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COMMUNITY CREDIT COOPERATIVES ACT

[Enforcement Date 27. Jun, 2018.] [Act No.15290, 26. Dec, 2017., Partial Amendment]

행정안전부 (지역금융지원과)044-205-3946



법제처 국가법령정보센터

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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose) The purpose of this Act is to cultivate a sound national spirit and to contribute to the development of the national economy through the creation and utilization of funds, the improvement of the economic, social and cultural status of members and the development of communities on the basis of the unique spirit of mutual assistance based on voluntary and cooperative organizations of the people.

Article 2 (Definitions and Names) (1) The term "credit cooperative" in this Act means a community credit cooperative which is a nonprofit corporation incorporated in accordance with this Act to achieve the purpose prescribed in Article 1.

(2) The term "regional credit cooperative" in this Act means a credit cooperative, the business area of which is the same administrative district, economic bloc or living zone among credit cooperatives defined in paragraph (1).

(3) The term "federation" in this Act means the Korean Federation of Community Credit Cooperatives which is a nonprofit corporation incorporated in accordance with this Act to promote the common interests and continuous development of all credit cooperatives.<Amended by Act No. 10437, Mar. 8, 2011>

(4) A credit cooperative or the Federation shall use the words "community credit cooperative" or "the Korean Federation of Community Credit Cooperatives" in its name.<Amended by Act No. 10437, Mar. 8, 2011>

(5) Unless an organization is a credit cooperative or the Federation, it shall not use the name prescribed in paragraph (4) or a name similar thereto.<Amended by Act No. 10437, Mar. 8, 2011>

Article 3 (Duty of State, etc. to Cooperate) (1) The Government or a local government shall give necessary support to encourage the development of projects carried out by a credit cooperative or the Federation, and where a credit cooperative or the Federation needs State property or public property, the Government or a local government may give priority to lending such property thereto or allowing it to use or profit from such property preferentially. <Amended by Act No. 10437, Mar. 8, 2011>

(2) The Government or a local government may grant subsidies to the Federation within budgetary limits to facilitate development of credit cooperatives.<Amended by Act No. 10437, Mar. 8, 2011>

Article 4 (Cooperation with other Cooperatives) Credit cooperatives and the Federation shall endeavor to mutually cooperate with cooperatives provided for in other Acts and foreign cooperatives. <Amended by Act No. 10437, Mar. 8, 2011>

Article 5 (Prohibition of Participation in Politics) Credit cooperatives and the Federation shall not engage in any act that involves participating in politics. <Amended by Act No. 10437, Mar. 8, 2011>

Article 6 (Relationships with other Acts) (1) The credit business division of the Federation under Article 67 (1) 5 (c) (only applicable to domestic exchange business) or (e) shall be deemed a bank as defined in Article 2 of the Banking Act or a financial institution under Article 11 of the Bank of Korea Act. <Amended by Act No. 10303, May 17, 2010; Act No. 10437, Mar. 8, 2011>

(2) The provisions of the Insurance Business Act shall not apply to the business of credit cooperatives and the Federation.<Amended by Act No. 10437, Mar. 8, 2011>

(3) Where Article 45-2 of the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Companies and the Establishment of Korea Asset Management Corporation applies to a credit cooperative or the Federation, it shall be deemed an institution governed by the same Article.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 10682, May 19, 2011>

CHAPTER II CREDIT COOPERATIVES

SECTION 1 Incorporation

Article 7 (Incorporation) (1) A credit cooperative shall come into existence by completing registration for its incorporation at the seat of its main office with approval from the Minister of the Interior and Safety (hereinafter referred to as the "competent Minister") through the Chairperson of the Federation (hereinafter referred to as the "Chairperson") after at least 50 promoters prepare the articles of incorporation according to the model articles of incorporation determined by the Chairperson, and pass a resolution thereon at the inaugural general meeting. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 10437, Mar. 8, 2011; Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014; Act No. 14839, Jul. 26, 2017>

(2) A quorum for a proceeding of the inaugural general meeting shall consist of persons who have submitted a written consent to the incorporation of a credit cooperative to the promoters before the inaugural general meeting and decisions thereat shall be by the concurrent vote of at least 2/3 of those present.

(3) Matters necessary for incorporating credit cooperatives, such as making public announcement of the inaugural general meeting, agenda items for resolution, procedures for applying for approval of incorporation, and grounds for restrictions on approval, shall be provided for by Presidential Decree.

(4) and (5) Deleted.<by Act No. 10437, Mar. 8, 2011>

Article 7-2 (Requirements for Approval for Incorporation) (1) A person who intends to obtain approval for the incorporation of a credit cooperative under Article 7 (1) shall satisfy the following requirements:

1. He/she shall have investment money more than the amount of money provided for by Presidential Decree;

2. He/she shall have specialized human resources and physical facilities, such as electronic data processing equipment, sufficient to protect its members and conduct its projects;
3. An operation plan shall be workable and sound;
4. Promoters shall have sufficient capacity for investment, healthy financial standing, and social credit.

(2) Detailed requirements for approval for incorporation under paragraph (1) shall be provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 8 (Matters to be Stated in Articles of Incorporation) The following matters shall be stated in the articles of incorporation of a credit cooperative:

1. Objectives;
2. Its name;
3. Seat of its offices;
4. Business area of the relevant credit cooperative;
5. Matters concerning membership, joining, withdrawal and expulsion;
6. The amount of one share of investment and methods of payment;
7. Matters concerning organizations and the number of executive officers and the election thereof;
8. Matters concerning kinds of business and accounting;
9. Methods of making public announcements;
10. Matters concerning dissolution;
11. Other necessary matters.

Article 8-2 (Offices) (1) The main office of a credit cooperative shall be provided for by the articles of incorporation.

(2) A credit cooperative may have branch offices where necessary, as provided for by the articles of incorporation.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

SECTION 2 Members and Investment

Article 9 (Members and Capital) (1) A member of a credit cooperative shall be a person who has his/her domicile or residence, or who is engaged in business as a means of livelihood in the business area provided for by the articles of incorporation thereof, and has paid at least one unit of contribution in money.

(2) The number of members of one credit cooperative shall be at least 100.

(3) No credit cooperative shall refuse membership to a person qualified to be its member without good cause, and matters necessary for joining shall be provided for by the articles of incorporation.

(4) The amount of one unit of contribution shall be provided for by the articles of incorporation, and the maximum number of units of contribution one member may have shall not exceed 15/100 of the total number of units of contribution.

- (5) Members shall have equal voting rights and suffrage regardless of the number of units of contribution: Provided, That a minor or a member, the period of whose membership of the relevant credit cooperative is less than six months, may experience restrictions on his/her voting right and suffrage, as provided for by the articles of incorporation.
- (6) A member may exercise his/her voting right by designating another member as his/her agent. In such cases, the number of members represented by one member shall not exceed two.
- (7) An investment to be made in a credit cooperative by a member shall not be offset by a claim on the credit cooperative.
- (8) An investment shall not be the object of pledge.
- (9) A member may transfer his/her investment to another member with the chairperson's approval. In such cases, a transferee shall succeed to rights and duties on property concerning an investment of a transferor.
- (10) Liability of a member shall be limited to the amount of his/her investment paid.
- (11) Capital of a credit cooperative shall be the sum total of investments paid by its members.

Article 10 (Withdrawal, etc.) (1) A member may withdraw from a credit cooperative at any time, as provided for by the articles of incorporation.

(2) Where a member falls under any of the following cases, he/she shall be deemed withdrawn from a credit cooperative naturally:<Amended by Act No. 13725, Jan. 6, 2016>

1. Where he/she dies (where a corporation is dissolved);
2. Where he/she is adjudicated bankrupt;
3. Where he/she becomes a person under adult guardianship;
4. Where he/she loses his/her membership.

(3) Matters concerning the loss of membership under paragraph (2) 4 shall be provided for by the articles of incorporation.

(4) A member who has withdrawn from a credit cooperative pursuant to paragraph (1) (including where he/she is deemed withdrawn from a credit cooperative pursuant to paragraph (2) and where he/she is expelled pursuant to Article 10-2; hereafter in this Article the same shall apply) may claim the refund of his/her deposit and installment savings, as provided for by the articles of incorporation.<Amended by Act No. 13725, Jan. 6, 2016>

(5) A member who has withdrawn from a credit cooperative pursuant to paragraph (1) may claim a refund of his/her investment, from the fiscal year following the fiscal year during which he/she has withdrawn therefrom, as provided for by the articles of incorporation.<Newly Inserted by Act No. 13725, Jan. 6, 2016>

(6) Where a credit cooperative is unable to discharge all of its obligations with its property, it may make a refund after deducting the loss to be covered by a person, who has withdrawn or has been expelled therefrom, from his/her investment when it refunds his/her investment pursuant to paragraph (5), as provided for by the articles of incorporation.<Newly Inserted by Act No. 13725, Jan. 6, 2016>

(7) The claim for a refund referred to in paragraphs (4) and (5) shall lapse by extinctive prescription, unless the relevant person exercises the claim for his/her investment for two years, for his/her deposit and installment savings for five years, from the date he/she becomes eligible to claim such refund.<Newly Inserted by Act No. 13725, Jan. 6, 2016>

Article 10-2 (Expulsion) (1) A member may be expelled from a credit cooperative, following a resolution by its general meeting, if he/she falls under any of the following cases:

1. Where he/she delays repayment of a loan for at least one year;
2. Where he/she is proven to have intentionally interfered with the execution of business of the credit cooperative;
3. Where he/she does not utilize business of the credit cooperative for at least two consecutive years;
4. Where he/she causes a direct loss to property of the credit cooperative, intentionally or by gross negligence.

(2) Where a credit cooperative intends to expel a member pursuant to paragraph (1), it shall notify the member of the ground for his/her expulsion ten days before a general meeting is held; and provide him/her with an opportunity to express his/her opinion at the general meeting.

(3) A credit cooperative may restrict a person expelled therefrom pursuant to paragraph (1), from joining it for two years from the date of his/her expulsion.

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

Article 11 (Preferential Payment) If a member fails to perform his/her obligation to a credit cooperative, the credit cooperative shall be preferentially reimbursed from his/her investment, deposit and installment savings.

Article 11-2 (Lawsuit, etc. Seeking Revocation of Resolutions) (1) Where the procedures for convening a general meeting (including the inaugural general meeting), the methods for adopting a resolution, the details of a resolution, or the election of any executive officer violates any statute, any administrative disposition imposed under any statute, or the articles of incorporation, a member may file a lawsuit for revocation of the relevant resolution or election, or for verification of the invalidity thereof.

(2) Articles 376 through 381 of the Commercial Act shall apply mutatis mutandis to lawsuits filed under paragraph (1).

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

SECTION 3 Organizations

Article 12 (General Meetings) (1) A credit cooperative shall organize general meetings.

(2) General meetings shall be classified into regular general meetings and special general meetings; a regular general meeting shall be called once a year, as provided for by the articles of incorporation, and a special meeting shall be called whenever deemed necessary.

(3) A general meeting shall be comprised of the members of a credit cooperative and the chairperson of the board of directors shall call general meetings.

(4) The following matters shall be subject to the resolution of a general meeting: <Amended by Act No. 15290, Dec. 26,

2017>

1. Amendments to the articles of incorporation;
2. Dissolution, merger or suspension of business;
3. Election (limited to where the articles of incorporation specify that the chairperson of the board of directors is elected at a general meeting, in the case of an election of the chairperson) and dismissal of executive officers;
4. Disposal of an endowment;
5. Approval of a statement of accounts (including a business report, a statement of financial position, a statement of profit or loss and a proposal for disposal of surplus funds or a proposal for settlement of losses);
6. Determination of a business plan and budget;
7. Methods of imposing and collecting expenses;
8. Other important matters.

(5) Paragraph (4) 1 does not take effect unless a credit cooperative obtains approval from the competent Minister through the Chairperson.<Amended by Act No. 10437, Mar. 8, 2011>

(6) A credit cooperative shall take the minutes of all general meetings, as provided for by Presidential Decree.

- Article 13 (Holding of General Meeting and Resolutions)** (1) A general meeting shall be held when a majority of all incumbent members are present, and pass the vote with the concurrence of a majority of the members present, except as otherwise provided for in this Act: Provided, That where the incumbent members exceed 300, a general meeting may be held when not less than 151 members are present, and pass the vote with the concurrence of a majority of the members present.
- (2) A general meeting shall be held when a majority of all incumbent members (in cases falling under the proviso to paragraph (1), referring to not less than 151 members) are present, and pass a resolution on matters under Article 12 (4) 1 and 2 with the concurrence of not less than two thirds of the members present.
- (3) A general meeting may only pass a resolution on matters publicly announced pursuant to Article 15 (2): Provided, That this shall not apply to cases where a general meeting is held when a majority of the incumbent members (in cases falling under the proviso to paragraph (1), referring to not less than 151 members) are present, and pass a resolution with the concurrent vote of not less than two thirds of the members present, as a matter of urgency.
- (4) Where a general meeting passes a resolution on matter related to a specific member and a credit cooperative, such member shall not have the voting right.

- Article 14 (Request to Call General Meeting)** (1) A member may request the chairperson of the board of directors to call a special general meeting by submitting a written request stating the purposes of and reasons for the meeting, with the consent of not less than 1/3 of the members and their signatures and seals affixed thereto.
- (2) Where unlawful facts are found in connection with property or business performance of a credit cooperative by an audit conducted pursuant to Article 19 (4) and thus, it is required to promptly report the details thereof at a general meeting, an

auditor may request the chairperson of the board of directors to call a general meeting by submitting a written request stating the purposes of and grounds for the meeting.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

(3) Where a request is made under paragraph (1) or (2), the chairperson of the board of directors shall hold a general meeting within two weeks from the date of the request.<Amended by Act No. 15290, Dec. 26, 2017>

(4) Where no person calls a general meeting, or the chairperson of the board of directors fails to hold a general meeting within the period specified in paragraph (3) without just cause, the auditor shall call a general meeting within five days. In such cases, the auditor shall act on behalf of the chairperson of the board of directors.<Amended by Act No. 15290, Dec. 26, 2017>

(5) Where the auditor fails to call a general meeting within the period specified in paragraph (4), the representative of members who have requested the chairperson of the board of directors to call a general meeting pursuant to paragraph (1) shall hold a general meeting. In such cases, the representative of such members shall act on behalf of the chairperson of the board of directors.<Amended by Act No. 15290, Dec. 26, 2017>

(6) Where the auditor or representative of members call a general meeting pursuant to paragraph (4) or (5), he/she shall inform the chairperson of the board of directors of such fact before publicly announcing the convocation thereof.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

Article 15 (Notice to Members) (1) A credit cooperative shall give notice to members at their domiciles or residences entered in the roll of members.

(2) The convocation of a general meeting shall be announced publicly by methods provided for by the articles of incorporation by presenting the time and place of the holding of a general meeting, and the purpose of a general meeting seven days prior to the day fixed for the general meeting.

Article 16 (Meeting of Representatives) (1) A credit cooperative that has more than 300 members may call a meeting of representatives in lieu of a general meeting, as provided for by Presidential Decree.

(2) The term of office of a representative shall be three years: Provided, That the term of office of a representative elected to fill a vacancy shall be the remainder of the term of office of his/her predecessor.

(3) Necessary matters, such as qualifications for, the fixed number and methods of election of representatives, shall be provided for by Presidential Decree.

(4) No representative shall concurrently hold any of the following positions:<Amended by Act No. 15290, Dec. 26, 2017>

1. An executive officer or employee of the relevant credit cooperative (excluding the chairperson of the board of directors);
2. A representative of another credit cooperative;
3. An executive officer or employee of another credit cooperative.

(5) The provisions on general meetings shall apply mutatis mutandis to meetings of representatives.

Article 17 (Board of Directors) (1) A credit cooperative shall organize a board of directors.

(2) The board of directors shall be comprised of directors, including the chairperson and the vice-chairperson, and chairperson shall call meetings of the board of directors.

(3) The following matters shall be subject to the resolution of the board of directors:<Amended by Act No. 10437, Mar. 8, 2011>

1. Establishment, amendments or repeal of regulations;
2. Determination of basic policies on the conduct of business;
3. Borrowing of money required: Provided, That where money is borrowed from the Federation, the maximum thereof;
4. Appointment and dismissal of the managing staff and disciplinary action against employees provided for by the articles of incorporation;
5. Matters delegated by a general meeting and matters to be brought before a general meeting;
6. Other matters to be brought by the chairperson before a meeting.

(4) The chairperson shall report the following matters to the board of directors:<Amended by Act No. 15290, Dec. 26, 2017>

1. Audit findings under Article 76;
2. The result of management assessment under Article 79 (6);
3. Inspection findings under Articles 74 (3), 79 (3), and 81 (1).

(5) The board of directors shall hold a meeting when a majority of the incumbent directors are present, and pass a resolution with the concurrent vote of a majority of the directors present.

(6) Methods of calling meetings of the board of directors, preparation of the minutes and other matters shall be provided for by the articles of incorporation.

Article 18 (Appointment, etc. of Executive Officers) (1) A credit cooperative shall have at least seven, but not exceeding fifteen directors, including one chairperson and one vice-chairperson, and not more than three auditors, and no executive officer shall hold another position of the credit cooperative concurrently.

(2) In the case of a credit cooperative provided for by Presidential Decree, it may have one or more persons among executive officers as full-time executive officers, in consideration of its asset value, financial structure, etc., as provided for by the articles of incorporation, however, the number of full-time executive officers shall not exceed two of the directors including the chairperson, and one of the auditors.

(3) For the purposes of paragraph (2), in the case of a credit cooperative where the chairperson is not in full-time employment, it shall have a full-time director elected pursuant to paragraph (4).<Amended by Act No. 10437, Mar. 8, 2011>

(4) A director who is not the chairperson, among executive officers in the full-time employment pursuant to paragraph (2), shall be elected at a general meeting on the recommendation of the board of directors from among persons satisfying the necessary conditions provided for by Presidential Decree, who have abundant expertise and experience relating to the credit cooperative business.

(5) The chairperson shall be elected by a secret vote from among members, and by selecting a method provided for by the

articles of incorporation from among the following methods: Provided, That where only one candidate runs for chairperson, the chairperson may be elected according to a method separately provided for by the articles of incorporation:<Amended by Act No. 15290, Dec. 26, 2017>

1. Electing him/her at a general meeting;
2. Electing him/her at a meeting of representatives;
3. Electing him/her by a direct vote of members, using a method other than the methods specified in subparagraphs 1 and 2.

In such cases, the method and procedures for voting, prior notice thereof and other necessary matters shall be provided for by the articles of incorporation.

(6) The chairperson elected by any method specified in any subparagraph of paragraph (5) shall be determined as follows:<Amended by Act No. 15290, Dec. 26, 2017>

1. Where the chairperson is elected by a method specified in paragraph (5) 1 or 2, a person who earns a majority of votes shall be determined as the chairperson-elect: Provided, That where no person earns a majority of votes, another round of voting shall take place with persons who are in the first rank and the second rank only as candidates; and the person who earns more votes shall be determined as the chairperson-elect;
2. Where the chairperson is elected by a method specified in paragraph (5) 3, the person who earns the largest number of votes shall be determined as the chairperson-elect.

(7) Executive officers other than the chairperson shall be elected by a secret vote; and persons who earn a large number of votes shall be determined as executive officers until the number of such persons reaches the fixed number of executive officers, starting from the person who earns the largest number of votes: Provided, That where the number of candidates for the vice-chairperson, directors, and auditors is less than the fixed number thereof, respectively, they may be elected by a method separately provided for by the articles of incorporation.<Newly Inserted by Act No. 152 90, Dec. 26, 2017>

(8) Executive officers of a credit cooperative shall be honorary offices: Provided, That executive officers in full-time employment pursuant to paragraph (2) may be paid a salary.

(9) Except as otherwise expressly provided for in this Act, methods of, and procedures for, electing executive officers and other necessary matters shall be provided for by the articles of incorporation.

Article 19 (Executive Officers and Employees) (1) The chairperson of the board of directors shall represent a credit cooperative and exercise general supervision over its business.

(2) The chairperson of the board of directors shall preside at general meetings and meetings of the board of directors.

(3) Where a vacancy occurs in the office of the chairperson of the board of directors or an accident happens to him/her, the vice chairperson shall perform the duties of the chairperson on his/her behalf, and where an accident occurs to the chairperson and vice chairperson, a director designated by the board of directors shall perform the duties of the chairperson on his/her behalf: Provided, That, where the chairperson is unable to engage in business of a credit cooperative and call a general meeting by reason that he/she is arrested or is hospitalized for at least 60 days, the Chairperson may designate a representative director pro tempore, from among the executive officers.<Amended by Act No. 10437, Mar. 8, 2011>

- (4) An auditor shall audit property of a credit cooperative and inspect the status of its business performance at least once in every quarter, and report findings thereof to a general meeting and the board of directors.
- (5) Articles 402, 412-5, 413, and 413-2 of the Commercial Act shall apply mutatis mutandis to the duties of auditors. <Amended by Act No. 13725, Jan. 6, 2016; Act No. 15290, Dec. 26, 2017>
- (6) Where any juristic act, such as a lawsuit and entering into a contract, is done between a credit cooperative and its chairperson, the auditor shall represent the credit cooperative.
- (7) An auditor may attend a general meeting or meeting of the board of directors to state his/her opinions.
- (8) An executive officer shall be dismissed by resolution at a general meeting, and procedures therefor and other necessary matters shall be provided for by Presidential Decree.
- (9) A credit cooperative may employ a managing director, executive director, and other employees as its employees, and necessary matters, such as credit cooperatives that may employ a managing director or executive director, and qualifications for employees, shall be provided for by Presidential Decree.

Article 20 (Terms of Office of Executive Officers) (1) The terms of office of directors shall be four years, and the terms of office of auditors shall be three years: Provided, That the chairperson of the board of directors may be reelected for a second time. <Amended by Act No. 10437, Mar. 8, 2011>

(2) Where a vacancy occurs in the position of an executive officer, the term of office of an executive officer elected for a vacancy shall be the remainder of the term of office of his/her predecessor.

Article 21 (Grounds for Disqualification of Executive Officers) (1) None of the following persons shall be an executive officer of a credit cooperative: Provided, That subparagraph 16 shall not apply to a full-time director under Article 18 (3): <Amended by Act No. 10437, Mar. 8, 2011; Act No. 13725, Jan. 6, 2016; Act No. 15290, Dec. 26, 2017>

1. A minor, a person under adult guardianship, or a person under limited guardianship;
2. A person adjudicated bankrupt, but not yet reinstated;
3. A person in whose case five years have not passed since his/her imprisonment without labor or heavier punishment was completely executed (including where the execution thereof was deemed completed; hereafter in this paragraph the same shall apply) or exempted, as declared by a court, for committing a crime (only applicable to a crime related to the business of a credit cooperative or the Federation) provided for in Article 85 (1) hereof, and Articles 355 through 357 of the Criminal Act;
4. A person subject to a suspended execution of imprisonment without labor or heavier punishment, for committing a crime provided for in subparagraph 3, and in whose case three years have not passed from the date the period of such suspension of execution was completed;
5. A person subject to a suspended sentence of imprisonment without labor or heavier punishment for committing a crime provided for in subparagraph 3, and in whose case three years have not passed from the date the period of such suspension

of sentence was completed;

6. A person in whose case three years have not passed since he/she was sentenced to a fine for committing a crime provided for in subparagraph 3 and such punishment was made final and conclusive;
7. A person in whose case three years have not passed since his/her imprisonment without labor or heavier punishment was completed or exempted, as declared by a court, for committing a crime provided for in Article 85 (2), (4), or (5);
8. Any of the following persons who commits a crime provided for in Article 85 (3):
 - (a) A person in whose case three years have not passed since his/her imprisonment without labor or heavier punishment was completely executed;
 - (b) A person in whose case three years have not passed since his/her imprisonment without labor or heavier punishment was exempted;
 - (c) A person in whose case three years have not passed since he/she was sentenced to a fine exceeding one million won and such punishment was made final and conclusive;
9. A person in whose case two years have not passed since his/her imprisonment without labor or heavier punishment was completed or exempted, as declared by a court, for committing a crime other than crimes provided for in subparagraphs 3, 7, and 8;
10. A person subject to a suspended execution of imprisonment without labor or heavier punishment, as declared by a court, for committing a crime other than crimes provided for in subparagraphs 3, 7, and 8;
11. A person subject to a suspended sentence of imprisonment without labor or heavier punishment, as declared by a court, for committing a crime other than a crime provided for in subparagraph 3;
12. A person subject to disciplinary dismissal or discharge from office (including the reelection for executive officers; hereafter in this paragraph the same shall apply) in accordance with this Act or finance-related statutes provided for by Presidential Decree (hereinafter referred to as "finance-related statutes"), and in whose case five years have not passed from the date he/she was subjected to disciplinary dismissal or discharge from office;
- 12-2. A person subject to suspension of the performance of his/her duties (including suspension of the execution of his/her duties; hereafter in this paragraph the same shall apply) or suspension from office in accordance with this Act or finance-related statutes, and in whose case four years have not passed from the date the relevant sanction was completed;
13. A retired employee or an executive officer notified that he/she would be subjected to disciplinary dismissal or release from office in accordance with this Act or finance-related statutes if he/she held office or was in office, and in whose case five years have not passed since such notification was made to him/her (where five years from the date of notification exceeds seven years from the date of his/her retirement or resignation, seven years from the date of his/her retirement or resignation);
- 13-2. A retired executive officer or employee notified that he/she would be subjected to suspension of the performance of his/her duties or suspension from office in accordance with this Act or finance-related statutes if he/she was in office or held office, and in whose case four years have not passed since such notification was made to him/her (where four years from the date of notification exceeds six years from the date of his/her resignation or retirement, six years from the date of

his/her resignation or retirement);

14. A person who has been disqualified or whose qualification has been suspended by ruling of the court or other Acts;
15. A person subject to disciplinary dismissal from a public institution, other corporation or company, and in whose case two years have not passed from the date he/she was subjected to disciplinary dismissal;
16. A member who fails to own at least the number of shares of investment provided for by the articles of incorporation for at least two years continuously as of the date of a public announcement of the day fixed for election of executive officers: Provided, That this shall not apply to credit cooperatives in which case two years have not passed after the incorporation or merger thereof;
17. A person who is in arrears of an obligation exceeding the amount or period provided for by the articles of incorporation to the relevant credit cooperative as of the date of a public announcement of the day fixed for election of executive officers;
18. A person disqualified, as provided for by the articles of incorporation.

(2) Where a ground referred to in paragraph (1) (excluding subparagraph 12-2) is found or arises, the relevant executive officer shall retire from office automatically. <Amended by Act No. 13725, Jan. 6, 2016>

(3) An act in which an executive officer who retired from office pursuant to paragraph (2) had been involved before his/her retirement shall not lose its effect.

(4) A credit cooperative or the Federation may request necessary cooperation from the chief of the police agency having jurisdiction over its main office, such as inquiring about criminal history records provided for in paragraph (1) 3 through 11, in order to ascertain whether executive officers or candidates for executive officers are disqualified as provided for in paragraph (1), and the chief of the relevant police agency shall reply to such inquiry. <Newly Inserted by Act No. 10437, Mar. 8, 2011>

Article 21-2 (Separate Imposition of Fines) A person of concurrent crimes who has committed a crime specified in Article 21

(1) 8 and any other crime, shall be separately sentenced to fines for respective crimes, notwithstanding Article 38 of the Criminal Act.

[This Article Newly Inserted by Act No. 13399, Jul. 20, 2015]

Article 22 (Restrictions on Election Campaign of Executive Officers) (1) An election campaign for executive officers shall, in principle, be publicly managed.

(2) No person shall do any of the following acts for the purpose of getting himself/herself or a specific person elected as an executive officer of a credit cooperative or defeated in an election: <Amended by Act No. 10437, Mar. 8, 2011>

1. Providing, expressing an intention to provide, or promising to provide a member or his/her family (referring to the spouse of a member, lineal ascendants and descendants, brothers and sisters of a member or his/her spouse, and spouses of lineal ascendants and descendants, brothers and sisters of a member; hereinafter the same shall apply) with money or other

valuables, entertainment, other economic profits, public or private posts;

2. Doing acts prescribed in subparagraph 1 to persons who intend to be candidates or candidates for the purpose of hindering them from being candidates or having them withdraw candidacy, respectively;
3. Receiving profits or posts provided for in subparagraph 1 or 2, accepting the manifestation of an intention to provide such profits or posts, or requesting or mediating the provision thereof;
4. Circulating false information (including a school career) about candidates or slandering candidates by publicly revealing facts;
5. Visiting members from door to door (including their places of business) or having them assemble at a specific place during the period provided for by the articles of incorporation.

(3) No person shall engage in election campaign other than by the following methods in connection with the election for executive officers:<Newly Inserted by Act No. 10437, Mar. 8, 2011; Act No. 12749, Jun. 11, 2014>

1. Production and distribution of the official gazette for election published by a credit cooperative;
2. An appeal for support at the joint speech session held by a credit cooperative;
3. An appeal for support, using the phone (including text messages) and computer (including e-mail).

(4) Necessary matters concerning methods of election campaigning, election campaign expenses, etc. shall be provided for by the articles of incorporation.<Amended by Act No. 10437, Mar. 8, 2011>

Article 23 (Establishment and Operation of Election Administration Committee) (1) A credit cooperative shall establish and operate an election administration committee to fairly administer an election for executive officers.

(2) An election administration committee shall be comprised of at least five members commissioned by the board of directors, at least two of whom shall be persons other than members of a credit cooperative; and qualifications for members of the election administration committee and other relevant matters shall be provided for by Presidential Decree.<Amended by Act No. 15290, Dec. 26, 2017>

(3) A fair election watchdog shall be established in an election administration committee to monitor illegal election campaigns.<Amended by Act No. 15290, Dec. 26, 2017>

(4) None of the executive officers and employees of a credit cooperative shall be members of its election administration committee or fair election watchdog.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

(5) The composition, operation, and duties of election administration committees and fair election watchdogs referred to in paragraphs (1) through (3) and other necessary matters shall be provided for by Presidential Decree.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

Article 23-2 (Entrustment of Election Administration) A credit cooperative may entrust the administration of an election for executive officers to a Gu/Si/Gun election administration committee established under the Election Commission Act having jurisdiction over the seat of its main office, as provided for by the articles of incorporation.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 24 (Prohibition of Inauguration as Executive Officer and Employee by Competitive Business Operators) (1) No person who conducts business or is engaged in such business in an essentially competitive relationship with the business of a credit cooperative shall be its executive officer or employee.

(2) The scope of business in an essentially competitive relationship under paragraph (1) shall be provided for by Presidential Decree.

Article 25 (Duty and Responsibility of Good Faith of Executive Officers) (1) Executive officers of a credit cooperative shall observe the provisions of this Act and directions given in accordance with this Act, the articles of incorporation, the regulations and matters for resolution in a general meeting and a meeting of the board of directors, and perform their duties faithfully for the credit cooperative.

(2) An executive officer shall be jointly and severally liable to compensate for any loss he/she causes to a credit cooperative intentionally or by gross negligence (in cases of a part-time executive officer, referring to intention or gross negligence) when he/she performs his/her duties.

(3) An executive officer shall be jointly and severally liable to compensate for any loss he/she causes to another person intentionally or by gross negligence when he/she performs his/her duties.

(4) Where an executive officer causes damage to a credit cooperative or another person by making a false record in a statement of accounts, a false registration or false public announcement, the same shall also apply to such executive officer as provided for in paragraphs (2) and (3).

(5) Where the board of directors causes damage to a credit cooperative intentionally or by gross negligence, executive officers present at a meeting of the board of directors related to such intention or gross negligence shall be jointly and severally liable to compensate for such loss : Provided, That this shall not apply to executive officers who have expressed their dissenting opinion at the meeting thereof.

(6) The auditor shall exercise a right to indemnity pursuant to paragraphs (2) through (5) to directors including the chairperson and vice chairperson, and the representative of members who has obtained consent of more than one third of the members shall exercise a right to indemnity to all the executive officers.

(7) An executive officer provided for by the articles of incorporation shall furnish personal references for his/her duties.

(8) No full-time executive officer pursuant to Article 18 (2) shall hold a full-time position in another corporation or company concurrently.<Newly Inserted by Act No. 10437, Mar. 8, 2011>

Article 26 (Application Mutatis Mutandis of the Civil Act and the Commercial Act) (1) Articles 35 and 63 of the Civil Act and Articles 382 (2) and 386 (1) of the Commercial Act shall apply mutatis mutandis to executive officers of credit cooperatives, respectively.

(2) Articles 11 (1) and (3), 12, 13 and 17 of the Commercial Act and Articles 23 (1), 50 and 51 of the Commercial Registration Act shall apply mutatis mutandis to full-time directors or the managing staff provided for by the articles of incorporation, respectively. <Amended by Act No. 10437, Mar. 8, 2011; Act No. 12592, May 20, 2014>

Article 27 (Duty to Keep Documents, etc.) (1) The chairperson shall keep the articles of incorporation, the minutes of general meetings and the roll of members in the main office.

(2) Members or creditors of a credit cooperative may inspect the documents enumerated in paragraph (1), and request a copy of such documents at their own expense, as provided for by the credit cooperative.

SECTION 4 BUSINESS

Article 28 (Kinds of Business) (1) A credit cooperative shall conduct all or some of the following business to achieve the purpose provided for in Article 1: <Amended by Act No. 10437, Mar. 8, 2011>

1. Credit business:

- (a) Receipt of deposits and installment savings from members;
- (b) Lending of money to members;
- (c) Domestic exchange and exchange services under the Foreign Exchange Transactions Act;
- (d) Agency of services of the Government, public institutions and financial institutions;
- (e) Safeguard deposit for members;

2. Cultural and welfare work;

3. Educational work for members;

4. Community development work;

5. Mutual-aid business for members;

6. Business entrusted by the Federation;

7. Business entrusted by the Government or a public institution, or business provided for by other statutes as business of a credit cooperative;

8. Other business required to achieve the objective, which are approved by the competent Minister.

(2) The limit of investment in work under paragraph (1) 2 through 4 shall be provide for by the articles of incorporation within the extent not exceeding 50 percent of the total sum of investments and reserve funds of a credit cooperative.

(3) The limit of borrowing of required funds related to credit business under paragraph (1) 1, investment of surplus funds, the scope of entrusted businesses under paragraph (1) 6, and other necessary matters shall be provided for by Presidential Decree.

(4) Matters necessary for performing business under paragraph (1) 5 shall be provided for by Presidential Decree.

(5) A credit cooperative shall hold more than ten percent of the balance of deposits and installment savings as of the end of the preceding month as reserves for reimbursement, and deposit more than half of reserves for reimbursement with the

Federation. In such cases, necessary matters concerning the possession and deposit of reserves for reimbursement shall be provided for by Presidential Decree. <Amended by Act No. 10437, Mar. 8, 2011>

(6) If necessary to perform business prescribed in paragraph (1), a credit cooperative may invest in other corporations, as provided for by the articles of incorporation within the limit set for in paragraph (2). In such cases, the limit of investment in the same corporation shall not exceed 20 percent of the total sum of investments and reserve funds.

Article 28-2 (Prohibition, etc. of Unfair Trade Practices) (1) No credit cooperative shall engage in any of the following practices (hereafter in this Article, referred to "unfair trade practices"):

1. Forcing a borrower to purchase any product of a credit cooperative, such as deposits or installment savings, against his/her intent in connection with credit transactions;
2. Unfairly infringing on a borrower's rights and interests using its superior bargaining position.

(2) Detailed types of, and standards for, unfair trade practices shall be provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 15290, Dec. 26, 2017]

Article 29 (Credit Line to Same Person) (1) No loan of a credit cooperative to a same person shall exceed the limit provided for by Presidential Decree within the scope of 20/100 of the equity capital referred to in Article 35 (1) or 1/100 of the total assets, whichever is larger: Provided, That this shall not apply where a credit cooperative has obtained approval from the chairperson according to the standards determined by the competent Minister. <Amended by Act No. 10437, Mar. 8, 2011; Act No. 13725, Jan. 6, 2016>

(2) For the purpose of paragraph (1), a loan made in the name of another person for account of the person himself/herself shall be deemed a loan to such person himself/herself.

Article 30 (Utilization of Business by Nonmembers) A credit cooperative may permit a non-member to utilize its business within the extent not hampering the utilization thereof by members.

Article 31 (Restrictions on Possession of Real Estate) A credit cooperative shall not possess movable property or real estate except where it is necessary in the course of business or unavoidable to get debts repaid.

SECTION 5 Accounting

Article 32 (Business Year) The business year of a credit cooperative shall be provided for by the articles of incorporation.

Article 33 (Plan of Operation and Budget) (1) A credit cooperative shall prepare an operation plan and draft budget according to an operation plan and guidelines for budget determined by the chairperson each business year, and pass a resolution thereon in a general meeting. <Amended by Act No. 10437, Mar. 8, 2011>

(2) Where a credit cooperative intends to change an operation plan and budget, it shall pass a resolution thereon in a meeting of the board of directors: Provided, That where it formulates a revised supplementary budget, it shall pass a resolution on such revised supplementary budget in a general meeting.

(3) Except as otherwise provided for in this Act, necessary matters concerning accounting and settlement of accounts shall be provided for by Presidential Decree.

Article 34 (Presentation, Keeping and Inspection of Documents Related to Settlement of Accounts) (1) The chairperson shall present a statement of accounts (including a business report, a statement of financial position, a statement of profit or loss and a proposal for disposal of surplus funds or a proposal for settlement of losses) to an auditor by no later than one week prior to the day fixed for a regular general meeting and keep the same in the main office. <Amended by Act No. 15290, Dec. 26, 2017>

(2) The chairperson shall present a statement of accounts accompanied by a written opinion of an auditor at a regular general meeting and obtain its approval, and if he/she deems it necessary, he/she may request an auditor defined in subparagraph 7 of Article 2 or Article 9 of the Act on External Audit of Stock Companies, Etc. to audit the statement of accounts. <Amended by Act No. 15022, Oct. 31, 2017>

(3) Members or creditors of a credit cooperative may inspect documents referred to in paragraph (1); and may request a copy of such documents at their own expenses set by the credit cooperative.

Article 35 (Accounting Treatment of Reserve Funds and Profits and Losses) (1) A credit cooperative shall reserve not less than 15 percent of surplus funds as a legal reserve until the same reaches the total amount of equity capital (referring to an amount computed by adding or subtracting an amount according to errors in the settlement of accounts to or from, the total amount of capital, all reserve funds and surplus funds; hereinafter the same shall apply) in every business year. <Amended by Act No. 10437, Mar. 8, 2011>

(2) No credit cooperative shall use reserve funds under paragraph (1) or appropriate the same for dividends other than in the case of writing off bad debts or the dissolution thereof.

(3) A credit cooperative may accumulate special reserve funds within the limit of 15 percent of surplus funds as a reserve for coverage of the loss and appropriation for an accounting accident by force majeure in every business year.

(4) A credit cooperative may accumulate some of surplus funds as a voluntary reserve for business or a dividend reserve each business year.

(5) Where a credit cooperative has suffered a loss upon the settlement of accounts of the business year, it shall cover such loss with reserve funds in order of a special reserve and a voluntary reserve, and if there is a remaining loss, it shall carry

forward such loss to the following business year.

(6) Where a credit cooperative has suffered a loss for several consecutive business years and has no reserve funds to cover such loss, it may diminish its capital in a general meeting with the attendance of a majority of the members (in cases falling under the proviso to Article 13 (1), referring to not less than 151 members) and with the concurrence of more than two thirds of the members present, and regard such diminution as diminution of the amount of investment paid-in by each member. Where it diminishes its capital, it shall report such diminution to the chairperson.<Amended by Act No. 10437, Mar. 8, 2011>

(7) Where a credit cooperative has diminished its capital pursuant to paragraph (6), it shall announce such diminution publicly in a period fixed for filing objections, and where no creditor files an objection to the diminution of capital during the period for filing objections announced publicly, it shall be deemed that there is no objection.

(8) Where a creditor has filed an objection, unless a credit cooperative settles such diminution or provides reasonable security, the diminution of capital under paragraph (6) shall not take effect.

(9) Necessary matters concerning a report under paragraph (6) and a public announcement, etc. under paragraph (7) shall be provided for by Presidential Decree.

(10) No credit cooperative shall pay dividends from surplus funds unless it has covered the loss and deducted reserve funds, and dividends shall be in proportion to the number of shares of investment paid-in. In such cases, it may pay dividends in proportion to the actual results of the utilization of its business by members.

SECTION 6 Merger, Dissolution and Liquidation

Article 36 (Grounds for Dissolution) When any of the following grounds arises, a credit cooperative shall be dissolved:

1. Arising of a ground for dissolution provided for by the articles of incorporation;
2. A resolution of dissolution in a general meeting;
3. Merger or bankruptcy;
4. Cancellation of approval of incorporation.

Article 37 (Merger) (1) Where a credit cooperative intends to effect a merger, it shall prepare a contract for merger and pass a resolution in a general meeting.

(2) Where credit cooperatives pass a resolution on incorporation of a credit cooperative based on a merger pursuant to paragraph (1), each credit cooperative shall elect incorporation committee members in a general meeting. In such cases, the fixed number of incorporation committee members shall be not less than 20, and they shall be elected in the same number as incorporation committee members of credit cooperatives from among the members of each credit cooperative to be merged.

(3) Incorporation committee members elected pursuant to paragraph (2) shall hold a meeting of the incorporation committee, prepare the articles of incorporation according to an example of the articles of incorporation determined by the chairperson, select and appoint executive officers, and then obtain approval under Article 7 (1).<Amended by Act No. 10437, Mar. 8,

2011>

(4) Where the incorporation committee selects and appoints executive officers, it shall select and appoint executive officers from among those recommended by incorporation committee members with the attendance of a majority of the incorporation committee members and with the concurrence of a majority of the incorporation committee members present.

(5) The provisions on new incorporation under Section 1 of Chapter II shall apply mutatis mutandis to the incorporation of a credit cooperative prescribed in paragraphs (2) through (4) unless it violates the purpose of such contract for merger.

Article 38 (Recommendation, etc. for Merger) (1) The Chairperson may recommend that credit cooperatives merge between them for their smooth merger. In such cases, the chairperson of the board of directors of a credit cooperative recommended to merge shall announce such fact publicly without delay. <Amended by Act No. 10437, Mar. 8, 2011>

(2) Where the Government or the Federation promotes merger between credit cooperatives or merges credit cooperatives in one credit cooperative, it may give support necessary for such merger, as provided for by Presidential Decree.<Amended by Act No. 10437, Mar. 8, 2011>

(3) The Chairperson may reduce or suspend financial support, etc. to a credit cooperative that fails to follow procedures for passing a resolution on merger within six months from the date it is recommended to merge without good cause though he/she has recommended that it merges pursuant to paragraph (1).<Amended by Act No. 10437, Mar. 8, 2011>

Article 39 (Succession to Rights and Duties Following Merger) (1) A credit cooperative surviving a merger or a credit cooperative to be incorporated by merger shall succeed to rights and duties of a credit cooperative to be dissolved.

(2) The name of a credit cooperative dissolved, but shown in the register or other official books after the merger of credit cooperatives shall be deemed the name of a credit cooperative surviving a merger or credit cooperative incorporated by merger.

Article 40 (Reduction of, and Exemption from Taxes) Where credit cooperatives are merged, they may be exempted from corporate tax according to transfer of real estate, etc., asset revaluation tax, acquisition tax according to the acquisition of real estate, registration and license tax according to registration of a corporation, real estate, etc., corporate tax on income at liquidation of a credit cooperative dissolved due to merger, income tax on deemed dividends to members of a credit cooperative dissolved due to merger, and other taxes, as provided for by the Restriction of Special Taxation Act, the Restriction of Special Local Taxation Act and other statutes concerning the reduction of, and exemption from taxes. <Amended by Act No. 10220, Mar. 31, 2010>

Article 41 (Liquidators) (1) Where a credit cooperative is dissolved, a liquidator shall be elected in a general meeting except the dissolution thereof due to bankruptcy.

(2) In cases falling under paragraph (1), where a credit cooperative is unable to form a general meeting although it has called a general meeting more than twice, the Chairperson may select and appoint a liquidator. <Amended by Act No. 10437, Mar. 8, 2011>

(3) The Chairperson shall supervise the business for liquidation of a credit cooperative. <Amended by Act No. 10437, Mar. 8, 2011>

(4) Where the Chairperson deems that a liquidator could inflict a loss on the assets of a credit cooperative in his/her performing business for liquidation, the Chairperson may select and appoint a new liquidator. <Newly Inserted by Act No. 10437, Mar. 8, 2011>

Article 42 (Duties of Liquidators) (1) A liquidator shall investigate the financial status immediately after his/her assumption of office; prepare an inventory of property and statement of financial position; determine the methods of disposal of property; present the same at a general meeting and obtain approval thereat. <Amended by Act No. 15290, Dec. 26, 2017>

(2) In cases falling under paragraph (1), where a liquidator is unable to form a general meeting although he/she has called a general meeting at least twice, approval from the Chairperson may take the place of a general meeting. <Amended by Act No. 10437, Mar. 8, 2011>

Article 43 (Remaining Property after Liquidation) Where a credit cooperative is dissolved, if property remains after the repayment of its debts in full, such residual property shall be disposed of, as provided for by the articles of incorporation.

Article 44 (Application Mutatis Mutandis of Civil Act) @Articles 79, 81, 87, 88 (1) and (2), 89 through 92, 93 (1) and (2) of the Civil Act and Article 121 of the Non-Contentious Case Procedure Act shall apply mutatis mutandis to the dissolution and liquidation of a credit cooperative respectively, except those matters provided for by this Act.

SECTION 7 Registration

Article 45 (Registration of Incorporation) (1) Where a credit cooperative obtains approval for incorporation pursuant to Article 7 (1), it shall register the following matters within three weeks from the date such written approval of incorporation is received:

1. Objectives;
2. Its name;
3. Its business area;
4. Seat of its offices;
5. Date of approval for incorporation;

6. The amount of one share of investment;
7. When the term of existence or a ground for dissolution is determined, such term or ground;
8. Names and domiciles of executive officers;
9. Methods of making public announcements.

(2) When a credit cooperative applies for registration pursuant to paragraph (1), it shall submit an application along with a certified copy of a written approval of incorporation, the minutes of the inaugural general meeting and the articles of incorporation.

Article 46 (Registration for Establishment of Branch Offices) (1) Where a credit cooperative establishes a branch office, it shall register the establishment of a branch office within three weeks at the seat of its main office, and register matters provided for in Article 45 (1) within the same period at the seat of such branch office, and register the establishment of such branch office within the same period at the seat of another branch office.

(2) Where a credit cooperative establishes a branch office within the jurisdiction of a registry office having jurisdiction over the seat of its main office or branch office, it shall register the establishment of such office within the period under paragraph (1).

Article 47 (Registration of Changes) (1) In cases falling under the proviso to Article 19 (3) and where matters registered under Articles 45 (1) and 46 have been changed, a credit cooperative shall register such change, along with documents verifying the matters changed within three weeks.

(2) Where a credit cooperative relocates its office, it shall register such relocation at the former seat of its office, and matters under Articles 45 (1) and 46 at the new seat of its office within three weeks: Provided, That where it relocates its office within the jurisdiction of the same registry office, it shall register such relocation.

Article 48 (Change of Name of Place of Administrative District and Registration) (1) Where the name of a place of an administrative district is changed, the name of a place concerning the seat of an office of a credit cooperative and the business area thereof entered in the register and the articles of incorporation shall be deemed changed automatically.

(2) Where any matters are changed pursuant to paragraph (1), a credit cooperative shall inform the registry office of such matters without delay.

(3) If the registry office receives a notice under paragraph (2), it shall change matters entered in the register.

Article 49 (Registration of Merger) Where credit cooperatives are merged, a credit cooperative surviving a merger shall register its change, a credit cooperative dissolved by merger shall register its dissolution, and a credit cooperative incorporated by merger shall register its incorporation under Article 45 (1) at the seat of its office within three weeks.

Article 50 (Registration of Dissolution and Registration of Conclusion of Liquidation) (1) Where a credit cooperative is dissolved, a liquidator shall register the following matters at the seat of its office within three weeks from the date of his/her assumption of office, except in the case of a merger and bankruptcy:

1. Grounds for dissolution and the date of dissolution;
2. Name and domicile of a liquidator;
3. Where power of attorney of a liquidator has been restricted, matters concerning such restriction.

(2) Where a liquidator concludes the liquidation of a credit cooperative, he/she shall register the conclusion of liquidation at the seat of the office of the credit cooperative within two weeks.

Article 51 (Applicants for Registration) The chairperson shall be an applicant for registration of the incorporation of a credit cooperative and registration of a change in accordance with this Act: Provided, That in the case of registration of dissolution, a liquidator shall be an applicant and submit an application for such registration, along with documents proving the grounds for dissolution.

Article 52 (Initial Date in Counting Registration Date) A period of application for registration of matters that should be registered and require authorization or approval from an administrative agency shall be counted from the date such written authorization or approval is received.

Article 53 (Register) The competent registry office shall keep a "register of community credit cooperatives."

CHAPTER III THE FEDERATION

SECTION 1 General Provisions

Article 54 (Purposes and Incorporation) (1) The Federation shall be established by credit cooperatives as its members to guide and supervise the business affairs of credit cooperatives and promote the advancement of their common interests and healthy development. <Amended by Act No. 10437, Mar. 8, 2011>

(2) One Federation shall be established and it shall have its main office in Seoul Special Metropolitan City and may have branch offices, as provided for by the articles of incorporation.<Amended by Act No. 10437, Mar. 8, 2011>

(3) The Federation shall be incorporated when at least 30 credit cooperatives promote the incorporation thereof and prepare the articles of incorporation, and register the incorporation thereof at the seat of its main office with approval from the competent Minister after passing a resolution in the inaugural general meeting.<Amended by Act No. 10437, Mar. 8, 2011>

(4) Articles 7 (2) and (3), 7-2, 45 through 47, 51 through 53, and 74-3 (2), (3), and (5) shall apply mutatis mutandis to the Federation.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 13725, Jan. 6, 2016>

Article 55 (Matters to be Stated in Articles of Incorporation) The following matters shall be stated in the articles of incorporation of the Federation: <Amended by Act No. 10437, Mar. 8, 2011>

1. Its objectives;
2. Its name;
3. Seat of its offices;
4. Matters concerning investment;
- 4-2. Matters concerning preferential investment;
5. Matters concerning the joining and withdrawal of credit cooperatives;
6. Matters concerning the rights and duties of credit cooperatives;
7. Matters concerning organizations, and executive officers and employees;
8. Matters concerning the imposition and collection of membership fees;
9. Matters concerning kinds of business and accounting;
10. Matters concerning methods of making public announcements;
11. Other necessary matters.

Article 56 (Investment by Members) (1) Credit cooperatives shall be members of the Federation. <Amended by Act No. 10437, Mar. 8, 2011>

(2) A credit cooperative shall invest at least one share and be sure to pay in money.

(3) The amount of one share of investment shall be provided for by the articles of incorporation and the responsibility of a credit cooperative shall be limited to such paid-in investment.

(4) Capital of the Federation shall be the total sum of investments (including preferential investment).<Amended by Act No. 10437, Mar. 8, 2011>

(5) The Federation may have credit cooperatives pay membership fees according to a resolution in the general meeting.<Amended by Act No. 10437, Mar. 8, 2011>

(6) Where a credit cooperative is dissolved or goes bankrupt, it shall be deemed seceded from the Federation automatically.<Amended by Act No. 10437, Mar. 8, 2011>

(7) Articles 9 (4), (5) (main sentence), (7) through (9), 10 (4), 11, and 11-2 shall apply mutatis mutandis to the Federation.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 13725, Jan. 6, 2016>

Article 57 (Dissolution) The dissolution of the Federation shall be separately provided for by law. <Amended by Act No. 10437, Mar. 8, 2011>

SECTION 2 General Meetings

Article 58 (General Meetings) (1) The Federation shall organize a general meeting therein. <Amended by Act No. 10437, Mar. 8, 2011>

(2) General meetings shall be classified into a regular general meeting and a special general meeting, and the Federation shall call a regular general meeting once every year, as provided for by the articles of incorporation, and a special general meeting whenever deemed necessary.

(3) A general meeting shall be comprised of the Chairperson and credit cooperatives, and the Chairperson shall call a general meeting and preside over the general meeting.<Amended by Act No. 10437, Mar. 8, 2011>

(4) A general meeting shall be held with a majority of the credit cooperatives present, and resolutions shall be passed with the concurrent vote of a majority of the credit cooperatives present, except as otherwise prescribed in this Act: Provided, That a resolution on matters provided for in Article 59 (1) 1 shall be passed when at least 2/3 of the credit cooperatives are present and at least 2/3 of the credit cooperatives present concur.

(5) A general meeting may only decide on matters announced publicly pursuant to paragraph (6): Provided, That this shall not apply to a matter of urgency when at least 2/3 of the credit cooperatives are present and at least 2/3 of the credit cooperatives present concur.

(6) Articles 13 (4), 14 (1) through (5), 15, 16 (1) through (3) and (5) shall apply mutatis mutandis to the Federation. In such cases, "auditor" in Article 14 (2), (4) and (5) shall be construed as "chairperson of the audit and inspection committee".<Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

Article 59 (Matters to be Resolved in General Meeting) (1) The Federation shall pass a resolution on the following matters in a general meeting:

1. Amendments to the articles of incorporation;
2. Determination of the methods of imposing membership fees and the amount thereof;
3. Approval of an operation plan, budget and settlement of accounts;
4. Selection and appointment, and dismissal of executive officers;
5. Matters brought before a general meeting with the consent of not less than one fifth of the credit cooperatives;
6. Matters provided for by the articles of incorporation and matters brought before a meeting of the board of directors.

(2) The Federation shall obtain approval from the competent Minister for the amendment of the articles of incorporation under paragraph (1) 1.

(3) Where the Chairperson is unable to call a general meeting due to a war, incident, natural disaster or other force majeure events, he/she may take the necessary measures concerning paragraph (1) 2 and 3.

SECTION 3 Board of Directors

- Article 60 (Board of Directors)** (1) The Federation shall organize a board of directors, and its Chairperson shall call and preside over meetings of the board of directors. <Amended by Act No. 10437, Mar. 8, 2011>
- (2) The board of directors shall be comprised of the Chairperson, Vice Chairperson and directors, including the representative director in charge of credit and mutual-aid, the guidance director and the senior managing director.<Amended by Act No. 12749, Jun. 11, 2014; Act No. 15290, Dec. 26, 2017>
- (3) The board of directors shall pass a resolution on the following matters:<Amended by Act No. 12749, Jun. 11, 2014; Act No. 15290, Dec. 26, 2017>
1. Establishment, amendment and repeal of regulations;
 2. Maximum loan limits;
 3. Matters delegated at a general meeting and matters brought before a general meeting;
 4. Appointment and dismissal of the managing staff provided for by the articles of incorporation, and determination of remuneration;
 5. Disciplinary actions against employees provided for by the articles of incorporation;
 6. Matters concerning performance reviews of business affairs which the representative director in charge of credit and mutual-aid, the guidance director and the senior managing director are solely in charge of;
 7. Other matters deemed necessary by the Chairperson.
- (4) Article 17 (5) and (6) shall apply mutatis mutandis to the Federation.<Amended by Act No. 10437, Mar. 8, 2011>

SECTION 4 Audit and Inspection Committee

- Article 61 (Audit and Inspection Committee)** (1) An audit and inspection committee (hereinafter referred to as "audit and inspection committee") shall be established in the Federation to inspect its business performance and to audit its accounts. <Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>
- (2) The audit and inspection committee shall be comprised of five members, including the chairperson, and shall include at least three external experts satisfying the requirements provided for by Presidential Decree.<Amended by Act No. 12749, Jun. 11, 2014; Act No. 15290, Dec. 26, 2017>
- (3) Members of the audit and inspection committee shall be elected by vote at a general meeting from among persons recommended by the personnel recommendation committee established pursuant to Article 64-3.<Amended by Act No. 15290, Dec. 26, 2017>
- (4) Where the composition of the audit and inspection committee ceases to satisfy the requirements prescribed in paragraph (2) because a member of the audit and inspection committee resigns; dies; or fails to meet the requirements provided for by Presidential Decree or on any other ground, the Federation shall ensure that the composition of the audit and inspection committee satisfies the requirements prescribed in paragraph (2) at the first general meeting convened after such ground has arisen.<Amended by Act No. 15290, Dec. 26, 2017>
- (5) The chairperson of the audit and inspection committee shall be elected from among its members.<Amended by Act No. 15290, Dec. 26, 2017>

(6) The term of office of the chairperson and each member of the audit and inspection committee shall be three years, respectively. <Newly Inserted by Act No. 15290, Dec. 26, 2017>

(7) A vacancy for a member of the audit and inspection committee (including the chairperson of the audit and inspection committee; hereinafter the same shall apply) shall be filled by electing another member pursuant to paragraph (3), and any member filling such vacancy shall serve for the remainder of his/her predecessor's term of office. <Newly Inserted by Act No. 15290, Dec. 26, 2017>

(8) Except as otherwise expressly provided for in paragraphs (1) through (7), procedures for establishing the audit and inspection committee and other necessary matters shall be provided for by the articles of incorporation. <Newly Inserted by Act No. 15290, Dec. 26, 2017>

Article 62 (Duties, etc. of Audit and Inspection Committee) (1) The audit and inspection committee shall audit the property of the Federation and inspect the status of its business performance at least once quarterly, and shall report the findings of the audit and inspection to a general meeting and the board of directors.

(2) Articles 402, 412-5, 413, and 413-2 of the Commercial Act shall apply mutatis mutandis to the duties of the audit and inspection committee.

(3) Where any juristic act, such as a lawsuit or entering into a contract, is done between the Federation and the Chairperson or between the Federation and the representative director in charge of credit and mutual-aid, the chairperson of the audit and inspection committee shall represent the Federation.

(4) Any member of the audit and inspection committee may attend a general meeting or a meeting of the board of directors to state his/her opinion.

(5) Except as otherwise expressly provided for in paragraphs (1) through (4), duties of the audit and inspection committee and other necessary matters shall be provided for by the articles of incorporation.

[This Article Wholly Amended by Act No. 15290, Dec. 26, 2017]

Article 63 (Standards for Internal Controls) (1) The Federation shall determine the basic procedures and standards that its executive officers and employees should observe (hereinafter referred to as "standards for internal controls") in the course of performing their duties in order to observe statutes and manage assets healthily. <Amended by Act No. 10437, Mar. 8, 2011>

(2) The Federation shall check whether its executive officers and employees observe standards for internal controls, and keep not less than one person who investigates any violation of standards for internal controls when any person violates standards for internal controls, and report the same to the audit and inspection committee (hereinafter referred to as "compliance officer"). <Amended by Act No. 10437, Mar. 8, 2011>

(3) Where the Chairperson intends to appoint or dismiss a compliance officer, he/she shall obtain resolution by the board of directors.

(4) Standards for internal controls and requirements for qualifications for a compliance officer, and other necessary matters

shall be provided for by Presidential Decree.

SECTION 5 Executive Officers and Employees

Article 64 (Fixed Number, etc. of Executive Officers) (1) The Federation shall have, as executive officers, at least 11, but not exceeding 21 directors, including one Chairperson, two Vice Chairpersons, one representative director in charge of credit and mutual-aid, one guidance director and one senior managing director, and 5 members of the audit and inspection committee.

<Amended by Act No. 15290, Dec. 26, 2017>

(2) The representative director in charge of credit and mutual-aid, guidance director, senior managing director and the chairperson of the audit and inspection committee, among the executive officers referred to in paragraph (1), shall be employed full-time, and salaries may be paid to the full-time executive officers.<Amended by Act No. 15290, Dec. 26, 2017>

(3) At least 1/3 of the executive officers, excluding members of the audit and inspection committee, shall be appointed from among persons other than the chairperson of the board of directors of a credit cooperative.<Amended by Act No. 15290, Dec. 26, 2017>

[This Article Wholly Amended by Act No. 12749, Jun. 11, 2014]

Article 64-2 (Election, Term of Office, etc. of Executive Officers) (1) The Chairperson shall be elected from among members of a credit cooperative, and Article 18 (5) and (6) shall apply mutatis mutandis to the method of electing the Chairperson. In such cases, "chairperson" shall be construed as "Chairperson." <Amended by Act No. 15290, Dec. 26, 2017>

(2) A person, who is recommended by the personnel recommendation committee established under Article 64-3 from among those with expertise and abundant experience in business affairs he/she is to be solely in charge of, and satisfying the requirements provided for by Presidential Decree, shall be elected as a full-time director at a general meeting, following a resolution by the board of directors.

(3) A director, who also serves as the chairperson of the board of directors of a credit cooperative, shall be elected at a general meeting, from among candidates for directors recommended by each City and Do. In such cases, the qualifications of candidates for the director, who also serves as the chairperson of the board of directors of a credit cooperative, the number of persons to be recommended by City and Do, recommendation procedures, and other necessary matters shall be determined by the articles of incorporation.

(4) Directors, other than those referred to in paragraphs (1) through (3), shall be elected at a general meeting, following a resolution by the board of directors.

(5) Each director, including the Chairperson, shall hold office for a term of four years: Provided, That the Chairperson may be reelected for one further term only.

(6) The main sentence of Article 18 (8), Articles 18 (9), 19 (8), 20 (2), 21 (1) 1 through 12, 12-2, 13, 13-2, 14, and 15, 21 (2) through (4), 21-2, 22, 23, 23-2, 24, 25, 26 (1), and 27 shall apply mutatis mutandis to the Federation. In such cases,

"chairperson and vice chairperson" in Article 25 (6) shall be construed as "Chairperson, Vice Chairperson, and full-time director" and "auditor" as "chairperson of the audit and inspection committee", respectively. <Amended by Act No. 13725, Jan. 6, 2016; Act No. 15290, Dec. 26, 2017>

(7) Where an executive officer of a credit cooperative is elected as the Chairperson, he/she shall resign from office before he/she assumes office as the Chairperson.

(8) The Chairperson or the representative director in charge of credit and mutual-aid may appoint an agent to do all judicial or extrajudicial acts concerning the business affairs of the Federation from among executive officers or employees.

(9) Where the Chairperson or the representative director in charge of credit and mutual-aid appoints an agent pursuant to paragraph (8), he/she shall register such agent, as provided for by Presidential Decree.

(10) Necessary matters, other than grounds for disqualification of directors provided for in Article 21 (1) 1 through 15 which apply mutatis mutandis to the Federation pursuant to paragraph (6), shall be provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 12749, Jun. 11, 2014]

Article 64-3 (Personnel Recommendation Committee) (1) A personnel recommendation committee shall be established in the Federation to recommend any of the following persons: <Amended by Act No. 15290, Dec. 26, 2017>

1. A member of the audit and inspection committee elected pursuant to Article 61 (3) and (7);
2. A full-time director elected pursuant to Article 64-2 (2);
3. A member of the credit cooperative supervisory committee elected pursuant to Article 79-3 (1) and (5).

(2) The personnel recommendation committee of the Federation shall be comprised of at least seven, but not exceeding nine members, and matters necessary for the composition and operation of the committee shall be provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 12749, Jun. 11, 2014]

Article 65 (Representative Authority, etc. of Chairperson) (1) The Chairperson shall represent the Federation: Provided, That this shall not apply to business affairs regarding which the representative director in charge of credit and mutual-aid represents the Federation under Article 65-2 (1).

(2) The Chairperson shall exercise general supervision over the business affairs of the Federation, excluding those regarding which the representative director in charge of credit and mutual-aid represents the Federation under Article 65-2 (1): Provided, That the Chairperson shall delegate the business affairs exclusively performed by the guidance director, the chairperson of the credit cooperative supervisory committee established under Article 79-2 (1) (hereinafter referred to as the "chairperson of the credit cooperative supervisory committee") or by the senior managing director pursuant to Article 65-2 (2) through (4), to the guidance director, the chairperson of the credit cooperative supervisory committee or to the senior managing director, respectively, so that he/she can perform such business affairs at his/her own discretion. <Amended by Act No. 15290, Dec. 26, 2017>

(3) Where the Chairperson is unable to perform his/her duties due to extenuating circumstances, an executive officer in the order determined by the articles of incorporation shall perform the duties on his/her behalf.

[This Article Wholly Amended by Act No. 12749, Jun. 11, 2014]

Article 65-2 (Duties of Representative Director in Charge of Credit and Mutual-Aid, etc.) (1) The representative director in charge of credit and mutual-aid shall be solely in charge of the following affairs and represent the Federation regarding the affairs: <Amended by Act No. 13399, Jul. 20, 2015; Act No. 15290, Dec. 26, 2017>

1. Affairs related to credit affairs or mutual-aid affairs and affairs incidental thereto, among affairs provided for in Article 67 (1) 5 and 6 and affairs incidental thereto and affairs provided for in Article 67 (1) 7, 8, and 12;
2. Setting management targets for the affairs referred to in subparagraph 1;
3. Formulating a business plan and a funding plan concerning the affairs referred to in subparagraph 1;
4. Formulating education and support plans concerning the affairs referred to in subparagraph 1.

(2) The guidance director shall be solely in charge of the following affairs:<Amended by Act No. 13399, Jul. 20, 2015; Act No. 15290, Dec. 26, 2017>

1. Affairs referred to in Article 67 (1) 1, 4, 9, and 11 and affairs incidental thereto;
2. Affairs related to guidance about a credit cooperative and affairs incidental thereto, among affairs provided for in Article 67 (1) 7, 8, and 12.

(3) The chairperson of the credit cooperative supervisory committee shall be solely in charge of supervising and inspecting credit cooperatives provided for in Article 67 (1) 3 and affairs incidental thereto.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

(4) The senior managing director shall be solely in charge of affairs related to tasks, other than the affairs which the representative director in charge of credit and mutual-aid, the guidance director, or the chairperson of the credit cooperative supervisory committee is solely in charge of, among the business of the Federation referred to in Article 67.<Amended by Act No. 15290, Dec. 26, 2017>

(5) Where the representative director in charge of credit and mutual-aid, the guidance director, or the senior managing director referred to in paragraph (1), (2), or (4) is unable to perform his/her duties due to extenuating circumstances, a director determined by the board of directors shall perform the duties on his/her behalf.<Amended by Act No. 15290, Dec. 26, 2017>

(6) Where the chairperson of the credit cooperative supervisory committee provided for in paragraph (3) is unable to perform his/her duties due to extenuating circumstances, a member determined by the credit cooperative supervisory committee shall perform the duties on his/her behalf.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

(7) The Chairperson shall annually conduct a performance review for the representative director in charge of credit and mutual-aid, guidance director, and senior managing director.<Amended by Act No. 15290, Dec. 26, 2017>

(8) Methods and procedures for conducting performance reviews under paragraph (7) and other necessary matters shall be determined by the articles of incorporation.<Amended by Act No. 15290, Dec. 26, 2017>

[This Article Newly Inserted by Act No. 12749, Jun. 11, 2014]

Article 66 (Appointment, Dismissal, etc, of Employees) (1) The Chairperson shall appoint and dismiss employees, and consult on the promotion and transfer of employees engaged in business affairs which fall within the remit of the representative director in charge of credit and mutual-aid, the guidance director, the chairperson of the credit cooperative supervisory committee, or the senior managing director under Article 65-2 (1) through (4) with him/her respectively, as provided for by the articles of incorporation. <Amended by Act No. 12749, Jun. 11, 2014; Act No. 15290, Dec. 26, 2017>

(2) Qualifications for employees and other necessary matters shall be provided for by the articles of incorporation.

SECTION 6 Business

Article 67 (Business) (1) The Federation shall engage in all or some of the following business to achieve its objectives:

<Amended by Act No. 8635, Aug. 3, 2007; Act No. 10437, Mar. 8, 2011; Act No. 13399, Jul. 20, 2015>

1. Guiding the business and management of credit cooperatives;
2. Education, training, enlightenment, investigation and research, dissemination and public relations;
3. Supervising and inspecting credit cooperatives;
4. Supporting the business of credit cooperatives;
5. Credit business:
 - (a) Receiving deposits, installment savings, and other surplus funds from credit cooperatives;
 - (b) Lending money to credit cooperatives and their members;
 - (c) Domestic exchange and foreign exchange services under the Foreign Exchange Transactions Act for credit cooperatives and their members;
 - (d) Safeguard deposits for credit cooperatives and their members;
 - (e) Agency services for the Government, public organizations, or financial institutions;
 - (f) Providing payment guarantees and bill discounting;
 - (g) Underwriting and selling national and municipal bonds under Article 4 (3) of the Financial Investment Services and Capital Markets Act;
 - (h) Credit card business permitted under the Specialized Credit Finance Business Act;
6. Mutual-aid business for credit cooperatives and their members;
7. Business entrusted or assisted by the Government or public organizations;
8. Business provided for by other statutes as business of the Federation;
9. Methods of accounting of credit cooperatives or standardization and coordination of other books and documents;
10. Business incidental to those specified in subparagraphs 1 through 8;
11. Cooperative regional development business with international bodies and foreign countries, which has been approved by the competent Minister;

12. Other business necessary to achieve the objectives, and approved by the competent Minister.

(2) If necessary to engage in business under paragraph (1) smoothly, the Federation may borrow necessary money with approval from the competent Minister: Provided, That it may borrow money necessary for credit business under paragraph

(1) 5 without the approval of the competent Minister.<Amended by Act No. 10437, Mar. 8, 2011>

(3) If necessary to engage in the business prescribed in Article 28 (1) 2 and 4 applicable mutatis mutandis pursuant to paragraphs (1) and (4), the Federation may finance other corporations within the limit of its equity capital.<Amended by Act No. 10437, Mar. 8, 2011>

(4) Articles 28 (1) 2 and 4, and (3) and 28-2, the main sentence of Article 29 (1) and (2), and Article 30 shall apply mutatis mutandis to the Federation.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

(5) The Federation may pay interest or distribute profits based on the actual results of management to credit cooperatives on surplus funds that it has received from credit cooperatives and manages pursuant to paragraph (1) 5 (a).<Newly Inserted by Act No. 10437, Mar. 8, 2011>

(6) Where the Federation distributes profits pursuant to paragraph (5), the Financial Investment Services and Capital Markets Act shall not apply to such distribution.<Newly Inserted by Act No. 10437, Mar. 8, 2011>

Article 68 (Mutual Aid Regulations, etc.) (1) When the Federation engages in the business referred to in Article 67 (1) 6, it shall establish mutual aid regulations and obtain approval from the competent Minister.

(2) The Federation shall provided for methods for engaging in business, mutual-aid contracts, mutual-aid dues, etc. in the mutual aid regulations established under paragraph (1), as provided for by Ordinance of the Ministry of the Interior and Safety.<Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014; Act No. 14839, Jul. 26, 2017>

(3) If the Federation intends to amend or repeal mutual aid regulations referred to in paragraph (1), it shall obtain approval from the competent Minister.

(4) Where the Federation concludes a mutual-aid contract, Article 95-5 of the Insurance Business Act shall apply mutatis mutandis to the duty to verify the conclusion of dual contracts.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

Article 69 (Establishment and Operation of Mutual-Aid Grievance Mediation Deliberative Committee) (1) The

Federation shall organize a mutual-aid grievance mediation deliberative committee in order to resolve a grievance related to mutual-aid business expeditiously and fairly. <Amended by Act No. 10437, Mar. 8, 2011>

(2) The organization and operation of the mutual-aid grievance mediation deliberative committee under paragraph (1), and other matters necessary for procedures for adjustment, deliberation, etc. shall be provided for by Presidential Decree.

SECTION 7 Accounting

Article 70 (Business Budget and Settlement of Accounts) (1) The Federation shall prepare an operation plan and draft budget

each business year and report the same to the competent Minister subject to resolution at a general meeting: Provided, That it shall obtain approval from the competent Minister for a plan of business, if such business is fully or partially subsidized or financed by the Government. <Amended by Act No. 10437, Mar. 8, 2011>

(2) Paragraph (1) shall also apply where the Federation intends to amend its budget.

(3) The Federation shall settle accounts of the business year and prepare a statement of accounts (including a business report, a statement of financial position, a statement of profit or loss, a proposal for disposal of surplus funds or a proposal for settlement of losses) within two months after the close of the business year; obtain approval of the same at a general meeting; and submit the statement of accounts and the audit report to the competent Minister within two weeks after the regular general meeting is closed.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

(4) Articles 31, 32, 33 (3), 34 and 35 shall apply mutatis mutandis to the Federation.<Amended by Act No. 10437, Mar. 8, 2011>

SECTION 8 Preferential Investment

Article 70-2 (Preferential Investment) (1) The Federation may have credit cooperatives make preferential investment that has preferred status in the receipt of distributions of surplus funds in order to promote the soundness of management through the increase in equity capital, as provided for by the articles of incorporation.

(2) The amount of one share of preferential investment under paragraph (1) shall be same as the amount of one share of investment under Article 56 (3), and the sum total of preferential investment shall not exceed half of paid-in investments.

(3) Preferential investors shall have no voting rights and suffrage.

(4) The Federation shall pay dividends on preferential investment in preference to dividends on investment under Article 56, and determine the dividend rate thereof between the lowest and highest dividend rates provided for by the articles of incorporation in an ordinary general meeting.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 70-3 (Issuance of Preferential Investment Securities) (1) The Federation shall issue preferential investment securities immediately after the due date of preferential investment.

(2) The Chairperson shall make a list of preferential investors and keep the same at the main office.

(3) Members, preferential investors or creditors of the Federation may inspect the list of preferential investors during the business hours, and request the Federation to reproduce a copy thereof at their own expense set by the Federation.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 70-4 (Liability of Preferential Investors) Liability of a preferential investor shall be limited to the value of underwriting of preferential investment he/she owns.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 70-5 (Transfer of Preferential Investment) (1) Preferential investment shall be transferable: Provided, That transfer before the issuance of preferential investment securities shall have no effect on the Federation.

(2) When a preferential investor transfers preferential investment, he/she shall issue preferential investment securities.

(3) A possessor of preferential investment securities shall be presumed a lawful holder.

(4) Where the title of preferential investment securities is transferred, an acquirer of preferential investment securities shall not oppose the Federation or other third party unless the name and domicile of the acquirer is registered in the list of preferential investors and his/her name is inscribed in securities.

(5) Where preferential investment securities are used for pledge, no pledgee shall oppose the Federation or other third party unless the name and domicile of the pledgee is registered in the list of preferential investors.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 70-6 (General Meeting of Preferential Investors) (1) Where the amended articles of incorporation inflict a loss on preferential investors, the Federation shall pass a resolution in a general meeting of the preferential investors.

(2) A general meeting of the preferential investors shall pass a resolution under paragraph (1) with the concurrence of more than two thirds of the number of shares of investment present when a majority of the total number of shares of preferential investment issued is present.

(3) Matters necessary for the operation of a general meeting of preferential investors under paragraph (1) shall be provided for by the articles of incorporation.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 70-7 (Other Matters concerning Preferential Investment) Except as otherwise provided for in this Act, matters necessary for the issuance and flotation of preferential investment shall be provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

SECTION 9 Depositor Protection Reserve

Article 71 (Establishment of Depositor Protection Reserve) (1) The Federation shall establish and operate a depositor protection reserve (hereinafter referred to as the "Reserve") therein to ensure the refund of deposits and installment savings paid by members (including nonmembers under Article 30) of credit cooperatives, other income, mutual-aid funds, special deposits to cash cashier's checks, protect members' property and promote the healthy development of credit cooperatives.

<Amended by Act No. 8553, Jul. 27, 2007; Act No. 10437, Mar. 8, 2011>

(2) Credit cooperatives and the Federation shall join the Reserve under paragraph (1).<Amended by Act No. 8553, Jul. 27, 2007; Act No. 10437, Mar. 8, 2011>

(3) The Federation shall organize the Reserve Management Committee to deliberate and decide upon important matters concerning the operation of the Reserve, and the operation of the Reserve and the organization and operation of the Reserve Management Committee, and other necessary matters shall be provided for by Presidential Decree.<Amended by Act No. 10437, Mar. 8, 2011>

(4) Where a credit cooperative is unable to pay deposits, installment savings and other income, or the Federation is unable to pay mutual-aid funds and cash cashier's checks, the Chairperson may make repay in lieu of such credit cooperative or the Federation, as determined by the Reserve Management Committee.<Amended by Act No. 8553, Jul. 27, 2007; Act No. 10437, Mar. 8, 2011>

(5) Articles 482 through 485 of the Civil Act shall apply mutatis mutandis to paragraph (4).

Article 72 (Creation, etc. of Reserve) (1) The Reserve shall be created with the following funds: <Amended by Act No. 8553, Jul. 27, 2007; Act No. 10437, Mar. 8, 2011>

1. Contributions made by credit cooperatives and the Federation;
2. Money transferred from other accounts and borrowed money;
3. Profits made by the operation of the Reserve;
4. Money borrowed from the Government;
5. Other income.

(2) Necessary matters concerning the raising of funds specified under paragraph (1) shall be provided for by Presidential Decree.

(3) No credit cooperative nor the Federation shall request the Reserve to refund contributions made pursuant to paragraph (1) 1.<Amended by Act No. 8553, Jul. 27, 2007; Act No. 10437, Mar. 8, 2011>

(4) The ratio of contributions referred to in paragraph (1) 1 may be determined differently for each credit cooperative, in consideration of its management, financial situation, etc.<Newly Inserted by Act No. 13725, Jan. 6, 2016>

Article 72-2 (Setting, etc. of Target Amount to be Accumulated for Reserve) (1) The Federation shall set a target amount to be accumulated for the Reserve (hereafter in this Article, referred to as "target amount") to ensure that the accumulated funds for the Reserve are maintained at an appropriate level.

(2) A target amount shall be set within the extent not hindering the efficient operation of the Reserve system in consideration of the management, financial situation, etc., of credit cooperatives, following a resolution by the Reserve Management Committee. In such cases, the target amount may be set in a certain range with upper and lower limits.

(3) The Federation shall regularly examine the appropriateness of a target amount, taking account of the management conditions and stability of the Federation or credit cooperatives; and may reset a target amount, following a resolution by the Reserve Management Committee, if necessary.

(4) Where the accumulated funds for the Reserve reach a target amount, the Federation may grant reduction of, or exemption

from, contributions to the Federation or credit cooperatives, taking account of expected income and expenditure of the Reserve, as provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

Article 72-3 (Use. etc. of Reserve) (1) The Reserve shall be used only for any of the following purposes:

1. Reimbursement for deposits, installment savings, or other income where a credit cooperative, which has registered its dissolution, is unable to refund such deposits, installment savings, or other income; or reimbursement for mutual-aid funds or special deposits where the Federation, which has registered its dissolution, is unable to refund such mutual-aid funds or special deposits;
2. Improving the financial structure of a credit cooperative for its management normalization; or extending loans, or providing financial support, to a credit cooperative which needs to refund deposits, installment savings, and other income;
3. Lending funds or providing financial support required for a merger between credit cooperatives referred to in Article 38 (2);
4. Financial support for the transfer of a contract referred to in Article 80-2;
5. Other expenses incurred in managing and operating the Reserve.

(2) The scope and limit of reimbursement referred to in paragraph (1) and other necessary matters shall be provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

Article 73 (Exercise of Right to Claim Damages) (1) Where the Reserve Management Committee has determined financial support, lending of money, or subrogation to a credit cooperative pursuant to Article 71 (3) and (4), the Federation may request such credit cooperative to file a claim for damages with the current or former executive officers and employees deemed responsible for insolvency of such credit cooperative, persons falling under any subparagraph of Article 401-2 (1) of the Commercial Act, and other third party (hereinafter referred to as “insolvency-related persons”). <Amended by Act No. 10437, Mar. 8, 2011; Act No. 13725, Jan. 6, 2016>

(2) Where a credit cooperative fails to comply with a request made under paragraph (1), the Federation may immediately file a claim for damages in lieu of such credit cooperative.<Amended by Act No. 10437, Mar. 8, 2011>

(3) If necessary to exercise a claim for damages and a right to claim damages under paragraphs (1) and (2) in lieu of a credit cooperative, the Federation may investigate the business and financial status of the relevant credit cooperative.<Amended by Act No. 10437, Mar. 8, 2011>

(4) Where a credit cooperative brings a claim against a person for a claim for damages under paragraph (1), the Federation may participate in an action to assist such credit cooperative during the pendency of such action. In such cases, Articles 71 through 77 of the Civil Procedure Act shall apply mutatis mutandis thereto.<Amended by Act No. 10437, Mar. 8, 2011>

(5) Where the Federation wins a case by exercising a right to claim damages in lieu of a credit cooperative pursuant to

paragraph (2) or participates in an action under paragraph (4) at the request of the relevant credit cooperative, such credit cooperative shall bear such expenses.<Amended by Act No. 10437, Mar. 8, 2011>

Article 73-2 (Request, etc. for Submission of Data) (1) If necessary for the Federation to file a claim for damages with insolvency-related persons or to participate in a legal action, the competent Minister may request the heads of relevant administrative agencies, local governments, and other public institutions provided for by Presidential Decree (hereafter in this Article, referred to as "public institutions, etc.") to submit data or information on property of such insolvency-related persons. In such cases, the heads of the public institution, etc. shall comply with such request, except in extenuating circumstances.

(2) The competent Minister may provide the Federation with the information submitted by the heads of the public institutions, etc. pursuant to paragraph (1), so that it can utilize the information to file its claim for damages or to participate in a legal action.

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

CHAPTER IV SUPERVISION

Article 74 (Supervision, etc.) (1) The competent Minister shall supervise credit cooperatives and the Federation incorporated, as provided for by this Act: Provided, That the competent Minister shall supervise credit business and mutual-aid business in consultation with the Financial Services Commission. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 10437, Mar. 8, 2011>

(2) If deemed necessary for supervision under paragraph (1), the competent Minister may require the Federation or a credit cooperative to submit a report on its business and financial status, or require persons involved to attend a meeting to state their opinions.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

(3) The competent Minister may have a public official under his/her jurisdiction inspect business and property of a credit cooperative or the Federation.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

(4) Where necessary to inspect a credit cooperative or the Federation, the competent Minister may request support from the Governor of the Financial Supervisory Service.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

(5) The competent Minister may issue an order necessary for supervision, such as rectifying a credit cooperative or the Federation, in any of the following circumstances:<Newly Inserted by Act No. 15290, Dec. 26, 2017>

1. Where the order is required as a result of supervision or inspection under paragraphs (2) through (4);
2. Where matters on which a credit cooperative or the Federation has passed a resolution are illegal or unlawful.

(6) Details about supervision, inspection, measures, etc. necessary for supervision, such as rectification, in connection with credit cooperatives or the Federation referred to in paragraphs (1) through (5) shall be determined and publicly notified by the competent Minister.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

(7) The competent Minister shall establish standards necessary for supervision in consultation with the Chairperson of the

Financial Services Commission in order to develop mutual-aid business of credit cooperatives and the Federation and to protect the members thereof.<Amended by Act No. 8852, Feb. 29, 2008; Act No. 10437, Mar. 8, 2011; Act No. 15290, Dec. 26, 2017>

Article 74-2 (Sanctions against Executive Officers and Employees) (1) Where any executive officer or employee of a credit cooperative or the Federation fails to comply with this Act or an order issued under this Act; to follow procedures; or to fulfill obligations provided for by the articles of incorporation, the competent Minister may require the credit cooperative or the Federation to take any of the following measures against such executive officer or employee: <Amended by Act No. 15290, Dec. 26, 2017>

1. Reelection, suspension of the performance of his/her duties, reprimand, or warning, for the relevant executive officer;
2. Disciplinary dismissal, suspension from office, salary reduction, reprimand, warning, or caution, for the relevant employee.

(2) Where a credit cooperative or the Federation is requested to take a measure action, such as reelection or disciplinary dismissal, against an executive officer or employee pursuant to paragraph (1) (including where it is applied mutatis mutandis in Article 79 (7)), the duties of such executive officer or employee shall be suspended from the date of such request to the date such measure is determined.<Amended by Act No. 15290, Dec. 26, 2017>

(3) Where no executive officer exists who can execute business of a credit cooperative or the Federation, the competent Minister may appoint a temporary executive officer.

(4) Where a temporary executive officer is appointed pursuant to paragraph (3), the relevant credit cooperative or the Federation shall register him/her without delay: Provided, That, where the credit cooperative or the Federation neglects to register a temporary executive officer, the competent Minister may entrust the registration of the temporary executive officer to the registry office having jurisdiction over the main office of the credit cooperative or the Federation.

(5) Detailed standards for imposing sanctions under paragraph (1) shall be determined by Ordinance of the Ministry of the Interior and Safety.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

Article 74-3 (Administrative Dispositions against Credit Cooperative, etc.) (1) Where the competent Minister deems that a credit cooperative or the Federation could harm its sound management by violating this Act or an order issued under this Act, he/she may take any of the following measures against the credit cooperative or the Federation:

1. Warning or caution;
2. Ordering it to rectify the relevant violation;
3. Fully or partially suspending its business for a period not exceeding six months.

(2) Where a credit cooperative falls under any of the following cases, the competent Minister may revoke approval for its incorporation: Provided, That, where it falls under subparagraph 2, he/she shall revoke approval for its

incorporation:<Amended by Act No. 15290, Dec. 26, 2017>

1. Where the credit cooperative fails to register its incorporation within 90 days from the date it obtains approval for its incorporation;
2. Where the credit cooperative obtains approval for its incorporation by fraud or other improper means;
3. Where the credit cooperative fails to satisfy the requirements for approval for incorporation provided for in Article 7-2;
4. Where the number of members of the credit cooperative falls below 100 for at least one year continuously;
5. Where the credit cooperative fails to conduct its business for at least one year continuously without good cause;
6. Where the credit cooperative fails to take a measure, etc. required under Article 74-2 or 74-3 (1) (including where it is applied mutatis mutandis pursuant to Article 79 (7));
7. Where the credit cooperative fails to pass a resolution at a general meeting within six months from the date it has been advised to merge with another credit cooperative under Article 79 (6).

(3) The competent Minister shall seek opinions from the Chairperson to revoke approval for incorporation of a credit cooperative pursuant to paragraph (2).

(4) Where a credit cooperative falls under any subparagraph of paragraph (2), the Chairperson shall request the competent Minister to revoke approval for its incorporation.

(5) The competent Minister shall make public announcement immediately after revoking approval for incorporation of a credit cooperative pursuant to paragraph (2).

(6) Detailed standards for taking administrative dispositions under paragraph (1) shall be determined by Ordinance of the Ministry of the Interior and Safety.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

[This Article Newly Inserted by Act No. 13725, Jan. 6, 2016]

Article 75 (Public Announcement of Management) Credit cooperatives and the Federation shall publicly announce important information and materials concerning their management status, as provided for by Presidential Decree. <Amended by Act No. 10437, Mar. 8, 2011>

Article 76 (External Audits) (1) The Federation shall be audited by an auditor defined in subparagraph 7 of Article 2 or Article 9 of the Act on External Audit of Stock Companies, Etc. (hereafter in this Article, referred to as "auditor") at least once every fiscal year. <Amended by Act No. 15022, Oct. 31, 2017>

(2) The Chairperson shall report the findings of an audit to the competent Minister within 20 days after the audit is conducted.

(3) The competent Minister may require a credit cooperative provided for by Presidential Decree to be audited by an auditor, if necessary to protect its members in relation to supervision under Article 74 and disclosure of its management performance under Article 75.

(4) After conducting an audit under paragraph (3), an auditor shall prepare an audit report and submit the same to the board

of directors, the auditor and the chairperson of the relevant credit cooperative.

(5) A credit cooperative audited by an auditor pursuant to paragraph (3) shall report the findings thereof to the competent Minister within 20 days from the date it receives an audit report under paragraph (4).

[This Article Wholly Amended by Act No. 10437, Mar. 8, 2011]

Article 77 (Standards for Soundness of Management) (1) In order to maintain soundness of management and prevent a financial incident, credit cooperatives and the Federation shall observe standards for soundness of management determined by the competent Minister concerning the following matters, as provided for by Presidential Decree: <Amended by Act No. 10437, Mar. 8, 2011>

1. Matters concerning the soundness of financial structure;
2. Matters concerning asset quality;
3. Matters concerning accounting and settlement of accounts;
4. Matters concerning risk management;
5. Other matters necessary to secure soundness of management.

(2) Deleted.<by Act No. 15290, Dec. 26, 2017>

(3) If the competent Minister deems that a credit cooperative or the Federation could seriously harm the soundness of its management, such as failure to meet the standards for soundness of management, under paragraph (1), he/she may require it to take measures for improving its management, such as increasing capital or reducing holding assets.<Amended by Act No. 15290, Dec. 26, 2017>

Article 78 (Delegation of Authority) The competent Minister may delegate part of his/her authority under this Act to the Special Metropolitan City Mayor, a Metropolitan City Mayor, a Do Governor or the Chairperson.

Article 79 (Guidance and Supervision of Credit Cooperatives by Federation) (1) The Chairperson shall guide and supervise credit cooperatives, as provided for by this Act, and orders issued under this Act, or the articles of incorporation.

(2) The Chairperson may formulate regulations necessary to guide and supervise credit cooperatives, and give instructions to credit cooperatives, such as requiring them to submit a report.

(3) The Chairperson shall inspect credit cooperatives in connection with their property and the status of their business performance at least biennially: Provided, That the Chairperson may have an employee under his/her jurisdiction frequently inspect a credit cooperative, if deemed necessary for supervision.

(4) Where deemed necessary, the Chairperson may request an accounting firm provided for in Article 3 (1) 1 of the Act on External Audit of Stock Companies, Etc. to conduct an audit at the expense of the relevant credit cooperative.

(5) The Chairperson shall notify the chairperson of the board of directors and auditors of the relevant credit cooperative of

the findings of the inspection conducted under paragraph (3) and findings of the audit conducted under paragraph (4).

(6) The Chairperson may assess the management status of a credit cooperative and may take necessary measures, such as requiring the credit cooperative to improve its management or advising it to merge with another credit cooperative, based on the result of such assessment.

(7) Articles 74-2 and 74-3 (1) shall apply mutatis mutandis to the results of supervision and inspection of a credit cooperative conducted by the Chairperson, measures he/she takes against a credit cooperative, or his/her requests for measures. In such cases, "competent Minister" shall be construed as "Chairperson"; and "credit cooperative or the Federation", as "credit cooperative".

(8) Where a credit cooperative receives a request from the Chairperson to take measures against an executive officer or employee under its jurisdiction pursuant to Article 74-2 (1), which is applied mutatis mutandis in paragraph (7), it shall take necessary measures within two months and notify the Chairperson of the results of the measures taken.

[This Article Wholly Amended by Act No. 15290, Dec. 26, 2017]

Article 79-2 (Establishment, Operation, etc. of Credit Cooperative Supervisory Committee) (1) A credit cooperative

supervisory committee shall be established under the jurisdiction of the Chairperson to conduct affairs concerning supervision and inspection of credit cooperatives independently and professionally.

(2) The credit cooperative supervisory committee shall deliberate and pass resolutions on the following matters:

1. Direction-setting for supervising and inspecting credit cooperatives as well as relevant plans;
2. Formulation, amendment, and repeal of the regulations on guidance and supervision of credit cooperatives provided for in Article 79;
3. Inspection of credit cooperatives under Article 79 (3);
4. Audits of credit cooperatives under Article 79 (4);
5. Sanctions against executive officers or employees of credit cooperatives under Article 74-2 which is applied mutatis mutandis in Article 79 (7);
6. Administrative dispositions against credit cooperatives under Article 74-3 (1) which is applied mutatis mutandis in Article 79 (7);
7. Sanctions against executive officers or employees prosecuted, under Article 79-4;
8. Details of notification given to executive officers, etc. retired, under Article 79-5;
9. Matters on which the Chairperson requests deliberations or resolutions regarding supervision and inspection of credit cooperatives;
10. Any other matters deemed necessary for supervising and inspecting credit cooperatives.

(3) The credit cooperative supervisory committee shall be comprised of five members, including the chairperson of the credit cooperative supervisory committee, who shall be employed full-time.

(4) A clerical organization shall be established in the credit cooperative supervisory committee to conduct the affairs of the committee and to enable the Federation to efficiently supervise and inspect credit cooperatives, as provided for by the articles

of incorporation.

[This Article Newly Inserted by Act No. 15290, Dec. 26, 2017]

- Article 79-3 (Election, etc. of Members of Credit Cooperative Supervisory Committee)** (1) Each member of the credit cooperative supervisory committee shall be elected at a general meeting by a resolution of the board of directors from among persons, other than executive officers or employees of a credit cooperative, who are recommended by the personnel recommendation committee established under Article 64-3.
- (2) Each member of the credit cooperative supervisory committee shall have substantial expertise and experience in financial, accounting, or supervisory business and meet the requirements provided for by Presidential Decree.
- (3) The chairperson of the credit cooperative supervisory committee shall be elected from among members of the credit cooperative supervisory committee.
- (4) The chairperson and each member of the credit cooperative supervisory committee shall serve a three-year term, respectively.
- (5) A vacancy for the chairperson or a member of the credit cooperative supervisory committee shall be filled by electing another member pursuant to paragraph (1), and any member filling a vacancy shall serve for the remainder of his/her predecessor's term of office.

[This Article Newly Inserted by Act No. 15290, Dec. 26, 2017]

- Article 79-4 (Sanctions against Executive Officers and Employees Prosecuted)** (1) When an executive officer or employee of the Federation or a credit cooperative is prosecuted for a crime prescribed in Articles 355 through 357 of the Criminal Act, and Articles 5, 7 and 8 of the Act on the Aggravated Punishment, etc. of Specific Economic Crimes, the competent Minister or the Chairperson may direct the Federation or the credit cooperative to suspend the executive officer or employee from performing duties.
- (2) When an executive officer of the Federation or a credit cooperative violates Article 25 (8), the competent Minister or the Chairperson may direct the Federation or the credit cooperative to suspend the executive officer from performing duties.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

- Article 79-5 (Notification of Details of Orders to Executive Officers, etc. Retired)** (1) Where the competent Minister or the Chairperson deems that an executive officer or employee retired from the Federation or a credit cooperative would have received any of the following orders if he/she was in office, the competent Minister shall notify the Federation of the details of the order the competent Minister of the Chairperson deems that he/she would have received and the Chairperson shall notify the relevant credit cooperative of the same: <Amended by Act No. 13725, Jan. 6, 2016; Act No. 15290, Dec. 26, 2017>

1. Reelection of the relevant executive officer, or suspension of the performance of his/her duties under Article 74-2 (1)

(including where it is applied mutatis mutandis in Article 79 (7));

2. Disciplinary dismissal or suspension from office for the relevant employee under Article 74-2 (1) (including where it is applied mutatis mutandis in Article 79 (7)).

(2) The Federation or a credit cooperative notified pursuant to paragraph (1) shall notify the relevant executive officer or employee of the details of the relevant order, and record and administer such details. <Amended by Act No. 13725, Jan. 6, 2016>

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 80 (Management Guidance) (1) Where the competent Minister deems that a credit cooperative could face difficulty in protecting its members because it falls under any of the following subparagraphs, he/she may guide the credit cooperative on its management: <Amended by Act No. 15290, Dec. 26, 2017>

1. Where the competent Minister deems that equity capital of such credit cooperative could be impaired because it has non-performing loans exceeding its equity capital and faces difficulty in collecting such non-performing loans in an ordinary manner within the short term;

2. Where the competent Minister deems that such credit cooperative faces difficulty in promoting the stabilization of business by its own means because illegal and unlawful conduct of its executive officer or employee has inflicted losses on its property;

3. Where such credit cooperative is unable to pay its deposits, installment savings or other income with its funds because its bankruptcy seems imminent or there is a bank run of deposits, installment savings or other income due to illegal or unlawful conduct of its executive officer or employee;

4. Where the Chairperson makes a proposal because management guidance is deemed required by an inspection under Article 79 (3).

(2) "Management guidance" in paragraph (1) means guidance on the following matters:

1. Business concerning supply and demand of funds, and credit and depository;

2. Collection of illegal or non-performing loans and securing claims;

3. Other matters provided for by Presidential Decree concerning the management of credit cooperatives.

(3) Where the competent Minister begins management guidance under paragraph (1), he/she may suspend the payment of debts, such as deposits, or executive officers (including the management staff under Article 26 (2); hereafter in this Article, the same shall apply) from performing their duties within six months. In such cases, the competent Minister may have the Chairperson inspect the financial status (hereinafter referred to as "due diligence") of the relevant credit cooperative without delay.

(4) The Chairperson shall take necessary measures to cover losses, such as inquiring about property and applying for provisional attachment of property, against any executive officer or employee who has inflicted losses on a credit cooperative by their illegal or unlawful conduct as a result of the due diligence pursuant to the latter part of paragraph (3).

(5) Where the competent Minister deems that there are special grounds, such as where the stabilization of business of the

relevant credit cooperative is possible, as a result of the due diligence pursuant to the latter part of paragraph (3), he/she shall fully or partially release such credit cooperative from suspending paying debts or its executive officers from performing their duties pursuant to the former part of paragraph (3).

(6) The competent Minister may entrust the Chairperson with the business concerning management guidance under paragraph (1).

(7) Methods of management guidance; methods and period of, and procedure for, suspending payment of debts or the performance of duties of executive officers under paragraphs (1) through (3), and other necessary matters shall be provided for by Presidential Decree.

Article 80-2 (Determination for Transfer of Contracts) (1) The competent Minister may determine the transfer of a contract (hereinafter referred to as "transfer of a contract") related to business of a credit cooperative falling under any of the subparagraphs of Article 80 (1) (hereinafter referred to as "insolvent credit cooperative") after hearing the Chairperson's opinion.

(2) When the competent Minister determines the transfer of a contract pursuant to paragraph (1), he/she shall determine the extent of a contract to be transferred within the necessary extent, the conditions thereof, and a credit cooperative that acquires a contract (hereinafter referred to as "credit cooperative that acquires a contract"). In such cases, he/she shall obtain the consent of a credit cooperative that acquires a contract in advance.

(3) The Federation may present the amount and conditions of financial support to a credit cooperative that acquires a contract on the premise that the latter conducts the transfer of a contract.

(4) Where a credit cooperative that acquires a contract calls a general meeting to obtain the consent under the latter part of paragraph (2), the Federation shall notify the members of the relevant credit cooperative that acquires a contract of matters related to a resolution in the general meeting, such as the degree of insolvency of an insolvent credit cooperative and measures concerning the transfer of a contract, in advance.

(5) When the Government or a local government deems financial support to a credit cooperative that acquires a contract necessary, it may grant a subsidy to such credit cooperative within budgetary limits.

(6) The competent Minister shall appoint a trustee for an insolvent credit cooperative from which he/she has determined the transfer of a contract pursuant to paragraph (1).

(7) When the competent Minister has appointed a trustee pursuant to paragraph (6), he/she shall notify a district court having jurisdiction over the seat of the main office of the relevant insolvent credit cooperative, of the effect of such appointment without delay, and entrust the registry office having jurisdiction over its main office or branch office with registration of such appointment.

(8) No resolution by the board of directors nor of a general meeting of an insolvent credit cooperative shall be required for the transfer of a contract according to the determination of the transfer of a contract under paragraph (1).

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 80-3 (Effect of Determination for Transfer of Contract) (1) Where the competent Minister determines the transfer of a contract pursuant to Article 80-2 (1), a credit cooperative that acquires a contract shall succeed to rights and duties and the business area of an insolvent credit cooperative included in matters of such determination when he/she determines such transfer.

(2) Where the competent Minister determines the transfer of a contract pursuant to Article 80-2 (1), the relevant insolvent credit cooperative and credit cooperative that acquires a contract shall publicly announce the gist of such determination and the fact of the transfer of a contract, respectively, without delay, as provided for by Presidential Decree.

(3) When an insolvent credit cooperative and a credit cooperative that acquires a contract make a public announcement under paragraph (2), a credit cooperative that acquires a contract shall succeed to juridical relations among creditors, obligors, persons who have pledged their property to secure another's obligations, and other relevant persons (hereinafter referred to as "creditors, etc.") related to the transfer of such contract and the relevant insolvent credit cooperative in the same details: Provided, That creditors, etc. may oppose a credit cooperative that acquires a contract for reasons arising in relation to the relevant insolvent credit cooperative before a public announcement under paragraph (1) is made.

(4) When an insolvent credit cooperative and a credit cooperative that acquires a contract make a public announcement under paragraph (2), they shall be deemed to satisfy the necessary conditions of opposition to the assignment of nominative claims under Article 450 of the Civil Act: Provided, That creditors, etc. may oppose a credit cooperative that acquires a contract for reasons arising in relation to the relevant insolvent credit cooperative before a public announcement is made.

(5) Where the competent Minister determines the transfer of a contract under Article 80-2 (1), a credit cooperative that acquires a contract shall acquire the right to real estate, etc. requiring registration or record for transfer of property when a public announcement under paragraph (2) is made.

(6) Where the competent Minister determines the transfer of a contract under Article 80-2 (1), he/she shall have the relevant insolvent credit cooperative and a credit cooperative that acquires a contract keep and manage information related to the transfer of a contract and provide them for inspection by creditors, etc. In such cases, the competent Minister shall determine standards and procedures necessary to keep and manage such information and provide them for inspection by creditors.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 80-4 (Qualifications for and Authority of Trustees) (1) A person who has an interest in or special relation provided for by Presidential Decree with the relevant credit cooperative shall not be appointed as a trustee under Article 80-2 (6) (hereafter in this Article referred to as "trustee").

(2) A trustee shall be entitled to manage and dispose of assets and liabilities of a credit cooperative within the extent of business related to the transfer of a contract. In such cases, unless he/she has completed registration under Article 80-2 (7), he/she shall not oppose the third party in doing juristic acts, such as disposal of property of the credit cooperative.

(3) If necessary to secure obligations attributed to illegal or non-performing loans, a trustee shall inspect property of executive officers and employees (including former executive officers and employees) deemed responsible for such illegal or non-performing loans or of obligors, and take necessary measures, such as applications for provisional attachment.

(4) When the competent Minister deems it necessary, he/she may dismiss a trustee.

(5) Article 35 (1) of the Civil Act, Article 11 (1) of the Commercial Act, Articles 30 and 360 through 362 of the Debtor Rehabilitation and Bankruptcy Act shall apply mutatis mutandis to a trustee. In such cases, "court" in Articles 30 and 360 through 362 of the Debtor Rehabilitation and Bankruptcy Act shall be construed as "competent Minister."

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 80-5 (Filing for Bankruptcy. etc.) (1) When the transfer of a contract of an insolvent credit cooperative is completed according to the determination of the transfer of a contract under Article 80-2 (1), the competent Minister may file for bankruptcy with a district court having jurisdiction over the seat of the main office of the relevant credit cooperative.

(2) When a credit cooperative has gone bankrupt, the competent Minister may recommend a trustee in bankruptcy to a court, notwithstanding the provisions of Article 355 of the Debtor Rehabilitation and Bankruptcy Act.

[This Article Newly Inserted by Act No. 10437, Mar. 8, 2011]

Article 81 (Members' Requests for Inspection) (1) Where a member has requested the competent Minister to inspect a credit cooperative to which he/she belongs with the consent of not less than one tenth of the incumbent members by reason that its management status of business or accounting violates statutes, the articles of incorporation or the regulations defining mutual aid, the competent Minister may have the Chairperson inspect the status of business of the relevant credit cooperative.

(2) Where a member has requested the competent Minister to inspect the Federation with the consent of not less than one tenth of the incumbent members by reason that its management status of business or accounting violates statutes, the articles of incorporation or the regulations defining mutual aid, the competent Minister may have the Governor of the Financial Supervisory Service inspect the Federation. <Amended by Act No. 10437, Mar. 8, 2011>

Article 82 Deleted. <by Act No. 13725, Jan. 6, 2016>

Article 83 (Hearings, etc.) If the competent Minister or the Chairperson intends to issue an order to suspend business, reelect an executive officer, or suspend his/her duties under Article 74-2 (1) 1; 74-3 (1) 3 or (2); 74-2 (1) 1 or 74-3 (1) 3 which are applied mutatis mutandis in Article 79 (7); or 79-5 (1) 1, he/she shall first give the executive officer or his/her agent an opportunity to state his/her opinion, as provided for by Presidential Decree: Provided, That this shall not apply where such executive officer or his/her agent declines to state his/her opinion without good cause, or the competent Minister or the Chairperson is unable to give him/her an opportunity to state his/her opinion due to unknown whereabouts, etc. <Amended by Act No. 13725, Jan. 6, 2016; Act No. 15290, Dec. 26, 2017>

CHAPTER V SUPPLEMENTARY PROVISIONS

Article 84 (Establishment of Welfare Organizations) (1) The Federation may establish and operate special organizations for the stabilization of livelihood and the promotion of welfare of executive officers and employees of credit cooperatives and the Federation. <Amended by Act No. 10437, Mar. 8, 2011>

(2) The establishment and operation of organizations under paragraph (1), and other necessary matters shall be provided for by Presidential Decree.

CHAPTER VI PENALTY PROVISIONS

Article 85 (Penalty Provisions) (1) Where any executive officer or employee of a credit cooperative or the Federation does any of the following acts, he/she shall be punished by imprisonment with labor for not more than five years or by a fine not exceeding fifty million won: <Amended by Act No. 10437, Mar. 8, 2011; Act No. 12749, Jun. 11, 2014>

1. Where he/she uses or lends money for any purpose other than the business purpose of the credit cooperative or the Federation, or disposes of or utilize property owned by the credit cooperative or the Federation for speculative purposes;
2. Where he/she fails to follow management guidance under Article 80 (1).

(2) Where any executive officer or employee of a credit cooperative or the Federation, or a liquidator does any of the following acts, he/she shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding thirty million won:<Amended by Act No. 10437, Mar. 8, 2011; Act No. 12749, Jun. 11, 2014; Act No. 15290, Dec. 26, 2017>

1. Where he/she fails to obtain authorization or approval of a matter requiring authorization or approval from a supervisory agency, or he/she continues to conduct business even after such authorization is cancelled;
2. Where he/she has made a registration by fraud;
3. Where he/she submits false information to, or makes a false statement (including written statements) at, a supervisory agency, general meeting or the board of directors;
4. Where he/she executes any matter requiring a resolution by a general meeting or of the board of directors without referring the matter to such meeting or the board of directors for resolution;
5. Where he/she violates Article 29 (including where it is applied mutatis mutandis in Article 67 (4));
6. Where he/she has a cooperative or the Federation violate directions under Article 28 (3) (including where it is applied mutatis mutandis in Article 67 (4)), or paragraph (5) of the same Article or Article 35 (including where it is applied mutatis mutandis in Article 70 (4));
7. Where he/she has a credit cooperative or the Federation owns movable property or real estate, in violation of Article 31 (including where it is applied mutatis mutandis in Article 70 (4));
8. Where he/she violates the provisions of the Civil Act applied mutatis mutandis pursuant to Article 44;
9. Where he/she refuses, interferes with, or evades an inspection by a supervisory agency; makes a false statement (including written statements) to an inquiry made by the relevant inspector; or submits false information;
10. Where he/she fails to make a disclosure of management performance under Article 75 or makes a false disclosure.

(3) A person who violates Article 22 (2) or (3) (including where it is applied mutatis mutandis in Article 64-2 (6)) shall be punished by imprisonment with labor for not more than two years or by a fine not exceeding twenty million won.<Newly Inserted by Act No. 10437, Mar. 8, 2011; Act No. 12749, Jun. 11, 2014>

(4) A person who has a credit cooperative or the Federation participate in politics, in violation of Article 5, shall be punished by imprisonment with labor for not more than one year or a fine not exceeding ten million won, unless otherwise expressly provided for by other Acts.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 12749, Jun. 11, 2014>

(5) A person who violates Article 2 (5) shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding ten million won.<Amended by Act No. 10437, Mar. 8, 2011; Act No. 12749, Jun. 11, 2014>

(6) A statute of limitations on any crime specified in paragraph (3) shall be completed in six months (six months from the date a crime is committed, if the crime is committed after the election day) after the relevant election day: Provided, That if the accused absconds or aids and abets an accomplice or witness required to prove the crime to abscond, the statute of limitations shall be three years.<Newly Inserted by Act No. 15290, Dec. 26, 2017>

Article 86 (Joint Penalty Provisions) If the representative of a credit cooperative or the Federation, or an agent or employee of, or any other persons employed by the credit cooperative or the Federation commits any offenses under Article 85 (1) or (2) in connection with the business affairs of the credit cooperative or the Federation, not only shall such offender be punished, but also the credit cooperative or the Federation shall be subject to a fine under the relevant Article: Provided, That this shall not apply to cases where such credit cooperative or the Federation has not been negligent in giving due attention and supervision concerning the relevant duties to prevent such offense. <Amended by Act No. 10437, Mar. 8, 2011>

[This Article Wholly Amended by Act No. 9197, Dec. 26, 2008]

Article 87 (Special Cases concerning Persons Who Turns Oneself in) (1) Where any of the following persons turns himself/herself in, the relevant punishment shall be reduced or exempted:

1. A person who gets himself/herself or a specific person elected as an executive officer of a credit cooperative or be defeated in an election in violation of Article 22 (2) (including cases where it is applied mutatis mutandis in Article 64-2 (6));
2. A person who engages in election campaign in violation of Article 22 (3) (including cases where it is applied mutatis mutandis in Article 64-2 (6)).

(2) Where a person referred to in paragraph (1) reports his/her election offense to an election administration committee under this Act and the election administration committee, in turn, notifies the relevant investigation agency of such fact, the time he/she reports the election offense to the election administration committee shall be deemed the time of surrender.

[This Article Newly Inserted by Act No. 12749, Jun. 11, 2014]

Article 88 (Administrative Fines) (1) A credit cooperative that engages in unfair trade practices in violation of Article 28-2, shall be subject to an administrative fine not exceeding 50 million won.

(2) An executive officer or employee of a credit cooperative that violates Article 28-2, shall be subject to an administrative fine not exceeding 10 million won.

(3) Administrative fines provided for in paragraphs (1) and (2) shall be imposed and collected by the competent Minister, as provided for by Presidential Decree.

[This Article Newly Inserted by Act No. 15290, Dec. 26, 2017]

ADDENDA <No. 15290, 26. Dec, 2017>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions classified as follows shall enter into force on the following relevant date:

1. The amended provisions of Articles 60, 61, 64, and 64-3 (1), the proviso to Article 65 (2), Articles 65-2 (2) through (8), 66 (1), 79-2, and 79-3: March 15, 2019;
2. The part of the amended provisions of Article 64-2 (6), to which Article 21-2 applies mutatis mutandis: The date of its promulgation.

Article 2 (Preparatory Acts for Enforcing This Act)

Any preparatory act for the establishment, etc. of the audit and inspection committee and the credit cooperative supervisory committee necessary for enforcing the amended provisions of Articles 61, 79-2, and 79-3, may be done before the same amended provisions enter into force.

Article 3 (Applicability to Prohibition on Dual Office Holding by Representatives)

The amended provisions of Article 16 (4) shall begin to apply from the first representative elected after this Act enters into force.

Article 4 (Applicability, etc. to Election of Chairperson of Board of Directors, Chairperson, and other Executive Officers)

(1) The amended provisions of Article 18 (5) and (6) (including where the provisions are applied mutatis mutandis under the amended provisions of Article 64-2 (1)) shall begin to apply from the first election of the chairperson of the board of directors or the Chairperson held after this Act enters into force, at the expiration of the term of office of the chairperson of the board of directors or the Chairperson who holds office as at the time this Act enters into force: Provided, That where the chairperson of the board of directors or the Chairperson is elected to fill a vacancy pursuant to Article 20 (2) (including where it is applied mutatis mutandis under the amended provisions of Article 64-2 (6)) because the chairperson of the board of directors or the Chairperson who holds office, as at the time this Act enters into force, retires or is dismissed or any other cause arises before the expiration of his/her term of office, the former provisions shall apply to the election of the chairperson of the board of directors or the Chairperson.

(2) The amended provisions of Article 18 (7) shall begin to apply from the first election of an executive officer held after this Act enters into force, at the expiration of the term of office of an executive officer of a credit cooperative who holds office as at the time this Act enters into force: Provided, That where an executive officer is elected to fill a vacancy pursuant to Article 20 (2) because an executive officer who holds office, as at the time this Act enters into force, retires or is dismissed or any other cause arises before the expiration of his/her term of office, the former provisions shall apply to the election of such executive officer.

Article 5 (Applicability to Organization, Operation, etc. of Election Administration Committees and Fair Election Watchdogs)

The amended provisions of Article 23 (including where the provisions are applied mutatis mutandis in Article 64-2 (6)) shall begin to apply from the first election administration committee organized and operated to manage an election of executive officers publicly announced after this Act enters into force.

Article 6 (Applicability to Period for Imposing Sanctions against Executive Officers and Employees of Credit Cooperatives)

The amended provisions of Article 79 (8) shall begin to apply where a credit cooperative receives a request to take measures against its executive officer or employee after this Act enters into force.

Article 7 (Transitional Measures, etc. concerning Supervisory Director and Members of Audit and Inspection Committee in Federation)

(1) A supervisory director elected under the former provisions, as at the time this Act enters into force, shall be deemed a guidance director elected pursuant to Article 64-2, but his/her term of office shall be the remainder of the previous term of office.

(2) The term of office of a member of the audit and inspection committee elected under the former provisions, as at the time this Act enters into force, shall be deemed to expire simultaneously with the enforcement of the amended provisions of Article 61: Provided, That this shall not apply to his/her status and term of office as a director although the term of office of the relevant member of the audit and inspection committee has expired.

Article 8 (Transitional Measures concerning Statutes of Limitations)

Previous practices shall apply to the statutes of limitations on any offense committed before this Act enters into force, notwithstanding the amended provisions of Article 85 (6).