

SPECIAL ACT ON THE MANAGEMENT OF PUBLIC FUNDS

Act No. 6281, Dec. 20, 2000
Amended by Act No. 6807, Dec. 26, 2002
Act No. 7111, Jan. 29, 2004
Act No. 7428, Mar. 31, 2005
Act No. 7760, Dec. 29, 2005
Act No. 8863, Feb. 29, 2008
Act No. 9742, May 27, 2009
Act No. 10681, May 19, 2011
Act No. 11690, Mar. 23, 2013
Act No. 12663, May 21, 2014
Act No. 13613, Dec. 22, 2015

Article 1 (Purpose)

The purpose of this Act is to provide for matters necessary to ensure the efficient use of public funds as well as to minimize citizens' burden, by enhancing fairness, expertise, and transparency in raising, operating, and managing the public funds.

Article 2 (Definitions)

The terms used in this Act shall be defined as follows: *<Amended by Act No. 13613, Dec. 22, 2015>*

1. The term "public funds" means funds provided for the restructuring of financial companies, etc. or enterprises from the following funds, property, etc.:

(a) The Fund for Redemption of Deposit Insurance Fund Bonds and the Deposit Insurance Fund established under the Depositor Protection Act: Provided, That in cases of the Deposit Insurance Fund, the scope of public funds shall be limited to those with revenue from any of the following financial resources:

(b) The Non-Performing Asset Management Fund and the Corporate Restructuring Fund established under the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Companies and the Establishment of Korea Asset Management Corporation;

(c) Public Capital Management Fund established under the Public Capital Management Fund Act;

(d) State property provided for in the State Property Act;

- (e) Capital invested in financial companies, etc. by the Bank of Korea established under the Bank of Korea Act;
 - (f) Public loans referred to in the Introduction and Management of Public Loans Act;
 - (g) Financial Stabilization Fund under the Act on the Structural Improvement of the Financial Industry;
2. The term "financial company, etc." means any of the following institutions:
- (a) A financial company referred to in the Act on the Structural Improvement of the Financial Industry;
 - (b) An insured financial company referred to in the Depositor Protection Act (hereinafter referred to as "insured financial company");
 - (c) A financial company, etc. under the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Companies and the Establishment of Korea Asset Management Corporation.

Article 3 (Establishment and Functions, etc. of Public Funds Oversight Committee)

(1) The Public Funds Oversight Committee (hereinafter referred to as the "Committee") shall be established under the Financial Services Commission to comprehensively deliberate on and coordinate matters concerning the operation, etc. of public funds.

(2) The Committee shall deliberate on and coordinate the following matters: *<Amended by Act No. 12663, May 21, 2014>*

1. Matters concerning the general administration of, and the planning for, the operation of public funds, such as use of, and re-use after recovery of public funds;
2. Matters concerning principles for selecting financial companies, etc. or enterprises eligible for public funds;
3. Matters concerning principles for providing public funds, such as self-rescue efforts and loss-sharing by financial companies, etc. that are eligible for public funds;
4. Matters concerning the periodic review of track record of providing public funds;
5. Matters concerning principles and systems for the follow-up management of financial companies, etc. which have been allocated public funds;
6. Matters concerning the periodic review on the follow-up management status of financial companies, etc. which have been provided with public funds;
7. Matters concerning the recovery of public funds, such as sale, etc. of assets including stocks, etc. held by the following institutions:
 - (a) The Government;
 - (b) The Korea Deposit Insurance Corporation under the Depositor Protection Act (hereinafter referred to as the "Korea Deposit Insurance Corporation");
 - (c) The Korea Asset Management Corporation under the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Companies and the Establishment of Korea Asset Management Corporation (hereinafter referred to as the "Korea Asset Management Corporation");

(d) The Korea Development Bank under the Korea Development Bank Act (hereinafter referred to as the "Korea Development Bank");

8. Matters concerning the enactment and amendments of Acts and subordinate statutes, or regulations governing public funds;

9. Other matters prescribed by Presidential Decree for enhancing the efficiency of public funds, such as the use, follow-up management, etc. of public funds.

(3) Institutions related to public funds, such as the Government, the Financial Services Commission, the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, the Korea Development Bank, etc. shall submit matters to the Committee for deliberation that are related to functions of the Committee, including but not limited to the creation, operation, and follow-up management of public funds. *<Amended by Act No. 12663, May 21, 2014>*

Article 4 (Composition, etc. of Committee)

(1) The Committee shall be comprised of the following members: *<Amended by Act No. 11690, Mar. 23, 2013>*

1. The Chairperson of the Financial Services Commission;

2. The Vice Minister of Strategy and Finance;

3. Two economic experts recommended by the competent Standing Committee of the National Assembly and commissioned by the Chairperson of the Financial Services Commission;

4. One legal expert recommended by the Minister of the National Court Administration and commissioned by the Chairperson of the Financial Services Commission;

5. One accounting expert recommended by the President of the Korean Institute of Certified Public Accountants established under the Certified Public Accountant Act and commissioned by the Chairperson of the Financial Services Commission;

6. One financial expert recommended by the Chairperson of the incorporated association, the Korea Federation of Banks and commissioned by the Chairperson of the Financial Services Commission;

7. One economic expert recommended by the Chairperson of the Korea Chamber of Commerce and Industry established upon obtaining authorization from the Minister of Trade, Industry and Energy pursuant to the Chambers of Commerce and Industry Act, and commissioned by the Chairperson of the Financial Services Commission.

(2) Requirements for qualifications of committee members under paragraph (1) 3 through 7 shall be prescribed by Presidential Decree.

(3) The President of the Korea Deposit Insurance Corporation, the President of the Korea Asset Management Corporation, and the Chairman of the Korea Development Bank shall attend meetings of the Committee and may have a say in the affairs under their jurisdiction. *<Amended by Act No. 12663, May 21, 2014>*

Article 5 (Chairpersons)

(1) The following persons shall take the co-chair of the Committee:

1. The Chairperson of the Financial Services Commission;
2. One person elected among committee members referred to in Article 4 (1) 3 through 7.

(2) The Chairpersons shall represent the Committee respectively and have overall control over all affairs, including convening meetings of the Committee.

(3) If all Chairpersons are unable to perform their duties due to unavoidable circumstances, a committee member designated in advance by the Committee shall act for the Chairpersons.

Article 6 (Term of Office of Committee Members, etc.)

(1) The term of office of the committee members under Article 4 (1) 3 through 7 (hereinafter referred to as "non-governmental members") shall be two years and may be consecutively renewed only once.

(2) In the event of a vacancy in the position of a non-governmental member, a qualified person shall be newly commissioned to fill the vacancy, and the term of office of the new committee member shall begin from the date on which he/she is so commissioned.

Article 7 (Grounds for Disqualification of Committee Members)

No person falling under any of the following cases may become a non-governmental committee member:

1. A person who is not a national of the Republic of Korea;
2. A person who falls under disqualification of public officials pursuant to Article 33 of the State Public Officials Act;
3. A person in whose case five years have not passed since he/she was sentenced to a fine pursuant to this Act, the Banking Act or any finance-related Act prescribed by Presidential Decree (including finance-related Acts of any foreign country corresponding thereto);
4. A person in whose case five years have not passed since he/she was dismissed or removed from his/her office pursuant to this Act, the Banking Act or any finance-related Act prescribed by Presidential Decree (including finance-related Acts of any foreign country corresponding thereto).

Article 8 (Guarantee of Status of Committee Members, etc.)

(1) No committee member shall be removed or dismissed from his/her office against his/her will, except for any of the following cases:

1. Where a committee member falls under any subparagraph of Article 7;
2. Where a committee member is unable to perform his/her duties due to mental or physical disabilities.

(2) Where a committee member is dismissed on any ground falling under paragraph (1), no act performed by the committee member in his/her office before he/she is dismissed shall become ineffective.

Article 9 (Quorum for Resolution)

Each meeting of the Committee shall adopt resolutions with the affirmative vote of a majority of Committee members present.

Article 10 (Establishment, etc. of Secretariat)

(1) A secretariat shall be established under the Financial Services Commission to assist in affairs of the Committee and carry out administrative affairs.

(2) Necessary matters for the organization and operation of the secretariat shall be prescribed by Presidential Decree.

Article 11 (Request for Data, etc.)

The Committee shall, if deemed necessary to carry out the functions described in Article 3, take the following measures: *<Amended by Act No. 12663, May 21, 2014>*

1. Request for the submission of reports, data, or documents from the Financial Services Commission, the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, and the Korea Development Bank and other relevant institutions;
2. Request for the attendance and submission of opinions of interested parties, reference witnesses, or relevant public officials;
3. On-site investigation of a relevant institution.

Article 12 (Establishment, etc. of Subcommittees)

(1) Subcommittees may be established, if necessary to efficiently carry out the functions of the Committee.

(2) Necessary matters for the operation of the Committee and composition and operation of subcommittees shall be prescribed by Presidential Decree.

Article 13 (Minimum Cost Principle)

(1) The Government, the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, and the Korea Development Bank shall provide public funds in such manner that minimizes the expenses incurred in injecting public funds and maximizes the efficiency thereof. *<Amended by Act No. 12663, May 21, 2014>*

(2) When the Financial Services Commission requests the Government or the Korea Deposit Insurance Corporation (hereinafter referred to as the "Government, etc.") to invest in insolvent financial institutions or to purchase securities under Article 12 of the Act on the Structural Improvement of the Financial Industry, it shall submit to the Government, etc. materials verifying its compliance with the minimum cost principle under paragraph (1) and results of actual inspection on assets and liabilities of concerned financial institutions, as prescribed by Presidential Decree.

(3) The Government, the Korea Deposit Insurance Corporation, and the Korea Asset Management Corporation shall prepare and keep materials verifying that public funds have been provided in compliance with the minimum cost principle under paragraph (1).

(4) Standards and procedures for the minimum cost principle under paragraphs (1) through (3) and other details shall be prescribed by Presidential Decree.

Article 14 (Fair Loss Sharing Principle, etc.)

(1) In providing public funds, the Government, etc. shall do so based on the premise that persons liable for insolvency of the financial companies, etc. eligible for public funds should bear a fair share of any loss.

(2) In providing public funds, the Government, etc. shall do so in two or more installments: Provided, That this shall not apply to vicarious payment of deposits and other cases prescribed by Presidential Decree.

(3) The Government, etc. shall provide public funds based on the premise that financial companies, etc. eligible for public funds should strive for their own restructuring.

(4) If there are persons to be held responsible for the management and supervision of insolvent financial institutions, the Government, etc. shall, without delay, make the persons take responsibility for claim for compensation for damages, etc., under the relevant Acts and subordinate statutes.

(5) Standards and procedures for support and other details under paragraphs (1) through (4) shall be prescribed by Presidential Decree.

Article 15 (Report, etc. to National Assembly)

(1) The Financial Services Commission shall, at least once every quarter, prepare a report on the operation, including the use and reuse after recovery etc. of public funds, and submit it to the National Assembly: Provided, That a report on the management status of assets acquired by using or reusing public funds after its recovery shall be submitted by not later than March 31 of each year.

(2) The Chairperson of the Public Funds Oversight Committee shall appear and answer questions, upon the request from the National Assembly for his/her appearance in connection with a report submitted pursuant to paragraph (1).

Article 16 (Audit, etc. by Board of Audit and Inspection)

The Board of Audit and Inspection shall conduct an audit relating to public funds in accordance with the Board of Audit and Inspection Act and submit a report on such audit to the National Assembly.

Article 17 (Conclusion, etc. of Implementation Arrangement with Financial Companies, etc.)

(1) Where the Government, etc. intends to provide public funds, it shall conclude a written arrangement for implementing a plan for management normalization (hereafter referred to as "arrangement" in this Article) with the relevant financial company, etc., as prescribed by Presidential Decree.

(2) The arrangement shall include the following matters for normalizing the management of the financial company, etc. in question:

1. Target level of the relevant financial company, etc. with respect to the standards for financial soundness, including the equity capital ratio as prescribed by Presidential Decree;
2. Target level of the relevant financial company, etc. with respect to the standards for profitability, including return on assets as prescribed by Presidential Decree;
3. Target level of the relevant financial company, etc. with respect to the standards for asset soundness, including bad loan ratio as prescribed by Presidential Decree;
4. Detailed implementation plan including a restructuring plan, such as the adjustment of number of employees, organization, wages of the relevant financial company, etc. and a financing plan necessary for achieving the target levels referred to in subparagraphs 1 through 3;
5. A written consent to matters provided for in subparagraph 4 which require the consent of a labor union of the relevant financial company, etc.;
6. Additional implementation plan, including a freeze of the total personnel expenses, which shall be carried out by the relevant financial company, etc., if it fails to achieve the target levels referred to in

subparagraphs 1 through 3;

7. Other matters prescribed by Presidential Decree.

(3) The Government, etc. shall disclose an arrangement in electronic form, etc.: Provided, That matters which are likely to have a significant influence on the management of the relevant financial company, etc. and prescribed by Presidential Decree may be excluded herefrom.

(4) The Government, etc. shall review the results of implementing the arrangements on a quarterly basis and report them to the Financial Services Commission.

(5) In order to review the results of implementation under paragraph (4), the Government, etc. may request financial companies, etc. that received public funds to report on their business or property, to submit related materials and to have relevant persons present themselves and give their opinions.

(6) Where an executive or employee of a financial company, etc. that received public funds falls under any of the following cases, the Government, etc. may request the head of such company to take corrective measures, or to remove the executive concerned from his/her office, suspend his/her duties or issue a warning or caution to him/her, or to take any disciplinary action against or issue any caution to the employee:

1. Where the said executive or employee violates this Act or regulations, orders or directions under this Act;
2. Where the said executive or employee fails to implement an arrangement;
3. Where the said executive or employee prepares a false report or materials requested by the Korea Deposit Insurance Corporation under this Act or an arrangement, or neglects the submission thereof;
4. Where the said executive or employee refuses, interferes with or evades activities carried out by the Korea Deposit Insurance Corporation under this Act or an arrangement;
5. Where the said executive or employee neglects implementing corrective orders issued or disciplinary actions taken by the Korea Deposit Insurance Corporation.

(7) Where the Korea Development Bank provides public funds to a financial company, etc., it shall conclude an arrangement with the financial company, etc. on the implementation of a plan for improving soundness in the management of the relevant financial company, etc. and for enhancing financial intermediary function. *<Amended by Act No. 12663, May 21, 2014>*

(8) The review of details on the implementation arrangement of the plan under paragraph (7), the results of implementation, and other relevant matters shall be governed by Articles 23-7 and 23-9 of the Act on the Structural Improvement of the Financial Industry.

Article 18 (Conclusion, etc. of Arrangements with Insolvent Enterprises)

(1) Where a financial company, etc. that received public funds under Article 17 (1) intends to provide an insolvent enterprise prescribed by Presidential Decree with new funds, it shall conclude with such enterprise a written arrangement, including a written consent of interested parties in the restructuring of such enterprise and other matters provided for by Presidential Decree.

(2) Detailed matters concerning the conclusion of an arrangement, etc. under paragraph (1) shall be prescribed by Presidential Decree.

(3) A financial company, etc. which concludes an arrangement under paragraph (1) may not provide the relevant insolvent enterprise with additional funds if the arrangement is not implemented or is deemed unlikely to be implemented.

Article 19 (Sale of Assets, etc.)

The Government, the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, and the Korea Development Bank shall endeavor to minimize citizens' burden by selling stocks, etc. of a financial company, etc. and other assets acquired by using public funds, at a reasonable price. *<Amended by Act No. 12663, May 21, 2014>*

Article 20 (Special Cases concerning Bankruptcy Procedures)

(1) If an insured financial company that received public funds including the payment of insurance benefits under the Depositor Protection Act (including insured financial companies for which a decision on contract transfer is made under the Act on the Structural Improvement of the Financial Industry) is dissolved or bankrupt, a court of competent jurisdiction shall, when the efficient recovery of such public funds is required, appoint the Korea Deposit Insurance Corporation or its executive or employee as a liquidator or a trustee in bankruptcy, notwithstanding Article 531 of the Commercial Act, Article 355 of the Debtor Rehabilitation and Bankruptcy Act, and Acts related to the appointment of liquidators or trustees in bankruptcy. *<Amended by Act No. 13613, Dec. 22, 2015>*

(2) If the Korea Deposit Insurance Corporation is appointed as a liquidator or trustee in bankruptcy under paragraph (1), Article 539 (2) of the Commercial Act and Articles 364, 492 and 493 of the Debtor Rehabilitation and Bankruptcy Act shall not apply.

Article 21 (Publication of White Book)

The Committee shall publish a white book on the operation status of public funds by not later than August 31 of each year, as prescribed by Presidential Decree.

Article 21-2 (Period for Preservation of Records)

The following records that are related to the Public Funds Oversight Committee established pursuant to the Special Act on the Management of Public Funds (Act No. 6281; hereafter referred to as "each Committee" in this Article) shall be permanently preserved: *<Amended by Act No. 12663, May 21, 2014>*

1. Records related to deliberation on and coordination by each Committee;
2. Records of reports deliberated on by each Committee after having received from institutions related to public funds, such as the Government, the Financial Services Commission, the Financial Supervisory Commission (referring to the Financial Supervisory Commission established pursuant to the previous Act on the Establishment, etc. of Financial Supervisory Organizations: hereafter the same shall apply in this Article), the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, and the Korea Development Bank;

3. Records related to materials, etc., submitted in compliance with the following measures taken by each Committee:

- (a) Request for the submission of reports, data, documents, etc. to related institutions, such as the Financial Services Commission, the Financial Supervisory Commission, the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, and the Korea Development Bank;
- (b) Request for the attendance of and submission of opinions to interested parties, reference witnesses, or appropriate public officials;
- (c) On-the-spot survey on a relevant institution.

Article 22 (Gathering Public Opinion)

- (1) The Committee may, if deemed necessary, gather public opinion on public funds by holding a public hearing, seminar, or similar events.
- (2) Expenses incurred in gathering public opinion under paragraph (1) may be reimbursed within budgetary limits.

Article 23 (Reimbursement of Expenses)

Allowances, travel expenses, and other expenses incurred by or to non-governmental committee members may be reimbursed within budgetary limits.

Article 24 (Legal Fiction as Public Official in Application of Penal Provisions)

Non-governmental committee members shall be deemed public officials in the application of penal provisions under the Criminal Act or any other Act.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Period for Which Bankruptcy Procedures in Certain Cases Apply)

The bankruptcy procedures in certain cases under Article 20 shall remain in force for a period of five years after this Act enters into force: Provided, That liquidators or trustees in bankruptcy appointed by a court of competent jurisdiction under Article 20 shall remain effective until procedures for liquidation or bankruptcy of the corporations in liquidation or bankrupt foundations are completed.

Article 3 (Transitional Provisions on Bankruptcy Procedures, etc. in Certain Cases)

If an efficient recovery of public funds is required, a court of competent jurisdiction shall, within three months after the enforcement date of this Act, appoint additionally the Korea Deposit Insurance Corporation or its executive or employee as a liquidator or a trustee in bankruptcy of an insured financial institution whose liquidation or bankruptcy procedures are in progress at the time this Act enters into force.

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2003. (Proviso Omitted.)

Articles 2 through 11 Omitted.

ADDENDA <Act No. 7111, Jan. 29, 2004>

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

(2) (Applicability concerning Period of Preservation of Records) Notwithstanding the provisions of other Acts, the amended provisions of Article 21-2 of this Act shall apply to any period of preservation, during which the following documents, including those prepared and managed by the restructuring planning office established under the Financial Supervisory Commission for the purpose of developing a policy on the financial and corporate restructuring and carrying out restructuring affairs in a systematic and efficient manner, in the course of raising, investing and using public funds prior to January 1, 2001, and by the corporate restructuring committee established under the arrangement among financial institutions for corporate restructuring promotion, are preserved:

1. Documents prepared and managed by the restructuring planning office for a period from its establishment to its dissolution;
2. Documents prepared and managed by the corporate restructuring committee for a period from its establishment to its dissolution;
3. Documents prepared and managed by the corporate restructuring committee, which any financial supervisory organization established under the Act on the Establishment, etc. of Financial Supervisory Organizations receives from the corporate restructuring committee.

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.

ADDENDUM <Act No. 7760, Dec. 29, 2005>

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

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.

ADDENDUM <Act No. 9742, May 27, 2009>

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

ADDENDUM <Act No. 10681, May 19, 2011>

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

ADDENDA <Act No. 11690, Mar. 23, 2013>

Article 1 (Enforcement Date)

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

Articles 2 through 7 Omitted.

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

Article 1 (Enforcement Date)

This Act shall enter into force on the date when a merger is registered under 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.