

REGULATIONS
ON
MANAGEMENT AND SANCTIONS OF
THE SELF-REGULATION COMMITTEE

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CHAPTER I
COMPOSITION AND OPERATION OF
THE SELF-REGULATION COMMITTEE

§1. Purpose

The Purpose of these Regulations is to prescribe the matters concerning the operation of the Self-Regulation Committee (hereinafter referred to as “the Committee”) to be established under [§41] of the Articles of Association (hereinafter referred to as the “AOA”) of the Korea Financial Investment Association (hereinafter referred to as the “Association”) and sanctions on members of the Association and their executive officers and/or employees.

§2. Composition of Committee

The Committee shall consist of the following persons who shall be elected at the general meeting among the candidates recommended by the Nominating Committee who are not major shareholders or executive officers and/or employees of a member of the Association (in the case of Item d of Subparagraph 2, the representative director of a regular member that has not been appointed as one of the Member Directors of the Association):

1. One (1) person as the Chairman of the Self-Regulation Committee (hereinafter referred to as the “Chairman”); and
2. Six persons as the members of the Self-Regulation Committee (hereinafter referred to as the “Committee Members”)
 - a. Two (2) financial experts; [Amended on September 20, 2018]
 - b. One (1) legal expert;
 - c. One (1) accounting or finance expert; and
 - d. Two (2) representative directors of a regular member who has not been appointed as one of the Member Directors of the Association. [Amended on September 20, 2018]

§3. Chairman

(1) The Chairman represents the Committee, and presides over the meetings and supervises the duties of the Committee.

(2) In the case where the seat of the Chairman becomes vacant, or the Chairman cannot perform the duties due to an accident, one of the Committee Members that is elected among the Members shall act as the Chairman. [Amended on February 5, 2015]

§4. Convening of Meeting

(1) The meeting shall be convened by the Chairman if there is a request made from three (3) or more Committee Members or if it is recognized to be necessary by the Chairman.

(2) When convening the meeting, the Chairman shall give notice to each Committee Member of the date and time, venue, purpose and agenda, etc. of the meeting, by no later than three (3) days before the scheduled date of the meeting. Provided, That, this provision shall not apply in the case where it is inappropriate to give a written notice of the meeting and the agenda, or the Chairman recognizes that it is necessary to urgently convene a meeting.

§5. Resolutions of Committee

(1) The Committee shall issue resolutions on the following matters:

1. Matters related to the enactment, amendment and abolishment of the business regulations related to self-regulation (hereinafter referred to as “the self-regulatory regulations”) of the members; [Amended on March 17, 2017]
2. Matters related to the enactment, amendment and abolishment of the dispute resolution regulations for self-regulation of disputes;
3. Matters related to the investigation and sanctions against members and the recommendation of sanctions against an executive and/or employee of the members;
4. Matters related to the business delegated by the general meeting; and
5. Other matters deemed to be necessary by the Committee, including duties of self-regulation to maintain sound business practices among members and protect investors.

(2) The self-regulatory regulations under Subparagraph 1 of Paragraph 1 are as follows: [Amended on March 17, 2017]

1. Chapter I (Investment Recommendation), Chapter II (Preparation and Disclosure of Research and Analysis Data), Chapter III (Advertisement for Investment), Chapter V (Provision and Receipt of Pecuniary Benefits), Chapter VI (Recruit and Service Principles), Chapter VII (Protection of New Products) of Part II, Section II of Chapter I (Payment Methods and Procedures regarding Compensation for Use of Investor Deposits), Chapter II (Granting of Credit), Chapter IV (FX Margin Trading), Chapter V (Derivatives-linked Securities and Derivatives-linked Bonds) of Part III, Chapter V (Change in Sales Company of Collective Investment Scheme) of Part IV and Part V (Investment Advisory Business and Discretionary Investment Business) of the “Regulations on Business Conduct and Services of Financial Services Companies” [Amended on May 29, 2009, March 26, 2010, and August 31, 2018];
2. “Regulations on Financial Investment Professionals and Qualifying Examinations” [Amended on February 26, 2009];
3. “Regulations on the Management and Sanctions of the Self-Regulation Committee”;
4. “Regulations on Dispute Resolution”;
5. “Regulations on Management of Agreement of Financial Investment Companies”;
and
6. “Regulations on Securities Underwriting Business”.

§6. Resolution Method of Committee

(1) The quorum for a meeting of the Committee shall be a majority of the Committee Members in office, and a resolution of the Committee shall be adopted by the affirmative vote of a majority of the Committee Members present at the meeting.

(2) A Committee Member may attend the meeting by means of communication devices through which all Committee Members can transmit and receive video clips and voices simultaneously without being present in person at the meeting so as to make decisions. In such a case, the Committee Member concerned shall be regarded to have been present in person at the meeting of the Committee.

(3) In the case where the Chairman recognizes that there are any unavoidable circumstances, the Committee may adopt a resolution in writing with regard to the agenda. In such case, the Chairman shall notify each Committee Member of the reason.

(4) The Committee Member who has been excluded, evaded or avoided in accordance to [§7] shall not be counted when calculating the number of Committee Members who are present at the meeting as provided in Paragraph 1.

§7. Exclusion, Recusal and Avoidance of Committee Members

(1) The Committee Member shall be excluded from the deliberation and resolution of any matter that falls under any of the following Subparagraphs:

1. A matter in which he/she is directly interested; and
2. A matter in which his/her spouse, his/her kin within the four-tier kinship or relative within the two-tier kinship by marriage or the corporation to which he/she belongs is directly interested.

(2) In the case where a Committee Member deems it difficult to expect fair deliberation and resolution, he/she may apply for recusal. In such case, the Chairman shall ex officio decide on the application for recusal.

(3) In the case of reasons under Paragraph 1 or Paragraph 2, the Committee Member himself/herself may avoid the deliberation and resolution with regard to a specific matter with the approval from the Chairman. However, in the case where the Chairman himself/herself wishes to avoid the deliberation or resolution, he/she may do so with the approval from the Committee.

§8. Hearing, etc.

(1) In the case where the Committee deems it necessary for the deliberation, it may hold a hearing to listen to the opinions of the Association and the executive officers and/or employees of its members or other relevant experts.

(2) The Chairman may make the executive officers and/or employees of the Association give an explanation on the agenda or respond to questions related to the agenda.

(3) In the case where the Association wishes to enact, amend or abolish the self-regulatory regulations, it shall issue a public notice of the details on its website for twenty (20) days or more and hold a hearing. Provided, That in the case where the Chairman recognizes that the matter falls under any one of the following Subparagraphs, the public notice and hearing may be omitted or the period may be shortened: [Newly inserted on March 17, 2017]

1. In the case where the Association wishes to enact, amend or abolish the

self-regulatory regulations due to urgent reasons;

2. In the case where the Association wishes to enact, amend or abolish the self-regulatory regulations or enact, amend or abolish the formats pursuant to the enactment, amendment or abolishment of relevant laws and regulations; and

3. In the case where the impact of the enactment, amendment or abolishment of self-regulatory regulations on a member is marginal.

(4) The Association shall disclose the details of the enactment, amendment or abolishment of the self-regulatory regulations and the minute book of the relevant Committee meeting by posting them on the website of the Association. Provided, That in the case where the Committee recognizes that the details fall under one of the following Subparagraphs, all or part of the details may not be disclosed: [Newly inserted on March 17, 2017]

1. In the case where the confidential business or operation-related information of a corporation or organization could severely undermine the due profits of the corporation or organization when disclosed; and

2. In the case where the disclosure could infringe on the confidentiality or freedom of an individual's private life.

§8-2. Establishment and Composition of Self-Regulation Advisory Committee

(1) The Committee may have a Self-Regulation Advisory Committee.

(2) The Self-Regulation Advisory Committee shall consist of 18 persons or less including the representative directors of the regular members and financial/legal experts, etc. [Amended on April 30, 2010 and July 8, 2011]

(3) The members of the Self-Regulation Advisory Committee (hereinafter referred to as the "Advisory Committee Member") shall be appointed by the Chairman.

(4) The Chairman of the Advisory Committee (hereinafter referred to as the "Advisory Chairman") shall be one of the Advisory Committee Members appointed by the Chairman, and the Advisory Chairman shall represent the Advisory Committee and preside over the meetings of the Advisory Committee.

(5) The term of an Advisory Committee Member shall be one (1) year and the Advisory Committee Member may serve consecutive terms.

(6) In the case where an Advisory Committee Member is not able to serve as an

Advisory Committee Member due to resignation from the post of a representative director of a regular member or any other unavoidable circumstances, the Chairman shall appoint a new Advisory Committee Member, who shall serve for the remaining term of his/her predecessor.

[Article newly inserted on March 24, 2009]

§8-3 Operation of Self-Regulation Advisory Committee

(1) In the cases where the Self-Regulation Advisory Committee deems necessary, it may give its opinion to the Committee or the Chairman with regard to the following matters:

1. Matters on self-regulation-related laws and regulations and systematic improvements;
2. Matters related to the enactment, amendment and abolishment of regulations of the Association regarding self-regulation; [Amended on March 17, 2017]
3. Matters on self-regulation-related business plan and other work;
4. Matters related to self-regulation issues; and
5. Other matters delegated by the Committee.

(2) The Advisory Chairman shall convene a meeting of the Advisory Committee in any of the following cases:

1. In the case where there is a request from the Committee or the Chairman;
2. In the case where the Advisory Chairman deems it necessary; or
3. In the case where a majority of the Advisory Committee Members request to convene a meeting.

(3) The secretary of the Advisory Committee shall be the executive who is responsible for the self-regulation duties and the secretary shall be in charge of the overall work of the Advisory Committee under the instructions of the Advisory Chairman.

[Article newly inserted on March 24, 2009]

§8-4 Establishment and Composition of Financial Instruments Classification Committee

(1) The Committee shall establish a Financial Instruments Classification Committee (hereinafter referred to as the “Classification Committee”) in accordance with Article 2 of the “Regulations on the Establishment and Operation of Highly Complex Financial Instruments Evaluation Committee (hereinafter referred to as the “Regulations of the Evaluation Committee”).

(2) The Classification Committee shall consist of seven (7) or less Financial Instruments Classification Members (hereinafter referred to as the “Classification Committee Member”) including one (1) Financial Instruments Classification Chairman (hereinafter referred to as the “Classification Chairman”).

(3) The Classification Committee Members shall include the head of the Self-Regulatory Division of the Association and persons appointed by the Chairman among those who fall under any of the following Subparagraphs. The head of the Self-Regulatory Division of the Association shall act as the Classification Chairman.

1. A person who pursued a career or engaged in research in a consumer protection-related organization or academia for at least five (5) years;
2. A person qualified as a licensed lawyer or a person who has a law degree and works as an assistant professor or occupies a higher position;
3. A person with experience in the creation, management, and sales of financial investment instruments for at least ten (10) years in a financial company;
4. A person who works in a financial investment research institution and therefore has the necessary knowledge and experience to evaluate the classification of financial investment instruments; and
5. Other persons deemed appropriate by the Chairman to perform the financial instruments classification.

(4) The Classification Chairman shall serve for the remaining term of the head of the Self-Regulatory Division of the Association, and the term of a Classification Committee Member appointed by the Chairman shall be two (2) years and the Classification Committee Member may serve consecutive terms.

(5) In the case where the Classification Chairman is unable to perform his/her duties due to unavoidable circumstances, a Classification Committee Member shall act on his/her behalf in order of seniority.

(6) In the case where a Classification Committee Member is not able to serve as the Classification Committee Member due to unavoidable circumstances, the

Chairman shall appoint a new Classification Committee Member, who shall serve for the remaining term of his/her predecessor.

[Article newly inserted on April 15, 2021]

§8-5 Operation of Classification Committee

(1) In the case where a financial company submits a request for deliberation to evaluate whether or not a financial instrument falls into the category of highly complex financial instruments in accordance with Article 1 of the Regulations of the Evaluation Committee, the Classification Committee shall go through deliberation.

(2) When a financial company applies for deliberation for classification in accordance with Paragraph 1, the company must submit to the Classification Committee application documents such as an investment prospectus that demonstrates the reasons for the application in detail. The Classification Chairman can request supplementary documents if necessary, and the financial company must submit the requested documents to the Classification Committee within 3 business days.

(3) The Classification Committee shall reply in writing within 14 days from the day of receiving the application for classification deliberation from a financial company unless there is any special reason. Provided, That the period that falls under any of the following Subparagraphs shall be excluded from the application processing period:

1. The period required for the preparation of supplementation subject to Paragraph 2 (including the days between the document request date and the document arrival date to the Association); and
2. National holidays (including the workers' day under the Act on Designation of Workers' Day) and Saturdays.

(4) In the case where the Classification Chairman cannot determine within the period stipulated in Paragraph 3 due to any unavoidable circumstances, the period can be extended for a term not exceeding 10 business days, and in such cases, the reason for the extension and the expected period for handling the application shall be notified to an applicant in writing.

(5) In the case that falls under any of the following Subparagraphs, the Classification Committee may reject the application for classification deliberation submitted by a financial company:

1. Cases where an applicant company cancels the application pursuant to Paragraph 1;

2. Cases where an applicant company failed to submit required documents pursuant to Paragraph 1 or submitted a document with false information;
3. Cases where a similar or identical instrument has been previously deliberated and determined as a highly complex financial instrument and therefore it is deemed that classification deliberation of a relevant financial instrument is unnecessary; and
4. Cases where an instrument subject to classification deliberation is likely to breach investor protection or violate related laws.

(6) The Classification Chairman shall convene a meeting of the Classification Committee in any of the following cases:

1. Where there is a request from a financial company (Provided, That the case where an application is rejected pursuant to Paragraph 5 shall be excluded); and
2. Where the Classification Chairman deems it necessary.

(7) The quorum for a meeting of the Classification Committee shall be a majority of the Committee Members in office, and a resolution of the Committee shall be adopted by the affirmative vote of a majority of the Committee Members present at the meeting.

(8) The Classification Chairman may designate up to three (3) external experts with specialized knowledge in financial investment instruments for each application for classification deliberation to seek advice and may have them give a statement at a Classification Committee meeting.

(9) A Classification Committee Member may attend the meeting by means of communication devices through which all Classification Committee Members can transmit and receive video clips and voices simultaneously without being present in person at the meeting so as to make decisions. In such cases, the Classification Committee Member concerned shall be regarded to have been present in person at the meeting of the Classification Committee.

(10) In the case where the Classification Chairman recognizes that there are any unavoidable circumstances, the Classification Committee may adopt a resolution in writing with regard to the agenda. In such cases, the Classification Chairman shall notify each Classification Committee Member of the reason for making decision in writing.

(11) The Classification Committee shall be applied with [§7] *mutatis mutandis* in relation to the exclusion, recusal and avoidance of Classification Committee Members and a Classification Committee Member subject to exclusion, recusal and avoidance

shall not be counted as being present at a meeting under Paragraph 7.

(12) In the case where the Classification Committee decided that a financial investment instrument falls into the category of highly complex financial investment instrument, the decision shall be notified to the applicant company.

(13) In the case where the Classification Committee decided that a financial investment instrument does not fall into the category of highly complex financial investment instrument, the Classification Committee may request the Highly Complex Financial Instruments Evaluation Committee (hereinafter referred to as the “Evaluation Committee”) under [§3] of the Regulations of the Evaluation Committee for deliberation, and such process shall be notified to the applicant company without delay. Provided, That the case where it falls under any of the following Subparagraphs shall be excluded:

1. Cases where a financial investment instrument is determined not to be included in the category of highly complex financial investment instrument with the consent of more than 2/3 of the Committee Members present at the meeting; and
2. Cases where a similar or identical instrument has been previously deliberated and determined as a highly complex financial instrument by the Evaluation Committee and therefore it is deemed that additional deliberation is unnecessary.

§8-6 Application of Objection to the Decision of the Classification Committee

(1) In the case where a financial company that was notified of a decision from the Classification Committee objects against the decision, the company may file an objection to the Committee within 10 business days from the day of receiving the notification. The financial company who files an objection shall submit an application of objection, clearly stating the purpose and reasons of such objection, to the Classification Committee.

(2) Upon submission of an application of objection from a financial company in accordance with Paragraph 1, the decision of the Classification Committee shall be deemed to be not finalized from the day of receiving the application of objection until a decision is made on the application of objection.

(3) In the case where the Classification Committee receives an application of objection in accordance with Paragraph 1, the Classification Committee shall make decision and notify the financial company who filed the objection of the outcome within 14 days from the day of receiving the application unless there is any special reason. [§8-5(3)] and [§8-5(4)] shall apply *mutatis mutandis* to the calculation of the processing period.

(4) A financial company shall not file an objection again to the resolution made by the Classification Committee on the application of objection.

[Article newly inserted on April 15, 2021]

§8-7 Duty of Confidentiality

(1) The Classification Committee Members, external experts designated by the Classification Committee Chairman, and the executive officers and/or employees of the Association shall not disclose information on financial instruments subject to classification deliberation to a third party without prior consent from the applicant company.

(2) Notwithstanding Paragraph 1, provisions of Paragraph 1 shall not apply in the case when there is a request from a supervisory authority for business purposes, a court order, or a warrant issued by the judge.

[Article newly inserted on April 15, 2021]

CHAPTER II SANCTIONS ON MEMBER AND ITS EXECUTIVE OFFICERS AND/OR EMPLOYEES

§9. Causes of Sanctions

In the case where a member or its executive officer and/or employee engages in practices that fall under any of the following Subparagraphs (hereinafter referred to as the “illegal and unfair acts”), the Committee may impose sanctions or recommend sanctions in accordance with [§10]:

1. Cases where a member or its executive officer and/or employee has violated or neglected to comply with the financial-related statutes under the laws and Subparagraph 7 of [§2] the Act on Corporate Governance of Financial Companies; [Amended on August 23, 2016]
2. Cases where a member or its executive officer and/or employee has violated the regulations, orders or measures of the supervisory authorities, including the Ministry of Economy and Finance, the Financial Services Commission, the Financial Supervisory Service, etc., or cases where the supervisory authorities impose measures, including the cancellation of approval/registration and the suspension of business for financial service business or the request for dismissal of an executive officer and/or employee, etc. against the member or its executive

officer and/or employee;

3. Cases where a member or its executive officer and/or employee has violated or neglected to comply with the AOA or any of the relevant Association regulations on duties and services, etc.;
4. Cases where a member or its executive officer and/or employee has not complied with resolution, etc. of the general meeting, the Board of Directors or the Committee;
5. Cases where a member or its executive officer and/or employee rejects, interferes with or recuses the investigation duties without any justifiable reason, such as submitting false documents or refusing to submit document in relation to the investigation stated in Subparagraph 3 of [§5(1)]; and [Amended on January 15, 2015]
6. Other cases that fall under any one of the Subparagraphs 1 through 5 where a member or its executive officer and/or employee has engaged in unfair or unsound business practices that disturb the fair trading order in the capital markets, or that are contrary to the protection of investors.

§10. Types of Sanctions

(1) The types of sanctions that can be imposed on the members by the Committee are as follows, and the sanction stipulated in Subparagraph 4 may be imposed in addition to other sanctions:

1. Request made to the general meeting for expulsion of a member from the Association;
2. Disqualification for membership;
3. Total or partial suspension of services provided by the Association to a member [Amended on March 26, 2010];
4. Imposition of sanction amounts;
5. Warning; or
6. Caution.

(2) The types of sanctions against the executive officer of a member that can be recommended by the Committee are as follows:

1. Dismissal from the position (including the recommendation for suspension of duties until dismissal of the executive officer concerned is determined at the general meeting of shareholders);
2. Suspension of duties for a period not exceeding 6 months;
3. Warning; or
4. Caution.

(3) The types of sanctions against the employees of a member that can be recommended by the Committee are as follows:

1. Disciplinary dismissal from the position;
2. Suspension;
3. Salary reduction;
4. Reprimand; or
5. Caution.

(4) The criteria for sanctions on members and their executive officers and/or employees in accordance with Paragraphs 1 through 3 are specified in Annexed Table 1.

(5) [Deleted on August 31, 2018]

§10-2. Official Announcement of Sanctions

(1) In cases where the Committee imposes sanctions pursuant to [§10(1)] or recommends sanctions against an executive officer and/or employee of a member pursuant to [§10(2)] or [§10(3)], the Chairman shall officially announce the matters stated in the following Subparagraphs. Provided, That an official announcement shall not be made in cases where the announcement may cause undeserved damage to a third party or undermine market stability:

1. Date of resolution;
2. The member subject to the sanctions. In this case, the executive officer and/or employee of the member subject to the recommendation of sanctions shall be

excluded;

3. Major details of the violation; and

4. Type and details of the sanctions.

(2) The Chairman shall, in cases where the sanctions are canceled or changed as a result of the review pursuant to [§22] or [§23] after the official announcement under Paragraph 1, officially announce the contents thereof.

(3) Notwithstanding Paragraphs 1 and 2, the Chairman may not, in cases where the type of the sanction against the member is a caution, officially announce the real name of the member.

(4) Notwithstanding the latter part of Subparagraph 2 of Paragraph 1 and Paragraph 2, the Chairman may, in cases where the illegal/unfair act of a member's executive officer and/or employee severely disturbed the fair trading order in the capital market or incurred significant property losses to the member or investors, etc., officially announce the real name of the executive officer and/or the employee of the member concerned.

[Article newly inserted on January 26, 2011]

§11. Requests of Improvement, etc.

(1) In the case where the Committee deems the illegal and unfair acts of the member is due to a lack of internal regulations or internal control of the member in question or it is necessary to restore them to be sound, the Committee may request the member in question to improve or correct such acts, and if necessary, submit a letter of commitment on its fulfillment.

(2) The criteria for the request for improvement, request for correction and the submission of a letter of commitment on fulfillment in accordance with Paragraph 1 are as shown in Annexed Table 3.

§12. Aggravated or Mitigated Sanctions against Members

(1) The Committee may, in cases where it imposes sanctions pursuant to [§10], determine whether to impose a sanction on a member for its illegal/unfair acts and the type and details of the sanctions in view of the following matters: [Amended on September 17, 2010]

1. Effect on preventing the reoccurrence of illegal and unfair acts and establishing a

fair trading order;

2. Effect on enhancing investor protection;
3. Influence on the business continuity of a member; and
4. Whether a self-audit or internal control system has been established to prevent the same or similar illegal and unfair acts.

(2) The Committee may, in cases where it imposes sanctions pursuant to Paragraph 1, aggravate or mitigate the sanctions in view of the following matters: [Newly inserted on September 17, 2010.]

1. Whether the member has been sanctioned twice or more for the same or similar act in the recent three (3) years;
2. Whether the same or similar illegal/unfair act has been repeated or entailed intention/gross negligence;
3. Whether the member has been significantly sanctioned by the Financial Services Commission for such illegal/unfair act;
4. Whether there are extenuating circumstances in view of whether the illegal/unfair act is minor or followed by rectification/compensation; and
5. Whether the act was otherwise inevitable due to internal or external circumstances.

§13. Aggravated or Mitigated Sanctions against Executive Officers and/or Employees

(1) In the case where an executive officer and/or an employee of a member who has committed illegal and unfair acts falls under any of the following cases, the Committee may impose sanction against him/her that is one-level heavier:

1. Cases where the executive officer and/or employee concerned as a wrongdoer, instructor, conspirator or other active participant has been sanctioned in the recent two (2) years (hereinafter referred to as the “main culprit”) and is sanctioned again as the main culprit for the same or similar illegal and unfair acts;
2. Cases where the executive officer and/or employee concerned is involved in multiple incidents of illegal and unfair acts; and
3. Other cases that the Committee recognizes aggravated sanctions are necessary.

(2) The Committee may mitigate the sanctions imposed on the executive officer

and/or employee of a member who conducted illegal and unfair acts if he/she falls under any of the following cases:

1. Cases where he/she has been awarded a medal or reward in accordance with the Awards and Decorations Act;
2. Cases where he/she has been awarded the commendation from a minister or higher-ranking official in accordance with the Government Commendation Regulation;
3. Cases where he/she has been awarded the commendation from the Chairman of the Financial Services Commission, the Governor of the Financial Supervisory Service or the Chairman of the Association;
4. Cases where he/she voluntarily reports or rectifies the illegal and unfair acts before the supervisory authorities, the Association and the financial investment company concerned become aware of such acts;
5. Cases where he/she has caused loss to a financial investment company due to slight negligence but voluntarily compensated the entire amount of the loss;
6. Cases where the member concerned accepted the recommendation for settlement or mediation proposed by the Association with regard to a case of dispute resolution referred to the Association; and
7. Other cases where the Committee recognizes a mitigated sanction is necessary.

§14. Calculation of Sanction Amount

(1) The Committee shall calculate the amount imposed in accordance with the Annexed Table 4 in the case of imposing a sanction amount on the member.

(2) The Committee may increase the amount imposed as a sanction within the range of 50/100 in cases where the member falls under any of the following Subparagraphs:

1. Cases where the member has been imposed with sanction amount twice or more for the same or similar acts in the past three (3) years;
2. Cases where the member submitted false documents or refused to submit the relevant documents to conceal or reduce the illegal and unfair acts; and
3. Other cases where the Committee recognizes stricter punishments are necessary.

(3) The Committee may reduce the amount imposed as sanction amount within the range of 50/100 in cases where the member falls under any of the following Subparagraphs:

1. Cases where the member has voluntarily reported or personally rectified the illegal and unfair acts;
2. Cases where it is acknowledged that the member has taken considerable caution and supervision through self-audit to continuously uncover the same or similar misconducts;
3. Cases where the member has compensated for the loss of the investor; and
4. Other cases where the Committee recognizes the reduction of punishment is necessary.

(4) The sanction amount may not exceed the maximum of 1 billion Korean won.

§15. Payment of Sanction Amount

(1) The member who received the notice of the imposition of sanction amount must pay the sanction amount concerned within one (1) month from the date of receiving the notice.

(2) Notwithstanding Paragraph 2, the period that falls under any of the following Subparagraphs may be excluded from the payment period in accordance with Paragraph 1:

1. Cases where unavoidable circumstances occur such as an event of *force majeure*, including natural disasters, the period until such event has been resolved; and
2. Cases where there is a request for formal objection, the period until the Committee deliberates and reaches a decision from the date of receiving such objection.

§16. Late Fees

In cases where the member has not paid the sanction amount within the payment period, the Committee may levy an increased amount, which is calculated by applying the late fee rate of 9/100 per annum on the imposed sanction amount for the period from the day after the payment due date to the day of the payment.

§17. Refund

In cases where the sanction amount is refunded due to the cancellation or change of

the measures to impose the sanction amount, the Committee shall pay an additional amount, which is calculated by applying the interest rate of 5/100 per annum on the sanction amount paid for the period from the day of the payment of the sanction amount to the day of the refund.

§18. Usage Procedure and Use of Sanction Amount

(1) In cases where the Association wishes to use the fund created with the sanction amounts, it shall go through the resolution of the Board of Directors in advance.

(2) The funds created with the sanction amounts may be used only in the cases where it falls under any of the following Subparagraphs:

1. Support for research projects for the development of the capital market;
2. Training for the improvement of the competency of executive officers and/or employees of the member; and
3. Other cases which are acknowledged by the Association as falling under public interest for the development of the capital market.

(3) The Association shall report to the Board of Directors and the Committee about the outcome of using the sanction amount.

§19. Separate Accounting, etc.

(1) The Association shall maintain separate accounting for the sanction amount and the interest accrued from the sanction amount from the accounting for the Association's own property.

(2) The funds created with the sanction amounts shall be deposited and invested in a financial instrument that guarantees the principal and interest or collective investment securities of money market instruments.

§20. Prior Notice

(1) Before the deliberation and resolution of sanctions on a member or the executive officers and/or employees of a member, the Committee shall notify the member concerned or the relevant executive officers and/or employees of the content of the illegal and unfair acts and the basis for such sanctions and give them an opportunity to state their opinion verbally or in writing.

(2) In the case where there is a request for sanctions on a member or the executive

officers and/or employees of a member, the Committee shall notify the member concerned or its executive officers and/or employees in writing of the method and period of filing an objection.

§21. Statement of Opinion

(1) In the case where the Committee issues a resolution on the sanctions, it shall give the party subject to the sanctions or its proxy (in the case of sanctions on the relevant executive officers and/or employees, its executive officers and/or employees or their proxies are included; hereinafter the same shall apply) an opportunity to state such party's opinion at a meeting of the Committee. If deemed necessary, the Committee may ask relevant experts to state their opinion, serving as a reference at the meeting of the Committee.

(2) In the case where the party subject to the sanctions or its proxy mentioned in Paragraph 1 clearly expresses the intention to give up the opportunity to state his/her opinion or does not state opinion without a legitimate reason, he/she shall be regarded to have no opinion.

§22. Application of Objection

(1) In the case where the member or the executive officers and/or employees of the member that received a request for sanction from the Committee deem the request to be unfair, they may file an objection to the Committee within 30 days from the day of receiving the request for sanctions from the Committee.

(2) The member and the executive officers and/or employees who file an objection in accordance with Paragraph 1 shall submit an application of objection, clearly stating the purpose and reasons of such objection with documents of evidence attached.

(3) Upon submission of an application of objection, the sanctions in question shall be deemed to be not finalized from the day of receiving the application of objection until a decision is made on the application of objection.

(4) In the case where the Committee receives the application of objection in accordance with Paragraph 1, the Committee shall go through deliberation and resolution and notify the person who filed the objection of the outcome within 30 days from the day of receiving the application unless there is any special reason. Provided, That in cases where it cannot be decided within the period due to any unavoidable circumstances, the period can be extended for a term not exceeding 30 days, and in such cases, the reason for the extension and the expected period for handling the application shall be notified in writing.

(5) The member or the executive officers and/or employees of the member shall not file an objection again to the deliberation and resolution made by the Committee on the application of objection.

§23. Ex Officio Review

The Committee may ex officio review cancellation or change of the sanction in the case where it falls under any of the following Subparagraphs:

1. Cases where it is acknowledged that the sanction was inappropriate or it is necessary to change the type of sanction after reviewing the found facts, which constituted the cause of the sanction, and the legal judgment on the issue, in consideration of the final ruling of the court; and
2. Cases where it is acknowledged that the sanction was inappropriate or it is necessary to change the type of sanction due to an error or omission of evidential documents, or new evidence found to be contrary to the found facts, which constituted the cause of the sanction.

CHAPTER III SUPPLEMENTARY PROVISIONS

§24. Minute Book

The Committee shall draw up a minute book with records of the progress and results of the proceedings and keep and retain it after confirmation from the Committee Members present at the meeting by signing or affixing their seals or signatures.

§25. Secretary

The secretary of the Committee shall be an executive of the Committee who is responsible for the self-regulation duties, and the secretary shall handle the affairs of the meeting at the Committee under the instructions of the Chairman.

§26. Allowance, etc.

(1) The Committee may pay an allowance and other necessary expenses to the Chairman and Committee Members pursuant to each Subparagraph of [§2] as determined by the Association. [Amended on September 20, 2018]

(2) Paragraph 1 shall apply *mutatis mutandis* to the relevant experts and the

executive officers and/or employees of a member who state their opinions at the meeting of the Committee in accordance with [§6] and [§21(1)] and the Advisory Committee Members who are present at the meeting of the Self-Regulation Advisory Committee in accordance with [§8-2(1)]. [Amended on March 24, 2009]

(3) In accordance with [§8-5] and [§8-6], the Committee may pay an allowance and other necessary expenses to the Classification Committee Members present at the meeting and external experts who provided advice to the Classification Committee by applying Paragraph 1 *mutatis mutandis*. [Newly inserted on April 15, 2021]

§27. Delegation of Authority

(1) The enactment, amendment and abolishment of the resolution regulations of the Committee and the establishment and amendment of annexed forms in line with the enactment, amendment and abolishment of the relevant laws and regulations shall be delegated to the Chairman.

(2) The Chairman may determine the overall matters related to the investigation pursuant to [§5(1)3] such as the procedure, method, ex-post management of the investigation as well as the details required for the implementation of the regulations. [Amended on January 15, 2015]

(3) The Chairman may determine the overall matters and formats related to the operation of the Classification Committee pursuant to [§8-5] and [§8-6]. [Newly inserted on April 15, 2021]

ADDENDA (December 30, 2008)

§1. Effective Date

These Regulations shall become effective on February 4, 2009.

§2. Abolishment of Previous Regulations

The “Regulations on the Self-Regulation Committee” and the “Criteria on the Imposition and Management of Fines” of the Korea Securities Dealers Association and the “Regulations on the Self-Regulation Committee” of the Asset Management Association of Korea, and the “Regulations on the Securities and Futures Commission” and the “Regulations on the Self-Regulation Committee” of the Futures Association before the enforcement of these Regulations shall be abolished.

§3. Interim Measures

(1) The sanctions on the members and their executive officers and/or employees imposed by the Korea Securities Dealers Association, the Asset Management Association of Korea, and the Futures Association before the enforcement of these Regulations shall be deemed to have been imposed by the Korean Financial Investment Association in accordance with these Regulations.

(2) The commendations awarded by the Korea Securities Dealers Association, the Asset Management Association of Korea, and the Futures Association before the enforcement of these Regulations shall be deemed to have been awarded by the Korea Financial Investment Association in accordance with these Regulations.

(3) The fines on the securities companies imposed by the Korea Securities Dealers Association shall be deemed as a sanction amount under [§10(1)4] of these Regulations.

ADDENDUM (February 26, 2009)

These Regulations shall become effective on February 26, 2009.

ADDENDUM (March 24, 2009)

These Regulations shall become effective on March 24, 2009.

ADDENDUM (May 29, 2009)

These Regulations shall become effective on June 10, 2009.

ADDENDUM (March 26, 2010)

These Regulations shall become effective on May 3, 2010.

ADDENDUM (April 30, 2010)

These Regulations shall become effective on May 6, 2010.

ADDENDUM (September 17, 2010)

These Regulations shall become effective on September 20, 2010.

ADDENDUM (January 26, 2011)

These Regulations shall become effective on February 1, 2011.

ADDENDUM (July 8, 2011)

These Regulations shall become effective on July 11, 2011.

ADDENDUM (January 15, 2015)

These Regulations shall become effective on January 16, 2015.

ADDENDUM (February 5, 2015)

These Regulations shall become effective on March 1, 2015.

ADDENDUM (August 23, 2016)

These Regulations shall become effective on August 23, 2016.

ADDENDUM (March 17, 2017)

These Regulations shall become effective on March 20, 2017.

ADDENDUM (August 31, 2018)

These Regulations shall become effective on September 1, 2018.

ADDENDUM (September 20, 2018)

These Regulations shall become effective on September 24, 2018.

ADDENDUM (April 15, 2021)

These Regulations shall become effective on April 15, 2021.

<Annexed Table 1> <Amended on September 17, 2010>

**Criteria for Sanctions on Members and
Executive Officers and/or Employees of Members**

1. Sanctions on Members

Type of Sanctions	Criteria for Sanctions
Request for expulsion of member to the general meeting	<ul style="list-style-type: none"> - Cases where the member's illegal and unfair act seriously disturbed the fair trading order of the capital market, or caused serious property loss to the member concerned or the investors. - Cases where the member continued to perform the duties in question or repeated the same or similar illegal and unfair act even after qualification has been suspended or services provided by KOFIA to the member has been partially suspended (hereinafter referred to as the "partial suspension of services"). - Cases where the approval and registration has been cancelled by the Financial Services Commission due to illegal and unfair acts.
Suspension of member qualification	<ul style="list-style-type: none"> - Cases where the illegal and unfair act of the member constitutes a cause of expulsion, but the extenuating circumstances are to be taken into consideration. - Cases where a measure of full suspension of the business operation/duties was taken by the Financial Supervisory Commission due to illegal and unfair acts.
Full suspension or partial suspension of services provided by KOFIA to member	<ul style="list-style-type: none"> - Cases where the member's illegal and unfair act seriously disturbed the fair trading order of the capital market, or caused serious property loss to the member concerned or the investors. - Cases where the member repeated the same or similar illegal and unfair act even after receiving the warning. - Cases where with regard to the services provided by KOFIA to the member, there has been partial suspension of the services concerned from the Financial Services Commission.

Type of Sanctions	Criteria for Sanctions
Warning	<ul style="list-style-type: none"> - Cases where the illegal and unfair act of the member constitutes a cause of partial suspension of services of the member, but the extenuating circumstances are to be taken into consideration, or the illegal and unfair act is minor. - Cases where the member repeated the same or similar illegal and unfair acts even after receiving the measure of caution.
Imposition of Sanction Amount [Amended on September 17, 2010]	<ul style="list-style-type: none"> - Cases where it is acknowledged to be necessary to replace the sanctions on the member for its illegal and unfair acts with imposition of sanction amount in order to protect the investors, etc. - Cases where the member avoided financial loss or gained profits through the illegal and unfair acts.
Caution	<ul style="list-style-type: none"> - Cases where the illegal and unfair act of the member constitutes a cause of warning, but the illegal and unfair act is minor. - Other cases where the illegal and unfair act is minor. <Newly inserted on September 17, 2010>

2. Sanctions on Executive Officers and/or Employees

Type of Sanctions	Criteria for Sanctions
Disciplinary Dismissal from Duty (In the case of executive officers, dismissal from position)	<ul style="list-style-type: none"> - Cases where his/her illegal and unfair practice seriously disturbed the fair trading order of the capital market or caused serious property loss to the member concerned or the investors. - Cases where there was a serious disturbance on the business of the member due to intentional or gross negligence in performing the duty to supervise at work. - Cases where he/she repeated the same or similar illegal and unfair acts even after receiving the measure of suspension (suspension from duties for executive officers).

Type of Sanctions	Criteria for Sanctions
<p>Suspension (In the case of executive officers, suspension from duties)</p>	<ul style="list-style-type: none"> - Cases where the illegal and unfair practice constitutes a cause of disciplinary dismissal from the duty (dismissal from the position for executive officers), but the extenuating circumstances are to be taken into consideration, or the illegal and unfair practice is relatively minor. - Cases where he/she repeated the same or similar illegal and unfair act even after receiving the measure of salary reduction (warning for executive officers).
<p>Salary reduction (In the case of executive officers, caution)</p>	<ul style="list-style-type: none"> - Cases where his/her illegal and unfair acts have seriously disturbed the fair trading order of the capital market or caused serious property loss to the member concerned or the investors. - Cases where his/her negligence in performing the duty to supervise at work caused hindrance to the business of the member or disturbed the fair trading order of the capital market. - Cases where the document submitted to the Committee has been falsely drawn up or the submission has been neglected due to intentional or significant negligence. - Cases where he/she refused, disturbed or recused the investigation affairs of the Committee. - Cases where he/she repeated the same or similar illegal and unfair acts even after receiving the measure of reprimand (caution for executive officers).
<p>Reprimand (Employee)</p>	<ul style="list-style-type: none"> - Cases where the illegal and unfair acts constitute a cause of salary reduction but the extenuating circumstances are to be taken into consideration, or the illegal and unfair acts are relatively minor. - Cases where he/she repeated the same or similar illegal and unfair acts even after receiving the measure of caution.
<p>Caution (Executive Officer and/or Employee)</p>	<ul style="list-style-type: none"> - Cases where the illegal and unfair acts constitute a cause of reprimand (warning for executive officers), but the illegal and unfair acts are minor.

<Annexed Table 2> [Deleted on August 31, 2018]

<Annexed Table 3>

Criteria for Request to Take Measures against Members

Type of Request to Take Measures	Criteria for Request to Take Measures
Request for Improvement	Cases where improvement on the internal control system of the member is required because the member or its executive officer and/or employee handled duties in an illegal, unfair or unreasonable manner.
Request for Correction	Cases where it is recognized to be necessary to restore the duties handled illegally or unfairly by the member and its executive officers and/or employees or normalize it afterwards.
Submission of a Letter of Commitment on Fulfillment	Cases where it is recognized to be necessary to guarantee the fulfillment beforehand with regard to the sanctions of the Committee in accordance with [§9(1)].

<Annexed Table 4>

Criteria for Imposition of Sanction Amount

1. Factors for Judging the Motives and Results of Illegal and Unfair Acts

a. Motive of Action

- Intentional: Cases where the member or its executive officer and/or employee conducted the illegal and unfair acts while recognizing that they violate or will likely violate the laws and regulations;
- Gross negligence: Cases where the member or its executive officer and/or employee did not significantly perform the duty of due care required for the relevant action;
- Negligence: Cases where the member or its executive officer and/or employee neglected the normal care or the duty of due care; and
- Simple mistake: Cases where the illegal and unfair act has been caused by a mistake, overlooking a fact, a misunderstanding, etc.

b. Consequences of Action

The actions are divided into four categories according to the gravity given the effect on the capital market, the level of disturbance on the fair trading order of financial investment instruments, the ripple effect on the whole society and economy, the level of violation of the investor protection regulations, and the level of violation of the relevant laws and regulations, etc.

- Causing social problems;
- Serious;
- Minor; or
- Simple non-compliance.

2. Criteria for Deciding the Sanction Amount to Be Imposed

Motive Consequences	Intentional	Gross Negligence	Negligence	Simple Mistake
Causing Social Problems	KRW 1 billion or less	KRW 700 million or less	KRW 400 million or less	KRW 100 million or less
Serious	KRW 700 million or less	KRW 400 million or less	KRW 100 million or less	KRW 50 million or less
Minor	KRW 400 million or less	KRW 100 million or less	KRW 50 million or less	-
Simple Non-Compli ance	KRW 100 million or less	KRW 50 million or less	-	-

※ Impose the sanction amount based on the heavier consequences in the case where the consequences overlap.