[X]. New Annex III is hereby added as follows:

"**ANNEX III**

NON-CONFORMING MEASURES FOR FINANCIAL SERVICES

SCHEDULE OF KOREA

Introductory Notes

1. The Schedule of Korea to this Annex sets out:

   (a) headnotes that limit or clarify the commitments of Korea with respect to the obligations described in subparagraphs (b)(i) through (v) and in subparagraph (c);

   (b) in Section A, pursuant to Article 7D.10 (Non-Conforming Measures), the existing measures of Korea that do not conform with some or all of the obligations imposed by:

      (i) Article 7D.3 (National Treatment);

      (ii) Article 7D.4 (Most Favored Nation Treatment);

      (iii) Article 7D.5 (Market Access for Financial Institutions);

      (iv) Article 7D.6 (Cross-Border Trade); or

      (v) Article 7D.9 (Senior Management and Boards of Directors); and

   (c) in Section B, pursuant to Article 7D.10 (Non-conforming Measures), the specific sectors, sub-sectors, or activities for which Korea may maintain existing, or adopt new or more restrictive, measures that do not conform with the obligations imposed by Articles 7D.3 (National Treatment), 7D.4 (Most Favored Nation Treatment), 7D.5 (Market Access for Financial Institutions), 7D.6 (Cross-Border Trade), or 7D.9 (Senior Management and Boards of Directors).

2. Each entry in Section A sets out the following elements:

   (a) **Sector** refers to the general sector for which the entry is made;

   (b) **Sub-Sector** refers to the specific sector for which the entry is made;

   (c) **Obligations Concerned** specifies the article(s) referred to in paragraph 1(b) that, pursuant to Article 7D.10.1(a) (Non-Conforming Measures), do not apply to the non-conforming aspects of the law, regulation, or other measure, as set out in paragraph 4;

(d) **Level of Government** indicates the level of government maintaining the scheduled measure(s);

(e) **Measures** identify the laws, regulations, or other measures for which the entry is made. A measure cited in the **Measures** element:

(i) means the measure as amended, continued, or renewed as of the date of entry into force of Upgrade Protocol; and

(ii) includes any subordinate measure adopted or maintained under the authority of and consistent with the measure; and

(f) **Description** provides a general, non-binding description of the measure for which the entry is made.

3. Each entry in Section B sets out the following elements:

(a) **Sector** refers to the general sector for which the entry is made;

(b) **Sub-Sector** refers to the specific sector for which the entry is made;

(c) **Obligations Concerned** specifies the article(s) referred to in paragraph 1(c) that, pursuant to Article 7D.10.1(d) (Non-Conforming Measures), do not apply to the sectors, sub-sectors, or activities scheduled in the entry;

(d) **Level of Government** indicates the level of government maintaining the scheduled measure(s); and

(e) **Description** sets out the scope of the sectors, sub-sectors, or activities covered by the entry.

4. For entries in Section A, in accordance with Article 7D.10.1(a) (Non-Conforming Measures), and subject to Article 7D.10.1(c) (Non-Conforming Measures), the articles of this Agreement specified in the **Obligations Concerned** element of an entry do not apply to the non-conforming aspects of the law, regulation, or other measure identified in the **Measures** element of that entry, except to the extent that such non-conforming aspects are inconsistent with a specific commitment in Annex 7D-B (Specific Commitments).

5. For entries in Section B, in accordance with Article 7D.10.1(d) (Non-Conforming Measures), the articles of this Agreement specified in the **Obligations Concerned** element of an entry do not apply to the sectors, sub-sectors, and activities identified in the **Description** element of that entry.

6. Where Korea maintains a measure that requires that a service supplier be a citizen, permanent resident, or resident of its territory as a condition to the supply of a service in its territory, to the extent the disciplines apply to the supply of a financial service, a Schedule entry

for that measure taken with respect to Articles 7D.3 (National Treatment), 7D.4 (Most Favored Nation Treatment), 7D.5 (Market Access for Financial Institutions), or 7D.6 (Cross-Border Trade) shall operate as a Schedule entry with respect to Article 7B.5 (National Treatment), or 7B.6 (Most Favoured Nation Treatment) to the extent of that measure.

7. Appendix III.1 lists certain measures that the Parties consider to be not inconsistent with Article 7D.3 (National Treatment) or 7D.5 (Market Access for Financial Institutions) or subject to Article 7D.11.1 (Exceptions).

8. An entry in Annex I or Annex II specifying that Article 7A.3 (National Treatment) does not apply to the non-conforming aspects of a law, regulation, or other measure, shall not be construed as limiting Korea's obligation under Article 7D.6.1 (Cross-Border Trade) to accord national treatment with respect to the supply of services specified in Annex 7D-A (Cross-Border Trade) to cross-border financial service suppliers of the other Party.

HEADNOTES

1. Commitments in these subsectors under the Agreement are undertaken subject to the limitations and conditions set forth in these headnotes and in the Schedules below.

2. To clarify the commitment of Korea with respect to Article 7D.5 (Market Access for Financial Institutions), juridical persons supplying financial services and constituted under the laws of Korea are subject to non-discriminatory limitations on juridical form.[1]

3. The commitments of Korea under Articles 7D.3 (National Treatment) and 7D.5 (Market Access for Financial Institutions) are subject to the limitation that in order to establish or acquire a controlling interest in a financial institution in Korea, a foreign investor must own or control a financial institution that engages in supplying financial services within the same financial services sub-sector in its home country.

4. Korea limits its commitments under Article 7D.10.1(c) (Non-Conforming Measures) with respect to Article 7D.5 (Market Access for Financial Institutions) in the following manner: Article 7D.10.1(c)(i) shall apply only to non-conforming measures relating to Article 7D.5.1(a) and not to those non-conforming measures relating to Article 7D.5.1(b).

[1] For example, partnerships and sole proprietorship are generally not acceptable juridical forms for depository financial institutions in Korea. This headnote is not itself intended to affect, or otherwise limit, a choice by a financial institution of the other Party between branches or subsidiaries.

SECTION A

1.

Sector:	Financial Services
Sub-Sector:	Insurance
Obligations Concerned:	Article 7D.5 (Market Access for Financial Institutions)
Level of Government:	Central
Measures:	Articles 91 and 100 of the *Insurance Business Act* (Law No.17636, 8 December 2020) Article 40 of the *Enforcement Decree of the Insurance Business Act* (Presidential Decree No. 31380, 5 January 2021) Article 20 of the *Act on the Protection of Financial Consumers* (Law No.17799, 29 December 2020)
Description:	Only two employees of a commercial bank, mutual saving bank, or an investment trader or investment broker may sell insurance products at any one time at a single location. For transparency purposes, Korea notes that it restricts the manner of sales of insurance products such as the number of windows in a single bank location devoted to the sale of insurance, limitations on the percentage of insurance sold by a bank that may be underwritten by a single insurer, the type of insurance products which may be sold by a bank, and unfair business practices such as compelling the purchase of insurance products in return for a loan.

2.

Sector: Financial Services

Sub-Sector: Insurance

Obligations Concerned: Article 7D.6 (Cross-Border Trade)

Level of Government: Central

Measures: *Guarantee of Automobile Accident Compensation Act* (Law No.17236, 7 April 2020)

Act on the Indemnification for Fire-Caused Loss and the Purchase of Insurance Policies (Law No.16272, 15 January 2019)

High-Pressure Gas Safety Control Act (Law No.16935, 4 February 2020)

Safety Control and Business Regulation of Liquefied Petroleum Gas Act (Law No.16943, 4 February 2020)

Urban Gas Business Act (Law No.16937, 4 February 2020)

Seafarers Act (Law No.16902, 29 January 2020)

Installation and Utilization of Sports Facilities Act (Law No.17267, 19 May 2020)

Excursion Ship and Ferry Business Act (Law No.17091, 24 March 2020)

Elevator Facilities Safety Management Act (Law No.17894, 12 January 2021)

Water-Related Leisure Activities Safety Act (Law No.17876, 5 January 2021)

Juvenile Activity Promotion Act (Law No.17286, 19 May 2020)

Compensation for Oil Pollution Damage Guarantee Act (Law No.17051, 18 February 2020)

Aviation Business Act (Law No.17636, 8 December 2020)

Road Traffic Act (Law No.17891, 12 January 2021)

Wildlife Protection and Management Act (Law No.16609, 26 November 2019)

Trucking Transport Business Act (Law No.17241, 7 April 2020)

Industrial Accident Compensation Insurance Act (Law No.17434, 9 June 2020)

Construction Technology Promotion Act (Law No.17542, 20 October 2020)

Nuclear Damage Compensation Act (Law No.16573, 27 August 2019)

Framework Act on Logistics Policies (Law No.17689, 22 December 2020)

Social Welfare Services Act (Law No.17782, 29 December 2020)

Fishing Management and Promotion Act (Law No.17653, 22 December 2020)

Electronic Financial Transactions Act (Law No.17354, 9 June 2020)

Digital Signature Act (Law No.17354, 9 June 2020)

Attorney-at-Law Act (Law No.17828, 5 January 2021)

Act on the Establishment of Safe Laboratory Environment Act (Law No.17350, 9 June 2020)

Act on the Establishment and Operation of Private Teaching Institutes and Extracurricular Lessons (Law No.17311, 26 May 2020)

Safety Management Act on Amusement Facilities for Children (Law No.17695, 22 December 2020)

Marriage Brokers Business Management Act (Law No.16413, 30 April 2019)

Licensed Real Estate Act (Law No.16489, 20 August 2019)

Certified Public Accountant Act (Law No.17291, 19 May 2020)

Tourism Promotion Act (Law No.17704, 22 December 2020)

Tramway Transportation Act (Law No.17091, 24 March 2020)

Enforcement Decree of the Road Traffic Act (Presidential Decree No.31380, 5 January 2021)

Act on Door-To-Door Sales, ETC. (Law No.15695, 12 June 2018)

Act on the Public Announcement of Values and Appraisal of Real Estate (Law No.17459, 9 June 2020)

Certified Tax Accountant Act (Law No.17339, 9 June 2020)

Engineering Industry Promotion Act (Law No.17344, 9 June 2020)

Act on Foreign Workers' Employment, ETC (Law No.17326, 26 May 2020)

Act on Compensation for Damage Caused by Space Objects (Law No.14839, 26 July 2017)

Aerospace Industry Development Promotion Act (Law No.17537, 20 October 2020)

Rules on the Designation and Control of Recreational Fishing Sites (Ordinance of the Ministry of Oceans and Fisheries No.432, 28 August 2020)

Enforcement Decree of the Certification of Seal Imprint Act (Presidential Decree No.31380, 5 January 2021)

Standing Timber Act (Law No.11303, 10 February 2012)

Framework Act on Electronic Documents and Transactions (Law No.17353, 9 June 2020)

Act on the Consumer Protection in Electronic Commerce, ETC (Law No.15698, 12 June 2018)

Act on Promotion of Information and Communications Network Utilization and Information Protection, ETC (Law No.17358, 9 June 2020)

Act on External Audit of Stock Companies (Law No.17298, 19 May 2020)

Housing Act (Law No.16870, 23 January 2020)

Multi-Family Housing Management Act (Law No.17447, 9 June 2020)

Aviation Safety Act (Law No.17613, 8 December 2020)

Maritime Transportation Act (Law No.17065, 18 February 2020)

Special Act on the Safety Control of Publicly Used Establishments (Law No.17894, 12 January 2021)

Description: In determining whether a natural person resident in Korea or juridical persons established in Korea has satisfied a legal obligation to purchase "compulsory" insurance services not listed in Annex 7D-A (Cross-Border Trade), any such service supplied in the territory of a foreign country to such person is not considered.

However, services supplied outside the territory of Korea may be considered in satisfaction of the legal obligation if the required insurance cannot be purchased from an insurer established in Korea.

3.

Sector: Financial Services

Sub-Sector: Banking and other financial services (excluding insurance)

Obligations Concerned: Article 7D.3 (National Treatment)

Level of Government: Central

Measures:

Articles 15 and 16-2 of the *Banking Act* (Law No.17293, 20 August 2020)

Article 5 and Annex of the *Enforcement Decree of the Banking Act* (Presidential Decree No.30960, 20 August 2020)

Articles 8 and 8-2 of the *Financial Holding Company Act* (Law No.16182, 1 February 2019)

Article 6-3 of the *Enforcement Decree of the Financial Holding Company Act* (Presidential Decree No.31380, 5 January 2021)

Article 5 of the *Act on Special Cases Concerning Establishment and Operation of Internet-Only Banks* (Law No.17294, 19 May 2020)

Description:

1. A financial institution constituted under the laws of another country may own more than 10 per cent of the shares of a commercial bank or bank holding company constituted under the laws of Korea only if that institution is an "internationally recognised financial institution."[2]

2. For purposes of transparency:

(a) the Financial Services Commission applies additional criteria for approval that are not inconsistent with this Agreement to approval of ownership by an internationally recognised financial institution as described in paragraph 1.

(b) a natural person may not own more than 10 percent of the shares of a commercial bank or bank holding company constituted under the laws of Korea.

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[2] An "internationally recognised financial institution" includes any financial institution that has been rated by an international rating organisation at a level acceptable to the relevant Korean regulator or a financial institution that has demonstrated by alternative means acceptable to the relevant Korean regulator that it has an equivalent status

(c) a corporate entity other than a financial institution, the main business of which is not financial services, may not own more than 4 percent of the shares of a commercial bank or bank holding company constituted under the laws of Korea. The ownership percentage can be increased to 10 percent if the corporate entity waives its ability to exercise voting rights relating to the shares in excess of 4 percent.

(d) Notwithstanding subparagraph (c), a corporate entity other than a financial institution, the main business of which is not financial services, may not own more than 34 percent of the shares of a bank constituted under the *Act on Special Cases Concerning Establishment and Operation of Internet-only Banks*.

4.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.3 (National Treatment)
Level of Government:	Central
Measures:	Article 58 of the *Banking Act* (Law No.17293, 20 August 2020), Article 24-10 and Annex of the *Enforcement Decree of the Banking Act* (Presidential Decree No.32640, 9 May 2022), Articles 5-4, 11 and Annex of the *Regulation on Supervision of Banking Business* (Financial Services Commission Notification No.2021-3, 1 February 2021)
Description:	Each branch location in Korea of a bank constituted under the laws of another country requires a separate licence. A branch of a banking subsidiary, including one owned or controlled by investors of another country does not require such a licence.

5.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.5 (Market Access for Financial Institutions)
Level of Government:	Central
Measures:	Articles 78, 373, 379 and 386 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020)
Description:	Only the Korea Exchange and any other alternative trading systems licensed under the *Financial Investment Services and Capital Markets Act* of Korea may operate a securities or derivatives market in Korea.

6.

Sector: Financial Services

Sub-Sector: Banking and other financial services (excluding insurance)

Obligations Concerned: Article 7D.5 (Market Access for Financial Institutions)

Level of Government: Central

Measures: Articles 294 to 323 and 166 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020)

Description: Only the Korea Securities Depository may serve as the depository for listed and unlisted securities issued in Korea or as the intermediary for transfer of those securities between accounts of depositors in Korea.

7.

Sector: Financial Services

Sub-Sector: Banking and other financial services (excluding insurance)

Obligations Concerned: Article 7D.5 (Market Access for Financial Institutions)

Level of Government: Central

Measures: Articles 323-2, 323-3, 323-10 and 378 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020)

Description: Only the Korea Securities Depository and the Korea Exchange may perform clearing and settlement of securities and derivatives listed or traded on the Korea Exchange.

Only central counter parties licensed under the *Financial Investment Services and Capital Markets Act* of Korea may perform clearing and settlement of financial investment services including securities and derivatives.

8.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.6 (Cross-Border Trade)
Level of Government:	Central
Measures:	Article 166 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020) Article 184 of the *Enforcement Decree of the Financial Investment Services and Capital Markets Act* (Presidential Decree No. 31380, 5 January 2021)
Description:	A non-professional investor (including some professional investors[3]) shall make transactions through an investment broker licensed in Korea when they intend to trade securities denominated in foreign currencies and exchange-traded derivatives on foreign securities markets or foreign derivatives markets.

[3] Institutional investors by Article 1-2 of the *Foreign Exchange Transaction Regulation* (Notification of the Ministry of Strategy and Finance No. 2009-2, 3 February 2009) are excluded.

9.

Sector: Financial Services

Sub-Sector: Banking and other financial services (excluding insurance)

Obligations Concerned: Article 7D.3 (National Treatment)

Level of Government: Central

Measures: Articles 62 and 63 of the *Banking Act* (Law No.17293, 20 August 2020)

Articles 25 and 26 of the *Enforcement Decree of the Banking Act* (Presidential Decree No. 30960, 19 August 2020)

Article 65 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020)

Article 65 of the *Enforcement Decree of the Financial Investment Services and Capital Markets Act* (Presidential Decree No. 31380, 5 January 2021)

Description: A branch in Korea of a bank or a securities company constituted under the laws of another country must bring and maintain operating funds within Korea, which shall be used for purposes of determining the amount of funds to be raised or loans to be extended by such local branch.

For purposes of the *Banking Act* and the *Financial Investment Services and Capital Markets Act*, such a branch is considered a separate legal entity from the bank or the financial investment business entity constituted under the laws of another country.

10.

Sector: Financial Services

Sub-Sector: Banking and other financial services (excluding insurance)

Level of Government: Central

Obligations Concerned: Article 7D.5 (Market Access for Financial Institutions)

Measures:

Article 7 of the *Credit Unions Act* (Law No. 16652, 26 November 2019)

Article 7 of *the Mutual Savings Banks Act* (Law No. 17915, 26 January 2021)

Article 6 of the *Specialized Credit Finance Business Act* (Law No. 16957, 2 February 2020)

Article 355 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020)

Article 5 of the *Credit Information Use and Protection Act* (Law No. 16957, 2 February 2020)

Article 9 of the *Foreign Exchange Transactions Act* (Law No. 17651, 22 December 2020)

Articles 254, 258, and 263 of the *Financial Investment Services and Capital Markets Act* (Law No. 17764, 29 December 2020)

Description:

The following types of business may not be conducted by a branch of a financial institution constituted under the laws of another country:

1. credit unions;
2. mutual savings banks;
3. specialised credit financial business companies;
4. foreign and won currency capital brokerage firms;
5. credit information companies;
6. general fund administration firms;
7. collective investment vehicle appraisal companies; and
8. bond appraisal companies.

11.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.5 (Market Access for Financial Institutions)
Level of Government:	Central
Measures:	Article 30 of the *Electronic Financial Transaction Act* (Law No. 17354, 10 December 10 2020)
Description:	A non-financial institution that seeks to offer certain electronic financial services in Korea may establish only as a subsidiary.

12.

Sector: Financial Services

Sub-Sector: Banking and other financial services (excluding insurance)

Obligations Concerned: Article 7D.3 (National Treatment)

Level of Government: Central

Measures: The *Korea Development Bank Act* (Law No. 17253, May 1, 2020)

The *Industrial Bank of Korea Act* (Law No. 14839, 26 July 2017)

The *Korea Housing Finance Corporation Act* (Law No. 17637, 8 December 2020)

The *National Federation of Agricultural Cooperatives Act* (Law No. 17007, 18 February 2020)

The *National Federation of Fisheries Cooperatives Act* (Law No. 17007, 18 February 2020)

Description: Korea may grant:

(a) to one or more of the following financial institutions (collectively, Government-Sponsored Institutions or GSIs):

- the Korea Development Bank;
- Industrial Bank of Korea;
- Korea Housing Finance Corporation;
- the National Agricultural Bank; or
- the National Federation of Fisheries Cooperatives;

(b) special treatment, including but not limited to the following:

- guarantees of loans to or bonds issued by the GSIs;
- permission to issue more bonds per capital than similarly-situated non-GSIs;
- reimbursement of losses incurred by GSIs; or

- exemption from certain taxes on capital, surplus, profit, or assets.

13.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.5 (Market Access for Financial Institutions)
Level of Government:	Central
Measures:	Article 9 of the *Foreign Exchange Transactions Act* (Law No. 17651, 22 December 2020)
Description:	Interbank Brokerage of KRW (Korean won) spot transactions is limited to the two existing brokerage companies in the business.

Section B

1.

Sector: Financial Services

Sub-Sector: Insurance

Obligations Concerned: Article 7D.6 (Cross-Border Trade)

Level of Government: Central

Measures: None

Description: Korea reserves the right not to consider any "compulsory" third-party insurance service supplied in the territory of a foreign country to a natural person in Korea or juridical person established therein, in determining whether such natural or juridical person has satisfied a legal obligation to purchase such "compulsory" third party insurance service not listed in Annex 7D-A (Cross-Border Trade).

However, services supplied outside the territory of Korea may be considered in satisfaction of the legal obligation if the required insurance cannot be purchased from an insurer established in Korea.

2.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.3 (National Treatment)
Level of Government:	Central
Measures:	None
Description:	In the context of privatising government-owned or government-controlled entities that supply financial services, Korea reserves the right to adopt or maintain any measure relating to the continued guarantee, or time-limited additional guarantee, of the obligations and liabilities of these entities.

3.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Article 7D.3 (National Treatment)
Level of Government:	Central
Measures:	*Financial Investment Services and Capital Markets Act* (Law No.17764, 29 December 2020)
Description:	Korea reserves the right to limit ownership by foreign investors of the Korea Exchange and the Korea Securities Depository. In the event of public offering of shares of the Korea Exchange or the Korea Securities Depository, Korea reserves the right to limit shareholding by foreign persons in the relevant institution, provided that Korea shall ensure that (1) any shareholding interests held by foreign persons at the time of the public offering shall be preserved, and (2) following the public offering, the Korea Exchange or Korea Securities Depository shall assure access for financial institutions of the United Kingdom on the terms that are no less favourable than financial institutions of Korea in like circumstances.

4.

Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	All
Level of Government:	Central
Measures:	*Korea Housing Finance Corporation Act* (Law No. 17637, 8 December 2020) *Housing Act* (Law No. 17874, 5 January 2021)
Description:	Korea may limit the number of financial institutions designated to hold housing accounts, such as the National Housing Subscription Deposit Accounts.

5.

Sector: All Financial Services

Obligations Concerned: Article 7D.6 (Cross-Border Trade)

Level of Government: Central

Description: Korea reserves the right to adopt or maintain any measure with respect to the supply of a financial service by the presence of natural persons, subject to the provisions of Chapter Seven-C (Entry and Temporary Stay of Business Persons), that is not inconsistent with Korea's obligations under the GATS.

APPENDIX III.1

CERTAIN MEASURES NOT INCONSISTENT WITH ARTICLES 7D.3 (NATIONAL TREATMENT) OR 7D.5 (MARKET ACCESS FOR FINANCIAL INSTITUTIONS) OR SUBJECT TO ARTICLE 7D.11.1 (EXCEPTIONS)

The following measures are not inconsistent with Article 7D.5 (Market Access for Financial Institutions).

(1) An insurance company constituted in Korea may engage only in activities permitted by the relevant laws. (Articles 10, 11, 11-2 and 11-3 of the *Insurance Business Act* and Articles 15 and 16 of the *Enforcement Decree of the Insurance Business Act);*

(2) Residents of Korea are not permitted to settle payment in KRW (Korean won) for cross-border financial services supplied to them by residents of foreign countries. (Articles 5-11 and 7-8 through 7-10 of the *Foreign Exchange Transactions Regulation);*

(3) Banks and mutual savings banks in Korea are required to extend loans to small- or medium-sized companies. (Article 2 of the *Bank of Korea's Regulations on Credit Extension*; and Article 11 of the *Mutual Savings Bank Act* and Article 8-2 of the *Enforcement Decree of the Mutual Savings Banks Act*;

(4) The overall net open position of foreign exchange banks, measured by the sum of the net short position or the sum of the net long positions, whichever is greater (short-hand method), is limited to 50 percent of the total equity capital at the end of the previous month (Article 11-2 of the *Foreign Exchange Transactions Act*; and Article 2-9-2 of the *Foreign Exchange Transactions Regulation)*;

(5) Securities credit extensions are subject to restrictions on the maximum credit amount and use of proceeds. An investment trader or investment broker is only permitted to extend credit for purpose related to the sale and purchase of securities. (Article 72 of the *Financial Investment Services and Capital Markets Act*; Article 69 of the *Enforcement Decree of the Financial Investment Services and Capital Markets Act*);

(6) The value of lending to an individual credit card holder may be capped. (Article 24 of the *Specialized Credit Financing Business Act*);

(7) A bank, financial investment business entity or other financial institution constituted in Korea may only engage in activities permitted by the relevant laws. (Articles 27, 27-2 and 28 of the *Banking Act*; and Articles 40 and 41 of the *Financial Investment Services and Capital Markets Act* and Articles 43 and 44 of *the Enforcement Decree of* the *Financial Investment Services and Capital Markets Act*);

(8) A financial institution is prohibited from acquiring real estate for non-business purpose. (Article 38 of the *Banking Act* and Article 105 of the *Insurance Business Act*);

(9) Non-resident of Korea may convert foreign currency into KRW (Korean won) only for actual use in Korea. (Articles 7-8 through 7-10 and Articles 7-36 through 7-39 of the *Foreign Exchange Transaction Regulations*); and

(10) Korea may restrict deposit interest rates, loan interest rates, other interest rates, maturity of deposit and related fees. (Article 30 of the *Banking Act*, the *Regulation on Financial Institutions' Loans and Deposit Rates*, Articles 8, 11 and 15 of *Act on Registration of Credit Business, ETC. and Protection of Finance Users,* and Articles 5 and 9 of the *Enforcement Decree of the Act on Registration of Credit Business, ETC. and Protection of Finance Users*).

The following measures fall within Article 7D.11.1 (Exceptions) and that, therefore, Article 7D.3 (National Treatment) does not prevent Korea from maintaining them:

(1) The operating fund of a branch of a foreign insurance company will be considered as capital and the head office's capital will not be taken into consideration for purposes of determining the amount of funds to be raised or loans to be extended by such local branch (Article 9-3 of the *Insurance Business Act* and Article 14 of the *Enforcement Decree of the Insurance Business Act*);

(2) A branch in Korea of a foreign insurance company must maintain in the territory of Korea assets equal to the aggregate of the reserve for performance of liability and the reserve for emergency relating to the insurance contracts executed in Korea (Article 75 of the *Insurance Business Act* and Article 25-2 of the *Enforcement Decree of the Insurance Business Act*); and

(3) A person who intends to become a large shareholder of a financial company shall obtain approval from the Financial Services Commission, and requirements for approval may be determined depending on the type of the person seeking to be a large shareholder (financial company, national, foreigner, etc.) (Articles 31 of the *Act on Corporate Governance of Financial Companies* and Article 26 and Annex of the *Enforcement Decree of Act on Corporate Governance of Financial Companies*).