment Services and Capital Markets Act shall apply mutatis mutandis.

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

#### **Article 16 (Approval for Inclusion of Company as Subsidiary, etc.)**

(1) A financial holding company (excluding a financial holding company controlled by another financial holding company; hereafter the same shall apply in this Chapter) shall, when it includes a company as a subsidiary, etc., obtain the approval therefor from the Financial Services Commission. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

(2) Any person who intends to obtain the approval under paragraph (1) shall file an application therefor with the Financial Services Commission, as prescribed by Presidential Decree. *<Amended by Act No. 8863, Feb. 29, 2008>*

(3) The Financial Services Commission may attach conditions to the approval under paragraph (1): Provided, That where it is likely to significantly undermine the soundness of the management of the relevant financial holding company by holding stocks of a subsidiary through the debts of the financial holding company, the Commission shall attach conditions to an approval for the improvement of soundness of managerial management. *<Amended by Act No. 9788, Jul. 31, 2009>*

(4) Where a company is included as a subsidiary, etc. pursuant to paragraph (1), Article 24 of the Act on the Structural Improvement of the Financial Industry shall not apply. *<Newly Inserted by Act No. 9788, Jul. 31, 2009>*

#### **Article 17 (Requirements for Approving Inclusion of Company as Subsidiary, etc.)**

(1) Any financial holding company that intends to obtain the approval under Article 16 shall meet the following requirements: *<Amended by Act No. 6692, Apr. 27, 2002>*

1. The business plan of a company included as a subsidiary, etc. shall be appropriate and sound;
2. The financial standing and business management of such financial holding company and its subsidiary, etc. shall be sound;
3. The swap ratio of stocks shall be appropriate in the event that a company is included as a subsidiary, etc. through such stock swap.

(2) In granting the approval under paragraph (1), the Financial Services Commission shall consult, in advance, the Fair Trade Commission as to whether including a company as a subsidiary, etc. substantially limits competition in the relevant market. *<Amended by Act No. 8863, Feb. 29, 2008>*

(3) Detailed requirements for granting the approval under paragraph (1) shall be determined by Presidential Decree.

#### **Article 18 (Report on Inclusion of Company as Subsidiary, etc.)**

(1) Notwithstanding Article 16 (1), any financial holding company that has included a company prescribed by Presidential Decree (hereinafter referred to as "company subject to reporting"), taking into account the

types, characteristics, etc. of business, as a subsidiary, etc., shall report thereon to the Financial Services Commission, as prescribed by Presidential Decree. In such cases, Article 12 (1) of the Monopoly Regulation and Fair Trade Act shall not apply. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>

(2) The Financial Services Commission shall, upon receiving a report filed under paragraph (1), consult the Fair Trade Commission as to whether including a company as a subsidiary, etc. substantially limits competition in the relevant market. <Amended by Act No. 8863, Feb. 29, 2008>

(3) Where it is recognized that a subsidiary, etc. included under paragraph (1) does not constitute a company subject to reporting, or its inclusion substantially limits competition in the relevant market, the Financial Services Commission may order the financial holding company involved or the subsidiary involved to dispose of stocks of the newly included subsidiary, etc., setting a period not exceeding six months. <Amended by Act No. 6692, Apr. 27, 2002; Act No. 8863, Feb. 29, 2008>

(4) When a financial holding company or its subsidiary is ordered to dispose of stocks pursuant to paragraph (3), it may not be eligible to exercise the voting rights of such stocks subject to the disposal order from the date it was issued. <Newly Inserted by Act No. 6692, Apr. 27, 2002>

(5) Where a financial holding company or its subsidiary includes a company subject to reporting as a subsidiary, etc. under paragraph (1), Article 24 of the Act on the Structural Improvement of the Financial Industry shall not apply. <Newly Inserted by Act No. 6692, Apr. 27, 2002; Act No. 9788, Jul. 31, 2009>

#### **Article 19 (Second-Tier and Third-Tier Subsidiaries)**

(1) No subsidiary of a financial holding company shall control companies other than the following companies: Provided, That with respect to a company that controls other companies as at the time the former becomes a subsidiary, the foregoing shall not apply for two years from the date on which the former becomes a subsidiary:

1. A financial institution prescribed by Presidential Decree as related in business to the subsidiary concerned;
2. A company prescribed by Presidential Decree as closely related to running financial business.

(2) No second-tier subsidiary of a financial holding company shall control any other company: Provided, That the foregoing shall not apply to any of the following cases: <Amended by Act No. 9788, Jul. 31, 2009>

1. Where a second-tier subsidiary controls a financial institution established in a foreign country or a company closely related to carrying on financial business;
2. Where a second-tier subsidiary has controlled any other company as at the time of incorporation as a second-tier subsidiary, and two years have not passed since the incorporation;
3. Where a non-affiliated company that holds stocks has become an affiliate to be controlled by a second-tier subsidiary, and one year has not passed since the company becomes an affiliate.

(3) No third-tier subsidiary of a financial holding company shall control any other company: Provided, That the foregoing shall not apply to any of the following: <Newly Inserted by Act No. 9788, Jul. 31, 2009>

1. Where a third-tier subsidiary has controlled any other company as at the time of incorporation as a third-tier subsidiary, and two years have not passed since the incorporation;
  2. Where a non-affiliated company that holds stocks has become an affiliate to be controlled by a third-tier subsidiary, and one year has not passed since the company becomes an affiliate.
- (4) Paragraph (3) shall apply mutatis mutandis where a subsidiary, etc. included as a part of a financial holding company controls any other company by vertically investing in even lower tier companies than those under paragraph (3). <Newly Inserted by Act No. 9788, Jul. 31, 2009>

**Article 19-2 (Control of Other Companies by Second-Tier and Third-Tier Subsidiaries Which Is Financial Investment Business Entity)**

(1) Where a foreign third-tier subsidiary which is controlled in accordance with Article 19 (3) by a second-tier subsidiary controlled by a financial investment business entity which is a subsidiary of a financial holding company meets the following requirements, such foreign third-tier subsidiary may, notwithstanding Article 19 (3), control any other company:

1. Where such other company shall be a financial institution established in a foreign country or a company closely related to carrying on financial business;
2. Where the foreign third-tier subsidiary shall own stocks of another company in excess of the standards for ownership specified in Article 43-2 (1) through (3).

(2) A foreign financial investment business entity (referring to a person who carries on business equivalent to financial investment business under Article 6 of the Financial Investment Services and Capital Markets Act in a foreign country in accordance with foreign statutes; hereafter the same shall apply in this Article) controlled by a foreign third-tier subsidiary of a financial holding company in accordance with paragraph (1) may, notwithstanding Article 19 (4), control any other company if the following requirements are satisfied:

1. Where such other company shall be a financial institution established in a foreign country or a company closely related to carrying on financial business;
2. Where the foreign third-tier subsidiary shall own stocks of another company in excess of the standards for ownership specified in Article 43-2 (1) through (3).

(3) Paragraph (2) shall apply mutatis mutandis where a foreign financial investment business entity included into a financial holding company controls any other company by vertically investing in the level below than those under paragraph (2).

**Articles 20 and 21 Deleted.** <by Act No. 12713, May 28, 2014>

**Article 22 (Special Cases concerning Submitters of Conversion Plan to Non-Bank Holding Company)**

(1) Where a person who exercises control over the business of a company belonging to an enterprise group subject to the limitation on mutual investment designated pursuant to Article 14 (1) of the Monopoly Regulation and Fair Trade Act or his/her specially related person submits to the Financial Services Commission a plan to convert into a non-bank holding company (hereafter referred to as "conversion plan" in this Article) and then obtain approval therefor, the companies expected to be a non-bank holding

company and subsidiary, etc. under the conversion plan (hereafter referred to as "companies subject to conversion" in this Article) shall be deemed a financial holding company and its subsidiary, etc. under this Act until the execution of such conversion plan from the date of approval.

(2) Notwithstanding paragraph (1), even if any legal relationship is created as at the time a company subject to conversion obtains approval from the Financial Services Commission under paragraph (1), unlike the details of any of the following provisions (hereafter referred to as "regulations on restricted acts" in this Article), the regulations on restricted acts shall not apply to the relevant company subject to conversion within a period acknowledged at the time the Financial Services Commission grants approval, within five years from the date of approval: Provided, That the Financial Services Commission may extend a grace period for regulations on restricted acts by up to two years where it is impracticable for a company subject to conversion to acquire and dispose of stocks or to sell assets due to changes in economic conditions, such as rapid decrease in stock prices, substantial losses in business or any other reason:

1. Article 5-2 (2);
2. Article 6-3;
3. Article 7;
4. Article 15;
5. Article 19;
6. and 7. Deleted; <by Act No. 12713, May 28, 2014>
8. Article 43-2;
9. Article 43-3;
10. Article 44;
11. Article 48 (1) 2;
12. Article 48 (5).

(3) When granting approval for a conversion plan under Article (1), the Financial Services Commission may attach conditions to exclude the application of the following details, taking into account the risk of undermining the soundness of financial institutions: <Amended by Act No. 13453, Jul. 31, 2015>

1. Deleted; <by Act No. 13453, Jul. 31, 2015>
2. Entrustment of business between subsidiaries, etc. under Article 47 (1);
3. Joint advertisements and common use of facilities, such as computer communications networks under Article 48 (4);
4. Furnishing of information under Article 48-2 (1) through (3);
5. Concurrent office-holding by executive officers and employees under Article 10 of the Act on Corporate Governance of Financial Companies.

(4) When granting approval under paragraph (1) or extending the period under the proviso to paragraph (2), the Financial Services Commission shall consult the Fair Trade Commission in advance with respect to whether competition is practically restricted in the relevant market and whether any provision of the

Monopoly Regulation and Fair Trade Act is violated.

(5) If deemed necessary for the evaluation of a conversion plan by a specialized organization, the Financial Services Commission may conduct such evaluation, as prescribed and publicly notified by the Financial Services Commission.

(6) The Financial Services Commission shall regularly inspect the status of execution of a conversion plan of a company subject to conversion, as prescribed by Presidential Decree, and then make such results available to the public on its website, etc.

(7) Where it is deemed, after an inspection under paragraph (6), that a company subject to conversion fails to execute the conversion plan, the Financial Services Commission may exclude the application of each subparagraph of paragraph (3) or issue an order of execution, setting a period of up to six months.

(8) None of the following companies subject to conversion may exercise voting rights to stocks held contrary to the regulations on restricted acts (excluding Articles 43-2 and 43-3):

1. A company subject to conversion who has been ordered by the Financial Services Commission under paragraph (7);
2. A company subject to conversion where illegal transactions between a financial holding company and its subsidiary, etc. or between subsidiaries, etc. belonging to the same financial holding company are confirmed after an inspection by the Governor of the Financial Supervisory Service (hereinafter referred to as the "Governor").

(9) Where a company subject to conversion falls under any of the following cases, the Financial Services Commission may order such company subject to conversion to dispose of stocks held against the regulations on restricted acts, setting a period of up to six months:

1. Where the company subject to conversion fails to execute the order under paragraph (7);
2. Where the company subject to conversion falls under paragraph (8) 2.

(10) Matters necessary for approval under paragraph (1), the extension of period under the proviso to paragraph (2), the standards, methods and procedures for the order of execution under paragraph (7) and the order for disposition under paragraph (9) shall be prescribed by Presidential Decree.

### **Article 23 (Authorization of Incorporation)**

Any person who intends to become an insurance holding company with authorization under Article 3 shall, notwithstanding Article 4, meet the requirements prescribed by Presidential Decree among the requirements for authorization under paragraph (1) of the same Article in order to protect insurance policyholders and prevent the excessive expansion of dominance.

### **Article 24 (Approval of Inclusion, etc. of Subsidiaries, etc.)**

Where an insurance holding company includes a new company as its subsidiary, etc., notwithstanding Article 17, it shall meet the requirements prescribed by Presidential Decree among the requirements for approval under paragraph (1) of the aforesaid Article in order to protect insurance policyholders and prevent the excessive expansion of dominance.

## **Article 25 (Control, etc. over Other Companies by Subsidiaries)**

(1) Notwithstanding Article 19 (1), an insurance company which is a subsidiary of an insurance holding company may control any company, other than the following companies:

1. A non-financial company (excluding companies owned by obtaining approval from the Financial Services Commission under Article 115 of the Insurance Business Act);
2. A financial institution under Article 2 (1) 5 (a) and (c) (hereafter referred to as "bank, etc." in this Chapter);
3. A company under the following classification:
  - (a) If an insurance company which is a subsidiary provides all the types of insurance products of life insurance business: An insurance company providing all the types of insurance products of non-life insurance business;
  - (b) If an insurance company which is a subsidiary provides all the types of insurance products of non-life insurance business: An insurance company providing all the types of insurance products of life insurance business.

(2) Notwithstanding Article 19 (1), a financial company which is a subsidiary of an insurance holding company [excluding financial institutions under each item of Article 2 (1) 6-4 of this Act and specialized credit financial companies under the Specialized Credit Finance Business Act (hereafter referred to as "specialized credit financial companies" in this Chapter)] may control any company, other than the following companies: *<Amended by Act No. 12713, May 28, 2014>*

1. Banks, etc.;
2. Financial institutions under each item of Article 2 (1) 6-4;
3. Non-financial companies.

(3) Deleted. *<by Act No. 12713, May 28, 2014>*

## **Article 26 (Special Cases concerning Control over Other Companies by Second-Tier Subsidiaries)**

(1) Where a second-tier subsidiary controlled by an insurance company which is a subsidiary of an insurance holding company owns all outstanding stocks issued by another local company, such second-tier subsidiary may, notwithstanding Article 19 (2), control any company, other than the following companies:

1. Non-financial companies;
2. Banks, etc.

(2) Where a second-tier subsidiary controlled by a financial company (excluding financial institutions under each item of Article 2 (1) 6-4 and specialized credit financial companies) which is a subsidiary of an insurance holding company owns all outstanding stocks issued by another local company, such second-tier subsidiary may, notwithstanding Article 19 (2), control any company, other than those falling under any subparagraph of Article 25 (2).

(3) Deleted. *<by Act No. 12713, May 28, 2014>*

**Article 27 Deleted.** *<by Act No. 12713, May 28, 2014>*

**Article 28 (Special Cases concerning Financial Holding Companies Controlling Mutual Savings Banks, etc.)**

With respect to a financial institution falling under Article 2 (1) 6-4 (b) through (d), which does not control an insurance company, or a non-bank holding company which controls a specialized credit financial company or its subsidiary, etc., Articles 23 through 26 shall apply mutatis mutandis. <Amended by Act No. 12713, May 28, 2014>

**Article 29 (Authorization of Incorporation)**

Any person who intends to become a financial investment holding company with authorization under Article 3 shall, notwithstanding Article 4, meet the requirements prescribed by Presidential Decree among the requirements for authorization under paragraph (1) of the same Article for the prevention of conflicts of interest between a financial investment business entity and investors or between a specific investor and other investors, and the sound management of financial investment business entities.

**Article 30 (Approval of Inclusion, etc. of Subsidiary, etc.)**

Where a financial investment holding company includes a company as a new subsidiary, etc., notwithstanding Article 17, it shall meet the requirements prescribed by Presidential Decree among the requirements for approval under paragraph (1) of the aforesaid Article for the prevention of conflicts of interest between a financial investment business entity and investors or between a specific investor and other investors, and the sound management of the financial investment business entity.

**Article 31 (Control, etc. over Other Companies by Subsidiaries)**

Notwithstanding Article 19 (1), a financial investment business entity which is a subsidiary of a financial investment holding company may control other companies excluding companies under the subparagraphs of Article 25 (2).

**Article 32 (Special Cases concerning Control over Other Companies by Second-Tier and Third-Tier Subsidiaries)**

(1) Where a second-tier subsidiary or third-tier subsidiary controlled by a financial investment business entity which is a subsidiary or second-tier subsidiary of a financial investment holding company owns all outstanding stocks of another local company notwithstanding Article 19 (2) and (3) respectively, such second-tier subsidiary or third-tier subsidiary may control any company, other than those falling under any subparagraph of Article 25 (2). <Amended by Act No. 12713, May 28, 2014>

(2) Deleted. <by Act No. 12713, May 28, 2014>

(3) A financial investment business entity controlled by a third-tier subsidiary of a financial investment holding company pursuant to paragraph (1) may, notwithstanding Article 19 (4), control any other companies if it meets all the following requirements: <Amended by Act No. 12713, May 28, 2014>

1. The financial investment business entity shall not control any company referred to in the subparagraphs of Article 25 (2);
2. The financial investment business entity shall own all outstanding stocks of such other company.

(4) Paragraph (3) shall apply mutatis mutandis where a financial investment business entity which is included in a financial investment holding company controls another company by vertically investing in even lower tier companies than those under paragraph (3).

**Article 33 Deleted.** <by Act No. 12713, May 28, 2014>

**Article 34 (Restriction, etc. on Trading, etc. with Large Stockholders)**

(1) No non-bank holding company and its subsidiary, etc. (hereinafter referred to as "non-bank holding company, etc.") shall extend credit to directly or indirectly support investment in another company by a large stockholder (including his/her specially related persons; hereafter the same shall apply in this Article) of the relevant non-bank holding company, except for cases where it is necessary for the exercise of rights, such as execution of security rights, or other cases prescribed by Presidential Decree for the purpose of effectively carrying on financial business to the extent not undermining the soundness of non-bank holding companies, etc.

(2) The aggregate of the credit extended to a large stockholder of a non-bank holding company by the non-bank holding company, etc. (excluding financial holding companies controlled by another non-bank holding company; hereafter the same shall apply in this paragraph and paragraphs (3) through (7) of this Article) shall not exceed the standards prescribed by Presidential Decree, taking into account business types of the non-bank holding company, etc.: Provided, That the foregoing shall not apply to cases falling under the causes referred to in the proviso to Article 45 (1).

(3) No non-bank holding company, etc. shall acquire (including acquisition through trust business) stocks (including investment equities) issued by a large stockholder of the non-bank holding company in excess of the standards prescribed by Presidential Decree, taking into account business types of the relevant non-bank holding company, etc. In such cases, the Financial Services Commission may set acquisition limits for each type of stock within the acquisition limit under the former part.

(4) Where a non-bank holding company, etc. exceed the limit under paragraph (3) as a person who is not a large stockholder of a non-bank holding company becomes a new large stockholder, such non-bank holding company, etc. shall dispose of the stocks held in excess of the limit within a period prescribed by Presidential Decree.

(5) Where a non-bank holding company, etc. intend to extend credit to a large stockholder of a non-bank holding company above the standards prescribed by Presidential Decree or to acquire bonds or stocks issued by a large stockholder of the relevant non-bank holding company above the standards prescribed by Presidential Decree, the non-bank holding company, etc. shall refer the issue to the board of directors in advance for resolution. In such cases, the resolution of the board of directors shall be adopted with the unanimous consent of all directors.

(6) Where a non-bank holding company, etc. conduct any of the following acts with a large stockholder of the relevant non-bank holding company, the non-bank holding company, etc. shall report thereon to the Financial Services Commission without delay and then make it available to the public on their website, etc.:



1. Extension of credit above the standards prescribed by Presidential Decree;
2. Acquisition of bonds or stocks issued by a large stockholder of the relevant non-bank holding company above the standards prescribed by Presidential Decree;
3. Exercise of voting rights to the stocks issued by a large stockholder of the relevant non-bank holding company.

(7) With respect to credit extension to a large stockholder of the relevant non-bank holding company or the acquisition of bonds or stocks issued by a large stockholder of the relevant non-bank holding company, a non-bank holding company, etc. shall report thereon to the Financial Services Commission in a quarterly basis, as prescribed by Presidential Decree and then make it available to the public on their website, etc.

(8) Where an insurance company which is a subsidiary, etc. of a non-bank holding company intends to engage in a transaction with a large stockholder of the relevant non-bank holding company as prescribed by Presidential Decree, such insurance company shall report thereon to the Financial Services Commission 30 days prior to the date of transaction.

(9) No large stockholder of a non-bank holding company shall perform any of the following acts for the interests of an individual large stockholder, contrary to the interests of the relevant non-bank holding company, etc.: *<Amended by Act No. 13453, Jul. 31, 2015>*

1. Requesting the provision of data or information which has not been disclosed with respect to the relevant non-bank holding company, etc. in order to exercise unfair influence: Provided, That the exercise of rights under Article 33 (6) of the Act on Corporate Governance of Financial Companies and Article 466 of the Commercial Act shall be excluded herefrom;
2. Exercising of unfair influence over the personnel affairs or management of the relevant non-bank holding company, etc. in collusion with other stockholders in exchange of the provision of considerations, like economic benefits;
3. Other acts prescribed by Presidential Decree as equivalent to those under subparagraphs 1 and 2.

(10) The Financial Services Commission may take any of the following measures with regard to a non-bank holding company, etc. in cases prescribed by Presidential Decree as likely to undermine the soundness of the management of such non-bank holding company, etc. due to poor financial structure, such as cases where the liabilities of a large stockholder (limited to a company) of the non-bank holding company exceed the assets, or the ability to repay debts significantly weakens:

1. Prohibition from new extension of credit to a large stockholder;
2. Prohibition from new acquisition of securities issued by a large stockholder (referring to securities under the Financial Investment Services and Capital Markets Act; hereinafter the same shall apply);
3. Other measures prescribed by Presidential Decree, such as trading restriction on financial support to a large stockholder.

(11) If the Financial Services Commission recognizes that a non-bank holding company, etc. or a large stockholder of a non-bank holding company is suspected of violating the provisions of paragraphs (1) through (10), it may request the relevant non-bank holding company, etc. or large stockholder to submit

necessary data.

**Article 35 (Ratio of Liabilities of Non-Bank Holding Company)**

No non-bank holding company may hold the total liabilities exceeding two times the total assets (referring to the amount calculated by subtracting the total liabilities from the total assets on the balance sheet; hereafter the same shall apply in this Article): Provided, That where the company has held the total liabilities exceeding two times the total assets as at the time of incorporation thereof, the company may hold the total liabilities exceeding two times the total assets for two years from the date of incorporation.

**Article 36 (Special Provisions on Limit on Extension of Credit and Restricted Acts of Subsidiaries, etc.)**

(1) The aggregate of the credit extended to the same individual or corporation, respectively, and the same borrower (referring to the same borrower under subparagraph 15 of Article 2 of the Insurance Business Act) of a non-bank holding company, etc. (excluding a financial holding company controlled by another non-bank holding company; hereafter the same shall apply in this paragraph) shall not, notwithstanding Article 45, exceed the standards prescribed by Presidential Decree, taking into account business types, etc. of the non-bank holding company, etc.: Provided, That the foregoing shall not apply to cases falling under the causes referred to in the proviso to Article 45 (1).

(2) Article 48 (1) 1, 3, and (2) shall not apply to a subsidiary, etc. of a non-bank holding company.

(3) In trading with a large stockholder or another subsidiary, etc., no non-bank holding company, etc. shall trade or exchange assets with or extend credit to the relevant non-bank holding company under significantly unfavorable conditions comparing with common trading conditions, such as transfer of assets without consideration or transactions with any other person as a party.

**Article 37 Deleted.** <by Act No. 12713, May 28, 2014>

**Articles 38 through 42 Deleted.** <by Act No. 13453, Jul. 31, 2015>

**Article 42-2 (Special Cases concerning Standards for Large Stockholders of Subsidiary, etc. of Financial Holding Company)**

A financial holding company shall be deemed to have met the standards for large stockholders required to obtain authorization for incorporation, permission, approval for change of large stockholders through acquisition of stocks under the relevant finance-related statutes with respect to its subsidiary, etc. falling under any of the following:

1. Subsidiary, etc. which exercises control after obtaining authorization under Article 3;
2. Subsidiary, etc. included after obtaining the approval from the Financial Services Commission under Article 16;
3. Subsidiary, etc. prescribed by Presidential Decree among companies subject to reporting under Article 18.

**Article 43 Deleted.** <by Act No. 9788, Jul. 31, 2009>

**Article 43-2 (Obligation to Own Stocks of Subsidiaries)**

(1) Except as otherwise provided in this Act, a financial holding company shall own at least 50/100 [if the subsidiary is a stock listed corporation (referring to a stock listed corporation under the Financial Investment Services and Capital Markets Act; hereinafter the same shall apply), or if the subsidiary is a corporation which makes it impracticable for any change in equities among investors because at least two investors who own considerable equities that may have an impact on the management by significantly restricting transfer of equities through a contract or any other manner similar thereto (hereafter referred to as "joint stock corporation" in this Article), 30/100; hereafter referred to as "standard for stock ownership" in this Article] of all outstanding stocks issued by the relevant subsidiary: Provided, That the foregoing shall not apply where a financial holding company fails to meet the standards for stock ownership due to any of the following causes: <Amended by Act No. 9407, Feb. 3, 2009; Act No. 9788, Jul. 31, 2009; Act No. 10361, Jun. 8, 2010; Act No. 14817, Apr. 18, 2017>

1. Where a financial holding company owns stocks of its subsidiary less than the standards for stock ownership as at the time it became subject to the requirements for financial holding companies and two years have not passed since the date when it became subject to the requirements for financial holding companies;
  2. Where a subsidiary which used to be a stock listed corporation fails to meet the standards for stock ownership and one year has not passed since the date it failed to meet such standards;
  3. Where a subsidiary fails to meet the standards for stock ownership through the preferential allotment of stocks to employee stock ownership association under Article 32 of the Framework Act on Labor Welfare when offering or selling stocks, a request for conversion of convertible bonds or bonds with warrants issued under Article 513 or 516-2 of the Commercial Act, or the exercise of preemptive rights to new stocks, and one year has not passed since the date when it failed to meet the standards for stock ownership;
  4. Where a company which was not a subsidiary has become a subsidiary, thus failing to meet the standards for stock ownership, but one year has not passed since the date when it became the subsidiary;
  5. Where a subsidiary fails to meet the standards for stock ownership in the course of becoming a non-subsiary, and one year has not passed since the date it failed to meet such standards (limited to cases where the subsidiary becomes a non-subsiary within one year from the date it fails to meet the standards for stock ownership).
- (2) In applying the standards for stock ownership, a subsidiary that has issued and listed or registered stocks overseas may be deemed a stock listed corporation, if the Financial Services Commission approves it upon considering stability, mobility and clarity of such overseas market and the level of publicity and self-regulation system of the stock exchange in such foreign country. <Amended by Act No. 8863, Feb. 29, 2008>
- (3) Where a financial holding company substantially proves its de facto control prescribed by Presidential Decree, over its subsidiary that is a foreign corporation (hereafter referred to as "foreign subsidiary" in this paragraph), the Financial Services Commission may lower the standard for stock ownership on stocks

owned by the foreign subsidiary concerned in spite of the standard for stock ownership referred to in paragraph (1). In such cases, despite paragraph (1), such financial holding company shall own stocks of its foreign subsidiary in excess of the standard of stock ownership set by the Financial Services Commission.

*<Amended by Act No. 8863, Feb. 29, 2008>*

(4) Matters necessary for detailed standards for jointly invested corporations under paragraph (1), securities market in a foreign country under paragraph (2) and the relaxation of the standards for stock ownership under paragraph (3) shall be prescribed by Presidential Decree. *<Amended by Act No. 9788, Jul. 31, 2009>*

#### **Article 43-3 (Obligation to Own Stocks of Second-Tier Subsidiaries)**

@Article 43-2 (excluding cases under paragraph (1) 1) shall apply mutatis mutandis where a subsidiary of a financial holding company owns stocks of a second-tier subsidiary, and the second-tier subsidiary owns stocks of a third-tier subsidiary, except as otherwise provided in this Act.

#### **Article 44 (Limits to Holding Stocks of Other Companies)**

(1) A financial holding company may own stocks of another company which is not a subsidiary, etc. within 5/100 of all issued and outstanding stocks of such company: Provided, That the foregoing shall not apply where the ownership of such stocks becomes the stock ownership of an affiliate, which is prohibited in Article 6-4. *<Amended by Act No. 6692, Apr. 27, 2002; Act No. 8571, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009>*

(2) Where a financial holding company holds stocks issued by another company (excluding a financial institution or any company related closely to financial business) in accordance with the main sentence of paragraph (1), such financial holding company shall exercise its voting rights so as not to affect the number of voting stocks derived from subtracting the number of stocks held by itself from all stocks issued by such other company at a general meeting of stockholders of such other company.

#### **Article 45 (Limit on Extension of Credit)**

(1) The total amount of credit extended by a financial holding company (excluding any financial holding company controlled by another financial holding company; hereafter the same shall apply in this Article) and its subsidiary, etc. (hereafter referred to as "financial holding company, etc." in this Article) to the same borrower (referring to the same borrower under Article 35 (1) of the Banking Act) shall not exceed 25/100 of the net total amount of the equity capital of the financial holding company, etc.: Provided, That the foregoing shall not apply to cases falling under any of the following, as prescribed by Presidential Decree:

1. Where it is necessary for the national economy and for securing the effectiveness of credit extended by the financial holding company, etc.;
2. Where the limit described in the main sentence is exceeded due to a change in the equity capital and the same borrower, etc., although the financial holding company, etc. do not extend any additional credit.

(2) The total amount of credit extended by the financial holding company, etc. to the same individual or the same corporation shall not exceed 20/100 of the net total amount of its equity capital: Provided, That

the foregoing shall not apply to cases falling under the causes referred to in the proviso to paragraph (1).  
<Amended by Act No. 6692, Apr. 27, 2002>

(3) The total amount of credit extended by a financial holding company, etc. to the same person who holds stocks in excess of 10/100 of all voting stocks issued by that financial holding company shall not exceed an amount computed according to the method prescribed by Presidential Decree within the limit of 25/100 of the net total amount of the equity capital of such financial holding company, etc.: Provided, That the foregoing shall not apply to cases falling under the causes referred to in the proviso to paragraph (1).  
<Amended by Act No. 6692, Apr. 27, 2002>

(4) Where a financial holding company, etc. whose total amount of credit exceeds the limit specified in the main sentence of paragraph (1) other than each subparagraph, the main sentence of paragraph (2) or the main sentence of paragraph (3) due to the cause under paragraph (1) 2, such credit shall be consistent with the limit prescribed by Presidential Decree, within one year from the date such limit is exceeded: Provided, That in cases of unavoidable causes prescribed by Presidential Decree, the Financial Services Commission may extend the period by prescribing a further period. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>

(5) The scope of a subsidiary, etc., standards for extending credit and the method of computing equity capital and the net total amount of such equity capital referred to in paragraphs (1) through (4) shall be determined by Presidential Decree.

#### **Article 45-2 (Limit on Extension of Credit, etc. for Major Investors of Bank Holding Company)**

(1) The total amount of credit which a bank holding company, etc. (excluding a financial holding company controlled by another bank holding company; hereafter the same shall apply in this Article and Articles 45-3 through 45-5) can extend to the major investors (including persons specially related thereto; hereinafter the same shall apply) of the bank holding company, shall not exceed the lesser of the amount equivalent to the value of a percentage prescribed by Presidential Decree, which is within the extent of 25/100 of the net total amount of its equity capital, and the amount equivalent to the value of the investment proportion of such major investors of the bank holding company concerned: Provided, That the foregoing shall not apply where the bank holding company, etc. fall under the causes referred to in the proviso to Article 45 (1). <Amended by Act No. 8571, Aug. 3, 2007>

(2) The total amount of credit that a bank holding company, etc. can extend to all major investors of the bank holding company concerned shall not exceed the amount equivalent to the value of a percentage prescribed by Presidential Decree, which is within the extent of 25/100 of the net total amount of its equity capital. <Amended by Act No. 8571, Aug. 3, 2007>

(3) No bank holding company, etc. shall cross-extend credit with other bank holding companies, etc. or banks for the purpose of evasion of the credit grant limit pursuant to paragraphs (1) and (2).

(4) When a bank holding company, etc. intend to extend credit (including a transaction prescribed by Presidential Decree; hereafter the same shall apply in this Article) to the major investors of the bank holding company concerned in excess of the amount prescribed by Presidential Decree, they shall be

subject to a prior resolution by the board of directors. In such cases, the board of directors shall pass a resolution by a unanimous vote of all directors on the register. <Amended by Act No. 8571, Aug. 3, 2007>

(5) When a bank holding company, etc. extend credit to the major investors of the bank holding company concerned in excess of the amount prescribed by Presidential Decree, they shall, without delay, report such fact to the Financial Services Commission and announce it by means of computer communications networks, etc. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>

(6) A bank holding company, etc. shall announce matters regarding the credit grants to the major investors of the bank holding company concerned, on a quarterly basis by means of computer communications networks, etc., as prescribed by Presidential Decree. <Amended by Act No. 8571, Aug. 3, 2007>

(7) The scope of subsidiaries, etc., standards for credit grants, methods of calculating equity capital and the net total amount of equity capital pursuant to paragraphs (1) through (6) shall be prescribed by Presidential Decree.

(8) No bank holding company, etc. shall extend credit for subsidizing investment in another company by major investors of the relevant bank holding company. <Newly Inserted by Act No. 9788, Jul. 31, 2009>

(9) No bank holding company, etc. shall transfer assets to major investors of the relevant bank holding company without consideration, trade or exchange such assets, or extend credit, to the relevant bank holding company under significantly unfair conditions in light of common trading conditions. <Newly Inserted by Act No. 9788, Jul. 31, 2009>

#### **Article 45-3 (Limit, etc. on Acquisition of Stocks Issued by Major Investors)**

(1) No bank holding company, etc. shall acquire (including acquisition by trust business operation; hereafter the same shall apply in this Article) stocks (including investment equities; hereafter the same shall apply in this Article) issued by the major investors of the bank holding company in excess of the amount equivalent to the value of a percentage prescribed by Presidential Decree, within the extent of 1/100 of the net total amount of their equity capital. In such cases, the Financial Services Commission may separately determine the limit on stock acquisition by kind within the limit on acquisition under the former part of this paragraph. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>

(2) Where persons who have not been major investors of a bank holding company become major investors and consequently a bank holding company, etc. thereby exceed the limit pursuant to the provisions of paragraph (1), such bank holding company, etc. shall dispose of the surplus stocks within a period prescribed by Presidential Decree. <Amended by Act No. 8571, Aug. 3, 2007>

(3) When a bank holding company, etc. intends to acquire stocks issued by the major investors of the bank holding company concerned in excess of the amount prescribed by Presidential Decree, it shall be subject to a prior resolution by the board of directors. In such cases, the board of directors shall pass a resolution by unanimous vote of all directors on the register. <Amended by Act No. 8571, Aug. 3, 2007>

(4) When a bank holding company, etc. acquire stocks issued by the major investors of the bank holding company concerned in excess of the amount prescribed by Presidential Decree, it shall, without delay, report such fact to the Financial Services Commission and announce it by means of computer

communications networks, etc. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>

(5) A bank holding company, etc. shall announce matters regarding the acquisition of the stocks issued by the major investors of the bank holding company concerned, on a quarterly basis by means of computer communications networks, etc., as prescribed by Presidential Decree. <Amended by Act No. 8571, Aug. 3, 2007>

(6) In exercising voting rights to the stocks issued by major investors of a bank holding company, etc., the bank holding company, etc. shall exercise such rights in a way that does not contravene the terms of resolution that can be carried by the number of stocks obtained by subtracting the number of stocks held by the bank holding company concerned, etc. from the number of stocks of the major investors attending the general meeting of stockholders: Provided, That the foregoing shall not apply where it is evidently expected that loss to the bank holding company concerned, etc. will occur by such means as merger of the major investors, transfer and takeover of business operations, selection and appointment of executive officers, and other means equivalent thereto. <Amended by Act No. 8571, Aug. 3, 2007>

#### **Article 45-4 (Prohibition from Exercise of Undue Influence by Major Investors)**

No major investor of a bank holding company shall engage in any conduct falling under any of the following for his/her personal interests contrary to the interests of such bank holding company: <Amended by Act No. 8571, Aug. 3, 2007; Act No. 13453, Jul. 31, 2015>

1. Demanding that the bank holding company concerned, etc. furnish undisclosed data or information in order to exercise undue influence: Provided, That the exercise of rights under Article 33 (6) of the Act on Corporate Governance of Financial Companies and Article 466 of the Commercial Act shall be excluded herefrom;
2. Exercising undue influence on the personnel management or business operations of the bank holding company concerned, etc. in collusion with other stockholders on condition of supply of benefits in return for economic gain, etc.;
3. Exercising influence on the business operations of the bank holding company concerned, etc., such as demanding early withdrawal of credit grants, to interfere with the business activities of a competing business entity;
- 3-2. Receiving extension of credit from the bank holding company, etc. in excess of the ratio specified in Article 45-2 (1) and (2);
- 3-3. Causing the bank holding company, etc. to receive extension of credit from another bank holding company, etc. or bank in violation of Article 45-2 (3);
- 3-4. Causing the bank holding company, etc. to receive extension of credit in violation of Article 45-2 (8);
- 3-5. Causing the bank holding company, etc. to transfer assets without consideration, trade or exchange assets with or extend credit to the major investor in violation of Article 45-2 (9);
- 3-6. Causing the bank holding company, etc. to own stocks of the major investor in excess of the ratio specified in Article 45-3 (1);

4. Other conducts prescribed by Presidential Decree as equivalent to the provisions under subparagraphs 1 through 3 and 3-2 through 3-6.

**Article 45-5 (Demands to Submit Data, etc. to Major Investors)**

(1) When the Financial Services Commission suspects a bank holding company, etc. or their major investors having violated the provisions of Articles 45-2 through 45-4, it may demand that the bank holding company, etc. or their major investors submit necessary data. *<Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>*

(2) In cases prescribed by Presidential Decree where it is likely to significantly undermine the soundness of management of a bank holding company, etc. due to weakness of financial structure, such as the liabilities of a major investor (limited to companies) of the bank holding company exceeding the assets, the Financial Services Commission may request the submission of data necessary for the bank holding company, etc. or the major investor of the bank holding company, or take measures prescribed by Presidential Decree, such as ordering a bank holding company, etc. to restrict extension of credit to a major investor of the relevant bank holding company. *<Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*

**Article 46 Deleted.** *<by Act No. 9788, Jul. 31, 2009>*

**Article 47 (Entrustment of Business Affairs between Subsidiaries, etc.)**

(1) A subsidiary, etc. of a financial holding company may entrust another subsidiary, etc. with part of the business affairs engaged in by the subsidiary, etc. with respect to financial business or business affairs closely related to the operation of financial business: Provided, that it shall not entrust the business affairs prescribed by Presidential Decree as likely to spread risk to other subsidiaries, etc. cause conflicts of interest among customers, or undermine sound trade order.

(2) A financial holding company shall, when any business affair is entrusted between its subsidiaries, etc. pursuant to the main sentence of paragraph (1), obtain prior approval from the Financial Services Commission by meeting the standards prescribed by Presidential Decree, such as the appropriateness of internal control guidelines under Article 24 of the Act on Corporate Governance of Financial Companies: Provided, That in cases prescribed by Presidential Decree as unlikely to spread risk to other subsidiaries, etc. cause conflicts of interest among customers, or undermine the soundness of a financial company, the financial holding company shall report the following matters to the Financial Services Commission following the methods and procedures prescribed by Presidential Decree: *<Amended by Act No. 13453, Jul. 31, 2015>*

1. The scope of business affairs entrusted;
2. Matters on the restricted acts of trustees;
3. Matters on record-keeping on the handling of business affairs entrusted;
4. Others prescribed by Presidential Decree as necessary to prevent the spread of risk to other subsidiaries, etc. prevent conflicts of interest among customers, or maintain sound trade order.



(3) Where any details of a report under the proviso to paragraph (2) fall under any of the following, the Financial Services Commission may restrict the entrustment of the relevant business affairs or issue corrective orders:

1. Where the details undermine the soundness of the management of financial institutions;
2. Where the details cause conflicts of interest with customers;
3. Where the details undermine the stability of the financial market;
4. Where the details disrupt the order of financial transactions.

(4) Where the business affairs entrusted under the main sentence of paragraph (1) is principal business affairs (referring to the business affairs prescribed by Presidential Decree as essential business affairs closely related to the business affairs for which the relevant financial institution or a company closely related to the operation of financial business has obtained authorization or registration; hereafter the same shall apply in this paragraph), a subsidiary, etc. entrusted with such principal business affairs shall be a person who has obtained authorization or registration necessary to conduct such business affairs. In such cases, if the subsidiary, etc. entrusted with the business affairs is a foreign subsidiary, etc. and satisfies the requirements prescribed by Presidential Decree, the subsidiary, etc. shall be deemed to have obtained authorization or registration necessary to conduct the business affairs.

(5) Article 756 of the Civil Act shall apply mutatis mutandis where a subsidiary, etc. entrusted with the business affairs under paragraph (1) causes any loss to a customer in the course of conducting business affairs entrusted. In such cases, the financial holding company and the subsidiary, etc. which entrusts the business affairs shall be jointly liable to compensate such loss.

(6) Matters necessary for the standards, methods and procedures for entrustment of business affairs under the main sentence of paragraph (1), the scope of subsidiaries, etc. subject to the approval and report under paragraph (2) and the methods and procedures for the approval and report shall be prescribed by Presidential Decree.

#### **Article 48 (Restrictions on Conduct by Subsidiaries, etc.)**

(1) No subsidiary, etc. of a financial holding company shall engage in the following acts: Provided, That the foregoing shall not apply to cases where the subsidiary, etc. is newly included in the financial holding company or other cases prescribed by Presidential Decree: <Amended by Act No. 9788, Jul. 31, 2009>

1. Extension of credit for a financial holding company to which the relevant subsidiary, etc. belongs;
2. Holding stocks issued by other subsidiary, etc. of the financial holding company to which the relevant subsidiary, etc. belongs, except for any of the following cases:
  - (a) Holding stocks of a company directly controlled by the relevant subsidiary, etc.;
  - (b) Holding stocks of a foreign corporation controlled by other subsidiary, etc. within the scope which does not exceed the standards prescribed by Presidential Decree in order to prevent the spread of risk;
3. Extension of credit to other subsidiary, etc. of the financial holding company to which the relevant subsidiary, etc. belongs, which exceeds the standards prescribed by Presidential Decree.

(2) Where subsidiaries, etc. belonging to the same financial holding company extend credit to each other, such subsidiaries, etc. shall secure appropriate securities according to the standards prescribed by Presidential Decree: Provided, That the foregoing shall not apply where such subsidiaries, etc. extend credit to each other for their corporate restructuring in a manner that meets the requirements prescribed by the Financial Services Commission. <Amended by Act No. 8863, Feb. 29, 2008>

(3) A bank, insurance company, or any other subsidiary, etc. prescribed by Presidential Decree, which are financial institutions equivalent thereto shall neither purchase dishonored assets prescribed by Presidential Decree from a financial holding company to which the subsidiary, etc. belong and from their subsidiary, etc. (hereinafter referred to as "financial holding company, etc."), nor trade the relevant dishonored assets under significantly unfair conditions compared with common trading conditions, such as trading with any other person as a party in trading dishonored assets between a financial holding company and its subsidiary, etc. or between subsidiaries, etc.: Provided, That the foregoing shall not apply to cases meeting the requirements prescribed by the Financial Services Commission, such as transactions necessary for the restructuring of a subsidiary, etc. <Amended by Act No. 9788, Jul. 31, 2009>

(4) A financial holding company, etc. may, notwithstanding other statutes, advertise jointly, or jointly use a computer system, office space, branches, or other facilities prescribed by Presidential Decree. In such cases, the financial holding company, etc. shall meet the standards prescribed by Presidential Decree. <Amended by act No. 9788, Jul. 31, 2009>

(5) No subsidiary, etc. of a financial holding company shall own stocks issued by such financial holding company: Provided, That the foregoing shall not apply where a subsidiary, etc. of such financial holding company acquires stocks issued by such financial holding company under Article 62-2 (1) of this Act or Article 342-2 of the Commercial Act. <Amended by Act No. 6692, Apr. 27, 2002>

(6) Deleted. <by Act No. 6692, Apr. 27, 2002>

(7) Where a subsidiary, etc. of a financial holding company owns stocks of such financial holding company or another subsidiary, etc. of such financial holding company, it shall not exercise voting rights to such stocks: Provided, That the foregoing shall not apply to cases falling under any of the items of paragraph (1) 2. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009>

(8) The scope of subsidiaries, etc. and standards for extending credit under paragraphs (1) 1 and 3 and (2) shall be determined by Presidential Decree.

#### **Article 48-2 (Provision and Management of Customer Information)**

(1) Notwithstanding Article 4 (1) of the Act on Real Name Financial Transactions and Confidentiality and Articles 32 and 33 of the Credit Information Use and Protection Act, a financial holding company, etc. may provide information or data on financial transactions under Article 4 of the Act on Real Name Financial Transactions and Confidentiality (hereinafter referred to as "financial transaction information") and personal credit information under Article 32 (1) of the Credit Information Use and Protection Act regarding the following matters to the financial holding company, etc. to which they belong in order for them to use such information for the internal business management prescribed by Presidential Decree,

such as credit risk management, according to methods and procedures prescribed by the Financial Services Commission (hereinafter referred to as "procedures for providing customer information"): *<Amended by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014; Act No. 13216, Mar. 11, 2015>*

1. Scope of information that it may provide;
2. Methods of processing, such as the encoding of customer information;
3. Separate keeping of customer information;
4. Period of use and purposes of use of customer information;
5. Deletion of customer information when the period of use expires;
6. Other matters prescribed by Presidential Decree for the stringent management of customer information.

(2) Any investment trader or broker under the Financial Investment Services and Capital Markets Act which is a subsidiary, etc. of a financial holding company may provide any of the following information (hereinafter referred to as "information, on the total amount of securities, etc."), from among information on money or securities deposited by a depositor who trades, or intends to trade, securities through the relevant investment trader or investment broker, to the financial holding company, etc. to which the investment trader or broker belongs in order for them to use such information for the internal business management prescribed by Presidential Decree, such as credit risk management, according to procedures for providing customer information: *<Amended by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>*

1. The total amount of money deposited;
2. The total amount of securities deposited;
3. The total amount of securities deposited for each type;
4. Other information prescribed and publicly notified by the Financial Services Commission as equivalent to those under subparagraphs 1 through 3.

(3) Where a subsidiary, etc. provide financial transaction information, personal credit information, and information on the total amount of securities, etc. (hereinafter referred to as "customer information") pursuant to paragraphs (1) and (2), Article 32 (10) of the Credit Information Use and Protection Act shall not apply. *<Amended by Act No. 9788, Jul. 31, 2009; Act No. 13216, Mar. 11, 2015>*

(4) Where a subsidiary, etc. provide a financial holding company, etc. to which they belong with customer information pursuant to paragraphs (1) and (2), they shall notify their customers of the details of information they has provided: Provided, That where they have not collected personal information they may notify, such as contact details, the foregoing shall not apply. *<Newly Inserted by Act No. 12713, May 28, 2014>*

(5) Kinds of information a subsidiary, etc. should notify pursuant to paragraph (4), a cycle and method of notification, and other necessary matters shall be prescribed by Presidential Decree. *<Newly Inserted by Act No. 12713, May 28, 2014>*

(6) A financial holding company, etc. shall appoint at least one person from among their executive officers to take charge of the management of customer information (hereinafter referred to as "customer

information officer") in order to strictly manage customer information. <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>

(7) Each customer information officer shall prepare a business guidebook, as prescribed by the Financial Services Commission, for the strict management of customer information and then report the details thereof to the Financial Services Commission. <Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>

(8) A financial holding company, etc. shall formulate a policy for handling customer information, as prescribed by Presidential Decree, and shall notify their counterparty of such policy or shall make a public announcement of the policy and post it at their business office. <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>

(9) Detailed scope of a financial holding company, etc. and their subsidiary, etc. subject to the provisions of paragraphs (1) through (8) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>

#### **Article 48-3 (Prohibition, etc. on Taking Bribes, etc.)**

(1) No executive officer or employee of any financial holding company shall receive any gift, or request or promise any bribe in connection with his/her duties.

(2) No person who is or has been an executive officer or employee of a financial holding company shall disclose non-public information or data that the person becomes aware of in the course of performing his/her duties to any other person (including large stockholders and major investors of a financial holding company, or specially related persons of the relevant large stockholders and major investors) or utilize it for any purpose, other than for conducting his/her business. <Amended by Act No. 9788, Jul. 31, 2009>

#### **Article 49 (Supervision)**

(1) The Financial Services Commission may issue orders necessary to supervise financial holding companies, etc. for the sound management thereof. <Amended by Act No. 8863, Feb. 29, 2008>

(2) In accordance with the regulations and instructions of the Financial Services Commission, the Financial Supervisory Service shall supervise whether financial holding companies, etc. comply with this Act, any other finance-related statutes, and the regulations, orders and instructions of the Financial Services Commission. <Amended by Act No. 8863, Feb. 29, 2008>

#### **Article 50 (Guidelines for Sound Management)**

(1) A financial holding company shall maintain equity capital in good faith, manage liabilities, cash flow, etc. and secure the soundness of overall management of a financial holding company, etc. through management of its subsidiary, etc.

(2) A financial holding company shall comply with management guidelines prescribed by the Financial Services Commission, as prescribed by Presidential Decree, with respect to the following matters in order to maintain the soundness of management:

1. Matters on the financial status of the financial holding company and its subsidiary, etc.;

2. Matters on the status of management of the financial holding company and its subsidiary, etc.;
  3. Others matters necessary to secure the sound management.
- (3) When it is deemed that a financial holding company is likely to significantly undermine the soundness of the management because it fails to comply with the management guidelines under paragraph (2), the Financial Services Commission may order measures necessary for the improvement of the management, such as the submission of a plan for improving the management, increase in capital, restriction on distribution of profits, disposal of stocks of any subsidiary, and issuance/possession of the contingent redeemable bond or the contingent convertible bond. *<Amended by Act No. 14817, Apr. 18, 2017>*

#### **Article 51 (Audits)**

- (1) A financial holding company and its subsidiary, etc. shall undergo an inspection by the Governor with respect to their business and assets. *<Amended by Act No. 9788, Jul. 31, 2009>*
- (2) If deemed necessary to conduct an audit, the Governor may ask any financial holding company and its subsidiary, etc. to report on their business or assets, furnish data and require officials in charge to be present and state their opinions.
- (3) Persons who conduct an audit under paragraph (1) shall carry certificates indicating their authority and show them to persons concerned.
- (4) The Governor may ask any auditor appointed by any financial holding company or its subsidiary, etc. under the Act on External Audit of Stock Companies to furnish information the auditor has learned in the course of audits of such financial holding company or its subsidiary, etc. and other data pertaining to the soundness of its management.
- (5) When conducting an inspection under paragraph (1), the Governor shall submit a report thereon to the Financial Services Commission. In such cases, such report shall accompany the statement of opinion on the disposition of violations of this Act, other finance-related statutes, and the regulations, orders and directions issued by the Financial Services Commission under this Act, if any. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>*
- (6) The Financial Services Commission may determine matters necessary for the methods and procedures for audits and other affairs of audits. *<Amended by Act No. 8863, Feb. 29, 2008>*

#### **Article 51-2 (Inspections of Major Investors, etc.)**

(1) Where a person falling under any of the following (hereafter referred to as "major investor, etc." in this Act) falls under any of the items under the corresponding subparagraphs, the Financial Services Commission may have the Governor conduct an inspection of the business and financial status of the relevant major investor, etc. within the minimum scope necessary for the purpose of such inspection: *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013>*

1. For a company subject to conversion: Cases falling under any of the following:

- (a) Where it is necessary to confirm the results of an inspection under Article 8-3 (2);
- (b) Where it is deemed that a company subject to conversion is likely to make illegal transactions with a bank holding company, etc. due to the deterioration of its financial status, such as rapid

increase in borrowings and the occurrence of substantial losses;

2. For a non-financial investor who obtains the approval under Article 8-2 (3) 2: Cases falling under any of the following:

(a) Where it is necessary to confirm whether the requirements under Article 8-2 (3) 2 (a) and (c) are satisfied;

(b) Where it is deemed that the relevant non-financial investor is likely to make illegal transactions with a bank holding company, etc. due to the deterioration of its financial status, such as rapid increase in borrowings of a non-financial company controlled by the relevant non-financial investor;

3. For a major investor of a bank holding company and a person who intends to become such major investor: Cases falling under any of the following:

(a) Where it is necessary to review the approval under Articles 8 (3);

(b) Where it is deemed to have violated Article 45-4;

(c) Other cases prescribed by Presidential Decree as equivalent to those under items (a) and (b).

(2) Detailed scope, method and other matters necessary for inspections pursuant to paragraph (1) shall be prescribed by the Financial Services Commission. *<Amended by Act No. 8863, Feb. 29, 2008>*

(3) Article 51 (2) through (4) shall apply mutatis mutandis to inspections under paragraph (1).

**Article 52 Deleted.** *<by Act No. 9788, Jul. 31, 2009>*

#### **Article 53 (Accumulation of Revenue Reserves)**

A financial holding company shall accumulate at least 10/100 of its net earnings, whenever net profits on the settlement of accounts are divided, until the reserve amounts to the total amount of the capital.

#### **Article 54 (Business Reports)**

(1) A financial holding company shall prepare a business report describing business results, financial status and other matters prescribed by Presidential Decree for 3 months, 6 months, 9 months and 12 months from the date on which each business year begins, and file it with the Governor within one month from the closure of each period. In such cases, if it is deemed that an unavoidable cause exists, the Governor may extend the deadline. *<Amended by Act No. 6692, Apr. 27, 2002>*

(2) Detailed matters for preparing business reports referred to in paragraph (1) and other necessary matters shall be determined by the Financial Services Commission. *<Amended by Act No. 6692, Apr. 27, 2002; Act No. 8863, Feb. 29, 2008>*

#### **Article 55 (Public Announcement, etc. of Financial Statements)**

A financial holding company shall make a public announcement of a balance sheet, an income statement for the current period for the settlement of accounts, and documents prescribed by the Financial Services Commission among the consolidated financial statements required by the Act on External Audit of Stock Companies, all compiled as at the date of the settlement of accounts, according to forms prescribed by the Financial Services Commission, within three months from the date of the settlement of accounts: Provided, That with respect to any document which cannot be publicly announced within three months from the date of the settlement of accounts due to unavoidable reasons, its public announcement may be

delayed after obtaining the approval from the Financial Services Commission. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>

#### **Article 55-2 (Submission, etc. in Electronic Form)**

When a financial holding company submits or publicly announces data pursuant to Articles 54 and 55, it may do so in electronic form, as prescribed by the Governor or the Financial Services Commission.

<Amended by Act No. 8863, Feb. 29, 2008>

#### **Article 56 (Management Disclosure)**

A financial holding company shall publish matters necessary to protect depositors and investors of its subsidiary, etc., which are prescribed by Presidential Decree, in a manner prescribed by the Financial Services Commission. <Amended by Act No. 8863, Feb. 29, 2008>

#### **Article 57 (Administrative Dispositions)**

(1) Where it is deemed that a financial holding company, etc. (including its executive officers and employees) is likely to undermine soundness of their management in violation of this Act or any orders issued thereunder or where it falls under any of the subparagraphs of the attached Table of the Act on Corporate Governance of Financial Companies (limited to the measures falling under subparagraph 5), the Financial Services Commission may take any of the following measures. The same shall also apply where a financial holding company (including its executive officers and employees; hereafter the same shall apply in this paragraph) causes a subsidiary, etc. to violate the finance-related statutes prescribed by Presidential Decree or orders issued thereunder by using its power of control over such subsidiary, etc.: <Amended by Act No. 6692, Apr. 27, 2002; Act No. 8863, Feb. 29, 2008; Act No. 8906, Mar. 14, 2008; Act No. 9788, Jul. 31, 2009; Act No. 13453, Jul. 31, 2015; Act No. 14817, Apr. 18, 2017>

1. Cautions or warnings to the financial holding company, etc. or demand to caution, warn or reprimand the relevant executive officers and employees;
2. Orders to correct the violation in question;
3. Deleted; <by Act No. 6692, Apr. 27, 2002>
4. Recommendation to dismiss the relevant executive officers (excluding the chief operation officer under subparagraph 5 of Article 2 of the Act on Corporate Governance of Financial Companies; hereafter the same shall apply in this subparagraph, Article 57-2 and 57-3) or suspend their duties or appointment of agents to act on behalf of them;
- 4-2. Request for resignation of the relevant employees (including the chief operation officer under subparagraph 5 of Article 2 of the Act on Corporate Governance of Financial Companies; hereafter the same shall apply in Article 57-2 and 57-3);
5. Suspension of part of the business of its subsidiary, etc. which has committed the violation for up to six months.

(2) Where any financial holding company, etc. fall under any of the following, the Financial Services Commission may order such financial holding company, etc. to suspend all of their business for a period not exceeding six months or to dispose of stocks of their subsidiary, etc. or may revoke the authorization

granted to such financial holding company, etc.: <Amended by Act No. 6692, Apr. 27, 2002; Act No. 8863, Feb. 29, 2008; Act No. 13453, Jul. 31, 2015>

1. Where it has obtained authorization under Article 3 in a fraudulent or other unlawful manner;
  2. Where it has failed to execute an order issued to correct a violation under paragraph (1) 2;
  3. Where it runs its business during a business-suspension period under paragraph (1) 5;
  4. Where, in addition to subparagraphs 1 through 3, it is feared to greatly undermine any interest of depositors or investors of its subsidiary, etc. by violating this Act or orders issued or dispositions taken under this Act;
  5. Where it ceases to fall under Article 2 (1) 1 due to a decrease in stock holdings, increase or decrease in assets, etc. during the business year concerned;
  6. Where it falls under any of the subparagraphs of the attached Table of the Act on Corporate Governance of Financial Companies (limited to cases of issuing an order to suspend entire business).
- (3) Where the authorization of a financial holding company is revoked under paragraph (2), it shall cease to be subject to the requirements of a financial holding company within three months. <Newly Inserted by Act No. 8571, Aug. 3, 2007>

#### **Article 57-2 (Notification to Retired Executive Officers, etc. of Measures Taken)**

- (1) Where it is deemed that, if a retired executive officer or employee of the financial holding company had been the incumbent, he/she would have been subject to measures falling under Article 57 (1) 1, 4 or 4-2, the Financial Services Commission may notify the head of the relevant financial holding company of the measures taken. <Amended by Act No. 14817, Apr. 18, 2017>
- (2) The head of the relevant financial holding company who has been notified pursuant to paragraph (1) shall notify the retired executive officer or employee thereof, and record and retain the details of such notification. <Amended by Act No. 14817, Apr. 18, 2017>

#### **Article 57-3 (Sanction against Private Equity Funds, etc.)**

- (1) Where a private equity fund, etc. (referring only to a private equity fund, etc. which holds stocks of a bank holding company with the approval under Article 8 (3); hereafter the same shall apply in this paragraph through paragraph (4)) or any stockholder or partner thereof violates Article 8-7, the relevant private equity fund, etc. shall not exercise voting rights to the stocks held in excess and then without delay dispose of the excess portion of stocks. <Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015>
- (2) The Financial Services Commission may, when a private equity fund, etc. fails to comply with paragraph (1), order such private equity fund, etc. to dispose of the stocks held in excess by stating a period within one month. <Amended by Act No. 13448, Jul. 24, 2015>
- (3) The Financial Services Commission may, when a private equity fund, etc. falls under any of the subparagraphs of Article 8-7, take any of the following measures: <Amended by Act No. 13448, Jul. 24, 2015>
1. Orders to correct or suspend the act in question;



2. Orders to publish or post a statement that measures have been taken due to the act in question;
  3. Institutional warnings;
  4. Institutional cautions;
  5. Other measures prescribed by Presidential Decree as necessary to correct or prevent the act in question.
- (4) The Financial Services Commission may, when a managing general partner in charge of the management, etc. of property of a private equity fund, etc. falls under any of the subparagraphs of Article 8-7, take measures under the following classification: <Amended by Act No. 13448, Jul. 24, 2015>
1. Any of the following measures with respect to the managing general partner:
    - (a) Demand to dismiss the managing general partner;
    - (b) Suspension of duties for not more than six months;
    - (c) Institutional warnings;
    - (d) Institutional cautions;
    - (e) Other measures prescribed by Presidential Decree as necessary to correct or prevent the act in question;
  2. Any of the following measures with respect to an executive officer of the managing general partner:
    - (a) Demand to dismiss the managing general officer;
    - (b) Suspension of duties for not more than six months;
    - (c) Reprimand warnings;
    - (d) Cautionary warnings;
    - (e) Other measures prescribed by Presidential Decree as necessary to correct or prevent the act in question;
  3. Demand to take any of the following measures with respect to an employee of the managing general partner:
    - (a) Resignation;
    - (b) Suspension for not more than six months;
    - (c) Salary reduction;
    - (d) Reprimand;
    - (e) Caution;
    - (f) Other measures prescribed by Presidential Decree as necessary to correct or prevent the act in question.
- (5) Paragraphs (2) through (4) shall apply mutatis mutandis to a private equity fund, etc. (including its stockholders or partners) falling under any of the following. In such cases, paragraph (4) 2 shall apply mutatis mutandis when the managing general partner is an individual: <Amended by Act No. 13448, Jul. 24, 2015>
1. Where the private equity fund, etc. holds stocks of a bank holding company in excess of the stock-holding limit under Article 8 (1) or (3);

2. Deleted; <by Act No. 12099, Aug. 13, 2013>

3. Where the private equity fund, etc. becomes subject to an order to dispose of stocks under Article 10-2 (5).

(6) Article 10 (3) shall not apply to private equity funds, etc. falling under paragraph (5) 1. <Amended by Act No. 12099, Aug. 13, 2013; Act No. 13448, Jul. 24, 2015; Act No. 14121, Mar. 29, 2016>

#### **Article 58 (Corrective Measures, etc.)**

(1) The Financial Services Commission may order a person who has violated Article 3 (1), 5-2 (2), 7 or 57 (3) to take any of the following corrective measures: <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>

1. Submission of plans, or modification of such plans, to rectify the state of the violation;
2. Cautions or warnings to companies involved in the violation;
3. Request for cautions, warnings, or reprimands on executive officers or employees of a company involved in the violation;
4. Disposition of all or some of stocks;
5. Other measures necessary to rectify the state of the violation.

(2) No person who has been ordered to dispose of stocks pursuant to paragraph (1) 4, may exercise voting rights to such stocks ordered to be disposed of from the date of receipt of such order. <Newly Inserted by Act No. 6692, Apr. 27, 2002; Act No. 8571, Aug. 3, 2007>

#### **Article 59 (Hearings)**

Where the Financial Services Commission intends to revoke authorization granted to a financial holding company in accordance with Article 57 (2), it shall hold a hearing. <Amended by Act No. 8863, Feb. 29, 2008>

#### **Article 60 (Authorization for Merger, etc.)**

(1) When any financial holding company intends to dissolve itself or merge with another company, it shall obtain authorization from the Financial Services Commission, as prescribed by Presidential Decree. <Amended by Act No. 8863, Feb. 29, 2008>

(2) In determining whether to grant or deny authorization under paragraph (1), the Financial Services Commission shall examine whether such dissolution or merger limits competition or disrupts sound order in the financial market and other matters prescribed by Presidential Decree. <Amended by Act No. 8863, Feb. 29, 2008>

(3) Article 3 (2) and (3) shall apply mutatis mutandis to authorization under paragraph (1).

#### **Article 61 (Matters to Be Reported)**

Where any financial holding company falls under any of the following cases, it shall, without delay, report such fact to the Financial Services Commission: Provided, That the foregoing shall not apply in cases of reporting under Article 8 (2): <Amended by Act No. 6692, Apr. 27, 2002; Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008>

1. Deleted; <by Act No. 13453, Jul. 31, 2015>
2. Where the largest stockholder is changed;
- 2-2. Where a major investor of a bank holding company is changed;
- 2-3. Where stocks owned by large stockholders or persons specially related thereto are changed by at least 1/100 of total voting stocks issued;
3. Where the trade name is changed;
4. Where a ground for dissolution occurs;
5. Where a financial holding company or its subsidiary, etc. loses control over a subsidiary or a second-tier subsidiary;
6. Cases prescribed by Presidential Decree where the management soundness of a financial holding company, etc. is expected to be undermined.

#### **Article 62 (Relationship with Other Acts)**

(1) Except as otherwise provided in this Act, a financial holding company shall be governed by the Commercial Act, the Act on Corporate Governance of Financial Companies and the Financial Investment Services and Capital Markets Act. <Amended by Act No. 9788, Jul. 31, 2009; Act No. 13453, Jul. 31, 2015>

(2) Deleted. <by Act No. 6692, Apr. 27, 2002>

#### **Article 62-2 (Special Cases for Stock Swaps and Stock Transfers)**

(1) Where a subsidiary acquires stocks of a financial holding company through stock swap or stock transfer, or a second-tier subsidiary acquires stocks of a subsidiary, in the application of Article 342-2 of the Commercial Act with respect to the stocks of the financial holding company or subsidiary allocated as consideration in exchange for any of the following treasury stocks among the relevant stocks, "six months" in paragraph (2) of the same Article shall be deemed "three years": <Amended by Act No. 8571, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009; Act No. 11758, Apr. 05, 2013>

1. Treasury stocks that are acquired through the exercise of the appraisal rights of the stockholders opposing the stock swap or stock transfer;
2. Treasury stocks that are acquired under Article 341 (1) of the Commercial Act or Article 165-3 of the Financial Investment Services and Capital Markets Act, and purchased from the date when the board of directors passes a resolution on the approval for stock swap contract or the approval for stock transfer till the expiry date of the appraisal rights of the stockholders.

(2) In the application of the Commercial Act with respect to a stock swap or stock transfer in order to establish a financial holding company (including cases where a financial holding company, etc. newly include a subsidiary or second-tier subsidiary; hereafter the same shall apply in this Article) or to own all the stocks of the existing subsidiary or second-tier subsidiary, "two weeks" in the main sentence of Article 354 (4), Article 360-4 (1) other than each subparagraph, Article 360-5 (2), the main sentence of Article 360-9 (2), Article 360-10 (4), Article 360-17 (1) other than each subparagraph, and the main sentence of Article 363 (1) of the said Act shall be deemed "seven days", respectively; "20 days" in Article 360-5 (1) and (2) of the said Act shall be deemed "ten days", respectively; "one month prior to" in Article 360-8 (1)

of the said Act other than each subparagraph shall be deemed "five days prior to"; "when the intent to oppose stock swap is notified" in Article 360-10 (5) of the said Act shall be deemed "when the intent to oppose stock swap is notified within seven days from the notice or public announcement under paragraph (4)"; "within a period determined in excess of one month" in Article 360-19 (1) 2 of the said Act shall be deemed "within a period determined for at least five days"; and "within two months" in Article 374-2 (2) of the said Act shall be deemed "within one month". <Amended by Act No. 8571, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009>

(3) Where an agreement on the purchase price of stocks is not reached between the stockholders opposing stock swap or stock transfer in order to establish a financial holding company or to own all the stocks of the existing subsidiary or second-tier subsidiary, such purchase price of stocks shall be the amount calculated under the following classification, notwithstanding Article 374-2 (4) and (5) of the Commercial Act applied mutatis mutandis under Article 360-5 (3) of the said Act: <Amended by Act Nos. 8571 & 8635, Aug. 3, 2007; Act No. 9788, Jul. 31, 2009>

1. Where the relevant company is a stock listed corporation: The amount calculated by a method prescribed by Presidential Decree based on the purchase price of such stocks traded on the securities market prior to the date of resolution on the approval for stock swap contract or stock transfer made by the board of directors;

2. Where the relevant company is a company other than those under subparagraph 1: The amount calculated by an accounting expert. In such cases, the scope of an accounting expert and procedures for appointment shall be prescribed by Presidential Decree.

(4) Where a company swaps or transfers stocks in order to establish a financial holding company or own all the stocks of the existing subsidiary or second-tier subsidiary, or a stockholder holding at least 30/100 of the number of stocks subject to appraisal under Article 360-5 of the Commercial Act opposes the purchase price of stocks, which is calculated under paragraph (3), the relevant company or stockholder may file an application for the adjustment of the purchase price with the Financial Services Commission ten days prior to the date when the purchase shall be completed pursuant to Article 374-2 (2) of the said Act. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009>

### **Article 63 (Entrustment of Authority)**

The Financial Services Commission may entrust part of its authority under this Act to the Governor, as prescribed by Presidential Decree. <Amended by Act No. 8863, Feb. 29, 2008>

### **Article 64 (Penalty Surcharges)**

Where any financial holding company or its subsidiary, etc. violates Article 6-3, 6-4, 34, 36, 44, 45, 45-2, 45-3, 48, or 62-2 (1), or any major investor violates Article 45-4, the Financial Services Commission may impose penalty surcharges in accordance with the following classification: <Amended by Act No. 6692, Apr. 27, 2002; Act No. 7529, May 31, 2005; Act Nos. 8571 & 8635, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 14817, Apr. 18, 2017>

1. In cases of holding stocks in violation of Article 6-3 or 6-4: The aggregate of the book values of the stocks held in violation marked on the balance sheet prescribed by Presidential Decree;
- 1-2. In cases of exceeding the limit on extension of credit under Article 34 (2): Not more than 20/100 of the amount of credit extended in excess;
- 1-3. In cases of exceeding the limit on stock acquisition under Article 34 (3): Not more than 20/100 of the aggregate of the book values of the stocks acquired in excess of the limit;
2. In cases of exceeding the stock holding limit under Article 44: Not more than 10/100 of the aggregate of the book values of the stocks held in excess of the limit;
3. In cases of exceeding the limit on extension of credit under Articles 36 (1) and 45 (1) through (3): Not more than 10/100 of the amount of credit extended in excess of the limit;
4. In cases of exceeding the limit on extension of credit under Article 45-2 (1) and (2): Not more than 40/100 of the amount of credit extended in excess of the limit;
- 4-2. In cases of extending credit, transferring assets without consideration, trading or exchanging assets in violation of Article 45-2 (8) or (9): Not more than 40/100 of the amount of credit extended or the book values of the assets;
5. In cases of exceeding the limit on stock acquisition under Article 45-3 (1): Not more than 40/100 of the aggregate of the book values of the stocks acquired in excess of the limit;
- 5-2. Where a major investor violates Article 45-4 whereby a bank holding company, etc. extend credit to the major investor in excess of the limit on extension of credit under Article 45-2 (1) or (2): Not more than 40/100 of the amount of credit extended in excess of the limit;
- 5-3. Where a major investor violates Article 45-4 whereby a bank holding company, etc. extend credit, transfer assets without consideration, or trade or exchange to the major investor in violation of Article 45-2 (8) or (9); Not more than 40/100 of the amount of credit extended or the book values of the assets;
- 5-4. Where a major investor violates Article 45-4 whereby a bank holding company, etc. acquire stocks of the major investor in excess of the stock holding limit under Article 45-3 (1): Not more than 40/100 of the aggregate of the book values of the stocks acquired in excess of the limit;
6. Deleted; <by Act No. 9788, Jul. 31, 2009>
7. Where a subsidiary, etc. extend credit to a financial holding company in violation of Article 48 (1) 1: Not more than 10/100 of the amount of credit extended;
8. In cases of holding stocks of a subsidiary, etc. in violation of Article 48 (1) 2: Not more than 10/100 of the aggregate of the book values of the stocks held;
9. In cases of exceeding the limit on extension of credit between subsidiaries, etc. in violation of Article 48 (1) 3: Not more than 10/100 of the amount of credit extended in excess of the limit;
10. In cases of extending credit without securing appropriate collateral in violation of Article 48 (2): Not more than 10/100 of the amount of credit extended;
11. In cases of trading dishonored assets in violation of Article 48 (3): Not more than 10/100 of the book values of the assets;

12. In cases of holding stocks in violation of the provisions of Article 48 (5): Not more than 2/100 of the aggregate of the book value of the stocks held;

13. Deleted; <by Act No. 8571, Aug. 3, 2007>

14. In cases of holding stocks in violation of Article 62-2 (1): Not more than 2/100 of the aggregate of the book values of the stocks held.

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

(1) When the Financial Services Commission imposes penalty surcharges in accordance with Article 64, it shall take into account the following matters: <Amended by Act No. 8863, Feb. 29, 2008>

1. The nature and extent of the violation;
2. The period and frequency of the violation;
3. The scale of profits earned by the violation.

(2) The Financial Services Commission may, where a company that has violated any provision of this Act merges with another company, regard the violation committed by such company as committed by the company surviving such merger or the company newly incorporated by such merger, and impose and collect penalty surcharges. <Amended by Act No. 8863, Feb. 29, 2008>

(3) Standards for imposing penalty surcharges under paragraph (1) and other matters necessary for imposing penalty surcharges shall be determined by Presidential Decree.

#### **Article 66 (Presenting Opinions)**

(1) The Financial Services Commission shall provide relevant parties or interested persons, etc. with an opportunity to present their opinion prior to imposing any penalty surcharges on them. <Amended by Act No. 8863, Feb. 29, 2008>

(2) Any party or interested person, etc. referred to in paragraph (1) may be present at a meeting of the Financial Services Commission to state his/her opinion or submit necessary data. <Amended by Act No. 8863, Feb. 29, 2008>

#### **Article 67 (Raising Objections)**

(1) A financial holding company, etc. dissatisfied with a disposition taken to impose a penalty surcharge on it under Article 64 may raise an objection to the Financial Services Commission, citing the reasons thereof, within 30 days from the date on which they were notified of such disposition. <Amended by Act No. 8863, Feb. 29, 2008>

(2) The Financial Services Commission shall decide on the objection raised under paragraph (1) within 30 days from the date of receipt: Provided, That where the Financial Services Commission is unable to make the decision within 30 days due to unavoidable reasons, such period may be extended by up to 30 days. <Amended by Act No. 8863, Feb. 29, 2008>

(3) Any person dissatisfied with a decision made under paragraph (2) may file an administrative appeal.

#### **Article 68 (Extension of Deadline for Payment of Penalty Surcharges and Installment Payment)**

(1) When it is deemed that a person who is subject to the imposition of penalty surcharges (hereinafter referred to as "person liable for penalty surcharges"), has difficulty in making a lump sum payment of the

total penalty surcharges due to any of the following reasons, the Financial Services Commission may extend the deadline for payment or allow him/her to make installment payments. In such cases, the Financial Services Commission may, where it is deemed necessary, allow the person liable for such penalty surcharges to provide security therefor: *<Amended by Act No. 8863, Feb. 29, 2008>*

1. Where his/her property is significantly damaged by a disaster, etc.;
2. Where his/her business is in serious crisis due to the aggravation of business conditions;
3. Where the lump sum payment of his/her penalty surcharges is expected to significantly weaken his/her funding position;
4. Where any other ground corresponding to subparagraphs 1 through 3 occurs.

(2) Where any person liable for penalty surcharges intends to get the deadline for payment of his/her penalty surcharges extended or his/her penalty surcharges paid in installments under paragraph (1), he/she shall file an application therefor with the Financial Services Commission not later than ten days prior to the deadline for payment. *<Amended by Act No. 8863, Feb. 29, 2008>*

(3) When any person liable for penalty surcharges who has been allowed of the extended deadline for payment or payment in installments under paragraph (1), falls under any of the following, the Financial Services Commission may cancel its decision to extend the deadline for payment or to allow him/her to pay the penalty surcharges in installments, and then collect the penalty surcharges in lump sum: *<Amended by Act No. 8863, Feb. 29, 2008>*

1. When he/she fails to pay penalty surcharges that have been allowed to be paid in installments within the deadline for installment payment;
2. When he/she fails to execute an order issued by the Financial Services Commission for replacing his/her collateral or preserving his/her collateral;
3. When he/she is subject to compulsory execution, commencement of auction, adjudication of bankruptcy, dissolution of a corporation, and a disposition taken to collect national or local taxes in arrears, or all or some of his/her penalty surcharges are recognized as being uncollectable;
4. When any other ground corresponding to subparagraphs 1 through 3 occurs.

(4) Necessary matters with respect to the extension of the deadline for payment, the payment of penalty surcharges in installments, or security, etc. under paragraphs (1) through (3) shall be determined by Presidential Decree.

#### **Article 69 (Collection of Penalty Surcharges and Dispositions on Arrears)**

(1) Where any person liable for penalty surcharges fails to pay his/her penalty surcharges within the deadline for payment, the Financial Services Commission may collect an additional due prescribed by Presidential Decree, which is imposed on a period ranging from the date following the date of the deadline for payment to the date preceding the date of the payment. In this case, the period of time for collecting the additional due shall not exceed 60 months. *<Amended by Act No. 8863, Feb. 29, 2008; Act No. 14817, Apr. 18, 2017>*

(2) When any person liable for penalty surcharges fails to pay his/her penalty surcharges within the deadline for payment, the Financial Services Commission may serve a demand notice, fixing a period for payment of such penalty surcharges in arrears, and when the person liable for penalty surcharges fails to pay the penalty surcharges and additional dues under paragraph (1) within the fixed payment period, such penalty surcharges and additional dues may be collected in the manner of a disposition taken to collect national taxes in arrears. <Amended by Act No. 8863, Feb. 29, 2008>

(3) The Financial Services Commission may entrust the collection of penalty surcharges and additional dues or duties of dispositions against arrears as prescribed in paragraphs (1) and (2) to the Commissioner of the National Tax Service. <Amended by Act No. 8863, Feb. 29, 2008>

(4) Matters necessary for the collection of penalty surcharges shall be prescribed by Presidential Decree.

#### **Article 69-2 (Charges to Compel Execution)**

(1) Where a person who has been ordered to dispose of stocks under Article 8-3 (5), 10 (3), 10-2 (5), 18 (3), 22 (9), 57-3 (2) or 58 (1) 4 fails to execute such order within the predetermined period, the Financial Services Commission may impose a charge to compel execution within the extent that does not exceed the amount calculated by multiplying the book value of the stocks required to be disposed of by 3/10,000 for each day after the predetermined period expires. <Amended by Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013; Act No. 13453, Jul. 31, 2015; Act No. 14121, Mar. 29, 2016>

(2) Charges to compel execution shall be imposed for the period from the day following expiration of the execution period fixed in the stock disposal order until the day the stock disposal (referring to the day of stock certificate delivery) is executed.

(3) Where the execution is not carried out even after the elapse of 90 days from the expiration of execution period determined by the stock disposal order, the Financial Services Commission shall collect the charges to compel execution on the basis of each 90-day period elapsing, counting from such expiration day. <Amended by Act No. 8863, Feb. 29, 2008>

(4) Articles 65 through 69 shall apply mutatis mutandis to the imposition and collection of charges to compel execution.

#### **Article 70 (Penalty Provisions)**

(1) Any of the following persons shall be punished by imprisonment with labor for not more than ten years or by a fine not exceeding 500 million won: <Amended by Act No. 9788, Jul. 31, 2009>

1. A person who extends credit in violation of Article 34 (1) and (2) and a person who is offered an extension of credit from the former;
2. A person who acquires stocks issued by a large stockholder in violation of Article 34 (3);
3. A person who violates Article 34 (9);
4. A person who extends credit or executes a transfer without consideration, and a person who is provided with extension of credit or transfer without consideration from the former or a party who trades or exchanges assets, in violation of Article 36 (3);



5. A person who extends credit or executes a transfer without consideration, to a major investor, and the major investor who is provided with extension of credit or transfer without consideration from the former or a party who trades or exchanges assets, in violation of Article 45-2 (1) through (3), (8), and (9);
6. A person who acquires stocks issued by a major investor in violation of Article 45-3 (1);
7. A person who violates Article 45-4;
8. A person who violates Article 48-3 (2).

(2) Any of the following persons shall be punished by imprisonment with labor for not more than five years or by a fine not exceeding 200 million won: <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>

1. A person who meets the requirements for financial holding companies, and fails to obtain authorization or be relieved from the requirements for financial holding companies in violation of Article 3, the main sentence of Article 5-2 (2), or Article 57 (3);
2. A person who violates Article 48-3 (1);
3. An executive officer or employee of a financial holding company, etc. who provides or divulges customer information acquired in the course of his/her duties to a person other than the relevant financial holding company, etc. or uses customer information for purposes other than business.

(3) Any of the following persons shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 100 million won: <Amended by Act No. 9788, Jul. 31, 2009>

1. A person who is in a control relationship with a financial holding company or fails to relinquish such control relationship with a financial holding company, in violation of Article 7 (1) or (2);
2. A person who holds all liabilities, in violation of Article 35;
3. A person who extends credit in excess of the limit on extension of credit, in violation of Article 36 (1);
4. A person who owns stocks of a subsidiary less than the stock holding standards or holding standards relaxed by the Financial Services Commission in violation of Article 43-2 (1) or the latter part of Article 43-2 (3) (including cases applied mutatis mutandis pursuant to Article 43-3);
5. A person who acquires stocks in excess of the limit on stock holding, in violation of Article 44;
6. A person who extends credit in excess of the limit on extension of credit, in violation of Article 45.

(4) Any of the following persons shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 30 million won: <Amended by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014; Act No. 14817, Apr. 18, 2017>

1. A person who violates Article 15;
- 1-2. A person who has issued a bank debenture in violation of Article 15-2;
2. A person who includes a subsidiary, etc. without obtaining approval, in violation of Article 16;
3. A person who controls any other company in violation of Article 19, or controls any other company that is not designated as a company that may be subject to control under Article 19-2, 25 (1) or (2)

(including cases applied mutatis mutandis pursuant to Article 28), 26 (1) or (2) (including cases applied mutatis mutandis pursuant to Article 28), 31, or 32 (1) or (3) (including cases applied mutatis mutandis pursuant to Article 32 (4));

4. A person who performs an act, in violation of Article 6-3 or 6-4;

5. Deleted; <by Act No. 12713, May 28, 2014>

6. A person who entrusts business in violation of the proviso to Article 47 (1);

7. A person who violates Article 48;

8. A person who conducts dissolution or merger without obtaining authorization under Article 60.

(5) A person who includes a subsidiary, etc. without reporting thereon in violation of Article 18 shall be punished by imprisonment with labor for not more than six months or by a fine not exceeding ten million won. <Newly Inserted by Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014>

### **Article 71 (Joint Penalty Provisions)**

If the representative of a corporation or an agent or employee of, or any other person employed by, a corporation or an individual commits any offence under Article 70 in connection with the affairs of the corporation or individual, not only shall such offender be punished accordingly, but the corporation or individual shall also be punished by a fine under the relevant provisions: Provided, That the foregoing shall not apply where such corporation or individual has not been negligent in giving due attention and supervision concerning the relevant affairs to prevent such offence.

### **Article 72 (Administrative Fines)**

(1) Any of the following persons shall be subject to an administrative fine not exceeding 100 million won: <Amended by Act No. 6692, Apr. 27, 2002; Act No. 8571, Aug. 3, 2007; Act No. 8863, Feb. 29, 2008; Act No. 9788, Jul. 31, 2009; Act No. 12099, Aug. 13, 2013; Act No. 12713, May 28, 2014; Act No. 14121, Mar. 29, 2016; Act No. 14817, Apr. 18, 2017>

1. A person who fails to make a report in violation of Article 5-2 (1), 8 (2), or 8-6 or who fails to report in violation of the main sentence of Article 6-2 (1);

1-2. A person who uses words indicating a financial holding company, in violation of Article 5-3;

2. A person who violates an order of the Financial Services Commission under Article 10 (3);

3. A person who fails to comply with a demand to provide data under Article 8-5 (3) (including cases for review of approval under Article 8 (3)), 10-2 (2), 34 (11), or 45-5 (1) or (2);

3-2. Deleted; <by Act No. 12713, May 28, 2014>

3-3. through 3-6. Deleted; <by Act No. 13453, Jul. 31, 2015>

4. A financial holding company, etc. which fail to undergo a resolution by the board of directors, in violation of Article 34 (5), 45-2 (4), or 45-3 (3);

5. A financial holding company, etc. which fail to report to the Financial Services Commission or make a public announcement, in violation of Article 34 (6) or (7), 45-2 (5) or (6), or 45-3 (4) or (5);

5-2. A person who fails to report, in violation of Article 34 (8);

6. A person who violates the provisions of Article 48-2 (1), (2), (4), or (6) through (8);
  7. Deleted. <by Act No. 14817, Apr. 18, 2017>
  8. A person who fails to submit or fraudulently prepares his/her work report, in violation of Article 54;
  9. A person who fails to make or falsely makes a public announcement, in violation of Article 55;
  10. A person who fails to make or fraudulently makes a public notice, in violation of Article 56;
  11. A person who refuses, obstructs, or evades an inspection under this Act by concealing books and documents, making unreliable reports, or using other methods;
  12. A financial holding company which violates this Act or the regulations, orders, or directions thereunder.
- (2) Any of the following persons shall be subject to an administrative fine not exceeding twenty million won: <Amended by Act No. 6692, Apr. 27, 2002; Act No. 9788, Jul. 31, 2009; Act No. 12713, May 28, 2014; Act No. 14817, Apr. 18, 2017>
1. Deleted; <by Act No. 13453, Jul. 31, 2015>
  2. through 5. Deleted; <by Act No. 14817, Apr. 18, 2017>
  6. An executive officer or employee of a financial holding company, etc. who neglects to keep or furnish documents, make reports, publish, or issue public announcement, which are required by this Act;
  7. A person who violates this Act or regulations, orders, or directions thereunder (excluding financial holding companies).
- (3) Administrative fines under paragraphs (1) and (2) shall be imposed and collected by the Financial Services Commission, as prescribed by Presidential Decree. <Amended by Act No. 8863, Feb. 29, 2008>
- (4) through (6) Deleted. <by Act No. 9788, Jul. 31, 2009>

## ADDENDA

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

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

### **Article 2 Omitted.**

### **Article 3 (Transitional Measures concerning Already Established Companies)**

Where any company which runs the principal business of controlling companies closely related to financial institutions and the financial business and controls one or more financial institutions through stock holdings, which has already filed with the Fair Trade Commission in accordance with Article 8 of the Monopoly Regulation and Fair Trade Act as at the time this Act enters into force, such company shall be deemed to have been granted authorization under this Act and measures shall be taken to bring such company into compliance with this Act within six months from the date this Act enters into force.

### **Article 4 (Special Cases concerning Restrictions on Control of Financial Holding Companies by Financial Institutions)**

(1) Any financial institution (including any financial institution incorporated in accordance with foreign statutes) that controls any other financial institution as at the time this Act enters into force may become a controlling stockholder in control of a financial holding company that runs such other financial institution as a subsidiary through the swap or transfer of stocks, notwithstanding Article 7.

(2) The swap or transfer of stocks referred to in paragraph (1) shall be limited to what is actually performed within one year from the date this Act enters into force.

(3) No financial institution may, even if it is in control of a financial holding company under paragraph (1), become the largest stockholder of such financial holding company.

(4) Any financial institution which controls a financial holding company in accordance with paragraph (1), shall be prohibited from holding stocks of such financial holding company in excess of the holding ratio (referring to the holding ratio as at the time the final effect of the swap or transfer of stocks takes effect) under which the former acquires stocks of the latter through the swap or transfer of stocks.

#### **Article 5 (Transitional Measures concerning Credit Grant Limit)**

Where any financial institution already established as at the time this Act enters into force has been subject to an application of transitional measures for the credit grant limit in accordance with other finance-related statutes for a certain period, Articles 45 (1) through (3) and 48 (1) 3 shall not apply to such financial institution for such period.

#### **Article 6 (Disposal of Stocks of Financial Holding Companies of Which Korea Deposit Insurance Corporation Is Controlling Stockholder)**

(1) Where the Korea Deposit Insurance Corporation under the Depositor Protection Act becomes a controlling stockholder of a financial holding company after November 24, 2000, the Korea Deposit Insurance Corporation shall dispose of its stocks, comprehensively taking into account the maximization of public fund recovery, rapid privatization of the relevant financial holding company, direction for development of the domestic finance industry, etc.

(2) The Financial Services Commission shall report to the competent standing committee of the National Assembly on basic plans to dispose of stocks pursuant to paragraph (1) and the results of disposal in the previous year by March 31, each year.

(3) Notwithstanding paragraph (2), the Financial Services Commission shall report on plans to dispose of stocks pursuant to paragraph (1) and the results thereof, where the competent standing committee of the National Assembly requests them.

#### *ADDENDA <Act No. 6692, Apr. 27, 2002>*

(1) (Enforcement Date) This Act shall enter into force three months after the date of its promulgation: Provided, That the amended provisions of Articles 20 through 37 and 62-2 shall enter into force on the date of its promulgation.

(2) (Transitional Measures concerning Penalty Provisions and Administrative Fines) In applying penalty provisions and provisions for administrative fines for any act performed before this Act enters into force, the

previous provisions shall apply.

ADDENDUM <Act No. 7338, Jan. 17, 2005>

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

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 6 Omitted.**

ADDENDA <Act No. 7529, May 31, 2005>

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

(2) (Special Cases concerning Limits to Investment in Securities) Any financial holding company that invests in securities in excess of the limits on investment in securities on the grounds falling under any subparagraph of Article 43 (2) as at the time this Act enters into force shall take measures to bring its investment in securities into conformity with the limits on investment in securities within one year from the date this Act enters into force, notwithstanding the amended provisions of paragraph (3) of the same Article: Provided, That where the Financial Supervisory Commission recognizes the inevitability of making an investment in excess of the limits on investment in securities in view of the scale of securities held by the relevant financial holding company and circumstances surrounding the stock market, such period may be extended.

ADDENDA <Act No. 8571, Aug. 3, 2007>

**Article 1 (Enforcement Date)**

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

**Article 2 (Applicability to Financial Holding Companies Subject to Authorization)**

The amended provisions of Article 5-2 shall also apply to any person who has failed to obtain authorization as at the time this Act enters into force, or who has failed to cease to meet the requirements as a financial holding company, from among those falling under financial holding companies subject to authorization, as a result of settlement of accounts for the business year immediately preceding to the business year to which the date this Act enters into force belongs. In such cases, the period referred to in paragraphs (1) and (2) of the same Article shall be counted from the date this Act enters into force.

**Article 3 (Applicability to Discontinuation of Control Relationship between Financial Institutions and Financial Holding Companies)**

The amended provisions of Article 7 (2) shall also apply to any person who has failed to withdraw from a control relationship as at the time this Act enters into force, from among those constituting financial

institutions that are in a control relationship with financial holding companies, as a result of settlement of accounts for the business year immediately preceding to the business year to which the date this Act enters into force belongs. In such cases, the period referred to in the same paragraph shall be counted from the date this Act enters into force.

**Article 4 (Applicability to Requirements for Executive Officers)**

The amended provisions of Article 38 (1) 8, (2) and (3) shall initially apply to an executive officer of a financial holding company, who is appointed after this Act enters into force.

**Article 5 (Transitional Measures concerning Members of Audit Committee)**

If termination of a member's term of office, resignation or dismissal or other circumstances to appoint new members occur, a financial holding company, which must appoint members of the audit committee pursuant to the amended provisions of Article 41 (2), shall fulfill the amended provisions until the first general meeting of stockholders called after such circumstances occur.

**Article 6 (Transitional Measures concerning Special Cases on Structures of Control of Complete Subsidiaries, etc.)**

Notwithstanding the amended provisions of Article 41-4, the previous provisions shall apply to those appointed as outside directors before this Act enters into force until their terms of office end.

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 44 Omitted.**

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 5 Omitted.**

ADDENDA <Act No. 8906, Mar. 14, 2008>

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

(2) (Applicability to Changes in Executive Officers' Qualifications) The amended provisions of Article 38 (1) shall apply beginning with persons who become disqualified on the grounds incurred after this Act enters into force.

ADDENDUM <Act No. 9086, Mar. 28, 2008>

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

ADDENDA <Act No. 9407, Feb. 3, 2009>

**Article 1 (Enforcement Date)**

This Act shall enter into force on February 4, 2009.

**Articles 2 through 12 Omitted.**

ADDENDA <Act No. 9617, Apr. 1, 2009>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 13 Omitted.**

ADDENDA <Act No. 9788, Jul. 31, 2009>

**Article 1 (Enforcement Date)**

This Act shall enter into force four months after the date of its promulgation: Provided, That the amended provisions falling under any of the following shall enter into force on the date specified in the corresponding subparagraph:

1. The amended provisions of Articles 2 (1) 8 and 10, Articles 8 through 10, 10-2, 45-2 (8) and (9), 45-4, 45-5 (2), 48-3 (2), 51-2 and 57-3 (including provisions specifying the prerequisites for violations of the amended provisions enumerated above, among the amended provisions of Articles 64, 69-2, and 70 through 72): October 10, 2009;
2. The amended provisions of Articles 38, 41-5, 43, 46, 47, 48, and 48-2 (including provisions specifying the prerequisites for violations of the amended provisions enumerated above among the amended provisions of Articles 64, 69-2, and 70 through 72): The date when six months has elapsed after the promulgation.

**Article 2 (Applicability to Concurrent Holding by Executive Officers and Employees)**

The amended provisions of Article 39 (2) through (7) shall apply from the first concurrent holding by an executive officer or employee between a financial holding company and its subsidiary, etc. or between its subsidiary, etc. and any other subsidiary, etc. after this Act enters into force.

**Article 3 (Applicability to Entrustment of Business)**

The amended provisions of Article 47 shall apply to the first entrustment of business between subsidiaries, etc. after this Act enters into force.

**Article 4 (Transitional Measures concerning Approval for Stock Holding by Non-Financial Investors)**

A non-financial investor who holds stocks after obtaining the approval from the Financial Services Commission pursuant to Article 8-2 (2) as at the time this Act enters into force shall be deemed to have obtained the approval under the amended provisions of Article 8-4: Provided, That the non-financial investor shall obtain the approval again under the amended provisions of Article 804 within one year from the date this Act enters into force.

**Article 5 (Transitional Measures concerning Penalty Surcharges)**

The imposition of penalty surcharges against any act conducted before this Act enters into force shall be governed by the previous provisions.

**Article 6 (Transitional Measures concerning Penalty Provisions and Administrative Fines)**

The application of penalty provisions and provisions for administrative fines for any act conducted before this Act enters into force shall be governed by the previous provisions.

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 10 Omitted.**

ADDENDA <Act No. 10361, Jun. 8, 2010>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 12 Omitted.**

ADDENDA <Act No. 11758, Apr. 5, 2013>

**Article 1 (Enforcement Date)**

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

**Articles 2 and 3 Omitted.**

ADDENDA <Act No. 12099, Aug. 13, 2013>

**Article 1 (Enforcement Date)**

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

**Article 2 (Transitional Measures concerning Restriction on Stock Holding of Non-Financial Investor)**

Notwithstanding the amended provisions of Articles 2 (1) 8, 8-2 (1), 8-4, and 8-5, the previous provisions shall apply to a non-financial investor who held outstanding stocks with voting rights of a bank holding company according to the previous provisions as at the time this Act enters into force.

ADDENDA <Act No. 12713, May 28, 2014>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 48-2 (4) and (5) shall enter into force one year after the date of its promulgation.

**Article 2 (Transitional Measures concerning Information Provided in Order for Financial Holding Company, etc. to Use for Business)**



A financial holding company, etc. provided with information not in compliance with the amended provisions of Article 48-2 among information provided to the financial holding company, etc. pursuant to the previous provisions of Article 48-2 as at the time this Act enters into force shall destroy the relevant information within three months after this Act enters into force.

**Article 3 (Transitional Measures concerning Penalty Provisions and Administrative Fines)**

In applying penalty provisions and provisions for administrative fines for any act performed before this Act enters into force, the previous provisions shall apply.

ADDENDA <Act No. 13216, Mar. 11, 2015>

**Article 1 (Enforcement Date)**

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

**Articles 2 through 15 Omitted.**

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 20 Omitted.**

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

**Article 1 (Enforcement Date)**

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

**Articles 2 through 18 Omitted.**

ADDENDA <Act No. 14121, Mar. 29, 2016>

**Article 1 (Enforcement Date)**

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

**Articles 2 (Applicability to Restriction on Voting Rights of Stocks Held in Excess of Limit)**

The amended provisions of Article 10 (2) shall also apply where bonds issued before enforcement of this Act pursuant to Article 165-11 (1) of the Financial Investment Services and Capital Markets Act are converted into stocks of a bank holding company after enforcement of this Act.

ADDENDA <Act No. 14817, Apr. 18, 2017>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Articles 10 (2), 15-2, 15-3, 50 (3), and 70 (4) and Article 5 of Addenda shall enter into force four months after the date of its promulgation.

**Article 2 (Applicability to Notification to Retired Executive Officers, etc. of Measures Taken)**

The amended provisions of Article 57-2 (1) and (2) shall also apply to the executive officers and employees who committed a violative conduct before enforcement of this Act and then retired or resigned after enforcement of this Act.

**Article 3 (Applicability to Period of Collection of Penalty Surcharges)**

The amended provisions of the later part of Article 69 (1) shall also apply to the case where a penalty surcharge is not paid within the payment due before enforcement of this Act, and no penalty surcharge shall be collected with respect to the period after enforcement of this Act where the period of collection of penalty surcharge is more than 60 months as at the time of enforcement of this Act.

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

Notwithstanding the amended provisions of Article 64, the former provisions shall apply to the case where a penalty surcharge is imposed on a violation committed before this Act enters into force.

**Article 5 Omitted.**

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