ACT ON ONLINE INVESTMENT-LINKED FINANCIAL BUSINESS AND THE PROTECTION OF USERS

[Enforcement Date 27. Aug, 2020.] [Act No.16656, 26. Nov, 2019., New Enactment]

금융위원회 (금융혁신과)02-2100-2531

법제처 국가법령정보센터

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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose) The purpose of this Act is to promote online investment-linked financial businesses to make them robust and to contribute to financial innovation and the development of the national economy by providing for matters necessary for the registration and supervision of online investment-linked financial businesses and matters concerning the protection of users of online investment-linked financial businesses.

Article 2 (Definitions) The terms used in this Act are defined as follows:

1. The term “online investment-linked finance” means lending loans (including the discount of notes, the transfer for security, and the provision of funds in any other similar manner; hereinafter referred to as “P2P loan”) with the funds invested by investors with intent to provide the funds to specified borrowers through an online platform (hereinafter referred to as “P2P investment”) and giving a right to receive the principal of such P2P loans and interest thereon to the investors;
2. The term “online investment-linked financial business” means engaging in online investment-linked finance as a business;
3. The term “online investment-linked financial business entity” means a person who has an online investment-linked financial business registered under Article 5;
4. The term “right to receive principal and interest payments” means a right that an investor acquires under an agreement that the investor shall receive the amount of a P2P loan recovered by an online investment-linked financial business entity in proportion to the amount of the P2P investment made for such P2P loan;
5. The term “investor” means a person who makes a P2P investment through an online investment-linked financial business entity (including transferees of a right to receive principal and interest payments);

6. The term "borrower" means a person who borrows a P2P loan from an online investment-linked financial business entity;
7. The term "users" means investors and borrowers;
8. The term "online platform" means a website, a mobile application, or any other similar electronic system that an online investment-linked financial business entity uses for the online investment-linked financial business registered under Article 5, including the conclusion of P2P loan agreements and P2P investments, the management of P2P loans and rights to receive principal and interest payments, and various kinds of public disclosure of information;
9. The term "executive officers" means directors and auditors;
10. The term "large shareholder" means a shareholder falling under any of the following:
   (a) The largest shareholder: The principal who holds the greatest number of shares (including securities depository receipts for such shares), collectively with the persons specified by Presidential Decree as those who are affiliated (hereinafter referred to as "specially related persons") with the principal, on his or her account, irrespective of in whose name such shares are, out of the total number of outstanding voting shares (including investment equities; hereinafter the same shall apply) of an online investment-linked financial business entity;
   (b) Major shareholder: A person falling under any of the following:
   (i) A person who holds not less than 10/100 of the total number of outstanding voting shares (including securities depository receipts for such shares) of an online investment-linked financial business entity, on his or her account, irrespective of in whose name such shares are;
   (ii) A person specified by Presidential Decree as a shareholder who exercises a de facto influence on important business affairs of an online investment-linked financial business entity by appointing or removing executive officers or by other means;
11. The term "equity capital" means the amount specified by Presidential Decree as the aggregate of paid capital, capital surplus, retained earnings, etc.

Article 3 (Relationship to Other Statutes) (1) The Banking Act and the Bank of Korea Act shall not apply to the online investment-linked financial businesses operated by online investment-linked financial business entities registered under this Act.

(2) Article 4 of the Credit Information Use and Protection Act shall not apply where an online investment-linked financial business entity concurrently engages in a business of providing investors with findings from assessments of the credit standing of borrowers, while engaging in an online investment-linked financial business.
(3) Article 3 of the Act on Registration of Credit Business and Protection of Finance Users shall not apply when an investor under this Act makes a P2P investment.
(4) The rights to receive principal and interest payments defined in this Act shall not be regarded as financial investment instruments defined in Article 3 (1) of the Financial Investment Services and Capital Markets Act.

CHAPTER II REGISTRATION OF ONLINE INVESTMENT-LINKED FINANCIAL BUSINESSES

Article 4 (Prohibition of Business Operations without Registration) No person shall engage in an online investment-linked financial business without being registered under this Act for the online investment-linked financial business.

Article 5 (Registration) (1) A person who intends to operate an online investment-linked financial business shall meet the following requirements and register with the Financial Services Commission:
1. The applicant shall be a stock company incorporated under the Commercial Act;
2. The applicant shall have an equity capital of not less than 500 million won but not less than the amount specified by Presidential Decree, in consideration of the scale of P2P loans, etc.;
3. The applicant shall be equipped with workforce, electronic computer systems, and other physical facilities sufficient for enabling the protection of users and performing the online investment-linked financial business;
4. The business plan for the online investment-linked financial business that the applicant intends to operate shall be reasonable and sound;
5. Its executive officers shall meet the requirements of Article 6 (1);
6. The applicant shall have an appropriate internal control system, including a system for preventing conflicts of interest between a particular user and other users and between the online investment-linked financial business entity and users (referring to a system to prevent conflicts of interest under Article 18);

7. The largest shareholder (including shareholders specially related with the largest shareholder; if the largest shareholder is a corporation, including the persons specified by Presidential Decree as shareholders who exercise a de facto influence on important business affairs of the corporation; hereinafter the same shall apply) shall have adequate investment capacity, sound financial standing, and social credit in accordance with Presidential Decree;
8. The applicant shall have a good financial position in accordance with Presidential Decree, such as financial soundness, and good social credit in accordance with Presidential Decree, such as no record of a violation of any statute or regulation.

(2) A person who intends to register pursuant to paragraph (1) shall submit a registration application to the Financial Services Commission.

(3) Upon the receipt of a registration application under paragraph (2), the Financial Services Commission shall examine the contents of the application, determine whether to register the applicant, within two months, and notify the applicant of the result of its determination and the reason therefor, in writing, without delay. If a defect is found from the registration application in such cases, the Financial Services Commission may request the applicant to amend the application.

(4) In counting the period of examination under paragraph (3), the period given for amending defects in the registration application and other periods specified by Presidential Decree shall not be included in the period of examination.

(5) In determining whether to register an applicant under paragraph (3), the Financial Services Commission shall not refuse to register the applicant, except in any of the following cases:
1. Where the applicant fails to meet any of the requirements for registration under paragraph (1);
2. Where the registration application prepared pursuant to paragraph (2) contains false information;
3. Where the applicant fails to comply with the request for amendment under the latter part of paragraph (3).

(6) When the Financial Services Commission determines to register an applicant under paragraph (3), it shall enter necessary information in the register book of online investment-linked financial business entities and shall publicly announce the contents the details of its determination of registration through the Official Gazette, its website, etc.

(7) Every online investment-linked financial business entity shall continue to meet the requirements for registration in the subparagraphs of paragraph (1) (excluding subparagraph 8 of that paragraph; referring to the requirements relaxed in accordance with Presidential Decree in cases of subparagraphs 2 and 7 of that paragraph) while engaging in the business after registered.

(8) The requirements for registration under paragraph (1) through (7) , matters concerning the application for registration, including mandatory contents of the registration application and accompanying documents, the method and procedure for the examination for registration, and other necessary matters shall be prescribed by Presidential Decree.

Article 6 (Requirements for Qualification of Executive Officers) (1) A person falling under any subparagraph of Article 5 (1) of the Act on Corporate Governance of Financial Companies shall not qualify for an executive officer of an online investment-linked financial business entity.

(2) A person appointed as an executive officer of an online investment-linked financial business entity shall forfeit his or her position if the person falls under any subparagraph of Article 5 (1) of the Act on Corporate Governance of Financial Companies: Provided, That a person falling under Article 5 (1) 7 of that Act shall not forfeit his or her position in any of the cases specified by Presidential Decree.

Article 7 (Registration of Changes) (1) If any content of a registration application submitted pursuant to Article 5 (2) is changed, the online investment-linked financial business entity shall file for the registration of such change with the Financial Services Commission in accordance with Presidential Decree within 15 days from the date of occurrence of such change: Provided, That the same shall not apply to a change to any minor matter specified by Presidential Decree.

(2) Further details about the registration of changes under paragraph (1) shall be prescribed by Presidential Decree.

Article 8 (Company Name) No person, except the online investment-linked financial business entities under this Act, shall use the term “online investment-linked financial business”, “online money lending financial business”, “online investment-linked money lending business”, “online linked money lending business”, or any similar term (including the foreign characters specified by Presidential Decree) in its company name.

CHAPTER III RULES ON BUSINESS ACTIVITIES

Article 9 (Duty of Good Faith) (1) Every online investment-linked financial business entity shall exercise due care as a good manager in engaging in the online investment-linked financial business and shall protect users' interests.

(2) No online investment-linked financial business entity shall conduct any act detrimental to the interests of any user without good cause for its own interests or for a third party's interests.

Article 10 (Public Disclosure of Information about Online Investment-Linked Financial Business Entities) (1) Every online investment-linked financial business entity shall publicly disclose the following information through its online platform so that users can easily understand the soundness of the business of the online investment-linked financial business entity, the method of using the online investment-linked finance, etc.:

1. The structure of transactions and business methods of the online investment-linked finance;
2. The financial and management status of the online investment-linked financial business entity;
3. The accumulated amount and balance of P2P loans;
4. The system for the assessment of borrowers' capability of repayment;
5. Matters concerning overdue payments, including overdue interest rates;
6. Matters concerning loan interest rates;
7. Matters concerning fees and incidental expenses;
8. Matters concerning the methods of repayment;
9. Matters concerning the methods of recovering principal and interest, including the collection of debts in default;
10. Matters concerning the depository of invested funds, etc. under Article 26;
11. The operating procedure for the suspension of business operations, including the revocation of registration of online investment-linked financial business entities, the resolution on the dissolution, and the declaration of bankruptcy;
12. Matters specified by Presidential Decree as those helpful for the use of the online investment-linked finance.

(2) The Central Record Management Agency under Article 33 and the Online Investment-Linked Finance Association under Article 37 may disclose the information specified in the subparagraphs of paragraph (1) through their websites, etc. in order to provide information to users.

(3) Detailed criteria for the information under paragraphs (1) and (2), the scope of disclosure of information, the methods of disclosure, etc. shall be determined and publicly notified by the Financial Services Commission.

Article 11 (Collection of Fees by Online Investment-Linked Financial Business Entities) (1) When an online investment-linked financial business entity collects fees from users in connection with the online investment-linked financial business, it shall observe the matters prescribed by Presidential Decree.

(2) No online investment-linked financial business entity shall charge interest on a P2P loan to a borrower in excess of the rate specified in Article 15 (1) of the Act on Registration of Credit Business and Protection of Finance Users. In such cases, the fees collected from a user (excluding the matters specified by Presidential Decree among expenses incurred in relation to the conclusion of the relevant transaction, repayment, etc.) shall be included among the fees under paragraph (1).

(3) Every online investment-linked financial business entity shall determine matters concerning the criteria for the imposition of fees to be charged to users and shall disclose them through its online platform.

(4) When an online investment-linked financial business entity determines criteria for the imposition for fees under paragraph (3), it shall not discriminate against any user, without good cause.

Article 12 (Obligations Relating to Online Investment-Linked Financial Business) (1) No online investment-linked financial business entity shall lend a P2P loan to itself or any of its large shareholders, executive officers, and executive officers.

(2) If an online investment-linked financial business entity fails to solicit investments for the full amount of a P2P loan requested by a borrower, it shall not execute the P2P loan.

(3) Notwithstanding paragraph (2), if a borrower requests to change the amount of a P2P loan, the online investment-linked financial business entity may execute the P2P loan after obtaining confirmation from the investors for the P2P investment agreement again on their intent to make an investment.

(4) No online investment-linked financial business entity may make a P2P investment in a P2P loan to be executed by it, on its own account: Provided, That where all the following requirements are met, an online investment-linked financial business entity may make a P2P investment, on its own account, up to the balance for which it fails to solicit investments for the P2P loan:

1. The amount of the solicited investments shall not be more than 80/100 of of the amount the P2P loan requested by the borrower but shall not be less than the ratio specified by Presidential Decree;
2. The balance of the P2P investment made by the online investment-linked financial business entity on its own account shall not be more than 100/100 of its equity capital;
3. The online investment-linked financial business entity shall observe the matters prescribed by Presidential Decree for the maintenance of robustness of the online investment-linked financial business entity, the protection of users, etc.

(5) Specific method, detailed guidelines, etc. for the requirements under the subparagraphs of paragraph (4) shall be prescribed by Presidential Decree.

(6) An online investment-linked financial business entity who made a P2P investment, on its own account, under the proviso, with the exception of the subparagraph, of paragraph (4) shall disclose the accumulated amount of P2P investments under the proviso, with the exception of the subparagraph, of paragraph (4), the balance of the P2P investments, the overdue ratio of the P2P loans executed with the invested funds for P2P investment, other matters concerning overdue loans, the fund from the P2P investments to equity capital, etc. through its online platform in the manner prescribed by Presidential Decree.

(7) No online investment-linked financial business entity shall vary the maturity, interest rate, and the invested funds (referring to the aggregate of the funds invested by investors for P2P investment in the same P2P loan) for P2P investment and P2P loans executed with the fund from the P2P investments: Provided, That the same shall not apply to the cases specified by Presidential Decree as those where the protection of users and sound trade order are unlikely to be undermined.

(8) No online investment-linked financial business entity shall unfairly treat or discriminate against any particular user in providing information about borrowers, soliciting investors, repaying principal and paying interest thereon, and conducting other business operations;

(9) Online investment-linked financial business entities shall comply with other matters prescribed by Presidential Decree for the protection of users and sound trade order.

Article 13 (Business) The business that an online investment-linked financial business entity is permitted to do shall be limited to the following:

1. The online investment-linked financial business registered under Article 5;
2. P2P investments on its own account under the proviso, with the exception of the subparagraphs, of Article 12 (4);
3. Acting as a broker for the transfer of rights to receive principal and interest payments under Article 34 (2);
4. Providing investors with findings from assessments of credit standing of borrowers for the purpose of providing information to investors;
5. Managing and collecting P2P loans;
6. Other business specified by Presidential Decree as those relating to the business described in subparagraphs 1 through 5;
7. The financial business specified by Presidential Decree which is unlikely to undermine the protection of users and sound trade order, even where such business is concurrently conducted;
8. Business conducted with the workforce, assets, or facilities owned by the online investment-linked financial business entity as those incidental to the online investment-linked financial business.

Article 14 (Report on Concurrent Business and Incidental Business) (1) When an online investment-linked financial business entity plans to concurrently conduct the business described in subparagraph 7 of Article 13, it shall report its plan to the Financial Services Commission no later than seven days before the date on which it plans to do such business .

(2) When an online investment-linked financial business entity plans to do incidental business described in subparagraph 8 of Article 13, it shall report its plan to the Financial Services Commission no later than seven days before the date on which it plans to do such business: Provided, That in either of the following cases, no reporting is required for doing such business:

1. Where an online investment-linked financial business entity plans to do the business determined and publicly notified by the Financial Services Commission as those that are unlikely to undermine the protection of users and sound trade order;

2. Where an online investment-linked financial business entity plans to do incidental business (excluding incidental business concerning which an order to restrict or rectify such business has been issued under paragraph (3)) together with another online investment-linked financial business entity publicly announced under paragraph (5).

(3) If any incidental business reported pursuant to paragraph (2) falls under any of the following, the Financial Services Commission may issue an order to restrict or rectify such incidental business:

1. Where the incidental business impairs the quality of business management of the online investment-linked financial business entity;
2. Where the incidental business undermines the protection of users in the operation of the online investment-linked financial business;
3. Where the incidental business impairs the stability of financial markets;
4. Other cases specified by Presidential Decree as those such order is necessary for the protection of users and sound trade order.

(4) The order to restrict or rectify under paragraph (3) shall be issued in a document containing the details of the order and the reasons therefor.

(5) The Financial Services Commission shall publicly announce the incidental business reported under paragraph (2) and the incidental business concerning which an order to restrict or rectify was issued under paragraph (3), through its website, etc., according to the method and procedure prescribed by Presidential Decree.

Article 15 (Business Entrustment of Online Investment-Linked Financial Business Entities) (1) No online investment-linked financial business entity shall entrust a third party (excluding the persons specified by Presidential Decree) with the business specified by Presidential Decree as directly relevant and essential to the online investment-linked financial business.

(2) Procedures for and restrictions on business entrustment by online investment-linked financial business entities, and other matters necessary therefor shall be determined and publicly notified by the Financial Services Commission.

Article 16 (Accounting Standards) (1) Every online investment-linked financial business entity shall manage its accounts as follows:

1. The accounts for the proper property of an online investment-linked financial business entity, those for investors' property, and other property specified by Presidential Decree

shall be clearly separated for the purpose of accounting;

2. Every online investment-linked financial business entity shall follow the accounting standards under Article 5 of the Act on External Audit of Stock Companies.

(2) Matters not provided in paragraph (1) with respect to accounting, the types and order of accounts, and other necessary matters shall be determined and publicly notified by the Financial Services Commission.

Article 17 (Internal Control Standards) (1) Every online investment-linked financial business entity shall prepare standards and procedures that its executive officers and employees shall follow (hereinafter referred to as “internal control standards”) so as to comply with statutes and regulations, manage its business in a robust manner, and protect users.

(2) Every online investment-linked financial business entity shall have at least one compliance officer who meets the requirements of the subparagraphs of Article 26 (1) of the Act on Corporate Governance of Financial Companies, and the compliance officer shall monitor whether the internal control standards are complied with and shall report violations of the internal control standards to the auditor or audit committee, whenever he or she finds such violations.

(3) Matters necessary for the internal control standards and compliance officers of online investment-linked financial business entities shall be prescribed by Presidential Decree.

Article 18 (Management of Conflicts of Interest) (1) Every online investment-linked financial business entity shall identify and assess possible conflicts of interest and shall manage them properly according to the method and procedure prescribed by internal control standards in order to prevent conflicts of interest between the online investment-linked financial business entity and users and between a particular user and other users.

(2) If an online investment-linked financial business entity anticipates, as a result of the identification and assessment of possible conflicts of interest under paragraph (1), that a conflict of interest is likely to arise, it shall inform the users concerned of such likely conflict of interest and shall receive P2P investments from the users concerned or execute P2P loans after reducing the possibility of conflicts of interest according to the method and procedure prescribed by internal control standards, to a level where the protection of users would not be adversely affected.

(3) If an online investment-linked financial business entity considers that it is impracticable to reduce the possibility of conflicts of interest under paragraph (2), it shall not receive P2P investments from the users concerned or execute P2P loans.

Article 19 (Advertising) (1) No online investment-linked financial business entity shall conduct any of the following acts in the labeling or advertising (hereinafter referred to as "advertisement") under the Act on Fair Labeling and Advertising:

1. Making a mispresentation or an overly exaggerated representation in an advertisement;
2. Concealing or understating a fact in an advertisement;
3. Representing that its services are more advantageous in an advertisement, without clearly disclosing the competitors and criteria for comparison or without an objective ground;
4. Slandering another online investment-linked financial business entity in an advertisement by publishing any content with no objective ground or slandering another online investment-linked financial business entity by advertising only facts unfavorable to the particular online investment-linked financial business entity;
5. Misleading investors to believe that the invested principal and earnings are guaranteed with a content that seems to guarantee the recovery of principal or definite earnings;
6. Other advertising activities specified by Presidential Decree, where it is necessary for sound trade order.

(2) No online investment-linked financial business entity shall advertise P2P investments or P2P loans by a visit in person, telephone, or electronic mail to users who have not expressly given prior consent thereto.

(3) No online investment-linked financial business entity shall continue activities of advertising P2P investments or P2P loans to a user if the user has expressed his or her rejection to the advertisement previously made with regard to the P2P investments or P2P loans: Provided, That the activities specified by Presidential Decree as those unlikely to undermine the protection of users and sound trade order shall be excluded herefrom.

(4) When an online investment-linked financial business entity advertises a particular P2P investment instrument or terms and conditions of the P2P investment, it shall include its name, the details of the P2P investment instrument, risks associated with the P2P investment, and other matters specified by Presidential Decree in the advertisement: Provided, That the online investment-linked financial business entity shall observe the

matters prescribed by Presidential Decree in using any other medium for an advertisement to avoid misleading users to make them believe that the P2P investment instrument is provided by the operator of the medium.

(5) When an online investment-linked financial business entity advertises a particular P2P loan instrument or terms and conditions of the P2P loan, it shall include its name, essential terms and conditions of the instrument, including interest rate, the danger of excessive debts, a statement that warns a possible decline of the credit rating due to the use of the P2P loan, and other matters specified by Presidential Decree as those necessary for protecting borrowers in the advertisement.

(6) Necessary matters concerning the method, procedure, etc. for advertising shall be prescribed by Presidential Decree.

CHAPTER IV ONLINE INVESTMENT-LINKED FINANCIAL BUSINESS

Article 20 (Verification of Information about Borrowers) (1) Every online investment-linked financial business entity shall request a borrower to submit documentary evidence, etc. specified by Presidential Decree concerning the borrower’s the current status of income, property, debts, etc. before posting the information about the P2P loan lent to the borrower and shall verify the matters relating to the details specified by Presidential Decree, such as the current status of the borrower’s income, property, debts, etc.

(2) When a borrower provides information to an online investment-linked financial business entity or submits documentary evidence to an online investment-linked financial business entity in accordance with paragraph (1), the borrower shall not provide false information or submit false documentary evidence.

(3) No online investment-linked financial business entity shall execute a P2P loan in excess of the borrower’s objective capability of repayment, in view of the current status of the borrower’s income, property, and debts, his or her credit, his or her repayment plan, and collateral for security.

(4) No online investment-linked financial business entity shall use the documents, information, etc. obtained under paragraph (1) for any purpose other than the purpose of verifying the current status of the borrower’s income, property, debts, etc.

Article 21 (Verification of Information about Investors) (1) When an investor intends to make a P2P investment, the online investment-linked financial business entity shall verify the identity of the investor.

(2) An online investment-linked financial business entity may request an investor to submit information about the investor's income, property, experiences in investment, etc. according to the agreement on the use of online investment-linked finance.

(3) Every investor shall provide true information to online investment-linked financial business entities in accordance with paragraphs (1) and (2).

(4) No online investment-linked financial business entity shall use the information obtained under paragraph (2) for any purpose other than the purpose of verifying the investor's income, property, experiences in investment, etc.

Article 22 (Information to Be Provided to Investors) (1) Every online investment-linked financial business entity shall provide investors with the following information through its online platform in a manner that investors can easily understand such information:

1. The details of each P2P loan, including the planned amount of loan, the loan term, interest rate on the loan, and the due date, schedule, and amount of repayment;
2. The information verified with respect to the borrower under Article 20 (1);
3. Risks of P2P investment;
4. Fees and fee rates;
5. Taxes and tax rates on interest income;
6. The earning rate and net earning rate of P2P investment;
7. The rate of earnings that investors can expect;
8. If collateral is provided, matters concerning the value of the collateral, the method of appraising the value of the collateral, the method of creating a security right, etc.;
9. Matters concerning the procedure for the collection of debts in default, the sale of debts, and the repayment of principal and the payment of interest thereon and related expenses, such as fees for collecting debts;
10. If there is a change in any information about P2P loans, borrower, etc., the details of such change;
11. Other information determined and publicly notified by the Financial Services Commission as necessary for protecting investors.

(2) When an online investment-linked financial business entity intends to provide information about a P2P investment instrument specified by Presidential Decree, in accordance with paragraph (1), it shall provide such information through its online platform during the period specified by Presidential Decree before soliciting investments.
(3) When an investor manifests his or her intent to make a P2P investment, the online investment-linked financial business entity shall request the investor to confirm that the investor understands the information posted in accordance with paragraph (1) by affixing his or her signature (including digital signature defined in Article 2 of the Digital Signature Act), by printing his or her name and affixing his or her seal, by recording his her oral statements, by electronic mail or by other means specified by Presidential Decree.
(4) When an online investment-linked financial business entity provides information about P2P investment under paragraph (1), it shall not omit any information that may seriously affect investors' reasonable judgment on investment or the value of the instrument concerned or provide false or misleading information.
(5) When a P2P loan becomes overdue, the online investment-linked financial business entity shall ascertain the reason therefor within the period specified by Presidential Decree, notify investors of the fact that the P2P loan is overdue and the reason therefor, and post the information on its online platform.

Article 23 (Conclusion of P2P Investment Agreements) (1) When an online investment-linked financial business entity concludes a P2P investment agreement with an investor, it shall verify that the investor is the counterparty to the agreement and deliver agreement documents, such as a written explanation about P2P investment information, which contains the information described in the subparagraphs of Article 22 (1), and the terms and conditions of P2P investment, to the investor.
(2) Notwithstanding paragraph (1), in any of the following cases where the protection of investors is unlikely to be undermined, in view of the details, etc. of the agreement, the agreement documents need not be delivered:
1. Where the investor conducts transactions continually and repeatedly under the terms and conditions of a basic agreement concluded for repetitive and continual P2P investment of not greater than the amount specified by Presidential Decree (referring to a agreement under which the investor agreed on necessary matters concerning P2P investment, including the matters specified by Presidential Decree);

2. Where the investor manifests that he or she refuses to receive agreement documents;
3. Other cases determined and publicly notified by the Financial Services Commission as those where the protection of investors is unlikely to be undermined.

(3) An investor may withdraw an application for a P2P investment agreement in accordance with Presidential Decree before the solicitation of investments is completed. In such cases, the online investment-linked financial business entity shall return the fund invested by the investor, without delay.

(4) Every online investment-linked financial business entity shall retain materials relating to P2P investment agreements made with investors (including electronic documents or digitalized documents under the Framework Act on Electronic Documents and Transactions) for the period beginning on the date of agreement and ending on the fifth anniversary of the date of repayment of debts.

Article 24 (Conclusion of P2P Loan Agreements) (1) When an online investment-linked financial business entity concludes a P2P investment agreement with a borrower, it shall deliver a agreement including the following details to the borrower:

1. The company names or names and the addresses or locations of the online investment-linked financial business entity and the borrower;
2. The date of agreement;
3. The amount of loan;
4. The interest rate and overdue interest rate on the loan;
5. Fees and incidental expenses;
6. The term and method of repayment;
7. If there is an agreement on damages or forced execution, the terms and conditions of such agreement;
8. Terms and conditions of early repayment of debts;
9. Other matters specified by Presidential Decree as those necessary for protecting borrowers.

(2) When an online investment-linked financial business entity concludes a P2P loan agreement under paragraph (1), it shall explain all the information described in the subparagraphs of paragraph (1) and shall request the borrower to confirm that the borrower understands the information by affixing his or her signature (including digital signature defined in Article 2 of the Digital Signature Act), by printing his or her name and

affixing his or her seal, by recording his her oral statements, by electronic mail or by other means specified by Presidential Decree.

(3) Where an online investment-linked financial business entity concludes a P2P loan agreement under paragraph (1), it shall retain the agreement and materials relating to the agreement documents specified by Presidential Decree (including electronic documents or digitalized documents under the Framework Act on Electronic Documents and Transactions; hereafter the same shall apply in this Article) for the period beginning on the date of P2P loan agreement and ending on the fifth anniversary of the date of repayment of debts.

(4) A person who concluded a P2P loan agreement or his or her representative may request the online investment-linked financial business entity to allow him or her to inspect the agreement and materials relating to the agreement documents online investment-linked financial business entity or to issue certificates relating to debts. In such cases, the online investment-linked financial business entity shall not refuse to accept such request, without good cause.

Article 25 (Establishment and Amendment of Terms and Conditions) (1) Every online investment-linked financial business entity shall protect rights and interests of users and shall not include the following terms and conditions when it intends to establish or amend terms and conditions of P2P investment or P2P loan (hereinafter referred to as “financial terms and conditions”):

1. Terms and conditions that violate this Act or other statute or regulation;
2. The terms and conditions determined by the Financial Services Commission as those unfairly unfavorable to users, such as those that exclude or restrict users’ rights, without good cause.

(2) When an online investment-linked financial business entity establishes or amends the financial terms and conditions, it shall report the details thereof to the Financial Services Commission within the period specified by Presidential Decree and shall publicly disclose them through its online platform, etc.: Provided, That in cases determined by the Financial Services Commission as those where rights, interests, or obligations of users are likely to be seriously affected, the online investment-linked financial business entity shall give a prior notice of such details to the Financial Services Commission before it establishes or amends the terms and conditions.

(3) In order to establish a robust trading system and to prevent the common use of unfair financial terms and conditions, the Online Investment-Linked Finance Association may establish or amend standard terms and conditions relating to P2P investment and P2P loan (hereinafter referred to as "standard terms and conditions").

(4) When the Online Investment-Linked Finance Association intends to establish or amend standard terms and conditions, it shall give a prior notice of them to the Financial Services Commission.

(5) Upon the receipt of a report or prior notice on financial terms and conditions under paragraph (2) or a prior notice on standard terms and conditions under paragraph (4), the Financial Services Commission shall notify the Fair Trade Commission of the standard terms and conditions in detail.

(6) If the Fair Trade Commission finds that the financial terms and conditions or the standard terms and conditions notified under paragraph (5) contravene Articles 6 through 14 of the Act on the Regulation of Terms and Conditions, it shall notify the Financial Services Commission of its finding and may request the Financial Services Commission to take measures necessary for rectification, and the Financial Services Commission shall comply with the request, unless a compelling reason exists not to do so.

(7) If the Financial Services Commission finds that financial terms and conditions or standard terms and conditions contravene this Act or any finance-related statute or regulation or are likely to adversely affect users' interests otherwise, it may order the online investment-linked financial business entity concerned or the Online Investment-Linked Finance Association, in writing, to modify the financial terms and conditions or standard terms and conditions, stating its findings in detail. The Financial Services Commission shall consult with the Fair Trade Commission thereon before issuing such order to modify.

(8) The timing and procedure for reporting the establishment or amendment of financial terms and conditions and standard terms and conditions under paragraphs (2) through (4) and other necessary matters shall be determined by the Financial Services Commission.

Article 26 (Management of Invested Funds and Repaid Loans) (1) Every online investment-linked financial business entity shall separate invested funds and repaid loans (hereinafter referred to as "invested funds, etc.") from its proper property and the funds invested for P2P investment on its own account under the proviso of Article 12 (4) and shall put the invested funds, etc. in a deposit or trust account in a credible institution specified by

Presidential Decree (hereinafter referred to as “depository”), such as a bank under the Banking Act, which can competently perform the safekeeping and management of the funds.

(2) An online investment-linked financial business entity shall inform the depository that the investors’ invested funds, etc. put in a deposit or trust account in the deposity are investors’ property under paragraph (1).

(3) No person shall set off or attach (or provisionally attach) invested funds, etc. put in a deposit or trust account in a depository under paragraph (1), and no online investment-linked financial business entity shall transfer invested funds, etc. put in a deposit or trust account in a depository to another person or offer such invested funds, etc. as security, except in cases specified by Presidential Decree.

(4) When a cause or event specified by Presidential Decree occurs, such as the revocation of registration, the resolution on dissolution, or the declaration of bankruptcy, the online investment-linked financial business entity shall take measures to ensure that the invested funds, etc. put in a deposit or trust account in a depository under paragraph (1) be paid preferentially to investors.

(5) When an online investment-linked financial business entity makes a P2P investment on its own account pursuant to the proviso of Article 12 (4), it shall put the fund in a deposit or trust account in a depository and shall separate the fund from the operating fund of the online investment-linked financial business entity.

(6) Other necessary matters concerning the placement of invested funds, etc. in a deposit or trust account, etc. under paragraphs (1) through (5) shall be prescribed by Presidential Decree.

Article 27 (Management of P2P Loans) (1) Every online investment-linked financial business entity shall manage the repayment of principal and the payment of interest, security on P2P loans, etc. according to terms and conditions of P2P investment agreements.

(2) Every online investment-linked financial business entity shall separate P2P loans from other assets and divide P2P loans by P2P loan instruments for the purpose of management.

(3) Every online investment-linked financial business entity shall keep separate books of accounts for the management of P2P loans.

(4) Every online investment-linked financial business entity shall entrust the matters specified by Presidential Decree for the protection of users, such as a plan for the distribution of repayment of principal and payment of interest thereon, in preparation for the revocation of registration, the resolution on dissolution, the declaration of bankruptcy, or the discontinuance of business operations due to any other cause or event, etc., to an external institution specified by Presidential Decree (hereinafter referred to as "trustee institution"), such as a law firm under the Attorney-at-Law Act, and shall prepare a procedure for fair and transparent liquidation.

Article 28 (Isolation of P2P Loans from Bankruptcy) (1) Where an online investment-P2P financial business entity is bankrupt or becomes subject to a rehabilitation proceeding, P2P loans of the online investment-linked financial business entity shall not become a part of the debtor's property which the bankruptcy estate of the online investment-linked financial business entity or the administrator of the rehabilitation proceeding shall have the power to administer and dispose of.

(2) P2P loans of an online investment-linked financial business entity shall not be subject to forced execution or preservative measures, a stay order, or a general prohibition order under the Debtor Rehabilitation and Bankruptcy Act: Provided, That the same shall not apply to forced execution for preferential repayment to investors and the persons who hold a right under any subparagraph of paragraph (5) (hereinafter referred to as "persons entitled to preferential payment").

(3) Where an administration proceeding for corporate restructuring of an online investment-linked financial business entity commences, P2P loans of the online investment-linked financial business entity shall not become a part of the property subject to administration.

(4) Investors shall have a right to be paid prior to third parties (hereinafter referred to as "right to preferential payment").

(5) The persons who hold any of the following claims shall have the same right to preferential payment as that of investors:

1. Claims for expenses for the redemption and maintenance of rights to receive principal and interest payments and for the administration, disposal, and execution of P2P loans;
2. Claims of the trustee institution for remunerations.

(6) The exemption from or the adjustment or alteration of debts or other limitations, done in a rehabilitation proceeding of an online investment-linked financial business entity or an administration proceeding for corporate restructuring of an online investment-linked financial business entity, shall not affect the rights to preferential payment.

(7) Except as otherwise provided in the relevant P2P investment agreement, no online investment-linked financial business entity shall dispose of P2P loans or offer P2P loans as security for other debts, as long as an unpaid balance of the P2P loans remains, and the disposal of P2P loans or the offering of P2P loans as security in violation of this clause shall not be valid and enforceable to the persons entitled to preferential payment.

Article 29 (Collection of P2P Loans) An online investment-linked financial business entity may directly exercise the right to collect P2P loans or entrust the collection to a person who has a license for the debts collection business under Article 4 (1) 3 of the Credit Information Use and Protection Act.

Article 30 (Protection of Credit Information and Personal Information) (1) Online investment-linked financial business entities, the Central Record Management Agency, and the Online Investment-Linked Finance Association shall comply with the Personal Information Protection Act, the Credit Information Use and Protection Act, and other relevant statutes and regulations in collecting and processing personal information and credit information of users.

(2) Every online investment-linked financial business entity shall conduct a fact-finding survey on online information management at least once a year as prescribed by the Financial Services Commission, report the findings thereof to the Financial Services Commission within three months, and post them on its online platform.

Article 31 (Liability for Damage) (1) If an online investment-linked financial business entity violates a statute, regulation, any term or condition, or any agreement document (referring to a document delivered to a user under Article 23 (1) or 24 (1)), while engaging in the online investment-linked financial business, or inflicts damage on a user by negligence in its business operations, it shall be liable for such damage: Provided, That the same shall not apply where the online investment-linked financial business entity liable for damage otherwise proves that it has exercised reasonable care.

(2) Where any liability for damage falls on an online investment-linked financial business entity under paragraph (1), and an executive officer related thereto is also responsible for the damage, the executive officer along with the online investment-linked financial business entity shall assume joint liability for such damage.

(3) Matters concerning the estimation of the amount of damage, etc. under paragraph (1) shall be prescribed by Presidential Decree.

(4) Online investment-linked financial business entities shall take measures necessary for performing their liability under paragraph (1), such as the subscription of an insurance policy or mutual aid fund or the accumulation of reserves according to the guidelines determined by the Financial Services Commission.

Article 32 (Limits on Loan and Limits on Investment) (1) No online investment-linked financial business entity shall lend a P2P loan to the same borrower in excess of the limit specified by Presidential Decree within a maximum of 10/100 of the balance of total P2P loans held by it against the same borrower: Provided, That the same shall not apply to any of the following cases:

1. Where the balance of the total P2P loans held by an online investment-linked financial business entity and the amount of the P2P loan that the online investment-linked financial business entity intends to lend are not greater than the amount specified by Presidential Decree;
2. Where an online investment-linked financial business entity lends a P2P loan for direct cost of a regional development project, a social infrastructure project, or any other project specified by Presidential Decree, among the projects implemented by the State, a local government or a public institution or other entity specified by Presidential Decree;
3. Other cases specified by Presidential Decree as those where a P2P loan is inevitable for the stabilization of the life of the people, etc.

(2) The amount that an investor may make P2P investments through online investment-linked financial business entities shall be prescribed by Presidential Decree, in consideration of the purposes of investment of investors, the current status of property, experiences in investment, the kinds of P2P investment instruments, the characteristics of borrowers, etc.: Provided, That the amount shall not apply to corporate investors and the individual professional investors specified by Presidential Decree (hereinafter referred to as "professional investors") as investors who are able to take risks on investment, in view of

their expertise in financial instruments, the size of assets owned by them, etc.

(3) Every online investment-linked financial business entity shall take necessary measures prescribed by Presidential Decree so as to observe the limits on P2P loans to borrowers and the limits on P2P investments of investors under paragraphs (1) and (2).

[Enforcement Date: Undecided] Article 32 (2)

Article 33 (Central Record Management Agency) (1) Upon the receipt of an application for a P2P loan from a borrower or an application for a P2P investment from an investor (including cases where it receives an application for a transfer of a right to receive principle and interest payments), the online investment-linked financial business entity shall provide materials specified by Presidential Decree, including the details of the application, information about the user, to the Central Record Management Agency (referring to the institution that manages the information provided by online investment-linked financial business entities about users in accordance with Presidential Decree; the same shall apply hereinafter), without delay.

(2) Every online investment-linked financial business entity shall entrust the matters necessary to take the measures under Article 32 (3) to the Central Record Management Agency.

(3) The Central Record Management Agency shall retain and manage the materials provided under paragraph (1) in the manner prescribed by Presidential Decree.

(4) The Central Record Management Agency shall not provide the materials provided under paragraph (1) to any other person: Provided, That it may provide such materials where it provides the materials to the borrower concerned or in other cases specified by Presidential Decree.

(5) Articles 43 through 45 shall apply mutatis mutandis to the Central Record Management Agency. In such cases, the term "online investment-linked financial business entity" shall be read as "Central Record Management Agency".

[Enforcement Date: Undecided] Article 33

Article 34 (Transfer and Acquisition of Rights to Receive Principal and Interest Payments) (1) No investor shall transfer his or her right to receive principal and interest payments: Provided, That an investor may transfer his or her right to receive principal and interest payments in either of the following cases:

1. Where an investor transfers the right to a professional investor;
2. Where an investor transfers the right to a person specified by Presidential Decree as a person who is aware of the possibility of a loss on the investment in the right to receive principal and interest payments, the low possibility of mobilization, etc.

(2) When an investor transfers or acquires a right to receive principal and interest payments pursuant to the proviso, with the exception of the subparagraphs, of paragraph (1), he or she shall conduct such transaction through the brokerage of the online investment-linked financial business entity that provided the right to receive principal and interest payments.

(3) Every online investment-linked financial business entity shall take necessary measures prescribed by Presidential Decree to comply with paragraphs (1) and (2).

Article 35 (Special Cases concerning P2P Investment by Financial Institutions) (1) A specialized credit finance corporation defined in subparagraph 4 of Article 2 of the Act on Registration of Credit Business and Protection of Finance Users or other person specified by Presidential Decree (excluding online investment-linked financial business entities; hereinafter referred to as "specialized credit finance corporation, etc.") may make P2P investments up to the limit specified by Presidential Decree within a maximum of 40/100 of the amount of solicited P2P.

(2) Online investment-linked financial business entities shall take necessary measures prescribed by Presidential Decree so as to ensure the observance of the limit on P2P investments by a specialized credit finance corporation, etc. under paragraph (1).

(3) In making P2P investments, a specialized credit finance corporation, etc. that makes P2P investments under paragraph (1) shall comply with the statutes and regulations under which the institution or person obtained the authorization, permission, etc. The P2P investments by a specialized credit finance corporation, etc. in such cases shall be deemed loans or credit extensions to borrowers only where the statutes and regulations under which the institution or person obtained the authorization, permission, etc. do not prescribe otherwise.

(4) Detailed matters, such as limits on each type of the P2P loans in which a specialized credit finance corporation, etc. may make P2P investments under paragraph (1), and other necessary matters concerning P2P investments by a specialized credit finance corporation, etc. shall be prescribed by Presidential Decree.

Article 36 (Special Case concerning Documents) Notwithstanding other statutes and regulations, in conducting the business under Articles 13 and 14, an online investment-linked financial business entity may submit, provide, receive, retain, maintain, deliver, or otherwise handle electronic documents defined in subparagraph 1 of Article 2 of the Framework Act on Electronic Documents and Transactions in lieu of the documents or written materials that it shall submit, provide, receive, retain, maintain, deliver, or otherwise handle in accordance with this Act or other relevant statute or regulation and may obtain confirmation on matters that shall be otherwise written in handwriting in accordance with this Act or other relevant statute or regulation by affixing a digital signature defined in subparagraph 2 of Article 2 of the Digital Signature Act or by recording oral statements.

CHAPTER V ONLINE INVESTMENT-LINKED FINANCE ASSOCIATION

Article 37 (Establishment of Online Investment-Linked Finance Association) (1) In order to maintain the business order of online investment-linked financial business and promote robust development of online investment-linked financial business and the protection of users, the Online Investment-Linked Finance Association (hereinafter referred to as the "Association") shall be established.

(2) The Association shall be a juristic person.

(3) The Association shall have its principal place of business specified in its articles of association and may establish chapters at necessary places.

(4) The Association shall be duly formed when its establishment is registered with the registry having jurisdiction over its principal place of business.

(5) No person, except the Association under this Act, shall use the name "Online Investment-Linked Finance Association" or any similar name (including the characters specified by Presidential Decree).

[Enforcement Date: Undecided] Article 37

Article 38 (Business Activities) (1) The Association shall conduct the following business activities:

1. Guidance and recommendation to members for the compliance with this Act or other relevant statute or regulation;

2. Autonomous regulation for the maintenance of robust business order among members and the protection of users;
3. Consulting on and processing of civil petitions from users of online investment-linked financial business;
4. Establishment and amendment of standard terms and conditions;
5. Preparation of guidelines for public disclosure concerning online investment-linked financial business entities and monitoring the observance of such guidelines;
6. Fact-finding survey on information management by online investment-linked financial business entities;
7. Other business activities specified by Presidential Decree to accomplish the purpose of the Association.

(2) When the Association establishes, amends, or repeals regulations on its business activities, it shall report it to the Financial Services Commission, without delay. [Enforcement Date: Undecided] Article 38

Article 39 (Articles of Association) (1) The Association’s articles of association shall provide for the following matters:
1. Purpose;
2. Name;
3. Matters concerning organization;
4. Matters concerning places of business;
5. Matters concerning business activities;
6. Matters concerning qualification, rights, and obligations of members;
7. Matters concerning admission to membership, expulsion, and other sanctions (including the recommendation of sanctions to executive officers and employees of its members);
8. Matters concerning membership fees;
9. The methods of public announcement;
10. Other matters specified by Presidential Decree with regard to the operation of the Association.

(2) When the Association intends to amend its articles of association with regard to any matter specified by Presidential Decree, it shall obtain approval from the Financial Services Commission.

[Enforcement Date: Undecided] Article 39

Article 40 (Membership) (1) Every online investment-linked financial business entity shall join the Association.
(2) When an online investment-linked financial business entity intends to join the Association, the Association shall not refuse to admit the online investment-linked financial business entity to the membership or impose unreasonable conditions to the admission to the membership, without good cause.
(3) The Association may collect membership fees from members in accordance with its articles of association.
[Enforcement Date: Undecided] Article 40

Article 41 (Supervision over Association) @Articles 43 through 45 shall apply mutatis mutandis to the Association. In such cases, the term "online investment-linked financial business entity" shall be read as the "Association".
[Enforcement Date: Undecided] Article 41

Article 42 (Application Mutatis Muntandis of the Civil Act) Except as otherwise provided in this Act, the provisions of the Civil Act concerning incorporated associations shall apply mutatis mutandis to the Association.
[Enforcement Date: Undecided] Article 42

CHAPTER VI SUPERVISION AND DISPOSITIONS

Article 43 (Supervision) (1) The Financial Services Commission shall supervise online investment-linked financial business entities in order to ensure that they duly comply with this Act or orders issued or dispositions made under this Act.
(2) If necessary for supervision under paragraph (1), the Financial Services Commission may request an online investment-linked financial business entity to report its business, financial standing, etc.

Article 44 (Inspection) (1) The Governor of the Financial Supervisory Service established under the Act on the Establishment of Financial Services Commission (hereinafter referred to as "Governor of the Financial Supervisory Service") may authorize employees of the Financial

Supervisory Service to inspect business and the current status of property of an online investment-linked financial business entity.

(2) The persons conducting the inspection under paragraph (1) shall carry a certificate indicating their authority and shall produce it to interested persons.

(3) The Governor of the Financial Supervisory Service may request an online investment-linked financial business entity (including persons to whom an online investment-linked financial business is fully or partially entrusted under an agreement made with the online investment-linked financial business entity) to submit books of accounts, documentary records, and other materials necessary for inspection or to have relevant persons appear before him or her to express their opinions orally.

(4) The Governor of the Financial Supervisory Service may request an external auditor appointed by an online investment-linked financial business entity to submit information and materials concerning the robustness of business management of the online investment-linked financial business entity, of which the auditor became aware as a result of his her auditing.

Article 45 (Power of Financial Supervisory Service to Issue Order to Take Measures) If an online investment-linked financial business entity or any executive officer or employee of an online investment-linked financial business entity falls under any subparagraph of the attached Table, the Financial Supervisory Service may take any of the following measures:

1. An order to rectify a violation;
2. An institutional warning;
3. An institutional caution;
4. Recommending the removal of an executive officer or suspending the performance of an executive officer’s duties;
5. Demanding the dismissal of an employee;
6. Demanding a caution, warning, or reprimand to an executive officer or employee;
7. Other measures specified by Presidential Decree as those necessary for rectifying or preventing a violation.

Article 46 (Submission of Business Report) Every online investment-linked financial business entity shall prepare a report on its business operations and the performance of business management, as determined by the Financial Services Commission, and shall submit it to the Financial Services Commission.

Article 47 (Requesting Online Investment-Linked Financial Business Entities to Submit Materials) If an online investment-linked financial business entity or a large shareholder, an executive officer, or an employee of an online investment-linked financial business entity is suspected to have violated Article 12 (1) or (4), the Financial Services Commission may request the online investment-linked financial business entity or the large shareholder, executive officer, or employee to submit necessary materials.

Article 48 (Entrustment of Authority) (1) In order to raise the efficiency of supervision over online investment-linked financial business entities, the Financial Supervisory Service may entrust part of its authority under this Act to the Governor of the Financial Supervisory Service in accordance with Presidential Decree.

(2) If the Financial Supervisory Service considers necessary for the protection of users, it may entrust part of its authority, except the authority under paragraph (1), to the head of the Association in accordance with Presidential Decree.

Article 49 (Suspension of Business Operations and Revocation of Registration) (1) If an online investment-linked financial business entity falls under any of the following subparagraphs, the Financial Supervisory Service may order the online investment-linked financial business entity to completely or partially suspend its business operations for a period specified by it within a maximum period of six months in accordance with the guidelines prescribed by Presidential Decree:

1. If an online investment-linked financial business entity receives fees or interest, in violation of Article 11 (1) or (2);
2. If an online investment-linked financial business entity discriminates against users, without good cause, in establishing standards for the imposition of fees, in violation of Article 11 (4);
3. If an online investment-linked financial business entity breaches any obligation of an online investment-linked financial business under Article 12;
4. If an online investment-linked financial business entity conducts business in deviation of the scope of the business under Article 13;
5. If an online investment-linked financial business entity violates an order to restrict or rectify under Article 14 (3);

6. If an online investment-linked financial business entity entrusts its business, in violation of Article 15 (1);
7. If an online investment-linked financial business entity makes an advertisement, in violation of Article 19;
8. If an online investment-linked financial business entity omits to verify information about a borrower or uses information about a borrower for any purpose other than the authorized purposes, in violation of Article 20 (1) or (4);
9. If an online investment-linked financial business entity executes a P2P loan in excess of the borrower's objective capability of repayment, in violation of Article 20 (3);
10. If an online investment-linked financial business entity omits to verify the identify of an investor or uses information about an investor for any purpose other than authorized purposes, in violation of Article 21 (1) or (4);
11. If an online investment-linked financial business entity breaches an obligation relating to the provision of information to investors under Article 22;
12. If an online investment-linked financial business entity omits to deliver agreement documents to an investor or omits to retain materials relating to a P2P loan agreement for five years, in violation of Article 23 (1) or (4);
13. If an online investment-linked financial business entity fails to return an invested fund, without delay, in violation of Article 23 (3);
14. If an online investment-linked financial business entity violates the obligations to deliver or explain an agreement to a borrower under Article 24 (1) or (2);
15. If an online investment-linked financial business entity omits to retain materials relating to a P2P loan agreement for five years or refuses to allow inspection or to issue a certificate, in violation of Article 24 (3) or (4);
16. If an online investment-linked financial business entity omits to put invested funds, etc. in a deposit or trust account in a depository, transfers invested funds, etc. put in a deposit or trust account or offers such invested funds, etc. as security, in violation of Article 26 (1) or (3);
17. If an online investment-linked financial business entity breaches the obligation to manage P2P loans, etc. under Article 27;
18. If an online investment-linked financial business entity omits to take necessary measures, in violation of Article 34 (3);

19. If an online investment-linked financial business entity omits to take necessary measures, in violation of Article 35 (2);
20. If an online investment-linked financial business entity violates an order issued or a disposition made under Article 45 (including cases applicable mutatis mutandis in Article 33 (5) or 41).

(2) If an online investment-linked financial business entity falls under any of the following subparagraphs, the Financial Services Commission may revoke the registration of the online investment-linked financial business entity: Provided, That if in cases of subparagraph 1, the Financial Services Commission must revoke registration:

1. If an online investment-linked financial business entity causes the registration under Article 5 by fraud or other improper means;
2. If an online investment-linked financial business entity fails to meet the requirements of Article 5 (1);
3. If an online investment-linked financial business entity breaches the obligation to maintain the requirements for registration under Article 5 (7);
4. If an executive officer of an online investment-linked financial business entity is disqualified under Article 6 (1);
5. If an online investment-linked financial business entity has no result of business performance continuously for not less than six months or practically discontinues its business due to a merger of corporations, bankruptcy, business closure, or other cause;
6. If an online investment-linked financial business entity violates an order issued under paragraph (1) to suspend business operations;
7. If an online investment-linked financial business entity omits to rectify violations within the period of suspension of its business operations, although it received an order to suspend its business operations under paragraph (1), and becomes subject to the disposition to suspend business operations under paragraph (1), not less than the times specified by Presidential Decree, for identical violations.

(3) The Financial Services Commission shall hold hearings for the online investment-linked financial business entity concerned before revoking registration under paragraph (2).

Article 50 (Penalty Surcharge on Online Investment-Linked Financial Business Entities) (1) If an online investment-linked financial business entity violates Article 32 (1), the Financial Services Commission may impose a penalty surcharge on the online investment-linked financial business entity within a maximum of 30/100 of the amount of the P2P loan exceeding the limits.

(2) If the disposition to suspend business operations of an online investment-linked financial business entity under Article 49 (1) is likely to cause severe inconvenience to users or adversely affect public interest otherwise, the Financial Services Commission may impose a penalty surcharge not exceeding 50 million won in lieu of the disposition to suspend business operations.

(3) In imposing a penalty surcharge under paragraph (1) or (2), the Financial Services Commission shall consider the following matters:

1. The substance and degree of the violation;
2. The duration and frequency of the violation;
3. The amount of earnings acquired from the violation.

(4) Other necessary matters concerning the imposition of penalty surcharges shall be prescribed by Presidential Decree.

Article 51 (Petition for Objection) (1) A person who protests against the disposition to impose a penalty surcharge under Article 50 may file a petition for objection with the Financial Services Commission, with the reason therefor, within 30 days from the date on which the disposition is notified.

(2) The Financial Services Commission shall render a decision on the petition for objection under paragraph (1) within 30 days: Provided, That if it is impossible to render a decision within the period due to unavoidable circumstances, the period may be extended by not more than 30 days.

(3) A person who protests against the decision rendered under paragraph (2) may file an administrative appeal.

Article 52 (Extension of Payment Deadline for Penalty Surcharges and Installment Payment)

(1) If the Financial Services Commission finds that a person upon whom a penalty surcharge is imposed (hereinafter referred to as “person obligated to pay a penalty surcharge”) has difficulty in payment the full amount of the penalty surcharge in a lump sum in any of the following cases, it may extend the payment deadline or permit the person to pay it in installments:

1. Where a person obligated to pay a penalty surcharge has sustained a serious loss on his or her property due to a disaster or other event;
2. Where the business of a person obligated to pay a penalty surcharge in a critical crisis due to the deterioration of business conditions;
3. Where it is expected that a person obligated to pay a penalty surcharge will suffer a serious financial hardship if the person shall pay the penalty surcharge in a lump sum.

(2) When a person obligated to pay a penalty surcharge intends to extend the deadline for the payment of the penalty surcharge or pay it in installment, the person shall file an application with the Financial Services Commission no later than 10 days before the payment deadline.

(3) If the Financial Services Commission extended the deadline for the payment of a penalty surcharge or permitted installment payment under paragraph (1) but the person obligated to pay the penalty surcharge falls under any of the following subparagraphs, the Financial Services Commission may revoke the decision to extend the payment deadline or to permit installment payment and may collect the penalty surcharge in a lump sum:

1. If the person obligated to pay the penalty surcharge fails to pay the penalty surcharge permitted to be paid in installaments by the payment deadline;
2. If the person obligated to pay a penalty surcharge omits to comply with an order to change the collateral or any other order issued by the Financial Services Commission as necessary for the supplementation of the collateral;
3. If it is found that it is impossible to collect the whole amount or balance of a penalty surcharge due to forced execution, the commencement of an auction, the declaration of bankruptcy, the dissolution of the corporation concerned, or the disposition on the delinquency of a national or local tax;
4. Other cases where any cause or event specified by Presidential Decree as equivalent to those referred to in subparagraphs 1 through 3 has occurred.

(4) Necessary matters concerning the extension of the deadline for the payment of a penalty surcharge, installment payment, collateral, etc. under paragraphs (1) through (3) shall be prescribed by Presidential Decree.

Article 53 (Collection of Penalty Surcharges and Disposition on Delinquency) (1) If a person obligated to pay a penalty surcharge fails to pay the penalty surcharge by the payment deadline, the Financial Services Commission may collect the additional charge prescribed by Presidential Decree for the period starting on the day immediately after the payment deadline and ending on the day immediately before the date of actual payment of the penalty surcharge.

(2) If a person obligated to pay a penalty surcharge fails to pay the penalty surcharge by the payment deadline, the Financial Services Commission shall urge for payment within the period designated by it and may collect the penalty surcharge and the additional charge under paragraph (1) in the same manner as provided for the disposition on the delinquency of national taxes if such person fails to pay them within the designated period.

(3) The Financial Services Commission may entrust the Commissioner of the National Tax Service with affairs relating to the collection of penalty surcharges and additional charges and the disposition on the delinquency of them under paragraphs (1) and (2).

(4) Other matters necessary for the collection of penalty surcharges shall be prescribed by Presidential Decree.

Article 54 (Refund of Overpayment or Erroneous Payment) (1) If a person obligated to pay a penalty surcharge claims the refund of an overpaid or erroneously paid penalty surcharge on the ground of a decision on a petition for objection, a court judgment, or any other equivalent adjudication, the Financial Services Commission shall refund such payment, without delay and shall refund any payment identified by the Financial Services Commission as overpaid or erroneously paid even where the person obligated to pay a penalty surcharge does not claim the refund of such payment.

(2) Where the Financial Services Commission shall refund an overpayment or erroneous payment under paragraph (1), it shall pay an additional payment on refund to the person entitiled to the refund by applying the interest rate specified by Presidential Decree on such additional payment to the period starting from the date of payment of the penalty surcharge and ending on the date of actual refund.

CHAPTER VII PENALTY PROVISIONS

Article 55 (Penalty Provisions) (1) Any of the following persons shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 100 million won:

1. A person engaging in an online investment-linked financial business without being registered, in violation of Article 4;
2. An online investment-linked financial business entity who lends a P2P loan and a large shareholder, an executive officer, or an employee who receives the P2P loan from the business entity, in violation of Article 12 (1);
3. A person who disposes of P2P loans or offers P2P loans as security for other debt, in violation of Article 28 (7).

(2) Any of the following persons shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 30 million won:

1. A person who uses any similar company name, in violation of Article 8;
2. A person who uses any similar name, in violation of Article 37 (5).

Article 56 (Joint Penalty Provisions) If the representative of a corporation or an agent or employee of, or any other person employed by, the corporation or an individual commits any violation described in Article 55 in performing any business affair of the corporation or individual, the corporation or individual shall, in addition to punishing the violator accordingly, be punished by a fine prescribed in the relevant Article: Provided, That the same shall not apply where the corporation or individual has not neglected exercising due care and supervising the violator to prevent such violation.

Article 57 (Administrative Fines) (1) Any of the following persons shall be subject to an administrative fine not exceeding 50 million won:

1. A person who fails to register a change, in violation of Article 7 (1);
2. A person who receives fees or interest, in violation of Article 11 (1) or (2);
3. A person who discriminates against users, without good cause, in determining criteria for the imposition of fees, in violation of Article 11 (4);
4. A person who breaches any obligation relating to online investment-linked financial business under Article 12 (2) through (9);
5. A person who conducts the business in deviation of the scope of the business under Article 13;
6. A person who breaches the obligation to provide information under Article 22 (1) and (2);

7. A person who fails to obtain confirmation on an investor's understanding by signature or other means, in violation of Article 22 (3);
8. A person who omits important information or provides false or misleading information, in violation of Article 22 (4);
9. A person who fails to notify investors of the fact that a P2P loan is overdue and the reason therefor or who fails to post such fact on the online platform, in violation of Article 22 (5);
10. A person who fails to comply with an order to modify under Article 25 (7);
11. A person who breaches the obligation to manage invested funds, etc. under Article 26;
12. A person who breaches the obligation to manage P2P loans, etc. under Article 27;
13. A person who fails to take measures necessary for the observance of limits, in violation of Article 32 (3);
14. A person who transfers a right to receive principal and interest payments, in violation of Article 34 (1) and (2);
15. A person who fails to take necessary measures, in violation of Article 34 (3);
16. A person who makes a P2P investment, in violation of Article 35 (1);
17. A person who fails to take necessary measures, in violation of Article 35 (2);
18. A person who fails to join the Association, in violation of Article 40 (1);
19. A person who refuses to admit an online investment-linked financial business entity to the membership or imposes unreasonable conditions to the admission to the membership, without good cause, in violation of Article 40 (2);
20. A person who refuses, obstructs, or evades the inspection under Article 44 (including cases applicable mutatis mutandis in Articles 33 (5) and 41);
21. A person who fails to comply with a request to submit materials or to have relevant persons make an appearance to express their opinions orally, in violation of Article 44 (3) (including cases applicable mutatis mutandis in Articles 33 (5) and 41).

(2) Any of the following persons shall be subject to an administrative fine not exceeding 30 million won:

1. A person who fails to protect users' interests or conducts any act detrimental to the interests of users for its own interests or for a third party's interests, in violation of Article 9 (1) or (2);

2. A person who breaches the obligation of public disclosure under Article 10 (1);
3. A person who fails to establish criteria for the imposition of fees or fails to publicly disclose such criteria through its online platform, in violation of Article 11 (3);
4. A person who fails to report, in violation of Article 14 (1) or (2);
5. A person who entrust business, in violation of Article 15 (1);
6. A person who violates Article 16 (1) in accounting;
7. A person who fails to prepare internal control standards or fails to appoint a compliance officer, in violation of Article 17 (1) or (2);
8. A compliance officer appointed under Article 17 (2), who fails to monitor the observance of internal control standards or fails to report a violation of internal control standards to the auditor or audit committee, although he or she discovered such violation;
9. A person who breaches the obligation to manage conflicts of interest under Article 18;
10. A person who makes an advertisement, in violation of Article 19;
11. A person who fails to verify information about a borrower, in violation of Article 20 (1);
12. A person who executes a P2P loan in excess of a borrower's objective capability of repayment, in violation of Article 20 (3);
13. A person who uses information about a borrower for any purpose other than the authorized purposes, in violation of Article 20 (4);
14. A person who fails to verify the identity of an investor, in violation of Article 21 (1);
15. A person who uses information about an investor for any purpose other than the authorized purposes, in violation of Article 21 (4);
16. A person who breaches the obligation to deliver agreement documents to an investor under Article 23 (1);
17. A person who fails to return an invested fund, without delay, in violation of Article 23 (3);
18. A person who fails to retain materials relating to a P2P investment agreement for five years, in violation of Article 23 (4);
19. A person who breaches the obligation to deliver an agreement to a borrower under Article 24 (1);
20. A person who breaches the obligation to explain to a borrower under Article 24 (2);
21. A person who fails to retain materials relating to a P2P loan agreement for five years, in violation of Article 24 (3);

22. A person who refuses to allow the inspection of materials relating to a P2P loan agreement or to issue a certificate, without good cause, in violation of Article 24 (4);
23. A person who fails to submit a report, make a public disclosure, or give a prior notice, in violation of Article 25 (2);
24. A person who fails to give a prior notice, in violation of Article 25 (4);
25. A person who breaches the obligation to inspect and report the current situation of online information management under Article 30 (2);
26. A person who fails to take measures necessary for performing the liability for damage, in violation of Article 31 (4);
27. A person who fails to provide information, etc. about users to the Central Record Management Agency, in violation of Article 33 (1);
28. A person who fails to entrust matters necessary for the measures under Article 32 (3) to the Central Record Management Agency, in violation of Article 33 (2);
29. A person who fails to retain and manage materials relating to users or provides such materials to other person, in violation of Article 33 (3) or (4);
30. A person who fails to comply with a request to report, in violation of Article 43 (2) (including cases applicable mutatis mutandis in Articles 33 (5) and 41);
31. A person who fails to submit or make a report (including persons who submits or make a false report), in violation of Article 46;
32. A person who fails to comply with a request to submit materials, in violation of Article 47.

(3) The administrative fines under paragraphs (1) and (2) shall be imposed and collected by the Financial Services Commission in accordance with Presidential Decree.