STANDARDS FOR INTERNAL CONTROL OF FINANCIAL INVESTMENT COMPANIES

Korea Financial Investment Association

PART I
GENERAL PROVISIONS

§1. Purpose of the Standards

The purpose of the Standards for Internal Control of Financial Investment Companies lies in enhancing the soundness of the management of financial investment companies and protecting the interests of related parties such as shareholders, etc. by prescribing the standards and procedures that executives and/or employees (including contract and part-time employees, etc.; hereinafter the same shall apply) of a financial investment company must comply with when performing their duties in accordance with [§24] through to [§30] of the Act on Corporate Governance of Financial Companies.

§2. Scope of Application

The Standards are applied to the overall businesses of executives and/or employees of a financial investment company, and the business conduct of a party to whom the financial investment company's services has been delegated pursuant to an agreement shall be deemed as a business conduct of the financial investment company within the scope of the delegated service.

§3. Definitions

(1) The definitions of the terms used in these Standards are as follows:

1. The term "internal control" is defined as all internal procedures and processes implemented by the executives and/or employees of the financial investment company to comply with applicable laws and regulations when performing their duties, improve the efficiency of managing the organization and secure the reliability of financial reports.

2. The term "internal control system" is defined as the comprehensive system required for the effective implementation of internal control activities, including the organizational structure, risk assessment, roles

and responsibilities, approval procedures, and systems for communication, monitoring and information, etc..

3. The term “information barrier” is defined as all tangible and intangible measures, procedures, regulations and systems used to prevent the financial investment company’s important information from being leaked to a department, executives, employees, or an outsider without justifiable rights to access.

(2) The definitions of other terms used in these Standards shall be subject to the relevant laws and their subordinate laws including the Act on Corporate Governance of Financial Companies (hereinafter referred to as the “Corporate Governance Act),”and the Financial Investment Services and Capital Markets Act (hereinafter referred to as the “Act”), “finance related laws” stipulated in [§5] of the Enforcement Decree of the Corporate Governance Act, the Electronic Financial Transactions Act, the regulations of the Financial Services Commission and the Financial Supervisory Service, the regulations and company rules of the Korea Financial Investment Association (hereinafter referred to as the “Association”) and the Korea Exchange (hereinafter referred to as the “Relevant Acts, etc.” in these Standards).

§4. Establishment of Detailed Guidelines, etc.

Regarding internal control, the matters not provided in these Standards and details concerning these Standards shall observe the company rules, or a separate rule or guidelines may be established for the management of the matters and details thereof.

§5. Roles and Responsibilities and Composition of the Organization

(1) A financial investment company shall clearly define the roles and responsibilities of executives and/or employees and organize itself by considering the types of business, the nature of its duties and the levels of conflicts of interest, etc.

(2) A financial investment company shall establish and manage separately detailed standards regarding the roles and responsibilities as well as the

composition of the organization to ensure that the financial investment company organized pursuant to Paragraph (1) functions efficiently.

PART II
ORGANIZATIONAL STRUCTURE AND STANDARDS FOR INTERNAL CONTROL, ETC.

§6. Board of Directors

The Board of Directors shall set the standards for the establishment and management of the internal control system.

§7. Representative Director

(1) The representative director (refers to the executive officer in cases where the financial investment company has an executive officer system in place) shall implement and support all relevant matters required for the establishment and management of the internal control system and establish the appropriate internal control policies.

(2) The representative director has the responsibilities and obligations regarding the matters in the following Subparagraphs:

1. Establish, maintain, operate and supervise the internal control system required for preventing illegal and unfair acts in advance;

2. Provide support with the human and material resources required for the establishment, maintenance and operation of the internal control system;

3. Assign appropriate duties and responsibilities by organizational units, such as each department, to ensure all relevant policies and procedures related to internal control in various business areas of the organization are observed.

4. Carry out regular inspection on the internal control system and

operation and report to the board of directors on the inspection results at least once a year. In such a case, the representative director may delegate the inspection on the internal control system and operation and the reporting thereof to the board of directors to a compliance officer.

§8. Compliance Officer

(1) A compliance officer shall perform its duties by receiving directions from the board of directors and the representative director, and may report to the representative director and the auditor (the Audit Committee) without any restrictions.

(2) A compliance officer shall regularly monitor the appropriateness of the company's internal control system and these Standards. In cases where there is a problem or an area that needs improvement has been found, the compliance officer may ask for improvements and revision thereon.

§9. Branch Manager

A branch manager (including the head of the sales division appointed by the company) shall regularly monitor the appropriateness of the internal control on the concerned sales and report the results to the representative director. In cases where there is violation of the Relevant Acts, etc., the branch manager shall formulate and implement measures to prevent the recurrence of such violation. In such a case, the representative director may have the compliance officer receive the reporting on the monitoring results of the branch manager.

§10. Executives and/or Employees

(1) Executives and/or employees shall be fully aware of the Relevant Acts, etc., internal control standard and code of ethics, etc. and sincerely comply with them when carrying out one's duties.

(2) Executives and/or employees shall, when becoming aware of a violation of the Relevant Acts, etc., internal control standard, code of ethics, etc. (including possible violation), report thereof without delay to the compliance officer.

§11. Internal Control Committee

(1) A company (excluding the financial investment company prescribed in [§6(3)] of the Enforcement Decree of the Corporate Governance Act; hereinafter the same in this Article) must establish an Internal Control Committee with the representative director serving as the chairman.

(2) The Internal Control Committee shall convene a meeting at least once semi-annually.

(3) The Internal Control Committee members will consist of the representative director, compliance officer, risk management officer and executive in charge of the internal control-related operations.

(4) The Internal Control Committee shall perform the roles stipulated in each the following Subparagraphs:

1. Review improvement plans by sharing the internal control monitoring results and reflecting assessment of executives and/or employees, etc.;

2. Check the weaknesses in internal control including financial accidents, etc. and formulate countermeasures;

3. Discuss major internal control-related issues; and

4. Strive to enhance the ethics and compliance awareness of executives and/or employees

(5) The Internal Control Committee shall write and keep the minutes of the meeting with details, such as the attendees, discussed agendas and meeting results, etc. included therein.

§12. Establishment and Revision of Internal Control Standards, etc.

(1) In cases where a financial investment company (excluding the local branch of a foreign financial investment company) wishes to establish or revise these Standards, the resolution of the board of directors is required.

(2) Notwithstanding Paragraph (1), in cases where there is a revision made because of the enactment, amendment or repeal of the Relevant Acts, etc. or a revision that does not change the actual contents, such as a simple change made to the wording because of a change in the organizational structure, the resolution of the board of directors may be replaced by reporting to the board of directors.

(3) Based on these Standards, the compliance officer may establish and implement the detailed guidelines of internal controls, the compliance manual (may include a legal and regulatory compliance program), and the code of ethics for executives and/or employees.

§13. Design of Work Process and Computer System

A financial investment company shall design the company's work process and computer system to have appropriate stages to ensure that internal control can be implemented efficiently.

PART III
OPERATION OF COMPLIANCE OFFICER AND INTERNAL CONTROL SYSTEM

CHAPTER I
COMPLIANCE OFFICER AND COMPLIANCE DEPARTMENT

§14. Appointment and Dismissal of Compliance Officer

(1) In cases where a financial investment company (excluding the local branch of a foreign financial investment company) wishes to appoint or dismiss a compliance officer, the resolution of the board of directors is required. In cases where the company wishes to dismiss the compliance officer, the resolution shall be passed with a consent of at least two third of

the total number of directors.

(2) A financial investment company shall appoint a compliance officer among the inside directors or the operating officers, and have the compliance officer serve a term of two (2) years. Provided, That a financial investment company or a local branch of a foreign financial investment company falling under Subparagraph 2 of [§20(2)] of the Enforcement Decree of the Corporate Governance Act may appoint a compliance officer that is not an inside director or an operating officer.

(3) In cases where a financial investment company appoints or dismisses a compliance officer, the company shall report such fact to the Governor of the Financial Supervisory Service.

§15. Authority and Duties of Compliance Officer

A compliance officer has the authority and obligations on the matters in each of the following Subparagraphs:

1. Regular or on-demand monitoring on compliance with the internal control standards, etc.;

2. Access to the overall business and rights to request the submission of various data and information about the executives and/or employees;

3. Request reports and corrective measures regarding any illegal and unfair acts, etc. of the executives and/or employees from the board of directors, the representative director, and the Auditor (Audit Committee);

4. Participate and give opinions at meetings of the board of directors, the Audit Committee, and other major meetings;

5. Complete the training program to raise the expertise of the compliance duties; and

6. Other matters deemed necessary by the board of directors.

§16. Establishment and Operation of Compliance Department

(1) A financial investment company shall establish a support organization (hereinafter referred to as the "compliance department") consisting of an appropriate number of personnel with sufficient experience and skills to efficiently implement the compliance duties, thereby supporting the compliance officer's duties.

(2) A financial investment company may establish and operate a Compliance Committee consisting of a compliance officer, a compliance department head, an HR department head and a lawyer, etc. to carry out the role of providing advice on the compliance duties.

(3) A financial investment company shall, in cases where it is recognized that efficient control on the IT department is needed, assign at least one IT personnel with expertise in the IT sector to the compliance department.

(4) Other matters on the financial investment company's organization and roles and responsibilities concerning the compliance department shall be pursuant to the company rules.

§17. Securing Independence in Compliance Duties

(1) A financial investment company shall guarantee the independence of the compliance officer and the compliance department so that they can perform their duties in a fair manner, and there shall be no disadvantages in personnel management on any ground related to performance of their duties thereof.

(2) The compliance officer and employees of the compliance department shall, when conducting their duties, fulfill the fiduciary duty of due care. They shall not conduct duties in each of the following Subparagraphs:

1. Asset management-related affairs;

2. Essential business affairs (refers to the business affairs pursuant to [§47(1)] of the Enforcement Decree of the Act) and business affairs

incidental to the aforesaid business affairs of the financial investment company;

3. Affairs of the businesses concurrently run by the financial investment company; and

4. Risk management affairs (Provided, That this shall not apply in cases where the financial investment company is subject to [§20(2)] of the Enforcement Decree of the Corporate Governance Act)

(3) A financial investment company shall formulate and implement separate standards for remuneration for and evaluation of compliance officers, which shall not be linked to the financial business performance of the financial investment company.

CHAPTER II
OPERATION OF COMPLIANCE SYSTEM

§18. Establishment of Compliance System

(1) A financial investment company shall establish and operate an efficient compliance system that is required to enhance the fairness of the duties performed by the executives and/or employees and prevent illegal and unfair acts, etc. in advance.

(2) The compliance system prescribed in Paragraph (1) shall be able to perform the matters in each of the following Subparagraphs:

1. Formulate and manage a compliance program for the Relevant Acts, etc.;

2. Monitor the executives and/or employees' compliance with the Relevant Acts, etc. and implement corrective measures;

3. Review beforehand whether the matters submitted for consideration to

the board of directors and various committees under the board of directors comply with the Relevant Acts, etc. and request corrections. Provided, That the matters submitted for consideration to the Audit Committee are excluded;

4. Review beforehand whether the enactment, amendment or repeal of the articles of association and company rules, etc. or development of new business affairs, etc. comply with the Relevant Acts, etc. and request corrections;

5. Provide education and advice on compliance for executives and/or employees;

6. Cooperate with and provide support to the Financial Services Commission, the Financial Supervisory Service, the Association, the Korea Exchange, and the Audit Committee;

7. Provide support to the board of directors, management, and relevant departments; and

8. Other duties incidental to Subparagraphs 1 through 7.

§19. Operation of Compliance Program

(1) A compliance officer shall establish and operate a compliance program on the overall business, including the management and sales activities, etc. of the financial investment company, to check whether executives and/or employees are complying with the Relevant Acts, etc. and these Standards.

(2) A compliance program shall be established and operated, including details outlined in the Relevant Acts, etc. and these Standards, and it shall be supplemented in a timely manner.

(3) A compliance officer shall, in accordance with the compliance program, monitor whether executives and/or employees are complying with the Relevant Acts, etc. and these Standards, and shall record and maintain the results thereof.

(4) A compliance officer shall regularly provide an internal control report to the representative director that includes major details about the results pursuant to Paragraph (3) and improvement plans, etc., and upon the occurrence of a special incidence, report without delay.

(5) A compliance officer may select a person that showed excellence in his/her compliance duties and ask the company to grant such person a career or financial benefit.

§20. Compliance Pledge and Education of Executives and/or Employees

(1) Executives and/or employees shall formulate a compliance pledge provided by the financial investment company and submit it to the compliance officer.

(2) A financial investment company shall establish an education program necessary for executives and/or employees to understand the restrictions and obligations provided in the Relevant Acts, etc. and these Standards, and hold necessary education sessions on a regular or ad hoc basis.

(3) The education program set forth in Paragraph (2) shall include the code of business ethics, investor protection, error cases, etc, and the financial investment company shall prepare and operate management measures against any executive and/or employee who has not completed the education program.

§21. Support and Advice for Executives and/or Employees

A compliance officer shall establish and operate appropriate procedures so that executives and/or employees can receive the necessary support and advice on inquiries related to various laws and regulations that might arise during the performance of their duties.

§22. Delegation of Compliance Duties

(1) A compliance officer may delegate part of his/her compliance duties to an executive and/or employee who is in charge of compliance duties, and in such

case, the scope of delegation and limitation of liability, etc. shall be clearly defined.

(2) A compliance officer may designate managers who are delegated part of the compliance officer's compliance duties for a branch or a unit of several branches and have such managers supervise employees regarding compliance with the Relevant Acts, etc. and these Standards in order to ensure efficient implementation of the compliance duties.

§23. Establishment and Management of Code of Ethics

(1) A financial investment company shall establish and manage the code of business ethics, which is required when executives and/or employees perform their duties of conducting the financial investment business.

(2) A financial investment company shall establish and operate an internal system to secure the effectiveness of the code of ethics, such as operating a system to report violations, implementing disciplinary measures for such violations, etc.

§24. Reporting Obligation

(1) Executives and/or employees shall report to the superior approving authority and the compliance officer all matters that fall under any of the following Subparagraphs without delay:

1. When the executives and/or employees or other executives and/or employees have violated the Relevant Acts, etc., these Standards, or the company's policies, etc., or they are suspected of having violated them;

2. When the government, the Financial Services Commission, and the Financial Supervisory Service (hereinafter referred to as the " Supervisory Authority"), or the Association, etc. requests important internal information about the company;

3. When they are involved in illegal and unfair acts or acts that are

suspected to be illegal and unfair, or become aware that other executives and/or employees are involved in such acts; and

4. When executives and/or employees have been arrested, prosecuted, or convicted.

(2) Executives and/or employees shall, in cases where they have concerns while performing duties that their duties may violate the Relevant Acts, etc., these Standards, or the company's policies, or their duties deviate from the normally implemented procedures and standards, receive confirmation from the compliance officer.

§25. Assessment and Management on Concurrent Office-Holdings

(1) A competent department (refers to the department responsible for the duties such as monitoring and managing the risk factors arising from the concurrent offices held by executives and/or employees and reporting on relevant matters, etc., hereinafter the same in this Article), in cases where an executive and/or employee of the relevant financial investment company intends to concurrently hold office as an executive and/or employee of another company, prior to holding the office, details of the concurrent office shall be checked whether or not they fall under the following Subparagraphs, and the status of the concurrent office shall be regularly managed:

1. Whether or not they undermine the management soundness of the financial investment company;

2. Whether or not they generate conflict of interest with the customer;

3. Whether or not they undermine the stability of the financial market; or

4. Whether or not they distort the financial transaction order

(2) A competent department shall, in cases where the risks stipulated in each of the Subparagraphs of Paragraph (1) occurred or may occur as a result of the review and management pursuant to Paragraph (1) and the process of

holding concurrent offices, take appropriate measures to prevent the risks and report the fact thereof to the compliance officer.

(3) A compliance officer may, in cases where he/she recognizes that it is necessary after reviewing the report from the competent department pursuant to Paragraph (2), request the competent department to take corrective measures for the concurrent office-holding or request the concurrent office-holding to be stopped, etc.

§26. Whistle-Blowing System

(1) A financial investment company shall operate a whistle-blowing system (refers to the system which allows executives and/or employees to report the illegal or unfair acts, etc. of a company or another executive and/or employee to the company) for efficient operation of internal control, and may establish detailed guidelines required for the operation.

(2) The whistle-blowing system shall include measures to protect the whistle blowers such as identity protection and prohibition of disadvantages, etc. as well as disadvantages for those that do not blow whistles despite being aware of illegal and unfair acts that could significantly impact the company, etc.

(3) In cases where it is recognized that the whistle blower has been put at a career disadvantage due to the act of whistle-blowing, the compliance officer can request the financial investment company to take corrective measures, and the company shall comply with such request unless it has justifiable reasons for non-compliance.

(4) A compliance officer (or auditor) may request the company to select an outstanding whistle blower and grant him/her a career advancement or financial benefit. Provided, That this shall not apply in cases where the whistle blower does not want such benefit.

§27. Measures on Illegal or Unfair Acts, etc.

(1) A financial investment company and compliance officer shall, in cases where illegal or unfair acts of executives and/or employees are identified as a

result of monitoring compliance with the Relevant Acts, etc. and these Standards, immediately take the necessary measures to ensure similar acts do not occur again, including imposing sanctions on the responsible executives and/or employees and improving the internal control system, etc.

(2) The executives and/or employees relevant to the measures taken by the financial investment company pursuant to Paragraph (1) may file an objection to the company in accordance with the procedures set by the company. In this case, such executives and/or employees shall give clear reasons and provide the necessary documentary evidence.

§28. Forced Leave System

A financial investment company shall operate a forced leave system (refers to the system that orders executives and/or employees that perform duties with a high risk of financial accidents to take leave for a certain period and monitoring the adequacy of their duty performance during that period) in order to prevent the illegal or unfair acts of executives and/or employees in advance. Matters required for the implementation of the forced leave system including executives and/or employees subject to the system, the implementation cycle, forced leave period and exclusions, etc. may be separately determined in consideration of the size of the company and the status of the workforce, etc.

§29. Criteria for Roles and Responsibilities and Work Procedures Related to New Product Introductions

(1) A financial investment company shall formulate and operate a criteria for roles and responsibilities that set out a number of personnel (or department) to participate in single transactions (the scope of a single transaction shall be defined by the financial investment company) such as deposit or withdrawal that have a high exposure to financial accidents, or separates the relevant duties into front office and back office control procedures, etc.

(2) A financial investment company shall formulate and operate work procedures that are to be complied with for the protection of financial consumers and maintenance of market order in the process of developing new

financial products and distributing financial products.

PART IV
COMPLIANCE MATTERS FOR PERFORMING DUTIES

CHAPTER I
COMPLIANCE MATTERS FOR BUSINESS CONDUCT

SECTION 1
GENERAL PRINCIPLE OF BUSINESS AND PROHIBITION OF UNSOUND BUSINESS CONDUCT

§30. General Principles of Business

Executives and/or employees shall faithfully comply with the principles in the following Subparagraphs to protect customers' interests and maintain a fair trading order:

1. Make appropriate recommendation on investment by identifying accurate information about customers, including the customer's investment purpose, the characteristics of investment funds, the risk preference, etc.;

2. Fulfill the fiduciary duty of due care;

3. Provide sufficient explanations to customers about important matters related to the details of financial investment instruments, such as risk factors, etc.;

4. Refrain from unfairly using or leaking the customer's personal information and trading information, etc.; and

5. Refrain from committing illegal and unfair acts, such as providing false information about customers, forging and falsifying documents, or committing fraud or deception to induce trading.

§31. Investment Trading Business or Investment Brokerage Business

(1) Executives and/or employees shall, when entrusted to place trading orders for customers which are expected to significantly affect the market price of financial investment instruments, not disclose such information to a third party before it is disclosed to the market. Provided, That this shall not apply in cases where the act of providing information satisfies all of the conditions in the following Subparagraphs:

1. In cases where the information is provided to smoothly execute the trading order;

2. In cases where there are reasonable grounds to believe that the person who received the information will not execute trading based on the expected price fluctuations or not give such information to a third party; and

3. In cases where there is no single information provided about the customer who entrusted the trading order.

(2) Executives and/or employees shall not recommend the trading of certain financial investment instruments to customers with the purpose of making the trading of the company or the trading executed at his/her discretion more favorable or easier.

(3) A financial investment company shall not commit acts prohibited by the Relevant Acts, etc., including [§71] of the Act, [§68(5)] of the Enforcement Decree of the Act, [§4-19] and [§4-20] of the Regulations on Financial Investment Business, and other acts that may undermine investor protection and sound trading order.

§32. Collective Investment Business

A financial investment company shall not commit acts that fall under any of the following Subparagraphs. Provided, That exceptions shall apply in cases where there are no concerns about undermining investor protection and sound trading order and when the case falls under any of the Subparagraphs of [§87(1)] of the Enforcement Decree of the Act:

1. In cases of managing collective investment properties, buy or sell financial investment instruments or any other assets for investment at the collective investment business entity's own discretion, or solicit a third party to buy or sell such instruments or assets, without having actually purchased or sold after making a decision to purchase or sell, which may produce a significant impact on the prices of the financial investment instruments or other assets for investment;

2. Buy securities underwritten by a company or a related underwriter (refers to an underwriter that falls under any of the Subparagraphs of [§87(2)] of the Enforcement Decree of the Act, hereinafter the same in these Standards) with the collective investment property;

3. With regard to the specific securities, etc. (referring to specific securities, etc. under [§172(1)]; hereinafter the same shall apply in this Subparagraph) of a corporation which is in charge of the underwriting and determines the conditions for underwriting at the direct request of the issuer or seller, trade the specific securities, etc. by the financial investment company or its related underwriter with the collective investment property to create an artificial market price (refers to the market price under [§176(2)1] of the Act) for the specific securities, etc.;

4. Undermine the interest of a specific collective investment scheme to pursue the financial investment company's own interest or that of a third party;

5. Trade a specific collective investment property with the financial investment company's proprietary property, or other collective investment property, discretionary investment property (refers to the

property managed according to the authority granted by investors to make discretionary investment decisions) or trust property managed by the company;

6. Make cross investments on certain assets with collective investment property in accordance with an agreement or collusion, etc. with a third party;

7. Engage any persons other than fund managers to manage the collective investment property; and

8. Other acts that might undermine investor protection or fair trading order that fall under [§87(4)] of the Enforcement Decree of the Act and any of the Subparagraphs of [§4-63] and [§4-64] of the Regulations on Financial Investment Business.

§33. Investment Advisory Business or Discretionary Investment Business

(1) A financial investment company (an investment advisory business entity or a discretionary investment business entity) and its executives and/or employees shall not commit any acts in the following Subparagraphs:[1)]

1. Receive money, securities, or any other property from a customer to keep in custody or deposit;

2. Lend money, securities, or any other property to a customer, or act as a broker, an intermediary or agent of a third party for lending the

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1) In cases where a financial investment company operates a different financial investment business, or other financial services business, and the applicable laws for running concurrent businesses do not prohibit the acts in Subparagraphs 1 and 2 of Paragraph (1), Subparagraphs 1 and 2 of Paragraph (1) shall be excluded from application and such exclusion shall be reflected in the company's internal controls guidelines.

third party's money, securities, or any other property to a customer;

3. Engage any person other than an investment advisor or a fund manager to run the investment advisory business or discretionary investment business; and

4. Receive any consideration in addition to the fees stipulated in the agreement.

(2) A financial investment company (discretionary investment business entity) shall, when managing discretionary investment properties, not commit any acts that fall under any of the following Subparagraphs. Provided, That exceptions shall apply in cases where there are no concerns about undermining investor protection and sound trading order and when the following Subparagraphs are exceptionally allowed under the Subparagraphs of [§99(2)] of the Enforcement Decree of the Act:

1. In cases of managing discretionary investment properties, buy or sell financial investment instruments or any other assets for investment at the company's own discretion, or solicit a third party to buy or sell such instruments or assets, without having actually purchased or sold after making a decision to purchase or sell, which may produce a significant impact on the prices of the financial investment instruments or other assets for investment;

2. Buy securities underwritten by itself or a related underwriter with the discretionary investment property;

3. With regard to the specific securities, etc. (referring to specific securities, etc. under [§172(1)]; hereinafter the same shall apply in this Subparagraph) of a corporation which is in charge of underwriting and determines the conditions for underwriting at the direct request of the issuer or seller, trade the specific securities, etc. by the company or its related underwriter with the discretionary investment property to create an artificial market price (referring to the market price under [§176(2)1] of the Act) for the specific securities, etc.;

4. Undermine the interest of a specific customer to pursue the company’s own interest or that of a third party;

5. Trade the discretionary investment property for another discretionary investment property, collective investment property, or trust property managed by the company;

6. Trade the discretionary investment property for the proprietary property of the discretionary investment business entity or its interested party;

7. Invest the discretionary investment property in securities issued by the discretionary investment business entity or its interested party without the investor's consent;

8. Manage several investors' assets collectively instead of managing the discretionary investment property separately for each investor;

9. Be delegated the acts in the following Items from an investor:

   a. Designate or change the investment trader, investment broker, or any other financial institution for depositing the discretionary investment property;

   b. Deposit or withdraw the discretionary investment property; and

   c. Exercise voting rights or any other rights in securities that belong to the discretionary investment property;

10. Other acts that might undermine investor protection or sound trading order and fall under [§99(4)] of the Enforcement Decree of the Act and any of the Subparagraphs of [§4-77] of the Regulations on Financial Investment Business.

§34. Trust Business

(1) A financial investment company and its executives and/or employees shall, when operating a trust business, not commit acts that fall under any of the following Subparagraphs. Provided, That exceptions shall apply in cases where there are no concerns about undermining customer protection and sound trading order and when the case falls under any of the Subparagraphs of [§109(1)] of the Enforcement Decree of the Act:

1. In cases of managing trust properties, buy or sell financial investment instruments or any other assets for investment at the company's own discretion, or solicit a third party to buy or sell such instruments or assets, without having actually purchased or sold after making a decision to purchase or sell, which may produce a significant impact on the prices of the financial investment instruments or other assets for investment;

2. Buy securities underwritten by itself or a related underwriter with the trust property;

3. With regard to the specific securities, etc. (referring to specific securities, etc. under [§172(1)]; hereinafter the same shall apply in this Subparagraph) of a corporation which is in charge of underwriting and determines the conditions for underwriting at the direct request of the issuer or seller, trade the specific securities, etc. by the company or its related underwriter with the trust property to create an artificial market price (referring to the market price under [§176(2)1] of the Act) for the specific securities, etc.;

4. Undermine the interest of a specific trust property to pursue the company's own interest or that of a third party;

5. Trade the trust property for any other trust property, collective investment property, or discretionary investment property managed by the trust business entity;

6. Trade the trust property for the proprietary property of the company or its interested party;

7. Invest the trust property in securities issued by the company or its interested party without the consent of the trust beneficiaries;

8. Engage any person other than a fund manager who is registered as a professional with the Association to manage the trust property;

9. Other acts that might undermine beneficiary protection or sound trading order and fall under [§109(3)] of the Enforcement Decree of the Act and any of the Subparagraphs of [§4-93] of the Regulations on Financial Investment Business.

(2) In formulating the internal control standards on selection of constructors and construction service providers for the trust business, the matters in the following Subparagraphs shall be included:

1. Matters on the work procedures or criteria required for preventing conflicts of interest with the majority shareholder (including the parties in special relationship with the shareholder); and

2. Matters on keeping and maintaining records on the selection of constructors and construction service providers for the trust business

SECTION II
CONTROL OF BRANCH OFFICES AND SALES OF DERIVATIVES

§35. Control of Branch Offices

(1) A sales manager for each branch office designated by the compliance officer in accordance with [§22] shall be a person who meets all of the requirements set forth in each of the following Subparagraphs:

1. A person who is a full-time employee at the branch office with work experience of at least one (1) year at the branch office, or who has performed compliance and audit duties for a minimum of one (1) year;

2. A person who will not find it difficult to perform their compliance duties due to excessive work load or characteristics of his/her own duties;

3. A person who is not the head of the branch office, but at the manager level. Provided, That this shall not apply to cases where there is no person at the manager level except for the head of the branch office because of the small number of employees at the branch office; and

4. A person who has sufficient experience, competency, and ethics to effectively fulfill the compliance duties

(2) Notwithstanding Paragraph (1), in cases where all of the conditions in the following Subparagraphs are met, a single sales manager may fulfill the duties of the sales manager for two or more branch offices.

1. In the case there is no special difficulty for a single sales manager to monitor and supervise the business considering the number of branch employees, the scale and contents of the branch's business, and the regional distribution of the branch;

2. In the case the sales manager is a full-time employee of one of the branch offices under his/her supervision; and

3. In the case the quantity and quality of the duties performed by the sales manager does not hinder the performance of supervision duties.

(3) A sales manager in Paragraph (1) shall separate the accounts of customers who actually depend on a broker's investment recommendation because of lack of knowledge and experience in the trading of financial investment instruments, and supervise whether employees are complying with the relevant laws and internal control standards when performing their duties, such as recommending investment, etc., by regularly monitoring the trading status of these accounts, etc.

(4) A compliance officer shall provide education programs on legal compliance and ethics at least once a year for the sales managers at each branch office.

(5) A financial investment company shall set the term of the sales managers for each branch office at a minimum of one (1) year.

(6) A financial investment company shall make sure there is no disadvantage in the career advancement, salary, etc. for the sales managers of each branch office due to their compliance duties.

(7) A financial investment company may give appropriate compensation to the sales managers of each branch office according to the results of their compliance duty performances.

(8) A financial investment company shall formulate and operate detailed standards including items in the following Subparagraphs to ensure effective control over its branch offices:

1. Method and contents of head office's control over the sales and business of the branch office;

2. Independence in recruiting and managing employees at the branch office;

3. Details of the reward system for the executives and/or employees belonging to the branch office and its independence; and

4. Details of the agreement between the head office and the relevant employee of the branch office

(9) The company shall comply with the matters set forth in each of the following Subparagraphs in cases where it provides a private space to specific customers:

1. The space shall be separated from the employees and located at a place that can be easily controlled by the branch head and the sales

manager of each branch office.

2. In the case of a cyber room, it shall be in the form of an open space where the inside can be observed from the outside with written indication (put up a doorplate) that it is a cyber room.

3. To prevent other customers from mistaking the customers using the cyber room as employees, the company shall not have the customers use a nameplate, a title, a direct personal phone line, etc. when using the cyber room or provide them to the customers.

4. The branch head and the sales manager shall monitor the appropriateness of the trading occurring in the private space for customers, including the cyber room, etc., and in cases where unusual trading is detected, it shall be immediately reported to the compliance officer.

(10) A branch office shall carry out self-monitoring on whether the branch office conducted business in compliance with the standards stipulated in the Relevant Acts, etc., and the company shall formulate and operate standards on the self-monitoring method, matters to confirm, self-monitoring period, etc. that are required for the self-monitoring.

§36. Designation and Change of the Person in Charge of Derivatives Business[2)]

(1) A financial investment company shall designate at least one person in charge of the derivatives business as a full-time executive (including persons referred to in each of the Subparagraphs of [§401-2(1)] of the Commercial Act).

(2) A person in charge of the derivatives business shall not be a person who

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2) A company that does not fall under any of the Subparagraphs in Paragraph (1) of [§32(2)] of the Enforcement Decree of the Act may exclude [§36] and [§37] herein when formulating the internal controls guidelines.

falls under any of the Subparagraphs of [§24] of the Act.

§37. Duties of the Person in Charge of Derivatives Business[3)]

(1) A person in charge of the derivatives business shall perform the duties in each of the following Subparagraphs:

1. Management and supervision of the establishment and implementation of procedures and standards necessary for the protection of investors regarding derivatives;

2. Approval of over-the-counter(OTC) derivatives transactions; and

3. Other duties prescribed in the Enforcement Decree of the Act in accordance with Subparagraph 3 of [§28-2(2)] of the Act.

(2) In cases where a person in charge of the derivatives business wishes to delegate the approval of OTC derivatives transactions to other executives and/or employees in accordance with Item b of Subparagraph 2 of [§5-49(4)] of the Regulations on Financial Investment Business, the person shall comply with the standards (formulated separately by the financial investment company considering the trading amount and risk of the OTC derivatives, etc.) on the delegation and *ex post facto* reporting for the approval of OTC derivatives transactions.

(3) In cases where a new OTC derivatives product is offered to general investors, a person in charge of the derivatives business shall formulate and operate separate review procedures for the appropriateness of the structure of the new product.

(4) A company shall monitor on a regular or ad hoc basis the appropriateness of the duties performed by the person in charge of derivatives business in

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3) A company that does not operate sales or brokerage businesses in relation to OTC derivatives may exclude Subparagraph 2 of Paragraph (1) and Paragraphs (2) and (3) when formulating internal controls guidelines.

Paragraph (1) and whether a performance-based compensation system considering the derivatives' risks is maintained.

§38. Designation of the Sales Manager for Derivatives and Compliance Monitoring for Opening Accounts[4)]

(1) A financial investment company shall designate one person as a sales manager for derivatives who is either a certified derivatives investment advisor or passed a test similar thereof, or a person who is recognized as having expertise in derivatives.

(2) Notwithstanding Paragraph (1), in cases where the sales manager who is a full-time employee of the head office or the neighboring branch office is able to effectively supervise the sales of derivatives at the relevant branch office, one single sales manager may be designated for two or more branch offices.

(3) A sales manager for derivatives shall, in cases where a customer opens an account to trade derivatives, confirm the matters in each of the following Subparagraphs and take the necessary measures for investor protection:

1. Whether the customer has the basic knowledge needed for trading derivatives (excluding cases where it is difficult to obtain such information from the customer); and

2. Whether there is a sales employee to recommend investment to the customer and if that employee has the qualifications needed to give

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4) For a financial investment company that does not fall under any of the Subparagraphs of Paragraph (1) of [§32-2] of the Enforcement Decree of the Act, the person in charge of the derivatives business shall be the compliance officer, and Paragraph (5) of this Article shall be as follows: "Regarding the derivatives business, a compliance officer shall formulate detailed internal work guidelines in order for the company to provide investors proper investment recommendation and full explanation thereof."

advice on the investment of derivatives.

(4) In cases where a sales manager for derivatives has been designated, the head of that branch office shall notify the sales manager to the person in charge of the derivatives business. In this case, the person in charge of the derivatives business may, in cases where the sales manager for derivatives is considered to be inappropriate, request the branch head to designate a new executive and/or employee.

(5) A sales manager for derivatives shall regularly monitor the matters in the following Subparagraphs regarding the derivatives business for the general investors to make sure illegal and unfair acts do not occur.

1. Whether the trading is appropriate considering the customer's investment purpose, etc.;

2. Whether the size and frequency of the trading are appropriate by trading type of derivatives;

3. Whether the fee charged to the account is excessive;

4. Size of realized and unrealized profits and losses for the account; and

5. Whether the positioning is excessively concentrated, etc.

§38-2. Separate Management of Derivatives-Linked Securities, etc.

(1) A financial investment company shall manage the assets managed by the funds raised through the issuance of derivatives-linked securities (refers to bonds in Subparagraph 3 of [§469(2)] of the Commercial Act, which include securities falling under Subparagraph 1 of [§4(7)] of the Act; hereinafter the same shall apply in this Section) (hereinafter referred to as the "hedged assets" in this Section) separately from its proprietary property (hereinafter referred to as the "proprietary property") (refers to the separate management in Item a of Subparagraph 4 of [§2-24(1)] of the Regulations on Financial Investment Business; hereinafter the same shall apply in this Section).

(2) A financial investment company shall categorize the derivatives-linked securities into equity-linked securities (ELS), equity-linked bonds (ELB), derivatives-linked securities (DLS) and derivatives-linked bonds, etc., and separately manage the hedged assets in detail in accordance with the guidelines provided in the business report of financial investment companies pursuant to Subparagraph 17 of [§8-1] of the Enforcement Rules of the Regulations on Financial Investment Business.

(3) A financial investment company shall manage the hedged assets separately from its proprietary property under a consistent standard referencing the formulation guidelines in the business report in accordance with the methods set out in the following Subparagraphs:

1. Cash: Methods to separately manage proprietary property from the cash in hedged assets, such as formulation of statements for the purpose of separate management, assigning separate markers, and other similar methods thereto;

2. Internal loans and borrowings: Methods to separately manage proprietary property from the internal loans and borrowings of hedged assets, such as formulation of statements for the purpose of separate management, record-keeping of transactions and other similar methods thereto; and

3. Hedged assets other than those in Subparagraph 1 and 2: Methods to separately manage proprietary property from the investment assets of the hedged assets, such as assigning books or markers by each invesment asset, separation of accounting holdings for each investment asset and other similar methods thereto

(4) A financial investment company shall adjust the cash inflow and cash outflow items that are generated in the hedging investment process of derivatives-linked securities and manage cash by settling the investment income of hedged assets at least once a year.

(5) A financial investment company shall formulate and operate procedures for frequently verifying and confirming the adequacy of the hedged asset

amount to ensure the accuracy of the details filled in the work report pursuant to Item a of Subparagraph 7 of [§3-66(1)] of the Regulations on Financial Investment Business.

§38-3. Computer System for Separate Management

(1) A financial investment company shall implement and operate a computer system for the separate management described in [§38-2].

(2) A financial investment company shall implement and operate the computer system in a way that the hedged assets can be identified separately from other proprietary property, and the hedged assets can be calculated and monitored each day.

(3) A financial investment company shall have the computer system for separate management be organically connected to other computer systems of the company so that the work related to the separate management of hedged assets is efficiently performed.

(4) A financial investment company shall limit the input and modification of data on the computer system for separate management to the persons pre-assigned with the authority, and keep and maintain relevant records including the access records and details of the data input and modification, etc. after the work has been performed.

§38-4. Requirements for Investible Assets

(1) A financial investment company shall, when acquiring hedged assets, consider the soundness and liquidity, etc. of the assets.

(2) The minimum investment rating for hedged assets shall be a rating equal to or higher than those in the following Subparagraphs (Provided, That in cases where the symbols for the credit rating grades are specified into +, -, etc. the lower ratings shall be included, and in cases where the symbol classification system is different for the credit rating grades, a certain rating shall be deemed to refer to the same rating as the specified rating.):

1. Long-term credit rating (refers to the opinion on relative credit risk for debt securities, etc. with a maturity of more than one (1) year; hereinafter the same shall apply in this Article) A and short-term credit rating (refers to the opinion on relative credit risk for debt securities, etc. that have a maturity of one (1) year or less, etc.; hereinafter the same shall apply in this Article) A2 assessed by a credit rating agency;

2. Long-term credit rating BBB and short-term credit rating A2 assessed by a globally recognized credit rating agency; and

3. Long-term credit rating A and short-term credit rating A2 assessed by a hedged asset management department and an independent internal control department in charge of corporate valuation

(3) A financial investment company shall, when acquiring assets for hedging derivatives-linked securities, define the assets specified in each of the following Subparagraphs as inadequate hedged assets and not include them in the hedged assets in consideration of the soundness and liquidity, etc. of the assets:

1. Assets for which disposal over the short term is difficult or unclear due to lower marketability and liquidity;

2. Unlisted securities (refers to the securities issued by a stock-unlisted corporation) unrelated to the underlying assets of the derivatives-linked securities;

3. Tangible assets such as real estate, etc. and intangible assets (including the investment stake in a company whose business purpose is mostly investment in these assets);

4. Assets to which conditions are attached for disposal and redemption;

5. Non-performing assets that are rated as speculative grade at the time of acquisition or assets that are showing substantial signs of becoming non-performing assets;

6. Securities (Provided, That listed stocks are excluded) issued by an affiliated company (hereinafter referred to as the "affiliated company" in this Paragraph) pursuant to Subparagraph 3 of [§2] of the Monopoly Regulation and Fair Trade Act and asset-backed securities using the assets of the affiliated company as the underlying assets. Provided, That this shall not apply in cases where the said securities and asset-backed securities are rated at or above the investible grade stipulated in Paragraph (2) and comply with the laws and regulations; and

7. Assets that are deemed inappropriate as other hedged assets

(4) Notwithstanding Paragraph (3), a company shall set a ceiling when acquiring assets that fall under each of the following Subparagraphs with the hedged assets. In such a case, the total sum of the assets from Subparagraph 1 through 4 shall be not more than 00 (ex: 10/100)/100 of the issuance balance of derivatives-linked securities:

1. In cases of collective investment schemes issued by a closed-end fund, not more than 00/100 (ex: 5/100) of the issuance balance of derivatives-linked securities;

2. In cases of asset-backed securities issued using the assets prescribed in [§38-4(3)], not more than 00/100 (ex: 5/100) of the issuance balance of derivatives-linked securities;

3. In cases of assets whose economic substance is similar as the assets in Subparagraph 1 or 2, not more than 00/100 (ex: 5/100) of the issuance balance of derivatives-linked securities; and

4. In cases of assets that are not relevant to the underlying assets of derivatives-linked securities (Provided, That deposit·balance and debt securities are excluded), not more than 00/100 (ex: 5/100)

(5) In cases where a financial investment company invests hedged assets in debt securities, the matters in each of the following Subparagraphs shall be

complied with in consideration of liquidity risks, etc.:

1. The investment ceiling shall be set for each debt securities based on sector (for the type of debt securities, refer to the business report of financial investment companies pursuant to Subparagraph 17 of [§8-1] of the Enforcement Rules of the Regulations on the Financial Investment Business) and the investment shall be managed within the ceiling; and

2. The investment ceiling shall be set for the debt securities rated with the lowest investible grade, and investment shall be managed within the ceiling

(6) A financial investment company shall, when managing hedged assets, take precaution to maintain the liquidity ratio of the company calculated in accordance with the Annexed Table 10 of the Enforcement Rules of the Regulations on Financial Investment Business at 100% or above.

(7) A financial investment company shall obtain resolution of the risk consultative body, which includes a risk manager or derivatives manager, and report the resolution results on the matter to the Risk Management Committee:

1. In cases of acquiring inappropriate hedged assets pursuant to Paragraph (3) due to unavoidable reasons;

2. In cases of changing the acquisition ceiling of assets pursuant to Paragraph (2) or acquiring assets in excess of the acquisition ceiling; and

3. In cases of changing the acquisition ceiling of debt securities pursuant to Paragraph (5) or acquiring debt securities in excess of the acquisition ceiling

(8) In cases where the risk consultative body issues a resolution pursuant to Paragraph (7), it shall consider the following:

1. Impact on the liquidity and soundness of hedged assets;

2. Impact on the redemption funding of derivatives-linked securities; and

3. Impact on the risk management of hedged assets

§38-5. Confirmation of General Investors' Purpose of Transaction

(1) In cases where a general investor is a counterparty to OTC derivatives transaction, brokerage, mediation, or agency, a financial investment company shall confirm whether the general investor meets each of the following requirements:

1. The objects of avoiding risk shall be owned or to be owned by the general investor; and

2. Any profit and loss which are likely to be generated in trading OTC derivatives during the contract term for such OTC derivative transactions shall not exceed the range of the profit and loss which are likely to be generated in the objects of avoiding risk.

SECTION III
MANAGEMENT OF ACCOUNTS AND HANDLING OF TRADING ORDERS, ETC.

§39. Management and Supervision of Investors' Accounts

(1) Executives and/or employees shall not recommend trading that is frequent or excessive (hereinafter referred to as the "excessive trading") considering the investor's investment purpose, etc. to general investors, and the standards for judging excessive trading shall be based on the matters in each of the following Subparagraphs:

1. Total amount of fees charged to the investor;

2. Whether or not the trading is appropriate considering the investor's asset status and investment purpose;

3. The validity of the content when recommending investment to investors; and

4. Whether the investor has good understanding of the risks associated with the trading considering the investor's knowledge or experience in investment.

(2) A financial investment company shall select accounts that are likely to have received recommendation for excessive trading and regularly monitor whether the recommendations made by the sales employee to a customer with such account comply with Paragraph (1) above. In order to achieve this, the company shall formulate and operate a selection criteria for accounts subject to regular monitoring, the method and the time of monitoring, and the standards for recording and maintaining the monitoring results, etc.

(3) An investment broker shall, in cases where it is also engaged in the discretionary investment business, manage the account signed for discretionary investment agreement and the general account (including the account where a discretionary investment agreement has been signed, but it has been terminated or the term has expired) separately.

(4) In order to provide against incidents such as fat-finger errors, or forged and/or falsified securities moving into an account, etc, a financial investment company shall prepare and operate the necessary manuals to block trading orders and to reject the deposit in investors' accounts.

§40. Definitions

The definitions of the terms used from [§40-2)] to [§40-10] are as follows:

1. The term "trading order system" is defined as a company's system related to the processing of trading orders, such as receipt of trading orders, monitoring of quotations and execution of trading orders,

etc.;

2. The term “system for trustor's trading orders” is defined as a system where the trustor generates a trading order and sends it to a financial investment company;

3. The term “intrusion prevention system (firewall)” is defined as a device (hardware) installed with software that can control electronic communications;

4. The term “ KRX system” is defined as a system managed by the Korea Exchange (“KRX”) for transactions, etc. on the KOSPI market, KOSDAQ market, and derivatives market established by KRX;

5. The term “front-end processor (FEP) system” is defined as a server that connects a company with KRX. It refers to a company’s communication control system that receives and sends trading orders, transaction statements, and market price information on financial investment instruments between the company’s system and the KRX system (limited to programs that carry out the function of communication control if the system implements other functions besides communication control).

6. The term “process” is defined as a logical line that receives and sends the statements of quotations and transactions electronically between a company and KRX.

7. The term “time taken to submit quotations” is defined as the time taken from when the offering price arrived at the FEP system to when it was received by the KRX system.

§40-2. Basic Principles of Handling Trading Orders

A financial investment company shall, in cases where it is handling trading orders entrusted by investors, comply with the principles in each of the following Subparagraphs:

1. The financial investment company shall handle trading orders in a fair manner in accordance with the principle of good faith. It shall not generate profits for itself or a third party while undermining the profits of investors without a justifiable reason;

2. In order to fulfill the fiduciary duty of due care in accordance with Subparagraph 1, the financial investment company shall establish both a system that promptly and accurately receives and handles the trading orders of investors in a fair manner and an internal control system that can monitor and check on the system thereof;

3. The financial investment company shall explain the methods for placing trading orders (referring to methods of receiving orders stipulated in the business regulation of KRX; hereinafter the same shall apply) and for handling trading orders and other conditions of use, etc. (hereinafter referred to as the "methods of receiving and handling trading orders, etc.") to investors in a way that they can understand and allow them to make their own choices;

4. The financial investment company shall receive investors' trading orders according to different order methods in a fair and safe manner, and confirm whether the person has proper authority when receiving orders;

5. In the case of receiving and executing trading orders, the financial investment company shall make sure settlements are appropriately implemented through management of trading limits and customer margin, etc. by investor;

6. The financial investment company shall, in regard to confirming whether the contents of trading orders received from investors are appropriate, comply with the monitoring provisions, including issue and account number, etc., for the suitability of quotations stipulated in the business regulations of KRX;

7. In the process of receiving and executing investors' trading orders, the financial investment company shall not provide preferential

treatment to a specific trustor in terms of data, facilities, services, etc. without a justifiable reason prescribed by the Governor of the Financial Supervisory Service;

8. The financial investment company shall, in the case of handling and providing trading orders received from investors, make sure that the investors are aware of the handling process and settlement details for their orders; and

9. The financial investment company shall prevent the contents of investors' financial transactions, etc. from being leaked to a third party.

§40-3. Management of Trading Order System

A financial investment company shall directly manage and operate the trading order system. In cases where the company delegates the business to a third party (Provided, That a trustor is excluded) and the system is managed and operated according to the company's orders pursuant to [§42)] of the Financial Investment Services and Capital Markets Act, it is deemed that the company directly manages and operates the system.

§40-4. Installation and Operation Principle of Intrusion Prevention System

(1) The intrusion prevention system shall be directly managed and operated by the company.

(2) The intrusion prevention system shall be used exclusively for preventing intrusions, and it shall be installed in a way that it is physically separated from the company's other computer facilities.

(3) An office or a branch of a foreign financial investment company

(hereinafter referred to as the “domestic branches, etc.”) shall install intrusion prevention systems at the locations prescribed in each of the following Subparagraphs:

1. In cases where domestic branches, etc. uses their own trading order system, the intrusion prevention system shall be installed between the foreign financial investment company (including overseas affiliated companies) and domestic branches, etc.; and

2. In cases where KOSCOM’s trading order system is used, the intrusion prevention system shall be installed between domestic branches, etc. and KOSCOM’s trading order system.

§40-5. Prohibition on Discriminatory Provision of Information

(1) In cases where the market price information received from KRX is provided to investors, a financial investment company shall not discriminatorily provide specific trustors with data and information related to trading orders without notifying investors to choose the form or method, etc. for receiving market price information.

(2) A financial investment company shall not discriminatorily provide facilities or equipment, etc. for handling a specific trustor's trading orders through the trading order system as in each of the following Subparagraphs:

1. The act of installing a system for a specific trustor's trading orders on the trading order system within a financial investment company’s intrusion prevention system (firewall);

2. The act of integrating a system for a specific trustor's trading orders with the financial investment company’s trading order system and operate it;

3. The act of installing and operating facilities or equipment related to a specific trustor’s trading orders in the financial investment company’s

computer center, trading room, etc. excluding cases where it has been recognized that there is no internal control problem such as occurrences of computer security incidents or conflicts of interest, etc.; and

4. Acts that do not meet the standards provided by KRX regarding the management and operation of the trading order system, including the company's FEP system, etc.

(3) A financial investment company shall make sure that there is no difference in the speed of various processes so that it does not go against the standards provided by KRX, taking consideration of geographical location, computer technological limitations, etc. during the process of transmitting investors' trading orders to the KRX trading system.

§40-6. Method and Procedure of Handling and Executing Trading Orders, etc.

(1) A financial investment company shall comply with the requirements prescribed in each of the following Subparagraphs regarding selection of methods for receiving and handling trading orders from investors:

1. The financial investment company shall not limit usage conditions or apply differentiated costs without any reasonable reason;

2. The financial investment company shall take consideration of the investor's credit rating, professionalism, risk management ability, etc. when selecting methods of receiving and handling trading orders for investors;

3. The financial investment company shall post methods, etc. of receiving and handling trading orders on its website, etc.;

4. The financial investment company shall explain methods, etc. of receiving and handling trading orders to ensure that investors understand them and reflect them when executing contracts for

establishing trading accounts with investors; and

5. The financial investment company shall receive the approval of a compliance officer regarding methods, etc. for receiving and handling the company's trading orders provided to investors.

(2) In cases where trading orders are received through electronic communication methods, the trading order concerned needs to go through a system ("intrusion prevention system") that conducts the first round of examination on security, etc., which is part of the company's overall system for handling trading order information.

(3) A financial investment company shall handle trading orders received from investors by inputting each of them into a system that handles trading orders based on the order of receipt. Provided, That in cases where trading orders are received from investors through electronic communication methods, the trading order may be handled according to methods chosen by investors pursuant to Subparagraph 3 of [§2-26(1)] of the Regulations on Financial Investment Business.

§40-7. Duty to Comply with Related Laws upon Computerization of Trading Handling Process

In cases where a financial investment company computerizes the process of handling trading or develops new business in regards to trading using electronic communication methods, the company shall ensure that the contents of computer processing comply with the relevant laws.

§40-8. Handling of Business amid Errors in Computers or Communication Facilities

A financial investment company shall establish reasonable measures to prevent incidents where an investor's trading order is not handled due to an error occurred in the computer and communication facilities related to trading orders. In cases where an error occurs, the company shall establish and manage appropriate measures to handle such problem.

§40-9. Handling of Business amid Trading Order Errors

(1) A financial investment company shall establish and manage an appropriate system to prevent errors from occurring in trading orders in accordance with internal control standards on prevention of errors in trading orders.

(2) In cases where an investor's order has been executed with different terms than the original order due to a mistake made by executives and/or employees, or in cases where an order failed to be executed due to such a mistake, a financial investment company shall take appropriate measures in accordance with its internal control standards on handling errors in trading orders.

(3) A financial investment company shall maintain and keep statements and documentary evidence handled in accordance with Paragraph (2) for a minimum of three (3) years.

§40-10. Handling of Business for Delegation of Handling Trading Orders

In cases where a financial investment company delegates the handling of trading orders to a third party, the company shall comply with the matters stipulated in the regulations regarding delegation of business activities in accordance with [§42] of the Financial Investment Services and Capital Markets Act and the same standards.

§40-11. Internal Control on Custody of Sell Orders

The internal control standards on custody of an investor's sell order shall include the matters set forth in each of the following Subparagraphs:

1. Matters on confirming whether the sell order placed by an investor falls under the definition of short-selling pursuant to Subparagraph 2 of [§180(1)] of the Act; and

2. Matters on confirming whether an order has been placed in accordance with the methods specified in Subparagraph 1 of [§208(2)] of the Enforcement Decree of the Act, in cases where the order falls under the definition of short-selling pursuant to Subparagraph 2 of [§180(1)] of the Act

§41. Keeping Custody and Maintenance of Investor's Depository Assets

(1) A financial investment company shall separate its proprietary property from the investor's depository assets and specify that the depository assets are the investor's assets, and shall deposit or entrust them to a securities finance company.

(2) A financial investment company shall specify that the securities owned by an investor that are kept in custody in connection with trading of financial investment instruments and other transactions, and instruments that fall under each of the Subparagraphs of [§76(1)] of the Enforcement Decree of the Act are the investor's assets, and shall deposit them at the Korea Securities Depository (hereinafter referred to as the "Securities Depository") without delay. Provided, That in cases of foreign currency securities pursuant to [§76(2)] of the Enforcement Decree of the Act, they need not be deposited at the Securities Depository.

(3) A financial investment company shall entrust the securities or certificates, etc., which are not designated for deposit by the Securities Depository at a safe deposit institution. Provided, That in cases where such deposit is difficult due to unavoidable reasons, it may be stored at a safe storage facility after being separated from the company's assets.

(4) A financial investment company shall formulate detailed standards required to implement Paragraph (1) to (3), which include matters about methods for the custody and management of assets that are not designated as subjects for deposit by the Securities Depository.

§42. Handling Unpaid and Outstanding Customer Margin and

Settlement Money

(1) A financial investment company shall take the necessary preventive measures to make sure there is no outstanding amount related to the entrusted trading of securities, including reminding the customers of the matters in each of the following Subparagraphs:

1. In cases where there is an outstanding amount, matters related to handling thereof; and

2. In cases where there is an outstanding amount, matters related to the restrictions on and refusal of being entrusted with trading orders.

(2) A financial investment company shall, in cases where a customer has not paid the purchase price regarding the securities trading within the payment date, cover the outstanding amount by disposing the customer's assets of the same amount as the account receivables the next business day (the business day following the next business day in the case of purchasing overseas securities) in accordance with the methods set out in the Agreement on Opening of Trading Accounts. Provided, That in cases where it is a customer's purchase that falls under Subparagraph 18 of [§10(3)] of the Enforcement Decree of the Act and the payment has been delayed temporarily due to reasons provided by the financial investment company beforehand, such as an error in order statements between foreign banks, it may be handled in accordance with the methods and procedures decided by the company.

(3) A financial investment company shall, in cases where the customer falls under any of the following Subparagraphs, refuse or restrict the entrustment of trading orders or the withdrawal of customer's assets:

1. In cases where an outstanding amount related to securities trading is generated;

2. In cases where the customer margin for the over-the-counter derivatives has not been paid within the agreed deadline; and

3. In cases where it is recognized that the entrustment of trading orders

or the withdrawal of customer assets impedes currency exchange and settlement in a foreign market, etc. regarding the handling of trading orders of foreign currency securities.

(4) A financial investment company shall notify customers the reasons for refusing entrustment in accordance with Paragraph (3) (including Item f of Subparagraph 11 of [§4-20(1)] of the Regulations on Financial Investment Business) when the customer opens an account.

(5) Regarding the trading of derivatives, a company shall, excluding cases falling under any of the following Subparagraphs, not cover the customer margin or settlement money by arbitrarily disposing the whole or a part of the customer's derivatives and other customer's depository assets without notifying the customer or receiving the customer's consent:

1. In cases where the customer was notified with the request for additional deposit of the customer margin or settlement money, but failed to fulfill such request within the deadline; and

2. In cases where the request for the additional deposit of customer margin or settlement money has not been made to the customer before the deadline for additional depositing due to any reasons attributable to the customer or unavoidable reasons that are not attributable to the company.

(6) In cases where a financial investment company has arbitrarily disposed of the customer's assets, as the case falls under one of the Subparagraphs of Paragraph (5), the company shall immediately notify the customer of such facts and details thereof.

SECTION IV
EXERCISING VOTING RIGHTS BY PROXY AND SELECTION CRITERIA FOR BROKERAGE COMPANY

§43. Exercising Voting Rights of Collective Investment Business Entity

by Proxy

(1) A company shall actively participate in exercising its voting rights to fulfill its social responsibility as an institutional investor.

(2) A company shall, when exercising its voting rights, not breach its fiduciary duty of due care to investors and comply with the consistent principles that place utmost priority on the profits of the investors participating in the collective investment schemes.

(3) A company shall record in its business report whether it has exercised its voting right on corporations subject to public disclosure of voting rights and contents thereof (in cases where a company has not exercised its voting rights, include reasons therefor).

(4) A company shall establish internal guidelines on the exercise of its voting rights, such as standards, procedures, etc., and comply with them.

§44. Exercising Trust Company's Voting Rights by Proxy

(1) A company shall exercise the rights on the stocks acquired with the trust property.

(2) Notwithstanding Paragraph (1), a company shall, when exercising voting rights for stocks that are part of the trust property and in cases where the case falls under any of the Subparagraphs in [§112(2)] of the Act, exercise its voting rights so as not to produce an impact on a resolution made by the number of stocks calculated by subtracting the number of stocks that are part of the trust property from the stocks held by shareholders who were present at the general meeting of shareholders of the corporation that issued the stocks that are part of the trust property. Provided, That the same shall not apply in cases where the corporation that issued the stocks that are part of the trust property is merged, its business is transferred, it acquires any business transferred, an executive is appointed or dismissed, or there is any other cause or event similar to the aforesaid, and if it is obviously foreseeable that such event or cause will result in any loss to the trust property.

(3) A company may not, in cases where the stocks that are part of the trust property fall under any of the following Subparagraphs, exercise the voting rights for that stock:

1. Excess stocks, in cases where such stocks have been acquired in excess of 15/100 of the total number of the stocks issued by an identical corporation; and

2. Stocks of a corporation that issued stocks that belong to the trust property, if the corporation engages the trust property to acquire them under the trust contract with an intention to secure treasury stocks

(4) A company shall not commit any act to avoid having Paragraphs (2) and (3) applied, such as exercising the voting right one with another interactively according to an agreement with a third party.

(5) The conditions in Paragraph (2) shall not apply in cases where a company belongs to an enterprise group subject to restrictions on mutual investment.

(6) A company shall, in cases where it exercises its voting rights in relation to a matter concerning a change in management rights, such as merger, transfer of business, or appointment of an executive, etc. in accordance with Paragraph (2), issue a public disclosure of such information by using the internet website, etc. pursuant to methods prescribed in [§114] of the Enforcement Decree of the Act.

(7) A company shall regularly monitor whether the matters regarding the exercise of voting rights provided in this Article and the Relevant Acts, etc. are complied with.

§45. Selection Criteria of Collective Investment Business Entities for Brokerage Companies

(1) A financial investment company shall, when selecting a brokerage company, consider the matters in the following Subparagraphs so that maximum profits can be generated for investors:

1. Fees (brokerage fees) or profits that a collective investment scheme or an investor has to pay;

2. Capacity to execute trading transaction by transaction type (example: block trading for listed stocks, over-the-counter stock trading, derivatives trading, bond trading, etc.); and

3. Potential risks considering the financial status, scale, etc. of the brokerage company

(2) A financial investment company shall, when selecting a brokerage company, not make an agreement to entrust a trading order on conditions that the brokerage company sells the collective investment securities of collective investment schemes managed by the company.

(3) The fees paid to a brokerage shall be determined within a reasonable scope by considering the quality and amount of services provided and the fees paid to other brokerage companies, etc., and there shall be no discriminatory treatment for brokerage companies in terms of the fees paid without any justifiable evidence or reason. In particular, there shall be no preferential treatment for related companies, etc., including paying high fees, etc.

(4) A person in charge of trading shall establish a distribution plan for trading orders for each brokerage company and entrust the trading to a brokerage company according to the planned distribution ratio approved by the compliance officer. Provided, That in cases where it is difficult to entrust the trading to the selected brokerage company or comply with the distribution plan for the trading order due to the special characteristics of the assets or methods for trading, it may be entrusted differently after receiving approval from the compliance officer beforehand.

(5) A compliance officer shall check the distribution plan of trading orders for each brokerage company and the actual trading details by quarter, and in the case of a violation, the collective investment business entity shall be summoned for explanation and a record thereof shall be maintained.

SECTION V
INVESTMENT ADVERTISEMENTS AND PREVENTION OF FINANCIAL INCIDENTS

§46. Methods and Procedures for Investment Advertisements

(1) Executives and/or employees shall, when issuing investment advertisements, fully commit themselves to providing accurate information and sufficiently notify the risks based on the principle of good faith.

(2) A financial investment company shall, when issuing investment advertisements, comply with the matters stipulated in the Regulations on Business Conduct and Services of Financial Investment Companies by the Association, including matters to be included or prohibited content, methods and procedures thereof, etc. in accordance with [§57] of the Act and [§4-12] of the Regulations on Financial Investment Business.

(3) A compliance officer shall establish and operate detailed standards regarding investment advertisements, including internal review procedures, methods and details indicated in the advertisements, etc. for compliance with the Relevant Acts, etc.

§47. Corporate Sales

(1) Executives and/or employees in charge of corporate sales shall not commit acts that fall under each of the following Subparagraphs:

1. Register a corporation with low credit rating or poor credit status, etc. as a business entity exempt from the collection of customer margin;

2. Be entrusted with a spoofing order;

3. Provide unfair benefits or cover losses through trading financial

investment instruments linked to the proprietary account;

4. Provide unfair pecuniary benefits through methods including sale of debt securities at low prices or purchase of debt securities at high prices or signing of an investment advisory agreement, etc.

5. Other illegal and unfair trading that violates the Relevant Acts, etc.

(2) A financial investment company shall establish and operate a selection criteria for companies that are exempted from the collection of customer margin, and when establishing or revising the criteria, the company shall consult with the compliance officer beforehand.

§48. Sales of Collective Investment Securities

(1) A financial investment company and its executives and/or employees shall not make preferential promotion efforts to sell certain collective investment securities to general investors on reasons that the compensation rate or fees of those securities is higher than that of other collective investment securities. The company shall also not apply a different compensation or performance-based fee payment standard by collective investment product or encourage sales to be concentrated on certain products, etc.

(2) A department that manages the sales of collective investment securities shall regularly examine the sales remuneration rate or the sales commission rate and sales growth rate, etc. and report the information to the compliance officer.

(3) A compliance officer shall, when it is deemed that a company has made preferential promotion efforts to sell certain collective investment securities due to the strong sales growth of these securities that accompany a high sales remuneration rate or sales commission rate, identify the reasons, implement corrective measures and keep and maintain the results.

(4) Executives and/or employees shall not commit any act that falls under the following Subparagraphs targeting an investor regarding the sales of certain collective investment securities:

1. Guarantee the expected rate of return;

2. Use expressions that give a definite confirmation of the expected rate of return or suggest thereof; and

3. Make a claim or giving an explanation that goes against the intrinsic characteristics of investment-type products.

§49. Confirmation of Irregularities in Debt Securities

(1) Executives and/or employees shall, in cases where a customer moves debt securities into an account, check thoroughly to make sure there is no report of forgery, alteration or theft on the securities.

(2) In cases where debt securities are moved into an account newly opened on that day or an account that has no trading records for a long period of time since the opening of the account, and the debt securities were sold on the same day or there is a request for immediate withdrawal (including partial withdrawal) after selling on the same day, executives and/or employees must check with the Securities Depository whether the debt securities are irregular securities.

CHAPTER II
MANAGEMENT OF CONFLICTS OF INTEREST AND INFORMATION BARRIERS

SECTION I
GENERAL PRINCIPLES

§50. Placing Top Priority on Customer Benefits

(1) Customer benefits shall come before the benefits of a company, company

shareholders, executives and/or employees.

(2) Company benefits shall come before those of its executives and/or employees.

(3) The benefits of all customers shall be handled in an equal manner.

§51. Prevention of Conflicts of Interest

(1) Executives and/or employees shall, when fulfilling their duties, not seek their own profits or compensation through illegal and unfair methods.

(2) In cases where executives and/or employees are engaged in external activities besides the duties performed at the financial investment company with the company's prior approval, the assets and personnel of the company or customers and the information obtained while performing their duties shall not be used for their own interests.

§52. Identification, Evaluation and Management of Conflicts of Interest, etc.

(1) Executives and/or employees shall, in cases where there is a conflict of interest between the company and a customer or between a customer and another customer, or there are concerns over the possibility of such conflict, consult with the compliance officer or a department head in charge of resolving conflicts of interest, etc. beforehand and take the necessary measures to ensure there is no problem with customer protection, etc.

(2) Executives and/or employees shall, in cases where a transaction could potentially create conflicts of interest, take the necessary measures to reduce the possibility of conflicts of interest as much as possible so that the customer's interests are not infringed before conducting such trading and other transactions, and in cases where it is difficult to reduce the possible occurrence of conflicts of interest, they shall notify customers and refrain from conducting such trading and other transactions.

(3) Executives and/or employees shall prevent conflicts of interest by registering and managing issues, name of companies, etc. that may cause conflicts of interest with the company on a trading restriction list or a trading under cautionary list.

SECTION II
MAINTENANCE AND MANAGEMENT OF CONFIDENTIAL INFORMATION

§53. Definition of Confidential Information

Any undisclosed information that falls under any of the following Subparagraphs regardless of the form of record or whether it is recorded is regarded as confidential information:

1. Information that can have a significant effect on a company's financial soundness, management, etc.;

2. Information about a customer or counterparty (including executives and/or employees in cases where the counterparty is a corporation or other organization), including personal details, trading details, account number, password, etc.

3. Information about a company's management strategies, new products and businesses, etc.; and

4. Other undisclosed information comparable to Subparagraph 1 to 3

§54. Management of Confidential Information

(1) Executives and/or employees shall comply with the Relevant Acts, etc. when managing confidential information.

(2) Confidential information shall be managed as follows:

1. Information that comes from a business department or a business

function that has information barriers shall be regarded as confidential information that requires confidentiality to be protected with top priority;

2. Confidential information shall only be accessible by those who have justifiable rights or are entrusted with such rights in accordance with the standards set by the company;

3. Executives and/or employees shall not provide confidential information to a person who does not have the rights to access such information or disclose the information at a place where it is difficult to maintain confidentiality;

4. Documents with confidential information shall not be copied more than necessary or stored in a place where its safety cannot be guaranteed;

5. The place where confidential information is stored shall be a place that can be controlled effectively by a person with authority, while preventing access by unauthorized persons;

6. In cases where a company signs a confidentiality agreement, etc. with an external interested party, the relevant executives and/or employees shall faithfully fulfill their obligation to protect confidentiality;

7. Executives and/or employees shall, except for the purpose of performing duties requested by the company, in any case not use confidential information for one's own or a third party's interests;

8. Executives and/or employees shall, in cases where they leave the workplace, not carry the confidential information in the form of documents, copies, files, etc. or leak the information to outsiders without the approval of a superior who has the right to access such information;

9. Executives and/or employees shall not request other executives and/or employees to provide confidential information that is irrelevant to their duties assigned by the company;

10. In cases where executives and/or employees retire from the company, they shall return all of the confidential information including documents, records, data, customer information, etc. related to the company's management to the company before retiring;

11. A meeting that deals with confidential information shall be held in a place that is separated from the workplace of other executives and/or employees, where the leakage of such information can be prevented; and

12. Confidential information shall be only accessible by those with justifiable rights assigned by the company, and a strict control and security system shall be established and operated to prevent access by unauthorized persons.

(3) Executives and/or employees shall, in cases where it is unclear whether a certain information is confidential, obtain the compliance officer's prior confirmation before using such information. In this case, before obtaining such confirmation, the information shall be classified and managed as confidential information in accordance with this Standard.

§55. Procedures for Providing Confidential Information

Executives and/or employees shall, in cases where they want to provide confidential information to another person (including the company's executives and/or employees), comply with the principles in each of the following Subparagraphs:

1. Confidential information shall, only in cases where it is deemed necessary, be provided according to the prior approval procedure determined by the company;

2. The prior approval procedure in Paragraph (1) above shall include the matters in the following Items:

    a. The names of the person that requests the approval of the

provision of confidential information and the person who will be provided with such information, and the departments (the name of the institution in the case the relevant person is an outsider) to which they belong;

b. The necessity or reasons for the provision of confidential information; and

c. Methods, procedures, time and date, etc. of the provision of confidential information.

3. A person who provides confidential information shall fulfill the duty of care to make sure the confidential information is not handed over to unauthorized persons;

4. A person who has received confidential information shall faithfully comply with the obligation to protect confidentiality provided in this Standard and not use it for reasons other than the original purpose for which the information was provided or allow another person to use it.

SECTION III
INFORMATION BARRIERS

§56. Blocking of Information Exchanges

(1) A financial investment company shall establish and operate information barriers by taking into consideration the characteristics and size of its business activities as well as the level of conflicts of interest, etc. In this case, the establishment standards, operation methods, etc. for the information barriers shall meet the regulations governing blocking of information exchanges prescribed in the Relevant Acts, etc.

(2) A financial investment company shall, in cases where it is highly likely that conflicts of interest occur between its financial investment businesses (including its business of managing proprietary property; hereinafter the same in this Article) and the case falls under any of the Subparagraphs of [§50(1)] of the Enforcement Decree of the Act, not commit any of the acts that fall under the following Subparagraphs:

1. Provide information that falls under any of the following Items to a multiple number of unspecified people before it has been disclosed. Provided, That exceptions shall apply in cases where the exchange of information is unlikely to raise conflicts of interest concerns and the information is provided in accordance with [§59(1)]:

   a. Information about the trading and ownership status of a financial investment company's financial investment instruments (excluding financial investment instruments that fall under any of the Subparagraphs of [§4-6(7)] of the Regulations on Financial Investment Business);

   b. Information about the trading and ownership status of an investor's financial investment instruments. Provided, That exceptions shall apply in cases where the offered information is about the total amount of securities deposited by the investor and the total amount of securities by type, and the information falls under [§4-6(8)] of the Regulations on Financial Investment Business;

   c. Information about the composition details and management of collective investment properties, discretionary investment properties and trust properties. Provided, That exceptions shall apply in cases where the information is about the composition details and management of collective investment properties, discretionary investment properties and trust properties that meets all of the conditions set out in each of the Subparagraphs of [§4-6(9)] of the Regulations on Financial Investment Business and one month has elapsed; and

d. Important undisclosed information pursuant to provisions other than each of the Subparagraphs of [§174(1)] of the Act that has been obtained while engaged in corporate financing business activities;

2. Allow executives (excluding the representative director, auditor, and a member of the Audit Committee who is not an outside director) and/or employees to take concurrent positions.

3. Jointly use an office space or a computer facility through the methods described in [§50(3)] of the Enforcement Decree of the Act.

4. Fail to divide departments depending on the business activities pursuant to each of the Subparagraphs of [§50(1)] of the Enforcement Decree of the Act into independent departments, or the departments in charge of the business activities fail to handle them independently. Provided, That exceptions shall apply in cases where conflicts of interest are unlikely to occur and the case is stipulated by the Financial Services Commission.

5. Fail to maintain a record or receive confirmation of a compliance officer (refers to a person comparable to a compliance officer, such as the auditor, etc. in cases where there is no compliance officer) in accordance with the methods and procedures set out in the internal control standards, in cases where executives and/or employees that are performing duties pursuant to each of the Subparagraphs of [§50(1)] of the Enforcement Decree of the Act hold a meeting or communicate regarding such duties.

(3) A financial investment company shall, in cases where it is highly likely that conflicts of interest could occur for an affiliated company related to the engagement of financial investment business or other companies provided in [§51(1)] of the Enforcement Decree of the Act and the case does not fall under any of the Subparagraphs of [§51(2)] of the Enforcement Decree of the Act, not commit any of the acts that fall under the following Subparagraphs:

1. Provide information that falls under any of the following Items to a

multiple number of unspecified people before it has been disclosed. Provided, That exceptions shall apply in cases where conflicts of interest are unlikely to occur and the information is provided in accordance with [§59(2)];

a. Information about the trading and ownership status of a financial investment company's financial investment instruments (excluding financial investment instruments that are prescribed in [§4-7(8))] of the Regulations on Financial Investment Business). Provided, That exceptions shall apply in cases where the information is provided in a way that meets the requirements in each of the Subparagraphs of [§4-7(7)] of the Regulations on Financial Investment Business;

b. Information about the trading and ownership status of an investor's financial investment instruments;

c. Information about the composition details and management of collective investment properties, discretionary investment properties and trust properties; and

d. Important undisclosed information pursuant to provisions other than each of the Subparagraphs of [§174(1)] of the Act that has been obtained while engaged in corporate financing business activities

2. Allow any of its executives (excluding part-time auditors) and/or employees to concurrently hold offices in another company or dispatch any of its executives and/or employees to have him/her work for such company.

3. Jointly use an office space or a computer facility through the methods described in [§51(4)] of the Enforcement Decree of the Act.

4. Fail to maintain a record or receive confirmation of a compliance officer (refers to a person comparable to a compliance officer, such

as the auditor, etc. in cases where there is no compliance officer) on financial investment duties in accordance with the methods and procedures set out in the internal control standards, in cases where executives and/or employees, who perform the financial investment duties at the company, have meetings or communications related to such duties with executives and/or employees of the company's affiliated company (including the persons that fall under Subparagraph 2 of [§51(1)] of the Enforcement Decree of the Act) or a company selling collective investment securities.

(4) A financial investment company shall install and operate an efficient information barrier to comply with the matters stipulated in Paragraph (2) and (3).

(5) A company shall, in cases where it is recognized that there are potential conflicts of interest within the same business division or department, install information barriers until such conflict is resolved.

SECTION IV
ACCESS RIGHTS TO INFORMATION AND PASSING THROUGH INFORMATION BARRIERS

§57. Executives and/or Employees within Information Barriers

(1) "Executives and/or employees within the information barrier" shall refer to executives and/or employees belonging to a business department or business function located within certain information barriers for performing their duties.

(2) Executives and/or employees within the information barrier shall not hold a concurrent position at or be dispatched to the business department or business function located within another information barrier.

(3) Executives and/or employees shall, in cases where they do not belong to a business department or business function located within a certain information barrier, but regularly have access to confidential information due

to his/her duties, be regarded as knowing the same confidential information as the executives and/or employees who belong to such department or function.

§58. Executives and/or Employees above Information Barriers

(1) "Executives and/or employees above information barriers" shall refer to executives and/or employees designated by the compliance officer as having management and supervision responsibilities due to their titles or duties, hence requiring the compliance officer to supervise the appropriateness of the confidential information flow.

(2) Executives and/or employees above information barriers shall comply with the obligations and restrictions provided by the compliance officer, including the protection of confidentiality, prohibition on using unjustified information and prohibition on front-running, etc.

(3) Executives and/or employees above information barriers shall be regarded as knowing confidential information even if they do not own such information.

§59. Conditions for Information Barrier Pass-Throughs

(1) Provision of information according to the proviso of Subparagraph 1 of [§56(2)] shall meet all of the conditions in the following Subparagraphs:

1. A financial investment company shall, in cases where it is recognized that there are justifiable reasons for a person who does not belong within or above a certain information barrier to access confidential information protected by the information barrier, allow the executive and/or employee to temporarily pass through the information barrier within the minimum scope necessary for performing his/her duties. Provided, That this shall be allowed only in cases where executives and/or employees who received such information do not use the information for purposes other than performing their duties;

2. Passing through the information barrier pursuant to Subparagraph 1 shall require prior approval of the executives in charge of such duties and the compliance officer (refers to a person comparable to a compliance officer, such as the auditor, etc. in cases where there is no compliance officer);

3. Executives and/or employees shall, in cases where he/she received approval for temporarily passing through the information barrier in accordance with the provisions of Subparagraph 1, comply with the obligations and restrictions, etc. applied to executives and/or employees within information barriers; and

4. A financial investment company shall maintain and manage records on passing through information barriers and providing information in accordance with Subparagraphs 1 and 2.

(2) The provision of information according to the proviso of Subparagraph 1 of [§56(3)] shall apply *mutatis mutandis* to the requirements set forth in each of the Subparagraphs of Paragraph (1), and information excluding those falling under Subparagraph 3 of [§51(3)] of the Enforcement Decree of the Act may be provided. In the case of the proviso of Subparagraph 1 of Paragraph (1), the affiliated company that receives such information shall sign an agreement that the information shall not be used for purposes other than performing the said duties.

§60. Removing the Approval for Information Barrier Pass-Throughs

In cases where it is recognized that it is not necessary to protect confidential information with information barriers because the information protected by the information barriers has been disclosed, the person in charge of managing the confidential information shall notify such fact to the compliance officer. The compliance officer shall make a decision on removing the approval for passing through the information barrier and notify the fact to the applicable department, executives and/or employees.

§61. Accidentally Passing through Information Barriers

(1) In cases where a person who is not an executive officer and/or employee within information barriers has access to confidential information by chance, he/she (hereinafter referred to as the "person who accidentally passed through the information barrier") shall immediately notify such fact to the compliance officer.

(2) A person who accidentally passed through the information barrier shall comply with the obligations and restrictions, etc. applied to executives and/or employees within information barriers within the scope of the acquired confidential information.

§62. Internal and External Meetings and Communications

(1) In cases where there are meetings or communications about the duties performed between executives and/or employees in accordance with each of the Subparagraphs of [§50(1)] of the Enforcement Decree of the Act and in cases where there are meetings or communications pursuant to [§51(5)] of the Enforcement Decree of the Act, a financial investment company shall keep a record and store the records in written, electronic methods or other methods that allow recording and reading.

(2) In cases where a person who had a meeting pursuant to Paragraph (1) keeps a meeting record (hereinafter referred to as the "meeting record"), all of the items in each of the following Subparagraphs shall be included therein:

1. Name of the meeting;

2. Name of the department (in the case of participants from other companies, include the name of the affiliated company and the name of the company selling collective investment securities), position, and name of each participant;

3. Date, time and venue of the meeting;

4. Purpose of the meeting; and

5. Major details of the meeting. Provided, That in this case, recording the entire meeting and keeping it, or confirming the appropriateness of the meeting by having an employee of the compliance department sit in the meeting may replace this item.

(3) A person who communicated according to Paragraph (1) shall, in the case of recording such communication (hereinafter referred to as the "communications record"), record all of the items in the following Subparagraphs therein. Provided, That in this case, recording the entire content of the communications or storing all of it using an electronic method or other means of reading may replace maintenance of records:

1. Name of the department (in the case of participants from other companies, include the name of the affiliated company and the name of the company selling collective investment securities), position, and name of each person;

2. Time, date and method of communications;

3. Purpose of communications; and

4. Major details of communications.

(4) A compliance officer may decide on the communications method for the communications stipulated in Paragraph (1).

(5) A person who participated in a meeting or communication shall, in cases where he/she provided or received materials through such meeting or communication, include a copy thereof in the meeting record or the communications record.

(6) A compliance officer or a person designated by the compliance officer shall confirm the maintenance of a meeting record or communications record and the appropriateness of its contents, etc.

SECTION V

PROVISION OF INFORMATION FOR CHECKING INTERNAL CONTROLS BETWEEN AFFILIATED COMPANIES, ETC.

§63. Application Scope and Reasons for Provision of Exchange-Prohibited Information[5)]

(1) The regulations in this section shall only apply to cases where a financial investment company provides exchange-prohibited information to an affiliated company in accordance with Item b of [§51(2)1] of the Enforcement Decree of the Act.

(2) A financial investment company may, in cases where it performs duties to comply with the internal control standards, monitor whether the compliance duties have been fulfilled, or jointly perform financial investment business-related duties with an affiliated company in accordance with Item b of [§51(2)1] of the Enforcement Decree of the Act, provide exchange-prohibited information and determine the specific reasons for providing the information.

(3) Apart from the specific reasons determined by the financial investment company, a financial investment company may, in cases where the compliance officer gives prior approval to provide exchange-prohibited information in accordance with the procedures set out in [§65(2)] after recognizing that it is necessary for performing duties to comply with the internal control standards and monitor the compliance with the standards, or in cases where there is an approval to provide the exchange-prohibited information in accordance with the procedures set out in [§65(2)] after confirming beforehand that it is a joint duty related to the financial investment business, provide such information to an affiliated company.

(4) Executives and/or employees of an affiliated company may, in cases where

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5) Exchange-prohibited information is the information defined in Subparagraphs 1, 2 and 4 of [§51(3)] of the Enforcement Decree of the Act that may be provided to an affiliated company only upon satisfaction of the methods and procedures set forth in the Act or internal control Standards.

it does not fall under reasons in Paragraph (2) and (3), not request the provision of exchange-prohibited information, and the company may, in cases where it does not fall under reasons in Paragraph (2) and (3), not provide such information to executives and/or employees of an affiliated company.

§64. Request for Exchange-Prohibited Information

(1) A person, who may request the provision of exchange-prohibited information, is limited to an executive and/or employee belonging to an affiliated company that belongs to a department designated by the company.

(2) A person who is an executive and/or employee belonging to an affiliated company that does not fall under Paragraph (1) may request the provision of the exchange-prohibited information by providing explanation on the reasons to gain access thereto. In this case, the exchange-prohibited information may be provided only when the compliance officer has approved such request, and in cases where the request has been approved, the compliance officer shall keep a separate record of the explanation on the reasons for gaining access to the information and purpose and reasons for approving the provision of such information.

(3) A person who wants to request the provision of certain exchange-prohibited information in accordance with Paragraph (1) or (2) shall request such information for the purposes of its use (limited to the purposes provided in [§63(2)] and [§63(3)]) within the necessary scope.

(4) A compliance officer may, in cases where he/she believes that there is a conflict of interest, request the person or department providing the exchange-prohibited information refuse such a request or take the appropriate measures, such as making a request to stop the provision of such information, even if there has been a request for the provision of exchange-prohibited information by a person falling under Paragraph (1).

§65. Provision of Exchange-Prohibited Information

(1) In cases where there is a request for the provision of exchange-prohibited information or such information has been provided due to the reasons set out

in [§63(2)], the exchange-prohibited information may be provided to an affiliated company without the compliance officer's prior approval on the premise that the procedures for maintaining records provided in [§67] are complied with.

(2) In cases where an affiliated company requests the financial investment company to provide exchange-prohibited information or the financial investment company provides the affiliated company with such information in accordance with [§63(3)], the financial investment company shall explain the reasons why it is necessary to provide such information to the compliance officer beforehand. The compliance officer may, only in cases where he/she believes that the above explanation is reasonable and the provision of such information has little possibility of causing conflicts of interest, approve the provision of such information. In this case, the compliance officer shall keep a separate record on the details of the explanation and purpose and reasons for approving the provision of such information.

(3) A person who wants to provide certain exchange-prohibited information in accordance with Paragraph (1) and (2) shall provide such information for the purposes of the provision of such information (limited to the purposes provided in [§63(2)] and [§63(3)]) within the necessary scope.

(4) Executives and/or employees of the financial investment company shall, in cases where it is unclear whether the information being provided to an affiliated company falls under the scope of exchange-prohibited information or whether the purpose of providing such information to an affiliated company falls under [§63(2)] and [§63(3)]], receive prior confirmation from the compliance officer by explaining why it is necessary to be provided with such information.

§66. Compliance Officer's Authority on Confirmation

(1) A compliance officer may, in cases where there are doubts that the exchange-prohibited information has been used for a purpose other than its original intention, request explanation on the details of the use of such information to the information recipient, head of the information recipient's department, or the compliance department of the relevant affiliated company.

(2) A compliance officer shall, in cases where it has been confirmed that the exchange-prohibited information was used for a purpose other than its original intention, immediately request the department that is providing such information to stop the provision.

(3) A compliance officer shall, in cases where it has been confirmed that there is a conflict of interest as a result of providing the exchange-prohibited information, report or notify such fact to the representative director (in the case of a foreign financial investment company, the head of the branch office or any other business office) and the compliance department of the affiliated company that received the information and request appropriate measures to be taken in accordance with the Relevant Acts, etc. and the internal control standards.

§67. Maintenance of Record on Exchange-Prohibited Information

(1) A financial investment company shall, in cases where the exchange-prohibited information has been provided or provision of such information has been refused to executives and/or employees of an affiliated company, record and store related details in written, electronic methods or other methods that allow recording and reading.

(2) A financial investment company shall decide the person who is obliged to maintain the records stipulated in Paragraph (1) and the details to be recorded, including the details of the request, provision and refusal of information provision.

§68. Monitoring Obligations of Compliance Officer

(1) A compliance officer of a company shall confirm and review the records maintained under [§67]).

(2) A compliance officer shall, in cases where it has been found through monitoring that the exchange-prohibited information has been provided in violation of this Standard, take the measures provided in [§66(2)] and report the details to the representative director (in the case of a foreign financial

investment company, the head of the branch office or any other business office) and the head of the related department.

§69. Establishment and Revision of Standards for Information Provision

(1) A financial investment company shall receive confirmation from the Governor of the Financial Supervisory Service when revising the main details of Section V.

(2) Notwithstanding Paragraph (1), in cases where minor details are revised due to changes in the organization and roles and responsibilities, etc. of an affiliated company, the revision may take place in accordance with the internal approval procedure.

SECTION VI
FORMULATION AND MANAGEMENT OF TRADING RESTRICTION LIST, ETC.

§70. List of Corporations Subject to Trading Restrictions

A financial investment company shall designate, record and maintain a list of corporations subject to trading restrictions so that restrictions are applied to the trading of financial investment instruments issued by a corporation that is in a relationship with the company that falls under any of the following Subparagraphs at the discretion of the company and the executives and/or employees that have the information, etc. (hereinafter referred to as the "trading, etc." in this Section):

1. In cases where the company performs brokerage, mediation, agency or consulting duties for mergers and acquisitions, stock certificate (including equity-related bonds) acquisition duties and mediation duties for public offering, private placement or sale, or brokerage, mediation, agency or consulting duties for sale and purchase of stocks. Provided, That corporations may be excluded from the trading

restriction list in cases where there is a reasonable reason considering the scale and importance, etc. of the duties performed;

2. In cases where the trading, etc. is restricted by law or an agreement; and

3. In other cases where it has been recognized that it is reasonable for the company to restrict the trading, etc.

§71. List of Corporations Trading under Cautionary

(1) A financial investment company shall designate, record and maintain a list of trading under cautionary for corporations that are in a relationship with the company that falls under any of the following Subparagraphs. In cases where the target of the trading, etc. is the financial investment instrument issued by such corporation, the financial investment company shall fulfill the duty of care to ensure there are no conflicts of interest between the company, executives and/or employees and the customers, or between the company and executives and/or employees:

1. In cases where the financial investment company is participating or involved as a guarantor of payment or other creditor, debtor, etc.;

2. The corporation which designated the financial investment company as the tender offer agent pursuant to [§133(2)] of the Act and the corporation that issued the securities that the said corporation is trying to publicly purchase. Provided, That this shall only be applied to cases where the period of such tender offer has not elapsed;

3. In cases where there has been an indication of the intent to entrust the duties related to Subparagraph 1 of [§70] by the customer or such request has been made to the financial investment company;

4. In cases where the financial investment company has signed a confidentiality agreement with the corporate counterparty while performing the duties prescribed in Subparagraph 1 of [§70] that is not disclosed to the general public (refers to the information

stipulated in each of the Subparagraphs of [§201(1)] of the Enforcement Decree of the Act and in cases where the period has not elapsed); and

5. In cases where it is recognized that it is necessary to take caution against trading, etc. of companies that are affiliated companies or corporations in which the company holds at least 1% of the total issued shares, etc.

§72. Accessing, etc. the Trading Restriction List and Trading under Cautionary List

(1) Executives and/or employees that are directly performing relevant duties or conducting trading, or those that manage, supervise or perform the compliance duties on such duties or trading shall be allowed to access the trading under cautionary list that falls under Subparagraph 3 and 4 of [§71(1)], and the company shall establish and operate a security system regarding the access procedures for such list, etc.

(2) Notwithstanding Paragraph (1), a financial investment company shall, in cases where it has been disclosed to the general public that duties subject to Subparagraphs 3 and 4 of [§71] are being performed, manage the corporations on the trading restriction list.

(3) A financial investment company shall, in cases where it has designated a corporation on the trading restriction list, immediately notify the relevant departments and executives and/or employees or implement and operate a filtering system that can block trading, etc. in advance so that unfair trading, etc. does not occur.

(4) Executives and/or employees shall not leak the trading restriction list or trading under cautionary list or unfairly use the lists.

(5) Executives and/or employees shall confirm whether the trading restriction list, etc. applies to the trading, etc. before conducting such trading.

§72-2. Restrictions on Investment Recommendation and Publication of

Research and Analysis Data

(1) A financial investment company or executives and/or employees shall not recommend trading of financial investment instruments issued by a corporation designated on the trading restriction list or on the trading under cautionary list without notifying the customer or counterparty beforehand of the interests between itself and the corporation. Provided, That exceptions shall apply in cases where the financial investment company did not notify the customer or counterparty due to reasons falling under any of the following Subparagraphs:

1. In cases where the said customer or counterparty was already aware of the interests between the financial investment company and the corporation at the time the trading was recommended, or there are reasonable grounds to believe so. Provided, That exceptions shall apply to trading recommendations based on research and analysis data;

2. In cases where the executives and/or employees that recommended the trading were not aware of the interests between the financial investment company and the corporation. Provided, That exceptions shall apply in cases where the financial investment company ordered or induced the executives and/or employees to recommend the financial investment instrument without notifying them of the interests between itself and the corporation; and

3. In cases where it is recognized that the trading was recommended for the best interest of the customer or counterparty. Provided, That exceptions shall apply to trading recommendations based on research and analysis data

(2) A financial investment company shall designate the corporation on the trading restriction list or the trading under cautionary list, record and maintain the list so that restrictions apply to the research and analysis data or the interests between the company and the corporation are clearly stated, etc. in accordance with the provisions of [§2-29] of the Regulations on Business Conduct and Services of Financial Investment Companies.

SECTION VII
MAINTENANCE AND MANAGEMENT OF INFORMATION BARRIERS

§73. Monitoring on Maintenance and Adequacy of Records

(1) A compliance officer shall record and maintain the matters in the following Subparagraphs regarding the installation of information barriers and the designation of corporations on the trading restriction list, etc.:

1. Pass-through and re-application of information barriers: department and name of the person that passed through the information barrier and the person that approved the pass-through, time and date of pass-through and re-application, details of accessed information, etc.; and

2. Maintenance and management of the trading restriction list and trading under cautionary list: reasons and date of designation and cancellation of designation, etc.

(2) A compliance officer shall regularly monitor the appropriateness of the record-keeping and maintenance according to Paragraph (1), pass-through of information barriers and approval thereon, and the designation and cancellation of designation on the trading restriction list and trading under cautionary list. Provided, That the appropriateness of record-keeping and maintenance related to Subparagraph 1 of Paragraph (1) shall be monitored at least once a month.

CHAPTER III
COMPLIANCE FOR CONDUCTING OTHER DUTIES

SECTION I
TRADING OF FINANCIAL INVESTMENT INSTRUMENTS BY

EXECUTIVES AND/OR EMPLOYEES

§74. Basic Principles

(1) Executives and/or employees shall comply with matters in the following Subparagraphs regarding the trading of financial investment instruments.

1. Actual or potential conflicts of interest between investors, customers, companies or shareholders should not occur;

2. Commit actions that cause a loss to investors, customers or companies by using their official position at the company;

3. Cause difficulties in the performance of duties due to excessive trading in terms of the amount and number of trading, etc.;

4. Meet the characteristics of a sound investment and do not speculate;

5. All procedures for trading shall be fair and transparent and refrain from violating the Relevant Acts, etc., and committing inappropriate actions as executives and/or employees, including market price manipulation, etc.;

6. Refrain from doing any form of trading based on undisclosed information on the financial investment company or a company subject to investment; and

7. The account for the trading of financial investment instruments shall be set up under one's own real name.

(2) A financial investment company shall not impose discriminating fees for the trading of financial investment instruments between customers and executives and/or employees without justifiable reasons.

§75. Opening and Reporting of Accounts

(1) Executives and/or employees shall, when trading financial investment

instruments (hereinafter referred to as the "equity securities, etc.") that are subject to each of the Subparagraphs of [§64(2)] of the Enforcement Decree of the Act on their own account, trade under their real name.

(2) Executives and/or employees shall, in cases where they want to trade equity securities, etc., trade through the company except in the cases in the following Subparagraphs:[6)]

1. In the case of trading financial investment instruments that are not dealt by the company;

2. In the case of subscribing for securities issued or traded through public offering or public sales;

3. In the case of selling financial investment instruments acquired through inheritance, gift (including testamentary gift), exercise of security right, receipt of payment through accord and satisfaction; and

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6) In the case of not operating investment brokerage business, §75(2) is as follows:

② Executives and/or employees shall, in cases where they want to trade equity securities, etc., trade them through a single financial investment company except in the cases in the following Subparagraphs:

1. In the case of trading financial investment instruments that are not dealt by the financial investment company transacting the trade;
2. In the case of subscribing for securities issued or traded through public offering or public sales;
3. In the case of selling financial investment instruments acquired through inheritance, gift (including testamentary gift), exercise of security right, receipt of payment through accord and satisfaction; and
4. In the case of selling financial investment instruments acquired before joining as executives and/or employees of the company.

4. In the case of selling financial investment instruments acquired before joining as executives and/or employees of the company.

(3) Executives and/or employees shall use one account for the trading of equity securities, etc. on their account except for cases in the following Subparagraphs:

1. In the case of dividing and designating the accounts by financial investment instruments;

2. In the case of opening a separate account to receive tax benefits in accordance with the Restriction of Special Taxation Act;

3. In the case of selling financial investment instruments acquired through inheritance, gift (including testamentary gift), exercise of security right, receipt of payment through accord and satisfaction, etc.

(4) Executives and/or employees shall, in cases where an account for trading equity securities, etc. of the financial investment company or another financial investment business entity has been set up, immediately report the matters provided in the following Subparagraphs to the compliance officer.

1. Account name;

2. Account number; and

3. Branch office of account opening

(5) Executives and/or employees engaged in corporate finance, investment and management of proprietary property, discretionary investment property (referring to the discretionary investment property managed by the headquarter office) and collective investment property into equity securities, etc., research and analysis, and other business affairs acknowledged by the financial investment company to be needed for the prevention of conflicts of interest, shall, in cases where an account is opened by their spouse or underage children for the trading of equity securities, etc., report the matters prescribed in the Subparagraphs of Paragraph (4) immediately to the compliance officer.

However, this shall not apply in cases where an account is opened to trade the following financial investment instruments:

1. Derivatives-linked securities (excluding ELW); and

2. Newly issued securities via public offering or public sale.

(6) Executives and/or employees shall, in cases where the compliance officer makes a request for explanation about the trading and other trades, comply faithfully.

§76. Reporting Trading Details and Abnormal Trading

(1) Trading statements (excluding the matters that have already been reported) of equity securities, etc., shall be reported to the compliance officer in a monthly (or quarterly) manner, by the end of the following month after each month ends in the case accounts are opened by a Certified Investment Advisor, a Certified Research Analyst and a Certified Investment Manager[7], and by the end of the following month after each quarter ends in the case accounts are opened by other executives and/or employees and their spouse or underage children registered pursuant to [§75(5)]. Provided, That in cases where the financial investment company (with the consent of executives and/or employees, and their spouse or children) has established a computer system, etc., where the details of the trading of financial investment instruments may be regularly checked and if the appropriateness of the trading details are checked monthly (or quarterly) through such system, the obligation to report may be exempted.

(2) The head of a branch office (refers to branch and business offices, the same hereinafter) or the person in charge of the compliance duties at a branch office shall, in cases where there is a violation of the Relevant Acts, etc. or other abnormal trades found from an account under the name of the

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7) A Certified Investment Advisor, a Certified Research Analyst and a Certified Investment Manager : Item a, b and c of Subparagraph 3 of [§286(1)] of the Act.

company's executives and/or employees set up at the branch office, immediately report such fact to the compliance officer.

§76-2. Internal Control

(1) Executives and/or employees, in the case they want to trade the financial investment instruments pursuant to Subparagraph 1 of [§64(2)] of the Enforcement Decree of the Act (hereinafter referred to as the "listed equity securities" in this Article), gain prior approval of the person in charge appointed by the company such as the compliance officer or head of department or branch office. The effective period of the prior approval shall be within two (2) business days including the approval date, decided by the financial investment company.

(2) Notwithstanding Paragraph (1), the executives and/or employees may trade the listed equity securities without having to gain prior approval, in the case the financial investment company establishes and operates a filtering system on matters prescribed in the following Subparagraphs for the trading of listed equity securities:

1. Whether or not companies included in the list of trading restrictions under [§70] and list of trading caution under [§71] are traded;

2. Whether or not the mandatory number of holding days or turnover rate stipulated in Paragraph (3) are complied with; and

3. Whether or not there is an occurrence of front-running that uses trading order information that may significantly affect the price of listed equity securities, or other matters that the financial investment company has designated to be needed to prevent conflicts of interest.

(3) In the case executives and/or employees buy listed equity securities pursuant to any of the following Subparagraphs, they shall retain the securities for at least five (5) business days from the buy date (in the case the same securities have been bought over a number of days, the most recent buy date):

1. The financial investment company restricts the trading of listed equity securities to have the monthly turnover rate of no more than 500%, and number of buy orders (cancellation or revision of a buy order shall not be counted as a buy order) to be no more than 3 (three) on a daily basis and thirty (30) on a monthly basis;

2. There is an occurrence of over 10% of unrealized valuation loss among the bought equity securities; and

3. The compliance officer has granted prior approval.

(4) In the case the executives and/or employees sell the listed equity securities pursuant to the reasons stipulated in Subparagraph 2 and 3 of Paragraph (3), and the financial investment company exceeds the monthly turnover rate stipulated in Subparagraph 1 of Paragraph (3), it shall not be deemed for the monthly turnover rate to have been exceeded.

(5) The annual investment limit of the executives and/or employees for listed equity securities and exchange-traded derivatives shall not exceed their annual salary, and the gross investment amount shall not exceed the limit (ex: 500 million won) set by the financial investment company. However, in the cases prescribed in the following Subparagraphs, the investment shall not be deemed to have exceeded the limit set by the company and in such cases, only selling or withdrawal shall be allowed for the amount exceeding the limit set by the company or approved in advance by the compliance officer pursuant to Subparagraph 3.

1. The amount invested before the effective date of this Standard exceeds the limit set by the company;

2. The allocation into subscription for publicly issued equity securities exceeds the limit set by the company; and

3. The compliance officer has granted prior approval.

(6) Notwithstanding Paragraph (5), the following Subparagraphs shall not be counted as investment of executives and/or employees:

1. When investment is acquired through stock options or employee stock ownership association;

2. When investment is acquired through inheritance, gift (including testamentary gift), exercise of security right, receipt of payment through accord and satisfaction; and

3. The compliance officer has granted prior approval.

(7) Executives and/or employees shall not engage in credit transaction of equity securities or trade the following financial investment instruments:

1. Exchange-traded derivatives or ELW. However, this does not apply in the case the compliance officer has granted prior approval for the investment amount and trading period for executives and/or employees' job training purposes; and

2. Other types of financial investment instruments designated by the company.

(8) The financial investment company should establish and operate a system that can immediately block orders from the accounts of executives and/or employees in the event of an emergency, such as the occurrence of fat-finger error.

(9) Paragraphs (1) and (2) shall not apply to financial investment companies not engaged in the investment brokerage of equity securities or the investment and management of collective investment property into equity securities. Paragraphs (1) through (8) shall not apply to financial investment companies not engaged in financial investment business apart from crowdfunding brokerage.

SECTION II
MANAGEMENT AND PROTECTION OF PERSONAL CREDIT INFORMATION

§77. Establishment of Management and Protection Policies for Personal Credit Information

A financial investment company shall establish management and protection policies for personal credit information and establish and operate a system needed for the management and protection of personal credit information, including the enactment of a detailed regulation that can guarantee the implementation of such policy.

§78. Designation and Operation of the Person in Charge of Managing and Protecting Personal Credit Information

A financial investment company shall designate a person in charge of the management and protection of personal credit information to oversee such duties with the supervision of the compliance officer (or auditor) and ensure the performance of the duties in the following Subparagraphs:

1. Formulation and implementation of plans for the management and protection of credit information, such as the collection, keeping, provision, and deletion thereof;

2. Regular inspection and improvement of the status and practice of the management of credit information, such as the collection, keeping, provision, and deletion thereof;

3. Exercise of rights of owners of credit information, such as the perusal of and the request for correction of credit information, and damage relief;

4. Establishment and operation of internal control system to prevent disclosure, etc. of credit information;

5. Formulation and execution of a plan to protect credit information for its executives and/or employees, exclusive solicitors, etc.;

6. Inspection for compliance with the statutes and regulations related to

the protection of credit information by its executives and/or employees, exclusive solicitors, etc.; and

7. Other duties prescribed by the Enforcement Decree of the Credit Information Use and Protection Act to manage and protect credit information.

§79. Prevention of Misuse of Customer's Credit Information by Executives and/or Employees

(1) A financial investment company shall give different grades to executives and/or employees regarding the right to access to customer's credit information according to their duties and position and the appropriateness of the customer's credit information shall be regularly checked.

(2) A financial investment company shall establish the standard of sanction for inappropriate inquiries on customer's information and clearly divide the role and management responsibility of the person in charge of handling personal credit information.

(3) A financial investment company shall establish measures to prevent the leakage and misuse of customer's credit information for the executives and/or employees in service and those who retire.

§80. Security Measures on Computer System

A financial investment company shall formulate and implement technological, physical and administrative security measures with respect to the unlawful access by a third party and alteration, compromise and destruction to the information entered and thoroughly check to ensure its implementation.

SECTION III
ESTABLISHMENT AND OPERATION OF ANTI-MONEY LAUNDERING SYSTEM

§81. Establishment of Anti-Money Laundering System

(1) A financial investment company (excluding investment advisory business entity; the same will apply hereinafter) shall establish an anti-money laundering system that comprehensively considers the regulations, procedures, organizations and systems for the smooth implementation of suspicious transaction report (STR), currency transaction report (CTR) for a large sum of money, and obligation of customer verification, etc.

(2) A financial investment company shall establish the organizational structure and internal guidelines, such as designating a person in charge of reporting, needed to smoothly implement the report obligations stipulated in the Act on Reporting and Using Specified Financial Transaction Information to efficiently prevent money laundering activities (hereinafter referred to as "money laundering activities, etc.").

(3) A financial investment company shall establish a continuous training and educational system for the efficient operation of internal controls.

(4) A financial investment company shall establish and operate an independent audit system where a department independent of the department performing duties to prevent money laundering activities, etc. or an external expert can review and evaluate the adequacy and effectiveness of the duties performed and resolve problems identified.

(5) A financial investment company shall check the verification information of executives and/or employees to prevent them from engaging in or being involved in money laundering activities, etc.

§82. Establishment of Risk-Based Procedures for Anti-Money Laundering

(1) A financial investment company shall establish and operate a money laundering risk evaluation system that can identify and assess the risks of money laundering and the financing of terrorism by considering the business

environment and characteristics, and establish procedures for duty of customer verification and monitoring according to the level of risks.

(2) A financial investment company shall establish and operate a monitoring system to prevent money laundering by utilizing diverse analysis methods, including rule and scoring, to effectively monitor abnormal transactions or trading patterns.

§83. Establishment of Reporting System (STR, CTR)

A financial investment company shall establish a reporting system divided into the internal reporting system, which shall report the transactions subject to STR and CTR to the person in charge of such report, and the external reporting system, which shall submit such reports to the Korea Financial Intelligence Unit.

§84. Maintenance of Data Related to Anti-Money Laundering

(1) A financial investment company shall maintain internal/external reports and related data, including customer verification record, financial trading record, STR and CTR, for more than five years.

(2) The following Subparagraphs prescribe the data that the financial investment company has to maintain regarding customer verification: :

1. A customer verification statement, a copy of real name confirmation statement or materials acquired to verify or certify the information on the customer (including a proxy and an actual owner);

2. Materials confirmed additionally to identify the purpose and characteristics of the financial trading other than customer identity information;

3. Materials related to internal approval for the customer verification; and

4. Materials related to opening accounts, including the date of account

opening, the person in charge of account opening, etc.

(3) The data that a financial investment company has to maintain regarding the financial trading records is in the following Subparagraphs:

1. Computer data, trading applications, agreements, statements, copies of statement, business letters, including the account number used in the trading, product type, trading date, type of currency, and trading amount; and

2. Evidence regarding the internal approval on financial trading, etc.

(4) The data that a financial investment company has to maintain regarding internal and external reporting is in the following Subparagraphs:

1. Suspicious transaction report (a copy or approval form) and financial trading data subject to such reports;

2. Data that provides evidence of reasons for suspicion;

3. Investigation record and other data regarding the possibility of money laundering activities, etc. for unreported suspicious transactions; and

4. Management reports of the person in charge of the report for anti-money laundering activities, etc.

(5) A financial investment company shall maintain the data in the following Subparagraphs for five (5) years excluding the data from Paragraphs (2) to (4).

1. Data related to the design, operation and assessment of internal control activities for anti-money laundering, etc.;

2. Records on independent audits and follow-up measures; and

3. Matters related to training, including training details, date and participants, regarding anti-money laundering.

§85. Maintenance Method of Data, etc.

(1) A financial investment company shall establish and operate procedures for maintaining and managing data in accordance with the [§84].

(2) A financial investment company shall maintain data in various forms, including the original, copies, microfilms, scans, and computer data, etc., according to the internal management procedures.

(3) A financial investment company shall manage the data to ensure that it is kept confidential under the responsibility of the person in charge of reporting.

(4) A financial investment company shall maintain the data that should be kept at the head office or document storage (hereinafter referred to as the "head office, etc.). Provided, That in cases where it is difficult to keep such data at the head office, etc., it may be kept somewhere else.

(5) A financial investment company shall, in cases where there is request for the data pursuant to [§84] by the head of the Korea Financial Intelligence Unit or the head of an institution entrusted with the audit duties in accordance with [§11(6)] of the Act on Reporting and Using Specified Financial Transaction Information (hereinafter referred to as the "Act" in this Article), provide such information in a timely manner.

§86. Protecting the Confidentiality of Reporting

A financial investment company shall ensure the confidentiality of the reporting related to reports made on suspicious transactions of executives and/or employees, and the person in charge of reporting or employees in charge of duties regarding suspicious transactions shall not disclose or offer information and data provided by executives and/or employees to other person, or use thereof for purposes other than defined.

SECTION IV
TREATMENT OF CIVIL COMPLAINTS AND DISPUTES

§87. Policy of Handling Complaints

A financial investment company, executives and/or employees shall promptly and fairly handle various complaints and grievances (hereinafter referred to as "civil complaints") raised through the methods of phone calls, visits, documents (including posting on the website), etc. by a customer.

§88. Procedures for Civil Complaints and Disputes

(1) Civil complaints and disputes shall be promptly handled prior to other duties.

(2) The head of the department or the branch office shall faithfully respond to the complaints raised by customers by fully explaining the reasons, etc., and the person in charge of civil complaints at a financial investment company shall consult with the head of the applicable department or the branch office, etc. to give an earnest letter of reply to the customer.

(3) In cases where the problem has not been resolved with the letter of reply in Paragraph (2), the head of the applicable department or the branch office shall report the details of the complaint to the head of the department in charge of civil complaints or the compliance officer.

§89. Handling of Civil Complaints and Disputes

(1) A financial investment company shall establish an organization to be in charge of handling civil complaints and disputes in a fair manner. Provided, That in cases where it is difficult to establish a separate organization, the audit department or the compliance department shall perform the duties of handling civil complaints and disputes.

(2) A financial investment company shall establish and operate a separate guideline for the procedures, reporting and reply of handling civil complaints and disputes. In this case, it requires the prior approval of the compliance officer. Provided, That in cases where the audit department is handling the civil complaints and disputes, it requires the prior approval of the auditor.

(3) A compliance department shall operate the training program needed to train employees in charge of civil complaints and prevent thereof and make and distribute related manuals, etc. to ensure the efficient handling of civil complaints and disputes. In cases where there is request for cooperation from another department regarding training, the applicable department shall provide full cooperation.

(4) Executives and/or employees shall, in cases where a systematic or procedural problem has been found during the process of handling civil complaints and disputes, express their opinion about such problem to the compliance department.

(5) A financial investment company shall establish a system where customers can efficiently raise complaints, including the operation of a section for receiving complaints on the website, and actively promote such fact to customers.

SECTION V
PROVISION OF INFORMATION AND USE OF ELECTRONIC COMMUNICATIONS MEANS

§90. Compliance Matters for Provision of Information

(1) Executives and/or employees shall, in cases where information is provided to the media, etc. regarding the performance of their duties, consult with the relevant department beforehand.

(2) Executives and/or employees shall, in cases where information on the market condition or investment on financial investment instruments is provided externally, sufficiently review matters in the following Subparagraphs:

1. Whether the information provided is false, lacks of evidence, or contains statement or prediction that may cause a misunderstanding to the general public;

2. Whether the information may cause unnecessary misunderstanding from the overall perspective;

3. Whether the person providing the information has sufficient knowledge and qualification about the subject being mentioned; and

4. Whether the information provided to the media, etc. is appropriate considering the complexity or expertise of the contents, etc.

§91. Compliance Matters for Using Electronic Communications Means

Executives and/or employees shall, in cases where electronic communications means including e-mail, chat rooms, bulletin boards, and websites, etc. are being used, fully acquaint themselves with and comply with the matters in the following Subparagraphs:

1. An e-mail exchanged between executives and/or employees and customers is applicable to the Relevant Acts, etc. and this Standard regardless of location;

2. Executives and/or employees' participation in an external chat room shall be considered a public forum and must comply with the standards of each Subparagraph of [§90(2)] ; and

3. Executives and/or employees shall, in cases where they want to post details analyzing or recommending certain financial investment instruments on an internet bulletin board or website, etc., comply with the procedures and methods provided by the compliance officer beforehand. Provided, That in cases where the information has been quoted with the indication of its source or it is a recommendation based on technical analysis, it shall not be applied.

SECTION VI
COMPUTER SYSTEM

§92. Computer Facility and Trading System

(1) A financial investment company's computer facility shall certify the safety and function related to the performance of duties, including host, database server, storage device, device, exclusive line, etc., and make sure it is established without causing inconvenience to conducting duties when the business increases rapidly in the future.

(2) Executives and/or employees in charge of IT shall regularly check the effectiveness and appropriateness of the matters in the following Subparagraphs after the establishment or improvement of the computerized trading system.

1. Safety of the computer system;

2. Appropriateness of the security of the customer or trading information;

3. Appropriateness of the capacity of the computer system; and

4. Fairness and accuracy of the computerized processing process for trading order.

§93. Security Management

(1) A financial investment company shall establish and operate security management regulations on the system security, integrated terminal security, application security, network security and management security, and regularly check the matters in the following Subparagraphs to report the details to the compliance officer or the person in charge of the related duties.

1. Whether an intrusion prevention program certified by a national institution has been installed and the operational status of the system;

2. Whether a password program certified by a national institution has been used to encrypt electronic financial transactions and the operational status of the program;

3. Whether an intrusion detection system has been installed and its operational status;

4. Whether a recovery plan and an emergency plan has been established and its effectiveness;

5. Whether a team dedicated to recovery is in place; and

6. Security safety of cyber trading system and cyber branches.

(2) Important information, such as account numbers, passwords, etc. shall be encrypted before being stored and sent when using the internet or wireless communications, etc. for trading, and in cases where there is a change in the person who is in charge of creating and managing the keys for encryption, an appropriate measure shall be taken, including the change of password number, the change of access authority, etc.

(3) The head of the IT department shall establish and operate a system that controls the access, including establishing a restricted area and providing card keys, etc., to ensure the security of the information system.

(4) A financial investment company shall always change the access password for entering the department and information system when executives and/or employees in IT retires or moves to another department so that persons without the appropriate rights are prevented from access to the department and information system.

§94. Management and Countermeasures for Computer Failure

(1) The head of the IT department shall establish standards for classification of computer failures and keep a daily record on all of them, and in cases where there is a computer failure that is above certain levels, the details of such failure shall be immediately reported to the compliance officer or auditor.

(2) A financial investment company shall promptly notify the occurrence of a computer failure to customers in accordance with the established procedures, making sure trading orders can be placed through alternative means.

SECTION VII.
DUTIES OF LEAD MANAGER

§95. Fair Business Operation and Prevention of Conflicts of Interest

A financial investment company, its executives and/or employees shall faithfully implement the Relevant Acts, bylaw, code of ethics, management agreement and Financial Supervisory Service's Standard Criteria for Due Diligence of Financial Investment Companies, etc., to seek fairness in business operations and prevent conflict of interests when performing lead manager duties.

§96. Minimum Period for Due Diligence

A financial investment company, when performing lead manager duties, shall conduct due diligence for a period prescribed in the following Subparagraphs or more in order to conduct substantive due diligence before submitting the registration statement.

1. For three (3) months in the case of IPOs (limited to cases where the stock is newly listed on the KOSPI Market or KOSDAQ Market);

2. For three (3) business days in the case of issuing a non-guaranteed bond with a credit rating that is or above an investment grade (referring to the investment grade as prescribed in Item b of Subparagraph 2 of [§3-10] of the Regulations on Business Conduct and Services of Financial Investment Companies); and

3. For seven (7) business days with regards to all other cases.

§97. Persons Obligated to Participate in Conducting Due Diligence

A financial investment company shall include two (2) or more specialists with qualifications falling under any of the following Subparagraphs when conducting due diligence with regards to the lead manager duties. In such case, one or more among the specialists shall come from the company's executives or employees.

1. A person with two (2) or more years of experience in underwriting;

2. A person with three (3) or more years of experience in corporate financial affairs (referring to corporate financial affairs as prescribed in [§68(2)] of the Enforcement Decree of the Act);

3. A lawyer (including foreign lawyers);

4. A certified public accountant (including foreign certified public accountants);

5. A person who is a Certified Research Analyst (referring to a Certified Research Analyst prescribed in Subparagraph 2 of [§2-25] of the Regulations on Investment Professionals and Qualifying Examinations) and has one (1) year or more experience in research analysis data preparation, review and approval, etc.; and

6. A specialist in securities analysis, industry analysis, etc. (referring to a person falling under Item b through g of Subparagraph 6 of [§1-4] of the Regulations on Investment Professionals and Qualifying Examinations).

SECTION VIII.
DUTIES OF LEAD MANAGER

§98. Prevention of Conflict of Interests

A financial investment company (limited to a company concurrently engaged in investment trading business/investment brokerage business and hedge fund investment business, excluding collective investment business entities not engaged in investment trading business/investment brokerage business apart from investment trading business/investment brokerage business with regards to the collective investment securities of the collective investment scheme managed by the company; the same will apply hereinafter), when managing collective investment property of hedge funds, shall not engage in the activities prescribed in the following Subparagraphs:

1. In the case collective investment property is invested or managed into financial investment products, activities in which the amount traded via brokerage of the company's or specific investment broker exceeds 50/100 of the gross trading value for each business year. However, this will not apply to specific investment brokers that have signed an agreement on the provision of prime brokerage business.;

2. Activities in which the financial investment company appoints itself as the prime brokerage business entity that performs custody and management duties for the collective investment property, or signs a trust agreement with a trust business entity that is the company's affiliated company;

3. Activities in which the fee rate paid to the company for the composition of research and analysis data and the entrusted trading of financial investment instruments exceeds the fee rate for the same services paid to another company; and

4. Activities in which stocks issued by the stock-unlisted corporation are bought as the collective investment property managed by the

company or sold without prior approval from the compliance officer, in the case the private equity fund that the company has invested its proprietary property in holds 30/100 or more of the total number of stocks issued by the stock-unlisted corporation.

§99. Internal Control

A financial investment company shall, when engaging in hedge fund investment business, comply with the following Subparagraphs for the efficient management of internal control:

1. A different floor or building shall be used with the location where a financial investment business is conducted, for which the sharing of office area or computer facility is not permitted pursuant to [§50(1)] of the Enforcement Decree of the Act;

2. The information sharing between hedge fund business and corporate finance business pursuant to any of the Subparagraph of [§50(1)] of the Enforcement Decree of the Act shall be monitored via a sample test conducted at least once a month, and the outcome shall be reported to the CEO or the board of directors at least once a quarter;

3. The financial investment company shall have an organization dedicated to the compliance monitoring of hedge fund business or a relevant professional;

4. In the case the financial investment company, under its name, acquires or disposes the assets for investment of the hedge fund where the company's proprietary property is invested in, compliance with the Relevant Act and the Association’s Pre-Asset Allocation Guidelines for Collective Investment Business Entities shall be inspected at least once a month and the outcome shall be reported to the CEO at least once a quarter. However, if any problem is detected, it shall be reported to the board of directors; and

5. The investment manager of the collective investment property of hedge funds shall establish and operate a computer system that blocks

in advance the trading of listed equity securities that the collective investment scheme managed by the investment manager invests in, or gain prior approval from the person in charge appointed by the company such as the compliance manager. In such case, the effective period of the prior approval shall be within two (2) business days including the approval date, according to the decision by the company.

§100. Management Performance Report

A financial investment company shall provide a management performance report that contains the information prescribed in the following Subparagraphs to investors at least once a quarter:

1. Turnover rate of stocks during the management period;

2. Fees paid to the investment broker (including the company) with regards to the entrusted trading of financial investment instruments and the composition of research and analysis during the management period;

3. Whether voting rights have been exercised with regards to the corporation required to disclose its voting rights to the public that the collective investment property of the hedge fund invests in during the investment period; and

4. The name of the top 10 items for buying and selling by the hedge fund among the items for which the research and analysis data has been publicly announced by the financial investment company during the investment period.

CHAPTER IV
PREVENTION OF UNFAIR TRADING, ETC.

SECTION I

UNFAIR TRADING

§101. Definition

"Unfair trading" refers to the following Subparagraphs:

1. The use of important undisclosed information pursuant to [§174] of the Act;

2. Market price manipulation pursuant to [§176] of the Act;

3. Unfair trading pursuant to [§178] of the Act; and

4. Market disturbances pursuant to [§178-2] of the Act.

§102. Restrictions for Executives and/or Employees

(1) Executives and/or employees are prohibited from engaging in "unfair trading" pursuant to each of the Subparagraphs of [§98].

(2) Executives and/or employees are prohibited from consigning a transaction related to "unfair trading" pursuant to each of the Subparagraphs of [§98].

SECTION II

DISTURBANCES ON THE USE OF INFORMATION

§103. Definition

(1) "Disturbances on the use of information" refers to unfair trading pursuant to [§178-2(1)] of the Act.

(2) "Important information" refers to information pursuant to Subparagraph 2 of [§178-2(1)] of the Act.

§104. Management of Information that may cause Market Disturbances

(1) Executives and/or employees shall manage "important information" pursuant to [§54].

(2) The establishment and operation of information barriers, determination of access rights and information barrier pass-through with regards to "important information" shall comply by matters prescribed in [§56] and [§61].

(3) The financial investment company shall register "designated financial investment instruments" related to "important information" on the "trading restriction list" pursuant to [§70] and "trading under cautionary list" pursuant to [§71] by taking into account the level of importance of the information and impact it may have on the market, to restrict the executives and/or employees' trading and company's trading of proprietary property, and inspect the appropriateness of the trading.

(4) Executives and/or employees shall, when engaged in meetings inside or outside the company or communications related to "important information", comply with the procedures and standards prescribed in [§62].

SECTION III

DISTURBANCES ON MARKET PRICE

§105. Definition

(1) "Disturbances on market price" refers to unfair trading pursuant to [§178-2(2)] of the Act.

(2) "Algorithm trading" refers to the trading conducted by an automated system without human intervention with regards to investment decisions or the creation and submission of prices based on consistent rules.

(3) “Algorithm trading management department” refers to IT, compliance, risk management departments, etc., and the scope shall be determined according to the company’s policy.

§106. Establishment and Operation of a Monitoring System

A financial investment company shall establish and operate a system that monitors the occurrence of disturbances on market price pursuant to [§102(1)].

§107. Management of Algorithm Trading

(1) A department that operates the “algorithm trading” program to trade “designated financial investment instruments” shall establish and operate the program without incurring “disturbances on market price.”

(2) In the case a financial investment company purchases or develops an “algorithm trading” program or uses the existing program after making changes, it shall gain prior approval from the “algorithm trading management department” on the appropriateness of the program, such as the inclusion of trading techniques that can incur “disturbances on market price”, before starting to use the program.

(3) The “algorithm trading management department” shall monitor the program on a periodic or timely basis to prevent market price disturbances from occurring due to the arbitrary changes and mistakes made by the “algorithm trading” program user or hacking.

(4) In the case an investor connects the separately purchased “algorithm trading” program to the financial investment company’s system, the company shall notify the investors in advance on matters on “disturbances on market price” and maintain and store related documentary evidence.

SECTION IV

COMMON AFFAIRS

§108. Provision of Preventive Education

A financial investment company shall provide education on a periodic or timely basis to prevent “unfair trading” of executives and/or employees.

§109. Response to Market Disturbances

In the case “unfair trading” by executives and/or employees occur, a financial investment company shall promptly implement measures to respond in a way that minimizes impact on the market.