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Act on the Structural Improvement of the Financial Industry

National Assembly of the Republic of Korea

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Article 1 (Purpose)

The purpose of this Act is to contribute to the balanced development of the financial industry and stabilization of financial markets by promoting sound competition between financial institutions by
supporting the structural improvement of the financial industry, such as merger, conversion or reorganization of financial institutions, and by raising the efficiency of financial business through prompt funding for the recapitalization of such financial institutions where the intermediary functions of financial institutions do not work properly due to temporary liquidity problems, etc. following a sudden change in their market situation.

Article 2 (Definitions)

The definitions of terms used in this Act shall be as follows: <Amended by Act No. 10303, May 17, 2010; Act No. 12663, May 21, 2014>

1. The term "financial institution" means an institution falling under any of the following items:
   (a) A bank established under the Banking Act;
   (b) Industrial Bank of Korea under the Industrial Bank of Korea Act;
   (c) An investment trader or broker under the Financial Investment Services and Capital Markets Act;
   (d) A collective investment business entity, investment advisory business entity, or discretionary investment business entity under Financial Investment Services and Capital Markets Act;
   (e) An insurance company under the Insurance Business Act;
   (f) A mutual savings bank under the Mutual Savings Banks Act;
   (g) A trust business entity under the Financial Investment Services and Capital Markets Act;
   (h) A merchant bank under the Financial Investment Services and Capital Markets Act;
   (i) A financial holding company under the Financial Holding Companies Act;
   (j) An institution which carries out financial business under other Acts, as prescribed by Presidential Decree;

2. The term "insolvent financial institution" means a financial institution falling under any of the following items:
   (a) A financial institution determined by the Financial Services Commission or the Deposit Insurance Committee referred to in Article 8 of the Depositor Protection Act, whose liabilities exceed its assets as a result of an actual survey of conditions of its business operation, or the ordinary management of which is apparently difficult as its liabilities exceed its assets due to the occurrence of any major financial scandal or accrual of non-performing loans. In such cases, the valuation and calculation of liabilities and assets shall be made according to the standards set in advance by the Financial Services Commission;
   (b) A financial institution which is under suspension of payment of claims, such as deposits (hereinafter referred to as "claims such as deposits" in this Article), or redemption of money borrowed from other financial institutions referred to in subparagraph 4 of Article 2 of the Depositor Protection Act;
   (c) A financial institution deemed unable to pay claims, such as deposits or redeem borrowed money without support from outside or separate borrowings (excluding borrowings accruing from ordinary financial transactions) by the Financial Services Commission or the Deposit Insurance Committee
referred to in Article 8 of the Depositor Protection Act;

3. The term "takeover" means the case where a person who is not deemed in direct charge of managing a financial institution, such as a person who is not a stockholder or executive officer of the financial institution or who holds stocks at a lower percentage than the specific percentage prescribed by Presidential Decree, acquires stocks of the financial institution and becomes the majority stockholder and in effect controls the financial institution;

4. The term "institution intervening in bankruptcy" means any of the following institutions:
   (a) The Korea Deposit Insurance Corporation established under the Depositor Protection Act (hereinafter referred to as the "Korea Deposit Insurance Corporation") for financial institutions referred to in subparagraph 1 (a) through (c) and (e) through (h);
   (b) The Financial Supervisory Service established under the Act on the Establishment, etc. of Financial Services Commission (hereinafter referred to as the "Financial Supervisory Service") for financial institutions stipulated in subparagraph 1 (d) and (i);

5. The term "deposit claim" means a claim held by a counterpart to a transaction regarding money which a financial institution raises from many and unspecified persons as part of business conducted with authorization or permission, etc. under any Act referred to in the items of subparagraph 1;

6. The term "depositor" means a person who has a deposit claim against a financial institution;

7. The term "executive officers" means directors and auditors of financial institutions (including members of an audit committee if such committee is established under the Commercial Act or other relevant statutes);

8. The term "financial assistance" means assistance provided by the Korea Development Bank established under the Korea Development Bank Act (hereinafter referred to as the "Korea Development Bank") to financial institutions at the expense of the Financial Stabilization Fund pursuant to Article 23-2 according to the following methods:
   (a) Lending or deposit of funds;
   (b) Purchase of assets;
   (c) Guarantee or takeover of debts;
   (d) Investment.

**Article 3 (Merger and Conversion of Financial Institutions)**

Any financial institution may become the same or a different kind of financial institution in consequence of a merger with the same or a different kind of financial institution, and may also be converted into a different kind of financial institution independently.

**Article 4 (Authorization)**

(1) Where any financial institution intends to merge with another financial institution or to convert itself into another kind of financial institution under this Act, it shall obtain authorization from the Financial Services Commission in advance. <Amended by Act No. 10066, Mar. 12, 2010>
(2) Deleted. <by Act No. 5496, Jan. 8, 1998>

(3) In granting authorization pursuant to paragraph (1), the Financial Services Commission shall examine whether it conforms to the following standards: <Amended by Act No. 10066, Mar. 12, 2010>

1. The objective of the merger or conversion shall aim at rationalizing the financial industry, facilitating the restructuring of the financial industry, and so forth;
2. The merger or conversion shall not shrink financial transactions, disadvantage existing financial traders, nor otherwise impede the efficiency of the financial industry and the maintenance of order in credit;
3. The merger or conversion shall not substantially restrict mutual competition between financial institutions;
4. The scope of the business that is intended to be run after the merger or the conversion of such business shall not violate relevant statutes, etc. and the business plan shall be appropriate;
5. The organization and humans resources, as well as the capability that makes it possible to run the business after the merger or the conversion, shall be maintained;
6. It is required to perfectly implement the procedures without violating the Commercial Act, the Financial Investment Services and Capital Markets Act and relevant statutes;
7. The ratio of the equity capital, debt, etc. shall remain at reasonable levels;
8. Major investors prescribed by Presidential Decree shall have full investment ability and a sound financial position.

(4) Where the Financial Services Commission intends to grant authorization on any merger between financial institutions, it shall consult in advance with the Fair Trade Commission as to whether it substantially restricts mutual competition between financial institutions, as provided for in paragraph (3) 3. <Amended by Act No. 10066, Mar. 12, 2010>

(5) Where it is deemed necessary for the sound development of the financial industry in the light of the standards under each subparagraph of paragraph (3), the Financial Services Commission may set conditions on authorization under paragraph (1). <Amended by Act No. 10066, Mar. 12, 2010>

(6) Specific matters necessary for examination standards under each subparagraph of paragraph (3) shall be determined and publicly notified by the Financial Services Commission. <Amended by Act No. 10066, Mar. 12, 2010>

Article 5 (Simplification, etc. of Procedures concerning Mergers and Conversions)

(1) Where any financial institution obtains authorization for merger or conversion under Article 4, it shall be deemed to have obtained authorization or permission for, or to have been designated for, conducting the business of a financial institution under the Acts referred to in items of subparagraph 1 of Article 2, the discontinuance of the business thereof, or a merger with another financial institution. <Amended by Act No. 10066, Mar. 12, 2010>

(2) Deleted. <by Act No. 9741, May 27, 2009>
(3) Any financial institution may, where it adopts a resolution of merger with any other financial institution at a general meeting, publish its request to creditors to raise an objection to such merger resolution, setting a period of not less than ten days in at least two daily newspapers (referring to general daily newspapers provided in subparagraph 1 (a) of Article 2 of the Act on the Promotion of Newspapers, Etc.; hereinafter referred to as "daily newspapers"), notwithstanding Article 527-5 (1) of the Commercial Act. In such cases, peremptory notices to individual creditors may be omitted. <Amended by Act No. 10066, Mar. 12, 2010>

(4) Where any financial institution convenes a general meeting of stockholders for a resolution of merger, it may, notwithstanding the provisions of Article 363 (1) of the Commercial Act, send a notice in writing to each stockholder seven days prior to the date of such general meeting of stockholders. In such cases, the financial institution shall publish its intention to hold a general meeting of stockholders and the objectives of the meeting in two or more daily newspapers prior to the date of sending a written notice. <Amended by Act No. 10066, Mar. 12, 2010>

(5) Where any financial institution merges with another financial institution, it may, notwithstanding the provisions of Article 522-2 (1) of the Commercial Act, keep its balance sheets in its respective main offices seven days prior to the date of a general meeting of stockholders for approval of such merger. <Amended by Act No. 10066, Mar. 12, 2010>

(6) Where any financial institution suspends any entry in the register of stockholders or sets the base date pursuant to Article 354 (1) of the Commercial Act for a resolution of merger, it may, notwithstanding the provisions of Article 354 (4) of the same Act, make public announcement seven days prior to the suspension date or the base date. In such cases, the financial institution shall make public announcement in at least two daily newspapers. <Amended by Act No. 10066, Mar. 12, 2010>

(7) The provisions of Article 12 (6) shall apply mutatis mutandis where financial institutions consolidate stocks due to a merger. In such cases, individual notices to stockholders may be replaced by public announcement in two or more daily newspapers. <Amended by Act No. 10066, Mar. 12, 2010>

(8) Where any financial institution adopts a resolution of merger at a general meeting of stockholders, the provisions of Article 12 (7) through (9) shall apply mutatis mutandis to a request for stock purchase: Provided, That in case of a merger without the support of the Government or the Korea Deposit Insurance Corporation (hereinafter referred to as the "Government, etc."), where the relevant financial institutions are corporations listed under the Financial Investment Services and Capital Markets Act, the provisions of Article 165-5 (3) of the same Act shall apply mutatis mutandis to decisions on the purchase price of a stock. <Amended by Act No. 10066, Mar. 12, 2010>

(9) In case of a merger under this Act, the following taxes may be reduced or exempted, as provided in the Restrictions of Special Taxation Act or other statutes relating to tax reduction and exemption: <Amended by Act No. 10066, Mar. 12, 2010>

1. Acquisition tax following the acquisition of real estate, etc.;
2. Registration tax following the registration of a corporation or real estate, etc.;
3. Corporate tax on liquidation income of the financial institution which ceases to exist due to the merger;
4. Income tax or corporate tax on the constructive dividend to stockholders of the financial institution which ceases to exist due to the merger;
5. Other taxes.

(10) Where any financial institution adopts a resolution of merger at a general meeting of stockholders, the Korea Securities Depository under Article 294 of the Financial Investment Services and Capital Markets Act (hereinafter referred to as the “Securities Depository”) may exercise its voting rights: Provided, That where the Securities Depository exercises its voting rights, it shall exercise the voting rights in such a way as not to affect the contents of a resolution adopted by the number of voting shares represented at the general meeting of stockholders less the number of voting shares owned by the Securities Depository.  
<Amended by Act No. 10066, Mar. 12, 2010; Act No. 11845, May 28, 2013>

(11) The provisions of paragraph (4) shall apply mutatis mutandis where a financial institution convenes a general meeting for reporting on merger or an inaugural general meeting for the newly-merged company in accordance with the provisions of Articles 526 and 527 of the Commercial Act.  
<Amended by Act No. 10066, Mar. 12, 2010>

Article 5-2 (Simplification of Capital Reduction and Stock Consolidation Procedures)
Where any financial institution makes a resolution to reduce capital by amortizing or consolidating stocks, the provisions of Article 5 (3), (4) and (6) shall apply mutatis mutandis to filing an objection by creditors and convening period and procedures for a general meeting of stockholders and the provisions of Article 12 (6) shall apply mutatis mutandis to the period and procedures for amortization and consolidation of stocks.

Article 6 (Closing Date of Business Year of Financial Institution Prior to Conversion)
Where any financial institution converts into a different kind of financial institution during its business year, the business year prior to the conversion shall be deemed to have terminated on the date the amendment to the articles of incorporation concerning alteration of categories of business is registered.

Article 7 (Report on Execution of Authorized Matters and Lapse of Authorization)
(1) Where any financial institution merges or is converted under Article 4, it shall submit a report thereon without delay to the Financial Services Commission.
(2) Where any financial institution fails to effect registration pursuant to a merger or conversion according to the authorized contents within six months from the date of obtaining authorization under Article 4, the authorization shall lose its validity: Provided, That where the Financial Services Commission deems that justifiable grounds exist, the period may be extended.

Article 8 (Support for Mergers and Conversions of Financial Institutions)
(1) The Government, etc. may, where it is deemed necessary to facilitate a self-regulatory merger between financial institutions, make investments in or give support to the financial institutions newly established as
a result of a merger under this Act or the financial institutions surviving a merger, as prescribed by Presidential Decree.

(2) Any financial institution which is newly established by means of merger or conversion, any surviving financial institution or any post-conversion financial institution pursuant to this Act may continue to run its pre-merger business or pre-conversion business that cannot be conducted in accordance with statutes applicable to the financial institutions concerned as prescribed by Presidential Decree, for a period set by Presidential Decree after obtaining authorization from the Financial Services Commission. In such cases, the provisions of Article 9 (1) shall not apply.

Article 9 (Continuance, etc. of Business after Merger or Conversion)

(1) Where any financial institution newly established by means of merger or conversion, any surviving financial institution or any post-conversion financial institution under this Act succeeds to the rights and business related to the contract which cannot be conducted under statutes applicable to the financial institution, of the financial institution before the merger or conversion, it may continue to carry out the pre-merger or pre-conversion business until six months from the registration date of such merger or amendment to the articles of incorporation concerning the alteration of categories of business: Provided, That where it succeeds to the rights and business related to the contract which calls for a period exceeding six months for the performance thereof, it may continue to carry out the succeeded business, and the related business deemed inevitable for the performance of the relevant business by the Financial Services Commission until the period of the contract terminates.

(2) Where any financial institution newly established due to a merger or conversion, any surviving financial institution or any post-conversion financial institution becomes a bank under the Banking Act, the same person (meaning the same person referred to in Article 15 (1) of the Banking Act; hereinafter the same shall apply) who holds stocks exceeding the limit referred to in Article 15 (1) of the Banking Act out of the total issued voting stocks at the time of such merger or conversion or virtually controls the financial institution shall ensure that such person complies with the provisions of Article 15 (1) of the Banking Act within three years from the registration date of such merger or the registration date of amendment to the articles of incorporation concerning the alteration of categories of business. In such cases, the scope within which voting rights of relevant stocks may be exercised shall be restricted to the limit referred to in Article 15 (1) of the Banking Act, starting from the registration date of the merger or the registration date of amendment to the articles of incorporation concerning the alteration of categories of business: Provided, That where the Financial Services Commission considers that the same person complies with the provisions of Article 15 (5) of the Banking Act at the time of merger or conversion, the same person shall be considered to legally hold the stocks of the financial institution or virtually control the financial institution pursuant to paragraphs (2) and (3) of the same Article of the same Act, or where the same person complies with the provisions of Article 15 (5) of the Banking Act within three years after a financial institution’s merger or conversion, such person may legally hold the stocks of the financial institution after submitting a report to or obtaining approval from the Financial Services Commission by
applying mutatis mutandis the provisions of paragraphs (2) and (3) of the same Article of the same Act.

<Amended by Act No. 10303, May 17, 2010>

**Article 10 (Timely Corrective Measures)**

(1) Where any financial institution’s financial status falls short of the standards referred to in paragraph (2), such as its equity ratio failing to meet the specified standards, or it is deemed evident that a financial institution’s financial status falls short of the standards referred to in paragraph (2) due to the occurrence of any major financial scandal or accrual of non-performing loans, the Financial Services Commission shall recommend, request, or order the financial institution concerned or the executive officers of such financial institution to take the following measures or order it to furnish its implementation plan in order to prevent insolvency, and promote the sound management of such financial institution:

1. Admonition, warning, reprimand, or salary reduction in relation to the financial institution concerned and its executive officers and employees;
2. Capital increase or capital deduction, disposal of property holdings or reduction in stores and downsizing;
3. Ban on acquisition of high-risk assets, such as nonfulfillment of obligations or price fluctuations, or restriction on the receipts at exorbitantly high interest;
4. Suspension of executive officers’ performance of duties or appointment of management supervisors acting for executive officers’ duties;
5. Amortization or consolidation of stocks;
6. Suspension of all or part of business;
7. Merger or third-party takeover of the financial institution concerned;
8. Transfer of business or contracts related to financial transactions, such as deposits or loans (hereinafter referred to as "transfer of contracts");
9. Other measures equivalent to those listed in subparagraphs 1 through 8, which are deemed necessary to improve any financial institution’s financial soundness.

(2) Where the Financial Services Commission intends to take measures pursuant to paragraph (1) (hereinafter referred to as "timely corrective measures"), it shall in advance determine and publicly notify the standards and details thereof.

(3) Where it is found that any financial institution temporarily falling short of the standards referred to in paragraph (2) can meet the standards within a short period or it is deemed that any ground equivalent thereto exists, the Financial Services Commission may delay the timely corrective measures for a specified period.

(4) In determining the standards referred to in paragraph (2), the Financial Services Commission may take the following measures likely to cause serious property damage to a financial institution or its stockholders, only where the financial institution is insolvent, its financial status falls grossly short of the standards referred to in paragraph (2), and it is deemed evident that good order in credit or the rights and interests of depositors are likely to be impeded:
1. Suspension of all business;
2. Transfer of all business;
3. Transfer of all contracts;
4. Order to amortize the total stocks;
5. Other measures equivalent to those under subparagraphs 1 through 4.

(5) The Financial Services Commission may entrust its authority concerning timely corrective measures to the Governor of the Financial Supervisory Service (hereinafter referred to as the "Governor of the Financial Supervisory Service"), as prescribed by Presidential Decree.

**Article 11 (Assistance, etc. in Implementation of Timely Corrective Measures)**

(1) Where the Financial Services Commission orders one financial institution to merge, or transfer its business or contracts pursuant to Article 10 (1), it may designate another financial institution and recommend merger with the financial institution subject to such order or to acquire the business or contracts thereof by transfer.

(2) The Korea Deposit Insurance Corporation may suggest in advance the amount, terms, etc., of financial assistance under subparagraph 7 of Article 2 of the Depositor Protection Act to the financial institution that is recommended to undertake a merger, acquisition of another business by transfer, or transfer of contracts pursuant to paragraph (1) on the premise that such financial institution complies with the recommendation from the Financial Services Commission. <Amended by Act No. 13613, Dec. 22, 2015>

(3) The Korea Deposit Insurance Corporation may, where deemed necessary for smooth implementation of timely corrective measures by a financial institution, arrange a merger, transfer of business between financial institutions, or third-party takeover.

(4) The Financial Services Commission may choose not to revoke authorization or permission granted to a financial institution for a period of up to one year in any of the following cases:
   1. Where a financial institution ordered to reduce its capital under Article 10 (1), amortize all or some of its stocks, or consolidate its stocks under Article 12 (3) complies with the order;
   2. Where a financial institution consolidates its stocks under Article 5 (7) or 5-2 for its capital increase and as a result, its capital has been reduced below the minimum capital required by any Act concerning the establishment of financial institutions.

(5) Where a financial institution violates the following statutes due to any merger, takeover, or transfer of business or contracts conducted between financial institutions according to timely corrective measures, the financial institution shall make itself conform to the relevant statutes within three years, according to the procedures determined by the Financial Services Commission: <Amended by Act No. 11758, Apr. 5, 2013>
   3. Articles 12, 17, 18-2, and 24-2 of the Mutual Savings Banks Act;
4. Other provisions of the relevant statutes.

(6) The acquisition of stocks or bonds falling under any of the following subparagraphs shall not be deemed the acquisition of stocks or securities under Article 38 of the Banking Act and Article 344 of the Financial Investment Services and Capital Markets Act:

1. Stocks which any financial institution listed in subparagraph 1 (a) and (h) of Article 2 comes to possess by converting its existing loans, etc. into investments, as prescribed by the Financial Services Commission;

2. Bonds of which the Government guarantees the payment of principal and interest.

Article 11-2 (Confidentiality Obligations of Executive Officers and Employees, etc. of Financial Institutions)

(1) The executive officers and employees of a financial institution (including the former executive officers and employees of such financial institution; hereafter the same shall apply in this Article) shall not use the information on timely corrective measures that is off-limits to the said institution they are working for (hereinafter referred to as “non-disclosure information”) for non-business purposes, or provide or disclose such information to outside parties (including the majority stockholders and their related persons in accordance with the Act based on which the said financial institution was founded; hereinafter the same shall apply).

(2) The majority stockholders of the relevant financial institution and their related persons (referring to the majority stockholders and their related persons in accordance with the Act based on which the said financial institution was founded) who are provided with such non-disclosure information shall not use the information for purposes other than those related to the business operations of the said institution, or provide or disclose the information to other persons.

Article 12 (Investments, etc. by Government, etc. in Insolvent Financial Institutions)

(1) The Financial Services Commission may, when any insolvent financial institution is deemed unable to continue its business due to its destabilized financial structure following the continued withdrawal of funds, request the Government, etc. to make investments in such insolvent financial institution or purchase securities prescribed by Presidential Decree of such insolvent financial institution.

(2) Where the Government, etc. makes investments in any insolvent financial institution upon a request under paragraph (1), the board of directors of the insolvent financial institution may determine the kinds, contents, quantity, issue price, allotment methods of new stocks to be issued and other matters concerning procedures, notwithstanding the provisions of Articles 330, 344 (2), 416 through 418 of the Commercial Act.

(3) The Financial Services Commission may order any insolvent financial institution in which the Government, etc. has made or has decided to make investments or from which the Government, etc. has purchased or has decided to purchase securities, upon a request made pursuant to paragraph (1), to invalidate stocks, in whole or in part, with or without compensation, owned by specific stockholders (referring to stockholders at the time the Government, etc., upon a request made pursuant to paragraph (1),
makes investments or purchases securities or decides to do so or other stockholders recognized by the Financial Services Commission as responsible for the insolvency of such financial institution; hereinafter the same shall apply) and to reduce its capital through consolidation of stocks owned by such specific stockholders at a certain rate. In such cases, the Financial Services Commission may order the insolvent financial institution to invalidate or consolidate stocks owned by the Government, etc. on more favorable terms or methods than the stocks owned by the specific stockholders out of consideration for investments and the purchase of securities by the Government, etc. under the provisions of paragraph (1).

(4) Where any insolvent financial institution is ordered to reduce capital pursuant to paragraph (3), the board of directors of the insolvent financial institution may resolve to reduce capital or determine matters on the methods and procedures for capital reduction, procedures for consolidating stocks and any other relevant matters, notwithstanding the provisions of Articles 438 through 441 of the Commercial Act.

(5) Any insolvent financial institution which intends to reduce capital pursuant to paragraph (4) shall announce to the creditors in two or more daily newspapers that they may file an objection within a specified period of not less than ten days, and if there is any creditor who has filed an objection, it shall tender performance or provide sufficient security to the creditor or trust a considerable property to a trust business entity provided for in the Financial Investment Services and Capital Markets Act for this purpose: Provided, That this shall not apply where the amount of actually reduced capital (referring to the purchase price where treasury stocks are purchased with consideration for retirement) falls short of the amount of investment by the Government, etc. pursuant to paragraph (2).

(6) In consolidating stocks pursuant to paragraphs (3) and (4), the insolvent financial institution shall determine a period of not less than five days (the last day of the period shall be referred to "base date of stock consolidation": hereinafter the same shall apply), announce the contents and the purport to the effect that stock certificates should be submitted to the institution during the period, and deliver new stock certificates within one month from the base date of stock consolidation: Provided, That where it consolidates stocks of which certificates trusted to the Depository pursuant to the Financial Investment Services and Capital Markets Act, it may be deemed that the submission of old stock certificates and delivery of new stock certificates are made by entry in stockholders' list at the base date of stock consolidation. In such cases, the fact shall be announced together at the time of announcement referred to in the main sentence.

(7) Where any insolvent financial institution makes a resolution by the board of directors pursuant to paragraph (2) or (4), it shall, without delay, announce the following matters in two or more daily newspapers:

1. The resolution by the board of directors;

2. The fact that stockholders who have any objection to the resolution may request the institution to purchase stocks owned by themselves by a document stating the kinds and number of stocks within ten days.
(8) Where any insolvent financial institution receives a request under paragraph (7), it shall purchase stocks within two months from the date of receipt of such request. In such cases, the purchase price of stocks shall be determined through consultations between stockholders and the institution, and where agreement is not reached, the purchase price of stocks shall be that calculated by accounting specialists, taking into account the property value and the earning value, etc. of the insolvent financial institution before investments or the purchase of securities by the Government, etc. are made.

(9) Where any financial institution or a group of stockholders who holds not less than 30/100 of stocks having requested the purchase of stocks objects to the purchase price determined pursuant to the latter sentence of paragraph (8), it may request the court to decide the purchase price within 30 days from the date on which such purchase price is determined.

**Article 13 (Special Cases for Issuance of Non-Voting Stocks)**

Where the Government, etc. makes an investment in any of the following financial institutions, the financial institution may issue non-voting stocks exceeding the limit referred to in Article 370 (2) of the Commercial Act and Article 165-15 (2) of the Financial Investment Services and Capital Markets Act:

1. An insolvent financial institution;
2. A financial institution which merges with any insolvent financial institution or acquires its business by transfer;
3. A financial institution which takes over contracts pursuant to a decision on the transfer of contracts by the Financial Services Commission referred to in Article 14 (2).

**Article 13-2 (Simplification of Capital-Reducing Process including Stock Consolidation)**

The provisions of Article 12 (4) through (9) shall apply mutatis mutandis where any of the following financial institutions intends to consolidate or invalidate stocks for capital increase or decrease:

1. A financial institution ordered to reduce its capital by the Financial Services Commission pursuant to Article 10 (1);
2. A financial institution whose market value falls short of its face value and ordered to increase its capital by the Financial Services Commission pursuant to Article 10 (1).

**Article 14 (Administrative Disposition)**

(1) Where a financial institution falls under any of the following subparagraphs, the Financial Services Commission shall, on the recommendation of the Governor of the Financial Supervisory Service, order executive officers of the relevant financial institution to suspend the execution of their business and may appoint management supervisors to conduct the business on behalf of such executive officers or recommend a general meeting of stockholders to dismiss such executive officers: <Amended by Act No. 10066, Mar. 12, 2010>

1. Where the financial institution fails to comply with any request or order made or issued under Article 10 (1);
2. Where the financial institution fails to perform as ordered under Article 12 (3).
(2) Where an insolvent financial institution falls under any of the following subparagraphs, the Financial Services Commission may make administrative dispositions, such as a decision on the transfer of contracts, suspension of business for a period of not more than six months against the insolvent financial institution, and revocation of authorization, permission, etc. for its business: Provided, That in cases of any insolvent financial institution falling under subparagraph 4, it may make an administrative disposition only to suspend its business for up to six months, and in cases of any insolvent financial institution not falling under subparagraph 1 or 2, the same shall not apply: <Amended by Act No. 10066, Mar. 12, 2010>

1. Where the insolvent financial institution fails to or is unable to perform as ordered under Article 10 (1) or 12 (3);
2. Where the insolvent financial institution fails to merge under an order or arrangement issued or made under Articles 10 (1) and 11 (3);
3. Where the insolvent financial institution is deemed unable to perform any order issued or to merge with another financial institution as ordered under Article 10 (1) because its liabilities significantly exceed its assets;
4. Where the insolvent financial institution is recognized as undoubtedly infringing on depositors' rights and interests and disrupts order in credit after it has been unable to pay claims, such as deposits, and repay borrowings due to its abruptly destabilized financial standing.

(3) Deleted. <by Act No. 5982, May 24, 1999>

(4) A financial institution shall be dissolved if authorization, permission, etc. for its business is revoked under paragraph (2). <Amended by Act No. 10066, Mar. 12, 2010>

(5) Where the Financial Services Commission decides to transfer contracts pursuant to paragraph (2), it shall determine the scope of contracts to be transferred, terms for the transfer of contracts, and the financial institution to which contracts are transferred. In such cases, it shall in advance obtain the consent of the board of directors of the financial institution to which the contracts are to be transferred. <Amended by Act No. 10066, Mar. 12, 2010>

(6) The transfer of contracts according to a decision under paragraph (2) shall not require resolution by the board of directors, and a general meeting of stockholders, of an insolvent financial institution to transfer contracts, notwithstanding the provisions of related Acts and the articles of incorporation. <Amended by Act No. 10066, Mar. 12, 2010>

(7) Where the Financial Services Commission decides the transfer of contracts pursuant to paragraph (2), it shall appoint a management supervisor for the insolvent financial institution. <Amended by Act No. 10066, Mar. 12, 2010>

(8) An insurance company for which the Financial Services Commission has decided the transfer of contracts shall be deemed to have been granted authorization on dissolution, consolidation, etc. by the Financial Services Commission pursuant to Article 139 of the Insurance Business Act. <Amended by Act No. 10066, Mar. 12, 2010>
The provisions of Article 5 shall apply mutatis mutandis where the financial institution to which contracts are transferred from an insolvent financial institution pursuant to paragraph (2) performs procedures, such as resolution of a general meeting of stockholders, request for stock purchase, and creditor’s filing of objections in connection with the transfer of contracts. <Amended by Act No. 10066, Mar. 12, 2010>

**Article 14-2 (Effect of Decision on Transfer of Contracts)**

(1) Where a decision on the transfer of contracts has been made pursuant to Article 14 (2), the rights and duties of the insolvent financial institution under contracts included in the decision shall be succeeded to the financial institution to which such contracts are transferred (hereinafter referred to as "underwriting financial institution") at the time the decision is made: Provided, That where a mortgage backed by secured claims under a contract subject to transfer exists, the mortgage shall be acquired by the underwriting financial institution when the public announcement referred to in paragraph (2) is made.

(2) Where any decision on the transfer of contracts under Article 14 (2) has been made, the insolvent financial institution and the underwriting financial institution shall, without delay, jointly announce the gist of such decision and the fact that the contracts were transferred in two or more daily newspapers.

(3) Where a public announcement has been made pursuant to paragraph (2), the legal relations between the creditors, debtors, persons pledging property to secure another’s obligation or other interested persons (hereafter referred to as "interested persons") and the insolvent financial institution shall be in the same substance succeeded to by the underwriting financial institution: Provided, That interested persons may set up against the underwriting financial institution on grounds that have arisen between themselves and the insolvent financial institution prior to the public announcement referred to in paragraph (2).

(4) Where a public announcement under paragraph (2) has been made, requirements for setting up against for the assignment of nominative claim referred to in Article 450 of the Civil Act shall be deemed to have been met by the public announcement: Provided, That interested persons may set up against the underwriting financial institution on grounds that have arisen between themselves and the insolvent financial institution prior to the public announcement.

(5) Where any decision for contract transfer referred to in Article 14 (2) has been made, the Financial Services Commission shall have the insolvent financial institution and the underwriting financial institution keep and manage materials pertaining to the transfer of contracts and allow interested persons to inspect them. In such cases, the standards and procedures necessary for retention, management and inspection shall be determined by the Financial Services Commission.

**Article 14-3 (Appointment of Management Supervisors, their Duties, etc.)**

(1) A management supervisor appointed pursuant to Article 10 (1) 4, 14 (1), or 14 (7) (hereafter referred to as "management supervisor" in this Article) shall have the authority to manage and dispose assets, liabilities, etc., of an insolvent financial institution within the scope of duties of an executive officer for whom the management supervisor acts as proxy or business pertaining to a decision on the transfer of contracts, depending on the respective appointment purposes.
(2) The Financial Services Commission may issue orders necessary to perform duties to a management supervisor.

(3) The Financial Services Commission may dismiss a management supervisor, if deemed necessary.

(4) Where the Financial Services Commission appoints a management supervisor, it shall, without delay, notify the district court which has jurisdiction over the seat of the head or principal office of the relevant financial institution, and commission any registry office which has jurisdiction over the seat of the head office, branch office, or each office to register the management supervisor.

(5) Article 11 (1) of the Commercial Act and Articles 30 and 360 through 362 of the Debtor Rehabilitation and Bankruptcy Act shall apply mutatis mutandis to management supervisors. In such cases, "court" in the Debtor Rehabilitation and Bankruptcy Act shall be deemed the "Financial Services Commission".

Article 14-4 (Hearings)
Where the Financial Services Commission intends to revoke authorization, permission, etc. for the business of any insolvent financial institution pursuant to Article 14 (2), it shall hold a hearing.

Article 14-5 Deleted. <by Act No. 8852, Feb. 29, 2008>

Article 14-6 (Special Cases concerning Appointment of Management Supervisors)

(1) With regard to an insured financial institution under subparagraph 1 of Article 2 of the Depositor Protection Act, the Financial Services Commission shall, where it intends to appoint a management supervisor after ordering the suspension of all of its business under Article 10 (1) 6 or deciding to transfer contracts under Article 14 (2) (excluding an insured financial institution that has been issued an order to suspend all of its business due to temporal financial strains, but is recognized as certain to normalize its management), appoint an executive officer or employee of the Korea Deposit Insurance Corporation as a management supervisor of such insured financial company: Provided, That the Financial Services Commission may appoint a person other than an executive officer or employee of the Korea Deposit Insurance Corporation as a management supervisor where it finds or deems that the Government, etc. does not provide support or the Korea Deposit Insurance Corporation does not pay claims, such as deposits. <Amended by Act No. 13613, Dec. 22, 2015>

(2) In the case of the main sentence of paragraph (1), the Financial Services Commission may, where it is deemed necessary to normalize the management of the financial institution concerned and protect general creditors, appoint persons other than executive officers or employees of the Korea Deposit Insurance Corporation as management supervisors to participate in the management of such financial institution.

(3) The provisions of Article 14-3 (3) shall not apply to the executive officers or employees of the Korea Deposit Insurance Corporation who are appointed as management supervisors pursuant to the main sentence of paragraph (1) and paragraph (2), and the management supervisors so appointed shall hold their office for the period of business suspension or up to the date of completion of business following the decision of contract transfer: Provided, That when the financial institution concerned is dissolved or goes bankrupt during the period of business suspension, the management supervisors shall hold their office up to the date of resolution of such dissolution or the date of declaration of such bankruptcy.
Article 14-7 (Request for Provision of Data)
(1) The Financial Services Commission may, where it is deemed necessary to determine the responsibility of an financial institution for its insolvency and hold the financial institution accountable, request the heads of relevant central administrative agencies, local governments or other public institutions prescribed by Presidential Decree (hereafter referred to as "public institutions, etc." in this Article) to submit data or information with respect to the assets of persons deemed involved in such insolvency.
(2) The heads of public institutions, etc. shall, upon receiving a request under paragraph (1), comply therewith unless any special ground exists to the contrary.

Article 14-8 (Special Cases concerning Financial Institutions)
Any resolution financial company established in accordance with Article 36-3 of the Depositor Protection Act (hereinafter referred to as "resolution financial company") shall, where it takes over a contract under Article 14 (2), be deemed a financial institution under subparagraph 1 of Article 2. <Amended by Act No. 13613, Dec. 22, 2015>

Article 15 (Liquidators or Trustees in Bankruptcy)
(1) Where a financial institution is dissolved or goes bankrupt, the Financial Services Commission may recommend any one of the following persons as a liquidator or a trustee in bankruptcy, notwithstanding Article 531 of the Commercial Act and Article 355 of the Debtor Rehabilitation and Bankruptcy Act, and when the court recognizes the person recommended by the Financial Services Commission has extensive knowledge of the financial business and is suitable to efficiently perform the business of a liquidator or a trustee in bankruptcy, the court shall appoint such person as a liquidator or a trustee in bankruptcy. In such cases, where the financial institution is an insured financial company referred to in subparagraph 1 of Article 2 of the Depositor Protection Act and the largest creditor, as prescribed by Presidential Decree, of the financial institution is the Deposit Insurance Corporation or a resolution financial company, the Financial Services Commission shall recommend a liquidator or a trustee in bankruptcy, from among persons falling under subparagraph 2: <Amended by Act No. 13613, Dec. 22, 2015>

1. Financial experts prescribed by Presidential Decree;
2. Executive officers or employees of the Korea Deposit Insurance Corporation.
(2) The Financial Services Commission may entrust the recommendation of a liquidator or a trustee in bankruptcy as provided for in paragraph (1) to the Financial Supervisory Service.

Article 16 (Petitions for Bankruptcy)
(1) Where the Financial Services Commission becomes aware of grounds for bankruptcy as referred to in Article 306 of the Debtor Rehabilitation and Bankruptcy Act, it may file a petition for bankruptcy.
(2) The Governor of the Financial Supervisory Service or an agency intervening in bankruptcy may suggest a petition for bankruptcy of the relevant financial institution to the Financial Services Commission.

Article 17 (Service of Adjudication of Bankruptcy)
Where a court adjudicates a financial institution bankrupt, it shall serve the agency intervening in bankruptcy with a written instrument specifying the matters provided for in the subparagraphs of Article 313 (1) of the Debtor Rehabilitation and Bankruptcy Act.

**Article 18 (Consultation about Period for Reporting Claims, etc.)**

A court shall, in determining the period to report claims and the fixed date for examining claims pursuant to Article 312 of the Debtor Rehabilitation and Bankruptcy Act, hear the opinion of the agency intervening in bankruptcy in advance.

**Article 19 (Statement of Opinions)**

An agency intervening in bankruptcy may present or state its opinion to a court in the course of bankruptcy proceedings for any financial institution.

**Article 20 (Preparation and Inspection of Deposit Sheets)**

(1) Where an agency intervening in bankruptcy is served with a written instrument under Article 17, it shall without delay prepare a deposit sheet specifying the matters provided for in the subparagraphs of Article 448 (1) of the Debtor Rehabilitation and Bankruptcy Act for the deposit claims of which it is aware of.

(2) Where an agency intervening in bankruptcy has prepared a deposit sheet under paragraph (1), it shall without delay make a public announcement of the purport and place of inspection, and ensure that the depositors can inspect it by the last day of the period to report claims as determined by the court (hereinafter referred to as "period to report claims"). In such cases, a period of not less than two weeks shall be granted between the starting date of inspection and the last date of the period to report claims.

(3) Where the agency intervening in bankruptcy becomes aware that a deposit claim has not been entered in the relevant deposit sheet, or facts which have been benefiting the depositors exist after the inspection of the deposit sheet has started, it shall additionally enter them in the list of depositors, without delay.

**Article 21 (Presentation of Deposit Sheets)**

(1) The agency intervening in bankruptcy shall present the deposit sheet to the court without delay after the expiration of the period to report claims.

(2) Deposit claims entered in the deposit sheets presented to the court pursuant to paragraph (1) shall be deemed reported within the period to report claims.

(3) Where the agency intervening in bankruptcy becomes aware that a deposit claim has not entered in the deposit sheet after it has submitted the deposit sheet to the court, it shall report such fact to the court without delay. In such cases, the deposit claims notified to the court shall be deemed reported after the expiration of the period to report claims.

**Article 22 (Intervention by Depositors)**

Where the depositors of deposit claims deemed reported pursuant to Article 21 (2) and (3) intend to directly intervene in bankruptcy proceedings, they shall report their intention to the court. In such cases, the court shall notify the fact to the agency intervening in bankruptcy.
Article 23 (Powers of Agencies Intervening in Bankruptcy)
An agency intervening in bankruptcy may perform all acts on bankruptcy proceedings for the depositors of deposit claims who are deemed reported pursuant to Article 21 (2) and (3): Provided, That this shall not apply where the relevant depositors directly intervene in bankruptcy proceedings pursuant to Article 22, and authorization by the depositors is required where the agency intervening in bankruptcy commences legal proceedings on the confirmation of deposit claims.

Article 23-2 (Establishment, etc. of Financial Stabilization Fund)
(1) The Financial Stabilization Fund (hereinafter referred to as the "Fund") shall be established in the Korea Development Bank in order to contribute to the improvement of the financial intermediary functions and stabilization of financial markets with the efficient financial assistance pursuant to this Act by coping with sudden changes in the market situation. <Amended by Act No. 12663, May 21, 2014>
(2) The Fund shall be raised with the following financial resources: <Amended by Act No. 12663, May 21, 2014>
   1. Contributions from financial institutions;
   2. Contributions from enterprises;
   3. Contributions from persons, other than those referred to in subparagraphs 1 and 2;
   4. Money borrowed from the Government, the Bank of Korea or such pursuant to Article 23-4;
   5. Funds raised by the issuance of bonds for the Financial Stabilization Fund as provided for in Article 23-5 (hereinafter referred to as "bonds for Financial Stabilization Fund");
   6. Funds withdrawn from the financial institutions which have received financial assistance;
   7. Earnings prescribed by the articles of association of the Korea Development Bank;
   8. Revenues accruing from the operation of the Fund and other earnings.
(3) The Fund shall be used for the following purposes:
   1. Funds to be provided to financial institutions pursuant to Article 23-6 and incidental expenses thereof;
   2. Redemption of borrowed money and interest thereof;
   3. Redemption of the principal and interest of bonds for the Financial Stabilization Fund;
   4. Operating expenses of the Fund.

Article 23-3 (Operation, Management, Accounting, etc. of Fund)
(1) The Korea Development Bank shall perform affairs related to the operation and management of the Fund, and provide financial assistance pursuant to this Act. <Amended by Act No. 12663, May 21, 2014>
(2) The Korea Development Bank may manage surplus funds of the Fund in any of the following methods. In such cases, Articles 76 and 84 of the National Finance Act shall apply mutatis mutandis thereto: <Amended by Act No. 12663, May 21, 2014>
   1. Purchase of Government bonds or public bonds;
   2. Deposit in or loan to financial institutions;
3. Other methods determined and publicly notified by the Financial Services Commission.  

(3) The Korea Development Bank shall manage the account of the Fund separately from that of the Korea Development Bank. <Amended by Act No. 12663, May 21, 2014>

Article 23-4 (Borrowing)

(1) The Korea Development Bank may, if necessary for conducting any of the following acts, notwithstanding Article 79 of the Bank of Korea Act, borrow funds from the Government, the Bank of Korea, financial institutions, and other institutions prescribed by Presidential Decree at the expense of the Fund with the prior approval of the Financial Services Commission, as prescribed by Presidential Decree:  

<Amended by Act No. 12663, May 21, 2014>

1. Financial assistance to financial institutions;

2. Redemption of the principal and interest of bonds for the Financial Stabilization Fund or of borrowed money of the Fund.

(2) The Government may guarantee the redemption of the principal and interest which the Korea Development Bank has borrowed from the Bank of Korea pursuant to paragraph (1). <Amended by Act No. 12663, May 21, 2014>

Article 23-5 (Issuance, etc. of Bonds for Financial Stabilization Fund)

(1) The Korea Development Bank may issue bonds for the Financial Stabilization Fund (hereafter referred to as "bonds" in this Article) at the expense of the Fund to raise funds necessary for financial assistance to financial institutions.  

<Amended by Act No. 12663, May 21, 2014>

(2) The Korea Development Bank shall, whenever it intends to issue bonds, determine the amount to be issued, conditions of issuance and methods of issuance and redemption, and report them to the Financial Services Commission.  

<Amended by Act No. 12663, May 21, 2014>

(3) Matters necessary for the issuance of bonds shall be prescribed by Presidential Decree.

(4) The extinctive prescription of bonds shall be five years for principal, and two years for interest.

(5) The Government may guarantee the redemption of the principal and interest of bonds.

(6) Claims shall be deemed special bonds defined in Article 4 (3) of the Financial Investment Services and Capital Markets Act.

Article 23-6 (Requirements and Procedures for Financial Assistance)

(1) Where a financial institution intends to receive financial assistance, it shall file an application with the Korea Development Bank by December 31, 2014, as determined and publicly notified by the Financial Services Commission.  

<Amended by Act No. 12663, May 21, 2014>

(2) If the Korea Development Bank receives an application pursuant to paragraph (1), it shall determine as to whether to render financial assistance to the financial institution through an examination pursuant to paragraph (3) in accordance with a resolution of the Deliberative Committee on Fund Management pursuant to Article 29 of the Korea Development Bank Act at the expense of the Fund.  

<Amended by Act No. 12663, May 21, 2014>
(3) Where the Korea Development Bank intends to provide financial assistance to a financial institution which has filed an application for financial assistance (hereafter referred to in this Article and Article 23-7 as "applicant institution"), it shall examine whether the applicant institution satisfies the requirements of the following subparagraphs. In such cases, if necessary for the examination, it may request the applicant institution to submit data: <Amended by Act No. 12663, May 21, 2014>

1. The applicant institution shall not receive support from the Government or Korea Deposit Insurance Corporation pursuant to Article 12 of this Act or Article 38 of the Depositor Protection Act;
2. The improvement of the financial structure or the expansion of capital of the applicant institution shall be recognized as necessary because the financial intermediary functions do not work properly for such reason as liquidity strain on the applicant institution, resulted from sudden changes in the financial market;
3. The details of a plan for improvement of the financial functions pursuant to Article 23-7 shall be appropriate for improvement of the managerial soundness and financial intermediary function of the applicant institution.

(4) Where the Korea Development Bank does not provide financial assistance to an applicant institution, it shall give notice to the applicant institution with the grounds specified therein within the period determined and publicly notified by the Financial Services Commission. <Amended by Act No. 12663, May 21, 2014>

(5) Where the Korea Development Bank provides financial assistance to an applicant institution, it shall report the details of financial assistance, the results of examination or such to the Financial Services Commission within the period determined and publicly notified by the Financial Services Commission. <Amended by Act No. 12663, May 21, 2014>

(6) Necessary matters concerning the standards, methods, and conditions for an examination under paragraph (3) shall be determined and publicly notified by the Financial Services Commission, taking overall consideration of the following factors:

1. Types of business of the applicant institution;
2. The present financial conditions of the applicant institution;
3. Whether there are dominant stockholders who can participate in increasing its capital or such in the applicant institution;
4. Track record of previous support, such as provision of credit by the applicant institution to small and medium enterprises;
5. The applicant institution’s potential to contribute to the stabilization of the financial market and improvement of intermediary functions.

Article 23-7 (Plans for Improvement of Financial Functions)

(1) An applicant institution shall present a plan including the following matters (hereinafter referred to as "plan for improvement of financial functions") to the Korea Development Bank for the purpose of improving the managerial soundness and financial intermediary function of the relevant applicant
1. The amount of financial assistance applied for and its purpose;
2. A plan for contributing to the stabilization of national economy according to the nature by the relevant applicant institution, which includes the following matters:
   (a) A plan for support, including provision of credit to small and medium enterprises;
   (b) A plan for enterprise restructuring as a creditor financial institution;
   (c) A plan for raising foreign currency to secure foreign currency liquidity in cases of a financial institution referred to in subparagraph 1 (a) of Article 2;
3. The period to implement a plan for improvement of financial functions;
4. Other matters prescribed by Presidential Decree for the improvement of the managerial soundness and financial intermediary function of the relevant applicant institution.

(2) When the Korea Development Bank examines the appropriateness of a plan for improvement of financial functions pursuant to Article 23-6 (3) 3, it may evaluate the degree of appropriateness differently by applicant institutions in consideration of the applicant institutions’ track record of improvement of financial functions in the past, and their responsibility for decrease of the soundness of management, etc.

(3) The detailed standards for preparation of a plan for improvement of financial functions shall be determined and publicly notified by the Financial Services Commission in consideration of types of financial assistance, types of business of the applicant institution, and so forth.

Article 23-8 (Special Cases concerning Financial Assistance)

(1) Where the Korea Development Bank provides financial assistance to a financial institution, the relevant financial institution may issue non-voting stocks in excess of the limits provided for in Article 370 (2) of the Commercial Act and Article 165-15 (2) of the Financial Investment Services and Capital Markets Act.

(2) Where the Korea Development Bank obtains nominative claims by transfer from a financial institution in connection with financial assistance or such, if it publicly announces the fact that it has obtained the nominative claims by transfer, in two or more daily newspapers (including one or more newspaper having nationwide circulation), it shall be deemed to satisfy the necessary conditions to oppose the transfer of nominative claims pursuant to Article 450 of the Civil Act: Provided, That any interested person of the relevant nominative claims (excluding creditors) may oppose the Korea Development Bank by reasons arising in connection with the relevant transferor of bonds prior to the public announcement.

Article 23-9 (Checkup of Implementation of Plans for Improvement of Financial Functions and Supervisory Measures)

(1) A financial institution which has received financial assistance (hereafter referred to as "recipient institution" in this Article) shall notify the Korea Development Bank and the Financial Services Commission as determined and publicly notified by the Financial Services Commission: <Amended by Act No. 12663, May 21, 2014>
Commission of the implementation status of a plan for the improvement of financial functions on a quarterly basis, as prescribed by Presidential Decree. <Amended by Act No. 12663, May 21, 2014>

(2) The Financial Services Commission may, if deemed necessary for the stabilization of financial markets and improvement of financial functions or if it has received a request from the Korea Development Bank, check the implementation status of a plan for improvement of financial functions of the recipient institution. <Amended by Act No. 12663, May 21, 2014>

(3) The Financial Services Commission may, for checkup pursuant to paragraph (2), inspect affairs or the financial status of the recipient institution, or request submission of data, attendance, statement, etc. of the person concerned. In such cases, the relevant recipient institution shall comply with such request in the absence of any special reasons to the contrary.

(4) The Financial Services Commission may take measures necessary for the supervision of any of the following recipient institutions:

1. Where it fails to implement a plan for improvement of financial functions;
2. Where it fails to report the implementation status of a plan for improvement of financial functions pursuant to paragraph (1) or makes a false report;
3. Where it refuses, hinders or evades the performance of affairs of the Financial Services Commission provided for in paragraph (2) or (3);
4. Where it fails to comply with a request of the Financial Services Commission provided for in paragraph (3) or neglects the performance thereof.

(5) "Measures necessary for the supervision" in paragraph (4) means the following measures:

1. A corrective order for the relevant offense;
2. A request for admonition or warning to an executive officer of the recipient institution;
3. A request for censure against an employee of the recipient institution;
4. Suspension of performance of duties of an executive officer of the recipient institution or designation of a management supervisor performing duties for the executive officer;
5. Other measures deemed necessary for supervision of the recipient institution and those equivalent to subparagraphs 1 through 4.

(6) Where the Financial Services Commission has made a check pursuant to paragraph (2) or taken measures pursuant to paragraph (5), it shall report the results thereof to the Korea Development Bank. <Amended by Act No. 12663, May 21, 2014>

Article 24 (Stockholding Limit by other Companies)

(1) Where a financial institution (excluding the Industrial Bank of Korea referred to in subparagraph 1 (b) of Article 2; hereafter the same shall apply in this Chapter) or another financial institution belonging to the enterprise group to which the former financial institution belongs (hereinafter referred to as "same affiliated financial institution") intends to perform any of the following acts, it shall obtain prior approval from the Financial Services Commission according to the standards determined by Presidential Decree: Provided, That this shall not apply where it obtains authorization, approval etc. under the Acts forming the
basis for the establishment of the relevant financial institution: <Amended by Act No. 14120, Mar. 29, 2016>

1. Holding not less than 20/100 of the total number of issued voting stocks of another company;
2. Holding not less than 5/100 of the total number of issued voting stocks of another company controlled in effect by any same affiliated financial institution or enterprise group to which the same affiliated financial institution belongs, as determined by Presidential Decree;
3. Holding not less than 10/100 of the total number of issued voting stocks of another company controlled in effect by any same affiliated financial institution or enterprise group to which the same affiliated financial institution belongs, as determined by Presidential Decree;
4. Holding not less than 15/100 of the total number of issued voting stocks of another company controlled in effect by any same affiliated financial institution or enterprise group to which the same affiliated financial institution belongs, as determined by Presidential Decree.

(2) "Enterprise group" in paragraph (1) means an enterprise group as defined in subparagraph 2 of Article 2 of the Monopoly Regulation and Fair Trade Act.

(3) In granting an approval under paragraph (1), the Financial Services Commission shall consult in advance with the Fair Trade Commission whether the relevant stockholdings restrict competition in the related market. This shall also apply where it grants authorization, approval, etc. pursuant to the proviso to paragraph (1).

(4) Notwithstanding paragraph (1), where any same affiliated financial institution falls under any subparagraph of paragraph (1) on inevitable grounds prescribed by Presidential Decree, including the capital reduction of other shareholders, the relevant financial institution shall file an application for approval therefor with the Financial Services Commission within the period set by Presidential Decree from the date on which such inevitable grounds occur. In such cases, the Financial Services Commission shall determine whether to grant an approval according the standards of paragraph (6).

(5) Where any same affiliated financial institution intends to acquire shares of any other company in excess of the limit provided for in the following subparagraphs, it shall obtain approval therefor from the Financial Services Commission again, notwithstanding paragraphs (1) and (4):

1. 25/100 of the total number of the issued voting shares;
2. 33/100 of the total number of the issued voting shares.

(6) In granting an approval to any same affiliated financial institution pursuant to paragraphs (1), (4), and (5), the Financial Services Commission shall examine each of the following requirements (hereinafter referred to as "excess ownership requirements"). In such cases, if it is deemed necessary to examine the requirements, the Financial Services Commission may request the relevant financial institution to submit data: <Amended by Act No. 15018, Oct. 31, 2017>

1. The holding of the relevant shares shall not aim at de facto controlling another company that does not fall under any of the following items:
   (a) A company that runs a financial business (referring to any of the financial and insurance businesses provided for in the Korean Standard Industrial Classification, which is prepared and
publicly notified by the Commissioner of the National Statistical Office pursuant to Article 22 (1) of the Statistics Act): Provided, That general holding companies provided for in Article 8-2 (2) 5 of the Monopoly Regulation and Fair Trade Act shall not be deemed the ones which engage in banking operations;

(b) A company (limited to a company that falls under Article 51-2 (1) 6 of the Corporate Tax Act) that runs private investment projects designated by the competent administrative agency pursuant to Article 8-2 of the Act on Private Participation in Infrastructure;

(c) A company that runs business that is directly related to the business of the financial institutions, including the credit information business, pursuant to the Use and Protection of Credit Information Act and is necessary for the efficient performance of the business of the financial institutions;

2. The holding of the relevant shares shall not actually restrict competition in the relevant market.

(7) The Financial Services Commission shall, where it decides not to grant an approval under paragraphs (1), (4) and (5), notify the applicant of the grounds therefor within the period determined by Presidential Decree.

(8) The Financial Services Commission shall, after any same affiliated financial institution is granted approval pursuant to paragraphs (1), (4) and (5), examine whether it meets the excess ownership requirements, as prescribed by Presidential Decree.

(9) The scope of the issued shares and methods of calculating the stockholding ratio referred to in each subparagraph of paragraphs (1) and (5) shall be determined and publicly notified by the Financial Services Commission.

Article 24-2 (Corrective Measures, etc.)

(1) Where any same affiliated financial institution holds the shares of another company without obtaining an approval therefor from the Financial Services Commission, in violation of Article 24 (1), (4) or (5), the Financial Services Commission shall take any of the following measures against the same affiliated financial institution:

1. Request for submitting a plan to correct the violation of an Act or request for revising the submitted plan;
2. Admonition or warning given to the same affiliated financial institution;
3. Recommendation made to admonish, warn or censure executive officers or employees involved in the act of violation;
4. Recommendation made to dismiss or suspend the performance of duties of executive officers and employees involved in the violation;
5. Orders issued to dispose of the whole or part of the shares that are held in excess of the stockholding limit.

(2) Any same affiliated financial institution shall be prohibited from exercising its voting rights on the shares of other company held in excess of the stockholding limit provided for in each of the subparagraphs of paragraphs (1) and (5) of the Article 24 without obtaining an approval therefor from the Financial
Services Commission, in violation of paragraph (1), (4) or (5) of the same Article.

**Article 24-3 (Compulsory Performance Charges)**

(1) When any same affiliated financial institution that has been ordered to dispose of its shares pursuant to Article 24-2 (1) 5 fails to perform as ordered within the fixed period, the Financial Services Commission may impose a compulsory performance charge within the amount obtained by multiplying 3/10,000 by the book value of shares that have to be disposed of per day.

(2) A compulsory performance charge shall be imposed during the period from the date following the expiration date of the period set by the share disposal order to the date on which the shares are disposed of.

(3) Where any same affiliated financial institution fails to perform as ordered even after the lapse of 90 days from the date on which the period set by the share disposal order expires, the Financial Services Commission shall collect compulsory performance charges based on the date on which each period of 90 days lapses, which is reckoned from the date on which such period expires.

(4) The provisions of Articles 65 through 69 of the Financial Holding Companies Act shall apply mutatis mutandis to the imposition and collection, etc. of compulsory performance charges. In such cases, "penalty charge" shall be deemed "compulsory performance charge" and "person liable to pay the penalty charge" shall be deemed "person liable to pay the compulsory performance charge", respectively.

**Article 24-4 (Relationship with other Acts)**

Except as otherwise provided for in this Act, a merger and conversion of financial institutions, measures against insolvent financial institutions, and the liquidation and bankruptcy of financial institutions shall be governed by the provisions of Acts which form the basis of authorization, permission, etc. for the relevant financial institutions, the Commercial Act, the Non-Contentious Case Procedure Act or other related statutes.

**Article 25 (Delegation of Authority)**

The Financial Services Commission may entrust some of its authority under this Act to the Governor of Financial Supervisory Service or the Korea Deposit Insurance Corporation, as prescribed by Presidential Decree.

**Article 26 (Application Mutatis Mutandis of Provisions on Mergers)**

The provisions concerning a merger of Articles 3 through 5, 5-2, 6 through 8, and 9 (1) shall apply mutatis mutandis where a financial institution ceases to exist after transferring all of its business to another financial institution and a financial institution acquires the whole business of another financial institution by transfer.

**Article 26-2 (Penalty Provisions)**

Persons who use non-disclosure information for purposes other than business purposes of the said institution, or provide or disclose such information to outside parties or other persons, in violation of Article 11-2 shall be punished by imprisonment with labor for not more than ten years or a fine not exceeding five hundred million won.
Article 27 (Penalty Provisions)

Any of executive officers, management supervisors, or liquidators of a financial institution (hereinafter referred to as "executive officer, etc. of a financial institution") shall, when he/she performs any of the following acts, be punished by imprisonment with labor for not more than one year, or by a fine not exceeding ten million won:

1. When he/she fails to take procedures or measures for executing an order given under Article 10 (1);
2. When he/she violates an order issued under Article 12 (3);
3. When he/she fails to execute necessary procedures for dissolution, in violation of Article 14 (4);
4. When he/she holds shares without obtaining approval therefor from the Financial Services Commission, in violation of Article 24 (1) or (5) or fails to file an application for approval therefor within the fixed period, in violation of paragraph (4) of the same Article.

Article 28 (Administrative Fines)

(1) Any financial institution shall, when it performs any of the following acts, be punished by an administrative fine not exceeding 20 million won:

1. When it fails to submit a report provided for in Article 7 (1) or submits a false report;
2. When it continues to run the business which is prohibited from being run pursuant to statutes, without authorization therefor from the Financial Services Commission in violation of Article 8 (2);
3. When it continues to run the business which is prohibited from being run pursuant to statutes, in violation of Article 9 (1);
4. When it fails to conform to Article 15 (1) of the Banking Act within three years as required under the main sentence of Article 9 (2) or exercises its voting right in excess of the scope of its voting right;
5. When it fails to submit a report to the Financial Services Commission or fails to obtain approval from the Financial Services Commission, which is required pursuant to the proviso to Article 9 (2);
6. When it fails to comply with a request or order provided for in Article 10 (1) or violates it;
7. When it fails to conform itself to the relevant statutes within three years according to the procedures set by the Financial Services Commission, in violation of Article 11 (5);
8. When it fails to make a public announcement to tender performance or provide sufficient security to any creditor who has filed an objection, or to establish an appropriate trust to a trust business entity under the Financial Investment Services and Capital Markets Act, as required under Article 12 (5);
9. When it consolidates shares, in violation of Article 12 (6);
10. When it fails to make a public announcement provided for in Article 12 (7);
11. When it fails to purchase shares, in violation of Article 12 (8);
12. When it violates or fails to comply with any order issued or any disposition taken by the Financial Services Commission as provided for in Article 14 (1) or (2);
13. When it fails to make a public announcement provided for in Article 14-2 (2);
14. When it fails to keep and manage materials related to the transfer of contracts or refuses to allow interested persons to peruse such materials, in violation of Article 14-2 (5);
15. When it holds shares of another company without obtaining approval therefor from the Financial Services Commission, in violation of Article 24 (1) or (5);

16. When it fails to file an application for approval within the fixed period, in violation of Article 24 (4);

17. When it exercises its voting right on the shares of another company held in excess of the shareholding limit without obtaining approval therefor, in violation of Article 24-2 (2).

(2) An executive officer, etc. of a financial institution shall, when he/she performs any of the following acts, be punished by an administrative fine not exceeding ten million won:
   1. When he/she fails to submit a report under Article 7 (1) or submit a false report;
   2. When he/she violates Article 12 (5) through (8);
   3. When he/she violates Article 14-2 (2) or (5).

(3) Administrative fines under paragraphs (1) and (2) shall be imposed and collected by the Financial Services Commission.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on March 1, 1997.

Article 2 (Applicability concerning Bankruptcy of Financial Institutions)

The provisions of Articles 17 through 23 shall not apply to the financial institutions under bankruptcy proceeding as at the time this Act enters into force.

Article 3 (Transitional Measures concerning Stockholdings Limit on Other Enterprises)

Where any financial institution acquires and owns the stocks of other companies with authorization and approval, etc. under the Acts forming the basis of its establishment as at the time this Act enters into force, it shall be deemed to have obtained approval pursuant to Article 24 (1).

Article 4 Omitted.

Article 5 (Relationship to Other Statutes)

Where other statutes cite the provisions of the previous Act on Merger and Business Conversion of Financial Institutions, if this Act includes any provisions corresponding to them, this Act or the corresponding provisions of this Act shall be deemed to have been cited in lieu of the former provisions.

ADDENDA <Act No. 5496, Jan. 8, 1998>

Article 1 (Enforcement Date)

This Act shall enter into force on April 1, 1998: Provided, That the amendment to Article 14-2 shall enter into force on January 1, 1998 and the amendments to subparagraph 3 of Article 2, Articles 10 through 12 shall enter into force on the date of its promulgation.

Article 2 (Transitional Measures on Supervisors until Date of Entry into Force of Act)
Until March 31, 1998, in the enforcement of the provisions enumerated in the proviso of Article 1 of the Addenda, for the powers of the Financial Supervisory Commission, the Monetary Board under the Bank of Korea Act shall exercise them over financial institutions referred to in subparagraph 1 (a) of Article 2, the Minister of Finance and Economy over financial institutions referred to in items (b) and (d) through (i) of the same subparagraph, and the Securities and Exchange Commission under the Securities and Exchange Act over financial institutions referred to in item (c) of the same subparagraph, respectively; for the powers of the Financial Supervisory Service Governor, the Director of the Banking Supervisory Authority under the Bank of Korea Act shall exercise them over financial institutions referred to in subparagraph 1 (a) of Article 2, the Minister of Finance and Economy over financial institutions referred to in items (b), (d) and (i) of the same subparagraph, the Director of the Securities Supervisory Board under the Securities and Exchange Act over financial institutions referred to in (c) of the same subparagraph, the Director of the Insurance Supervisory Board under the Insurance Business Act over financial institutions referred to in item (e) of the same subparagraph and the Chairman of the Credit Management Fund under the Credit Management Fund Act over financial institutions referred to in items (f) through (h) of the same subparagraph, respectively; for the powers of the Operating Committee and the Korea Deposit Insurance Corporation referred to in Article 8 of the Depositor Protection Act, the Korea Deposit Insurance Corporation under the Depositor Protection Act shall exercise them over financial institutions referred to in subparagraph 1 (a) and (b) of Article 2, the Securities and Exchange Commission under the Securities and Exchange Act over financial institutions referred to in item (c) of the same subparagraph, the Insurance Supervisory Board under the Insurance Business Act over financial institutions referred to in item (e) of the same subparagraph and the Credit Management Fund under the Credit Management Fund Act over financial institutions referred to in items (f) through (h), respectively.

Article 3 (General Transitional Measures)

(1) Any decision, authorization, measures, order, recommendation, good offices, recognition or other acts done by the Minister of Finance and Economy, the Monetary Board, the Securities and Exchange Commission, the Operating Committee under the Depositor Protection Act, the Insurance Guarantee Fund Management Committee under the Insurance Business Act, the Operating Committee under the Credit Management Fund Act, the Korea Deposit Insurance Corporation, the Credit Management Fund, the Office of Banking Supervision at the Bank of Korea, the Securities Supervisory Board or the Insurance Supervisory Board under the previous provisions at the time this Act enters into force shall be deemed acts conducted by the Minister of Finance and Economy, the Financial Supervisory Commission, the Operating Committee under the Depositor Protection Act, the Korea Deposit Insurance Corporation, the Financial Supervisory Service Governor or the Financial Supervisory Service under this Act.

(2) Any application, report or any other act conducted in relation to the Minister of Finance and Economy or the Monetary Board under the previous provisions at the time this Act enters into force
shall be deemed an act conducted in relation to the Minister of Finance and Economy under this Act.

ADDENDA <Act No. 5549, Sep. 14, 1998>
(1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.
(2) (Transitional Measures on Timing of Notice for Convocation of General Meeting of Stockholders) Where the timing of notice for convocation of general meetings of stockholders and closing date or reference date for stockholders' list are provided for in the articles of incorporation of a financial institution differently from the amended provisions of Article 5 (4) and (6) at the time this Act enters into force, they shall be governed by the amendments to Article 5 (4) and (6).

ADDENDA <Act No. 5982, May 24, 1999>
Article 1 (Enforcement Date)
This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)
Articles 2 through 6 Omitted.

ADDENDUM <Act No. 6178, Jan. 21, 2000>
This Act shall enter into force on the date of its promulgation.

ADDENDA <Act No. 6274, Oct. 23, 2000>
Article 1 (Enforcement Date)
This Act shall enter into force one month after the date of its promulgation.
Articles 2 through 6 Omitted.

ADDENDA <Act No. 6429, Mar. 28, 2001>
Article 1 (Enforcement Date)
This Act shall enter into force on the date prescribed by Presidential Decree within the limit not exceeding two years from its promulgation. (Proviso Omitted.)
Articles 2 through 11 Omitted.

ADDENDA <Act No. 6807, Dec. 26, 2002>
Article 1 (Enforcement Date)
This Act shall enter into force on January 1, 2003.
Articles 2 through 11 Omitted.

ADDENDA <Act No. 6891, May 29, 2003>
Article 1 (Enforcement Date)
This Act shall enter into force three months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 34 Omitted.

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

Article 1 (Enforcement Date)

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

Articles 2 through 6 Omitted.

ADDENDA <Act No. 8265, Jan. 26, 2007>

Article 1 (Enforcement Date)

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

Article 2 (Transitional Measures concerning Ex Post Facto Approval for Acquisition of Shares of Other Company)

Any same affiliated financial institution that holds the shares of other company in excess of the share-holding limit provided for in each subparagraph of Article 24 (1) on the inevitable grounds prescribed by the Presidential Decree, including the capital reduction of other shareholders, at the time of the enforcement of this Act shall file an application for approval therefor with the Financial Services Commission within the period prescribed by the Presidential Decree from the date on which this Act enters into force pursuant to the amended provisions of Article 24 (4).

Article 3 (Transitional Measures concerning Share-Holding Limit of Other Company)

Where any same affiliated financial institution that holds the shares of other company pursuant to the provisions of Article 24 (1) after obtaining approval therefor from the Financial Supervisory Commission prior to the enforcement of this Act holds the shares of other company in excess of the share-holding limit provided for in the amended provisions of Article 24 (5) at the time of the enforcement of this Act, the relevant financial institution shall be deemed to obtain approval therefor from the Financial Supervisory Commission pursuant to the amended provisions of the same paragraph of the same Article.

Article 4 (Transition Measures concerning Restriction on Voting Right)

(1) Any same affiliated financial institution that holds the shares of other company after acquiring such shares newly without obtaining approval therefor from the Financial Supervisory Commission from the date on which the Act on Merger and Business Conversion of Financial Institutions that is amended by Act No. 5257 enters into force to the date on which this Act enters into force in violation of the provisions of Article 24 (1) shall be prohibited from exercising its voting right on the shares of other company that it holds in excess of the share-holding limit provided for in the provisions of each subparagraph of Article 24 (1).

(2) Any same affiliated financial institution that holds the shares of other company in excess of the share-holding limit provided for in the provisions of each subparagraph of Article 24 (1) at the time of
the enforcement of the Act on Merger and Business Conversion of Financial Institutions that is amended by Act No. 5257 shall be restricted from exercising its voting right on the shares of the other company, but its application shall be suspended for 2 years and the provisions of Article 11 of the Monopoly Regulation and Fair Trade Act shall apply thereto on the date on which 2 years lapse after the enforcement of this Act.

Article 5 (Transitional Measures concerning Corrective Measures, etc.)
(1) Any same affiliated financial institution that holds the shares of other company after acquiring such shares newly without obtaining approval therefor from the Financial Services Commission in violation of the provisions of Article 24 (1) on or before the date on which this Act enters into force after the enforcement of the Act on Merger and Business Conversion of Financial Institutions that is amended by Act No. 5257 shall voluntarily conform its holding of shares to the share-holding limit provided for in the provisions of Article 24 (1) within 5 years from the date on which this Act enters into force.
(2) Where any same affiliated financial institution fails to comply with the provisions of paragraph (1), the Financial Supervisory Commission shall order the same affiliated financial institution to dispose of the shares that are in excess of the share-holding limit pursuant to the amended provisions of Article 24-2 (1) 5.

Article 6 (Transitional Measures concerning Penalty Provisions and Administrative Fines)
The application of any penalty provisions and administrative fine to a violation before this Act enters into force shall be governed by its former provisions: Provided, That where any same affiliated financial institution that holds the shares of other company without obtaining approval therefor from the Financial Services Commission for an unavoidable reason provided for in the amended provisions of Article 24 (4) files an application for the approval therefor within the period set by Presidential Decree pursuant to the provisions of Article 2 of the Addenda, a relevant penalty provision or administrative fine shall not be applied or levied.

Article 7 Omitted.

ADDENDA <Act No. 8635, Jul. 29, 2007>
Article 1 (Enforcement Date)
This Act shall enter into force one year and six months after the date of its promulgation.
Articles 2 through 44 Omitted.

ADDENDA <Act No. 8852, Feb. 29, 2008>
Article 1 (Enforcement Date)
This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)
Articles 2 through 7 Omitted.
ADDENDA <Act No. 8863, Feb. 29, 2008>

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

Articles 2 through 5 Omitted.

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

Article 1 (Enforcement Date)
This Act shall enter into force on February 4, 2009.

Articles 2 through 12 Omitted.

ADDENDA <Act No. 9741, May 27, 2009>

Article 1 (Enforcement Date)
This Act shall enter into force on June 1, 2009.

Article 2 (Period of Validity)
The amended provisions of Article 23-2 (2) 1 through 3 and 5 shall remain in full force until December 31, 2014.

Article 3 (Applicability to Examination and Decision on Financial Support)
The amended provisions of Article 23-6 (3) 1 shall apply to any support provided by the Government or the Korea Deposit Insurance Corporation on or after the enforcement date of this Act, pursuant to Article 12 or Article 38 of the Depositor Protection Act.

Article 4 Omitted.

ADDENDA <Act No. 9785, Jul. 31, 2009>

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

Articles 2 through 9 Omitted.

ADDENDUM <Act No. 10066, Mar. 12, 2010>
This Act shall enter into force on the date of its promulgation.

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

Article 1 (Enforcement Date)
This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 10 Omitted.

ADDENDUM <Act No. 11630, Mar. 22, 2013>
This Act shall enter into force six months after the date of its promulgation.

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

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

Articles 2 and 3 Omitted.

ADDENDA <Act No. 11845, May 28, 2013>

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

Articles 2 through 17 Omitted.

ADDENDA <Act No. 12663, May 21, 2014>

Article 1 (Enforcement Date)
This Act shall enter into force on the registration date of the merger prescribed in Article 4 (6) of the Addenda. (Proviso Omitted.)

Articles 2 through 12 Omitted.

ADDENDA <Act No. 13613, Dec. 22, 2015>

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

Articles 2 through 4 Omitted.

ADDENDA <Act No. 14120, Mar. 29, 2016>

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

Article 2 (Transitional Measures concerning Approval of Stockholding Limit by Other Companies)
A financial institution holding at least 5/100 of the total number of issued voting stocks of another company after obtaining approval from the Financial Services Commission as at the time this Act enters into force shall be deemed to have obtained approval from the Financial Services Commission in accordance with the amended provisions of Article 24 (1).

ADDENDA <Act No. 15018, Oct. 31, 2017>

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

Article 2 (Retroactive Application)
The amended provisions of Article 24 (6) 1 (a) shall apply retroactively from July 1, 2017.

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