

REGIONAL CREDIT GUARANTEE FOUNDATION ACT

Act No. 6022, Sep. 7, 1999

Amended by Act No. 6073, Dec. 31, 1999

Act No. 6314, Dec. 29, 2000

Act No. 6705, Aug. 26, 2002

Act No. 6769, Dec. 11, 2002

Act No. 7558, May 31, 2005

Act No. 7863, Mar. 3, 2006

Act No. 8196, Jan. 3, 2007

Act No. 8635, Aug. 3, 2007

Act No. 9380, Jan. 30, 2009

Act No. 9682, May 21, 2009

Act No. 9932, Jan. 18, 2010

Act No. 10303, May 17, 2010

Act No. 10598, Apr. 14, 2011

Act No. 13086, Jan. 28, 2015

Act No. 13745, Jan. 6, 2016

Act No. 14111, Mar. 29, 2016

Act No. 14122, Mar. 29, 2016

Article 1 (Purpose)

The purpose of this Act is to facilitate financial accommodation, revitalize the regional economy and contribute to the promotion of welfare of the populace by establishing credit guarantee foundations and the Korean Federation of Credit Guarantee Foundations to enable them to guarantee obligations of small enterprises, micro enterprise, etc., and individuals short of security solvency in the district.

Article 2 (Definitions)

The terms used in this Act shall be defined as follows: <Amended by Act No. 13086, Jan. 28, 2015; Act Nos. 14111 and 14122, Mar. 29, 2016>

1. The term "small enterprise" means an enterprise defined as such in Article 2 (2) of the Framework Act on Small and Medium Enterprises;
2. The term "micro enterprise" means an enterprise defined as such in Article 2 of the Act on the Protection of and Support for Micro Enterprises;

3. The term "individual" means a person, other than self-employed persons to whom Article 2 of the Value-Added Tax Act applies, whose credit rating necessary to engage in financial transactions is below a certain level or whose property and income reach a certain standard and whose credit guarantee is required to raise funds for the stabilization of livelihood or living expenses, and is prescribed by Presidential Decree;

4. The term "financial institution, etc.," means any of the following:

- (a) A bank under Article 2 (1) 2 of the Banking Act;
- (b) The Korea Development Bank under the Korea Development Bank Act;
- (c) Industrial Bank of Korea under the Industrial Bank of Korea Act;
- (d) The Export-Import Bank of Korea under the Export-Import Bank of Korea Act;
- (e) A trustor under the Financial Investment Services and Capital Markets Act;
- (f) A person who engages in business of financing small and medium enterprises, small enterprises, micro businesses and individuals (hereinafter referred to as "small enterprise, etc.") eligible for support under a plan for fostering regional small and medium enterprises under Article 62-15 of the Small and Medium Enterprises Promotion Act, and is prescribed by Presidential Decree, as a small or medium enterprise under Article 2 of the Framework Act on Small and Medium Enterprises, in addition to those under items (a) through (e);

5. The term "credit guarantee" means a guarantee given by a credit guarantee foundation under Article 9 (hereinafter referred to as "foundation") and the Korean Federation of Credit Guarantee Foundations under Article 35 (hereinafter referred to as the "Federation") for the following obligations owed by a small enterprise, etc.:

- (a) A financial obligation owed by a small enterprise, etc., to a financial institution, etc., by borrowing money, receiving benefits, etc., from the financial institution, etc.;
- (b) A financial obligation owed by a small enterprise, etc., to meet a claim for indemnity from a financial institution, etc., where the financial institution, etc., has paid or fulfilled obligations guaranteed for the small enterprise, etc.;
- (c) Other financial obligations owed by a small enterprise, etc., which are prescribed by Presidential Decree;

6. The term "creditor" means a creditor of an obligation for which a foundation and the Federation have provided a credit guarantee;

7. The term "endowment" means basic property contributed by a foundation and the Federation or created by other methods to achieve the objectives of this Act;

8. The term "credit information" means credit information under subparagraph 1 of Article 2 of the Credit Information Use and Protection Act;

9. The term "reguarantee" means a guarantee given by the Korea Technology Finance Corporation under the Korea Technology Finance Corporation Act (hereinafter referred to as the "Korea Technology Finance Corporation"), the Korea Technology Credit Guarantee Fund under the Korea Technology

Credit Guarantee Fund Act (hereinafter referred to as the "Korea Technology Credit Guarantee Fund"), or the Federation under this Act to pay or fulfill any obligation under a guarantee issued by a foundation, within the extent of the amount of the payment or, the fulfillment of, such guaranteed obligation.

Article 3 (Incorporation)

A foundation shall be a corporation.

Article 4 (Name)

A foundation shall use words of "credit guarantee foundation" in its name.

Article 5 (Business Area)

A foundation shall conduct its business in a Special Metropolitan City, Metropolitan City, Do or Special Self-governing Province (hereinafter referred to as "City/Do"): Provided, That where an extenuating ground is prescribed by Presidential Decree, it may conduct its business in two or more Cities/Dos.

Article 6 (Head Office and Branch Offices)

- (1) A foundation shall have its head office in its business area, as prescribed by the articles of association.
- (2) A foundation may have its branch offices, etc., in its business area, as prescribed by the articles of association.

Article 7 (Endowment)

- (1) A foundation shall create its endowment with the following financial resources:
 1. Contributions of a local government;
 2. Contributions of financial institutions, etc.;
 3. Contributions of enterprises;
 4. Contributions of persons, other than those under subparagraphs 1 through 3.
- (2) The Government may subsidize a City/Do to expand an endowment of a foundation.
- (3) Financial institutions, etc., shall contribute the amount of money based on the rate prescribed by Presidential Decree within the extent not exceeding the annual rate of 1/1,000 on their loans to a foundation and the Federation.
- (4) Standards for allotment of the amount of money contributed by financial institutions, etc., to foundations and the Federation pursuant to paragraph (3) shall be prescribed by Presidential Decree, in consideration of the performance of guarantees issued by foundations, the financial status of a City/Do and the Federation, etc.
- (5) The extent of loans, and methods and timing for contribution under paragraph (3) and other necessary matters for contribution shall be prescribed by Presidential Decree.

Article 8 Deleted. <by Act No. 6769, Dec. 11, 2002>

Article 9 (Establishment)

- (1) In order to establish a foundation, not more than 15 promoters appointed by a Special Metropolitan City Mayor, a Metropolitan City Mayor, a Do Governor, or the Governor of a Special Self-governing Province (hereinafter referred to as "Mayor/Do Governor") shall prepare the articles of association and

obtain authorization therefor from the Administrator of the Small and Medium Business Administration.

(2) No more than one foundation shall be established in each City/Do.

(3) Where promoters of a foundation apply for authorization to the Administrator of the Small and Medium Business Administration pursuant to paragraph (1), they shall attach the following documents to an application:

1. The articles of association;
2. A business plan;
3. The written consent of promoters;
4. Other documents prescribed by Presidential Decree.

(4) Where the Administrator of the Small and Medium Business Administration receives an application for authorization under paragraph (3), he/she shall assess the suitability of the establishment of a foundation based on the articles of association and a business plan, and determine as to whether he/she grants authorization. In such cases, he/she shall notify the relevant applicant of the matters determined.

(5) Where the Administrator of the Small and Medium Business Administration has authorized the establishment of a foundation pursuant to paragraph (4), he/she shall publicly announce such fact without delay.

(6) Matters necessary for procedures and authorization for the establishment of foundations shall be prescribed by Presidential Decree.

Article 10 (Articles of Association)

(1) The following matters shall be stated in the articles of association of a foundation:

1. Objectives;
2. The name;
3. The business area;
4. Matters concerning the head office and branch offices;
5. Matters concerning an endowment;
6. Matters concerning executives and employees;
7. Matters concerning the board of directors;
8. Matters concerning the business and the performance thereof;
9. Matters concerning accounting;
10. Matters concerning methods of giving public notice;
11. Matters concerning the dissolution;
12. Matters concerning the amendment to the articles of association;
13. Other matters prescribed by Presidential Decree.

(2) Where a foundation intends to amend the articles of association, it shall obtain approval from the Administrator of the Small and Medium Business Administration. In such cases, it shall report such cases to the Mayor/Do Governor in advance.

Article 11 (Registration)

- (1) A foundation shall be incorporated by registering the establishment thereof at the registry for the area in which its head office is located.
- (2) Registration of establishment under paragraph (1) and other matters necessary for registration shall be prescribed by Presidential Decree.

Article 12 (Executives)

A foundation shall have one chief director, not more than seven directors and one auditor as its executives.

Article 13 (Duties of Executives)

- (1) The chief director shall represent a foundation and administer all of its business affairs.
- (2) The auditor shall inspect the business of a foundation and audit the accounting thereof.

Article 14 (Board of Directors)

- (1) The board of directors shall be comprised of the chief director and directors, and the chief director shall preside over meetings of the board of directors
- (2) A meeting of the board of directors shall be held at the call of the chairperson or at least a majority of the director on the register, as prescribed by the articles of association.
- (3) The board of directors shall pass resolutions on important matters concerning the business of a foundation, as prescribed by the articles of association.
- (4) The board of directors shall open its meetings with the attendance of a majority of the total members, and pass resolutions with concurrent vote of a majority of those present.
- (5) The auditor may attend a meeting of the board of directors and state his/her opinion.

Article 15 (Appointment and Dismissal of Executives)

- (1) A Mayor/Do Governor shall appoint a chief director on the recommendation of the board of directors: Provided, That in cases of the first chairperson, he/she shall be appointed on the recommendation of the promoters.
- (2) A Mayor/Do Governor shall appoint an auditor in consultation with the Administrator of the Small and Medium Business Administration.
- (3) A Mayor/Do Governor shall appoint directors on the recommendation of the chief director: Provided, That the following persons shall be ex officio directors:
 1. One public official designated, by and under the direction of, the Administrator of the Small and Medium Business Administration;
 2. One public official designated, by and under the direction of, the relevant Mayor/Do Governor.
- (4) Where an executive of a foundation falls under any of the following subparagraphs, a Mayor/Do Governor may dismiss such executive:
 1. Where he/she violates the articles of association of a foundation to which he/she belongs;
 2. Where he/she is sentenced to imprisonment without prison labor or greater punishment;
 3. Where he/she is declared bankrupt;

4. Where he/she becomes incapable of performing his/her duties due to physical or mental disability.
(5) The terms of office of executives and other matters concerning executives shall be prescribed by the articles of association.

Article 16 (Designation of Representatives)

The chief director may designate a representative who has authority to conduct any and all judicial or extrajudicial acts concerning the business of a foundation, from among its executives or employees.

Article 17 (Business)

A foundation shall engage in the following business:

1. Managing its endowment;
2. Giving credit guarantee;
3. Conducting credit investigation and managing credit information;
4. Providing management guidance;
5. Exercising the right to demand indemnity;
6. Affairs incidental to the business under subparagraphs 2 and 3, which are approved by the Administrator of the Small and Medium Business Administration;
7. Affairs incidental to the business under subparagraphs 1, 4 and 5, which are approved by the relevant Mayor/Do Governor;
8. Performing support projects for small enterprises, etc., or projects incidental thereto, which are approved by the Administrator of the Small and Medium Business Administration or the relevant Mayor/Do Governor among those entrusted by the State, local governments, public institutions, etc.;
9. Performing projects designated by any other Act or subordinate statute as projects of a foundation.

Article 18 (Business Manuals)

A foundation shall prepare a business manual which includes means of providing credit guarantees, types of industries subject to restrictions on credit guarantee, the period for credit guarantee, credit guarantee fees, the performance of guaranteed obligations, the exercise of a right to demand indemnity, and other matters necessary to conduct its business, and obtain approval thereof from the Administrator of the Small and Medium Business Administration upon a resolution of the board of directors, and report the business manual to the relevant Mayor/Do Governor in advance. The same shall also apply to the amendment to such business manual.

Article 19 (Limits on Guarantees)

- (1) The limits on the total amount of credit guarantees provided by a foundation shall be prescribed by Presidential Decree within the limit of 15 times the sum of its endowment and profits carried forward.
- (2) The maximum amount of credit guarantees to be provided by a foundation to the small enterprises etc., shall be prescribed by Presidential Decree.

Article 20 (Liability for Guarantees)

The extent of financial obligations that a foundation can guarantee shall be prescribed by Presidential Decree within the extent of the amount of loans, benefits, etc., that small enterprises, etc., are to take out

or receive from financial institutions, etc.

Article 21 (Preferential Guarantees)

A foundation shall preferentially provide credit guarantees to the following persons:

1. Small enterprises;
2. Micro enterprises;
3. Small or medium enterprises that are recommended to receive funds prescribed by Presidential Decree among the funds raised by the Government or local governments.

Article 22 (Operational Plans)

(1) A foundation shall develop an operational plan every business year, and submit it to the Administrator of the Small and Medium Business Administration and the relevant Mayor/Do Governor respectively upon a resolution of the board of directors by not later than one month before the business year begins.

(2) Where a foundation also intends to revise an operational plan, it shall submit the revised operational plan to the Administrator of the Small and Medium Business Administration and the relevant Mayor/Do Governor respectively upon a resolution of the board of directors.

Article 23 (Establishment of Guarantee Relationships)

(1) Where a foundation has decided to provide credit guarantees to a small enterprise, etc., it shall notify such small enterprise, etc., and its prospective creditor of its intention.

(2) A credit guarantee relationship shall be established at the same time a primary obligation comes into effect between a small enterprise, etc., and a creditor notified pursuant to paragraph (1).

(3) Unless a primary obligation comes into effect within 60 days from the date of notification under paragraph (1), no credit guarantee relationship shall be established.

Article 24 (Performance of Guaranteed Obligations)

(1) Where any cause prescribed by Presidential Decree arises, a creditor may request a foundation to perform its guaranteed obligations.

(2) Where a foundation is requested to perform guaranteed obligations pursuant to paragraph (1), it shall perform the primary obligations and subordinate obligations prescribed by Presidential Decree.

Article 25 (Exercise of Rights to Demand Indemnity)

(1) Where a foundation performs guaranteed obligations, it may exercise a right to demand indemnity.

(2) Where a foundation performs guaranteed obligations, a creditor shall send, to the foundation, documents required for the exercise of a right to demand indemnity without delay, and fully cooperate with the foundation in the exercise of such right.

(3) Where a small enterprise, etc., falls under any of the following subparagraphs, a foundation may suspend the exercise of a right to demand indemnity against the small enterprise, etc., upon a resolution of the board of directors:

1. Where it is deemed improbable that any balance in property of the small enterprise, etc., will remain after being appropriated for the expenses incurred in the exercise of the foundation's right to demand indemnity;

2. Where it is deemed probable that the debt-servicing capability of the small enterprise, etc., will be enhanced in the future by the suspension of the exercise of the foundation's right to demand indemnity.
- (4) Where a foundation has suspended the exercise of a right to demand indemnity pursuant to paragraph (3) 2, it may dispatch its executives or employees to the relevant small enterprise, etc., to participate in the management of such small enterprise, etc.

Article 25-2 (Sale of Claims for Indemnity)

Where a foundation deems it necessary for the efficient recovery and management of claims for indemnity, it may sell such claims for indemnity to any of the following persons upon a resolution of the board of directors:

1. A corporate restructuring investment company under the Corporate Restructuring Investment Companies Act;
2. A corporate restructuring association registered pursuant to Article 15 of the Industrial Development Act (referring to the same Act before it is amended by the wholly amended Industrial Development Act (Act No. 9584));
3. Other persons specializing in the trade and management of non-performing loans, as prescribed by Presidential Decree.

Article 26 (Duty of Creditors)

Where a creditor falls under any of the following subparagraphs, he/she shall notify a foundation of such fact without delay:

1. Where a primary obligation comes into effect;
2. Where all or some obligations are extinguished;
3. Where a debtor forfeits the benefit of time;
4. Where a debtor defaults on any of his/her obligations;
5. Where other reasons that may affect a guaranteed obligation arises.

Article 27 (Guarantee Fees)

- (1) A foundation shall charge guarantee fees to small enterprises, etc., which have received credit guarantees for the guaranteed amount, in consideration of their credit rating, etc., as prescribed by Presidential Decree.
- (2) Where a foundation is not released from the responsibility to perform a guaranteed obligation because a small enterprise, etc., which has received a credit guarantee defaults on the relevant obligation by the due date, it shall charge additional guarantee fees to such small enterprise, etc., for the non-performing amount out of the guaranteed obligation, as prescribed by Presidential Decree.
- (3) Where a small enterprise, etc., which has received a credit guarantee fails to pay guarantee fees by the deadline for payment of guarantee fees, a foundation shall charge overdue fees for the unpaid fees, as prescribed by Presidential Decree.

Article 28 (Penalties)

Where a foundation performs a guaranteed obligation, it shall collect from the relevant small enterprise, etc., a penalty calculated at an annual interest rate of 25 percent of the amount performed by the foundation, as prescribed by Presidential Decree.

Article 29 (Business Year)

The business year of a foundation shall coincide with the fiscal year of the Government.

Article 30 (Budget and Settlement of Accounts)

(1) A foundation shall prepare revenue and expenditure budget estimates for each business year, and submit them to the Administrator of the Small and Medium Business Administration by not later than one month before the relevant business year begins and obtain his/her approval before the relevant business year begins. It shall also obtain his/her approval where it intends to modify such budget estimates.

(2) A foundation shall prepare a statement of accounts, balance sheet, income statement and account of an endowment each business year and submit them to the relevant Mayor/Do Governor within two months from the date the relevant year has passed.

Article 30-2 (Classification of Accounting)

A foundation shall conduct accounting of personal credit guarantee accounts, separately from other accounts, and classify personal credit guarantee accounts into the account for personal credit guarantee and the account for guarantees regarding property collateral loan for living expenses.

Article 31 (Management of Surplus Funds)

A foundation shall appropriate its endowment for expenditure necessary for its business operation, and manage its surplus funds by the following methods:

1. Deposits in a financial institution, etc.;
2. Purchase of state bonds, local government bonds, and bonds the redemption of which has been guaranteed by the Government or a local government;
3. Purchase of bonds issued, or the redemption of which is guaranteed, by a financial institution, etc.

Article 32 (Special Contracts for Business)

A foundation may conclude a special contract for business concerning the management of surplus funds with a specific financial institution, etc., the Credit Guarantee Fund, or the Korea Technology Finance Corporation on condition that it bears part of surety liability. *<Amended by Act No. 14122, Mar. 29, 2016>*

Article 33 (Coverage of Loss)

Where any loss exceeds an endowment in the settlement of accounts of a foundation, the relevant City/Do may cover such loss within its budgetary limits.

Article 34 (Dissolution)

(1) Where any of the following grounds arises, a foundation shall be dissolved:

1. Merger or bankruptcy;
2. The occurrence of grounds for dissolution prescribed by the articles of association.

(2) Where a foundation intends to pass a resolution in favor of merger or file for bankruptcy due to a ground under paragraph (1) 1, it shall obtain approval from the Administrator of the Small and Medium

Business Administration. In such cases, it shall report to the Mayor/Do Governor in advance.

Article 35 (Establishment)

(1) The Korean Federation of Credit Guarantee Foundations shall be established with foundations as its members in order to conduct business concerning credit guarantees for obligations borne by individuals to contribute to the promotion of welfare of the populace, and promote the common interest and the sound development of individual foundations.

(2) The Federation shall be a corporation.

(3) The Federation shall conduct the following business:

1. Research, development and distribution of techniques for credit guarantee and credit investigation, and the management of credit information;
2. Matters concerning business cooperation with outside institutions;
3. Matters concerning joint projects of foundations and the improvement in the business thereof;
4. Recovery of debts from debtors, which has been entrusted by foundations;
5. Education and training of executives and employees of foundations;
6. Matters concerning re-guarantees for foundations;
7. Support projects for small enterprises, etc., and projects incidental thereto, which are approved by the Administrator of the Small and Medium Business Administration, among those entrusted by the State, local governments, public institutions, etc.;
8. Projects designated by other Acts and subordinate statutes as projects of the Federation;
9. Business, such as credit guarantees for obligations borne by individuals and the exercise of a right to demand indemnity, etc.;
10. Business incidental to that under subparagraphs 1 through 9, which is approved by Administrator of the Small and Medium Business Administration.

(4) Procedures for the establishment of the Federation and other necessary matters shall be prescribed by Presidential Decree.

(5) If necessary to effectively conduct business concerning foundations, the Administrator of the Small and Medium Business Administration may entrust the Federation with some of its business.

Article 35-2 (Articles of Association)

(1) Matters to be included in the articles of association of the Federation shall be prescribed by Presidential Decree.

(2) The Federation shall obtain approval of its articles of association from the Administrator of the Small and Medium Business Administration. The same shall also apply to the amendment to its articles of association.

Article 35-3 (Executives)

(1) The Federation shall have one chairperson, one managing director, not more than five directors and one auditor as its executives.

(2) The Administrator of the Small and Medium Business Administration shall appoint the chairperson and the auditor on the recommendation of the board of directors.

(3) The chairperson shall appoint the managing director and directors with approval from the Administrator of the Small and Medium Business Administration.

(4) Where an executive falls under any of the subparagraphs of Article 15 (4), a person having authority to appoint executives shall dismiss such executive.

(5) Matters necessary for duties, terms of office, etc., of executives shall be prescribed by the articles of association.

Article 35-4 (Organization)

(1) The Federation shall organize a general meeting and a board of directors.

(2) Matters necessary for the organization, operation, etc., of a general meeting and a board of directors shall be prescribed by the Federation's articles of association.

Article 35-5 (Re-guarantees)

(1) Where the Federation provides re-guarantees, it shall enter into a contract with an individual foundation.

(2) Matters concerning limits on the re-guarantee, the period for the re-guarantee, requisites for the re-guarantee, etc., shall be included in a contract under paragraph (1), and the contract method shall be a blanket contract method to re-guarantee the guarantees of a foundation which meets the requirements for the re-guarantee within limits on and the period for the re-guarantee according to a re-guarantee contract: Provided, That, if the guarantee amount, etc. meets the standards prescribed by Presidential Decree, the Federation may enter into an individual agreement. *<Amended by Act No. 13745, Jan. 6, 2016>*

(3) The Federation shall have a steering committee (hereinafter referred to as the "committee") to effectively conduct business concerning re-guarantees and business concerning credit guarantees.

(4) Matters necessary for the organization, operation, etc., of the committee shall be prescribed by Presidential Decree.

(5) The amount of re-guarantees of the Federation shall be the amount computed by multiplying the amount of the guarantees of foundations by a ratio (hereinafter referred to as "re-guarantee ratio") prescribed by Presidential Decree.

(6) The Federation shall prepare a business manual which includes means of providing re-guarantees, types of industries subject to restrictions on re-guarantee, the period for re-guarantee, re-guarantee fees, the performance of re-guaranteed obligations, the exercise of rights to demand indemnity, and other matters necessary to conduct business concerning re-guarantees, and obtain approval thereof from the Administrator of the Small and Medium Business Administration upon a resolution of the Committee. The same shall also apply to the amendment to the business manual for re-guarantees.

(7) Methods of making contracts for re-guarantees, limits on re-guarantees, re-guarantee fees, a request for the performance of re-guaranteed obligations, the collection of the amount subrogated, and other matters necessary to conduct business concerning re-guarantees shall be prescribed by Presidential Decree.

Article 35-6 (Endowment)

(1) An endowment for re-guarantees and credit guarantees of the Federation shall be created with the following financial resources:

1. Contributions of the Government;
2. Contributions of financial institutions, enterprises, etc.;
3. Income from the Federation's business activities.

(2) The Federation shall appropriate an endowment under paragraph (1) for expenditure necessary for the operation of business concerning re-guarantees and credit guarantees, and the provisions of Article 31 shall apply mutatis mutandis to the methods of managing its surplus funds.

(3) The budget of contributions in the account for personal credit guarantee and in the account for guarantees regarding property collateral loan for living expenses under Article 35-7 (2) among contributions of the Government under paragraph (1) 1 shall fall under the jurisdiction of the Small and Medium Business Administration and the Ministry of Health and Welfare, respectively.

Article 35-7 (Classification of Accounting)

(1) The fiscal year of the Federation shall coincide with that of the Government.

(2) The Federation shall conduct accounting of re-guarantee accounts and credit guarantee accounts, separately from other accounts, and classify credit guarantee accounts into the account for personal credit guarantee and the account for guarantees regarding property collateral loan for living expenses.

Article 35-8 (Responsibility of Government)

The Government shall endeavor to manage foundations in a sound manner, such as an increase in the re-guarantee rate, etc., pursuant to Article 23-2 of the Credit Guarantee Fund Act, Article 28-2 of the Korea Technology Finance Corporation Act and Article 35-5 of this Act. *<Amended by Act No. 14122, Mar. 29, 2016>*

Article 35-9 (Provisions Applicable Mutatis Mutandis)

The provisions of Article 16, 18 through 20, 23, 25 (1) through (3), 25 (2), 26 through 28 and 33 shall apply mutatis mutandis to the Federation. In such cases, the term "foundation" shall be construed as the "Federation", the term "chief director" as "chairperson", the term "board of director" as "steering committee" and the term "City/Do" as the "Government", and "shall obtain approval thereof from the Administrator of the Small and Medium Business Administration" and "report the business manual to the relevant Mayor/Do governor in advance" in Article 18 shall be construed as "shall obtain approval from the Administrator of the Small and Medium Business Administration."

Article 36 (Supervision)

(1) The Administrator of the Small and Medium Business Administration may supervise the business of foundations and the Federation, and give instructions necessary for the supervision thereof: Provided, That the relevant Mayor/Do Governor may supervise the business under subparagraphs 1, 4, 5 and 7 of Article 17 and give instructions necessary for the supervision thereof.

(2) The Minister of Health and Welfare may request the Administrator of the Small and Medium Business Administration to supervise the business of foundations and the Federation in connection with the business concerning the budget in the account for guarantees regarding property collateral loan for living expenses under Article 35-6 (3).

Article 37 (Submission of Materials)

(1) If necessary to achieve the purpose of this Act, the Administrator of the Small and Medium Business Administration may request foundations, the Federation, and persons entrusted with business by foundations or the Federation pursuant to Article 40 (3) and (4) to submit materials, etc.: Provided, That he/she may request persons entrusted with business to submit materials limited to the extent of such entrusted business.

(2) The Minister of Health and Welfare may request foundations and the Federation to submit materials and make corrections in connection with business concerning credit guarantees in the account for guarantees regarding property collateral loan for living expenses under Article 35-6 (3).

Article 37-2 (Request for Submission of Materials)

(1) Foundations and the Federation may request the State, local governments, the National Pension Service under the National Pension Act, the National Health Insurance Corporation under the National Health Insurance Act, the Korea Workers' Compensation and Welfare Service under the Industrial Accident Compensation Insurance Act, and other public organizations to submit materials necessary to conduct the business under subparagraphs 3 and 5 of Article 17, and Article 35 (3) 4, 9 and 10.

(2) A person requested to submit materials pursuant to paragraph (1) shall comply with such request without any justifiable reason to the contrary.

Article 38 (Liability for Damage)

(1) Where an executive of a foundation causes damage to the foundation because he/she violates Acts and subordinate statutes or the articles of association, or neglects his/her duties, such executive shall be jointly and severally liable to the foundation for such damage.

(2) Where a person involved in credit guarantee business of a foundation causes damage to the foundation intentionally or by gross negligence in the course of performing such business, he/she shall be liable for such damage. In such cases, his/her liability may be mitigated unless such damage is caused intentionally.

Article 39 (Relations with other Acts)

A foundation may obtain a credit information business license pursuant to Article 4 (2) of the Credit Information Use and Protection Act.

Article 40 (Delegation)

(1) The Administrator of the Small and Medium Business Administration may wholly or partially delegate his/her authority under subparagraph 6 of Article 17 and Article 30 (1) to the relevant Mayor/Do Governor.

(2) Where the Administrator of the Small and Medium Business Administration deems it necessary, he/she may delegate some of his/her superintendency over foundations under Article 36 to the relevant

Mayor/Do Governor.

(3) A foundation may entrust some of its business to a financial institution, etc., the Federation, the Korea Asset Management Corporation under Article 6 of the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Companies and the Establishment of Korea Asset Management Corporation, or a credit information company under subparagraph 5 of Article 2 of the Credit Information Use and Protection Act, as prescribed by Presidential Decree.

(4) The chairperson of the Federation may wholly or partially entrust its credit guarantee business to a financial institution, etc., the Korea Asset Management Corporation under Article 6 of the Act on the Efficient Disposal of Non-Performing Assets, etc. of Financial Companies and the Establishment of Korea Asset Management Corporation, or a credit information company under subparagraph 5 of Article 2 of the Credit Information Use and Protection Act, as prescribed by Presidential Decree.

(5) A person entrusted with business pursuant to paragraphs (3) and (4) shall conduct business on the principle of good faith, and may do any and all judicial or extrajudicial acts concerning such business in lieu of a foundation and the Federation: Provided, That a credit information company may do extrajudicial acts only.

Article 41 (Prohibition of Use of Similar Name)

No person, other than a foundation under this Act, shall use the name of a credit guarantee foundation or the name similar thereto.

Article 42 (Deemed Public Officials in Application of Penal Provisions)

Executives of a foundation shall be deemed public officials for the purposes of the penal provisions of the Criminal Act or other Acts.

Article 43 (Administrative Fine)

(1) Any person who violates Article 41 shall be punished by an administrative fine not exceeding five million won.

(2) The Administrator of the Small and Medium Business Administration shall impose and collect administrative fines under paragraph (1).

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on March 1, 2000.

Article 2 (Transitional Measures concerning Credit Guarantee Association)

(1) A credit guarantee association (hereinafter referred to as "association") established in each City/Do by obtaining permission from the Administrator of the Small and Medium Business Administration in accordance with the provisions of Article 32 of the Civil Act for the purpose of conducting business concerning credit guarantees for small and medium enterprises at the time this Act enters into force may apply for approval to the Administrator of the Small and Medium Business Administration so that a foundation established in accordance with the provisions of Article 9 may succeed to all property, and

rights and duties of the association upon a resolution of the board of directors in cases of an incorporated foundation, or upon a resolution of a general meeting in cases of an incorporated association, as prescribed by the articles of association of the relevant association.

(2) Notwithstanding the provisions on the dissolution and liquidation of corporations in the Civil Act, an association which has obtained approval in accordance with the provisions of paragraph (1) shall be deemed dissolved as at the time a foundation is established in accordance with this Act, and a foundation established in accordance with this Act shall generally succeed to all property, and rights and duties of an association. In such cases, the name of an association on the register and other public record on property, and rights and duties shall be deemed the name of a foundation.

(3) Association dues paid to an association in connection with the business concerning credit guarantees and contributions, etc. as at the time this Act enters into force shall be deemed paid or made to a foundation.

Article 3 Omitted.

ADDENDA <Act No. 6073, Dec. 31, 1999>

Article 1 (Enforcement Date)

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

Articles 2 and 3 Omitted.

ADDENDA <Act No. 6314, Dec. 29, 2000>

Article 1 (Enforcement Date)

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

Articles 2 and 3 Omitted.

ADDENDA <Act No. 6705, Aug. 26, 2002>

Article 1 (Enforcement Date)

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

Articles 2 through 4 Omitted.

ADDENDA <Act No. 6769, Dec. 11, 2002>

Article 1 (Enforcement Date)

This Act shall enter into force on March 1, 2003.

Article 2 (Appointment of Executives of Federation)

(1) The Federation shall appoint its executives in accordance with the amended provisions of Articles 35-3 and 35-4 within two months from the date this Act enters into force.

(2) The former executives shall cease to be qualified as executives when new executives are appointed in accordance with the provisions of paragraph (1).

ADDENDA <Act No. 7558, May 31, 2005>

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

(2) (Transitional Measures) Approval of business incidental to business under subparagraphs 1, 4 and 5 of Article 17 granted by the Administrator of the Small and Medium Business Administration in accordance with the former provisions of subparagraph 6 of Article 17 before this Act enters into force shall be deemed approval granted by the relevant Mayor/Do Governor in accordance with the amended provisions of subparagraph 7 of Article 17.

ADDENDUM <Act No. 7863, Mar. 3, 2006>

This Act shall enter into force on July 1, 2006.

ADDENDUM <Act No. 8196, Jan. 3, 2007>

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

ADDENDA <Act No. 8635, Aug. 3, 2007>

Article 1 (Enforcement Date)

This Act shall enter into force one year and six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 44 Omitted.

ADDENDA <Act No. 9380, Jan. 30, 2009>

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

(2) Omitted.

ADDENDA <Act No. 9682, May 21, 2009>

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

(2) (Transitional Measures concerning Management of Surplus Funds) Surplus funds being managed pursuant to the former provisions of subparagraph 4 of Article 31 as at the time this Act enters into force shall be managed in accordance with the former provisions until the expiration of the period of such contract.

ADDENDA <Act No. 9932, Jan. 18, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force two months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 5 Omitted.

ADDENDA <Act No. 10303, May 17, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 10 Omitted.

ADDENDUM <Act No. 10598, Apr. 14, 2011>

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

ADDENDA <Act No. 13086, Jan. 28, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force on May 28, 2015. (Proviso Omitted.)

Articles 2 through 8 Omitted.

ADDENDUM <Act No. 13745, Jan. 6, 2016>

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

ADDENDA <Act No. 14111, Mar. 29, 2016>

Article 1 (Enforcement Date)

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

Articles 2 through 5 Omitted.

ADDENDA <Act No. 14122, Mar. 29, 2016>

Article 1 (Enforcement Date)

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

Articles 2 through 5 Omitted.