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ANNEX III
SCHEDULE OF KOREA

Introductory Note for the Schedule of Korea

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 subparagraph (b)(i) through (v) and in subparagraph (c),
 - (b) in Section A, pursuant to Article 13.9 (Non-Conforming Measures), the existing measures of the Republic of Korea that do not conform with some or all of the obligations imposed by:
 - (i) Article 13.2 (National Treatment);
 - (ii) Article 13.3 (Most-Favored-Nation Treatment);
 - (iii) Article 13.4 (Market Access for Financial Institutions);
 - (iv) Article 13.5 (Cross-Border Trade); or
 - (v) Article 13.8 (Senior Management and Boards of Directors), and
 - (c) in Section B, pursuant to Article 13.9 (Non-conforming Measures), the specific sectors, subsectors, or activities for which the Republic of Korea may maintain existing, or adopt new or more restrictive, measures that do not conform with the obligations imposed by Article 13.2, 13.3, 13.4, 13.5, or 13.8.
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) **Subsector** 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 13.9.1(a), 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);

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- (e) **Measures** identifies 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 this Agreement, 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) **Subsector** refers to the specific sector for which the entry is made;
 - (c) **Obligations Concerned** specified the article(s) referred to in paragraph 1(c) that, pursuant to Article 13.9.2, do not apply to the sector, subsectors, or activities scheduled in the entry;
 - (d) **Level of Government** indicates the level of government maintaining the listed measure(s); and
 - (e) **Description** sets out the scope of the sectors, subsectors, or activities covered by the entry.
4. For entries in Section A, in accordance with Article 13.9.1(a), and subject to Article 13.9.1(c), that 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 the entry, except to the extent that such non-conforming aspects are inconsistent with a Specific Commitment in Annex 13-B.
5. For entries in Section B, in accordance with Article 13.9.2, the articles of this Agreement specified in the **Obligations Concerned** element of an entry do not apply to the sectors, subsectors, 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, a Schedule entry for that measure taken with respect to Article 13.2, 13.3, 13.4, or 13.5 shall operate as a Schedule entry with respect to Article 11.3 (National Treatment), 11.4 (Most-Favored-Nation Treatment), or 11.8 (Performance Requirements) to the extent of that measure.
7. APPENDIX III-I lists certain measures that the Parties consider to be not inconsistent with Article 13.2 or 13.4 or subject to Article 13.10.1.

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8. An entry in Annex I or Annex II specifying that Article 12.2 (National Treatment) does not apply to the non-conforming aspects of a law, regulation, or other measure, shall not be construed as limiting a Party's obligation under Article 13.5.1 to accord national treatment with respect to the supply of services specified in Annex 13-A to cross-border financial service suppliers of the other Party.

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Appendix III-I

Certain Measures Not Inconsistent With Article 13.4 or Subject to 13.10.1

The Parties have reviewed the following measures and concluded that they are not inconsistent with Article 13.4 (Market Access for Financial Institutions):

- (1) An insurance company constituted in Korea may engage only in activities permitted by the relevant laws. (Article 10 and 11 of the Insurance Business Act (“IBA”) and Article 15 and 16 of the Enforcement Decree of the IBA);
- (2) Korean insurance companies are required to extend loans to small- or medium-sized companies. (Article 5-9 of the Regulation on Supervision of Insurance Business);
- (3) 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 7-7 to 7-10 of the Foreign Exchange Transaction Regulations);
- (4) 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 to the Mutual Savings Bank Act);
- (5) 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; the overbought (long Won) position of NDFs (Non-Deliverable Forwards) held by onshore banks may not exceed 110 percent of the position as registered on January 14, 2004. (Article 11-2 of the Foreign Exchange Transaction Act; and Article 2-9 of the Foreign Exchange Transaction Regulations);
- (6) Securities savings and securities credit extensions are subject to restrictions on the maximum credit amount and use of proceeds. Securities savings is the sale by a securities company of marketable securities that the company keeps in its custody in exchange for cash deposits received from its customers. Securities companies are only permitted to extend credit for purpose related to the sale and purchase of securities. (Articles 49 and 50 of the Securities and Exchange Act (“SEA”); Articles 35-15 and 35-16 of the Enforcement Decree to the SEA);
- (7) The value of lending to an individual credit card holder may be capped. (Article 24 of the Specialized Credit Financing Business Act);
- (8) A bank, securities company or other financial institution constituted in Korea may only engage in activities permitted by the relevant laws. (Articles 27 and 28 of

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the Banking Act; and Article 51 of the SEA and Articles 36-2 and 36-3 of the Enforcement Decree thereof)

- (9) A financial institution is prohibited from acquiring real estate for non-business purpose. (Article 38 of the Banking Act; Article 105 of the IBA);
- (10) Non-resident of Korea may convert foreign currency into KRW (Korean Won) only for actual use in Korea. (Articles 7-7 to 7-10 and Articles 7-36 to 7-39 of the Foreign Exchange Transaction Regulations);
- (11) 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; Article 8 and Article 15 of the Lending Business Act; and Article 5 and Article 9 of the Enforcement Decree thereof).

The Parties have reviewed the following measure and concluded that it falls within Article 13.10.1 (Exceptions) and that, therefore, Article 13.2 does not prevent Korea from maintaining it:

- (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 IBA).
- (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 IBA).

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ANNEX III
SCHEDULE OF KOREA
WITH RESPECT TO FINANCIAL SERVICES

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 13.4 (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 13.2 (National Treatment) and 13.4 (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 subsector in its home country.
4. Korea limits its commitments under Article 13.9.1(c) (Non-Conforming Measures) with respect to Article 13.4 (Market Access for Financial Institutions) in the following manner: Article 13.9.1(c) shall apply only to non-conforming measures relating to 13.4(a) and not to those non-conforming measures relating to Article 13.4(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.

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Annex III
Schedule of Korea
with respect to Financial Services
Section A

Sector:	Financial Services
Sub-Sector:	Insurance
Obligations Concerned:	Market Access for Financial Institutions (Article 13.4)
Level of Government:	Central
Measures:	Article 91 of the IBA; and Article 40 of the Enforcement Decree to the IBA
Description:	<p>Only two employees of a commercial bank, mutual saving bank or securities company may sell insurance products at any one time at a single location.</p> <p>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, and limitations on the percentage of insurance sold by a bank that may be underwritten by a single insurer.</p>

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Sector:	Financial Services
Sub-Sector:	Insurance
Obligations Concerned:	Cross-Border Trade (Article 13.5)
Level of Government:	Central
Measures:	Automobile Accident Compensation Assurance Act; Act on the Indemnification for Fire-Caused Loss and the Purchase of Insurance Policies; High-Pressure Gas Safety Control Act, Safety Control and Business Regulation of Liquefied Petroleum Gas Act; Urban Gas Business Act; Seafarers Act; Installation and Utilization of Sports Facilities Act; Excursion Ship and Ferry Business Act; Manufacture and Management of Elevators Act; Water-Related Leisure Activities Safety Act; Juvenile Activity Promotion Act; Compensation for Oil Pollution Damage Guarantee Act; Air Transport Business Promotion Act; Road Traffic Act; Act on Contracts to Which the State is a Party; Protection of Wild Fauna and Flora Act; Trucking Transport Business Act; Industrial Accident Compensation Insurance Act; Construction Technology Management Act; Nuclear Damage Compensation Act; Goods Distribution Promotion Act; Social Welfare Services Act; Fishing Boats for Anglers Act; Electronic Finance Transaction Act; Digital Signature Act; Attorney-at-Law Act; and Laboratory Safety Environment Act
Description:	<p>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 13.A, any such service supplied in the territory of a foreign country to such person is not considered.</p> <p>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</p>

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	National Treatment (Article 13.2)
Level of Government:	Central
Measures:	Articles 15 and 16-2 of the Banking Act; Article 5 and Annex of the Enforcement Decree to the Banking Act; Articles 8 and 8-2 of the Financial Holding Company Act; and Article 6-3 of the Enforcement Decree to the Financial Holding Company Act
Description:	<ol style="list-style-type: none">1. A financial institution constituted under the laws of another country may own more than 10% of the shares of a commercial bank or bank holding company constituted under the laws of Korea only if that institution is an “internationally recognized financial institution.”²2. For purposes of transparency:<ol style="list-style-type: none">a) the Financial Supervisory Commission applies additional criteria for approval that are not inconsistent with this Agreement to approval of ownership by an internationally recognized financial institution as described in paragraph 1.b) a natural person may not own more than 10% of the shares of a commercial bank or bank holding company constituted under the laws of Korea.c) a corporate entity other than a financial institution, the main business of which is not financial services, may not own more than 4% 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% if the corporate entity waives its ability to exercise voting rights relating to the shares in excess of 4%.

² An “internationally recognized financial institution” includes any financial institution that has been rated by an international rating organization 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.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	National Treatment (Article 13.2)
Level of Government:	Central
Measures:	Article 58 of the Banking Act; Paragraph 17-B of the Guideline on Grant of Banking Business Approval; and Article 10 of the Regulation on Supervision of Banking Business
Description:	Each branch location in Korea of a bank constituted under the laws of another country requires a separate license. A branch of a banking subsidiary, including one owned or controlled by investors of another country does not require such a license.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Market Access for Financial Institutions (Article 13.4)
Level of Government:	Central
Measures:	Articles 4, 7 and 15 of the Korea Securities & Futures Exchange Act
Description:	Only the Korea Exchange may operate a securities or futures market in Korea.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Market Access for Financial Institutions (Article 13.4)
Level of Government:	Central
Measures:	Articles 173 to 178 and 194 of the Securities and Exchange Act (SEA)
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 securities companies in Korea.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Market Access for Financial Institutions (Article 13.4)
Level of Government:	Central
Measures:	Articles 173-3 and 194 of the SEA; and Article 84-27 of the Enforcement Decree to the SEA
Description:	Only the Korea Securities Depository and the Korea Exchange may perform liquidation and settlement of securities and derivatives listed or traded on the Korea Exchange.

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Sector: Financial Services

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

Obligations Concerned: Cross-Border Trade (Article 13.5)

Level of Government: Central

Measures: Article 51 of the Futures Trading Act

Description: A resident of the Republic of Korea, including a natural person who is resident in Korea, a financial institution constituted under the laws of Korea and a branch of foreign financial institution, may enter into offshore futures, options and certain forward contracts only through a futures company licensed in Korea.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	National Treatment (Article 13.2)
Level of Government:	Central
Measures:	Articles 62 and 63 of the Banking Act and Articles 25 and 26 of the Enforcement Decree to the Banking Act; and Article 28-2 of the SEA and Article 15-4 of the Enforcement Decree to the SEA
Description:	<p>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.</p> <p>For purposes of the Banking Act and the SEA, such a branch is considered a separate legal entity from the bank or the securities company constituted under the laws of another country.</p>

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Market Access for Financial Institutions (Article 13.4)
Level of Government:	Central
Measures:	Article 7 of the Credit Unions Act; Article 6 of the Mutual Savings Bank Act; Article 5 of the Specialized Credit Financing Business Act; Article 3 of the Merchant Bank Act and Article 8 of the Enforcement Decree to the Merchant Bank Act; Article 5 of the Use and Protection of Credit Information Act; Article 9 of the Foreign Exchange Transaction Act; and Article 25, 154, 155 of the Indirect Investment Asset Management Business Act
Description:	<p>The following types of business may not be conducted by a branch of a financial institution constituted under the laws of another country:</p> <ol style="list-style-type: none">1. credit unions;2. mutual savings banks;3. specialized capital finance companies;4. merchant banks;5. foreign and won currency capital brokerage firms;6. credit information companies;7. general fund administration firms;8. indirect investment vehicle appraisal companies; and9. bond appraisal companies.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Market Access for Financial Institutions (Article 13.4)
Level of Government:	Central
Measures:	Article 30 of the Electronic Finance Transaction Act
Description:	A non-financial institution that seeks to offer certain electronic financial services in Korea may establish only as a subsidiary.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	National Treatment (Article 13.2)
Level of Government:	Central
Measures:	The Korea Development Bank Act, the Industrial Bank of Korea Act, the Korea Housing Finance Corporation Act, the Agricultural Cooperative Federation Act, and the National Federation of Fisheries Cooperatives Act
Description:	<p>Korea may grant</p> <p>(a) to one or more of the following financial institutions (collectively, Government-Sponsored Institutions or GSIs):</p> <p>The Korea Development Bank; Industrial Bank of Korea; Korea Housing Finance Corporation; the National Agricultural Cooperative Federation; and the National Federation of Fisheries Cooperatives</p> <p>(b) special treatment, including but not limited to the following:</p> <ul style="list-style-type: none">- 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;- Exemption from certain taxes on capital, surplus, profit or assets.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	Senior Management and Boards of Directors (Article 13.8)
Level of Government:	Central
Measures:	Article 16 of the Korea Housing Finance Corporation Act, Article 49 of the Agricultural Cooperative Federation Act, and Article 51 of the National Federation of Fisheries Cooperatives Act
Description:	Chief and deputy executive officers and all members of the Board of Directors of the Korea Housing Finance Corporation, the National Agricultural Cooperative Federation and the National Federation of Fisheries Cooperatives must be Korean nationals.

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Sector:	Financial Services
Sub-Sector:	Banking and other financial services (excluding insurance)
Obligations Concerned:	National Treatment (Article 13.2)
Level of Government:	Central
Measures:	Article 75 of the Housing Act; and Paragraph 2 of Article 5 of the Rules on Provision of Housing
Description:	Korea may limit the number of financial institutions designated to hold housing accounts, such as the National Housing Subscription Deposit Accounts.

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Sector: Financial Services

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

Obligations Concerned: Market Access for Financial Institutions (Article 13.4)

Level of Government: Central

Measures: Article 9 of the Foreign Exchange Transaction Act

Description: Interbank Brokerage of KRW (Korean Won) spot transactions is limited to the two existing brokerage companies in the business.

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Annex III
Schedule of Korea
with Respect to Financial Services
Section B

Sector:	Financial Services
Sub-Sector:	Insurance
Obligations Concerned:	Cross-Border Trade (Article 13.5)
Level of Government:	Central
Measures:	None
Description:	<p>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 the Republic of 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 13-A</p> <p>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</p>

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Sector: Financial Services

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

Obligations Concerned: National Treatment (Article 13.2)

Level of Government: Central

Measures: None

Description: In the context of privatizing 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.

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Sector: Financial Services

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

Obligations Concerned: National Treatment (Article 13.2)

Level of Government: Central

Measures: Korea Securities & Futures Exchange Act; the SEA

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 Exchange or Depository shall assure access for financial institutions of the United States.