

APPENDIX III-A

Certain Measures Not Inconsistent with Article 10.2 or 10.4 or Subject to 10.10.1

1. The following measures are not inconsistent with Article 10.4 (Market Access for Financial Institutions):

- (a) 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* (Law No. 10866, 21 July 2011) and Articles 15 and 16 of the *Enforcement Decree of the Insurance Business Act* (Presidential Decree No. 24097, 7 September 2012));
- (b) residents of Korea are not permitted to settle payment in Korea won for cross-border financial services supplied to them by residents of foreign countries. (Articles 5-11 and 7-8 to 7-10 of the *Foreign Exchange Transaction Regulation* (Notice of the Ministry of Strategy and Finance No. 2009-18, 30 September 2009));
- (c) 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* (Monetary Policy Committee, 19 August 1999); and Article 11 of the *Mutual Savings Bank Act* (Law No. 10866, 21 July, 2011) and Article 8-2 of the *Enforcement Decree of the Mutual Savings Bank Act* (Presidential Decree No. 23987, 24 July 2012));
- (d) 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 Transaction Act* (Law No. 11407, 21 March 2012); and Article 2-9 of the *Foreign Exchange Transaction Regulation* (Notice of the Ministry of Strategy and Finance No. 2009-18, 30 September 2009));

- (e) 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 the purpose related to the sale and purchase of securities (Article 72 of the *Financial Investment Services and Capital Markets Act* (Law No. 11758, 5 April 2013); Article 69 of the *Enforcement Decree of the Financial Investment Services and Capital Markets Act* (Presidential Decree No. 24497, 5 April 2013));
- (f) the value of lending to an individual credit card holder may be capped. (Article 24 of the *Specialized Credit Financing Business Act* (Law No. 11410, 21 March 2012));
- (g) 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* (Law No. 10866, 21 July 2011); Articles 40 and 41 of the *Financial Investment Services and Capital Markets Act* (Law No. 11758, 5 April 2013); and Articles 43 and 44 of the *Enforcement Decree of the Financial Investment Services and Capital Markets Act* (Presidential Decree No. 24497, 5 April 2013));
- (h) a financial institution is prohibited from acquiring real estate for non-business purpose. (Article 38 of the *Banking Act* (Law No. 10866, 21 July 2011); Article 105 of the *Insurance Business Act* (Law No. 10866, 21 July 2011));
- (i) 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* (Notice of the Ministry of Strategy and Finance No. 2009-18, 30 September 2009)); and
- (j) Korea may restrict deposit interest rates, loan interest rates, other interest rates, maturity of deposit, and related fees (Article 30 of the *Banking Act* (Law No. 10866, 21 July 2011); the *Regulation on Financial Institutions' Loans and Deposit Rates* (Monetary Policy Committee, 24 December 2003); Articles 8, 11-2, and 15 of *Act on Registration of Credit Business, Etc. and Protection of Finance Users* (Law No. 11544, 11 December 2012); and Articles 5 and 9 of the *Enforcement Decree of the Act on Registration of Credit Business, Etc. and Protection of Finance Users* (Presidential Decree No. 24076, 31 August 2012)).

2. The following measures fall within Article 10.10.1 and that, therefore, Article 10.2 (National Treatment) does not prevent Korea from maintaining them:

- (a) 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 the 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* (Law No. 10866, 21 July 2011) and Article 25-2 of the *Enforcement Decree of the Insurance Business Act* (Presidential Decree No. 24097, 7 September 2012)); and
- (b) 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* (Law No. 10866, 21 July 2011)).