
LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON COMMERCIAL BANKS

Adopted by Decree No. 1529 by Presidium of the Supreme People's Assembly on January 25, 2006

Chapter 1 Fundamentals

Article 1 (Objective)

Commercial banks are the institutions that take in deposits, grant loans and handle settlements. This Law is enacted for the purpose of providing strict guidelines for the establishment, operation, accounting, merger or dissolution of commercial banks, thereby enhancing their role and providing facilities for financial transactions.

Article 2 (Principle of establishment)

Proper establishment of commercial banks is an important requirement for the thorough implementation of the financial policy of the State

The State shall ensure that commercial banks are established on the principle of impartiality, objectivity and profitability.

Article 3 (Principle of business operation)

Commercial banks shall rationally arrange their business operations so that the stability of financial transactions is ensured and the interests of their clients protected.

The State shall ensure that operation and transactions of commercial banks are performed in good faith and on modern and scientific basis.

Article 4 (Principle of management)

Commercial banks shall be relatively independent, operating on the basis of self-supporting accounting system.

Article 5 (Training of banking personnel)

The State shall ensure that commercial banks are sufficiently staffed and their responsibility and role enhanced.

Commercial banks shall be staffed with duly qualified personnel.

Article 6 (Principle of guidance of banking business)

The commercial banks in the DPRK shall be placed under the unified guidance of the Central Bank under the direction of the Cabinet.

The State shall establish a proper system of guidance of commercial banks and tighten its control.

Article 7 (Applicability)

This Law shall be applicable to the commercial banks that are established and operate in the territory of the DPRK.

Establishment and operation of commercial banks and foreign-invested banks in the special economic zones shall be governed by the relevant laws and regulations.

Article 8 (Exchange and cooperation)

The State shall promote exchange and cooperation with foreign countries and international organizations in the field of commercial banking business.

Chapter 2 Establishment of Commercial Banks

Article 9 (Approval for establishment)

Approval for the establishment of commercial banks shall be granted by the Central Bank.

Institutions, enterprises and organizations shall not carry on banking business without obtaining approval thereof nor use the word "bank" in their names.

Article 10 (Filing of application)

Institutions, enterprises and organizations that wish to establish a commercial bank shall file an application with the Central Bank.

The application shall specify the name of the bank, registered capital, clients, scope of business, location and the like.

Article 11 (Examination of application)

The Central Bank shall examine the application for the establishment of a commercial bank within 60 days of receipt thereof and either grant or reject it.

In case of approval a document of approval shall be issued.

Article 12 (Preparation for operation)

Upon obtaining the approval for the establishment the institutions, enterprises and organizations shall complete by the prescribed period of time the preparations for the operation of the bank.

The Central Bank shall set the preparatory term of operation by taking into account the amount of registered capital and the scope of business of the commercial bank concerned.

Article 13 (Registration of establishment, issuance of business license)

A commercial bank shall, upon completing the preparations for operation, be registered with the people's committee of the province (or municipality directly under the central authority) in the seat thereof.

The Central Bank shall issue a business license to the registered bank within 10 days of the registration thereof.

Article 14 (Organizational structure)

Commercial banks may have such departments as administrative department, transaction department, information department, personnel training department and logistics department.

Where necessary, an executive board may be organized.

Article 15 (Establishment of branches or representative offices)

Commercial banks may set up branches or representative offices at home and abroad. In this case approval of the competent institution shall be obtained.

Article 16 (Registration of changed items)

In case a commercial bank wishes to make changes in the name, registered capital, business partner, scope of business, location and the like, an application for the registration of the changed items shall be filed with the Central Bank.

The Central Bank shall examine the application within 30 days of receipt thereof and notify the result to the applicant.

Article 17 (Re-issuance of a business license)

In case where a business license is soiled or lost, a commercial bank shall have it reissued in good time.

Chapter 3 Business Operation of Commercial Banks

Article 18 (Categories of business)

Commercial banks shall conduct the following categories of business:

1. Taking in deposits;
2. Granting loans;
3. Opening and managing accounts;
4. Handling domestic settlement;
5. Handling foreign settlement, receiving and discounting bills and stocks and exchange arbitrage;
6. Conducting foreign exchange transactions;
7. Examining credit-worthiness of and providing guaranty for clients ;
8. Issuing, buying or selling financial bonds;
9. Dealing in precious metals;
10. Registering fixed assets;
11. Buying or selling moneys; and
12. Other approved transactions.

Article 19 (Deposits)

Commercial banks may take in deposits from their clients for the purpose of utilizing idle currency. Commercial banks shall provide various forms of services to increase the deposits.

Article 20 (Payment of deposits, confidentiality)

Where a client wishes to withdraw his deposit, a commercial bank shall pay the principal plus the interest without delay.

The amount of deposit shall be held in strict confidence.

Article 21 (Holding of reserves)

Commercial banks shall hold reserves of prescribed amount to ensure that deposits may be withdrawn without delay.

The reserves shall not be misappropriated.

Article 22 (Placing of reserves)

Commercial banks shall place reserves with the Central Bank

The reserves may be withdrawn in the event of merger or dissolution of a commercial bank.

Article 23 (Terms of loaning)

Commercial banks may, upon application by clients, grant loans needed for the improvement of management and operation of business. In this case the commercial banks shall ensure that the loans are used for the purpose stipulated in the contract.

Article 24 (Source of loan)

The source of loan shall be the deposits accepted from the clients, the bank's own funds and the loan granted by the Central Bank.

Commercial banks shall not grant loans in excess of the source of loan.

Article 25 (Loan contract)

Commercial banks shall, before granting a loan, conclude a written contract with a client, provided that the latter has the ability to repay the loan.

The contract shall specify the amount of loan, purpose of use, guaranty, term and mode of redemption, interest rate and the like.

Article 26 (Security or guaranty for loan)

Commercial banks shall, before granting a loan, have the borrower provide security or guaranty for the loan.

The security shall be the personal or real property secured with the money of the borrower, and the guaranty shall be provided in writing by a higher competent institution, or a third party that has an ability to repay the loan.

Article 27 (Redemption of loan)

Commercial banks shall, according to the contract, recover within the prescribed period of time the principal of the loan plus the interest thereon.

Where the term of redemption of the principal and the interest thereon is to be extended or exempted, approval thereof shall be obtained from the relevant commercial bank.

Article 28 (Interest rates on deposit or loan)

Commercial banks shall fix and apply the interest rates on deposit or loan in consideration of the basic interest rate and within the range of fluctuation.

Article 29 (Arrangement of settlement)

Commercial banks shall scrupulously arrange the settlement so that clients may conduct currency transaction conveniently through their accounts.

Settlement shall, in principle, be made only when there is money in the account concerned.

Article 30 (Opening of accounts)

Commercial banks may open accounts for the clients for the purpose of cash or transfer transactions.

A client shall open one account with a bank.

Commercial banks may, subject to approval, open accounts with foreign banks.

Institutions, enterprises and organizations shall not deposit their money with the account of an individual.

Article 31 (Settlement of money)

Commercial banks shall make settlement of money in accordance with a payment order of a client.

Settlement shall, in principle, be made in the form of transfer.

Article 32 (External settlement, receipt and discount of bills and stocks, exchange arbitrage)

External settlement of economic transactions with foreign countries, receipt and discount of bills and stocks, and handling exchange arbitrage shall be conducted by an authorized commercial bank.

External settlement, receiving and discounting of bills and stocks, and handling exchange arbitrage shall be conducted in compliance with the prescribed procedures and methods.

Article 33 (Foreign exchange)

A commercial bank may engage in the business of foreign exchange.

Foreign exchange business shall be conducted in a manner suited to the specific conditions of the bank concerned and according to the basic exchange rate and within the range of fluctuation.

Article 34 (Certification of client's credit-worthiness, guaranty)

Commercial banks may, upon request by a client, provide certification or guarantee to a third party about the situation of business performance and credit-worthiness of the former. In this case the client shall file with the commercial bank the information on its business performance.

Certification of credit-worthiness or guaranty shall be provided by issuing letter of credit or guaranty.

Article 35 (Issuing, buying or selling of financial bonds)

Commercial banks may issue bonds to raise funds, or buy or sell all types of bonds that are in circulation.

Financial bonds shall be issued subject to the authorization of the competent institution.

Article 36 (Dealing in precious metals)

Dealing in precious metals shall be conducted by the competent commercial bank.

The commercial bank shall strictly adhere to the rules concerning the procurement, storage and sale of precious metals.

Article 37 (Registration of fixed assets)

The competent commercial bank shall accurately register all the fixed assets of the institutions, enterprises and organizations.

The fixed assets shall be registered by sector, type and price.

Article 38 (Buying and selling of currencies)

Commercial banks may buy or sell currencies from or to the Central Bank.

The currencies shall be bought or sold in the form of exchanging Korean Won into foreign currency according to the prevailing exchange rate.

Article 39 (Service fees)

Commercial banks may charge the clients fees for the service provided.

The service fees shall be prescribed by the Cabinet.

Article 40 (Agent for national treasury)

The agent's business for national treasury shall be taken up by the competent commercial bank.

The competent commercial bank shall promptly disburse the funds according to the document of the State budgetary fund disbursement and forward to the Central Bank without delay the budgetary money due to the State paid by clients.

Article 41 (Filing of statistical data)

Commercial banks shall accurately work out the statistical data concerning currency circulation and submit them to the Central Bank within the prescribed period of time.

The statistical data shall specify the details of currency circulation, deposit, loan and other transactions.

Chapter 4 Accounting of Commercial Banks

Article 42 (Establishment of accounting system)

Commercial banks shall establish a rigid accounting system of accurate record, calculation, analysis and settlement of all transactions.

Accounts shall be settled on the basis of initial documents or the accounting statements of the lower institutions.

Article 43 (Period of account settlement)

Commercial banks shall settle accounts on a periodic basis.

The settlement of account shall be conducted on a quarterly, semi-annual and annual basis.

Article 44 (Preparation of accounting statements)

Commercial banks shall accurately prepare accounting statements.

The accounting statements shall specify the income and expenditure, profit, loss and their disposal, and credits and debts.

Article 45 (Verification and submission of accounting statements)

The accounting statements of commercial banks shall be verified by the audit authority.

The audited statements shall be submitted to the competent institution.

Article 46 (Retention and handling of accounting statements)

Commercial banks shall retain the accounting statements until the prescribed period of time.

The accounting statements shall not, without authorization, be shown to institutions, enterprises, organizations and citizens

Article 47 (Fiscal year, basic currency)

The fiscal year of commercial banks shall commence on January 1 and end on December 31.

Accounts shall be settled in Korean Won.

Chapter 5 Merger or Dissolution of Commercial Banks

Article 48 (Cause for merger or dissolution)

A commercial bank may be merged with another bank or dissolved in the event that it grossly harms the interest of a client or is unable to continue with its operation.

Article 49 (Filing of application for merger or dissolution)

Where a commercial bank is to be merged with another bank or dissolved, an application to that effect shall be filed with the Central Bank.

The application shall be drawn up according to the prescribed forms.

Article 50 (Examination of application)

The Central Bank shall examine the application within 30 days of receipt thereof.

In case merger or dissolution is approved, the business license of the commercial bank in question shall be immediately withdrawn.

Article 51 (Liquidation)

A commercial bank to be merged or dissolved shall liquidate its business according to the prescribed procedures.

The Central Bank shall provide proper guidance of the liquidation.

Article 52 (Credits and debts)

The credits and debts of the commercial bank that is to be merged shall be handed over to the merged commercial bank.

The merged commercial bank shall properly handle the credits and debts.

Chapter 6 Sanction, Settlement of Disputes

Article 53 (Fine)

Fine shall be imposed in cases where:

1. Deposit is taken in or loan is granted unlawfully;
2. Interest on deposit or loan is applied in excess of the prescribed basic interest rate and the range of fluctuation;
3. Settlement documents are not handled on schedule without good reasons;
4. Foreign currencies are not exchanged according to the prescribed procedure and method;
5. Service fees are charged less or more than the prescribed amount or none at all;
6. The funds of institutions, enterprises and organizations are deposited in the name of an individual; or
7. The banking business is suspended or the business hour is shortened without approval.

Article 54 (Suspension of business)

Business shall be suspended in cases where:

1. Banking operations are performed without license;
2. Deposit is not paid as requested by a client;
3. Reserve fund is not deposited with the Central Bank; or
4. Hindrance is caused to the inspection of business.

Article 55 (Revocation of approval for establishment of commercial bank)

In case business is not commenced within 30 days of obtaining the business license, the approval for the establishment of a bank shall be revoked.

Article 56 (Administrative or penal liability)

Officials of the institutions, enterprises and organizations and individual citizens who caused serious consequences in the work of commercial banks through their violation of this Law shall, depending on the gravity of the offence, be liable to administrative or penal liability.

Article 57 (Settlement of disputes)

Disputes concerning the operation of a commercial bank shall be settled through consultation.

In case of failure in consultation the disputes shall be referred to a court or arbitration agency of the DPRK for settlement.