ACT ON EXTERNAL AUDIT OF STOCK COMPANIES

Article 1 (Purpose)
The purpose of this Act is to protect persons who have interests in a company and to contribute to the sound growth of an enterprise by ensuring appropriateness of accounting through obliging a stock company to be audited by an external auditor (hereinafter referred to as the "auditor") who is independent of the company.

Article 1-2 (Definitions)
For the purpose of this Act, the definitions of the terms shall be as follows: <Amended by Act No. 5497, Jan. 8, 1998; Act No. 7524, May 31, 2005>

1. The term "financial statements" means a balance sheet, income statement and other documents prescribed in Presidential Decree, all of which are prepared by the stock company:

2. The term "consolidated financial statements" means a consolidated balance sheet, consolidated income statement and other documents prescribed in Presidential Decree, all of which are prepared by a parent company in case such parent company has such relationship as prescribed by Presidential Decree with its subsidiary companies; and
3. The term "conglomerate combined financial statements" (hereinafter referred to as "combined financial statements") means conglomerate combined balance sheets, conglomerate combined income statements or other documents as determined by Presidential Decree, all of which a conglomerate referred to in subparagraph 2 of Article 2 of the Monopoly Regulation and Fair Trade Act (hereinafter referred to as a "conglomerate") prepares by combining financial statements of its subsidiary companies. [This Article Newly Inserted by Act No. 4680, Dec. 31, 1993]

Article 1-3 (Scope of Conglomerates, etc. to Prepare Combined Financial Statements)

(1) Conglomerates and their subsidiary companies (hereinafter referred to as "affiliated companies") which have to prepare combined financial statements shall be determined by Presidential Decree.

(2) The Securities and Futures Commission under the Act on the Establishment, etc. of Financial Services Commission (hereinafter referred to as the "Securities and Futures Commission") shall select conglomerates which shall prepare combined financial statements under paragraph (1) and a company which shall prepare combined financial statements (hereinafter referred to as a "company preparing combined financial statements") from among the subsidiary companies belonging to the relevant conglomerate as prescribed by Presidential Decree and notify the company preparing combined financial statements, thereof by the end of May every year. <Amended by Act No. 5522, Feb. 24, 1998; Act No. 7524, May 31, 2005; Act No. 8863, Feb. 29, 2008> <by Act No. 5522, Feb. 24, 1998>

(3) Deleted. <by Act No. 5522, Feb. 24, 1998>

(4) With respect to the business under paragraph (2), the Securities and Futures Commission may request a conglomerate's subsidiary company to submit materials such as financial statements and the list of stockholders. [This Article Newly Inserted by Act No. 5497, Jan. 8, 1998]

Article 2 (Companies Subject to External Audit)

Any stock company (hereinafter referred to as a "company") whose total assets are equal to or more than the standard amount as prescribed by Presidential Decree at the end of the immediately preceding business year shall be subject to the accounting audit (hereinafter referred to as the "audit") by the auditor after preparing financial statements (including consolidated financial statements for a company which prepares consolidated financial statements and combined financial state-
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ments for a company which prepares combined financial statements): Provided, That this shall not apply to a stock company to which the Framework Act on the Management of Government-Invested Institutions is applicable and to any other company prescribed by the Presidential Decree. <Amended by Act No. 3690, Dec. 31, 1983; Act No. 4168, Dec. 30, 1989; Act No. 4680, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998; Act No. 7524, May 31, 2005>

Article 2-2 (Operation, etc. of Internal Accounting Management System)

(1) Every company [excluding any company that is not a stock-listed corporation (referring to the stock-listed corporation provided for in the Securities and Exchange Act; hereinafter the same shall apply) and a KOSDAQ-listed corporation (referring to the KOSDAQ-listed corporation provided for in the Securities and Exchange Act; hereinafter the same shall apply) and is prescribed by the Presidential Decree by the end of the business year to which June 30, 2007 belongs; hereafter in this Article the same shall apply] shall equip itself with the regulation of internal accounting management including the matters falling under each of the following subparagraphs and the system to manage and operate it (hereinafter referred to as the "internal accounting management system") for the preparation and public notice of reliable accounting information: <Amended by Act No. 7524, May 31, 2005>

1. Matters for the method of discrimination, mensuration, classification, record and report of the accounting information (including the trade information which forms the basis for accounting information; the same shall apply hereafter in this Article);
2. Matters for the method of controlling the errors of accounting information and revising them;
3. Matters for the internal verification, such as a regular inspection and adjustment, etc. of accounting information;
4. Matters for the method of controlling the books to record and keep accounting information (including the magnetic tapes or diskettes and other information-keeping devices) and for the controlling procedures for a prevention of forgery, alteration, damage and destruction;
5. Matters for the partial charge of works and responsibilities of the officers and staff members relating to the preparation and public notice of accounting information; and
6. Other matters necessary for the preparation and public notice of reliable accounting information, which are prescribed by the Presidential
Decree.

(2) Any company shall not prepare the accounting information without basing upon the internal accounting management system, or not forge, alter, damage and destruct the said information which has been prepared under the internal accounting management system.

(3) The representative of a company shall assume the responsibility for a control and operation of the internal accounting management system, and designate one of the permanent directors to be in charge of the said system (where there exists no director in charge, referring to any person who performs the duties of a relevant director) as an internal accounting manager (hereinafter referred to as an "internal accounting manager").

(4) An internal accounting manager shall make semiannually a report on the actual status of operation of the internal accounting management system of the relevant company to the board of directors and the statutory auditor (including the auditing committee; hereinafter the same shall apply).

(5) The statutory auditor of a company shall evaluate the actual status of internal accounting management system, and file an annual report thereon with the board of directors, and keep a written report on the said evaluation at the main office of relevant company for five years. In such case, if they have any corrective opinions on the control and operation of the internal accounting management system, they shall make a report by including them.

(6) Matters necessary for an operation, etc. of the internal accounting management system shall be prescribed by the Presidential Decree.

[This Article Newly Inserted by Act No. 6991, Dec. 11, 2003]

Article 2-3 (Examination of Internal Accounting Management System by Auditor)

(1) Where an auditor performs his auditing duties, he shall examine whether or not observing the matters as referred to in Article 2-2 and the details of report on the actual status of operation of the internal accounting management system.

(2) The auditor shall indicate his comprehensive opinions on the results of examination under paragraph (1) on the auditing report pursuant to Article 7-2.

[This Article Newly Inserted by Act No. 6991, Dec. 11, 2003]

Article 3 (Auditor)
(1) An auditor conducting an audit pursuant to Article 2 shall be as follows: Provided, That an auditor conducting the audit of consolidated financial statements, combined financial statements or financial statements stock-listed corporation shall be appointed from among auditors falling under any of the following subparagraphs pursuant to Presidential Decree:<Amended by Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005; Act No. 8863, Feb. 29, 2008>

1. An accounting corporation as stipulated in Article 23 of the Certified Public Accountant Act (hereinafter referred to as an "accounting corporation");
2. Deleted; and <by Act No. 5196, Dec. 30, 1996>
3. An audit team registered in accordance with Ordinance of the Prime Minister with the Korean Institute of Certified Public Accountants (hereinafter referred to as the "Korean Institute of Certified Public Accountants") established under the provisions of Article 41 of the Certified Public Accountant Act (hereinafter referred to as an "audit team").

(2) The Financial Services Commission may impose restrictions on the size and so on of a company that may be audited by an auditor, taking into account the type of the auditor under each subparagraph of paragraph (1) and the number of certified public accountants who belong thereto, pursuant to Ordinance of the Prime Minister. <Amended by Act No. 5196, Dec. 30, 1996; Act No. 6427, Mar. 28, 2001; Act No. 8863, Feb. 29, 2008>

(3) An auditor who is an accounting corporation shall not be able to audit a company with which such an auditor has such a relationship as prescribed by each subparagraph of Article 33 (1) of the Certified Public Accountant Act, and an auditor who is the member of an audit team shall not be able to audit a company with which one or more certified public accountants thereof have such a relationship as prescribed by each subparagraph of Article 21 (1) of the Certified Public Accountant Act. <Amended by Act No. 5196, Dec. 30, 1996; Act No. 6991, Dec. 11, 2003; Act No. 7524, May 31, 2005>

(4) An auditor who is an accounting corporation shall not have the same director perform the audit task for six consecutive business years (four consecutive business years in the case of a stock-listed corporation or a KOSDAQ-listed corporation) of a company. <Newly Inserted by Act No. 5196, Dec. 30, 1996; Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005>

(5) In the event that an auditor who is an accounting corporation has
had certified public accountants belonging to such accounting corporation (referring to certified public accounts belonging to an accounting corporation under Article 26 (3) of the Certified Public Accountant Act) perform the audit of a company that is a stock-listed corporation or a KOSDAQ-listed corporation as his assistants for three consecutive business years, such auditor shall replace not less than two thirds of such assistants in the next business year. <Newly Inserted by Act No. 6427, Mar. 28, 2001: Act No. 7524, May 31, 2005>

(6) In the event that an auditor who is an audit team has performed the audit of a company that is a KOSDAQ-listed corporation for three consecutive business years, such auditor shall replace not less than two thirds of certified public accountants participating in such audit in the next business year. <Newly Inserted by Act No. 6427, Mar. 28, 2001: Act No. 7524, May 31, 2005>

(7) Any certified public accountant capable of performing the auditing duties by belonging to the auditor shall be limited to the person who has undergone the training in actual business as prescribed by Presidential Decree. <Newly Inserted by Act No. 6991, Dec. 11, 2003>

(This Article Wholly Amended by Act No. 4168, Dec. 30, 1989.)

Article 3-2 (Submission of Business Report)

(1) An auditor who is an accounting corporation shall submit a business report to the Securities and Futures Commission and the Korean Institute of Certified Public Accountants within three months after the closing date of every business year. <Amended by Act No. 5497, Jan. 8, 1998>

(2) The trade name of the accounting corporation, business specifications, matters concerning finance and other matters as prescribed by Ordinance of the Prime Minister shall be entered in the business report referred to in paragraph (1). <Amended by Act No. 6427, Mar. 28, 2001: Act No. 8863, Feb. 29, 2008>

(This Article Newly Inserted by Act No. 5196, Dec. 30, 1986)

Article 4 (Selection and Appointment of Auditor)

(1) Any company shall select and appoint an auditor within four months from the date of commencement of each business year. In this case, an auditor shall be the same in respect of financial statements, consolidated financial statements and combined financial statements. <Amended by Act No. 5196, Dec. 30, 1986: Act No. 5497, Jan. 8, 1998: Act No. 5522, Feb. 24, 1998>

(2) In the selection and appointment of an auditor, any company shall
get approval thereof from the statutory auditor or the auditor selection and appointment commission secured with its expertise and independence (hereinafter referred to as the “auditor selection and appointment commission”) and the audit committee, if established pursuant to the provisions of Article 415-2 of the Commercial Act, shall be deemed the auditor selection and appointment commission): Provided, That any stock-listed corporation, any KOSDAQ-listed corporation or any affiliate of a conglomerate to which a company that was notified by the Securities and Futures Commission of the need to prepare a combined financial statement in the immediately preceding business year under Article 1-3 (2) belongs shall obtain approval therefor from the auditor selection and appointment commission. <Amended by Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998; Act No. 5522, Feb. 24, 1998; Act No. 6108, Jan. 12, 2000; Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005>

(3) Any company shall, when it appoints an auditor under paragraph (2), report his appointment at an ordinary general meeting of shareholders under Article 365 of the Commercial Act (hereinafter referred to as “ordinary general meeting of shareholders”) called first after his appointment. <Amended by Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005>

(4) In the event that any company reappoints an auditor in the face of the case falling under each of the following subparagraphs, the provisions of paragraphs (1) and (2) and the former part of Article 4-2 (1) shall not apply thereto: Provided, That in case that any company as prescribed in the proviso of paragraph (2) reappoints an auditor after falling under subparagraph 2, such company shall obtain approval therefor from the auditor selection and appointment commission: <Amended by Act No. 6427, Mar. 28, 2001>

1. Where the company replaces the current auditor and appoints a person nominated by the Securities and Futures Commission as an auditor under Article 4-3 (1); and

2. Where an already appointed auditor is unable to discharge his duties as an auditor on the grounds prescribed by the Presidential Decree, including a dissolution of his company during the business year.

(5) Where a company reselects an auditor due to any cause referred to in each subparagraph of paragraph (4), it shall appoint an auditor within two months from the date of occurrence of the cause. <Amended by Act No. 5196, Dec. 30, 1996; Act No. 6427, Mar. 28, 2001>
(6) Notwithstanding the provisions of paragraph (2), where a company, which is not a stock-listed corporation, a KOSDAQ-listed corporation or an affiliate of a conglomerate to which a company that has been notified by the Securities and Futures Commission of the need to prepare a combined financial statement in the immediately preceding business year under Article 1-3 (2) belongs, intends to reappoint the auditor who served as an auditor during the immediately preceding business year, it may decide not to obtain the recommendation of the statutory auditor or the auditor selection and appointment commission. <Newly Inserted by Act No. 5522, Feb. 24, 1998; Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005>

(7) Any company shall, when it selects and appoints an auditor under paragraph (2), consult in advance with the statutory auditor or the auditor selection and appointment commission about his remuneration and the auditing time. <Newly Inserted by Act No. 6427, Mar. 28, 2001>

(8) Necessary matters concerning the composition and operation of the auditor selection and appointment commission under paragraph (2) shall be prescribed by the Presidential Decree. <Newly Inserted by Act No. 6427, Mar. 28, 2001>

(This Article Wholly Amended by Act No. 4168, Dec. 30, 1989)

Article 4-2 (Selection and Appointment, etc. of Auditor of Stock-Listed Corporation or KOSDAQ-Listed Corporation)

(1) Any stock-listed corporation and any KOSDAQ-listed corporation shall appoint an auditor every three business years with the same auditor within four months from the initial date of the first business year. In this case, if any stock-listed corporation or any KOSDAQ-listed corporation reappoints an auditor on the grounds as prescribed in each sub-paragraph of Article 4 (4), such company shall appoint the auditor with the same auditor every three business years beginning the business year following the current business year. <Amended by Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005>

(2) Notwithstanding the provisions of paragraph (1), where an auditor falls under any cause as determined by the Presidential Decree such as breach of duty, the company may dismiss the auditor upon approval of the auditor selection and appointment commission within three months from the closing of each business year even during the period of the three consecutive business years. <Amended by Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001>

(3) Any company shall, when it dismisses the auditor under paragraph (2),
file without any delay a report thereon with the Securities and Futures Commission. <Newly Inserted by Act No. 6427, Mar. 28, 2001>

(4) The company pursuant to paragraph (1) shall be prohibited from having the same auditor (including the case corresponding in fact to the same auditor, which is the case as prescribed by the Presidential Decree; hereafter in this paragraph, the same shall apply) perform the auditing duties in excess of the continued six business years: Provided, That the same shall not apply to the cases corresponding to any of the following subparagraphs: <Newly Inserted by Act No. 6991, Dec. 11, 2003>

1. Case of a foreign-invested company registered under Article 21 of the Foreign Investment Promotion Act for which a continued auditing by the same auditor is inevitable due to the relations with the overseas parent company due to the causes as prescribed by the Presidential Decree; and

2. Where the securities are listed on the foreign Stock Exchange as prescribed by the Presidential Decree (limited to the Stock Exchange which allows the listing of securities only for the enterprises guaranteeing a considerable level of the accounting transparency).

[This Article Newly Inserted by Act No. 5196, Dec. 30, 1996]

Article 4-3 (Designation, etc. of Auditor by Securities and Futures Commission)

(1) The Securities and Futures Commission may nominate an auditor of a company in case that such company makes a request to that effect after obtaining approval from the statutory auditor or the Auditor Selection and Appointment Commission, or request any company falling under any of the following subparagraphs to appoint an auditor or replace with the person designated by the Securities and Futures Commission within the scope of 3 business years. In this case, those as designated by the Securities and Futures Commission shall be limited to the accounting corporations: <Amended by Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001>

1. Any company which fails to appoint an auditor within the period of time provided for in Article 4 (1) and (5) or 4-2 (1);

2. Any relevant company where the cause is deemed unfair when it replaces an auditor or where it appoints an auditor in violation of Article 4 (2) or 4-2 (1);

3. Any company which has been pointed out by the Securities and
Futures Commission to have made out and published financial statements, consolidated financial statements or combined financial statements in violation of the accounting standards referred to in Article 13 as a result of the inspection by the Securities and Futures Commission; Provided, That this shall not apply to the companies pointed out due to negligible violation as determined by the Securities and Futures Commission;

4. From among the companies whose total asset amount is more than the amount as determined by the Presidential Decree, where the large shareholder and the person under a special relationship with him as determined by the Presidential Decree jointly own not less than 50/100 of the total issued and outstanding shares (excluding non-voting shares, hereinafter the same shall apply) of a company, the large shareholder or the person under a special relationship with him is the representative director of the relevant company;

5. and 6. Deleted; <by Act No. 6427, Mar. 28, 2001>

7. From among stock-listed corporations, any company which has been recognized and designated as requiring fair audit by the Securities and Futures Commission under the conditions as determined by the Presidential Decree;

8. Deleted; <by Act No. 6427, Mar. 28, 2001>

8-2. Any relevant company in case where a bank having a business relation with a company as determined by the Presidential Decree, on the grounds prescribed by the Presidential Decree, requests the Securities and Futures Commission to designate an auditor; and

9. Other companies which are recognized and designated by the Presidential Decree that they are especially in need of fair audit.

(2) Where the Securities and Futures Commission requests a company to replace or select an auditor as provided in paragraph (1), the company shall comply with it unless there are any special reasons. In this case, the relevant company or the person who has been nominated as an auditor may ask the Securities and Futures Commission to nominate again where there exist causes as determined by the Presidential Decree. <Amended by Act No. 5497, Jan. 8, 1998>

(3) Notwithstanding the provisions of paragraph(1), the Securities and Futures Commission may decide not to request a company which has
appointed an auditor after obtaining approval from the auditor selection and appointment commission referred to in Article 4 (2) to replace or select an auditor, as prescribed by Presidential Decree. <Newly Inserted by Act No. 3522, Feb. 24, 1998: Act No. 6427, Mar. 28, 2001> [This Article Newly Inserted by Act No. 5196, Dec. 30, 1996]

Article 4-4 (Report on Appointment, etc. of Auditor)
Where a company appoints, replaces or selects an auditor, it shall report it to the Securities and Futures Commission: Provided, That where it falls under any of the following subparagraphs, it may omit the report:
1. Where a company appoints the person nominated by the Securities and Futures Commission at the request of the company as an auditor;
2. Where a company replaces or selects an auditor upon the request from the Securities and Futures Commission; and
3. Where a company, which is not a stock-listed corporation, a KOSDAQ-listed corporation or an affiliate company of a conglomerate notified by the Securities and Futures Commission to be a company preparing combined financial statements under Article 1-3 (2), reappoints the auditor who served during the immediately preceding business year. [This Article Newly Inserted by Act No. 5196, Dec. 30, 1996]

Article 4-5 (Right of Former Auditor to State Opinion)
(1) Any company shall, when it intends to select and appoint an auditor other than an auditor who performed the audit of the company in the immediately preceding business year (hereinafter referred to as the "former auditor") or to dismiss an auditor under Article 4-2 (2), give the former auditor or the auditor to be dismissed an opportunity to state his opinion to the statutory auditor or the auditor selection and appointment commission.

(2) In the event that the auditor to be dismissed under Article 4-2 (2) states his opinion under paragraph (1), the company shall report details of the opinion stated by him to the Securities and Futures Commission.

(3) Necessary matters concerning the method of stating the opinion and procedures for reporting such stated opinion under paragraphs (1) and (2) shall be prescribed by Presidential Decree. [This Article Newly Inserted by Act No. 6427, Mar. 28, 2001]

Article 5 (Standards for Accounting Audit)
(1) An auditor shall conduct an audit according to the standards for ac-
counting audit generally accepted as fair and reasonable. <Amended by Act No. 4168, Dec. 30, 1989; Act No. 6427, Mar. 28, 2001>

(2) The Korean Institute of Certified Public Accountants shall set the standards for accounting audit referred to in paragraph (1), including matters necessary for maintaining an independency of the auditor and the reliability of the financial statements under the conditions as prescribed by Presidential Decree and obtain a prior approval of the Financial Services Commission. <Amended by Act No. 6991, Dec. 11, 2003; Act No. 8863, Feb. 29, 2008>

Article 6 (Authority of Auditor)

(1) Any auditor may, at any time, read, copy the accounting books or records on accounting of a company, and a company which has such relations as determined by Presidential Decree with the former such as possessing its stocks in certain ratio or more (hereinafter referred to as "related company"), and its affiliated companies, or request them to submit the data on accounting, and may, if especially necessary for performing his duties, investigate their affairs and the financial status. <Amended by Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001>

(2) The auditor who audits consolidated financial statements or combined financial statements may, if necessary for performing his duties, request auditors of the company, related company or its affiliated companies to cooperate with him, in such way as the submission of data in relation to the audit. In such a case, the auditors of the company, related company or its affiliated companies shall comply with such a request without delay. <Amended by Act No. 5497, Jan. 8, 1998; Act No. 7324, May 31, 2005>

(This Article Wholly Amended by Act No. 4680, Dec. 31, 1993)

Article 7 (Submission of Financial Statements, etc.)

Any company shall prepare financial statements, consolidated financial statements or combined financial statements in respect of the relevant business year and submit them to the auditor within the period as prescribed by Presidential Decree. <Amended by Act No. 4680, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998>

Article 7-2 (Preparation of Written Audit Report)

(1) Any auditor shall prepare a written audit report stating the result of auditing.

(2) The written audit report under paragraph (1) shall contain the scope of audit, audit opinions, and information useful for a reasonable decision—
Article 8 (Submission, etc. of Audit Report)

(1) Any auditor shall file an audit report with the company concerned (including the statutory auditor, or the audit committee), the Securities and Futures Commission and the Korean Institute of Certified Public Accountants within the period prescribed by Presidential Decree. In this case, major management indexes showing the profitability, growth potential and stability of the company shall be appended to the audit report as prescribed by the Financial Services Commission.

(2) Any company shall submit the financial statements approved at the ordinary general meeting in accordance with the provisions of Article 449 (1) and (3) of the Commercial Act to the Securities and Futures Commission as prescribed by Presidential Decree: Provided, That in the case that the financial statements approved at an ordinary general meeting are same as the financial statements attached to the audit report submitted by an auditor to the Securities and Futures Commission pursuant to paragraph (1), the company may decide not to submit the approved financial statements.

Article 9 (Keeping Secrets)

An auditor, a certified public accountant belonging to such auditor, a member of the Securities and Futures Commission, any person aiding the above persons with regard to auditing or supervising affairs, or any person related to the Korean Institute of Certified Public Accountants which performs the affairs of the Securities and Futures Commission on commission, shall not disclose secrets which have come to their knowledge in the course of performing their duties: Provided, That this shall not apply where it is in conflict with special provisions contained in other Acts.

Article 10 (Report of Unfair Acts, etc.)

(1) If an auditor finds, in performing his duties, any unfair act or any grave fact in violation of the Acts and subordinate statutes or the articles making of the interested persons.

[This Article Newly Inserted by Act No. 6991, Dec. 11, 2003]
of incorporation, which has been committed by any director in connection with the corporate business, he shall inform the statutory auditor or the audit committee and report it at the general meeting of shareholders.  

(Amended by Act No. 5196, Dec. 30, 1996; Act No. 6108, Jan. 12, 2000)

(2) If the auditor discovers the fact that the company has violated the standards for accounting in connection with its accounting, etc., he shall inform the statutory auditor or the audit committee of it.  

(Newly Inserted by Act No. 5196, Dec. 30, 1996; Act No. 6108, Jan. 12, 2000)

(3) If the statutory auditor or the audit committee finds any unfair act or any grave fact in violation of the Acts and subordinate statutes or the articles of incorporation which has been committed by any director in connection with the corporate business, he or the audit committee shall inform the auditor of it.  

(Newly Inserted by Act No. 5196, Dec. 30, 1996; Act No. 6108, Jan. 12, 2000)

Article 11 (Attendance at General Meeting of Shareholders)

When requested by the general meeting of shareholders, the auditor or the certified public accountant belonging to such auditor shall attend the general meeting of shareholders to state his or its opinions or answer to questions from shareholders.  

(Amended by Act No. 4168, Dec. 30, 1989)

Article 12 Deleted.  

(by Act No. 6427, Mar. 28, 2001)

Article 13 (Standards for Accounting)

(1) The standards for accounting for a company shall be determined by the Financial Services Commission after deliberation by the Securities and Futures Commission.  

(Amended by Act No. 5497, Jan. 8, 1998; Act No. 8863, Feb. 29, 2008)

(2) The standards for accounting referred to in paragraph (1) shall be made to secure the uniformity and the objectivity of corporate accounting and audit by an auditor.

(3) Any company shall prepare financial statements, consolidated financial statements or combined financial statements according to the standards for accounting under paragraph (1).  

(Newly Inserted by Act No. 4680, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998)

(4) The Financial Services Commission may entrust the duty referred to in paragraph (1) to any private corporation or organization specializing in such duty under the conditions as provided in Presidential Decree.  

(Newly Inserted by Act No. 6108, Jan. 12, 2000; Act No. 8863, Feb. 29, 2008)

(5) The Financial Services Commission may, when it deems it necessary
to protect interested persons and to conform to the international standards, ask the private corporation or organization entrusted with such duty as provided in paragraph (4) (hereinafter referred to as the "institutions entrusted with the duty of setting standards for accounting") to change the contents of the standards for accounting after going through deliberation by the Securities and Futures Commission. In this case, the institutions entrusted with the duty of setting standards for accounting shall comply with the request unless justifiable grounds exist that make it impossible for them to do so. <Newly Inserted by Act No. 6108, Jan. 12, 2000; Act No. 8863, Feb. 29, 2008>

(6) The Financial Supervisory Service established under the Act on the Establishment, etc. of Financial Services Commission (hereinafter referred to as the "Financial Supervisory Service") may, within the limit of 5/100 of the dues collected by the Financial Supervisory Service pursuant to the provisions of Article 206-8 (1) 2 of the Securities and Exchange Act, financially support the institutions entrusted with the duty of setting standards for accounting under the conditions as provided in the Presidential Decree. <Newly Inserted by Act No. 6108, Jan. 12, 2000; Act No. 7524, May 31, 2005; Act No. 8863, Feb. 29, 2008>

(This Article Wholly Amended by Act No. 4168, Dec. 30, 1989)

Article 14 (Keeping and Public Notification, etc. of Audit Report, etc.)

(1) Any company shall keep and publicly announce its financial statements as prescribed in Presidential Decree (including consolidated financial statements for a company which prepares consolidated financial statements and combined financial statements for an affiliated company), together with the audit report of the auditor. <Amended by Act No. 4690, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998>

(2) When a company gives public notice of the balance sheet in accordance with the provisions of Article 449 (3) of the Commercial Act, the company shall add to it the name and audit opinion of the auditor. <Amended by Act No. 3724, Apr. 10, 1984; Act No. 7524, May 31, 2005>

(3) The auditor who is an accounting corporation shall keep and publicly notify the business report submitted pursuant to Article 3-2 (1) as provided in Presidential Decree. <Newly Inserted by Act No. 5196, Dec. 30, 1996>

(4) The Securities and Futures Commission and the Korean Institute of Certified Public Accountants shall keep the business report submitted by an accounting corporation in accordance with the provisions of Article 3-2 (1) or the audit report submitted in accordance with the provisions
of Article 8 (1) in a designated place for two years, and cause the public to read it. <Newly Inserted by Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998>

(5) The shareholders or creditors of a company may, at any time during the business hours, examine documents kept under paragraph (1) and ask for the delivery of certified copies or abridged copies of such documents in return for the payment of expense set by the company. <Newly Inserted by Act No. 6108, Jan. 12, 2000; Act No. 7524, May 31, 2005>

Article 14-2 (Protocol of Audit)

(1) Where any auditor has performed the audit and presented his audit opinions, he shall prepare the document which has made into the documents the details of audit procedures applied to bring out the audit report from the accounting records of the company, and the information obtained in the said process and the result of analysis of information, etc. (including the magnetic tapes or diskettes and other information-keeping devices; hereinafter referred to as the "protocol of audit").

(2) The auditor shall keep the protocol of audit for eight years from the time of ending the audit.

(3) The auditor (including the persons belonging to him and his employees) shall not forge, alter, damage or destruct the protocol of audit.

[This Article Newly Inserted by Act No. 6991, Dec. 11, 2003]

Article 15 (Supervision, etc. by Securities and Futures Commission)

(1) The Securities and Futures Commission shall supervise the audit reports, in order to ensure a fair auditing, and perform other tasks as may be required under Presidential Decree. <Amended by Act No. 5497, Jan. 8, 1998>

(2) Deleted. <by Act No. 5196, Dec. 30, 1996>

(3) The matters necessary for the Securities and Futures Commission to perform its tasks under this Act shall be determined by the Financial Services Commission after deliberation by the Securities and Futures Commission. <Amended by Act No. 5497, Jan. 8, 1998; Act No. 8863, Feb. 29, 2008>

(4) The Securities and Futures Commission may delegate part of its authority or tasks under this Act to the Chairman of the Securities and Futures Commission or the Governor of the Financial Supervisory Service (hereinafter referred to as the "Governor of the FSS") as prescribed by Presidential Decree. <Amended by Act No. 5497, Jan. 8, 1998; Act No. 6108, Jan. 12, 2000; Act No. 6427, Mar. 28, 2001>

(5) The Securities and Futures Commission may delegate all or part of its tasks as provided in paragraph (1), Articles 5 (2), 15-2 and 16 (1)
to the Korean Institute of Certified Public Accountants as prescribed by Presidential Decree. In this case, the Korean Institute of Certified Public Accountants may collect part of auditor’s audit remuneration as supervisory affairs fee as determined by Ordinance of the Prime Minister. <Newly Inserted by Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001; Act No. 8863, Feb. 29, 2008> (6) Deleted. <by Act No. 5497, Jan. 8, 1998> [This Article Wholly Amended by Act No. 4168, Dec. 30, 1989]

Article 15-2 (Demand for Submission, etc. of Data)

(1) The Securities and Futures Commission may, if necessary for the purposes of performing the tasks under the provisions of Article 15 (1), demand a company, related company or its affiliated companies and an auditor to submit data, state opinions or make reports, or may have the Governor of the FSS inspect the accounting books and documents of the company, related company or its affiliated companies, or investigate the business and the financial status thereof. <Amended by Act No. 4680, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001; Act No. 7524, May 31, 2005> (2) The Securities and Futures Commission may request the Fair Trade Commission or the National Tax Service to submit data determined by Presidential Decree as necessary for the discharge of tasks referred to in Articles 1-3 and 4-3. In this case, any agency which received the request shall comply with it unless there exists a special cause. <Newly Inserted by Act No. 5522, Feb. 24, 1998; Act No. 7524, May 31, 2005> (3) The person who inspects the accounting books and documents of a company or investigates its business and financial status under the provisions of paragraph (1) shall carry a certificate indicating his powers and produce it to the persons concerned. [This Article Newly Inserted by Act No. 4168, Dec. 30, 1989]

Article 15-3 (Protection of Reporter of Unjust Acts, etc.)

(1) Where any person who has come to know the matters falling under any of the following subparagraphs pertaining to the accounting information of the company files a report on such facts with the Securities and Futures Commission under the conditions as prescribed by Presidential Decree, or notify the auditor or statutory auditor of the company thereof, any disciplinary action or corrective measures, etc. against the said reporter or notifier (hereinafter referred to as the “reporter, etc.*”) may be mitigated under the conditions as prescribed by Presidential Decree:

1. Where any accounting, preparation of financial statements, and public
notice are made in violation of the internal accounting management system;
2. Where any auditor fails to perform the auditing pursuant to the standards for accounting audit under Article 5, or prepares a written audit report in falsity;
3. Where the company prepares and publicizes the financial statements in violation of the standards for accounting under Article 13; and
4. Other cases corresponding to subparagraphs 1 through 3, where the accounting information is prepared in falsity or any facts are concealed.

(2) Any person in receipt of the report or notice under paragraph (1) shall keep the secrets concerning the identity, etc. of the reporter, etc.

(3) Where the reporter, etc. makes the report or notice under paragraph (1), the competent company (including the officers or employees of the competent company) shall not render with the direct or indirect means any disadvantageous treatments to the reporter, etc. in relation with the said report or notice.

(4) Any company and any employee or officer of the relevant company that have caused damage to the reporter, etc. by means of the disadvantageous treatment to him in violation of the provisions of paragraph (3) shall be liable to jointly compensate for such damage. <Newly Inserted by Act No. 7524, May 31, 2005>

(5) In case where the report referred to in the provisions of paragraph (1) is deemed to have helped expose the matters falling under any subparagraph of the same paragraph in connection with the accounting information of the company that is a stock-listed corporation or a KOSDAQ-listed corporation or to have helped take the measures, etc. provided for in the provisions of Articles 16 and 16-2, the Securities and Futures Commission may pay a bounty to the reporter under the conditions as prescribed by Presidential Decree. <Newly Inserted by Act No. 7524, May 31, 2005>


Article 16 (Measures, etc. on Auditors, etc.)

(1) If an auditor or a certified public accountant belonging to such auditor falls under any of the following subparagraphs, the Securities and Futures Commission the may recommend the Financial Services Commission to cancel a registration of such auditor or certified public accountant belonging to such auditor or to order to suspend the business or duties thereof by fixing a specific period, or may impose restrictions on the tasks of audit
of a particular company or take other necessary measures: <Amended by Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998; Act No. 6427, Mar. 28, 2001; Act No. 8863, Feb. 29, 2008>  
1. Where he violates the provisions of Article 3 (2) and (4), 3-2 (1), 5 (1), 8 (1), 9, 10 (1) and (2), 11, 14 (3) or 17-2 (1);  
2. Where he refuses or evades the demand for the submission of data in accordance with the provisions of Article 15-2 (1);  
3. Where he violates the provisions of Article 17 (6); and  
4. Where he violates this Act or any order made under this Act.  
(2) The Securities and Futures Commission may take the necessary measures including a recommendation to the general meeting of shareholders of a company (including affiliated companies in case of combined financial statements) to dismiss a director, or restrict issuance of securities during a specific period if such company falls under any of the following subparagraphs: <Amended by Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998>  
1. In case it does not comply with the demand of the Securities and Futures Commission under Article 4-3 (1) without any justifiable cause;  
2. In case it violates the provisions of Article 4-4, 7, 8 (2) or 10 (3);  
3. In case it fails to prepare financial statements, consolidated financial statements or combined financial statements, or prepares and publicly announces financial statements, consolidated financial statements or combined financial statements in violation of the standards for accounting under Article 13;  
4. In case it violates the provisions of Article 14 (1) and (2); and  
5. In case it refuses, interferes with or evades any demand for the submission of data, inspection or an investigation under Articles 1-3 (4) and 15-2 (1) without any justifiable cause, or submits false data.  
[This Article Wholly Amended by Act No. 4168, Dec. 30, 1989]  
Article 16-2 (Publication, etc. of Act of Violation)  
(1) In the event that any company or any auditor falls under any case of the following subparagraphs, the Securities and Futures Commission may publish the fact of violation for a period of not more than three years from the date on which such fact of violation is made definite as prescribed by the Financial Services Commission: <Amended by Act No. 8863, Feb. 29, 2008>  
1. Where they prepare any financial statement, a consolidated financial statement or a combined financial statement in violation of the standards for accounting under Article 13;
2. Where they fail to enter matters that are required to be entered in an audit report or enters false matters in the audit report; and
3. Where they violate this Act or finance-related Acts and subordinate statutes.

(2) The Securities and Futures Commission shall notify the Korea Stock and Futures Exchange provided for in the Korea Stock and Futures Exchange Act (limited to a case where the relevant company is a stock-listed corporation or a KOSDAQ-listed corporation) and the financial institutions prescribed by Presidential Decree, respectively, of the result of supervision of the written report on audit performed under Article 15 (1) and the details of measures taken by the Securities and Futures Commission against it. <Newly Inserted by Act No. 6991, Dec. 11, 2003; Act No. 7524, May 31, 2005>

(3) The financial institutions under paragraph (2) may reflect the details notified by the Securities and Futures Commission on the examination, etc. of credit extension. <Newly Inserted by Act No. 6991, Dec. 11, 2003; Act No. 8314, Mar. 29, 2007>

[This Article Wholly Amended by Act No. 6427, Mar. 28, 2001]

Article 17 (Liability for Damages)

(1) If an auditor causes damage to a company due to negligence in the performance of his duties, such auditor shall be liable for the damages incurred by the company. In this case, if such auditor is an audit team, certified public accountants who participated in the said audit on such company shall be jointly liable for such damages. <Amended by Act No. 4168, Dec. 30, 1989; Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996>

(2) If an auditor who fails to record important matters or makes a false statement in an audit report causes any damages to a third party who trusts and utilizes it, such auditor shall be liable for the damages of such third party: Provided, That in cases where the auditors of a subsidiary company, related company or its affiliated companies are liable for the failure to record important matters or making a false statement in an audit report on the consolidated financial statements or combined financial statements, the relevant auditors shall be responsible for the damages to a third party who trusts and utilizes such a report. <Amended by Act No. 4680, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998>

(3) The latter part of paragraph (1) shall apply mutatis mutandis to the case of paragraph (2). <Newly Inserted by Act No. 4680, Dec. 31, 1993>

(4) In case that the auditor is liable for compensating for damages to a company or third person, and the director or the statutory auditor (re-
ferring to the member of the audit committee, if established; hereafter the same in this paragraph shall apply) is also liable for compensating for such damages, such auditor, director and statutory auditor of the company shall be jointly liable for compensating for such damages. <Amended by Act No. 5522, Feb. 24, 1998; Act No. 6108, Jan. 12, 2000>

(5) In order to evade from the liability of compensation for damage under the provisions of paragraphs (1) through (3), an auditor or a certified public accountant participated in an audit shall prove that he has not neglected his duties: Provided, That in cases where a person falling under any of the following subparagraphs files a litigation of claim for compensation for damage against an auditor or a certified public accountant participated in an audit, the person shall prove that an auditor or a certified public accountant participated in an audit has neglected duties: <Amended by Act No. 8984, Mar. 21, 2008>

1. A company which appointed an auditor under Article 4;
2. A financial institution under Articles 2 (1) 2 and 5 of the Banking Act;
3. An insurance company under the Insurance Business Act;
4. A merchant bank under the Capital Market and Financial Investment Business Act; and
5. A mutual savings bank under the Mutual Savings Banks Act.

(6) An auditor shall take necessary measures including establishment of joint fund for damages under Article 17-2, or purchase of an insurance policy pursuant to Ordinance of the Prime Minister in order to meet any liability for the damages pursuant to paragraphs (1) through (4). <Newly Inserted by Act No. 4168, Dec. 30, 1993; Act No. 5196, Dec. 30, 1996; Act No. 6427, Mar. 28, 2001; Act No. 8863, Feb. 29, 2008>

(7) The liability for the damages under the provisions of paragraphs (1) through (4) shall lapse if it is not claimed for within one year from the date when the claimant has become aware of such facts or within three years from the date when the audit report has been submitted: Provided, That such period may be extended by the contract for the appointment of an auditor under the provisions of Article 4. <Amended by Act No. 4680, Dec. 31, 1993>

Article 17-2 (Accumulation of Joint Fund for Damages, etc.)

(1) An accounting corporation shall accumulate a joint fund for damages (hereinafter referred to as the “joint fund”) at the Korean Institute of Certified Public Accountants to compensate for the damages to a com-
pany or to a third person referred to in Article 17 (1) and (2): Provided, that in the event that a liability insurance for compensation prescribed by Presidential Decree is secured, an annual reserve referred to in paragraph (2) from among the joint fund may be exempted. \(<\text{Amended by Act No. 6427, Mar. 28, 2001}\>\)

(2) The joint fund to be accumulated pursuant to paragraph (1) shall be composed of a basic reserve and annual reserve of each business year, and the accumulation limit and the amount shall be determined by Presidential Decree.

(3) No accounting corporation who has accumulated the joint fund pursuant to paragraph (1) shall transfer the joint fund accumulated at the Korean Institute of Certified Public Accountants or furnish it as security unless otherwise determined by Presidential Decree, and no person shall levy an attachment (including the provisional attachment) on it. \([\text{This Article Newly Inserted by Act No. 5196, Dec. 30, 1996}]\)

Article 17-3 (Payment and Limit of Joint Fund, etc.)

(1) The Korean Institute of Certified Public Accountants shall pay the joint fund upon the application of a company or a third party when an accounting corporation is rendered a final and conclusive judgement on the liability for the company or the third party referred to in Article 17 (1) and (2).

(2) The limit by each applicant and by each accounting corporation of payment by the Korean Institute of Certified Public Accountants pursuant to paragraph (1) shall be determined by Presidential Decree.

(3) In the case that the Korean Institute of Certified Public Accountants pays as provided in paragraph (1), the accounting corporation shall bear the joint responsibility within the limit as specified in paragraph (2).

(4) In the case that the Korean Institute of Certified Public Accountants pays as provided in paragraph (1), it shall be entitled to be indemnified by the accounting corporation who has caused such payment.

(5) In the case that the real balance of the joint fund calculated under the conditions as determined by the Korean Institute of Certified Public Accountants as the result of the payment referred to in paragraph (1) by the Korean Institute of Certified Public Accountants falls short of the basic reserve referred to in Article 17-2 (2), the Korean Institute of Certified Public Accountants may cause accounting corporation to accumulate the amount of deficiency under the conditions as determined by the Presidential Decree. \([\text{This Article Newly Inserted by Act No. 5196, Dec. 30, 1996}]\)
Article 17-4 (Management of Joint Fund, etc.)

(1) The Korean Institute of Certified Public Accountants shall manage the joint fund separately by each accounting corporation, and calculate it independently of other property of the Korean Institute of Certified Public Accountants.

(2) The operation methods, time and procedures of payment, return of the joint fund and other detailed matters necessary for the management of the joint fund shall be determined by Ordinance of the Prime Minister. <Amended by Act No. 6427, Mar. 28, 2001; Act No. 8863, Feb. 29, 2008>

(3) The Financial Services Commission may, if deemed necessary, inspect the joint fund managed by the Korean Institute of Certified Public Accountants. <Amended by Act No. 6427, Mar. 28, 2001; Act No. 8863, Feb. 29, 2008>

[This Article Newly Inserted by Act No. 5196, Dec. 30, 1996]

Article 18 (Special Cases on Stock-Listed Corporation, etc.)

If the provisions of the Securities and Exchange Act concerning the audit by the certified public accountant are different from those of this Act, the former shall be applied: Provided, That the foregoing shall not be applied to the accounting standards for a company. <Amended by Act No. 7524, May 31, 2005>

Article 18-2 (Request for Submitting Materials)

The Securities and Futures Commission may, where it is necessary to carry out its work under this Act, ask the Korean Institute of Certified Public Accountants or institutions concerned to submit materials. In this case, such institutions shall comply with such request unless special grounds exist that make it impossible for them to do so. [This Article Newly Inserted by Act No. 6427, Mar. 28, 2001]

Article 19 (Penal Provisions)

(1) If any auditor, any certified public accountant belonging to such auditor, any statutory auditor or any member of the auditor selection and appointment commission (referring to any member of the auditor committee if such committee is established) has received an unjust solicitation concerning his duties, and accepted, demanded or promised money or other benefits in relation to such duties, he shall be punished by imprisonment for not more than three years, or by a fine not exceeding thirty million won: Provided, That where an amount equivalent to five times of economic benefits obtained in relation to his duties exceeds thirty million won for being punished by a fine, he shall be punished by a fine not exceeding an amount equivalent

(2) The provisions of paragraph (1) shall be applied to any person who has given, promised to give, or expressed his intention to give money or any other benefits as referred to in paragraph (1).

(3) The money or benefits as referred to in paragraphs (1) and (2) shall be confiscated. If the whole or part of it can not be confiscated, the value thereof shall be collected.

Article 20 (Penal Provisions)

(1) Persons falling under any of the following subparagraphs shall be punished by imprisonment for not more than five years or by a fine not exceeding thirty million won: <Newly Inserted by Act No. 6991, Dec. 11, 2003; Act No. 7524, May 31, 2005>

1. Persons as referred to in Article 635 (1) of the Commercial Act, or other persons relating to the operation of internal accounting management system, such as the accounting business of the company, who have forged, altered, damaged or destructed the accounting information prepared under the internal accounting management system in violation of Article 2-2 (2);

2. Any auditor or a certified public accountant belonging to such auditor, or persons relating to the audit business, who have forged, altered, damaged or destructed the protocol of audit in violation of Article 14-2 (3); and

3. Persons who have divulged the secrets concerning the identity, etc. of the reporter, etc. in violation of Article 15-3 (2).

(2) Where those provided for in Article 635 (1) of the Commercial Act, other persons in charge of the accounting affair of a company, auditors or certified public accountants thereof, or those related to the audit affairs have committed an act falling under any of the following subparagraphs, they shall be punished by imprisonment for not more than three years or by a fine not exceeding thirty million won: <Amended by Act No. 4168, Dec. 30, 1989; Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5522, Feb. 24, 1998; Act No. 6991, Dec. 11, 2003; Act No. 7524, May 31, 2005>

1. In case of having failed to appoint an auditor within the period as provided in Article 4 (1) and (5), or 4-2 (1) without any justifiable cause;

1-2. In case of having violated the provisions of Article 4-2 (4);

2. In case of having failed to record matters to be recorded, or made a
false statement in an audit report;
3. In case of having disclosed secrets in contravention of the provisions of Article 9;
4. In case of having failed to report unjust acts, etc. of directors under the provisions of Article 10;
5. In case of having made a false statement or concealed the facts at the general meeting of shareholders held as provided in the provisions of Article 11;
7. In case of having failed to prepare financial statements, consolidated financial statements or combined financial statements; and
8. In case of having prepared and publicly announced false financial statements, consolidated financial statements or combined financial statements in violation of the standards for accounting referred to in Article 13.

(3) In case the persons provided for in Article 635 (1) of the Commercial Act or other persons who are in charge of the accounting affairs of a company have committed an act falling under any of the following subparagraphs, they shall be punished by imprisonment for not more than two years or by a fine not exceeding twenty million won: <Newly Inserted by Act No. 4980, Dec. 31, 1993; Act No. 5497, Jan. 8, 1998; Act No. 5522, Feb. 24, 1998; Act No. 7524, May 31, 2005>
3. In case of having presented false data to an auditor or the certified public accountants thereof or interfered with the normal external audit activities of an auditor by fraud or other unjust means;
4. In case of having refused, interfered with or evaded the request for inspection, copying, reporting or investigation by an auditor referred to in Article 6 or having failed to submit related data without any justifiable cause;
5. In case of having failed to submit financial statements, consolidated financial statements or combined financial statements in violation of Articles 7 and 8 (2); and
6. In case of having refused, interfered with or evaded the request for submission of data, inspection or investigation referred to in Articles 1–3 (4) and 15–2 (1) or submitted false data without any justifiable cause.
cause.

(4) In case the persons provided for in Article 635 (1) of the Commercial Act, other persons in charge of the accounting affairs of a company, or auditors and the certified public accountants thereof have committed an act falling under any of the following subparagraphs, they shall be punished by imprisonment for not more than one year or by a fine not exceeding ten million won: <Amended by Act No. 4680, Dec. 31, 1993; Act No. 5196, Dec. 30, 1996; Act No. 5497, Jan. 8, 1998; Act No. 5522, Feb. 24, 1998; Act No. 7524, May 31, 2005>

1. In case of having failed to comply with the request of the Securities and Futures Commission under Article 4-3 (1) without any justifiable cause;


4. In case of having failed to submit an audit report under Article 8 (1);

5. In case of having failed to comply with the request to attend the general meeting of shareholders under Article 11;

6. Deleted; and <by Act No. 5522, Feb. 24, 1998>

7. In case of having failed to enter the name of an auditor and audit opinion together in violation of Article 14 (2).

Article 20-2 (Fine for Negligence)

(1) A person who falls under any of the following subparagraphs shall be punished by a fine for negligence not exceeding thirty million won: <Newly Inserted by Act No. 6991, Dec. 11, 2003>

1. A person who has failed to equip himself with the internal accounting management system or to designate the internal accounting manager in violation of Article 2-2 (1) or (3);

2. A person who has failed to make a report on the actual status of operation of the internal accounting management system in violation of Article 2-2 (4), or to make a report by evaluating the actual status of operation, or to keep the said written report on evaluation in the main office in violation of Article 2-2 (5);

3. A person who has failed to examine the details, etc. of a report on the operational status of the internal accounting management system, or to state a comprehensive opinion on the written audit report in violation of Article 2-3; and

4. A person who has rendered the disadvantageous treatments to the reporters, etc. in violation of Article 15-3 (3).
(2) In case a company has committed an act falling under any of the following subparagraphs, it shall be punished by a fine for negligence not exceeding five million won: 

1. In case of having failed to report under Article 4-4; and
2. In case of having failed to keep and publicly announce the audit report in violation of Article 14 (1).

(3) The Securities and Futures Commission shall impose and collect the fine for negligence under paragraphs (1) and (2) as prescribed by the Presidential Decree.

(4) A person who is dissatisfied with the disposition of the fine for negligence under paragraph (3) may file an objection to the person who has taken the disposition within 30 days from the receipt of the notice of the disposition.

(5) In case a person who is subject to the fine for negligence under paragraph (3) has filed an objection under paragraph (4), the person who has taken the disposition shall notify the competent court without delay and the competent court which has received notice shall bring the case of the fine for negligence to a trial under the Non-Contentious Case Litigation Procedure Act.

(6) In case a person who is subject to the fine for negligence does not file an objection within the specified period of time under paragraph (4) and does not pay the fine for negligence, the fine for negligence shall be collected pursuant to the example of the disposition on default of national tax.

Article 21 (Joint Penal Provisions)
When the representative of a juristic person, or an agent, employee or other employed person of a juristic person or an individual has violated Article 19 or 20 in connection with the business of the relevant juristic person or individual, the juristic person or individual shall be punished by a fine as prescribed by the respective Articles in addition to punishment of the offender.

Article 22 (Enforcement Decree)
The matters necessary for the enforcement of this Act shall be prescribed by the Presidential Decree.
ADDENDA

(1) (Enforcement Date) This Act shall enter into force on January 1, 1981.
(2) (Applications in Particular Cases) The provisions of Articles 4 and 5 (1) shall begin to apply from the first initial business year after January 1, 1982: Provided, That in case of a company which has altered its term for the settlement of accounts on and before December 31, 1982 in accordance with the provision of Article 12, if the period of the business year subject to audit for the first time falls short of one year, the provisions of Articles 4 and 5 (1) shall begin to apply from the business year subsequent to such business year except for the company subject to the audit under the provision of Article 182 of the Securities and Exchange Act.

ADDENDA <Act No. 3690, Dec. 31, 1983>

Article 1 (Enforcement Date)
This Act shall enter into force on March 1, 1984.
Articles 2 through 7 Omitted.

ADDENDA <Act No. 3724, Apr. 10, 1984>

Article 1 (Enforcement Date)
This Act shall enter into force on September 1, 1984.
Articles 2 through 25 Omitted.

ADDENDA <Act No. 4168, Dec. 30, 1989>

(1) (Enforcement Date) This Act shall enter into force on January 1, 1990.
(2) (Transitional Measures in relation to Restriction on Duties of Auditor) With regard to the cases of restriction on the duties of an auditor, the previous provision shall continue to apply until March 31, 1990 in spite of the amended provision of Article 3 (2).
(3) (Transitional Measures in relation to Appointment of Auditor) A company which has begun before the enforcement of this Act the business year to which the enforcement date of this Act belongs may select and appoint an auditor for such a business year in accordance with the previous provisions in spite of the amended provision of Article 4.
(4) (Transitional Measures in relation to Application of Standards for Accounting) The previous standards for accounting shall be applied until the Securities and Exchange Commission determines the standards for accounting with the approval of the Minister of Finance and Economy in accor-
dance with the amended provision of Article 5.

(5) (Term of Office of First Commissioners of Supervisory Commission) The term of office of the first commissioners of the Supervisory Commission shall be two years for three persons, three years for four persons in spite of the amended provision of Article 15-3 (5).

ADDENDA <Act No. 4680, Dec. 31, 1993>

(1) (Enforcement Date) This Act shall enter into force on January 1, 1994.
(2) (Transitional Measures in relation to Consolidated Financial Statements) The amendments to Articles 2, 14 (1) and 15 (5) shall be applied on and after the first business year after the enforcement date of this Act.
(3) (Transitional Measures in relation to Commissioners of External Audit Supervisory Commission) The commissioners of the External Audit Supervisory Commission assigned under the provision of former Article 15-3 before the enforcement date of this Act shall be regarded as assigned under this Act. In such case, the term of office begins from the date of commission under the previous provisions.
(4) (Transitional Measures in relation to Application of Penalties) In case of the application of penalties to acts committed before the enforcement of this Act, the previous provisions shall apply thereto.

ADDENDA <Act No. 5196, Dec. 30, 1996>

Article 1 (Enforcement Date)
This Act shall enter into force on January 1, 1997.

Article 2 (General Application Examples)
The amendments to the Articles 3, 3-2, 4-3, 10 and 14 (3) and (4) shall be applied from the business year which initially starts on and after January 1, 1997.

Article 3 (Examples of Application on Appointment of Auditor)
The amendments to Article 4 (2) and (3) shall apply from the ordinary general meeting which shall be convened for the first time after April 1, 1997 for the approval of the appointment of an auditor.

Article 4 (Examples of Application on Auditor of Listed Corporations)
The amendments to Article 4-2 shall apply according to the classification of following subparagraph:
1. In case of a company whose period for the settlement of accounts is not December, and a corporation whose period for the settlement of accounts is December, but whose auditors of the 2 business years
immediately preceding January 1, 1997 are different from each other, the amendments shall begin to apply upon the appointment of the auditor of the business year which starts for the first time after January 1, 1997:

2. In case of a company whose period for the settlement of accounts is December, and whose auditor for the period of the 5 immediately preceding business years before January 1, 1997 is same, the amendments shall begin to apply upon the appointment of the auditor of the business year which starts for the first time after January 1, 1999; and

3. In case of a company which does not fall under subparagraphs 1 and 2, the amendments shall begin to apply upon the appointment of the auditor of the business year which starts for the first time after January 1, 1998.

Article 5 (Examples of Application on Submission, etc. of Audit Report)
The amendments to Article 8 (1) shall begin to apply as to the audit report which shall be submitted after April 1, 1997.

Article 6 (Examples of Application on Collection of Management Control Fees)
The amendments to the latter part of Article 15 (5) shall apply on and after the fiscal year to which the enforcement date of this Act belongs in case of an accounting corporation (including joint accounting offices which is deemed to be auditor pursuant to Article 8 of the Addenda), and in case of an audit team, shall apply to the audit remuneration under the audit contract concluded after January 1, 1996.

Article 7 (Transitional Measures on Appointment of Auditor)
A company, which has concluded an audit contract and has not received an audit report, from among those whose business year started after February 1, 1996, and a company whose business year starts on January 1, 1997 may, notwithstanding the provisions of Article 4 (1) and (2) and the amendments to the provisions of Article 4-2 (1), appoint or replace an auditor through a resolution of the board of directors upon the proposal of the statutory auditor until May 31, 1997: Provided, That the foregoing shall not apply to a company which appoints an auditor upon the approval from the ordinary general meeting of shareholders pursuant to the purview of the previous Article 4 (2), or which replaces or selects the person nominated by the Securities and Exchange Commission pursuant to paragraph (3) of the same Article as an auditor.

Article 8 (Transitional Measures on Auditor)
Joint accounting offices, under the previous provisions at the time of
enforcement of this Act shall, notwithstanding the amendments to Article 3 (1), be deemed to be auditors under this Act until March 31, 1997. In this case, the previous provisions of Article 17 shall apply to the liability of the joint accounting offices for the damages.

ADDENDA <Act No. 5497, Jan. 8, 1998>

Article 1 (Enforcement Date)
This Act shall enter into force on April 1, 1998.

Article 2 (Examples of Application on Combined Financial Statements)
The provisions on preparation of combined financial statements and discipline to the violation, auditing and keeping and publicly announcing audit reports of affiliated companies under the amendments to Articles 1-3, 2, 14 (1) and 16 (2) 3 (limited to matters on combined financial statements) shall apply to the business year starting after January 1, 1999. <Amended by Act No. 5522, Feb. 24, 1998>

Article 3 (Examples of Application on Appointment of Auditor, etc.)
An amendment to Article 4 (2) shall apply to an ordinary general meeting first convened after the entry into force of this Act for the approval of appointment of an auditor.

Article 4 (Transitional Measures on Establishment of Securities and Futures Commission)
Any act done by the Securities and Exchange Commission under the previous Article 4-3 or 16 at the time of the entry into force of this Act shall be deemed to have been done by the Securities and Futures Commission under this Act.

Article 5 (Transitional Measures on Establishment of Financial Supervisory Commission)
Any standards or regulations determined by the Securities and Exchange Commission on approval by the Minister of Finance and Economy pursuant to the previous Article 5 (2), 13 (1) or 15 (3) at the time of the entry into force of this Act shall be deemed to have been determined by the Financial Supervisory Commission after deliberation by the Securities and Futures Commission under this Act.

Article 6 (Transitional Measures on Assessment of Auditor)
Any assessment or approval done by the Minister of Finance and Economy pursuant to the previous Article 16-2 (1) or (2) at the time of the entry into force of this Act shall be deemed to have been done by the Securities and Futures Commission under this Act.
ADDENDA  <Act No. 5522, Feb. 24, 1998>

(1) (Enforcement Decree) This Act shall enter into force on April 1, 1998.

(2) (Examples of Application on Appointment of Auditor, etc.) An amendment to Article 4 (2) shall apply to an ordinary general meeting first convened after the entry into force of this Act for the approval of appointment of an auditor.

(3) (Transitional Measures on Fine for Negligence) The application of fines for negligence to acts done prior to the entry into force of this Act shall be governed by the previous provisions.

ADDENDUM  <Act No. 6108, Jan. 12, 2000>

This Act shall enter into force on April 1, 2000: Provided, That the amended provisions of Articles 4, 8, 10 and 17 shall enter into force on the date of promulgation of the Act.

ADDENDA  <Act No. 6427, Mar. 28, 2001>

Article 1 (Enforcement Date)
This Act shall enter into force on April 1, 2001.

Article 2 (Application Example for Serial Audit by Auditor)
The amended provisions of Article 3 (4) through (6) shall apply starting with the first business year after the enforcement of this Act.

Article 3 (Application Example for Procedures for Selecting and Appointing Auditor)
The amended provisions of Articles 4, 4-2 (1) and (2), 4-3 and 4-5 shall apply starting with an auditor who is first appointed, appointed for alteration, selected or dismissed after the enforcement of this Act.

Article 4 (Application Example of Selection and Appointment of Auditor of Association-Registered Corporation)
The amended provisions of the former part of Article 4-2 (1) shall apply starting with the business year beginning first after the enforcement of this Act.

Article 5 (Transitional Measures concerning Application of Standards for Accounting Audit)
Until the Korean Institute of Certified Public Accountants sets standards for accounting audit under the amended provisions of Article 5, the previous provisions shall apply to the standards for accounting audit.

Article 6 (Application Example concerning Publication of Act of Violation)
The amended provisions of Article 6-2 shall apply starting with the portion of the fact of violation confirmed first after the enforcement of this Act.

ADDENDA <Act No. 6991, Dec. 11, 2003>

Article 1 (Enforcement Date)
This Act shall enter into force on April 1, 2004.

Article 2 (Application Example concerning Restrictions on Consecutive Auditing by Auditors)
(1) The amended provisions of Article 4-2 (4) shall apply starting with the business year first commencing from January 1, 2006, but the computation of continuing six business years shall be made by including the business year prior to the first application of the amended provisions.
(2) Notwithstanding the provisions of paragraph (1), where the company has concluded a contract for making the same auditor as the auditor of the continuing three business years under the provisions of Article 4-2 (1), the amended provisions of Article 4-2 (4) shall not apply not later than the time when the said auditing contract expires.

Article 3 (Application Example concerning Preparation of Written Audit Report)
The amended provisions of Article 7-2 shall apply starting with the business year first commencing after the enforcement of this Act.

Article 4 (Transitional Measures concerning Internal Accounting Management System etc.)
Any acts committed under the provisions of Articles 4 through 6, 8 and 37 through 39 of the previous Corporate Restructuring Promotion Act at the time of enforcement of this Act shall be deemed to be the acts under this Act.

Article 5 (Transitional Measures concerning Standards for Accounting Audit)
The standards for accounting audit applied at the time of enforcement of this Act shall be deemed to be compatible under the amended provisions of Article 5 (2): Provided, That an approval therefor shall be obtained from the Financial Supervisory Commission within one year from the enforcement of this Act under the amended provisions of Article 5 (2).

Article 6 (Transitional Measures concerning Penal Provisions and Fine for Negligence)
The previous provisions shall govern any application of penal provisions and a fine for negligence against the acts committed prior to the enforcement of this Act.

Article 7 Omitted.
ADDENDA <Act No. 7524, May 31, 2005>

(1) (Enforcement Date) This Act shall enter into force on June 30, 2005.
(2) (Application Example concerning Operation of Internal Accounting Management System, etc.) The amended provisions of Article 2-2 (1) shall apply beginning with the business year to which the date on which this Act enters into force.
(3) (Application Example concerning Protection of Reporter of Unjust Acts, etc.) The amended provisions of Article 15-3 (4) and (5) shall apply to the report or the notification that is first made after the enforcement of this Act.

ADDENDUM <Act No. 8314, Mar. 29, 2007>

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

ADDENDA <Act No. 8863, Feb. 29, 2008>

Article 1 (Enforcement Date)

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

Articles 2 through 5 Omitted.

ADDENDA <Act No. 8984, Mar. 21, 2008>

(1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.
(2) (Applicability) This Act shall apply from the audit report, etc. submitted first after the enforcement of this Act.