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SOFTWARE INDUSTRY PROMOTION ACT

[Enforcement Date 22. Aug, 2018.] [Act No.15371, 21. Feb, 2018., Partial
Amendment]

과학기술정보통신부 (소프트웨어정책과)044-202-6324



법제처 국가법령정보센터

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과학기술정보통신부 (소프트웨어산업과) 044-202-6334

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to provide for matters necessary to promote the software industry, to lay a foundation for developing the software industry and to bolster the competitiveness of the software industry for the ultimate purpose of contributing to improvement of the people's lives and sound development of the national economy.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 2 (Definitions)

The definitions of terms used in this Act shall be as follows:<Amended by Act No. 12872, Dec. 30, 2014>

1. The term "software" means a collection of instructions and commands (including audio or visual information, etc.) that enables equipment, such as computers, communications apparatuses and automation equipment and peripheral equipment to command, control, input, process, save, output and interact, and descriptions used to prepare them and other related data;
2. The term "software industry" means the industry related to the development, manufacture, production, distribution, etc. of software, and services related thereto and the establishment, operation, etc. of the information system as defined in subparagraph 13 of Article 2 of the Electronic Government Act;
3. The term "software business" means economic activities related to the software industry;
4. The term "software business operator" means a person who runs a software business;
5. The term "software engineer" means a person who has obtained technical qualifications in the field of information processing in accordance with the National Technical Qualifications Act, or who has an educational background or a career prescribed by Presidential Decree in the field of software technologies;

6. The term "software process" means a series of methods, procedures, activities, etc. used for the development, maintenance and repair of software;
7. The term "software promotion facilities" means facilities designated under Article 5 to support business activities performed by software business operators by attracting software business operators and related supporting facilities in groups;
8. The term "software promotion complex" means an area designated and created under Article 6 to support business activities, etc. performed by software business operators by attracting software business operators, related supporting facilities, etc. in that area;
9. The term "owner" means a person (excluding a person who is a contractor and intends to subcontract software business which he/she has contracted: Provided, That where the head of a State agency, etc. enters into a contract for software business from overseas countries, he/she shall be regarded as an owner) who enters into a contract for software business with a software business operator;
10. The term "contract" means an agreement which promises to complete software business regardless of titles such as general contract, subcontract and commission, and that the counterpart promises to pay the price for the results of the work;
11. The term "subcontract" means an agreement that a contractor enters into a contract with other software business operators so as to make a software business contract which he/she has signed (including where a business which has been subcontracted is re-subcontracted);
12. The term "contractor" means a software business operator who enters into a contract for software business with an owner (including a business operator who enters into a subcontract);
13. The term "subcontractor" means a person who enters into a subcontract for software business with a contractor (including a re-subcontractor who enters into a subcontract with a subcontractor).

[\[This Article Wholly Amended by Act No. 11436, May 23, 2012\]](#)

Article 3 (Duties and Responsibilities of State and Local Governments)

The State and local governments shall formulate and implement policy measures necessary to develop the software industry.

[\[This Article Wholly Amended by Act No. 11436, May 23, 2012\]](#)

Article 4 (Establishment, etc. of Master Plans) (1) The Minister of Science and ICT shall formulate a medium-to long-term master plan for promoting the software industry (hereinafter referred to as "master plan"). <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The master plan shall include the following matters:<Amended by Act No. 12722, Jun. 3, 2014>

1. Basic direction-setting for polices to develop the software industry;
2. Matters relating to policies to develop the software industry by sector;
3. Matters relating to the establishment of a foundation for the software industry;
4. Matters relating to the nurturing of software business operators, including support for software start-up businesses;
5. Matters relating to the training of software specialists;
6. Matters relating to the research and development of software technology and dissemination thereof;
7. Matters relating to the facilitation of software utilization and distribution;
8. Matters relating to the international cooperation and entry into overseas markets;
9. Matters relating to the invigoration of software asset management;
10. Other matters necessary for developing the software industry.

(3) The Minister of Science and ICT shall formulate and implement a detailed implementation plan (hereinafter referred to as "implementation plan") in line with a master plan. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(4) Matters necessary to formulate and execute a master plan and implementation plan shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

CHAPTER II ESTABLISHMENT OF FOUNDATION FOR DEVELOPMENT OF SOFTWARE INDUSTRY

Article 5 (Designation, etc. of Software Promotion Facilities) (1) In order to promote the software industry, the Minister of Science and ICT may formulate policies necessary to designate software promotion facilities (hereinafter referred to as "promotion facility") and provide funds and facilities. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) Any person who intends to be designated as a promotion facility (including local governments) shall file an application for such designation, as prescribed by Presidential Decree.

(3) The Minister of Science and ICT shall designate a facility which has filed an application for the designation as promotion facilities pursuant to paragraph (2), unless it falls under either of the following cases:<Newly Inserted by Act No. 12722, Jun. 3, 2014; Act No. 14839, Jul. 26, 2017>

1. Where it fails to meet the designation requirements under paragraph (6);
2. Where it violates restrictions under other Acts and subordinate statutes.

(4) Where the Minister of Science and ICT designates the promotion facilities in accordance with paragraph (1), he/she may attach conditions necessary for upgrading the promotion facilities. In such cases, such conditions shall be limited to the minimum required for enhancing the public interest and shall not impose unjust obligations.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(5) Promotion facilities designated under paragraph (1) shall be deemed designated as facilities for agglomerating venture businesses under Article 18 of the Act on Special Measures for the Promotion of Venture Businesses.<Amended by Act No. 12722, Jun. 3, 2014>

(6) Requirements for designating promotion facilities and matters necessary for supporting such facilities shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 6 (Designation and Creation of Software Promotion Complexes) (1) For the purpose of developing the software industry, the Minister of Science and ICT may, if necessary, designate or create a software promotion complex (hereinafter referred to as "promotion complex") in an area where software business operators and related supporting facilities are collectively residing or expected to reside. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) Requirements for designating promotion complexes, matters necessary for designating and creating such promotion complexes and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 7 (Cancellation of Designation of Promotion Facilities, etc.)

In either of the following cases, the Minister of Science and ICT may cancel the designation of promotion facilities, as prescribed by Presidential Decree: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12722, Jun. 3, 2014; Act No. 14839, Jul. 26, 2017>

1. Where promotion facilities or promotion complexes do not satisfy the requirements for designation any longer;
2. Where any person whose facilities have been designated as promotion facilities fails to fulfill the conditions imposed on the designation under Article 5 (4).

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 8 (Vitalization of Software Start-Up Businesses)

In order to vitalize software start-up businesses and the growth and development of start-up business operators, the Minister of Science and ICT may allow public organizations authorized to use State property free of charge under Article 34 (1) 3 of the State Property Act to sublease such State property to persons who intend to establish start-up businesses or other persons prescribed by Presidential Decree, notwithstanding the provisions of Article 30 (2) of the same Act. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 9 (Support for Promotion Facilities, etc. by Local Governments)

Local governments may, if deemed necessary for developing the software industry, make contributions or investments for any person who intends to build promotion facilities or promotion complex, or for public organizations, etc. which support the establishment of software start-up businesses. <Amended by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 10 (Training of Software Specialists) (1) The Minister of Science and ICT may provide

educational training to train software specialists, such as software engineers, and upgrade their qualifications. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT may designate research institutes, universities and other institutions or organizations prescribed by Presidential Decree as institutions for training and educating software specialists to have them provide educational training pursuant to paragraph (1), and may provide budget necessary for such educational training. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) Matters necessary for the designation, including formulation of plans for nurturing and educational training of software specialists and requirements to be designated as an institution for training of specialists pursuant to paragraphs (1) and (2) shall be prescribed by Presidential Decree.

(4) Where any institution for training and educating software specialists designated under paragraph (2) falls under any of the following subparagraphs, the Minister of Science and ICT may cancel the designation thereof: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

1. Where it has been designated by fraud or other improper means;
2. Where it fails to meet the requirements for designation prescribed by Presidential Decree for at least three consecutive months;
3. Where a person who has not completed the training was deemed to have completed such training.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 11 (Promotion of Development of Software Technologies)

For the purpose of facilitating the development of technologies related to the software industry, the Government may fully or partially contribute or subsidize necessary funds to any person who performs a project to develop software technologies.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 12 (Promotion of Software Standardization) (1) For the purpose of efficiently developing, improving the quality of and securing compatibility of software, the Minister of Science and ICT may promote the standardization of software and advise software business operators to standardize software. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT may designate specialized institutions to facilitate the standardization of software and provide budget necessary for such institutions to standardize software. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 13 (Good Software Certification) (1) The Minister of Science and ICT may award good software certification to secure the quality of software and facilitate their distribution.

<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT may designate authentication institutions to grant quality certifications pursuant to paragraph (1). <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) Where an authentication institution designated under paragraph (2) receives an application for quality certification, it shall grant good software certification if the application is deemed in compliance with certification standards prescribed by Presidential Decree.

(4) With respect to the goods, the quality of which is certified under paragraph (1), the Minister of Science and ICT may request the heads of the central administrative agencies for preferential purchase by public institutions pursuant to Article 13 of the Act on Facilitation of Purchase of Small and Medium Enterprise-Manufactured Products and Support for Development of Their Markets and for financial support pursuant to Article 4 of the Basic Research Promotion and Technology Development Support Act. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(5) Where any authentication institution designated under paragraph (2) falls under any of the following subparagraphs, the Minister of Science and ICT may cancel the designation thereof: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

1. Where it has been designated by fraud or other improper means;
2. Where it fails to meet the requirements for designation prescribed by Presidential Decree for at least three consecutive months;
3. Where good software certification has been granted to software that failed to meet the certification standards.

(6) Matters necessary for awarding good software certification, such as requirements for designation of authentication institutions pursuant to paragraph (2), shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 13-2 (Benchmark Test of Software) (1) The State or a local government, or the head of a corporation or other public organizations (hereinafter referred to as "State agency, etc.") which State or local governments have made investment in or contributions to, if he/she purchases software products under Article 20 (2), shall directly conduct benchmark test, or request benchmark test to a test agency designated by the Minister of Science and ICT under paragraph (2), and then reflect its results to purchase of products. <Amended by Act

[No. 14839, Jul. 26, 2017](#)>

(2) The Minister of Science and ICT may designate test agencies to conduct benchmark test under paragraph (1).[<Amended by Act No. 14839, Ju. 26, 2017>](#)

(3) A test agency designated by paragraph (2), if requested to conduct benchmark test, shall determine criteria necessary for benchmark test after listening to the opinion of the head of a State agency, etc. and a person who intends to supply software products, and perform benchmark test in accordance with its criteria.

(4) The Minister of Science and ICT, if any person designated as a test agency under paragraph (2) falls under any of the followings, may revoke its designation: Provided, That he/she shall revoke its designation if falling under subparagraph 1:[<Amended by Act No. 14839, Jul. 26, 2017>](#)

1. Where it is designated by any fraud or other unjustifiable means;
2. Where it fails to meet the requirements for designation prescribed by Presidential Decree for at least three consecutive months;
3. Where it calculates test results which are different from the fact by intention or gross negligence.

(5) Matters necessary to conduct benchmark test such as subjects of benchmark test under paragraph (1), designation requirements of test agencies under paragraph (2) and application procedures for benchmark test under paragraph (3) shall be prescribed by Presidential Decree.

[\[This Article Newly Inserted by Act No. 13342, Jun. 22, 2015\]](#)

Article 14 (Management, etc. of Information on Software Industry) (1) In order to develop the software industry, the Government may comprehensively manage the information on the overall software industry (hereinafter referred to as "information on the software industry"), such as technical standards, research trends, market trends, the present status of business operators and present status of technical personnel of the software industry, and provide the related institutions or organizations with the information on the software industry.

(2) In order to comprehensively manage the information on the software industry, the Minister of Science and ICT may establish and operate the overall management system of the information on the software industry, as prescribed by Presidential Decree.[<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>](#)

(3) In order to comprehensively manage the information on the software industry, the Minister of Science and ICT may request software business operators or association of software related business operators (referring to an association comprised of at least two software business operators and doing business in the software industry; hereinafter referred to as "association of business operators") or Korea Software Financial Cooperative under Article 27 to submit data regarding performance of software business. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(4) Any person in receipt of a request to submit data under paragraph (3) may opt not to submit data where there exist special reasons, for instance details of the data are dealing with national security or a trade secret (referring to a trade secret as defined in subparagraph 2 of Article 2 of the Unfair Competition Prevention and Trade Secret Protection Act) of a business operator or an association of business operators and a legitimate profit of a business operator is likely to be damaged.

(5) In order to perform affairs referred to in paragraphs (1) and (2), the Minister of Science and ICT may designate an institution to professionally manage the information on the software industry. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(6) Matters necessary for procedures for requesting the submission of data under paragraph (3) and requirements for designating an institution to manage the information pursuant to paragraph (5) and other matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 14-2 (Software Business Impact Assessment) (1) When promoting software business, the head, etc. of a government agency shall conduct software business impact assessment to analyze the impact on the market.

(2) Business subject to software business impact assessment shall include planning, establishment, operation and maintenance of software along with other informatization projects.

(3) Matters necessary for criteria, methods and procedures for software business impact assessment shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 15371, Feb. 21, 2018]

Article 15 (Vitalization of Software Distribution) (1) For the purpose of developing the software industry, the Government shall endeavor to vitalize the distribution of software.

(2) The Minister of Science and ICT may carry out a project necessary to promote the distribution of software referred to in paragraph (1) and shall support activities to facilitate the distribution of authentic software.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 12722, Jun. 3, 2014; Act No. 14839, Jul. 26, 2017>

(3) The Government shall secure budget for purchasing authentic software and shall not conclude an unlawful contract with regard to the purchase and use of software.<Newly Inserted by Act No. 12722, Jun. 3, 2014>

(4) Matters necessary for performing a project and supporting activities referred to in paragraph (2) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 16 (Promotion of International Cooperation and Entry into Overseas Markets) (1) In order to promote international cooperation and entry into overseas markets of the software industry, the Government may support programs or projects, such as international exchanges of software-related technologies and human resources, participation in international exhibitions, international standardization and joint international research and development.

(2) The Minister of Science and ICT may authorize institutions or organizations prescribed by Presidential Decree to implement programs or projects referred to in paragraph (1) and financially support such institutions or organizations.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 17 (Institution Exclusively in Charge of Promotion of Software Business)

The Government may have the National IT Industry Promotion Agency referred to in Article 26 of the Information and Communications Technology Industry Promotion Act conduct a project to efficiently support the promotion and development of the software industry.

[This Article Wholly Amended by Act No. 9708, May 22, 2009]

Article 18 (Tax Credit, etc.) (1) The Government shall take taxation, financial and administrative measures necessary for developing the software industry.

(2) For the purpose of developing the software industry, the State and local governments may reduce or exempt income tax, corporation tax, acquisition tax, property tax, registration and license tax, etc. pursuant to the Restriction of Special Taxation Act, the

Restriction of Special Local Taxation Act and other related Acts.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

CHAPTER III VITALIZATION OF SOFTWARE BUSINESS

Article 19 (Forecast of Demand for Software Business) (1) The head of a state agency, etc. shall submit a demand forecast for software products and plan for promoting software business of an agency under his/her control twice a year or more to the Minister of Science and ICT. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 13342, Jun. 22, 2015; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT shall disclose such demand forecast for software products and plan for promoting software business submitted to him/her under paragraph (1) to software business operators on at least two occasions a year.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) The Minister of Science and ICT may designate a specialized institution to entrust it with the affairs referred to in paragraph (2) for the efficient implementation, and provide financial support for such specialized institution.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(4) Matters necessary for the submission under paragraph (1), the specific frequency, timing and methods of, and procedures for, the disclosure under paragraph (2), and the designation of and support for the specialized institution under paragraph (3) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 20 (Software Business Contracts of State Agencies, etc.) (1) Where the head of any State agency, etc. intends to enter into a contract for software business, he/she shall preferentially apply a contract method under which a bidder prescribed in Article 10 (2) 3 of the Act on Contracts to which the State Is a Party is made a successful bidder and then enter into contracts with the successful bidder: Provided, That where deemed necessary in light of the characteristics of the software business for which a contract is to be entered into, such contract may be entered into in a different method.

(2) Where the head of any State agency, etc. places an order for software business, he/she shall directly enter into a separate contract for any of the software products designated by

the Minister of Science and ICT as split-ordering software.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) The Minister of Science and ICT may determine and publish the standards to analyze and apply the requirements for software business for contracts prescribed in paragraph (1), and the heads of State agencies, etc. shall apply such standards when they formulate a plan, compile a budget, place an order and conclude a contract for software business. When the heads of State agencies, etc. place an order, they shall determine and publish detailed requirements therefor. In such cases, the heads of State agencies, etc. may use independent specialized institutions, etc. in order to clarify and propose the requirements for software business.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(4) The Minister of Science and ICT may determine and publish standards for assessing technological capabilities of software business operators and encourage the heads of State agencies, etc. to apply such standards to their assessment of technological capabilities of software business operators.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(5) Where State agencies, etc. execute any software business with a software business operator under a contract, they shall administer and supervise the proper performance of such software business and the quality, etc. of products based on the contract or the implementation plan. In cases of a large-scale software business, for clarification of the requirements for, and reinforcement of quality control, a task force consisting of internal experts shall be operated from the stage of preparing the requirements to the end of the software business.

(6) The head of every State agency, etc. shall disclose such information on the current status of direct software contracts, etc., as prescribed by Presidential Decree, to software business operators each year, and notify the Minister of Science and ICT of such fact.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(7) Detailed procedures and standards for entering into a contract under paragraphs (1) and (2), and the standards for the administration and supervision under paragraph (5) shall be determined and publicly announced by the Minister of Science and ICT.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 20-2 (Deliberative Committee on Task Change of Software Business) (1) Where the head of a State agency, etc. promotes software business pursuant to Article 20, he/she

may, in order to deliberate on the appropriateness of changes to details of a task and adjustment of a contract amount following changing the details of the task, organize the deliberative committee on task change of software business (hereinafter referred to as the "Deliberative Committee on Task Change").

(2) Any business operator who has entered into a contract for software business with the head of a State agency, etc. may request the head of the State agency, etc. to hold a meeting of the Deliberative Committee on Task Change.

(3) A majority of the members of the Deliberative Committee on Task Change shall be comprised of specialists who have knowledge about or experience in software business.

(4) Matters necessary for the formation, operation and other matters of the Deliberative Committee on Task Change shall be prescribed by Presidential Decree.

(5) Matters necessary for procedures for making a request to hold a meeting of the Deliberative Committee on Task Change pursuant to paragraph (2) shall be prescribed by Ordinance of the Ministry of Science and ICT. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 20-3 (Restriction, etc. of Subcontracts) (1) Where a software business operator enters into a contract for software business with the head of a State agency, etc., he/she may not enter into a subcontract exceeding 50/100 of the amount of a business: Provided, That this shall not apply to any of the following cases: <Amended by Act No. 14839, Jul. 26, 2017>

1. Simple service of purchase or installation, etc. of products;
2. Where it falls under requirements prescribed by Ordinance of the Ministry of Science and ICT, in such cases new technology or professional technology is in need.

(2) Any software business operator who enters into subcontract under paragraph (1) may not re-subcontract the business which he/she has entered into: Provided, That if it falls under any of the following, he/she may enter into re-subcontract:

1. Where there occur serious obstacles in quality of the business which he/she has been subcontracted or efficiency of performance thereof so that it is unavoidable to improve those;
2. Where it is unavoidable to respond change of environment of the business which he/she has been subcontracted such as change of task;

3. Where it is otherwise prescribed by Presidential Decree to be necessary for performance of the business which he/she has been subcontracted.

(3) Where any person enters into subcontract under the proviso of paragraph (1) and (2), he/she shall take approval from the head of a State agency etc., in advance.

(4) The head of a State agency, etc., where a business which a software business operator intends to subcontract exceeds the rate of business amount prescribed by Presidential Decree, may request a contractor to participate therein together with the subcontractor as joint contractors. In such cases the contractor who is requested to join shall follow accordingly unless there exist special reasons.

(5) Matters necessary for methods and procedures for granting approval of subcontracts under paragraph (3) and other matters shall be prescribed by Ordinance of the Ministry of Science and ICT.<Amended by Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 12872, Dec. 30, 2014]

Article 20-4 (Request for Correction, etc.) (1) The head of a State agency, etc. shall request correction when a software business operator falls under any of the followings:

1. Where he/she enters into subcontract in violation of Article 20-3 (1);
2. Where he/she enters into subcontract in violation of Article 20-3 (2).

(2) In compliance with relevant Acts such as the Act on Contracts to which the State Is a Party, and the Act on Contracts to which a Local Government Is a Party, the head of a State agency, etc. shall restrict qualification for participation in bidding of a software business operator falling under any of the each subparagraph of paragraph (1).

[This Article Newly Inserted by Act No. 12872, Dec. 30, 2014]

Article 20-5 (Defects Liability in Software Business) (1) Where a software business operator has entered into a contract for software business with the head of a State agency, etc., he/she shall be liable for any defect which occurs within one year from the date of completion of the business (referring to the date he/she has delivered final products after having performed the test and inspection on the business).

(2) Notwithstanding the provisions of paragraph (1), no software business operator shall be liable for any defect which occurs by reason of any of the following subparagraphs: Provided, That this shall not apply where he/she has not notified the owner of the fact that goods or instructions offered by the owner are inappropriate while he/she knows they are:

1. Goods provided by the owner are of inferior quality or substandard;
2. He/she has established an information system in accordance with the owner's instructions.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 21 (Compensation for Proposals for Software Business) (1) Where the head of a State agency, etc. promotes a software business pursuant to Article 20, he/she may reimburse a person whose proposal has been highly assessed, from among those who has failed to be successful bidders, for some of the costs incurred in preparing such proposal within budgetary limits.

(2) Matters necessary for standards and procedures for the reimbursement for a proposal referred to in paragraph (1) and other matters shall be determined and published by the Minister of Science and ICT.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 22 (Payment for Software Business) (1) Where a State agency, etc. enters into a contract for software business, it shall endeavor to pay an appropriate level of price to ensure the development of the software industry and the quality of the software business.

(2) The Minister of Science and ICT shall collect and analyze the following information on software business and provide such information to State agencies, etc. in order for the heads of such State agencies, etc. to pay an appropriate level of price for software business pursuant to paragraph (1):<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

1. The implementation environment of software business;
2. Implementation tools of software business;
3. Costs, schedule, scale and man hours of software business;
4. Information on quality characteristics of software business;
5. Other matters necessary for determining price standards for software business.

(3) The Minister of Science and ICT may request the heads of State agencies, etc. to submit necessary data in order to comprehensively manage software business information pursuant to paragraph (2) and the heads of the State agencies, etc. shall cooperate with such request, except in extenuating circumstances.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(4) Matters necessary for the unit wages, etc. of software engineers, which are necessary for paying a price of an appropriate level for software business pursuant to paragraph (1), shall be prescribed by Presidential Decree.

(5) The Minister of Science and ICT may designate specialized institutions and commission duties prescribed in paragraphs (2) and (3) to them for efficient performance of duties. In such cases, matters necessary for designation of specialized institutions shall be prescribed by Presidential Decree. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 23 (Software Process Certification) (1) The Minister of Science and ICT may conduct software process certification in order to improve quality and secure reliability of development process of software and information systems. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT may designate authentication institutions to award software process certification pursuant to paragraph (1). <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) Where an authentication institution designated under paragraph (2) receives an application for software process certification, it shall grant software process certification if it deems that such application meets the criteria prescribed by Presidential Decree.

(4) Where any entity designated as an authentication institution falls under any of the following cases, the Minister of Science and ICT may cancel the designation thereof: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

1. Where it has been designated by false or other illegal means;
2. Where it falls short of the requirements for designation prescribed by Presidential Decree for at least three consecutive months;
3. Where the certification was granted to a software process that failed to meet criteria for software process certification.

(5) Matters necessary for the execution of software process certification, such as designation requirements of an authentication institution pursuant to paragraph (2) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 24 (Reports of Software Business Operators) (1) The Minister of Science and ICT may require any software business operator to report matters necessary for the management of technical human resources, business track record, etc. to him/her in order to promote the software industry. The same shall also apply when reported matters are altered. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT may allow institutions or organizations prescribed by Presidential Decree to file a report pursuant to paragraph (1) and provide budget necessary for such affairs.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) Matters necessary for matters to be reported and reporting procedure pursuant to paragraph (1) and support for institutions or organizations pursuant to paragraph (2) shall be prescribed by Ordinance of the Ministry of Science and ICT.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 24-2 (Support for Business Participation by Small or Medium Software Business Operators)

(1) The Government shall take measures to expand participation of small or medium software business operators in the software business, for which State agencies, etc. place orders, in order to ensure the sound development of the software industry by nurturing such small or medium software business operators.

(2) When the Minister of Science and ICT deems it necessary to expand participation of small or medium software business operators in software business, excluding any of the following business, for which State agencies, etc. place orders, he/she shall set and publish the lowest contract amount of the business (referring to respective contract amounts of each business if blanket orders for two or more software business are made, and the average annual amount during the relevant contract period if business for the maintenance of software is based on a long-term contract for one year or more: hereafter the same shall apply in this Article) in which large-scale software business operators are allowed to participate, and request the heads of State agencies, etc. for the application thereof: Provided, That such application may not be requested for public institutions publicly notified by the Minister of Science and ICT among those corresponding to public institutions under Article 4 of the Act on the Management of Public Institutions and for the scope of business publicly announced by him/her:<Amended by Act No. 11690, Mar. 23, 2013; Act No. 12120, Dec. 30, 2013; Act No. 12722, Jun. 3, 2014; Act No. 14839, Jul. 26, 2017>

1. Deleted;<by Act No. 13583, Dec. 22, 2015>
 2. Business for which an order is re-placed because a software business operator was not selected (limited to the business for which State agencies, etc. commission the Public Procurement Service to place an order pursuant to the Government Procurement Act.);
 3. Business related to national defense, foreign affairs, public security, electric power and other matters, such as national security, which the Minister of Science and ICT deems and publishes as business in which participation of a large-scale software business operator is inevitable.
- (3) Notwithstanding paragraph (2), the Minister of Science and ICT may restrict participation of a company that belongs to an enterprise group subject to limitations on mutual investment designated under Article 14 of the Monopoly Regulation and Fair Trade Act (excluding public institutions under Article 4 of the Act on the Management of Public Institutions) in any business, excluding business falling under any of the subparagraphs of paragraph (2), pursuant to Presidential Decree, regardless of the business cost.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 12120, Dec. 30, 2013; Act No. 14839, Jul. 26, 2017>
- (4) Where the heads of State agencies, etc. fail to apply paragraph (2) when placing an order for software business, they shall notify the Minister of Science and ICT of the reason without delay, and where the notified reason is deemed unreasonable, the Minister of Science and ICT shall recommend the heads of State agencies, etc. to apply the provision. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>
- (5) The scope of State agencies, etc. and standards for large-scale software business operators referred to in paragraphs (1) and (2) shall be prescribed by Presidential Decree. [This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 24-3 (Reports of Software Engineers) (1) Any software engineer may report matters necessary for the management of his/her place of work, career, educational background, qualifications, etc. (hereinafter referred to as "career, etc.") to the Minister of Science and ICT. The same shall also apply when the reported matters are altered. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(2) The Minister of Science and ICT shall maintain and manage a record regarding the career, etc. of a software engineer reported under paragraph (1) and may request the head of a State agency, etc. or the head of a related enterprise or organization to which the software engineer who has reported belongs, to present necessary data in order to secure

credibility and accuracy of the details reported. In such cases, the head of an enterprise or organization in receipt of such request shall comply therewith, except in extenuating circumstances. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) Deleted.<by Act No. 13342, Jun. 22, 2015>

(4) If a software engineer who has reported pursuant to paragraph (1) files an application for issuance of a certificate for his/her career, etc. (hereinafter referred to as "certificate of software technical career"), the Minister of Science and ICT shall issue such certificate: Provided, That where a software engineer has filed a false report on careers, the Minister of Science and ICT may cancel the issuance of the certificate of software technical career or need not issue it in accordance with procedures prescribed by Ordinance of the Ministry of Science and ICT.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 13342, Jun. 22, 2015; Act No. 14839, Jul. 26, 2017>

(5) The Minister of Science and ICT may have institutions or organizations prescribed by Presidential Decree file a report pursuant to paragraph (1), maintain and manage records pursuant to paragraph (2) and issue the certificate of software technical career pursuant to paragraph (4), and provide budget support to perform such affairs.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(6) Where the Minister of Science and ICT issues the certificate of software technical career (including re-issuance thereof), he/she may receive a fee from an applicant within the extent of actual costs.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(7) Matters necessary for matters to be reported and procedures for reporting by software engineers pursuant to paragraph (1), methods of maintenance and management of records pursuant to paragraph (2), procedures for issuance of the certificate of software technical career pursuant to paragraph (4), support for institutions or organizations pursuant to paragraph (5) and fees pursuant to paragraph (6) and other matters shall be prescribed by Ordinance of the Ministry of Science and ICT.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 24-4 (Management, Supervision, etc. of Software Business) (1) Where the heads of State agencies, etc. implement software business, the Minister of Science and ICT shall continuously manage and supervise whether Acts and subordinate statutes related to the software business are complied with. <Amended by Act No. 11690, Mar. 23, 2013; Act No.

14839, Jul. 26, 2017>

(2) The Minister of Science and ICT may request the heads of State agencies to submit data concerning software business for the management and supervision pursuant to paragraph (1) and the heads of such State agencies, etc. shall cooperate therewith, except in extenuating circumstances.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(3) The Minister of Science and ICT may recommend improvement of software business if he/she deems that the software business implemented by the head of any State agency, etc. is inappropriate, and the head of the State agency, etc. shall notify the Minister of Science and ICT of the results within one month from the date of receipt of such recommendation.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(4) In order to efficiently perform duties prescribed in paragraphs (1) through (3), the Minister of Science and ICT may designate specialized institutions and fully or partially commission such duties to them, and may support the budget necessary for execution of the business.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

(5) Matters necessary for designation, operation and support of specialized institutions pursuant to paragraph (4) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 11436, May 23, 2012]

Article 25 (Support for Vitalization of Software Industry by Sector)

The Minister of Science and ICT may, to effectively implement policies to develop the software industry by sector under Article 4 (2) 2, have the related specialized institutions and non-governmental organizations implement such policies and subsidize necessary budget.<Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 26 (Establishment of Korea Software Industry Association) (1) Software business

operators may establish the Korea Software Industry Association (hereinafter referred to as the "Association") for the sound development of the software industry and their common interests.

(2) The Association shall be a corporation.

(3) The Association shall perform the following duties:

1. Surveying the current state of the software industry and related statistics;

2. Researching systems for developing the software industry and recommendations on improvements;
 3. Collecting, analyzing and providing technology and market information related to the software industry;
 4. Researching reasonable price standards for the software business;
 5. Matters relating to the facilitation of software distribution and support for users;
 6. Matters relating to support for activities performed to protect copyrights and trademark rights of software business operators;
 7. Other duties necessary to attain the objectives of establishing the Association.
- (4) Except as otherwise expressly provided in this Act, provisions governing the incorporated association of the Civil Act shall apply mutatis mutandis to the Association.
- [This Article Wholly Amended by Act No. 11436, May 23, 2012]

CHAPTER IV KOREA SOFTWARE FINANCIAL COOPERATIVE

- Article 27 (Establishment of Korea Software Financial Cooperative)** (1) Software business operators may establish a Korea Software Financial Cooperative (hereinafter referred to as the "Financial Cooperative") which performs affairs, such as granting various types of loans and providing guarantee services, after obtaining authorization from the Minister of Science and ICT in order to promote their mutual cooperation, carry out self-regulatory economic activities and soundly develop the software industry. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>
- (2) The Financial Cooperative shall be a corporation.
- (3) Procedures for granting authorization for the establishment of the Financial Cooperative, matters to be entered in the articles of incorporation and other matters necessary for operating and supervising the Financial Cooperative shall be prescribed by Presidential Decree.
- (4) The modification registration of the total amount of contributions of the Financial Cooperative may be filed as at the end of each fiscal year within three months after the end of a fiscal year, notwithstanding the provisions of Article 52 of the Civil Act.
- (5) Except as otherwise expressly provided in this Act, provisions governing the incorporated association of the Civil Act shall apply mutatis mutandis to the Financial

Cooperative.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 28 (Services of Financial Cooperative)

The Financial Cooperative shall perform the following services:

1. Giving loans and making investments necessary to develop software, upgrade technologies and stabilize business management;
2. Guarantee for liabilities for any software business operator who intends to obtain a loan from a financial institution, which are required to develop software, upgrade technologies and stabilize his/her business management;
3. Performance guarantee necessary to carry out duties for the software business;
4. Performance insurance business pursuant to Article 18 of the Act on Facilitation of Purchase of Small and Medium Enterprise-Manufactured Products and Support for Development of their Markets;
5. Other affairs prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 29 (Creation of Fundamental Property) (1) The fundamental property of the Financial Cooperative shall be raised from the following financial resources to efficiently run the mutual aid business and the Government may contribute to or subsidize such Financial Cooperative within budgetary limits:

1. Contributions from members, mutual aid security deposits, deposits or contributions;
2. Other financial resources prescribed by Presidential Decree.

(2) Contributions among the fundamental property referred to in paragraph (1) shall be accounted for as capital.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 30 (Mutual Aid Regulations) (1) The Financial Cooperative shall, when it intends to run a mutual aid business in accordance with Article 28, formulate its mutual aid regulations.

(2) The mutual aid regulations of paragraph (1) shall prescribe types of the mutual aid business, objects of the mutual aid business, installments, reserves, accumulated funds and matters relating to the creation and operation of the fundamental property.

(3) The Financial Cooperative shall, with respect to types and objects of the mutual aid business from among matters prescribed by the mutual aid regulations under paragraph

(2) and other matters prescribed by Presidential Decree, obtain approval from the Minister of Science and ICT. The same shall apply to revision to approved matters. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 14839, Jul. 26, 2017>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 31 (Accumulation of Loss Reserve, etc.) (1) The Financial Cooperative may require mutual aid beneficiaries to bear the burden of reserve for loss incurred in mutual aid business (hereinafter referred to as "loss reserve"), and accumulate and operate the reserve in a separate reserve account.

(2) Matters necessary for accumulating and operating the loss reserve referred to in paragraph (1) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 31-2 (Responsibilities of Financial Cooperative) (1) The Financial Cooperative shall, when a need arises requiring payment of a security deposit as prescribed in the Acts and subordinate statutes and in any contract, etc. with regard to secured matters, pay such security deposit to a guaranty creditor.

(2) The right held by any guaranty creditor to the Financial Cooperative with regard to the security deposit under paragraph (1) shall be terminated on the grounds of completion of prescription if such right is not exercised for two years from the date on which the security term expires.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 32 (Transfer, etc. of Shares) (1) Any person who is or was a member of the Financial Cooperative may transfer his/her shares to another member or a person who intends to be a member of the Financial Cooperative, as prescribed by Presidential Decree.

(2) Any person who acquires shares under paragraph (1) shall succeed to the rights and duties of a transferor with respect to such shares.

(3) Transfer of shares and establishment of the pledge of the shares shall be governed by the method of transferring shares and establishing pledge under the Commercial Act.

<Amended by Act No. 12591, May 20, 2014>

(4) Shares of the Financial Cooperative shall be prohibited from being used as security, except cases where they are provided as security for obligations of such Financial Cooperative.

(5) Seizure or provisional seizure of shares carried out according to the civil execution procedure or the procedure for a disposition taken to collect national taxes in arrears shall be governed by the method of seizing or provisionally seizing debt payable to order under the Civil Execution Act.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 33 (Share Acquisition, etc. by Financial Cooperative) (1) The Financial Cooperative may acquire shares of a current or former member only when any of the following grounds arises: Provided, That where the ground referred to in subparagraph 1 or 3, the shares shall be acquired:

1. When it intends to reduce capital;
2. When it is necessary for the Financial Cooperative to exercise a security right, as a right holder for its members;
3. When a member or any person who has been expelled or seceded from the Financial Cooperative requests the Financial Cooperative to acquire his/her shares for recovering his/her contributions.

(2) Where the Financial Cooperative acquires shares pursuant to paragraph (1), it shall, without delay, take the following applicable measures:

1. Where shares are acquired on the grounds falling under paragraph (1) 1, procedures for reducing the capital;
2. Where shares are acquired on the grounds falling under paragraph (1) 2 and 3, a disposition to be taken against a member or a person who intends to be a member.

(3) The acquisition value of shares as at the time the Financial Cooperative acquires such shares under paragraph (1) shall not exceed the share value of the investment certificate.

<Amended by Act No. 12872, Dec. 30, 2014>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 34 (Appointment of Agent)

The Financial Cooperative may appoint an agent, from among its executives or employees, who can engage in all judicial or extra-judicial acts in connection with operation of such Financial Cooperative.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 35 (Disposal of Profits, etc.) (1) The disposal of profits of the Financial Cooperative shall follow the order of the followings: <Amended by Act No. 12872, Dec. 30, 2014>

1. Preservation of loss brought forward;
2. Accumulation of loss reserve;
3. Accumulation of earned surplus reserve;
4. Accumulation of reserve fund for business;
5. Dividend of profits.

(2) Where the Financial Cooperative is dissolved, its residual assets shall be disposed of in accordance with Article 80 of the Civil Act: Provided, That contributions made by its members among the residual assets shall be disposed of according to a resolution of the general meeting.

(3) While the provisions for accounting of corporations in the Commercial Act shall apply mutatis mutandis to dividend of profits under subparagraph 5 of paragraph (1), other necessary matters shall be determined by the relevant articles of incorporation.<Newly inserted by Act No. 12872, Dec. 30, 2014>

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

Article 36 (Liabilities, etc.) (1) Where any executive of the Financial Cooperative inflicts any damage to such Financial Cooperative for violating Acts and subordinate statutes or the articles of incorporation, or neglecting their duties, they shall be held jointly liable to indemnify the damage for the Financial Cooperative.

(2) Where any person engaged in the business affairs of the Financial Cooperative inflicts any damage to such Financial Cooperative in the course of performing his/her duties, he/she shall be held liable to indemnify such damage only when he/she inflicts such damage by intention or gross negligence: Provided, That such liability may be mitigated except in cases where he/she inflicts damage by gross negligence.

[This Article Wholly Amended by Act No. 11436, May 23, 2012]

CHAPTER V SUPPLEMENTARY PROVISIONS

Article 37 (Hearings)

The Minister of Science and ICT shall hold hearings when he/she intends to take dispositions falling under any of the following cases:<Amended by Act No. 14839, Jul. 26, 2017>

1. Revocation of designation of software specialists training institution under Article 10 (4);
2. Revocation of designation of an authentication institution of software under Article 13 (5);
3. Revocation of designation of a test agency for benchmark test of software under Article 13-2 (4);
4. Revocation of designation of an authentication institution of software process under Article 23 (4);
5. Revocation of issuance of a certificate of software technical career under Article 24-3 (4).

[This Article Newly Inserted by Act No. 13583, Dec. 22, 2015]

Article 38 (Review of Regulations)

The Minister of Science and ICT shall review the appropriateness concerning the following matters every three years based on the enforcement date of this Act, and take measures such as repeal, alleviation, or maintenance:<Amended by Act No. 14839, Jul. 26, 2017>

1. Declaration of a software business operator under Article 24;
2. Declaration of a software engineer under Article 24-3.

[This Act Newly Inserted by Act No. 13342, Jun. 22, 2015]