

# **REGULATIONS ON SUPERVISION OF SPECIALIZED CREDIT FINANCE BUSINESS**

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FSC Public Notice No. 2019-29, Jun. 26, 2019  
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## CHAPTER I GENERAL PROVISIONS

### **Article 1 (Purpose)**

The purpose of these Regulations is to prescribe details necessary for the enforcement of pertinent matters related to the management, examination, and supervision of specialized credit finance companies, etc. by the Financial Services Commission (hereinafter, the "FSC") as stipulated in the Specialized Credit Finance Business Act (hereinafter, the "Act"), its Enforcement Decree (hereinafter, the "Enforcement Decree") and its Enforcement Regulations (hereinafter, the "Enforcement Regulation"); the Act on the Establishment, etc. of Financial Services Commission (hereinafter, the "Establishment Act") and its Enforcement Decree; and the Act on the Structural Improvement of the Financial Industry (hereinafter, the "Financial Industry Act") and its Enforcement Decree, etc.

### **Article 2 (Definitions)**

(1) The definitions of terms used in these Regulations are as follows:

1. "Credit" means loans (loans arising by lending funds by agreement of repayment for the purpose of receiving interest, etc., which is economic substance, and claims for indemnity of advances for customers, etc., notwithstanding the title or name), discounted bills, installment financing, factoring, advances for customers on guarantees, and short term loans;

2. "Leased assets" include operating leased assets, financial lease receivables, advances for acquisition of assets to be leased, rental assets, and related accounts receivable;
  3. "Credit card asset" means any of the following claims arising when a credit card member, a debit card member, or a prepaid card member uses the credit card, debit card, or prepared card:
    - (a) Credit sale asset: A claim arising when a person purchases goods or services by credit card, excluding claims specified in Item (c);
    - (b) Card loan asset: A claim arising when a credit card member borrows money through short-term card loan (cash advance service), long-term card loan (card loan) or other methods of financing, excluding claims specified in Item (c);
    - (c) Contracted asset for carryover of partial settlement amount (revolving asset): A claim arising when a credit card member partially pays for the use of credit card in accordance with a separate agreement with the credit card company and carries forward the unpaid balance of the payment;
    - (d) Other card asset: A claim arising when a debit card member or prepaid card member uses a debit card or prepaid card and a card asset that does not fall under any provision of Items (a) through (c);
  4. "Investment" means investment securities (referring to the securities prescribed in Article 4 of the Financial Investment Services and Capital Markets Act, excluding derivative-combined securities and securities depository receipts);
  5. "Suspense payment on credit" means a suspense payment that customers should bear from the advances which occur in relation with subparagraphs 1 through 4;
  6. "Credit, etc." includes subparagraphs 1 through 5;
  7. "Overdue credit, etc." means credit, etc. unpaid by the appointed date and includes any of the following (a) and (b):
    - (a) Credit, etc. that a lender invokes an acceleration clause due to a failure to pay interest, etc. even though within the appointed date;
    - (b) Any unpaid installment payment;
  8. "Debt collection" means that specialized credit finance companies, etc. directly collect debts they offer; outsource the collection of such debts to a third party; or collect debts a third party offers on its behalf;
  9. "Corporate credit card" means a credit card issued to a corporation or business entity registered under the Value Added Taxation Act;
  10. "Management/operation of funds of a new technology project investment cooperative" means investment in new technology project operators (including any foreign corporations engaging in the businesses falling under each subparagraph of Article 3 (1) of Enforcement Decree of the Korea Technology Credit Guarantee Fund Act); the acquisition of technology-related assets, such as patent right, utility model right, or design right; and the management/operation of funds required to achieve the objectives of establishment of a new technology project investment cooperative.
- (2) Except as otherwise expressly provided for in these Regulations, the terms referred to in

these Regulations shall be the same as defined in The Act, the Enforcement Decree, the Enforcement Regulations, the Establishment Act and its Enforcement Decree.

**Article 2-2 (Standards for Rental of Real Estate for Business Purposes by Small and Medium-Sized Companies)**

- (1) "Real estate meeting the standards determined and publicly notified by the FSC" in Article 2 (1) 4 of the Enforcement Decree, means real estate rented to a small or medium-sized company (excluding large shareholders of, and persons in a special relation with, an equipment-rental business entity; hereafter referred to in this paragraph as "small or medium-sized company") for its business purposes, by meeting any of the following standards:
  1. A small or medium-sized company shall use the whole area of the real estate for its business purposes during the rental period: Provided, That where it fails to use the whole area of the relevant real estate for business purposes, in extenuating circumstances, such as rationalization of management, it shall use at least 50 percent of the whole area of the relevant real estate for its business purposes;
  2. A small or medium-sized company which intends to use real estate consisting of land, shall also use any buildings thereon. In such cases, the useful life of the buildings shall apply *mutatis mutandis* to that of the land;
  3. No equipment-rental business entity who intends to acquire real estate for rental to a small or medium-sized company, shall acquire such real estate from its large shareholders or persons specially related thereto;
  4. Any amount outstanding on the assets stated in Article 2 (1) 1 through 3 of the Enforcement Decree (excluding any vehicles) an equipment-rental business entity has rented, as at the end of the fiscal year immediately preceding the year in which it acquires real estate for rent, shall be at least 30/100 of the total amount of its assets.
- (2) Where any company is disqualified as a small or medium-sized company defined in Article 2 of the Framework Act on Small and Medium Enterprises during the rental period of assets stated in Article 2 (1) 4 of the Enforcement Decree, it shall not be deemed a small or medium-sized company defined in Article 2 (1) 4 of the Enforcement Decree.
- (3) Deleted. <on May 1, 2015>
- (4) Where the rental contract for all or part of real estate an equipment-rental business entity has acquired for rent to small and medium-sized companies, is terminated or expires, the equipment-rental business entity shall sell such real estate or rent it to other small and medium-sized companies for their business purposes within one year therefrom: *Provided*, That, in extenuating circumstances, such as the aggravated conditions of the real estate market, an equipment rental business entity may extend the period of sales or rental only once for up to one year. In such cases, the equipment rental business entity shall pre-report the matters concerning the extension of the said period of sales or rental to the Governor of the Financial Supervisory Service, as determined by the Governor of the Financial Supervisory Service.

## CHAPTER II REGISTRATION, ETC.

### **Article 3 (Application for Registration)**

- (1) Any person conducting or intending to conduct facilities leasing business, installment financing business, or venture capital business pursuant to Article 3 (2) of the Act, and willing to register with the FSC to become subject to the application of the Act, or intending to register to conduct credit card business pursuant to the proviso to Article 3 (1) of the Act shall submit an application that states the following matters to the Governor (hereinafter, the "Governor") of the Financial Supervisory Service (hereinafter, the "FSS"):
  1. A firm name and the place of main office;
  2. Capital stock, and the name of shareholders and ratio of shareholding (excluding minority contributors prescribed by Article 2 of the Enforcement Regulation);
  3. Names of executive directors;
  4. Category of a specialized credit finance business to be operated;
  5. Purposes for which the person intends to be a specialized credit finance company;
  6. Details of business being conducted by the person who intends to be a concurrent specialized credit finance company.
- (2) Applications specified in paragraph (1) shall contain the following documents:
  1. Articles of association;
  2. Deleted; <on Dec. 26, 2014>
  3. Documents certifying payment of capital;
  4. Financial statements and annexes thereto;
  5. Documents describing the current business status (amounts of loans, number of customers, etc.) of the person, if the applicant is a specialized credit finance company, or a concurrent specialized credit finance company;
  6. Resume and a career certificate of executive directors.

### **Article 4 (Administration of Registration)**

- (1) In cases where an applicant for registration under the provisions of Article 3 does not violate the provisions of Articles 3 (3), 5, and 6 of the Act, the Governor shall immediately register such application and notify the applicant thereof.
- (2) In case where documents submitted under the provisions of Article 3 are insufficient, the Governor may request such documents to be supplemented within ten days from the date of receipt.

### **Article 4-2 (Maintenance, etc. of Human Resources and Physical Facilities)**

In order to grant the approval pursuant to the proviso to Article 6-2 of the Act, the FSC shall examine within 60 days of the filing date of an approval application whether the requirements prescribed in Article 6-3 (6) of the Enforcement Decree are fully met to determine whether to grant the approval and shall notify the applicant of the results of the examination: *Provided*, That the period taken for supplementing contents of an approval application shall not be included in the calculation of the period of notice.

### **Article 5 (Elimination of Registration by Requests)**

- (1) Any person who wishes to request for elimination of registration under the provisions of

Article 10 of the Act shall submit to the Governor an application for elimination of registration indicating the following subparagraphs:

1. Name of the corporation;
  2. Details of specialized credit finance business to be eliminated;
  3. Reasons for elimination of registration.
- (2) In cases of a request according to paragraph (1), the Governor shall eliminate such registration immediately.

**Article 5-2 (Standards, etc. for Registration of Value-Added Network Providers for Credit Cards, etc.)**

- (1) Detailed standards for facilities, equipment and technical capacity prescribed in Article 9-2 (1) of the Enforcement Decree, shall be as prescribed in attached Table 1-2.
- (2) Each person, who intends to be registered as a value-added network provider for credit card, etc. pursuant to Article 27-2 (1) through (3) of the Act, shall submit to the Governor an application for registration in attached Form 1 (including the documents attached thereto).
- (3) Where an applicant for registration filed for in accordance with paragraph (2) does not violate any of the provisions of Article 27-2 (1) through (3) of the Act, the Governor shall, without delay, register and notify the applicant.
- (4) Each person, who intends to apply for registration for an alteration pursuant to Article 27-2 (4) of the Act, shall submit to the Governor an application for registration for an alteration, as specified in attached Form 2 (including the documents attached thereto).
- (5) Where an application for registration of alteration is submitted pursuant to paragraph (4) and the registration for an alteration is accordingly completed by the Governor, such fact shall be notified to the applicant.
- (6) Each person, who intends to apply for de-registration pursuant to Article 27-2 (5) of the Act, shall submit to the Governor an application for de-registration in attached Form 3.
- (7) Where an application for de-registration is submitted pursuant to paragraph (6), the Governor shall, without delay, cancel the registration.

**Article 5-3 (Registration, etc. of Credit Card Terminals)**

Each person, who intends to register a credit card terminal pursuant to Article 27-4 (1) of the Act, shall submit to the Chairperson of the Credit Finance Association an application for registration of a credit card terminal in attached Form 4.

**Article 5-4 (Approval of Other Companies' Shareholding in Excess of Limits)**

- (1) "Issued voting shares" in Article 24 (1) and (5) of the Financial Industry Act, means the issued shares excluding the non-voting shares specified in Article 344-3 (1) of the Commercial Act.
- (2) "Shareholding ratio" in Article 24 (1) and (5) of the Financial Industry Act, means the proportion of the voting shares issued by a company and owned by the financial institutions belonging to a single enterprise group, to the total number of voting shares issued by that company.
- (3) In calculating the shareholding ratio referred to in paragraph (2), the following shares shall

be included in and added to the number of shares owned by the financial institutions belonging to a single enterprise group:

1. If the financial institutions belonging to a single enterprise group acquire the beneficiary certificates of an investment trust or the shares of an investment company for the purpose of entrusting asset management under Article 42, the shares of another company owned by such investment trust or investment company;
  2. The shares of another company acquired by a trust company with the funds of the specified monetary trust entrusted by the financial institution belonging to a single enterprise group; or the shares of another company trusted by the financial institution belonging to a single enterprise group to the trust company.
- (4) "Cases prescribed and publicly notified by the FSC" in Article 6 (3) 5 of the Enforcement Decree of the Financial Industry Act and Article 2 (1) 5 of the Addenda thereof (No. 20024; Apr. 26, 2007), means each of the following cases under which there is no time for obtaining the prior approval of the FSC:
1. Where the financial institution belonging to a single enterprise group owns the shares of another company with the proceeds in kind arising from the dissolution of the private equity fund defined in Article 9 (19) 1 of the Financial Investment Services and Capital Markets Act in which the said financial institution belonging to a single enterprise group invests;
  2. Where the financial institution belonging to a single enterprise group owns the shares of a company engaging in private investment business under the Act on Private Participation in Infrastructure or the shares of a real estate investment company under the Real Estate Investment Company Act;
  3. Where the shares are owned by way of a debt-to-equity swap for the loans, etc. to any of the following companies:
    - (a) The company for which it is determined to commence the rehabilitation procedures under the Debtor Rehabilitation and Bankruptcy Act;
    - (b) The company which has been subject to the work-out procedures under the Agreement among Financial Institutions for the Promotion of Corporate Restructuring.
- (5) The Governor shall conduct a regular examination to verify whether the requirements for the acquisition of shares in excess of limit are satisfied, every other year, under Article 6 (2) 3 of the Enforcement Decree of the Financial Industry Act and then report the results of such examination to the FSC: *Provided*, That, if it is found, as a result of the examination, that the shareholders who hold shares in excess of limit cease to satisfy the requirements for the acquisition of shares in excess of limit, the Governor shall, without delay, report such fact to the FSC.

**Article 5-5 (Designation of Shareholders Exercising Actual Influence)**

The FSC or the Governor may request a specialized credit finance company or its shareholders to submit materials necessary to check whether or not shareholders of the specialized credit finance company fall under subparagraph 2 (b) of Article 4 of the Enforcement Decree of the Act on Corporate Governance of Financial Companies.

**Article 5-6 (Criteria for Personal Credit Loans Extended Mainly to Persons Whose Credit Rating Not Exceeding Certain Grade)**

"Loans that meet the criteria determined and publicly notified by the Financial Services Commission" in Article 17 (2) 6 of the Enforcement Decree means lending from credit loans products made for a relevant quarter to persons who meet all of the following criteria on a quarterly basis: Provided, That in cases of the loans made during any unfinished quarter, the following requirements are not deemed to be met instill the relevant quater ends.

1. Where the amount or number of loans made to a borrower whose credit rating (referring to that assigned by a person who has obtained permission under Article 4 (2) of the Use and Protection of Credit Information Act for conducting credit inquiry business under the paragraph (1) of that Article) is not exceeding Grade 4 is more than 70/100 of the total amount or number of loan products;
2. Where the weighted average interest rate is not more than that specified in the following:
  - (a) Loans extended by a credit card company: 11.0/100;
  - (b) Loans extended by a specialized credit finance company, other than a credit card company: 14.0/100;
3. Where the maximum interest rate is less than that specified in the following:
  - (a) Loans extended by a credit card company: 14.5/100;
  - (b) Loans extended by a specialized credit finance company, other than a credit card company: 17.5/100;
4. When it is publicly announced that the product is operated in a way that meets all the requirements prescribed in subparagraphs 1 through 3 on the website of the Credit Finance Association three days prior to the start of a quarter.

**Article 5-7 (Credit Extension, etc. for Large Shareholders)**

- (1) "Single transaction value determined and published by the FSC" in Article 19-3 (1) of the Enforcement Decree, in cases of credit extension, shall be calculated based upon the value agreed upon (acquisition amount in the event of acquiring bonds under a single, identical sale and purchase agreement, as provided under Article 19-3 (2) of the Enforcement Decree; hereinafter the same in this Article) under each individual credit exposure agreement executed with, and as per, the identical individual or business entity (including renewal, refinancing, and extension of the existing agreement), and in cases where a multiple number of agreements are executed on the same day with the identical individual or business entity, it shall be calculated based upon the sum of all individual values of the agreements; however, in cases of acquisition of shares, it shall be calculated based upon the acquisition amount by a single, identical sale and purchase agreement, and in cases where a multiple number of agreements with the identical individual or business entity are concluded on the same day, it shall be calculated based upon the sum of all individual values of the agreements.
- (2) A specialized credit finance company shall report, as determined by the Governor, to the

Governor the status of credit extension to large shareholders prescribed in Article 49-2 (3) of the Act or the status of acquisition of shares issued by large shareholders pursuant to Article 50 (3) of the Act.

- (3) "Matters determined by the FSC" in Article 19-4 (1) 5 of the Enforcement Decree means transaction conditions, including the purpose of funds, term of credit extension, and applicable interest rate, types of security and its appraised value, and special terms and conditions, in the case of a credit extension to a major shareholder; or matters falling under each of the following subparagraphs, in the case of an acquisition of stocks issued by a major shareholder:
1. Purpose of acquisition;
  2. Shareholding ratio at the end of the relevant quarter;
  3. Market price of shares held at the end of the relevant quarter;
  4. In case of selling shares held during the quarter concerned, number of shares sold, sales price and the status of profit and loss.
- (4) A specialized credit finance company shall report to the Governor on a quarterly basis, as determined by the Governor, the status of transactions with large shareholders pursuant to Article 19-4 (2) of the Enforcement Decree; and in the case of public notification pursuant to the above paragraph, the status of credit extension for the entire large shareholders shall be notified after including credit extension for each of the identical individual or business entity, and the status of acquisition of shares issued by large shareholders shall be publicly notified for each share-issuing company.

**Article 5-8 (Restriction, etc. on Transactions with Large Shareholders)**

- (1) "Cases where a shareholder's credit risk is rated below the standard as a result of an appraisal of the shareholder's credit risk according to the forward-looking criteria prescribed by the FSC" in subparagraph 2 of Article 19-13 of the Enforcement Decree, means where a financial institution having the largest credit extension is classified as "substandard" or below according to the forward-looking criteria applicable to the relevant financial institution.
- (2) Where any large shareholder of a specialized credit finance company falls under Article 19-13 of the Enforcement Decree, the specialized credit finance company shall, without delay, report such fact to the Governor.

**Article 5-9 (Scope of Persons Specially Related to Large Shareholders)**

"Affiliated companies in compliance with the standards the FSC determines and publishes" in the proviso to Article 19-2 (1) of the Enforcement Decree means affiliated companies meeting each of the following:

1. The relevant affiliated company shall be a specialized credit finance business company defined in subparagraph 15 of Article 2 of the Act;
2. One year shall not have passed since the date the specialized credit finance business company purchases stocks issued by the relevant affiliated company;
3. Where assuming that the relevant affiliated company and the specialized credit finance business company merge, the ratio prescribed in Article 50 (1) of the Act is observed as

at the date of acquisition of stocks.

## CHAPTER III RESTRICTIONS ON BUSINESSES

### **Article 6 (Ratio the FSC Determines)**

"Ratio the FSC determines" in Article 46 (2) of the Act is 30/100.

### **Article 7 (Exemptions from Reporting on Incidental Business)**

"Business affairs the FSC determines" in Article 46-2 (1) 1 of the Act means business affairs falling under attached Table 1-3.

**Article 7-2 Deleted.** <on Sep. 30, 2016>

### **Article 7-3 (Limit of Total Assets to Equity Capital)**

(1) "Multiple determined by the Financial Services Commission" in Article 48 (1) of the Act means any of the following: *Provided*, That a multiple for a specialized credit finance company that does not carry on credit card business shall apply to a specialized credit finance company carrying on credit card business only for corporate members:

1. Specialized credit finance companies carrying on credit card business: Six times: *Provided*, That where it is expected to be difficult to observe the limit of total assets to equity capital due to unavoidable reasons, such as a sudden change in domestic and overseas financial markets, a multiple may be separately determined for a given period by resolution of the FSC;
2. Specialized credit finance companies that do not carry on credit card business: Ten times.

(2) Total assets under Article 48 of the Act shall be as follows: *Provided*, That such total assets shall not include loans made with funds borrowed from the Korea Development Bank established under the Korea Development Bank Act, to small and medium enterprises under the Framework Act on Small and Medium Enterprises or middle-standing enterprises under the Special Act on the Promotion of Growth and the Strengthening of Competitiveness of Middle-Standing Enterprises:

1. In case of specialized credit finance companies that apply K-IFRS under the latter part of Article 1-3 (1) of the Enforcement Decree of the Act on External Audit of Stock Companies: On-balance sheet assets;
2. In the case of specialized credit finance companies that do not apply K-IFRS under the latter part of Article 1-3 (1) of the Enforcement Decree of the Act on External Audit of Stock Companies: The aggregate of on-balance sheet assets and off-balance sheet assets that have substantial credit risks, such as obligations to change assets and credit strengthening, among the securitized assets in accordance with the Asset-Backed Securitization Act and the Commercial Act.

### **Article 7-4 (Acquisition Limit of Real Estate for Business Purpose)**

Pursuant to Article 49 (2) of the Act, the maximum amount of real estate for business purpose allowed to acquire to specialized credit finance companies shall be 100/100 of shareholder's equity.

### **Article 7-5 (Matters to be Observed in Advertisement by Specialized Credit Finance Companies,**

**etc.)**

Where a specialized credit finance company, etc. advertises a credit financial product pursuant to Article 50-9 (4) of the Act and Article 19-14 (4) of the Enforcement Decree, it shall observe the following matters:

1. It shall indicate the period of validity of advertisement (*Provided*, That where it is difficult to indicate the period of validity, it is possible to indicate the present point in time);
2. It shall keep related records, such as the content of advertisement of a credit financial product, for at least five years after the contract for the relevant credit financial product expires, and where a finance user requests related records, it shall produce such records;
3. It shall collect collectible advertising materials by the day according to the following classification:
  - (a) Where the period of validity of advertisement exists, the expiration date of the relevant period of validity;
  - (b) Where the terms of transactions of the existing credit financial product have been changed, the day before the effective date of the changed terms of transactions.

## CHAPTER IV GUIDANCE FOR SOUND MANAGEMENT

### SECTION 1 Standards for Management Guidance

#### **Article 8 (Management Guidance Ratios)**

- (1) Specialized credit finance companies shall maintain the following management guidance ratios under each of the following subparagraphs pursuant to Article 53-3 of the Act and Article 19-20 of the Enforcement Decree.
  1. Ratio of the adjusted equity capital to the adjusted total assets: 7% or greater (8% for credit card companies);
  2. Ratio of liquidity assets in won currency to liquidity liabilities in won currency: 100/100 or more;
  3. One month or longer overdue credit ratio: less than 10% (restricted to credit card companies).
- (2) In calculating the ratios stipulated under paragraph (1), the scope of the adjusted total assets, adjusted equity capital, liquid liabilities in won currency, liquid assets in won currency, and the overdue credit for one month or longer shall be decided by the Governor: *Provided*, That the adjusted total assets and adjusted equity capital under paragraph (1) 1 shall be based upon the specialized credit finance companies' balance sheet and shall be determined, reflective of the standards proposed by the Bank for International Settlements and the characteristics of the specialized credit finance business conducted, in observance of each of the following:
  1. The adjusted total assets shall be an amount obtained by subtracting cash, unsecured short term deposits, government bonds maturing in three months or less, and deductible items;

2. The adjusted equity capital shall be core capital and supplementary capital (within the bounds of the core capital), subtracted by the deductible items;
  3. The total assets, deductible items, core capital and supplementary capital under subparagraphs 1 and 2 shall be determined by the Governor.
- (3) The Governor may require the submission of a plan or a contract for the improvement of a specialized credit finance company with the possible aggravation of management guidance ratio under paragraph (1) or the one with the management weakness in the management status analysis or evaluation under Article 16, or the Governor may conclude management improvement agreements with the specialized credit finance company concerned. However, this is not applicable to any specialized credit finance company in receipt of management improvement recommendation, management improvement request, or management improvement order pursuant to Articles 17 to 19 of these Regulations.

**Article 9 (Forward-Looking Criteria, etc.)**

- (1) Pursuant to Article 53-3 (1) of the Act and subparagraph 2 of Article 19-20 of the Enforcement Decree, specialized credit finance companies shall regularly classify the quality of their assets under the following subparagraphs, loans, discounted bills, factoring, securities, account receivable, suspense payment, payment guarantees and accrued interest receivable by each of licensed or registered businesses:
  1. Credit card business: credit card assets and credit card agreements;
  2. Facilities leasing business: leased assets;
  3. Installment financing business: installment financing;
  4. Venture capital business: stock investments (including bonds) and leased assets.
- (2) The quality of assets under paragraph (1) shall be classified into "normal", "precautionary", "substandard", "doubtful", and "presumed loss", whereas "substandard" for securities, and "precautionary" and "substandard" for suspense payment (with the exclusion of those on credit) shall be excluded, and in cases of roll-over loans in arrears of a credit card company, the period before and after the execution of such roll-over loans shall be added and classified.
- (3) Specialized credit finance companies must classify the quality of the assets (pursuant to actual status of assets regardless of account title) prescribed in paragraph (1) by entire claims to each customer: *Provided*, That the following assets shall be separately classified from the entire claims to each customer:
  1. Factoring and discounts of bills normal settlements of which are expected for assurance;
  2. Acquired claims along with M&A transactions;
  3. Claims related to industry rationalization; (Credit supported toward rationalization designated firms according to the rationalization standards prescribed by Industry Policy Committee, including acquired claims of acquired firms);
  4. Claims to be able to be classified separately from entire claims to each customer according to the example of the forward-looking criteria specified in attached Table 1.
- (4) Securities and suspense payments (excluding suspense payments on credit) among the assets prescribed in paragraph (3) are classified by an amount of each transaction.

- (5) Specialized credit finance companies must classify the quality of assets according to the forward-looking criteria stipulated in attached Table 1 on a quarterly basis: *Provided*, That the evaluation of securities shall be conducted on a monthly basis, in principle, reflecting the price on the evaluation date.
- (6) Notwithstanding the provisions of paragraph (5), standards stipulated in attached Table 1 may not be applied to any of the following claims, etc.:
  1. Claims, etc. on foreign governments or foreign central banks guaranteed by the Korean Government;
  2. Claims, etc. on government-invested institutions as defined in Article 2 of Framework Act on the Management of Government-Invested Institutions and claims guaranteed by such government-invested institutions;
  3. Claims on the companies, the debts of which exceed sales due to the facility financing in the process of business conversion or restructuring, but the excess debts are deemed to be temporary in light of good business growth potential;
  4. Claims on the companies to which application of the standards stipulated in attached Table 1 is deemed inappropriate upon considering the circumstances, based on the objectively acceptable materials, such as financial status, liquidity, earnings, and transaction records of transaction partners.
- (7) Where forward-looking criteria specified by a specialized credit finance company is deemed inadequate, the Governor may require the specialized credit finance company to make a correction.
- (8) Where the write-off of non-performing assets held by a specialized credit finance company is insufficient or any other cases deemed necessary, the Governor may request the specialized credit finance company concerned to write off non-performing assets.

**Article 10 (Calculation of Collectible Estimates)**

Specialized credit finance companies shall calculate collectible estimates of claims, etc. of companies that hold claims, etc. classified as "substandard" or below pursuant to Article 9, according to the standard prescribed by the Governor.

**Article 11 (Standards for Accumulation of Allowance for Doubtful Accounts)**

- (1) In accordance with Article 53-3 (1) of the Act and subparagraph 3 of Article 19-20 of the Enforcement Decree, each specialized credit financial entity shall accumulate a reserve for credit, lease assets (including the relevant portion of accounts receivable, but excluding operating lease assets), credit card assets, unused agreements of credit card, suspense payment on credit and accrued interest receivable as at the settlement date when settling accounts (including a provisional settlement of accounts for each quarter; hereafter the same shall apply in this Article) pursuant to paragraphs (2) through (5).
- (2) Each specialized credit finance company, which applies accounting standards pursuant to Article 15 (1) (hereinafter referred to as "K-IRFS") determined by adopting the International Financial Reporting Standards of the International Accounting Standards Board under Article 13 (1) 1 of the Act on External Audit of Stock Companies, shall accumulate a reserve according to the same accounting standards, and where the amount of the reserve

accumulated is less than the total of the following amounts, it shall accumulate an amount exceeding such shortage as a bad debt reserve:

1. The following amounts (*Provided*, That with respect to assets subject to the accumulation of allowance for doubtful accounts of which annual applicable interest rate or applicable interest rate converted to an annual equivalent is at least 20/100, an amount obtained by adding 30/100 to the following amounts and not exceeding the amount of assets subject to the accumulation of allowance for doubtful accounts) for claims (excluding household loans extended by credit card companies; hereafter in this Article the same shall apply), lease assets (including the relevant portion of account receivables, but excluding operating lease assets), suspense payment on credit and accrued interest receivable as at the settlement date in accordance with the forward-looking criteria:
  - (a) At least 0.5/100 of assets classified as "normal": *Provided*, That at least 1/100 of installment financial assets and household loans to individuals by each installment financial business operator;
  - (b) At least 1/100 of assets classified as "precautionary": *Provided*, That at least 10/100 of installment financial assets and household loans to individuals;
  - (c) At least 20/100 of assets classified as "substandard";
  - (d) At least 75/100 of assets classified as "doubtful";
  - (e) At least 100/100 of assets classified as "presumed loss";
2. Notwithstanding subparagraph 1, the following amounts for loans for real estate project financing:
  - (a) At least 0.5/100 of assets classified as "normal", the original maturity of which has not elapsed and the payment of which is guaranteed by a company with a credit rating of BBB- or A3- or higher;
  - (b) At least 2/100 of assets classified as "normal", the original maturity of which has not elapsed and the payment of which is not guaranteed by a company with a credit rating of BBB- or A3- or higher;
  - (c) At least 3/100 of assets classified as "normal", the original maturity of which has elapsed;
  - (d) At least 7/100 of assets classified as "precautionary" which are related to apartment houses;
  - (e) At least 10/100 of assets classified as "precautionary" which are not related to apartment houses;
  - (f) At least 30/100 of assets classified as "substandard";
  - (g) At least 75/100 of assets classified as "doubtful";
  - (h) At least 100/100 of assets classified as "presumed loss";
3. The following amounts for credit sale assets, other credit card assets (referring to the card assets defined in Article 2 (1) 3 (d)), and accrued interest receivable thereon as at the date of settlement of accounts, based on the forward-looking criteria: *<Amended on Jun. 17, 2011>*
  - (a) At least 1.1/100 of assets classified as "normal";

- (b) At least 40/100 of assets classified as "precautionary";
  - (c) At least 60/100 of assets classified as "substandard";
  - (d) At least 75/100 of assets classified as "doubtful";
  - (e) At least 100/100 of assets classified as "presumed loss";
4. The following amounts (*Provided*, That with respect to long-term credit card loan assets borrowed by persons who have a balance of long-term credit card loans (including household credit loans made by credit card companies) with at least two credit card companies and the relevant accrued interest receivable, an amount obtained by adding 30/100 to the following relevant amount and not exceeding the amount of assets subject to the accumulation of allowances for loan-loss) for card loan assets, household credit loans made by credit card companies and contracted assets for carryover of partial settlement amount (revolving assets) and accrued interest receivable thereon as at the date of settlement of accounts, based on the forward-looking criteria:
- (a) At least 2.5/100 of assets classified as "normal";
  - (b) At least 50/100 of assets classified as "precautionary";
  - (c) At least 65/100 of assets classified as "substandard";
  - (d) At least 75/100 of assets classified as "doubtful";
  - (e) At least 100/100 of assets classified as "presumed loss";
5. Amounts calculated by multiplying the accumulation rates specified in subparagraphs 3 and 4 by 50/100 for the unused agreements of credit card as at the date of settlement of accounts.
- (3) Where an existing bad debt reserve accumulated pursuant to paragraph (2) exceeds a bad debt reserve to be accumulated by the date of settlement, each specialized credit finance company, which applies the K-IFRS, may transfer the excess from the existing bad debt reserve, and where an unappropriated deficit has been incurred, it shall accumulate a bad debt reserve from the time the unappropriated deficit is appropriated.
- (4) Each specialized credit finance company, which applies the K-IFRS, shall publicly announce the accumulated amount of bad debt reserve (where it is a provisional settlement of accounts for the first half year, and the accumulation of a bad debt reserve is not determined, referring to the estimated amount of accumulation) in the financial statements at the time of each settlement of accounts.
- (5) Each specialized credit finance company, which applies accounting standards under Article 13 (1) 2 of the Act on External Audit of Stock Companies (hereinafter referred to as "K-GAPP") pursuant to Article 15 (2), shall accumulate amounts prescribed in paragraph (2) in accordance with the forward-looking criteria as allowance for doubtful accounts.
- (6) The Governor may determine matters concerning allowance for losses to be incurred and other reserves.

**Article 11-2 (Risk Management on Housing Mortgage Loans, etc.)**

- (1) Specialized credit finance companies, when extending housing mortgage loans or housing installment financing (hereinafter "housing mortgage loans, etc."), shall abide by the LTV (Loan-To-Value) ratio, DTI (Debt-To-Income) ratio and other restrictions, etc. on transaction

of housing mortgage loans and extension of loan maturities provided in attached Table 3 in order to maintain the sound management pursuant to Article 53-3 of the Act and Article 19-14 of the Enforcement Decree. <Amended on Jan. 28, 2016>

- (2) In cases where the Governor deems urgently necessary in view of the management soundness of specialized credit finance companies, the Governor may adjust the LTV ratios and DTI ratios in attached Table 3 within the range of 10 percentage points. In case of adjustment, the Governor shall immediately report the details of such adjustment to the FSC.
- (3) The detailed criteria on calculation method and application target of the LTV ratios and DTI ratios provided in paragraph (1), and the details regarding making of housing mortgage loans, etc. and restriction on extending maturity shall be subject to the determination of the Governor.

**Article 11-3 (Risk Management of Loans for Real Estate Project Financing)**

- (1) When a specialized credit finance company deals in a loan for real estate project financing, its balance of dealing shall not exceed 30/100 of credit portion assets.
- (2) Credit portion assets under paragraph (1) mean credit, lease assets and credit card assets under Article 2 (1) 1 through 3 and suspense payment on credit under subparagraph 5 of the same Article and the same paragraph.

**Article 12 (Risk Management System)**

- (1) For prevention and efficient management of risks which may occur in their performance of business, specialized credit finance companies shall build and operate a comprehensive risk management system, which can recognize, assess, monitor, and control the corresponding risk pursuant to Article 53-3 (1) of the Act and subparagraph 4 of Article 19-14 of the Enforcement Decree.
- (2) For efficient risk management, specialized credit finance companies shall set up and operate an adequate risk-bearing ceiling and transaction limit by each department or transaction.

**Article 13 and 14 Deleted.** <on Jul. 28, 2016>

**Article 15 (Recording of Accounts, etc.)**

- (1) Under Article 53-3 (1) of the Act and subparagraph 4 of Article 19-20 of the Enforcement Decree, each specialized credit finance company and credit card company (excluding a credit business operator who concurrently conducts other business referred to in Article 2 (16) of the Act) which is a listed corporation shall observe the K-IFRS.
- (2) Each specialized credit finance company, other than that prescribed in paragraph (1), shall apply the K-IFRS or general corporate accounting standards. In such cases, a specialized credit finance company may apply general corporate accounting standards first and then apply the K-IFRS later, but it shall not apply general corporate accounting standards later after it has applied the K-IFRS first.
- (3) Each specialized credit finance company shall establish an account for each specialized credit finance business by type of business, and separate it from that for other business within the scope of the K-IFRS or general corporate accounting standards according to the forms of balance sheet and profit and loss statement determined by the Governor.

- (4) Detailed standards of accounting, types of account titles and the order of arrangement thereof, etc. which are not prescribed in the K-IFRS or general corporate accounting standards, and accounting standards for foreign exchange accounts entrusted by the Enforcement Decree of the Foreign Exchange Transactions Act shall be as determined by the Governor.

**Article 15-2 (Principles for Loan Management)**

Specialized credit finance companies shall ensure, in extending loans under Article 46 (1) 3 of the Act, that soundness of the loans be secured through appropriate execution of loans by reviewing and analyzing the borrower's purpose of loan, required amount of loan, etc., and preventing misappropriation of loan to other purpose, etc.

*[This Article Newly Inserted on Oct. 10, 2008]*

**SECTION 2 Evaluation of Management Status and Prompt Corrective Action**

**Article 16 (Analysis and Evaluation of Management Status)**

- (1) The Governor must analyze the management status of specialized credit finance companies and thereby supervise the soundness of their management practices.
- (2) The Governor may evaluate the management status through the examination(s) of specialized credit finance companies, and reflect the result(s) thereof in his/her supervisory and examining functions.
- (3) The management status evaluation pursuant to paragraph (2) shall be conducted on the basis of management status of that day in case of examination to specialized credit finance company. *<Newly Inserted on Aug. 31, 2006>*
- (4) In the term of no examination, only criteria able to be quantitatively evaluated shall be evaluated among the criteria pursuant to paragraph (5), and it shall be conducted quarterly provided, in case Governor admits necessity, it can be conducted at any time.
- (5) The management status evaluation pursuant to paragraph (2) shall be conducted upon the head office of a specialized credit finance company, with respect to such criteria as its "capital adequacy", "asset quality", "management capacity", "earnings", and "liquidity", the evaluation results of which being classified into five ratings as 1st grade (strong), 2nd grade (satisfactory), 3rd grade (less than satisfactory), 4th grade (deficient), and 5th grade (critically deficient), for each of the criteria separately as well as for the overall performance of the specialized credit finance company; and criteria are determined according to attached Table 2.
- (6) The specifics concerning the management status analysis and evaluation pursuant to paragraphs (1) through (5) shall be determined by the Governor, wherein he or she may take into consideration the management status of controlled subsidiaries, under Article 1-3 of the enforcement decree of the Act on External Audit of Stock Companies, that are running financial or insurance business.

**Article 17 (Management Improvement Recommendation)**

- (1) Pursuant to Article 53-3 (2) of the Act, in the event a specialized credit finance company is applicable under any one of the following subparagraphs, the FSC shall recommend such a specialized credit finance company to implement the applicable measures:

1. In case the adjusted equity capital ratio pursuant to Article 8 is less than 7% (8% for credit card companies);
  2. In case in receipt of Class 3 or better for asset quality or capital adequacy, while in receipt of an overall rating of Class 4 following the management status evaluation pursuant to Article 16: *Provided*, That for a credit card business in receipt of Class 4 or 5 for asset quality or capital adequacy, while in receipt of Class 1 or 3 as a result of the management status evaluation;
  3. In case a specialized credit finance company is adjudged to obviously become applicable under subparagraph 1 or 2 as a consequence of the large scale financial accident(s) or bad loans;
  4. Deleted. <on Oct. 22, 2003>
- (2) Measures referred to in paragraph (1) shall refer to either all or some measures falling under the following subparagraphs:
1. Improvement in personnel management and organizational operation;
  2. Cost reduction;
  3. Enhancement in the efficiency of business offices administration;
  4. Restrictions on investment in fixed assets, invested assets and intangible assets, expansion into a new business, or on new contributions;
  5. Disposal of non-performing assets;
  6. Increase or decrease in capital;
  7. Restriction on distribution of dividends;
  8. Allocation of special allowance for doubtful accounts.
- (3) When issuing recommendation(s) pursuant to paragraph (1), the FSC may take such measures as "precaution" or "warning" against any specialized credit finance company or executive officer(s) related thereto.

**Article 18 (Request for Management Improvement)**

- (1) Pursuant to Article 53-3 (2) of the Act, in the event a specialized credit finance company is applicable under any one of the following subparagraphs, the FSC shall require such a specialized credit finance company to implement the applicable measures:
1. In case the adjusted equity capital ratio pursuant to Article 8 is less than 4/100 (6/100 for credit card company);
  2. In case in receipt of Class 4 or less for asset quality or capital adequacy, while in receipt of an overall rating of Class 4 as a result of the management status evaluation pursuant to Article 16: *Provided*, That for a credit card business in receipt of an overall rating of Class 4 or 5 as a result of the management status evaluation;
  3. In case a specialized credit finance company is adjudged to obviously become applicable under subparagraph 1 or 2 as a consequence of large scale financial accident(s) or bad loans;
  4. When a specialized credit finance company in receipt of management improvement recommendation(s) pursuant to Article 17 (1) fails to implement its management improvement plan(s) with due diligence;

5. Deleted. <on Oct. 22, 2003>
- (2) Applicable measures referred to in paragraph (1) means either all or some measures under the following subparagraphs:
  1. Downsizing of organization;
  2. Restrictions on entry into new business
  3. Liquidation of subsidiaries;
  4. Restriction on holding risky assets and disposal of such assets;
  5. Restriction on borrowings;
  6. Replacement of executive officer(s);
  7. Matters under Article 17 (2).

**Article 19 (Management Improvement Order)**

- (1) Pursuant to Article 53-3 (2) of the Act, in the event a specialized credit finance company is applicable under any one of the following subparagraphs, the FSC shall order such a specialized credit finance company to implement the applicable measures within a specified period, and the Governor shall check, after receiving a plan reflecting details of such measures within the period of not more than two months as determined by the FSC, the implementation of the plan by the concerned specialized credit finance company:
  1. In case the adjusted equity capital ratio pursuant to Article 8 is less than 1/100 (2/100 for credit card business);
  2. In case that in receipt of an overall rating of Class 5 as a result of the management status evaluation pursuant to Article 16 (with the exclusion of credit card business);
  3. In case the sound operation of a specialized credit finance company seems to be difficult because such a specialized credit finance company does not, or can hardly, implement the material matters of its management improvement plan, even though it has been urged to do so pursuant to Article 21 (8) after such a specialized credit finance company, which had received the management improvement requirement pursuant to Article 18 (1), has failed to do so.
- (2) Applicable measures under paragraph (1) refers to all or some of the following measures:
  1. Disposal of all or some of the issued stocks;
  2. Suspension of duties of officers and appointment of administrator;
  3. Merger, acquisition by a third party or entry into the subsidiaries of Financial Holding Company;
  4. Transfer of all or of business;
  5. Suspension of all or part of business for a period not exceeding six months;
  6. Transfer of all or some contracts;
  7. Matters under Article 18 (2).

**Article 19-2 (Presentation of Reasons, etc.)**

When the FSC subjects a specialized credit finance company to the implementation of the applicable measures pursuant to Articles 17 to 19, it shall present grounds and reasons thereof to the specialized credit finance company.

**Article 20 (Postponement of Prompt Corrective Actions)**

The FSC may postpone a prompt corrective action for a specified period of time when recognizing that a specialized credit finance company under Article 17 (1), 18 (1), or 19 (1) has certainly satisfies or likely to satisfy in a short period of time the standards through the increase in its capital or sale of its assets, or when recognizing that there is an inevitable reason for protection of transaction parties or stabilization of the financial market.

**Article 21 (Submission and Evaluation of Management Improvement Plan)**

- (1) A specialized credit finance company in receipt of management improvement recommendation(s), management improvement requirement(s), or management improvement order(s) pursuant to Article 17, 18, or 19 respectively (hereinafter, "management improvement measure(s)") shall submit plan(s) (hereinafter, "management improvement plan") which shall reflect the measure(s) taken to the Governor within a time frame the FSC prescribes, not exceeding two months from the issuing date of such measure(s).
- (2) The FSC shall decide on the approval of the plan(s) submitted pursuant to paragraph (1) within one (1) month from such submission(s).
- (3) Prior to the decision on the approval of the plan(s) by the FSC pursuant paragraph (2), the Governor shall receive a preview of the Management Evaluation Committee comprised of outside professionals. This, however, shall not apply in the event of emergency or deliberation deemed unnecessary by the Governor.
- (4) In case of the management evaluation committee's preview of the management improvement plan pursuant to paragraph (3), the committee can call the relevant credit-specialized company and listen to its opinion.
- (5) In the event a management improvement plan(s) of a specialized credit finance company in receipt of management improvement recommendation(s) submitted pursuant to paragraph (1) fail(s) to prove feasible, the FSC shall disapprove it(them). In this case or in the case of no submission of plan pursuant to paragraph (1), the FSC shall require implementation of all or some of the measure(s) applicable under Article 18 (2).
- (6) In the event a specialized credit finance company in receipt of management improvement requirement(s) fails to submit management improvement plan(s) pursuant to paragraph (1), or the FSC disapproves it because such plan(s) submitted fails to prove feasible, the FSC shall require implementation of all or part of the measure(s) applicable under Article 18 (2). In case of subsequent noncompliance, the FSC may issue management improvement order(s) pursuant to Article 19.
- (7) In the event a specialized credit finance company in receipt of management improvement order(s) fails to submit management improvement plan(s) pursuant to paragraph (1), or when such plan(s) submitted fails to prove feasible and is(are) disapproved, the FSC may require implementation of all or part of the measure(s) applicable under Article 19 (2) within a time frame it prescribes.
- (8) A specialized credit finance company in receipt of the approval(s) of its management improvement plan(s) pursuant to paragraph (2) shall submit to the Governor a quarterly report on the progress in implementation of the approved plan(s) by the tenth day of each new quarter, whereby the Governor shall examine the implementation results, and when it

is adjudged insufficient or its further implementation is likely to be impractical due to modification(s) in relevant system(s), the Governor may take measure(s) necessary such as demanding full implementation of the approved plan(s) within a time frame it prescribes or requiring of modification(s) of the plan(s). However, when demanding implementation or requiring modification(s) of management improvement plan(s) to a specialized credit finance company in receipt of management improvement measure(s), the Governor shall submit a prior report to the FSC.

- (9) The Governor shall determine specific matters pertaining to the organization and operation of the Management Evaluation Committee under paragraph (3).

**Article 22 (Implementation Period, etc. of Management Improvement Plan)**

- (1) The implementation period for the management improvement plan of a credit specialized finance company in receipt of a management improvement recommendation shall be within one year from the date of the approval of the plan, and as for a specialized credit finance company in receipt of a management improvement requirement, the implementation period shall be within one year and six months from the date of the applicable approval, and as for a specialized credit finance company in receipt of a management improvement order the implementation period shall be determined by the FSC.
- (2) In the event of an early successful implementation of material matters of the management improvement plan by a specialized credit finance company in receipt of management improvement measure(s) through such means as increase(s) in capital or resolution(s) of non-performing loans, as a consequence of which the specialized credit finance company has achieved a significant management rehabilitation, the FSC may alleviate the degree(s) of the measure(s) required or waive any further implementation.
- (3) In the event the implementation period expires and the management of a specialized credit finance company in receipt of management improvement measure(s) is adjudged sufficiently rehabilitated, the FSC shall notify the specialized credit finance company of the termination of the measure(s) taken. In the event the management performance of a specialized credit finance company is applicable under Article 17 (1), 18 (1) or 19 (1), the FSC shall take a corresponding management improvement recommendation(s), management improvement requirement(s) or management improvement order(s) separately.

**Article 23 (Public Disclosure of Management)**

- (1) A specialized credit finance company must disclose the following matters within three (3) months from the settlement date: *Provided*, That the results of the first half-year settlement shall be disclosed within two (2) months from the settlement date of the first half year:
  1. Matters on organization and human resources;
  2. Matters on finance, and profit and loss;
  3. Matters on financing and management of funds;
  4. Matters on management indicators regarding soundness, earnings, productivity, etc.;
  5. Matters significantly influencing management, such as management policy, and risk management, that are separately required by the Governor.
- (2) A specialized credit finance company must disclose the relevant details if the soundness of

its management has been damaged or is likely to be damaged due to the following:

1. Where new non performing loans (the sum total of credits which are classified into "doubtful" or "presumed loss" under Article 9 (2); hereinafter the same shall apply) are incurred, which, for each customer, exceed five billion won or 10/100 of its equity capital (paid-in capital where equity capital is less than paid-in capital; hereinafter the same shall apply) as at the end of the previous month;
2. Where a specialized credit finance company incurs, or is expected to incur, loss that exceeds 2/100 of its equity capital as at the end of the previous month due to financial accident(s) or crime(s) prescribed by the Governor, except where either the amount of loss or expected loss is less than one billion won or the Governor announces the results of his or her investigation into the financial accident(s) or crime(s);
3. Where a specialized credit finance company incurs loss that exceeds 2/100 of its equity capital as at the end of the previous month due to defeat in a civil suit, etc., except where the amount of loss is less than one billion won;
4. Where any of the following cases occur to a specialized credit finance company which is not a stock-listed corporation under Article 9 (15) 3 of the Financial Investment Services and Capital Markets Act:
  - (a) Matters significantly changing financial structure;
  - (b) Matters significantly changing business circumstances;
  - (c) Matters extensively changing asset;
  - (d) Matters significantly changing claim-obligation relationship;
  - (e) Matters about capitalization and investment;
  - (f) Matters changing profit-loss structure;
  - (g) Matters significantly influencing management.
- (3) Disclosure items and the methods of disclosing the matters referred to in paragraphs (1) and (2) shall be complied with the Uniform Disclosure Standards for Specialized Credit Finance Companies stipulated by the Chairperson of the Credit Finance Association.
- (4) Deleted. <on Feb. 5, 2004>
- (5) Where a specialized credit finance company unconscientiously discloses the matters prescribed in paragraphs (1) through (3) through false statement(s) or omission(s) of material fact(s) or information, the Governor may require the specialized credit finance company to re-disclose or correct such matters.
- (6) Where a specialized credit finance company discloses the matters referred to in paragraph (2) 1 through 3, it shall report to the Governor prior to the disclosure.

**Article 23-2 (Public Disclosure of Conditions of Transactions)**

- (1) Each installment financing business entity shall publish interest rates, past due interest rates, and various rates in accordance with subparagraph 1 of Article 39 of the Act through the website of the Credit Finance Association.
- (2) The Governor may determine necessary matters with regard to the publishing under paragraph (1), such as types of installment plans and contents and intervals of public disclosure.

## CHAPTER V CUSTOMER PROTECTION AND MAINTENANCE OF CREDIT ORDER

### **Article 24 (Issuance of Credit Cards)**

- (1) Personal credit rating criteria under Article 6-7 (3) 1 of the Enforcement Decree means Grades 1 through 6 of personal credit rating.
- (2) The credit limit of small amount payment under Article 6-7 (3) 1 of the Enforcement Decree shall be the maximum amount of 300,000 won per month.

### **Article 24-2 (Average Annual Membership Fee)**

The average annual membership fee under Article 6-7 (5) 1 of the Enforcement Decree shall be 10,000 won.

### **Article 24-3 (Scope of Street)**

"Street" where credit card companies are prohibited from soliciting application for their membership pursuant to Article 6-7 (5) 2 and (6) of the Enforcement Decree includes the following roads, private roads and passageways:

1. Roads or private roads under Article 2 of the Road Act and Article 2 of the Private Road Act;
2. Passageways the public pass through and facilities such as parks, stations, bus terminals, playgrounds, shopping malls, museums, athletic fields and schools.

### **Article 24-4 (Procedures for Prior Consent and Scope of Business Place)**

- (1) Credit card companies (including "solicitor" who concluded solicitation contract with credit card companies; as such hereafter in this Article) intending to solicit application for their membership in areas other than business place through visitation by obtaining prior consent pursuant to Article 6-7 (5) 3 and (6) of the Enforcement Decree shall observe the following procedures:
  1. The purpose of visit that is acceptance of applications for credit card membership and other details including names of visitor, time and place shall be notified before visiting to obtain the consent;
  2. Prior consent to the visit shall be obtained by objectively verifiable methods available after the visit, such as letter correspondence and electronic mail.
- (2) A "business place" where credit card companies may visit for solicitation without prior consent pursuant to Article 6-7 (5) 3 and (6) means business place separated from residential facilities (including commercial-residential buildings and commercial use areas of multi purpose buildings).

### **Article 24-5 (Criteria for Evaluation of Payment Ability and Matters to be Observed in Determining Credit Limit)**

- (1) The following matters shall be included in the criteria developed by credit card companies to evaluate payment ability of credit card applicants and credit card members (hereafter, "members, etc." in this Article) pursuant to subparagraphs 4 and 5 of Article 24 of the Act:

1. Matters to be reflected in the evaluation of payment ability, such as income, assets and liabilities;
  2. Matters concerning the criteria for evaluating average monthly payment ability based on disposable income calculated in consideration of income, assets, debts, etc.;
  3. Methods of verifying the matters specified in subparagraph 1 and Article 14 (2) of the Act.
- (2) Credit card companies shall observe the following for the purposes of administrating the evaluation criteria for credit card members' ability to pay:
1. They shall verify the matters referred to in paragraph (1) 1, based upon objective data;
  2. They shall reasonably reflect the matters referred to in paragraph (1) 1 in the evaluation of credit card members' ability to pay;
  3. They shall fully reflect data submitted by a member, etc. concerning his/her ability to pay in the evaluation of such ability.
- (3) Pursuant to subparagraph 5 of Article 24 of the Act, credit card companies shall observe the following to ensure that credit cards are not abused as a result of granting excessive credit limit: *Provided*, That the same shall not apply to cases where a credit card member requests a credit card company in advance to inform him/her of when it is possible to increase the credit limit amount:
1. A credit card company shall set the credit limit within the limits requested by any credit card member, and shall not recommend him/her to request an increase in the amount of credit limit: *Provided*, That this shall not apply where a credit card member in advance requested the credit card company to inform him/her of the possible increase in the amount of credit limit;
  2. A credit card company shall set the credit limit within the adequate limits after comprehensively examining the average monthly payment ability, credit rating, purchases, etc, of any credit card member, etc. evaluated pursuant to paragraph (1), and regularly check the adequacy of his/her credit limit at least once every year;
  3. A credit card company shall keep review records and data concerning the setting of credit limit under subparagraph 2.
- (4) Where a credit card company sets or changes the criteria for evaluating the ability to pay credit card bills referred to in subparagraph 4 of Article 24 of the Act, it shall, without delay, report such criteria to the Governor.
- (5) Where the criteria for evaluating the ability to pay credit card bills reported to the Governor pursuant to paragraph (4) violates paragraph (1), the Governor may request the credit card company to change such criteria.

**Article 24-6 (Management Matters for Credit Card Merchants)**

- (1) Pursuant to subparagraph 7 of Article 24 of the Act, credit card companies shall, for every credit card transaction to be conducted by entering into a mutually binding contract with credit card merchants, ensure that the credit card merchants verify the identity of a credit card user through the methods of verifying the identity of a signature on a credit card to that of the relevant sales slip, causing the user to enter his/her password, etc. into a

password-entering device, etc., or verifying the biological information of credit card users by means of certification, etc. in compliance with the standards the Chairperson of the Credit Finance Association determines: *Provided*, That in cases of electronic commerce, credit card companies shall ensure that credit card merchants verify the identity of a credit card user by electronic certification, password, etc.

1. and 2. Deleted; <on Dec. 26, 2014>

3. Deleted.

- (2) Notwithstanding paragraph (1) 1, where the amount of a credit card transaction does not exceed 50,000 won and a credit card company has notified a credit card merchant that the credit card company takes responsibility for any misuse of a credit card, the credit card company may cause the credit card merchant to omit verifying the identity of a credit card user.
- (3) Pursuant to subparagraph 7 of Article 24 of the Act, a credit card company shall formulate internal management regulations prescribed in Article 20 (1) of the Use and Protection of Credit Information Act, and require credit card merchants to take technical and physical security measures, such as disposing of, eliminating or destroying, etc. credit card users' information, etc. (excluding the information on the credit cards, etc. directly collected and saved by a payment agency from credit card users) collected in the course of credit card transactions, to prevent the risks of being used for any purpose other than for business or being disclosed to third parties.
- (4) Where a credit card user, etc. sustains any loss when the information on his/her credit card, etc. directly collected and saved by a payment agency is used for any purpose other than for business or disclosed to a third party, the payment agency shall be liable and compensate the credit card user's loss.

#### **Article 24-7 (Credit Information Protection)**

- (1) Pursuant to Article 24 of the Act and Article 7-2 (2) 1 of the Enforcement Decree, credit card companies shall ensure that credit data or other information of their membership is not used or disclosed for any purpose other than their business.
- (2) Credit card companies shall obtain written consent to disclose credit information of their membership to any third party by consent form for providing credit information drawn up for its own object separately from application form for membership pursuant to Articles 23 and 24 (1) 1 of the Use and Protection of Credit Information Act.
- (3) Credit card companies shall not deny issuance of credit card because their membership do not consent to provide credit information to a third party other than credit information businesses company and credit information collection agencies stipulated under Article 2 of the Use and Protection of Credit Information Act under the consent form for providing credit information.

#### **Article 24-8 (Compliance Requirements for Debt Collection)**

- (1) Credit card companies shall not perform acts under the following for the purposes of debt collection pursuant to subparagraph 8 of Article 24 of the Act:

1. Act of violence, threat or intimidation;
  2. Act of informing about debt to persons related to the debtor (such as cosigners, relatives and finance, cohabitants, and coworkers; the same hereinafter) without reasonable cause, such as having obligation to pay debts;
  3. Act of delivering false information on liability to the debtor or persons related to the debtor;
  4. Deleted; *<on Apr. 13, 2005>*
  5. Act of threatening to sue for fraud or suing for fraud even when the debtor had not forged documents to prove payment ability and so, had not deceived the credit card company;
  6. Visiting or making telephone calls at late night (between 9 pm and 8 am);
  7. Other acts of collection in misalignment with ordinary methods or procedures, resulting in damages to privacy and peace at work of the debtor or persons related to the debtor.
- (2) Credit card companies shall ensure that any transferee or assignee of claims observe the provisions of paragraph (1).

**Article 24-9 (Dispute Procedures for Credit Card Charges)**

- (1) Where a credit card member raises any objection in writing, on a website, or by phone against charges made to his credit card account pursuant to Article 24 of the Act and Article 7-2 (2) 2 of the Enforcement Decree, the credit card company shall conduct a thorough investigation of card issuance, date and time of the disputed charges made, account statement, and the user of card, the results of which shall be notified to the credit card member in writing, on a website (limited to the cases where it is confirmed the Internet notification has been made to the credit card member) or by phone.
- (2) Where a credit card member requests for reinvestigation with the FSS within seven days from the date of notification on investigation, the credit card company shall not collect charges under dispute until the reinvestigation is completed and shall not register the credit delinquency information to the credit information collection agencies pursuant to Article 25 of the Use and Protection of Credit Information Act.

**Article 24-10** Deleted. *<on Dec. 26, 2014>*

**Article 24-11 (Procedures for Cancellation of Dormant Credit Cards)**

- (1) A credit card company shall confirm whether a credit card member intends to cancel his/her credit card or to retain his/her credit card by means of at least one method, such as in writing or by phone, within one month since his/her credit card becomes a dormant credit card pursuant to Article 7-2 (2) 3 of the Enforcement Decree. In such cases, the credit card company shall notify the credit card member that his/her credit card contract shall be suspended pursuant to paragraph (3) and that the renewal or re-issuance of his/her dormant credit card shall be limited pursuant to paragraph (4) unless the credit card member notifies the credit card company of his/her intention to retain his/her credit card contract.
- (2) Where a credit card member notifies of his/her intention of cancellation in writing or by telephone pursuant to paragraph (1), a credit card company shall immediately cancel his/her

credit card contract.

- (3) Where a credit card member fails to notify a credit card company of his/her intention to retain his/her credit card contract until one month passes from the date the credit card member is notified under paragraph (1), the credit card company shall immediately suspend the use of his/her credit card.
- (4) In cases of a dormant credit card the use of which has been suspended pursuant to paragraph (3), renewal or re-issuance under subparagraph 1 of Article 6-6 of the Enforcement Decree shall not be made unless the member concerned applies for cancellation of the suspension of use.

**Article 24-12 (Matters for Maintaining Profitability of Credit Card, etc.)**

- (1) Where a credit card company intends to design or modify products such as credit card, etc. pursuant to Article 7-2 (2) 5 of Presidential Decree, the profitability analysis for the equivalent product shall be conducted including the design criteria such as credit card, etc.
- (2) A credit card company shall prepare the standard of internal control related to the profitability analysis pursuant to paragraph (1).

**Article 24-13 (Matters to be Observed to Maintain Solicitation Order by Credit Card Company)**

- (1) A credit card company shall establish basic procedures and standards that must be observed when its executives, employees and solicitors perform their duties in order to maintain the solicitation order pursuant to Article 24-2 (2) of the Act and Article 7-3 (2) of the Enforcement Decree.
- (2) The following matters shall be included in procedures and standards under paragraph (1):
  1. Matters that must be observed provided in Articles 14-2 (2) and 14-5 (2) and (3) of the Act and other matters to be observed by credit card companies and their solicitors in order to maintain solicitation order;
  2. An office in exclusive charge of inspection, methods of inspection and obligations to conduct regular inspections in order to inspect whether credit card companies and their solicitors comply with matters referred to in subparagraph 1;
  3. Where matters referred to in subparagraph 1 are violated, the establishment and implementation of countermeasures to prevent the recurrence thereof;
  4. The operation of a report system on solicitation violating subparagraph 1 on a website, by mail, etc.

**Article 25 (Detailed Types of Prohibited Conduct for Credit Card Companies)**

- (1) In any of the following cases, conduct of a credit card company shall be prohibited under subparagraph 1 (b) of attached Table 1-3 of the Enforcement Decree:
  1. Where a credit card company indicates the details of the additional benefits provided in large print in a detailed statement of use, product guide data, etc. offered to credit card members; and indicates in small print or fails to indicate the conditions that must be satisfied by credit card members to receive additional benefits, such as purchases by credit cards, etc. excluded from eligibility to receive additional benefits;
  2. Where a credit card company only indicates the minimum level in large print; indicates the maximum level in small print; or fails to inform the maximum level when

advertising or informing an interest rate, fee, etc. to credit card members;

(a) through (c) Deleted. <on Oct. 15, 2012>

- (2) Making changes (excluding where enhancing consumers' rights and benefits or alleviating their burden) to the additional benefits not falling under any of the following shall constitute the prohibited conduct specified in subparagraph 1 (e) of attached Table 1-3 of the Enforcement Decree:
  1. An unavoidable change due to temporary closure, bankruptcy, managerial crisis by a credit card company or a partnership company which provides additional benefits to credit card users (hereinafter referred to as "additional benefits"), natural disaster, abrupt changes in financial circumstances or other reasons equivalent thereto;
  2. An unavoidable change due to any change of the additional benefits unilaterally notified by a partnership company, despite the credit card company's continued efforts to maintain the additional benefits: *Provided*, That this shall not apply if similar additional benefits of the same kind are available through other partnership companies;
  3. A change due to a difficulty to maintain profitability of the relevant credit card product if the credit card company has maintained current additional benefits for at least three years after it issued such credit card product, etc. without reducing or changing the additional benefits.
- (3) Where a credit card company fails to inform an applicant for issuance of a credit card of the following matters through its Internet homepage, solicitor, product introduction booklet, etc., such failure shall be deemed the prohibited conduct specified in subparagraph 1 (b) of attached Table 1-3 of Enforcement Decree:
  1. The time when the credit card is issued;
  2. Each case where the additional benefits may be changed in accordance with paragraph (2).
- (4) Where a credit card company changes its additional benefits, it shall notify, within the relevant following period, the grounds for, and details of, the change, etc. through at least two of the means, such as the credit card company's website; billing statements of credit cards, etc.; postal service; e-mail; text messages (SMS, MMS) or other similar means: *Provided*, That in cases falling under paragraph (2) 3, it shall notify through any of the means, such as billing statements, postal service, e-mail, text message (SMS, MMS) or other similar means, each month from at least six months before the change of the additional benefits:
  1. In cases falling under paragraph (2) 1 and 2: Immediately upon occurrence of the event;
  2. In cases falling under paragraph (2) 3: Six months prior to the change of the additional benefits.
- (5) Any of the following conduct shall be prohibited under subparagraph 1 (f) of attached Table 1-3 of the Enforcement Decree:
  1. Providing, or promising to provide, any economic benefit, such as additional benefits when a credit card member applies for cancellation of his/her credit card contract

(including an inquiry into the cancellation of his/her credit card contract; hereinafter the same shall apply);

2. Recommending to convert to another credit card product when a credit card member applies for cancellation of his/her credit card contract;
  3. Exaggerating any disadvantage from cancellation when a credit card member applies for cancellation of his/her credit card contract;
  4. Unreasonably delaying the processing of a cancellation, such as failing to allow convenience in application for cancellation on the website of the credit card company, automated telephone answering system, etc., or insisting on complicated procedures for cancellation.
- (6) "Excessive incentives" in subparagraph 2 (a) of attached Table 1-3 of the Enforcement Decree, means incentives exceeding 100/100 of the annual fee of a credit card (where the annual fee is less than the average annual fee, it means the average annual fee).

**Article 25-2 (Education of Solicitors)**

- (1) Each credit card business operator shall conduct educational programs under Article 14-5 (6) of the Act for each solicitor registered pursuant to Article 14-3 of the Act for at least ten hours during one month immediately preceding the time such solicitor is registered: *Provided*, That educational programs for a solicitor who has at least one year's work experience as a credit card solicitor shall be conducted for ten or more hours within one month before or after the solicitor is registered.
- (2) Each credit card business operator shall utilize the standard teaching materials published by the Credit Finance Association for the education of solicitors under paragraph (1).
- (3) When the Credit Finance Association prepares or revises the standard teaching materials under paragraph (2), it shall report to the Governor on the preparation or amendment and the details thereof.

**Article 25-3 (Guidelines for Establishment of Association of Credit Card Merchants)**

- (1) Any of the following credit card merchants, who are self-employed or corporations, shall be deemed to have annual sales of not more than 200 million won:
  1. A credit card merchant whose aggregate tax bases for two immediately preceding taxable periods on which his/her tax return has been filed pursuant to the Value-Added Tax Act as at the time the association of credit card merchants is established is not more than 200 million won;
  2. Where a credit card merchant has tax base only for the immediately preceding taxable period on which his/her tax return has been filed pursuant to the Value-Added Tax Act as at the time the association of credit card merchants is established, a credit card merchant whose tax base for the immediately preceding taxable period is not more than 100 million won;
  3. A credit card merchant who is a simplified taxpayer under Article 61 of the Value-Added Tax Act;
  4. A credit card merchant that is a self-employed business owner exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act, and whose gross income to

business income under Articles 19 and 24 of the Income Tax Act in the immediately preceding year at the time the association of credit card merchants is established is not more than 200 million won;

5. A credit card merchant that is a corporation exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act, and whose sales generated during the immediately preceding business year as at the time the association of credit card merchants is established is not more than 200 million won.
- (2) In case of a credit card merchant who does not have taxation data referred to in paragraph (1), where the total amount of sales generated from credit card payments, etc. during the preceding one year from the month which includes the date of establishment of the association of credit card merchants belongs is not more than 150 million won, annual sales under paragraph (1) shall be deemed to be not more than 200 million won.
- (3) Where a self-employed business owner or corporation possesses at least two credit card merchants when calculating annual sales (including sales generated from credit card payments, etc.) under paragraphs (1) and (2), annual sales of each credit card merchant shall be added together.
- (4) As for a credit card merchant who newly commences business during the period provided in paragraphs (1) and (2), the total amount of tax base, gross income, sales, sales generated from credit card payments, etc. for the remaining period excluding the period before commencing business shall be based on the amount converted by the period provided in paragraphs (1) and (2). In such cases, a fraction less than one month shall be deemed to be one month.

**Article 25-4 (Matters to be Observed, etc. When Calculating Commission Rates of Credit Card Merchants)**

- (1) "Matters to be observed when commission rates are determined" by a credit card company pursuant to Article 18-2 (2) of the Act means the following matters:
  1. The credit card company shall reflect reasonable expenses (hereinafter referred to as "eligible expenses") only for credit card merchants to bear in the calculation of commission rates and shall not have them bear expenses not related to services they receive;
  2. Expenses incurred in providing benefits to a specific credit card merchant shall be borne by the relevant merchant accepting credit cards;
  3. A commission rate shall be determined based on evidentiary materials deemed objectively fair and appropriate;
  4. The credit card company shall not apply an unreasonably low commission rate to large-scale credit card merchants by accepting their request prohibited in Article 18-3 (4) of the Act or by violating any of matters provided in subparagraphs 1 through 3.
- (2) Eligible expenses under paragraph (1) 1 shall be as specified in attached Table 4: *Provided*, That a credit card company may deduct or adjust eligible expenses for a credit card merchant relating to cases specified in attached Table 5 in consideration of special characteristics of the relevant merchant accepting credit cards.

- (3) Where annual sales of a person falling under any of the following subparagraphs meets the relevant criteria specified in Article 25-5 (1) through (5), a credit card company shall deem a credit card merchant providing agency services with regard to the sales transactions to be a petty, small and medium credit card merchant referred to in Article 18-3 (3) of the Act and apply preferential fee rates prescribed in Article 25-6 (1) to the relevant transactions:
1. A business entity, for whom other entities registered with the Financial Services Commission pursuant to Article 28 (2) 4 of the Electronic Financial Transactions Act to perform electronic payment settlement agency services (hereinafter referred to as "electronic payment settlement agencies") provide settlement agency services, that sells goods or provides services by means of electronic commerce defined in subparagraph 1 of Article 2 of the Act on Consumer Protection in Electronic Commerce, Etc. and has filed for business registration under Article 8 of the Value-Added Tax Act (hereinafter referred to as "business entity to which electronic payment settlement agencies provide settlement agency services")
  2. A privately owned taxi transportation business entity under Act on the Development of Taxi Transportation Business that settles service fees through a payment agency that has concluded a contract for the settlement of transportation fares with credit card companies (hereinafter referred to as "private taxi service provider using payment agency services")

**Article 25-5 (Criteria for Petty, Small, and Medium Credit Card Merchants)**

- (1) Any of the following self-employed or corporate credit card merchants, shall be deemed a petty credit card merchant classified in Article 6-13 (2) 1 of the Enforcement Decree: *Provided*, That the foregoing shall not apply to the self-employed or corporate credit card merchants who fall under subparagraphs 1 through 5; and whose total amount of sales by credit card payment, etc. (hereafter referred to in this Article as "sales generated from credit card payments, etc.") for a yearly period (referring to the same period as the period for calculating taxation data provided for in subparagraphs 1 through 5) checked through the integrated inquiry system for information on sales transactions of credit card merchants managed by the Credit Finance Association pursuant to subparagraph 6 of Article 64 of the Act exceeds 300 million won (150 million won in cases falling under subparagraph 2):
1. A self-employed or corporate credit card merchant, whose aggregate tax base for the immediately preceding two taxable periods on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year, does not exceed 300 million won;
  2. A self-employed or corporate credit card merchant that has tax base only for the immediately preceding taxable period on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year; and whose tax base for the immediately preceding taxable period does not exceed 150 million won;
  3. A self-employed credit card merchant falling under any of the following items that is exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act:
    - (a) A self-employed credit card merchant whose income in the immediately preceding year in a report on the status of his/her place of business under Article 78 of the

Income Tax Act as at the end of every first half year does not exceed 300 million won;

- (b) A self-employed credit card merchant whose gross business income to business income under Articles 19 and 24 of the Income Tax Act in the immediately preceding year as at the end of every second half year does not exceed 300 million won;
  - 4. A corporate credit card merchant who is exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act; and whose sales generated during the immediately preceding business year do not exceed 300 million won;
  - 5. A self-employed credit card merchant who is a simplified taxpayer under Article 61 of the Value-Added Tax Act.
- (2) Any of the following self-employed or corporate credit card merchants shall be deemed a small or midium merchant prescribed in Article 6-13 (2) 2 of the Enforcement Decree: *Provided*, That this shall not apply to any of the following self-employed or corporate credit card merchants who is a petty credit card merchant; or whose total sales by credit card payment, etc. for a yearly period (referring to the same period as the period for calculating taxation data provided for in subparagraphs 1 through 4) exceeds 500 million won (in cases of subparagraph 2: 250 million won):
- 1. A self-employed or corporate credit card merchant whose aggregate tax base for the immediately preceding two taxable periods on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year exceeds 300 million won but does not exceed 500 million won;
  - 2. A self-employed or corporate credit card merchant that has tax base only for the immediately preceding taxable period on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year; and whose tax base for the immediately preceding taxable period exceeds 150 million won but does not exceed 250 million won;
  - 3. Any of the following self-employed or corporate credit card merchantsthat is exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act:
    - (a) A self-employed credit card merchant whose income in the immediately preceding year in a report on the status of his/her place of business under Article 78 of the Income Tax Act as at the end of every first half year exceeds 300 million won but does not exceed 500 million won;
    - (b) A self-employed credit card merchant whose gross business income referred to in Articles 19 and 24 of the Income Tax Act in the immediately preceding year as at the end of every second half year exceeds 300 million won but does not exceed 500 million won;
  - 4. A corporate credit card merchant who is exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act; and whose sales generated during the immediately preceding business year exceed 300 million won but do not exceed 500 million won.

- (3) Any of the following self-employed or corporate credit card merchants shall be deemed a petty credit card merchant classified in Article 6-13 (2) 3 of the Enforcement Decree: Provided, That the foregoing shall not apply to self-employed or corporate credit card merchants, among those specified under subparagraphs 1 through 4, which fall under petty credit card merchants under paragraph (1) or small or medium credit card merchants under paragraph (2) or whose total amount of sales generated from credit card payments, etc. exceeds 1 billion won (500 million won in cases falling under subparagraph 2) for a yearly period (referring to the same period as the period for calculating taxation data provided for in subparagraphs 1 through 4):
1. A self-employed or corporate credit card merchant whose aggregate tax base for the immediately preceding two taxable periods on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year exceeds 500 million won but does not exceed 1 billion won;
  2. A self-employed or corporate credit card merchant that has tax base only for the immediately preceding taxable period on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year and whose tax base for the immediately preceding taxable period is more than 250 million won but not more than 500 million won;
  3. Any of the following credit card merchants who is a self-employed business entity exempted from value-added tax pursuant to Article 26 of the Value-Added Tax Act:
    - (a) A self-employed credit card merchant whose income in the immediately preceding year in a report on the status of his/her place of business place under Article 78 of the Income Tax Act as at the end of every first half year exceeds 500 million won but does not exceed 1 billion won;
    - (b) A self-employed credit card merchant whose gross income to business income under Articles 19 and 24 of the Income Tax Act in the immediately preceding year as at the end of every second half year exceeds 500 million won but does not exceed 1 billion won;
  4. A corporate credit card merchant that is a corporation exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act; and whose sales occurred in the immediately preceding business year exceeds 500 million won but does not exceed 1 billion won.
- (4) Any of the following self-employed or corporate credit card merchants shall be deemed a small or medium credit card merchant classified in Article 6-13 (2) 4 of the Enforcement Decree: Provided, That the foregoing shall not apply to self-employed or corporate credit card merchants, among those specified under subparagraphs 1 through 4, which fall under petty credit card merchants under paragraph (1), small or medium credit card merchants under paragraph (2), or small or medium credit card merchants under paragraph (3); or whose total amount of sales generated from credit card payments, etc. exceeds 3 billion won (500 million won in cases falling under subparagraph 2) for a yearly period (referring to the same period as the period for calculating taxation data provided for in subparagraphs

1 through 4):

1. A self-employed or corporate credit card merchant whose aggregate tax base for the immediately preceding two taxable periods on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year exceeds 1 billion won but does not exceed 3 billion won;
  2. A self-employed or corporate credit card merchant that has tax base only for the immediately preceding taxable period on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act as at the end of every half year and whose tax base for the immediately preceding taxable period is more than 500 million won but not more than 1.5 billion won;
  3. Any of the following self-employed credit card merchants who is a self-employed business entity exempted from value-added tax pursuant to Article 26 of the Value-Added Tax Act;
    - (a) A self-employed credit card merchant whose income in the immediately preceding year in a report on the status of his/her place of business place under Article 78 of the Income Tax Act as at the end of every first half year exceeds 1 billion won but does not exceeds 3 billion won;
    - (b) A self-employed credit card merchant whose gross income to business income under Articles 19 and 24 of the Income Tax Act in the immediately preceding year as at the end of every second half year exceeds 1 billion won but does not exceed 3 billion won;
  4. A corporate credit card merchant that is a corporation exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act and whose sales occurred in the immediately preceding year exceeds 1 billion won but does not exceed 3 billion won.
- (5) In cases of a self-employed or corporate credit card merchant that does not have taxation data referred to in paragraphs (1) through (4), its annual sales shall be deemed as follows, bases on the total amount of sales generated from credit card payments, etc. during the preceding one year from the month which includes every half year-end date:
1. A credit card merchant whose total amount of sales does not exceed 225 million won:  
Annual sales not exceeding 300 million won;
  2. A credit card merchant whose total amount of sales exceeds 225 million won but does not exceed 375 million won: Annual sales of exceeding 300 million won but not exceeding 500 million won;
  - 3 A credit card merchant whose total amount of sales exceeds 375 million won but does not exceed 750 million won: Annual sales of exceeding 300 million won but not exceeding 500 million won;
  - 4 A credit card merchant whose total amount of sales exceeds 750 million won but does not exceed 2250 million won: Annual sales of exceeding 1 billion won but not exceeding 3 billion won.
- (6) Where a self-employed business entity or corporation operates at least two credit card merchants when calculating annual sales (including sales generated from credit

card payments. etc.) referred to in paragraphs (1) through (4), annual sales of each credit card merchant shall be aggregated.

- (7) Where a self-employed or corporate credit card merchant commences new business during the period provided for in paragraphs (1) through (5), tax bases, gross income, sales, the total amount of sales generated from credit card payments, etc. for the period after credit card sales occur shall be recalculated, based on the amount generated during the period provided for in paragraphs (1) through (5). In such cases, a fraction less than one month shall be deemed one month.
- (8) Article 25-5 (1) through (7) shall apply mutatis mutandis to annual sales of a business entity using electronic payment settlement agency services or private taxi service provider using payment agency services referred to in Article 25-4 (3) 1 or 2.

**Article 25-6 (Preferential Fee Rates)**

- (1) "Preferential fee rate determined by the Financial Services Commission" in Article 18-3 (3) of the Act, means each of the following fee rates:
  1. A credit card merchant whose annual sales do not exceed 300 million won: Not exceeding 0.8 percent;
  2. A credit card merchant whose sales do not exceed 300 million won, but does not exceed 500 million won: Not exceeding 1.3 percent;
  3. A credit card merchant whose annual sales exceed 500 million won but do not exceed 1 billion won: Not exceeding 1.4 percent.;
  4. A credit card merchant whose annual sale exceed 1 billion won but do not exceed 3 billion won: Not exceeding 1.6 percent.
- (2) Each credit card merchant and the Credit Finance Association shall publish the average fee rate of credit card merchants in the immediately preceding year and the preferential fee rate, etc. applicable pursuant to Article 18-3 (3) of the Act on their websites by no later than January 31 each year.
- (3) The average fee rate of credit card merchants in the immediately preceding year under paragraph (2) shall be calculated by the method specified in attached Table 6.
- (4) A credit card company shall apply the preferential fee rates provided for in Article 25-5 (1) to the credit card merchants described in Article 25-5 (1) through (5), within one month from the end of every half year, except in extenuating circumstances: Provided, That where a credit card merchant falling under Article 25-5 (7) meets the criteria specified under Article 25-5 (1) through (5), with regard to credit card sales accrued before the date the relevant preferential fee rate is applied, a credit card company shall apply the relevant preferential fee rate provided for in Article 25-5 (1) to such credit card merchant within 45 days from the date such preferential fee rate is applied.

**Article 25-7 (Criteria, etc. for Large Credit Card Merchants)**

- (1) A self-employed or corporate credit card merchant who has any of the following taxation data shall be deemed a large credit card merchant described in Article 6-14 (1) of the Enforcement Decree:
  1. A self-employed or corporate credit card merchant whose aggregate tax base for the

- immediately preceding two taxable periods, on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act, exceeds 300 million won as at the end of every half year;
2. A self-employed or corporate credit card merchant who has tax base only for the immediately preceding taxable period, on which his/her or its tax return has been filed pursuant to the Value-Added Tax Act, and whose tax base for the immediately preceding taxable period exceeds 150 million won as at the end of every half year;
  3. Any of the following self-employed credit card merchant who is exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act:
    - (a) A self-employed credit card merchant whose income in the immediately preceding year in a report on the status of his/her place of business under Article 78 of the Income Tax Act, as at the end of every first half year, exceeds 300 million won;
    - (b) A self-employed credit card merchant whose gross income to business income under Articles 19 and 24 of the Income Tax Act in the immediately preceding year as at the end of every second half year, exceeds 300 million won;
  4. A corporate credit card merchant exempt from value-added tax pursuant to Article 26 of the Value-Added Tax Act and whose turnover in the immediately preceding business year exceeds 300 million won;
  5. A self-employed or corporate credit card merchant not falling under subparagraphs 1 through 4, whose total amount of sales generated from credit card payments, etc. checked through the integrated inquiry system for information on sales transactions of credit card merchants managed by the Credit Finance Association, pursuant to subparagraph 6 of Article 64 of the Act (hereafter in this Article referred to as "sales generated from credit card payments, etc.") exceeds 300 million won (150 million won in cases falling under subparagraph 2).
- (2) A self-employed or corporate credit card merchant who has no taxation data referred to in paragraph (1) 1 through 4; and whose total amount of sales generated from credit card payments, etc. during the year preceding the month every half year ends, exceeds 225 million won, shall be deemed a large credit card merchant described in Article 6-14 (1) of the Enforcement Decree.
  - (3) Where calculating the amount of sales during the immediately preceding year pursuant to paragraph (1) or (2), Article 25-5 (4) and (5) shall apply *mutatis mutandis*.
  - (4) Semiannually, the Chairperson of the Credit Finance Association shall publish the corporations satisfying the requirements referred to in Article 6-14 (1) of the Enforcement Decree on its website, etc. by no later than January 31 and July 31 each year.
  - (5) Upon receipt of a request to verify whether a credit card merchant who is, or is to be, a party to a transaction, is a large credit card merchant from a credit card company or a value-added network provider for credit cards, etc., the Chairperson of the Credit Finance Association shall immediately verify the same.

**Article 25-8 (Method of Informing Conditions of Transactions, etc.)**

"Credit card members who borrow money" in Article 3 (2) 3 of the Enforcement Rule, means

credit card members who use short-term card loan (cash advance services).

**Article 26 (Standard for Preparation and Administration of Standardized Contracts)**

(1) Pursuant to subparagraph 6 of Article 24 of the Act, credit card companies shall prepare and administrate standardized contracts in accordance with the following standards:

1. A standardized contract shall be drawn up impartially in accordance with the principle of trust and good faith;
2. Interest of the credit card member shall be protected to the highest degree;
3. A sound financial business order shall be preserved;
4. The responsibility for illegal usage of a credit card shall not be unfairly imputed to customers;
5. In the event the meaning of a standardized contract is not clear, it shall be construed in favor of customers;
6. Related laws and ordinances including Regulation of Standardized Contracts Act shall not be violated;
7. Where enacting or amending a standardized contract, each credit card company shall undergo deliberations of the compliance officer with respect to the violation of the relevant Acts, subordinate statutes, etc., infringement of rights and interests of finance users, room for occurrence of disputes, etc.;
8. Standards for preparing and operating standardized contracts, such as procedures for enactment and amendment, methods of management, and publication, and education of executives and employees shall be determined.

(2) Pursuant to subparagraph 6 of Article 24 of the Act, credit card companies shall prescribe the following matters in their standardized contracts:

1. Matters concerning procedures for renewal, substitutive issuance of a credit card;
2. Matters concerning procedures for determining credit limit;
3. Matters concerning division of responsibilities among credit card company, member, participating merchant as a result of loss, theft, forgery, or alteration of a credit card, etc.;
4. Matters concerning management procedures for charges disputed by a card member and responsibilities of a credit card company;
5. Matters concerning reasons for termination of contract and termination procedures;
6. Matters concerning notifying procedures for providing and use of credit information of membership;
7. Other matters concerning rights and responsibilities of membership and participating merchants, such as procedures for using credit card, annual membership fee, and etc.

**Article 26-2 (Amending, etc. Standardized Contracts)**

(1) "Cases determined and publicly notified by the Financial Services Commission" in Article 19-22 (2) 5 of the Enforcement Decree means any of the following cases:

1. Where amending a standardized contract to change the affiliated company providing additional benefits while maintaining the identity of the details of the additional benefits due to suspended business, bankruptcy, insolvency, etc. of the affiliated company;

2. Where enacting or amending a standardized contract by the enactment and amendment of statutes and publications;
  3. Where enacting or amending the standardized contract of a product without additional benefits only for public purpose pursuant to treaties, etc. with the Government or a local government.
- (2) The Governor shall accept reporting on or issue an order amending standardized contracts pursuant to the proviso of Article 54-3 (1) and (4) of the Act within ten business days (not including periods required for supplementing materials or consulting, and periods required for notifying and consulting with the Korea Fair Trade Commission pursuant to Article 54-3 (5) through (7) of the Act): *Provided*, That the period for accepting reports may be extended in the following cases:
1. Where it is necessary to supplement the provisions of a standardized contract, for the standardized contract has too erroneous or insufficient provisions to continue to deliberate on the standardized contract;
  2. Where it is necessary to consult with relevant institutions, such as the FSC, because it is uncertain whether a standardized contract violates statutes;
  3. Where a standardized contract practically features new business or has substantial impact on other financial industries;
  4. Where the contents of a standardized contract is highly likely to cause damage to or disputes between finance users;
  5. Where it is difficult to finalize within the deadline due to natural disasters and other urgent and critical causes equivalent thereto.
- (3) When accepting a standardized contract or issuing an order for the change of a standardized contract pursuant to paragraph (2), the Governor shall notify the relevant specialized credit finance business company, etc. and the Credit Finance Association of the relevant acceptance and the details of the order for change in writing.
- (4) The Chairperson of the Credit Finance Association shall accept standardized contracts reported pursuant to the main sentence to Article 54-3 (1) of the Act within ten business days. In such cases, the Chairperson of the Credit Finance Association may extend the processing period on the grounds in the subparagraphs of paragraph (2) as prescribed in the proviso to paragraph (2).
- (5) Specialized credit finance business companies, etc. or the Credit Finance Association subject to an order for change prescribed in Article 54-3 (7) of the Act shall amend or supplement the standardized contracts according to the same order and report to the Governor thereon.

**Article 26-3 (Technical Standards for Credit Card Terminals)**

- (1) "Technical standards determined by the Financial Services Commission" in Article 27-4 of the Act shall be as follows:
  1. Safety and credibility shall be ensured in connection with all transactions of credit cards, etc.;
  2. Information on credit cards and other important data shall be protected.
- (2) Details of the standards referred to in paragraph (1) shall refer to the technical standards

determined by the Chairperson of the Credit Finance Association.

*[This Article Newly Inserted on Jul. 8, 2015]*

**Article 26-4 (Standards for Information, Technology, and Electronic Financial Services)**

Articles 13 through 15 of the Regulations on Electronic Financial Supervision shall apply *mutatis mutandis* to the standards determined by FSC under Article 54-4 (2) of the Act.

*[This Article Newly Inserted on Jul. 8, 2015]*

**Article 26-5 (Advertising, etc.)**

Business affairs the FSC determines pursuant to Article 19-14 (1) 2 and subparagraph 3 of Article 19-15 of the Enforcement Decree mean exemption from or postponement of liabilities (limited to liabilities related to subparagraph 2 (b) of Article 2 of the Act) of credit card members in the event that a specific incident befalls the credit card members, such as death, disease, layoff, or natural disaster by receiving charges from the credit card members.

*[This Article Newly Inserted on Sep. 30, 2016]*

**Article 26-6 (Request, etc. for Interest Rate Reduction)**

- (1) A specialized credit finance company in receipt of a request for interest rate reduction may determine whether to accept such request in consideration of whether the relevant request falls under any of the following subparagraphs pursuant to Article 19-18 (2) of the Decree:
  1. Where a credit extension contract is concluded and the credit standing of the contractor does not affect on calculating an interest rate;
  2. An improvement in credit standing is insignificant and does not affect on recalculating an interest rate.
- (2) Where a person who has concluded a credit extension contract requests an interest rate reduction, the specialized credit finance company may request the person to submit data necessary for verifying the person's improved credit standing.
- (3) A specialized credit finance company shall provide guidelines about requirements, procedures, etc. for requesting an interest rate reduction on its website, etc.
- (4) Upon receiving a request for interest rate reduction, the specialized credit finance company shall retain and maintain the relevant records, including the application and results of review.
- (5) If necessary, the Governor may determine detailed matters about the guidelines for responding to requests for interest rate reductions and other detailed matters for the retention and maintenance of records, etc.

## CHAPTER VI SUPERVISION OF FOREIGN EXCHANGE SOUNDNESS

### SECTION 1 Registration of Institutions to Deal with Foreign Exchange Affairs

**Article 27 (Institutions to Deal with Foreign Exchange Affairs)**

"Institution to deal with foreign exchange affairs" in this Chapter, means an institution that has registered foreign exchange affairs pursuant to Article 8 (1) of the Foreign Exchange Transactions Act.

**Article 28 (Requirements for Registration)**

- (1) "Financial soundness standards applied to financial institution as set by the FSC" in Article 13 (2) 1 of the Enforcement Decree of the Foreign Exchange Transactions Act shall be as follows:
  1. Minimum capital standards under Article 5 of the Act;
  2. Equity capital standards under Article 8.
- (2) When the Minister of Strategy and Finance requests the confirmation of fulfillment of the registration requirements under Article 13 (3) of the Enforcement Decree of the Foreign Exchange Transactions Act, the Governor shall confirm it in accordance with the standards mentioned in paragraph (1).

**Article 29** Deleted. <on Sep. 30, 2016>

**SECTION 2 Management of Foreign Exchange Soundness**

**Article 30 (Liquidity Risk Management)**

- (1) An institution to deal with foreign exchange affairs shall manage its assets and liabilities denominated in foreign currency by classifying them based on each residual maturity under subparagraph 4 of Article 21 of the enforcement decree of the Foreign Exchange Transactions Act, and maintain the liquidity ratio in foreign currency under each of the following subparagraphs: *Provided*, That this shall not apply where foreign currency liabilities to total assets ratio is less than 1/100:
  1. Ratio of assets with three months of residual maturity to liabilities with three months of residual maturity: 80/100 or above;
  2. Ratios of maturity mismatch between assets and liabilities in foreign currency:
    - (a) Ratio of assets exceeding liabilities to total assets, when the residual maturity is due less than seven days: 0/100 or above;
    - (b) Ratio of liabilities exceeding assets to total assets, when the residual maturity is less than one month: 10/100 or below.
- (2) The method of classifying residual maturity, the scope of assets and liabilities, and the method of ratio calculation under paragraph (1) shall be determined by the Governor.

**Article 31 (Internal Management of Institution to Deal With Foreign Exchange Affairs)**

- (1) An institution to deal with foreign exchange affairs shall set up and operate its own internal management standards by types of such risks arising from foreign exchange transactions as country risk, large credit risk, financial derivatives transaction risk, market risk, and others pursuant to subparagraph 7 of Article 21 of the enforcement decree of the Foreign Exchange Transactions Act.
- (2) In the event an institution to deal with foreign exchange affairs intends to newly establish and alter its risk management standards mentioned in paragraph (1) or conduct foreign exchange transactions exceeding the standards, it shall refer the matter to its internal risk management committee for a resolution.
- (3) The Governor shall establish exemplary standards for each type of the risks mentioned in paragraph (1), and may request correction of the risk management standards of an institution to deal with foreign exchange affairs in the event they are deemed inappropriate.

**Article 32 (Preclusion)**

- (1) The provisions under this Chapter shall not apply to consignment accounts such as trust accounts of an institution to deal with foreign exchange affairs.
- (2) The provisions under Sections 2 through 4 of this Chapter shall not apply to an institution to deal with foreign exchange affairs whose head office is located overseas.

**SECTION 3 Sanctions against Violation of**

**Regulation on Soundness of Foreign Exchange Affairs**

**Article 33 (Sanctions against Violations of Liquidity Ratio in Foreign Currency, etc.)**

- (1) In the event an institution to deal with foreign exchange affairs fails to achieve and maintain the ratios prescribed under Article 30 twice or less during the past one year (three times or less during the last one year with respect to the ratio prescribed under Article 30 (1) 2 (a), it shall submit an explanatory statement and achievement plan to the Governor as determined by the Governor.
- (2) In the event an institution to deal with foreign exchange affairs fails to achieve and maintain the ratios prescribed under Article 30 at least three times during the last one year, the minimum required ratios adjusted upward as under the following subparagraphs shall be applied to the institution to deal with foreign exchange affairs notwithstanding Article 30:
  1. Ratio prescribed under Article 30 (1) 1: 85/100 or above;
  2. Ratio prescribed under Article 30 (1) 2 (b): 5/100 or below.
- (3) Where an institution to deal with foreign exchange affairs falls under the following subparagraphs, it shall suspend new borrowings in foreign currency with maturity of less than three months until it achieves each ratio under the following subparagraphs: <Newly Inserted on Dec. 19, 2001>
  1. Failure to achieve and maintain the ratios prescribed under paragraph (2) 1 or Article 30 (1) 1 at least four times during the last one year: 85/100 or above;
  2. Failure to achieve and maintain the ratios prescribed under Article 30 (1) 2 (a) at least four times during the last one year : 5/100 or above;
  3. Failure to achieve and maintain the ratios prescribed under paragraph (2) 2 or Article 30 (1) 2 (b) at least four times during the last one year : 5/100 or below.
- (4) The Governor may recommend exemption or forbearance of sanctions, or removal of already enforced sanctions to the FSC for an institution to deal with foreign exchange affairs that is subject to the sanctions prescribed under paragraph (2) or (3): *Provided*, That the reason of violation is recognized as inextricable due to deterioration of domestic or foreign economic and financial conditions. In the case of sanction exemption, it shall not be counted in the number of violation.
- (5) In the event an institution to deal with foreign exchange affairs fails to achieve and maintain the ratios prescribed under Article 30 at least twice during the last one year, the Governor may take additional necessary actions to the institution such as shortening the length of reporting cycle provided under Article 35.

**Article 34 (Reports on Sanctions)**

When imposing sanctions against an institution to deal with foreign exchange affairs pursuant

to Article 33, the Governor shall report the status of sanctions to the FSC within one month after the end of every quarter.

#### SECTION 4 Reporting on Foreign Exchange

##### **Article 35 (Reporting)**

An institution to deal with foreign exchange affairs shall report its current status of assets and liabilities in foreign currency, its current status of financing and operation of funds in foreign currency by maturity and other matters necessary for the enforcement of these Regulations as determined by the Governor.

### CHAPTER VII REPORTING, ETC.

**Article 36** Deleted. <on Jul. 28, 2016>

##### **Article 37 (Submission of Business Reports)**

- (1) In accordance with Article 54 (1) of the Act and Article 23-3 of the Enforcement Decree, specialized credit finance companies, etc. and value-added network providers for credit cards, etc. shall submit business reports (including quarterly reports on the status of large shareholders' transactions pursuant to Article 5-4 (4); hereafter the same shall apply in this Article) to the Governor in such manner as determined by the Governor.
- (2) Business reports referred to in paragraph (1) may be submitted in electronic form using the information communications network defined in Article 2 of the Act on Promotion and Utilization of Information and Communications Network.
- (3) Detailed standards and procedures for submitting business reports under paragraph (1) shall be separately determined by the Governor.

##### **Article 37-2 (Reporting on Major Changes)**

- (1) Where any of the grounds referred to in Article 54 (2) of the Act occurs, the relevant specialized credit finance company or value-added network provider for credit cards, etc. shall report it to the Governor within seven days from the date of occurrence pursuant to Articles 19-21 and 23-3 of the Enforcement Decree.
- (2) Forms for the reporting referred to in paragraph (1) shall be determined by the Governor.

##### **Article 38 (Request for Designation of Auditor)**

- (1) "Cases where the FSC deems it necessary to designate an auditor as a result of the examination" mentioned in Article 20 of the Enforcement Decree mean the cases where the unsound assets (assets classified as substandard or below under the classification mentioned in Article 9 (2)) exceeds 200/100 of the equity capital.
- (2) The Governor shall request the SFC (Securities and Futures Commission) to designate an auditor for the specialized credit finance companies, etc. which fall under paragraph (1) and Article 20 of the Enforcement Decree.
- (3) The detailed matters on the request for designation of an auditor pursuant to paragraph (2) shall be determined by the Governor.

### CHAPTER VIII SUPPLEMENTARY PROVISIONS

**Article 39** Deleted. <on Apr. 7, 2008>

**Article 40 (Reporting)**

With respect to matters in the following subparagraphs, the Governor must make a half-yearly report to the FSC on the results thereof. *Provided*, That in cases where the processing result of businesses having been entrusted is necessary to receive the permission, approval, measure, order, etc. by FSC, he/she shall report thereon immediately after the processing result of businesses having been entrusted has been finished:

1. Registration pursuant to Article 4;
2. Elimination of registration pursuant to Article 5;
3. Deleted; <on Apr. 7, 2008>
4. Report pursuant to Article 37;
5. Results of administrating other matters delegated by the FSC.

**Article 41 (Detailed Matters)**

The Governor may determine detailed matters necessary for the enforcement of these Regulations.

**Article 42 (Special Cases on Asset Management)**

(1) In the event a specialized credit finance company intends to acquire collective investment securities for the purposes of entrusting a collective investor (hereinafter referred to as "a collective investor") under Article 8 (4) of the Financial Investment Services and Capital Markets Act with asset management, each of the following standards shall be complied with:

1. Deleted; <on May 1, 2020>
2. The asset management guidelines specifying operating strategies such as major investment targets and the purpose of asset management, investment restrictions, performance assessment, and termination of contracts, among others, shall be observed;
3. The following subparagraphs shall be included in the internal control standards under Article 24 of the Act on Governance Structure of Financial Companies and Article 19 of the Enforcement Decree:
  - (a) Matters pertaining to the standards and procedures for the appointment and dismissal of a collective investor;
  - (b) Matters pertaining to the assessment of a collective investor's asset management performance and results;
  - (c) Matters pertaining to the organization for monitoring the propriety of the asset management undertaken by a collective investor;
  - (d) Matters pertaining to the organization for monitoring the propriety of the asset management undertaken by the specialized credit finance company;
  - (e) Other matters deemed necessary for the sound asset management of the specialized credit finance company.

(2) Deleted; <on May 1, 2020>

**Article 43 (Special Cases on Corporate Credit Card Companies)**

The provisions of Article 8 (1) 1 and 3; Article 17 (1) 1, 2, and 4; Article 18 (1) 1, 2, and

5; and Article 19 (1) 1 and 2 which are applicable to corporate credit card companies shall not be applicable to companies conducting credit card business only for corporate credit card members.

**Article 44 (Deadline for Reexamination)**

Pursuant to the Regulations concerning the Issuance and Management of Directives and Established Rules (Presidential Directive No. 248), the deadline for taking measures, such as continuation, repeal, or amendment, etc. of these Regulations, based upon any changes in statutes or current conditions occurring after these Regulations are promulgated, shall be at least by the end of every two year period (referring to by no later than every second anniversary from June 30) from July 1, 2015.

ADDENDUM <No. 2001-48, Jul. 19, 2001>

These Regulations shall enter into force on the date of their public announcement: *Provided*, That Articles 17 through 22 shall enter into force on July 1, 2002.

ADDENDUM <No. 2001-245, Sep. 27, 2001>

These Regulations shall enter into force on October 1, 2001.

ADDENDA <No. 2002-40, Jul. 4, 2002>

- (1) (Enforcement Date) These Regulations shall enter into force on the date of their public announcement.
- (2) (Transitional Measures) The amended provisions of Article 24-5 (3) shall not apply where a credit card company maintains the existing credit limit in determining credit limits within the valid period of a credit card issued before the amended provisions enter into force.

ADDENDA <No. 2002-90, Jan. 3, 2003>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public announcement.

Article 2 (Applicability)

In applying the amended provisions of Article 42 to a private equity fund with a single investor or to a public offering fund with a single investor set up before these Regulations enter into force, the amended provisions of Article 42 (1) 2 shall apply only where beneficiary certificates or shares of a private equity fund with a single investor or a public offering fund with a single investor are additionally acquired after these Regulations enter into force.

ADDENDUM <No. 2003-4, Jan. 29, 2003>

These Regulations shall enter into force on the date of their public announcement: *Provided*, That the provisions of Articles 8, 11 (2) 2 and 17 through 19 shall enter into force on April 1, 2003.

ADDENDUM <No. 2003-34, Jul. 15, 2003>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2003-36, Jul. 16, 2003>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2003-51, Oct. 22, 2003>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2004-4, Feb. 5, 2004>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2004-35, Jun. 16, 2004>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2005-16, Apr. 13, 2005>

These Regulations shall enter into force on April 28, 2005.

ADDENDUM <No. 2005-23, Jun. 1, 2005>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2005-64, Dec. 29, 2005>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2006-58, Aug. 31, 2006>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2007-19, Apr. 5, 2007>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2007-30, May 3, 2007>

These Regulations shall enter into force on the date of their public announcement.

ADDENDA <No. 2007-98, Jul. 26, 2007>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of public notice.

ADDENDUM <No. 2008-5, Jan. 23, 2008>

These Regulations shall enter into force on the date of their public announcement.

ADDENDA <No. 2008-7, Feb. 11, 2008>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2008-9, Feb. 27, 2008>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2008-8, Apr. 7, 2008>

These Regulations shall enter into force on the date of their public announcement.

ADDENDUM <No. 2008-28, Oct. 10, 2008>

These Regulations shall enter into force on the date of their public notice.

ADDENDA <No. 2008-29, Nov. 7, 2008>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public announcement.

Article 2 (Transitional Measures for Extension of Suspension Period for Disposition of Residential Houses)

- (1) The amended provisions of subparagraph 5 (b) of attached Table 3 annexed hereto shall also apply to the loans for which a special agreement under the aforesaid Item was concluded before these Regulations enter into force: *Provided*, That the foregoing shall not apply to the cases where a loan is under follow-up administration because of the acceleration of credit after the expiration of the special agreement term and where a specialized credit finance company is unable to convert such a loan into a normal loan (referring to suspending imposition of overdue interest and discontinuing legal proceedings; the same shall apply hereafter in this Article).
- (2) If a specialized credit finance company is able to convert a loan under follow-up administration because of the acceleration of credit after the expiration of a special agreement term, the period during which the loan has been under follow-up administration (the period during which overdue interest has been imposed) shall be excluded in determining the deadline for the disposition of a residential house.

ADDENDUM <No. 2009-20, Feb. 9, 2009>

These Regulations shall enter into force on the date of their public announcement.

ADDENDA <No. 2009-27, Apr. 15, 2009>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public announcement.

Article 2 (Special Cases for Accumulation of Allowances for Assets Subject to Prior Adjustment of Debts)

- (1) Notwithstanding Article 11, assets classified as "precautionary" and eligible for the assistance in credit recovery under Chapter VII (Prior Adjustment of Debts Owed by Multiple Debtors) of the Agreement on Assistance in Credit Recovery entered into between the Credit Counselling and Recovery Service and creditor financial institutions may be

treated as equivalent to assets classified as "normal" for the purpose of accumulating allowances therefor, if the repayment thereof is made in compliance with the relevant repayment plan for six months after they are finally confirmed as eligible for the assistance in credit recovery: *Provided*, That such assets may be treated as equivalent to assets classified as "precautionary" for the purpose of accumulating allowances therefor after an application for the assistance in credit recovery is filed, except where such assets are not approved as eligible for the assistance or the assistance becomes invalid.

- (2) Assets classified as "normal" at the time an application for the assistance in credit recovery under paragraph (1) is filed shall not be treated as overdue credits, unless and until repayment is delayed after filing the application for the assistance in credit recovery.

ADDENDUM <No. 2009-50, Aug. 26, 2009>

These Regulations shall enter into force on the date of their public notice.

ADDENDUM <No. 2010-14, Jun. 14, 2010>

These Regulations shall enter into force on the date of their public announcement.

ADDENDA <No. 2010-27, Sep. 7, 2010>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public announcement.

Article 2 (Transitional Measures According to Standards for Accumulation of Allowance for Doubtful Accounts)

Among allowance for doubtful accounts that should be accumulated pursuant to the amended provisions of Article 11 (2) at the time these Regulations enter into force, 50/100 or more of allowance for doubtful accounts that should be accumulated in excess of the accumulation standards under paragraph (1) of the same Article shall be accumulated, by no later than March 31, 2011, and 100/100 or more of the said allowance for doubtful accounts shall be accumulated, by no later than September 30, 2011 respectively.

Article 3 (Transitional Measures According to Risk Management of Loans for Real Estate Project Financing)

A specialized credit finance company dealing in loans for real estate project financing in excess of the ceiling under the amended provisions of Article 11-3 at the time these Regulations enter into force shall not deal in new loans for real estate project financing (excluding the extension of the maturity of existing loans) and shall make itself meet the same amended provisions within two years from the enforcement date of these Regulations: *Provided*, That where it has any compelling reasons, such as cases where it is considerably impractical to sell loans for real estate project financing due to the financial market conditions, etc., it may extend such period by one year with approval of the Governor.

ADDENDUM <No. 2010-35, Sep. 27, 2010>

These Regulations shall enter into force on the date of their promulgation.

ADDENDUM <No. 2010-44, Dec. 27, 2010>

These Regulations shall enter into force on January 1, 2011.

ADDENDUM <No. 2011-11, Jun. 17, 2011>

These Regulations shall enter into force on the date of their public notice.

ADDENDUM <No. 2012-11, May 10, 2012>

These Regulations shall enter into force on the date of their public notice.

ADDENDA <No. 2012-24, Oct. 15, 2012>

Article 1 (Enforcement Date)

These Regulations shall enter into force on October 15, 2012.

Article 2 (Applicability to Issuance of Credit Cards)

The amended provisions of Article 24 shall begin to apply from the first new credit card, the application for issuance of which is made after these Regulations become effective.

Article 3 (Applicability to Criteria for Examination of Ability to Make Payments and Matters to be Observed at Time of Setting Credit Limit)

The amended provisions of Article 24-5 (1) 2 shall begin to apply from the first new credit card, the application for issuance of which is made after these Regulations become effective, and, in case of a credit card already issued as at the time these Regulations become effective, the said provisions shall begin to apply from the first credit card when it is renewed and issued.

Article 4 (Applicability to Procedures for Cancellation of Dormant Credit Cards)

The amended provisions of Article 24-11 shall begin to apply from the first new credit card, the application for issuance of which is made after these Regulations become effective.

ADDENDUM <No. 2012-30, Dec. 17, 2012>

These Regulations shall enter into force on December 22, 2012.

ADDENDA <No. 2013-15, May 24, 2013>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public notice.

Article 2 (Special Cases concerning Forward-Looking Criteria for Assets Subject to Prior Adjustment of Debts)

Notwithstanding Article 2 (1) of the Addenda of the Regulations on Supervision of Specialized Credit Finance Business (FSC Public Notice No. 2009-27), all assets classified as "precautionary" and eligible for assistance in credit recovery under Chapter VII (Prior Adjustment of Debts Owed by Multiple Debtors) of the Agreement on Assistance in Credit Recovery entered into between the Credit Counselling and Recovery Service and creditor financial institutions (where an application for assistance in credit recovery is filed, excluding

where the eligibility for assistance in credit recovery is not granted or the assistance becomes invalid) may continue to be classified as "precautionary."

ADDENDA <No. 2013-27, Sep. 23, 2013>

Article 1 (Enforcement Date)

These Regulations shall enter into force on September 23, 2013.

Article 2 (Transitional Measures on Reflecting Marketing Expense to Evaluation of Management Status)

The amended provisions of attached Table 2 shall enter into force on January 1, 2014.

ADDENDA <No. 2014-44, Dec. 26, 2014>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public notice: *Provided*, That the amended provisions of Articles 25-5 and 25-6 shall enter into force on January 15, 2015.

Article 2 (Transitional Measures)

The amended provisions of Articles 25 (2) shall become effective from the credit card, etc. to be released after these Regulations enter into force.

ADDENDUM <No. 2015-14, May 4, 2015>

Article 1 (Enforcement Date)

These Regulations shall enter into force on May 1, 2015.

ADDENDUM <No. 2015-20, Jun. 30, 2015>

These Regulations shall enter into force on July 1, 2015.

ADDENDA <No. 2015-21, Jul. 9, 2015>

Article 1 (Enforcement Date)

These Regulations shall enter into force on October 15, 2012.

Article 2 (Applicability to Procedures for Cancellation of Dormant Credit Cards)

The amended provisions of Article 24-11 (4) shall begin to apply from the first dormant credit card, the use of which is suspended pursuant to Article 24-11 (3) as at the time these Regulations become effective: *Provided*, That where a dormant credit card, the use of which is suspended pursuant to Article 24-11 (3) as at the time these Regulations become effective, is terminated pursuant to Article 24-11 (4) or a credit card member notifies his/her intention to terminate during the period of suspension of use prescribed in Article 24-11 (3), the aforementioned dormant credit card shall be deemed terminated on the date the amended provisions enter into force, notwithstanding the later part of Article 24-11 (4).

ADDENDUM <No. 2015-32, Oct. 12, 2015>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public notice.

ADDENDA <No. 2016-4, Jan. 28, 2016>

Article 1 (Enforcement Date)

These Regulations shall enter into force on January 31, 2016.

Article 2 (Applicability)

The amended provisions of Article 25 (2) 3 shall begin to apply from the first additional benefits to be released after these Regulations enter into force.

ADDENDUM <No. 2016-25, Jul. 8, 2016>

These Regulations shall enter into force on the date of their promulgation.

ADDENDA <No. 2016-34, Sep. 30, 2016>

Article 1 (Enforcement Date)

These Regulations shall enter into force on September 30, 2016: *Provided*, That the amended provisions of Article 26 (1) 8 shall enter into force on January 1, 2017.

Article 2 (Transitional Measures concerning Amendment of Standards for Conducting Loaning Business)

Each specialized credit finance company dealing in loans in excess of the limits prescribed in the amended provisions of Article 6 at the time these Regulations enter into force shall make efforts to comply with the said amended provisions within one year from the date these Regulations enter into force.

Article 3 (Applicability to Amendment of Standards for Preparing and Operating Standardized Contracts)

The amended provisions of Article 26 (1) 7 shall apply, starting from the first case where a standardized contract is enacted or amended after these Regulations enter into force.

ADDENDUM <No. 2017-22, Jun. 28, 2017>

Article 1 (Enforcement Date)

These Regulations enter into force on the date of their public notice.

ADDENDUM <No. 2017-25, Jul. 28, 2017>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public notice.

ADDENDUM <No. 2017-27, Aug. 23, 2017>

These Regulations shall enter into force on the date of their public notice.

ADDENDA <No. 2017-47, Dec. 21, 2017>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of their public notice.

Article 2 (Applicability to Procedures for Cancelling Dormant Credit Cards)

The amended provisions of Article 24-11 (4) shall apply to dormant credit cards of which use is suspended after these Regulations enter into force.

ADDENDA <No. 2018-2, Jan. 31, 2018>

Article 1 (Enforcement Date)

These Regulations shall enter into force on January 31, 2018.

Article 2 (Transitional Measures)

- (1) With regard to loans taken by borrowers (including developers and other associations for reconstruction or redevelopment; hereafter in these Addenda, the same shall apply) which specialized credit finance business companies have approved through electronic registration, etc. by the day immediately before the date these Regulations enter into force, the former provisions shall apply.
- (2) With regard to the places of business that have issued public notice for recruiting residents (referring to those that have filed a report to commence construction where such public notice has not been issued by the day before the date these Regulations enter into force, the former provisions shall apply where intermediate payment loans (apartments or housing under reconstruction or redevelopment): *Provided*, That these Regulations shall apply when the right to purchase ownership, etc. (the status corresponding to Article 3 (1) 3 of the Act on Report on Real Estate Transactions, Etc.) of a place of business that issued a public notice is resold on or after August 23, 2017 (the base date of resale refers to the date a report of the right to purchase ownership, etc. is filed by the party to the transaction pursuant to the aforesaid Act).

Article 3 (Applicability to New Designation of Speculative Areas, Overheated Speculative Districts or Adjustment Target Areas)

Where a speculative area, overheated speculative district or adjustment target area is newly designated, the provisions pertaining to speculative areas, overheated speculative districts and adjustment target areas prescribed in subparagraphs 3 through 6 and 10 of attached Table 3 of these Regulations shall not apply to borrowers whose application for loan is received by a specialized credit finance company or who receives notice of extending the maturity of loan from a specialized credit finance company by the day before the date the new designation of a speculative area, overheated speculative district or adjustment target area takes effect, or to any other borrowers corresponding thereto.

ADDENDUM <No. 2018-18, Jul. 12, 2018>

These Regulations shall enter into force on the date of their public notice.

ADDENDA <No. 2018-27, Oct. 25, 2018>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of promulgation thereof.

Article 2 (Transitional Measures)

- (1) Notwithstanding the provisions of attached Table 3 of these regulations, the previous

provisions thereof shall apply in any of the following cases:

1. Where a borrower has proved the fact that he/she paid a down payment under a home purchase contract concluded on or before September 13, 2018;
  2. Where a specialized credit finance company completed its registration of the application by a borrower for a relevant loan via its computer system on or before September 13, 2018;
  3. Where a borrower had been notified by a specialized credit finance company of the extension of loan maturity on or before September 13, 2018;
  4. Other borrowers deemed equivalent to above borrowers.
- (2) With regard to the places of business that issued public notice for recruiting residents (referring to those that had filed a report to commence construction where such public notice was not been issued) on or before September 13, 2018, the previous provisions of Table 3 shall apply where relocation expenses loans, intermediate payment loans (apartments or housing under reconstruction or redevelopment), and balance payment loans was made: Provided, That the provisions of attached Table 3 of these Regulations shall apply where the right to purchase ownership, etc. (the status corresponding to each of the statuses under Article 3 (1) 3 of the Act on Report on Real Estate Transactions, Etc.) of the place of business that has issued public notice is resold on and after September 14, 2018 (the base date of resale refers to the date a report of transaction of the right to purchase ownership, etc. is filed by the party to the transaction pursuant to the aforesaid Act).
- (3) Notwithstanding the provisions of attached Table 3 of these regulations, a home which was purchased by a person no later than September 13, 2018 (including cases where a borrower has proved the fact that he/she paid a down payment under a home purchase contract concluded on or before September 13, 2018) and was registered as a rental home the Special Act on Private Rental Housing shall not be included in calculating the person's total number of homes.
- (4) Notwithstanding the provisions of Table 3 of these regulations, the previous subparagraphs 5 and 6 of attached Table 3 shall apply to loans which had already made under the previous subparagraphs 5 and 6 of attached Table 3.

Article 3 (Applicability to New Designation of Speculative Areas, Overheated Speculative Districts or Adjustment Target Areas)Where a speculative area, overheated speculative district or adjustment target area is newly designated, the provisions pertaining to speculative areas, overheated speculative districts and adjustment target areas prescribed in subparagraphs 3, 4, and 7 of attached Table 3 of these Regulations shall not apply to a borrower whose application for a loan is received by a specialized credit finance company or who receives notice of extending the maturity of a loan from a specialized credit finance company by the day before the date the new designation of a speculative area, overheated speculative district or adjustment target area takes effect, or to any other borrowers equivalent thereto.

ADDENDA <No. 2019-5, Jan. 31, 2019>

Article 1 (Enforcement Date)

These Regulations shall enter into force on January 31, 2019.

Article 2 (Applicability)

The proviso to Article 25-6 (4) shall apply to self-employed or corporate credit card merchants that newly commence their business on and after January 1, 2019.

ADDENDA <No. 2019-23, Jun. 31, 2019>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of the public notice.

ADDENDA <No. 2019-29, Jun. 26, 2019>

Article 1 (Enforcement Date)

These Regulations shall enter into force on July 1, 2019.

ADDENDA <No. 2019-58, Dec. 19, 2019>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of the public notice.

Article 2 (Transitional Measures)

(1) Notwithstanding the provisions of Table 3 of these Regulations, the previous provisions thereof shall apply in any of the following cases:

1. Where a borrower has proved the fact that he/she had paid a down payment under a home purchase contract concluded on or before October 13, 2019;
2. Where a specialized credit finance company had completed its registration of the application by a borrower for a relevant loan via its computer system on or before October 13, 2019;
3. Where a borrower had been notified by a specialized credit finance company of the extension of loan maturity on or before October 13, 2019;
4. Other borrowers deemed equivalent to borrowers above.

(2) With regard to the places of business that have issued public notice for recruiting residents (referring to those that have filed a report to commence construction where such public notice has not been issued) by October 13, 2019, the former provisions of Table 3 shall apply where relocation expenses loans, intermediate payment loans (apartments or housing under reconstruction or redevelopment), and balance payment loans are made: Provided, That the provisions of attached Table 3 of these Regulations shall apply where the right to purchase ownership, etc. (the status corresponding to each of the statuses under Article 3 (1) 3 of the Act on Report on Real Estate Transactions, Etc.) of the place of business that has issued public notice is resold on and after October 14, 2019 (the base date of resale refers to the date a report of transaction of the right to purchase ownership, etc. is filed by the party to the transaction pursuant to the aforesaid Act). Article 3 (Applicability to New Designation of Speculative Areas, Overheated Speculative Districts or Adjustment Target Areas)

Where a speculative area, overheated speculative district or adjustment target area is newly

designated, the provisions pertaining to speculative areas, overheated speculative districts and adjustment target areas prescribed in subparagraphs 2, 3, and 6 of attached Table 3 of these Regulations shall not apply to a borrower whose application for a loan is received by a specialized credit finance company no later than the day before the date the new designation of a speculative area, overheated speculative district, or adjustment target area takes effect or who receives the notice of extending the maturity of a relevant loan from a specialized credit finance company, or to any other borrowers equivalent thereto.

ADDENDA <No. 2020-18, May. 1, 2020>

Article 1 (Enforcement Date)

These Regulations shall enter into force on the date of the public notice: Provided, That the amended provisions of subparagraph 1 h of attached Table 1-2 shall enter into force on September 1, 2020.

Article 2 (Applicability to Procedures for Cancellation of Dormant Credit Cards)

The amended provisions of Article 24-11 shall apply to credit cards, the accounts of which have been dormant as provided for in Article 7-2 (2) 3 of the Enforcement Decree after these Regulations enter into force.

ADDENDA <No. 2020-36, Aug. 5, 2020>

These Regulations shall enter into force on the date of the public notice.

[Table 1]

## Forward-Looking Criteria

1. Receivables (including lease assets, etc)
  - a. Normal: receivables from customers whose financial transaction records, credit status and managerial conditions are deemed to be sound;
  - b. Precautionary: receivables from customers whose financial transaction records, credit status and managerial conditions require credit monitoring with much higher caution than ordinary:

<Examples> <Amended on Jun. 16, 2004; Apr. 5, 2007; Jul. 8, 2015; Jun. 28, 2017>

1. Receivables from customers who have debts overdue for at least one month but less than three months but the repayment of the debts is regarded to be carried out with certainty;
2. Of the total receivables from customers classified as “substandard” or below, the collateralized portion of loans secured by deposits or installment savings with financial institutions, securities or letter of guarantees issued by financial institutions (include Korea Credit Guarantee Fund, Korea Technology Credit Guarantee Fund, guarantee insurance companies, Construction Guarantee, Korea Housing Guarantee Co., Ltd. or Provincial Credit Guarantee Fund, etc.) whose principal and interest are expected to be repaid for sure within three months;
3. Of the receivables from customers classified as “substandard” or below, household housing loan\* (including installment financing) that is secured by residential houses (including tenement house, such as apartments, etc.) owned by the borrower and whose principal is less than one million won and monthly repaid in installment (only limited to the case where the loan amount including senior loans is less than 30% of the expected collections from the secured house under attached Table 2 and it is possible to collect such loan through enforcing the security right within six months);  
\* The scope of household housing loan shall be limited to the funds for purchasing, constructing or leasing residential houses (including tenement house, such as apartments, etc.).
4. Of the receivables to companies financed with business normalization funds from creditor banks, companies under the composition procedures pursuant to the Composition Act and companies under creditor banks’ control of its management as determined in the Detailed Enforcement Rules of Banking Credit Management Business, those receivables producing interest revenue with higher than prime rate of the main creditor bank;
5. Common benefit claims to the companies subject to the corporate reorganization procedures under the Company Reorganization Act, and unsecured claims producing interest revenue with higher than prime rate of the main creditor bank for such companies pursuant the reorganization plan;
6. Receivables from customers that entered into the 1st phase of bankruptcy within the latest six months;
7. Receivables from customers which a certified public accountant has expressed a disclaimer on their financial statements of recent fiscal year;

8. Receivables from customers that are expected to show signs of, or deemed to show, insolvency;
9. Receivables from customers that are transformed to normal loans from overdue loans through adjustments in terms and conditions of loans: <Newly Inserted on Jan. 29, 2003>
10. Receivables, among those receivables from the customers that are subject to the work-out procedures, that the customers fail to sincerely perform the work-out procedure agreement for more than six months without being in arrears or fail to perform the agreement for at least one month and less than two months.

<Examples of Signs of Insolvency>

- o When the company shows a deficit successively for the latest three years;
- o When the company's paid-in-capital is completely depleted as at the end of the latest fiscal year;
- o When the company's borrowings from financial institutions as at a given point of time exceeds the amounts of its sales for the latest one year as at that point of time;
- o When the company faces any internal dispute over management control in connection with corporate management, stakes inheritance, etc.;
- o When the company's operation has been suspended for three months or more;
- o When the company is determined as showing signs of insolvency and managed thereon by a financial institution in accordance with its early warning system constructed pursuant to the provisions of the Detailed Enforcement Rules of Banking Credit Management Business.

- c. Substandard: receivables that are expected to be recovered among the receivables from customers against whom specific measures for collection or workout methods are required due to their poor financial transaction records, credit status and managerial conditions:

<Examples> <Amended on Jun. 16, 2004; Apr. 5, 2007; Jul. 8, 2015; Jun. 28, 2017>

1. Receivables from customers that are expected to be recovered among those overdue for at least three months;
2. Receivables from installment financing subject to the Installment Transactions Act whose overdue period falls under any of the followings by its installment transaction period:
  - More than 12 months and less than 24 months for installment transaction period: overdue for more than six months and less than seven months;
  - More than 24 months and less than 36 months for installment transaction period: overdue for more than six months and less than eight months;
  - More than 36 months for installment transaction period: overdue for more than six months and less than nine months;
3. Receivables that are expected to be recovered among the receivables from customers to whom it is not permissible to extend additional credits under the agreement among financial institutions;

4. Receivables that are expected to be recovered among the receivables from companies who are financed with business normalization funds from creditor banks;
  5. Receivables that are expected to be recovered among the receivables from customers to which legal procedures are in progress, including execution of security right, application for payment order, litigation of claiming for loan or compulsory execution, etc.: Provided, That in cases of provisional seizure, provisional disposition, or seizure (applicable only to administrative disposition), which is unrelated to weakening of the debtor's ability to repay and does not lead to a lawsuit on the merits, if the amount of the loan of the relevant debtor is not delinquent as of the base date for forward looking criteria, receivables may be classified as "precautionary"; and in such cases, receivables may be classified as "normal" with only regard to provisional seizure or seizure in which the total amount requested is less than 5 million won or less than 1/100 of the loan amount;
  6. Receivables that are expected to be recovered among the receivables from companies to which corporate reorganization procedures are in progress (including application for corporate reorganization procedures) under the Debtor Rehabilitation and Bankruptcy Act;
  7. Receivables that are expected to be recovered among the receivables from companies to which composition procedures are in progress (including application for composition procedures) under the Corporate Restructuring Promotion Act;
  8. Receivables among those expected to be recovered from loans to companies that are subject to the work-out procedures but that are deemed impractical to normalize their business management based on their failure to perform the work-out procedure agreement for two months or more;
  9. Receivables that are expected to be recovered among the receivables from companies who have closed their business: Provided, That where a self-employed business owner objectively proves that he/she has other incomes or continues to conduct his/her business operations, receivables may be classified as "normal" or "precautionary", depending on the recoverability of principal and interest;
  10. Receivables that are expected to be recovered among the receivables from customers who are overdue for more than three months as at the date of classification of asset quality or have entered into the first phase of bankruptcy within the latest six months, and falls under any of the following subparagraphs:
    - (a) If a company's operation has been suspended for three months or more;
    - (b) If a company's financial statements of recent fiscal year has been expressed as a disclaimer by a certified public accountant;
    - (c) If a company's paid-in-capital is completely depleted and borrowings from financial institutions exceed the amounts of its sales;
- d. Doubtful: the excess portion of expected recoverable amount among receivables from customers classified as "substandard", the amount of which is expected to occur as loss but cannot be currently determined;

- e. Presumed Loss: the excess portion of expected recoverable amount among receivables from customers classified as “substandard”, the amount of which is surely to occur as loss and thus should be inevitably written off:

<Examples>

1. Receivables for which the security right is nullified due to losing a lawsuit, or whose borrower and guarantor are missing or deemed to lack repayment capability;
  2. Receivables remained after the completion of legal procedures for collection, of which repayment by the debtor or guarantor is deemed impossible;
  3. Receivables on which a lawsuit is pending due to the defect in collateral but is expected to be lost;
  4. Other receivables that are deemed to be inevitably written off due to their impossibility of repayment.
2. Card Assets and Credit Card Agreements <Amended on Jan. 29, 2003; Feb. 11, 2008; Sep. 17, 2013>
- a. Normal: claims on customers whose financial transaction records, credit status and managerial conditions are deemed to be sound;
  - b. Precautionary : claims falling under any of the followings:
    - (i) Claims on a customer (precautionary customer) whose debt redemption capability is deemed to be potentially lowered in consideration of its financial transaction records, credit status and managerial conditions but is not yet exposed to an immediate risk;
    - (ii) Claims on a customer who has debts overdue for more than one month but less than three months:

<Examples>

1. Claims on a customer that is transformed to normal loans from overdue loans through adjustments in terms and conditions of loans. <Newly Inserted on Jan. 29, 2003>
  2. Revolving settlement assets whose ratio of the carried-over balance subject to revolving settlement against the total credit limit (the maximum credit limit for credit card users) is at least 80%. <Newly Inserted on Sep. 17, 2013>
  3. The total amount of loan extended to the person whose information on arrears is registered with the credit information collection agencies. <Newly Inserted on Sep. 17, 2013>
- c. Substandard: claims falling under any of the followings:
- (i) Claims on a customer (substandard customer) whose debt redemption capability is currently lowered and is deemed to cause a critical risk in reimbursing its debts in consideration of its financial transaction records, credit status and managerial conditions;
  - (ii) The amount collectible out of the claims on customers who have debts overdue for more than three months;
  - (iii) The amount collectible out of the claims on customers who are deemed to cause a serious risk in reimbursing its debts due to an insolvency, liquidation and bankruptcy proceedings or discontinuance of its business;

- (iv) The amount collectible out of the claims on “doubtful customers” and “presumed loss customers”.
- d. Doubtful: claims falling under any of the followings:
  - (i) The portion exceeding the amount collectible out of the claims on a customer (doubtful customer) whose debt redemption capability has drastically worsened and is deemed to cause a serious risk in reimbursing its debts in consideration of its financial transaction records, credit status and managerial conditions;
  - (ii) The portion exceeding the amount collectible out of the claims on a customer who has debts overdue more than three months but less than six months.
- e. Presumed Loss: claims falling under any of the followings:
  - (i) The portion exceeding the amount collectible out of the claims on a customer (presumed loss customer) who is obviously unable to reimburse its debts due to its seriously worsening debt redemption capability and is deemed to unavoidably cause loss in consideration of its financial transaction records, credit status and managerial conditions;
  - (ii) The portion exceeding the amount collectible out of the claims on a customer who has debts overdue for more than six months;
  - (iii) The portion exceeding the amount collectible out of the claims on a customer who is deemed to cause a serious risk in reimbursing its debts due to an insolvency, liquidation and bankruptcy proceedings or discontinuance of its business.

### 3. Investment

- a. Normal: investments into customers whose financial transaction records, credit status and managerial conditions are deemed to be sound;
- b. Precautionary: investments into customers whose financial transaction records, credit status and managerial conditions require credit monitoring with much higher caution than ordinary:

<Examples> <Amended on Jun. 16, 2004>

- 1. Investments into customers who show a deficit successively for more than three years after the investment is made;
  - 2. Investments into customers whose financial statements of recent fiscal year has been expressed as a disclaimer by a certified public accountant;
  - 3. Investments into customers that entered into the 1st phase of bankruptcy within the latest six months.
- c. Substandard: investments into customers against whom specific measures for collection or workout methods are required due to their poor financial transaction records, credit status and managerial conditions:

<Examples>

- 1. Investments into customers whose operation has been suspended;

2. Investments into customers who show a deficit successively for more than five years after the investment is made;
  3. Investments into customers whose paid-in-capital is completely depleted as at the end of the latest fiscal year and who have entered into the first phase of bankruptcy within the latest six months.
- d. Doubtful: Among the investments in customers, which are classified as "substandard," the total amount of investment which is expected to incur losses in the future but whose amount of expected losses can not be currently determined:

<Examples> <Amended on Jun. 16, 2004; Jul. 8, 2015>

1. Investments into customers against whom corporate reorganization procedures or composition procedures are in progress under the Company Reorganization Act or the Composition Act;
  2. Investments into customers whose operation has been suspended for three months or more;
  3. Investments into customers whose paid-in-capital is completely depleted and borrowings from financial institutions exceed the amount of its sales;
  4. Investments into customers whose reimbursement is doubtful due to the significant aggravation in credit risk, etc of the related parties.
- e. Presumed Loss: Investments into customers whose claim is inevitably marked as losses due to bankruptcy, liquidation, discontinuance of business, etc.
4. Securities (excluding securities to be evaluated by mark-to-market method or equity ratio method)
- a. Normal
- 1) Securities whose valuation amount exceeds book value;
  - 2) Securities whose valuation amount is less than book value temporarily (less than three months) but is expected to recover its book value with certainty;
  - 3) Securities, that are acquired for the long-term investment and political purpose, whose redemption is expected with certainty;
  - 4) Securities such as national bonds, government guaranteed bonds, guaranteed bonds, etc whose redemption is expected with certainty;
  - 5) Securities such as bonds issued or guaranteed by foreign governments and international financial organizations whose redemption is expected with certainty.
- b. Precautionary:
- 1) Securities whose valuation amount exceeds book value but the paid-in-capital of the company who issued the company is completely depleted for the consecutive two years;
  - 2) Securities whose valuation amount is less than book value for more than three months;

- 3) Securities whose credit risk increases due to aggravated management of the issuer or whose sovereign risk in the country where the issuer is located increases.

c. Doubtful:

- 1) Loss on valuation of the securities whose valuation amount is less than book value for more than three months;
- 2) Securities whose principal is doubtful to be repaid upon maturity due to significant aggravation in credit risk of the issuer, etc;
- 3) Securities issued by the government or companies in the country which is at war or in default.

d. Presumed Loss:

- 1) Loss on valuation of the securities whose valuation amount is less than book value for more than six months;
- 2) Securities whose principal is not likely to be repaid for sure due to bankruptcy of the issuer;
- 3) Other valueless securities.

5. Suspense Payment

a. Normal:

- 1) Suspense payment which is sure to be substituted for other account within the relevant or immediately following fiscal year;
- 2) Suspense payment which is sure to be repaid.

b. Doubtful

- 1) Suspense payment which was to treat accident loss or deficit in receipts and disbursements, and therefore is expected to be written off;
- 2) Suspense payment which was to treat litigation related expenses, and is expected to be written off;
- 3) Suspense payment whose repayment is not sure, thus it is expected to be written off.

c. Presumed Loss

- 1) Suspense payment which was to treat accident loss or deficit in receipts and disbursements, and is inevitably to be written off;
- 2) Suspense payment which was to treat litigation related expenses, and is inevitably to be written off as it is sure of losing the suit;
- 3) Suspense payment which is inevitably written off.

6. Account Receivables

a. Normal: account receivables that is not overdue more than one month from the payment date;

- b. Precautionary: account receivables that is not overdue at least one month but less than three months from the payment date;
- c. Substandard: the amount collectible out of the account receivables that is overdue at least three months from the payment date;
- d. Doubtful: the excess portion of collectible amount among account receivables that is overdue for at least three months from the payment date, the amount of which is expected to occur as loss but cannot be currently determined;
- e. Presumed Loss: the excess portion of collectible amount among account receivables that is overdue for at least three months from the payment date, the amount of which is not likely to be repayable for sure and thus be inevitably written off.

<Considerations>

1. For an installment financing subject to the Installment Transactions Act whose installment amount is less than three million won and the term thereof is within 12 months, the portion able to be collected (loan amount multiplied by collection ratio for period overdue) and the portion unable to be collected may be classified as "normal" and "presumed loss", respectively, according to the following collection ratio for each periods overdue notwithstanding the provisions in 1 "Receivables" above:
  - Less than one month: 99%
  - Less than three months: 95%
  - Less than six months: 85%
  - Less than 12 months: 75%
  - Less than 24 months: 55%
  - 24 months or more: 0%\*
- \* Until December 31, 1999, 25% for at least 24 months and 0% for at least 36 months shall apply;
2. Classification of privately placed bonds shall be made pursuant to the provisions in 1 "Receivables" above;
3. In case a company belonging to a business group guarantees debts for at least one affiliate company whose classification is "substandard" or below in excess of its equity capital, claims on such company shall be classified as "precautionary" or lower;
4. Operating lease assets shall be classified based on the amount excluding accumulated depreciation.
7. Criteria for placing household loans restructured through the Credit Counseling and Recovery Service and the like in forward-looking classification categories
  - a. Pre-workout by the Credit Counseling and Recovery Service (loans classified as "precautionary" as at the commencement of debt adjustment):
    - 1) Where such loan is normally paid in installments for at least six months, it can be classified as "normal";
    - 2) Notwithstanding 1) above, where such loan restructured is a housing mortgage loan for residential purposes, with regard to a portion of the amount of the loan which is collectable through enforcing the security right if the repayment thereof is made in compliance with the relevant repayment plan (including deferred payment or interest payments for the grace period) for at least 1 year, the loan may be classified as "normal".

b. Personal work-out by the Credit Counseling and Recovery Service (loans classified as "substandard" or below as at the commencement of debt adjustment):

- 1) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1/4 of the entire period of repayment or 2 years, the classification of the total amount of receivables can be changed to "substandard" for the full repayment;
- 2) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1/3 of the entire period of repayment or 4 years, the classification of the total amount of receivables can be changed to "precautionary" for the full repayment;
- 3) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1 year after being changed to "precautionary", such can be classified as "normal";
- 4) Notwithstanding 1) through 3), where a loan, the receivable of which is re-adjusted, is a housing mortgage loan for residential purposes, with regard to a portion of the amount of the loan which is collectable through enforcing the security right if the repayment thereof is made in compliance with the relevant repayment plan (including deferred payment or interest payments for the grace period) for at least 1 year, such loan may be classified as "normal";

c. Presumed Loss

- 1) "Internal debt adjustment" means to relieve debt repayment burden, such as reduction or exemption of overdue interest, reduction or exemption of interest, and conversion of debts into long-term installment repayment loans, which is applicable only to where such debtor shall have no record of default as of the date credit rating is upgraded;
- 2) Loans classified as "precautionary" as at the commencement of debt adjustment: Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1 year after being changed to "precautionary", such can be classified as "normal";
- 3) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1 year after being changed to "precautionary", such can be classified as "normal";
  - i) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1/4 of the entire period of repayment or 2 years, the classification of the total amount of receivables can be changed to "substandard" for the full repayment;
  - ii) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1/3 of the entire period of repayment or 4 years, the classification of the total amount of receivables can be changed to "precautionary" for the full repayment;
  - iii) Where the repayment of debts is confirmed and where such repayments according to a repayment plan has been successful for a period at least 1 year after being changed to "precautionary", such can be classified as "normal".

d. Forward looking criteria for recurrence of overdue payments

- 1) With regard to receivables which were deemed to be correspond to sincere receivables after debt adjustment and have been upgraded the rating in the forward-looking classification, if overdue payments or other causes for downgrading to a lower classification occur, such forward-looking classification shall be strictly applied by adding the relevant existing overdue period;
- 2) Provided, That where the repayment of debts has been successful in compliance with a repayment plan for a period at least 1/2 of the entire period of repayment after being classified as "normal", even though an overdue payment occurs, the relevant remaining overdue period need not to be added in applying such forward-looking classification.

[Table 1-2]

**Standards for Registration of Value-Added Network Providers for  
Credit Cards, etc.**  
(related to Article 5-2 (1))

1. Having secured, as at the time of filing an application, at least ten employees who majored in information and technology; or have at least three years' experience in the field of value-added network services for credit cards, etc.; or having possibility to secure the aforementioned employees by the time of filing the aforementioned application;
2. Having secured electronic data-processing equipment necessary to facilitate providing value-added network services for credit cards, etc.;
3. Having secured back-up equipment to prevent loss of electronic data-processing materials in cases of any malfunction of an electronic data-processing system;
4. Having secured various programs to facilitate providing value-added network services for credit cards, etc.;
5. Having secured a method to manage suitable information-processing systems required to protect electronic data-processing materials; and having established an information-protection system and other surveillance operational systems;
6. Having secured safety of the structure, interior, equipment, etc. of a computer room, etc.; and having established appropriate security-measures therefor.

[Table 1-3]

### Affairs to be Carried Out Without Reporting to FSC

Classification	Affairs
1. Credit Card Company	<p>a. Mail-order sales business and travel business;</p> <p>b. Issuance of cards (electronic means of payment) as a proxy and provision of a payment system;</p> <p>c. Deleted.</p> <p>d. Rental of real estate for business purposes: <i>Provided</i>, That real estate for rental shall be used directly by a specialized credit finance company, except as otherwise expressly provided for in the following, and the space for rental shall not exceed nine times the space being directly used:</p> <p style="padding-left: 40px;">1) Where a building is inevitably constructed under the construction order of an administrative agency which permits construction on condition of constructing a building of at least a certain number of floors for reasons, such as urban planning, aesthetic urban features, etc.;</p> <p style="padding-left: 40px;">2) Where surplus real property, among the existing real property owned or leased and being used, arises for reasons, such as asset acquisition, merger or closure/downsizing of places of business and where the surplus real property is leased until it is sold or its lease agreement is terminated;</p> <p>e. Selling exchange checks, lottery tickets, etc. as a proxy, or advertising as a proxy utilizing one's own equipment, etc.;</p> <p>f. Sale/rental of an electronic data-processing system or soft wear that is related to one's affairs;</p> <p>g. Providing training on work duty, and issuing publications and books;</p> <p>h. The following rental business: <i>Provided</i>, That the average quarterly balance (i.e., undepreciated balance) of each rental asset shall not exceed the average quarterly balance (i.e., the sum of undepreciated balance of financial lease receivables and operating lease assets) of each leased asset, and the short-term lease during a period of less than 20/100 of its durable years shall be limited to where it is impracticable to use the leased asset due to its undergoing maintenance, repair or other reasons:</p> <p style="padding-left: 40px;">1) Rental business with the objects to be leased: <i>Provided</i>, That the average quarterly balance (i.e., undepreciated balance) of each rental asset shall not exceed the average quarterly balance (i.e., the sum of undepreciated balance of financial lease receivables and operating lease assets) of an equivalent leased asset;</p> <p style="padding-left: 40px;">2) Rental business with the objects other than those to be leased: Rental services shall be provided with corporations as defined in any of subparagraphs 1 through 4 of Article 2 of the Corporate Tax Act or business entities as defined in subparagraph 5 of Article 1-2 of the Income Tax Act, and objects shall be limited to those passed the adequacy review by the Credit Finance Association in conformity with the criteria for handing items, business types, and scale of handling determined by the Credit Finance Association to prevent infringement, etc. in rental markets for small- or medium-sized businesses;</p> <p>i. Provision of services concerning corporate management guidance, etc. and the affairs of business management;</p> <p>j. Deleted;</p> <p>k. Deleted;</p> <p>l. Establishment of the right to implement or use the design right and trademark acquired in connection with the affairs;</p>

	<p>m. Analyzing and providing information acquired in connection with the affairs and consulting services utilizing such information;</p> <p>n. Affairs identical to those publicly announced pursuant to Article 17-2 (2) of the Enforcement Decree after other credit card companies file a report thereon.</p>
2. Equipment rental business entity	<p>a. Affairs falling under subparagraph 1 (d) through (m);</p> <p>b. Affairs identical to those publicly announced pursuant to Article 17-2 (2) of the Enforcement Decree after other equipment rental business entities file a report thereon.</p>
3. Installment financing business entity	<p>a. Affairs falling under subparagraph 1 (d) through (m);</p> <p>b. Affairs identical to those publicly announced pursuant to Article 17-2 (2) of the Enforcement Decree after other installment financing business entities file a report thereon</p>
4. New technology finance business entity	<p>a. Deleted;</p> <p>b. Deleted;</p> <p>c. Deleted;</p> <p>d. An investment for a foreign enterprise which engages in the affairs described in Article 3 (1) of Enforcement Decree of the Korea Technology Credit Guarantee Fund Act (in such cases, the investment shall not exceed the equity capital of the new technology finance business entity);</p> <p>e. Affairs falling under subparagraph 1 (d) through (m);</p> <p>f. Affairs identical to those publicly announced pursuant to Article 17-2 (2) of the Enforcement Decree after other new technology finance business entities file a report thereon.]</p>

[Table 2] <Newly Inserted on Aug. 31, 2006, Amended on Jan. 23, 2008; Feb. 27, 2008; Jan. 1, 2011; Sep. 17, 2013>

## Items for Management Status Evaluation

(related to Article 16)

Category	Quantitative Index	Items for Non-Quantitative Evaluation
Capital Adequacy	<ul style="list-style-type: none"> <li>Adjusted capital ratio</li> <li>Equity capital ratio</li> </ul>	<ul style="list-style-type: none"> <li>Adequacy of capital fluctuation factor</li> <li>Potential capital increase</li> <li>Validity of capital adequacy maintenance policy of the management</li> <li>Adequacy of consolidated management index</li> </ul>
Asset Quality	<ul style="list-style-type: none"> <li>Loss-risk weighted bad loan ratio</li> <li>Ratio of credit extension to large shareholders</li> <li>Substandard and below loan ratio</li> <li>Overdue loan ratio</li> <li>Loan loss provision ratio</li> </ul>	<ul style="list-style-type: none"> <li>Adequacy of risky assets holding level</li> <li>Adequacy of classification of asset quality</li> <li>Adequacy of credit management</li> <li>Adequacy of handling incidental business</li> <li>Ability to identify and manage bad loans</li> <li>Adequacy of consolidated management index</li> </ul>
Management		<ul style="list-style-type: none"> <li>General financial status and operation ability</li> <li>Adequacy of establishment and enforcement of management policy</li> <li>Reasonableness of internal business management</li> <li>Risk management system and operation status</li> <li>Internal control system and operation status</li> <li>Compliance and performance of matters pointed out as a results of examination</li> </ul>
Earnings	<ul style="list-style-type: none"> <li>ROA</li> <li>Expense to total asset ratio</li> <li>Expenses to income ratio</li> <li>Expenses to marketing ratio</li> </ul>	<ul style="list-style-type: none"> <li>Adequacy of reasons for change in income/expenses</li> <li>Adequacy of profits management</li> <li>Efforts on management rationalization</li> <li>Adequacy of consolidated management index</li> </ul>

		<ul style="list-style-type: none"> <li>• Adequacy of management of marketing expenses</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>• Liquidity ratio</li> <li>• Business-purpose fixed asset ratio</li> <li>• Credit spread of issued bonds(note)</li> </ul>	<ul style="list-style-type: none"> <li>• Adequacy of reasons for change in liquidity</li> <li>• Reasonableness of fund raising and operation structure</li> <li>• Ability to manage liquidity</li> <li>• ABS issuance ratio compared to credit card asset(note)</li> </ul>

Note) It shall apply to credit card companies only.

[Table 3] <Newly Inserted on Jul. 26, 2007; Amended on Jan. 1, 2011; Aug. 23, 2017; Jan. 31 2018; Jul. 12, 2018; Oct. 25, 2018; Dec. 19, 2019>

## Standards for Risk Management of Housing Mortgage Loan

(pursuant to Article 11-2)

### CHAPTER I

#### General Provisions

1. (Definitions) The terms used in these Regulations shall be defined as follows:
  - a. "Housing mortgage loan" means a loan made by a specialized credit finance company to a household (including asset-backed securitized loan) against a home unit as collateral. Any of the following loans shall be deemed to be a housing mortgage: <Amended on Oct. 25, 2018>
    - (1) Intermediate payment loans and balance payment loans in cases of apartments;
    - (2) Relocation expenses loans for housing under rebuilding or redevelopment (including remodeling; hereafter in attached Table 3 of these Regulations the same shall apply), intermediate payment loans and balance payment loans for additional allotted charges. <Amended on Oct. 25, 2018>
  - b. "Housing installment financing" means the method of financing in which an installment financing company enters into an agreement with the purchaser and the seller who concluded a contract for purchase/sale of a home, respectively, and thereby pays the seller the amount of loan for the purchaser and thereafter receives the principal and interest in installments from the purchaser.
  - c. "Home" means the housing as defined in subparagraph 1 of Article 2 of the Housing Act and includes the right to purchase ownership and participant's share in housing under reconstruction or redevelopment (housing-project member's right to residency). <Amended on Oct. 25, 2018>
  - d. "New loan" means the loan which is newly executed, including an increase in existing loan amount, renewal of loan agreement, refinancing, taking over of obligations (debts) etc.: *Provided*, That the extension of loan maturity, and renewal of loan agreements or refinancing, etc. in which only interest rate or maturity terms are changed shall not be deemed a new loan.
  - e. "Loan-To-Value (LTV) ratio" means the ratio of maximum amount of possible loan against the value of mortgage at the time of making housing mortgage loan.
  - f. "Housing mortgage loan for purchasing a home" means a loan to be made for a home within three months from the date of registration of initial ownership of the home or registration of transfer of such ownership and includes a loan to be made for purchasing a new home against an existing home as collateral. The following loans shall also be deemed housing mortgage loans for purchasing homes: <Newly Inserted by Oct. 25, 2018>
    - (1) Intermediate payment loans and balance payment loans to apartments;
    - (2) Relocation expenses loans to housing under reconstruction or development, intermediate payment loans for additional allotted charges.

g. "Housing mortgage loan for livelihood stabilization" means a housing mortgage loan to be made for purposes other than for purchasing a home unit as defined in item f. <Newly Inserted on Oct. 25, 2018>

h. "Debt-To-Income (DTI) ratio" means the ratio of the borrower's annual repayment of principal and interest to the borrower's annual income. <Amended on Oct. 25, 2018>

i. "Speculative area" means an area designated by the Minister of Strategy and Finance pursuant to the Article 104-2 of the Income Tax Act. <Amended on Oct. 25, 2018>

j. "Overheated speculative district" means an area designated by the Minister of Land, Infrastructure and Transport or Mayors/Do Governors pursuant to Article 63 of the Housing Act. <Amended on Oct. 25, 2018>

k. "Adjustment target area" means an area specified in under Article 63-2 (1) 1 of the Housing Act among the areas designated by the Minister of Land, Infrastructure and Transport pursuant to the same Article.

l. "Regulated area" means "speculative area", "overheated speculative district", and "adjustment target area" as defined in items i, j, and k, respectively. <Newly Inserted on Oct. 25, 2018>

m. "Seoul Metropolitan Area" means Seoul Metropolitan City, Incheon Metropolitan City and Gyeonggi-do. <Amended on Oct. 25, 2018>

n. "Household" means a householder and household members, and household members consist of the spouse of a householder, his/her lineal ascendants (including the lineal ascendants of the spouse) and lineal descendants, and the spouses thereof as indicated on the resident registration record card of the relevant household (including family relation certificates, etc. in cases of foreigners pursuant to the Immigration Act and foreign national Koreans pursuant to the Act on the Immigration and Legal Status of Overseas Koreans), including a separated spouse and his/her lineal descendants and spouse in the same household as the separated spouse. <Amended on Oct. 25, 2018>

o. "Ordinary persons and end users" mean persons who meet the following requirements in speculative areas or overheated speculative districts: (1) the sum of annual income of husband and wife is up to 70 million won (80 million won in the case of first-time buyers); (2) the housing price is up to 600 million won; and (3) the householder does not own any house; and persons who meet the following requirements in adjustment target areas: (1) the sum of annual income of husband and wife is up to 60 million won (70 million won in the case of first-time buyers); (2) the housing price is up to 500 million won; and (3) the householder does not own any house. <Amended on Oct. 25, 2018>

p. "Young people" mean workers without home ownership under 40 years of age. <Amended on Oct. 25, 2018>

q. "Newly married couple" means any couple whose duration of marriage is within the duration of marriage prescribed in Article 41 (1) 1 (a) of the Rules on Housing Supply as of the date of application for loan. <Amended on Oct. 25, 2018>

r. "high-priced home" means a home whose price publicly announced by Minister of Land, Infrastructure and Transport or the head of a competent *Si/Gun/Gu* under Articles 16 through 18 of the Act on the Public Announcement of Real Estate Values exceeds 900 million won; <Newly Inserted on Oct. 25, 2018>

s. "Housing rental business entity" means a business entity as defined in subparagraph 3 of Article 2 of the Value-Added Tax Act that conducts the business of renting residential buildings. <Newly Inserted on Oct. 25, 2018> <Amended on Dec. 19, 2019>

t. "Housing sale business entity" means a business entity as defined in subparagraph 3 of Article 2 of the Value-Added Tax Act that conducts the business of developing and supplying residential buildings; <Newly Inserted on Dec. 19, 2019>

u. "Housing rental business loan" means a corporate loan on the security of housing as collateral, which is made for housing rental business conducted by a housing rental business entity as defined in item q. Corporate loans made to a rental business entity in any of the following shall be deemed housing rental business loans: <Newly Inserted on Oct. 25, 2018> <Amended on Dec. 19, 2019>

- (1) Intermediate payment loans and balance payment loans to apartments;
- (2) Relocation expenses loans to housing under reconstruction or development, intermediate payment loans for additional allotted charges.

v. "Housing sale business loan" means a corporate loan made for housing sale business conducted by a housing rental business entity as defined in item q. on the security of housing as collateral. Corporate loans made to a housing sales business entity in any of the following shall be deemed housing sales loans: <Amended on Dec. 19, 2019>

- (1) Intermediate payment loans and balance payment loans to apartments;
- (2) Relocation expenses loans to housing under reconstruction or development, intermediate payment loans for additional allotted charges.

w. "Housing-related beneficiary securities mortgage loan" means a loan secured by a beneficiary certificate as defined in Article 4 (5) of the Financial Investment Services and Capital Markets Act (limited to those that display the beneficiary right of a trust whose property includes a home specified in item b). <Newly Inserted on Dec. 19, 2019>

2. (Standards for Risk Management of Housing Installment Financing) Standards for risk management of housing mortgage loans shall be applied *mutatis mutandis* to housing installment financing. In such cases, housing mortgage loans and apartment mortgage loans shall be deemed housing installment financing and apartment installment financing, respectively, and housing mortgage loans (including apartment mortgage loans) and housing installment financing (including apartment installment financing) shall be added up when calculating the number of loans.

## CHAPTER II Loan-To-Value Ratio

3. (Application of LTV Ratios to Housing Mortgage Loans)

a. The LTV ratios of specialized credit finance companies at the time of making new housing mortgage loans are as follows. In such cases, the LTV ratios calculated by aggregating a housing mortgage loan for purchasing a home and a housing mortgage loan for livelihood stabilization shall not exceed the following LTV ratios: <Amended by Oct. 25, 2018>

Classification	Speculative areas	Overheated speculative districts	Adjustment target areas	Other areas
LTV ratios	Up to 40%	Up to 40%	Up to 60%	Up to 70%

b. Despite the LTV ratios prescribed in item a, where the borrower takes over the liabilities of a loan of the former borrower inevitably through inheritance, participation in auctioning for preserving creditor's claims, etc. without changing its balance amount, maturity and method of repayment and without making an additional loan, the LTV ratio applied to the former borrower may apply as it is, regardless of the borrower's total number of homes and

in cases of converting an intermediate payment loan to a balance payment loan without increasing the loan amount or without replacing the specialized credit finance company, etc., the LTV ratio at the time of making the intermediate payment loan may apply. <Amended by Oct. 25, 2018>

c. Notwithstanding the LTV ratios prescribed in item a, on any of the following grounds, if principal or interest is reduced or exempted or conditions concerning interest rate, maturity, repayment method, and grace period are changed (*Provided*, That changes to the conditions regarding repayment methods shall be limited to cases where the loan repayment method is changed from bullet or installment payment to installment payments for at least ten years) for the purpose of helping the borrower repay his/her debt by lessening his/her debt burden, the LTV ratios of the existing loans may apply: <Amended by Oct. 25, 2018>

- (1) Unemployment;
- (2) Business closure;
- (3) Other financial difficulties.

d. Notwithstanding the LTV ratios prescribed in item a, in any of the following cases, specialized credit finance companies may apply LTV ratios differently from those specified in item a above: <Amended by Oct. 25, 2018>

(1) In cases of housing mortgage loans for purchasing a home by ordinary people and end users in regulated areas, 10 percentage points may be added to LTV ratios prescribed in item a; <Amended by Oct. 25, 2018>

(2) With regard to a household that has already owned a home, where a loan is to be made for purchasing another home in an area other than the regulated area is to be made on the security of the newly purchased home, 10 percentage points may be subtracted from the relevant LTV ratio prescribed in item a: *Provided*, That such points need not be subtracted where it is proved that the contract for sale of the existing home was made and the borrower received a down payment. <Amended by Oct. 25, 2018>

(3) With regard to a household that has owned a home in an area other than the regulated areas, where a housing mortgage loan is to be made for purchasing an additional home in an area other than the regulated areas on the security of the additional home, 10 percentage points may be subtracted from the relevant LTV ratio prescribed in item a: <Newly Inserted on Oct. 25, 2018>

e. (Limitation on Making Housing Mortgage Loan for Purchasing Home to Household with Home) No specialized credit finance company shall make a housing mortgage loan for purchasing a home in any of the regulated areas to a household that have already owned a home: *Provided That*, it may make a housing mortgage loan in any of the following cases, and relevant LTV ratios prescribed in item a shall apply in such cases: <Newly Inserted on Oct. 25, 2018>

(1) Where a housing mortgage loan is to be made to a household with one home on the condition that the existing home should be sold within two years from the date the housing mortgage loan is made (the date of registration of transfer of home ownership in cases of intermediate payment loans or relocation expenses loans), together with an agreement providing that if the borrower fails to prove that he/she has sold the existing home within the specified period, the acceleration provisions would take effect and housing-related loans may be restricted for the next three years;

(2) Where a housing mortgage loan is made to a household with one home for purchasing a new home other than a high-priced home, together with an agreement providing that if the household fails to meet the following requirements specified in (a) and (b), the acceleration provisions would take effect and housing-related loans may be restricted for the next three years: Provided, That where a household that has owned a home in Seoul metropolitan area is to purchase another new home in any of the regulated areas in Seoul metropolitan area, a housing mortgage loan shall not be made in principle, but such loan can be exceptionally allowed where the credit screening committee of a specialized credit finance company (or other decision-making body equivalent thereto; the same shall apply hereafter in attached Table 3 of these Regulations) deems that there exists good cause or any other similar circumstance.

(a) It is required that the head or a member of a household who is deemed to have good cause, etc. or his/her lineal ascendant at the age of 60 years or more who has established an individual household (including his/her spouse's lineal ascendant who is less than 60 years old) move in such new home within 3 months from the date the housing mortgage loan is made (the date of registration of transfer of home ownership in cases of intermediate payment loans or relocation expenses loans), and such moving-in shall be proved;

(b) Where such good cause no longer exists (Provided, That even though such good cause exists, a member of the household who moved into the new home does not live there any longer, it shall be deemed such good cause ceases to exist), it is required that either the existing home or the new home purchased through the relevant housing mortgage loan be sold within 1 year from the date the good cause no longer exists, and such fact shall be proved.

(3) With regard to a household with one home in any of the regulated areas, where a relocation expenses loan for reconstructing or redeveloping of the home and intermediate payment loan for additional charges are to be made on the condition that the borrower will not purchase another home during the period of the loans, together with an agreement providing that if the borrower purchases another home during the period of the loans, the acceleration provisions would take effect and housing-related loans may be restricted for the next three years.

(4) Other cases deemed by the credit screening committee of the specialized credit finance company to be equivalent requirements above.

f. (Limitation on Making of Housing Mortgage Loans for Purchasing Homes in Regulated Areas) No specialized credit finance company shall make a housing mortgage loan for the purpose of purchasing a high-priced home in any of the regulated areas: Provided That, a housing mortgage loan may be made in any of the following cases, and the LTV ratios prescribed in item a. shall apply in such cases: <Newly Inserted on Oct. 25, 2018>

(1) Where a housing mortgage loan for the purpose of purchasing a home is to be made to a household without home ownership on the condition that the borrower shall move into the home within 2 years from the date the loan is made (the date of registration of transfer of home ownership in cases of intermediate payment loan or relocation expenses loan) [excluding where approval by the credit screening committee of the relevant specialized credit finance company is given for the extension of the moving-in period because it was difficult to move in within 2 years], together with an agreement providing that if the borrower fails to prove that he/she has moved into the relevant home, the acceleration clause would take effect and housing-related loans may be restricted for the next three years;

(2) Where a household with one home falls under (1) of item e (1).

g. (Requirements for Making of Housing Mortgage Loans for Livelihood Stabilization to Households with One Home) Where specialized credit finance companies intend to make housing mortgage loans for livelihood stabilization to households with one home, they shall meet all of the following requirements and the LTV ratios prescribed in item a shall apply in such cases: <Newly Inserted on Oct. 25, 2018>

(1) Where a housing mortgage loan is to be made to a borrower's household on the condition that he/she shall not purchase another new home during the period of the loan, he/she shall enter into an agreement providing that if he/she purchases another home, the acceleration provisions would take effect and housing-related loans may be restricted for the next three years;

(2) A new loan shall be made within an annual limit of 100 million won per collateral item: Provided, That a loan exceeding an annual limit of 100 million won can be made for the return of a rental deposit to a tenant or for other cases with approval by the credit screening committee of a specialized credit finance company;

(3) Where a housing mortgage loan is to be made to a high-priced home located in any of the regulated areas for the return of its rental deposit, the borrower shall enter into an agreement providing that if the borrower fails to prove that he/she has moved into the home within 3 months from the date of execution of the loan (excluding where approval by the credit screening committee of the specialized credit finance company is given for the extension of the moving-in period because it was difficult to move in within 3 months), the acceleration provisions would take effect and housing-related loans may be restricted for the next three years;

h. (Requirements for Making of Housing Mortgage Loans for Livelihood Stabilization to Households with at Least Two Homes) Where specialized credit finance companies make housing mortgage loans for the purpose of livelihood stabilization to households with at least two homes, they shall meet all of the following requirements: Provided, That 10 percentage points may be subtracted from the relevant LTV ratio prescribed in item a, but such points need not be subtract therefrom with approval by the credit screening committee of a relevant specialized credit finance company. <Newly Inserted on Oct. 25, 2018>

(1) Where a housing mortgage loan is made to a borrower's household on the condition that he/she shall not purchase another new home during the period of the loan, the

borrower shall enter into an agreement providing that if he/she purchases another home, the acceleration provisions would take effect and housing-related mortgage should be restricted for the next three years;

(2) A new loan shall be made within an annual limit of 100 million won per collateral item: Provided, That a loan exceeding an annual limit of 100 million won can be made for the return of a rental deposit to a tenant of a home located in an area other than the regulated areas (where a housing mortgage loan is to be made for the return of a rental deposit with regard to a home located in any of the regulated areas, such loan shall be limited to a household with two homes that satisfies the following requirements specified in both (a) and (b) or for other cases with approval by the credit screening committee of a specialized credit finance company;

(a) It shall be proved that the owner of a household with two homes has concluded a contract for sale of either of his/her homes and received a down payment;

(b) Where the relevant home for is a high-priced home, the borrower shall enter into an agreement providing that if he/she fails to prove that he/she has moved into the relevant home within 3 months (excluding where approval by the credit screening committee of the relevant specialized credit finance company is given for the extension of the moving-in period) from the date of execution of the loan, the acceleration provisions would take effect and housing-related loans may be restricted for the next three years;

i. (Restriction on Interim Repayment) Where a specialized credit finance company makes a housing mortgage loan to a borrower who wishes to pay off the mortgage before maturity, it must check whether the agreement entered into under items e through h is fulfilled; and it shall enter into an agreement with the borrower that if the borrower fails to prove the agreement is fulfilled, housing-related loans may be restricted for the next three years. <Newly Inserted on Oct. 25, 2018>

j. Deleted. <Oct. 25, 2018>

3-1. (Application of LTV Ratios to Housing Rental Business Loans and Housing Sale Business Loans)

a. The LTV ratios that specialized credit finance companies apply at the time of making new housing rental business loans are as follows: <Newly Inserted on Oct. 25, 2018>

Classification	Speculative areas	Overheated speculative districts	Adjustment target areas1)	Other areas 1)2)
LTV ratios	Up to 40%	Up to 40%	N/A	N/A

b. Notwithstanding item a, a specialized credit finance company may not make new housing rental loans and housing sale loans in any of the following cases: <Newly Inserted on Oct. 25, 2018> <Amended on Dec. 19, 2019>

(1) Where a housing rental business entity or a housing sale business entity that is a self-employed business owner applies for a loan to purchase a home in a speculative area while the business entity has already taken out a loan secured on another home;

<Amended by Dec. 19, 2019>

(2) Where a housing rental business entity or a housing sale business entity that is a self-employed business owner applies for a loan to purchase a high-priced home in any of the speculative areas and overheated speculative districts; <Amended on Dec. 19, 2019>

c. Where a housing rental business entity or a housing sale business entity constructs new homes (applicable only to cases where such new housing construction is clearly proved through a certificate of real estate registration, building permit, etc.) and rents or sells them, the LTV ratios prescribed in item a shall not apply to housing rental business loans or housing sale business loans secured on such newly constructed homes. <Newly Inserted on Oct. 25, 2018> <Amended on Dec. 19, 2019>

**3-2. (Application of LTV Ratios to Loans Secured on Housing-Related Beneficiary Certificates)**

Where specialized credit finance companies make loans secured on housing-related beneficiary certificates, the LTV ratios depending on the location of a home included in a relevant trust property are as follows: <Newly Inserted on Dec. 19, 2019>

Classification	Speculative areas	Overheated speculative districts	Adjustment target areas1)	Other areas 1)2)
LTV ratios	Up to 40%	Up to 40%	Up to 60%	N/A

**CHAPTER III**  
**Debt-To-Income Ratio (DTI)**

**4. (Application of DTI Ratios to Housing Mortgage Loans)**

a. The DTI ratios prescribed in the following table shall apply when specialized credit finance companies make new housing mortgage loans: <Newly Inserted on Oct. 25, 2018>

Classification	Speculative areas	Overheated speculative districts	Adjustment target areas 1)	Other areas 1)2)
DTI ratios	Up to 40%	Up to 40%	Up to 50%	Up to 60%

Note: 1) To apply to mortgage loans secured on apartment units (including mixed-use apartment units) located in the relevant area;

2) Limited to the metropolitan area excluding speculative areas, overheated speculative districts and adjustment target areas.

b. The application of DTI ratios may be exempted in any of the following cases: <Newly Inserted on Oct. 25, 2018>

(1) Where a small loan does not exceed 100 million won (an aggregate amount from all financial institutions): Provided, That where each individual housing mortgage loan does not exceed 100 million won but the aggregate amount thereof exceeds 100 million won, the DTI ratios prescribed in item a shall apply;

(2) When the borrower takes over the liabilities of a loan of the former borrower inevitably through inheritance, participation in auctioning for preserving creditor's claims, or the like;

(3) Intermediate payment loans for purchasing apartments, relocation expenses loans for housing under reconstruction or redevelopment, and loans for making intermediate payments for additionally allocated charges;

(4) Where principal or interest is reduced or exempted or conditions concerning interest rate, maturity, repayment method, and grace period are changed for the purpose of helping the borrower repay his/her debt by lessening his/her debt burden: *Provided*, That changes to the conditions regarding repayment methods shall be limited to cases where the loan repayment method is changed from bullet or installment payments to installment payments for at least ten years;

(5) Balance payment loans for places of business located in areas other than the regulated areas (balance payment loans to apartments and to housing under reconstruction or redevelopment).

c. The DTI ratios prescribe in item a may apply differently in any of the following cases: <Newly Inserted on Oct. 25, 2018>

(1) Where a housing mortgage loan is made to an ordinary person or an end user for purchasing a home in any of the regulated areas, 10 percentage points may be added to a relevant DTI ratio prescribed in item a.

(2) With regard to a household that has already owned a home, where a loan is to be made for purchasing another home other than the regulated areas on the security of an apartment, 10 percentage points may be subtracted from the relevant DTI ratio prescribed in item a: *Provided*, That such points need not be subtracted where it is proved that the borrower entered into a contract for selling either of the existing homes and received a down payment.

d. The DTI ratios prescribed in item a shall apply in any of the following cases: <Amended on Oct. 25, 2018>

(1) Where a housing mortgage loan can be made to a household that has already owned a home for purchasing another new home in any of the regulated areas pursuant to subparagraph 3 e; <Amended on Oct. 25, 2018>

(2) Where a housing mortgage loan can be made for purchasing a high-priced home in any of the regulated areas pursuant to subparagraph 3 e; <Amended on Oct. 25, 2018>

e. (Application of DTI Ratios to Housing Mortgage Loans for Livelihood Stabilization) Where specialized credit finance companies intend to make housing mortgage loans for livelihood stabilization to households with one home, the DTI ratios prescribed in item a shall apply: *Provided*, That where it makes a housing mortgage loan to a household with at least two homes, 10 percentage points may be subtracted from the relevant LTV ratio prescribed in item a, but such points need not be subtracted therefrom with approval by the

credit screening committee of the relevant specialized credit finance company. <Newly Inserted on Oct. 25, 2018>

#### CHAPTER IV

##### Considerations in Making Housing Mortgage Loans

5. (Restriction on Making Housing Mortgage Loans or Housing Rental Business Loans to Minors and on Obtaining Collateral from Minors)

a. A specialized credit finance company shall not make a new housing mortgage loan or housing rental business loan to a minor as of the date of execution of the loan (excluding those married): the foregoing shall not apply where a housing mortgage loan is to be made within 40 percent of a relevant DTI to a minor who has no parents, including a minor male/female household head or where a minor inevitably takes over loan liabilities due to inheritance, etc.; <Amended on Oct. 25, 2018>

b. A specialized credit finance company may extend the maturity of a housing mortgage loan or housing rental business loan made to a minor borrower only one time and for maximum one year when the maturity becomes due: Provided, That it may exceptionally extend such maturity for a minor borrower who has no parents, including a minor male/female household head; <Amended on Oct. 25, 2018>

c. Where a borrower was a minor as of the date of execution of a loan and thereafter becomes an adult as of the maturity date (including the end of the one-year grace period), a new loan may be made after the existing loan is retrieved. <Amended on Oct. 25, 2018>

6. (Application of LTV Ratios in Cases of Installment Payments Changed from Bullet Payments) Notwithstanding the provisions of subparagraphs 3 and 4, the previous LTV ratios and DTI ratios may apply where the existing housing mortgage loan with the bullet payment method (including deferred installment payments during a grace period) is transformed or re-agreed (excluding where the amount is increased) to a loan without a grace period (including installment payments with no grace period and partial pay installments) for restructuring loan payment process. <Amended on Oct. 25>

7. (Restriction on Corporate Loans Secured on Homes Located in speculative Areas) Where a housing rental business entity or housing sale business entity acquires homes, no specialized credit finance company shall make a new corporate loan secured on such homes located in any of the speculative areas for the purpose of purchasing homes, except cases which the credit screening committee of the company deems inevitable and grants approval thereof. <Amended by Oct. 25, 2018; Dec. 19, 2019>

8. (Principles for Review of Housing-Related Loans) A specialized credit finance company shall, at the time of making a housing-related loan, thoroughly conduct credit review by comprehensively taking into account of the borrower's ability to repay debts, such as his/her income, and the overall credit rating, etc. based on the results of the credit evaluation. <Amended on Dec. 19, 2019>

9. (Duty to Report) A specialized credit finance company shall report, to the Governor of the Financial Supervisory Service, on a quarterly basis, the results of making housing-related mortgage loans after obtaining approval by its credit screening committee. Specific reporting methods, etc. shall be prescribed by the Governor of the Financial Supervisory Service. <Newly

Inserted on Dec. 19, 2019>

[Table 4]

## Eligible Expenses (pursuant to Article 25-4 (2))

### 1. Fund raising expenses

Financial expenses borne by a credit card company during the period of credit extension (the period from the date of making payment for sale on credit to credit card merchants to the payment date of credit card members for purchases on credit for one term) in connection with sale on credit (including revolving): *Provided*, That financial expenses related to sale on credit for which a separate fee in the character of interest is imposed on credit card members shall not be borne by a merchant accepting credit cards.

<Examples of eligible expenses>

- Expenses incurred in raising funds during the period of credit extension to sale on credit.

<Examples of ineligible expenses>

- Expenses incurred in raising funds during the period a credit card company imposes separate fees in the character of interest, such as fees for installment sale on credit or fees for sale on revolving credit, to credit card members.
- Expenses incurred in raising funds in conducting financial business, such as credit advance service or card loan unrelated to sale on credit, and installment/lease business
- Expenses incurred in raising funds related to interest-free installment payments, etc. previously borne by credit card merchants.

### 2. Risk management expenses

- a. Bad debt expenses: Expenses borne by a credit card merchant according to reasonable standards to cover losses incurred because a credit card member fails to pay for purchases on credit. Bad debt expenses related to sale on credit for which a separate fee in the character of interest is imposed on a credit card member shall not be borne by the credit card merchant.

<Examples of eligible expenses>

- Bad debt expenses related to purchases on credit of a credit card member whose personal credit rating assigned by a credit inquiry company under Article 22 of the Use and Protection of Credit Information Act meets the criteria specified in Article 24 (1) of the Regulations on Supervision of Specialized Credit Finance Business at the time of issuance or renewal of a credit card under Article 6-7 (3) 1 of the Enforcement Decree.

<Examples of ineligible expenses>

- Bad debt expenses for the agreed amount of credit cards unused.
- Bad debt expenses related to sale on credit for which separate fees in the character of interest, such as fees for installment sale on credit or revolving sale on credit, are imposed on credit card members.
- Bad debt expenses related to purchases on credit of a credit card member whose personal credit rating assigned by a credit inquiry company under Article 22 of the Use and Protection of Credit Information Act fails to meet

the criteria specified in Article 24 (1) of the Regulations on Supervision of Specialized Credit Finance Business, or whose personal credit rating assigned by a credit inquiry company is zero, at the time of issuance or renewal of a credit card under Article 6-7 (3) 1 of the Enforcement Decree.

- Bad debt expenses incurred in conducting financial business, such as credit advance service or card loan unrelated to sale on credit, and installment/lease business.
- Excluding bad debt expenses related to interest-free installment payments, etc. previously borne by credit card merchants.
- Bad debt reserves accumulated by a credit card company pursuant to relevant statutes and regulations.

### 3. Expenses incurred in processing transaction approval, purchase settlement, etc.

Expenses paid by a credit card company to an electronic finance assisting business operator under subparagraph 5 of Article 2 of the Electronic Financial Transactions Act and subparagraph 1 of Article 3 of the Regulations on Supervision of Electronic Finance in return for the electronic finance assisting business operator's conducting, on its behalf, or supporting affairs, such as the sending and receipt of information on making payments by credit cards, etc., approval for transactions, purchase of sales slips, settlement of payment transactions, etc. In such cases, with regard to credit card merchants who receive micro-payments very often, a credit card company may reflect only some of expenses in a commission of such credit card merchants.

<Examples of eligible expenses>

- Fees for approval for transactions of credit cards, etc.
- Fees relating to the settlement for purchases, such as relay of sales data of credit cards, etc., the collection, storage, etc. of sales slips.

### 4. Marketing expenses

Expenses deemed to contribute to sales increase of credit card merchants and apportioned to such merchants based on turnover from credit card payments, etc. of each merchant among the expenses incurred in conducting activities for sales increase by credit cards, etc., such as solicitation of credit card members and credit card merchants, provision of additional benefits or gifts, etc. to credit card members. In such cases, the marketing expense shall be differentiated, depending on the annual amount of sale of a credit card merchant, and an expense deemed to contribute to sales increase of a specific credit card merchant shall be directly vested in the relevant credit card merchant.

<Examples of eligible expenses>

- Expenses incurred in additional benefits provided to credit card members when using credit cards, etc. according to product terms and conditions.

<Examples of ineligible expenses>

- Expenses incurred in soliciting credit card members and credit card merchants.
- Expenses incurred in conducting all events or activities for the purpose of increasing turnover from credit card payments, etc. regardless of the title or form thereof other than matters stipulated to provide additional benefits, etc. to credit card members according to product terms and conditions.

- Membership fees borne by members.
- Expenses to be borne by credit card merchants among the expenses required for the additional benefits provided to the credit card members according to product terms and conditions.
- Marketing expenses incurred in conducting financial business, such as credit advance service or card loan unrelated to sale on credit, and installment/lease business.

5. General administrative expenses

Expenses incurred in general administrative activities, such as labor costs including wages, severance payments, welfare expenses, etc., operating expenses for computer systems, rent for buildings, utility fees, depreciation costs, amortization, etc., which are supposed to be borne by credit card merchants according to reasonable standards.

<Examples of eligible expenses>

- After expenses incurred in general administrative activities, such as labor costs including wages, severance payments, welfare expenses, etc., operating expenses for computer systems, rent for buildings, utility fees, depreciation costs, amortization, etc., are apportioned to each business sector based on sales, expenses apportioned to credit card merchants based on the importance of earnings generated from credit card merchants and credit card members out of expenses apportioned to the business sector of sale on credit.

<Examples of ineligible expenses>

- Expenses relating to the management of credit card members, such as expenses incurred in requesting payments for purchases of credit card members, expenses incurred in issuing and delivering credit cards, etc.
- General administrative expenses incurred in conducting financial business, such as credit advance service or card loan unrelated to sale on credit, and installment/lease business.
- Expenses borne by credit card merchants, such as entertainment expenses, are apparently unreasonable or other expenses incurred by non-recurring causes, such as honorary retirement benefits.

6. Adjustment expenses

Expenses deemed reasonable to be added to the expenses of credit card merchants because additional expenses occur due to unique transaction characteristics of the relevant merchant accepting credit cards.

<Examples of credit card merchants subject to application of adjustment expenses>

- Credit card merchants whose transactions at night are of great importance.
- Credit card merchants whose transactions without confrontation are of great importance.

[Table 5] <Newly Inserted on Dec, 17, 2012>

**Cases where eligible expenses may be deducted and adjusted in  
consideration of characteristics of merchants accepting credit cards**  
(related to Article 25-4 (2))

1. Where the State or a local government directly enters into a contract with a credit card company;
2. Where an administrative agency receives charges, etc. for use of administrative services by credit card, etc. and specifies the terms of transactions on credit cards, etc. in Acts and subordinate statutes, administrative rules, local laws and regulations, etc., and such terms of transactions must be complied with: *Provided*, That the head of an administrative agency shall consult with the FSC in advance before he/she enacts or amends the relevant regulations;
3. Where goods or services provided have publicness as essentials to the people's living;
4. Other cases corresponding to those under subparagraphs 1 through 3, which are recognized by a credit card company as necessary to deduct and adjust eligible expenses based on objective and rational grounds.

[Table 6] <Newly Inserted on Dec, 17, 2012>

## Methods of Calculating Average Fee Rate of Credit Card Merchants in Immediately Preceding Year (related to Article 25-6 (2))

### 1. Average fee rate of credit card merchants

= All credit card companies' earnings generated from fees of credit card merchants during the immediately preceding one year / All credit card companies' sales by credit card payments during the immediately preceding one year × 100

A. Sales by credit card payments: An amount excluding the following sales out of the aggregate sales by credit card payment checked through the integrated inquiry system of information on sales transactions of credit card merchants managed by the Specialized Credit Financial Business operators Association pursuant to subparagraph 6 of Article 64 of the Act:

- 1) Sales by credit card payment of petty small and medium credit card merchants;
- 2) Sales by credit card payment of credit card merchants falling under cases provided in subparagraphs 1 through 4 of attached Table 5.

B. Earnings generated from fees of credit card merchants: An amount excluding the following earnings generated from fees out of aggregate earnings checked through the integrated inquiry system of information on sales transactions of merchants accepting credit cards managed by the Specialized Credit Financial Business Operators Association pursuant to subparagraph 6 of Article 64 of the Act:

- 1) Earnings generated from fees received from petty small and medium credit card merchants;
- 2) Earnings generated from fees of credit card merchants falling under cases provided in subparagraphs 1 through 4 of attached Table 5;
- 3) Earnings generated from fees that a credit card company receives from credit card merchants according to a separate agreement distinguished from a contract for credit card merchants.

### 2. Average fee rate of debit card merchants

= All credit card companies' earnings generated from fees of debit card merchants during the immediately preceding one year / All credit card companies' sales by debit card payment during the immediately preceding one year × 100

- Methods of calculating the average fee rate of debit card merchants shall apply *mutatis mutandis* to the basis of calculation of sales by debit card payment and earnings generated from fees of debit card merchants.

### 3. Average fee rate of merchants prepaid card merchants

= All credit card companies' earnings generated from fees of prepaid card merchants during the immediately preceding one year / All credit card companies' sales by prepaid card payment during the immediately preceding one year × 100

- Methods of calculating the average fee rate of prepaid card merchants shall apply *mutatis mutandis* to the basis of calculation of sales by prepaid card payment and earnings generated from fees of prepaid card merchants.

[Form 1]

Application for Registration of Value-Added Network Provider for  
Credit Cards, etc.

① Name of Company	Korean	
	English	
② Location of Principal Place of Business		
③ Contact Number	Phone	
	Fax	
④ Corporate Registration Number		
⑤ Name of Representative		
⑥ Amount of Capital		
⑦ Month of Settlement		
⑧ Date of Incorporation	dd/mm/yyyy	
<p>I hereby submit as above, pursuant to Article 27-2 of the Specialized Credit Finance Business Act.</p> <p style="text-align: center;">dd/mm/yyyy</p> <p style="text-align: center;">Applicant (Seal)</p> <p>To: the Governor of the Financial Supervisory Service</p>		
<p>Attachments:</p> <ol style="list-style-type: none"><li>Articles of incorporation;</li><li>Certified transcript of corporate registry and documents proving capital ;</li><li>Documents relevant to Article 27-2 (3) of the Act;</li><li>List of executive directors (including names, duties, resident registration numbers, reference domiciles, etc.);</li><li>Documents relevant to attached Table 1-2 of the Regulations on Supervision of Specialized Credit Finance Business.</li></ol>		

[Form 2]

**Application for Registration of Alteration of Value-Added Network  
Provider for Credit Cards, etc.**

Applicant	Name of Company	Korean				
		English				
	Name of Representative			Corporate Registration Number		
	Location of Principal Place of Business					
Details of Alteration	Matter of Alteration	Before Alteration			After Alteration	
	Name of Company	Korean			Korean	
		English			English	
	Location of Principal Place of Business					
	Name of Representative					
Amount of Capital						
Grounds for Alteration						
Date of Alteration						
<p>I hereby submit as above, pursuant to Article 27-2 (4) of the Specialized Credit Finance Business Act.</p> <p style="margin-left: 200px;">dd/mm/yyyy</p> <p style="margin-left: 100px;">Applicant <span style="float: right;">(Seal)</span></p> <p>To: the Governor of the Financial Supervisory Service</p>						
Attachments	One copy of each document proving details of the alteration of registered matters.					

[Form 3]

Application for De-Registration of Value-Added Network Provider for  
Credit Cards, etc.

① Name of Company	Korean	
	English	
② Grounds for De-registration		
<p>I hereby submit as above, pursuant to Article 27-2 (5) of the Specialized Credit Finance Business Act.</p> <p style="text-align: right;">dd/mm/yyyy</p> <p style="text-align: center;">Applicant (Seal)</p> <p>To: the Governor of the Financial Supervisory Service</p>		

[Form 4]

## Application for Registration of Credit Card Terminal

<b>Application for Registration of Credit Card Terminal</b>				
Applicant	① Name of Company			
	② Address	□□□-□□□		
	③ Representative		④ Business Registration No.	
	⑤ Contact Number	Phone:	Fax:	
Terminal Equipment to be Registered	⑥ Name of Terminal Equipment			
	⑧ Certificate of Authentication No.			
⑨ Type of Registration	<input type="checkbox"/> First Registration <input type="checkbox"/> Update of Information			
<p>I hereby apply for registration as above, pursuant to Article 27-4 of the Specialized Credit Finance Business Act, and confirm that the statement include no fraudulent representation.</p> <p style="text-align: right;">dd/mm/yyyy</p> <p style="text-align: right;">Applicant (Seal)</p> <p>To: the Chairperson of the Credit Finance Association</p>				
<p>Attachments:</p> <ol style="list-style-type: none"> <li>1. Certificate of Business Registration</li> <li>2. Certificate of Test Report</li> </ol>				

[Form 5]

## A Report of Incidental Business of Specialized Credit Finance Companies

### Report of Incidental Business

Document No.:

Date: dd/mm/yyyy

Recipient: Governor of the Financial Supervisory Service

Reference:

Receipt of Duplicate: ○○○○(○○○○)

Subject: Report of Incidental Business

I hereby report the following incidental business pursuant to Article 46-2 (1) of the Specialized Credit Finance Business Act:

1. Details of incidental business:

- A. Purpose and details;
- B. Expected date of initiation, and place for performing the business;
- C. Methods of performing the business;
- D. Matters concerning personnel and organizations;
- E. Whether partnership with third parties exists, or whether registration or reporting is required by other statutes;

2. Analysis of impacts of incidental business:

- A. Relevance to specialized credit finance business;
- B. Impacts on the business soundness of specialized credit finance companies;
- C. Impacts on the protection of finance-users;
- D. Impacts on the stability of financial markets;
- E. Whether the incidental business constitutes suitable business for small and midium-sized companies prescribed by the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises.

Attachments: Compliance officer's opinion that the incidental business does not fall under Article 46-2 (2) of the Specialized Credit Finance Business Act.

○ ○ ○ Representative Director (Seal)

Principal place of business:
Name of Drafter: (Position)
Phone No.: