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# LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON FOREIGN EXCHANGE CONTROL

Adopted by Decision No. 27 of the Standing Committee of the Supreme People's Assembly on January 31, 1993, amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, amended by Decree No. 2852 of the Presidium of the Supreme People's Assembly on February 21, 2002, and amended by Decree No. 750 of the Presidium of the Supreme People's Assembly on November 16, 2004

## Chapter 1 Fundamentals

### Article 1 (Objective)

This Law is enacted for the purpose of providing strict guidelines for earning, using, bringing in and taking out foreign currency, thereby contributing to controlling foreign exchange in a unified way and using it rationally.

### Article 2 (Definition)

Foreign exchange shall include convertible foreign currencies and such foreign currency securities as State bonds and debentures.

Instruments of foreign exchange payments such as bills, cheque and negotiable certificates of deposit, gold, silver and platinum other than decorative articles, gold and silver coins traded on world financial markets, and other precious metals shall also belong to foreign exchange.

### Article 3 (Main principle of foreign exchange control)

Unified control is an important principle in foreign exchange control.

The State shall ensure that the central financial guidance organ holds and controls foreign exchange in a unified way.

### Article 4 (Foreign exchange banks)

Foreign exchange transactions in the DPRK shall be undertaken by the Foreign Trade Bank.

Other banks may engage in foreign exchange transactions subject to the approval of the central financial guidance organ.

### Article 5 (Prohibition of circulation of foreign currency in cash)

Foreign currency in cash shall not be circulated in the territory of the DPRK.

Foreign currency shall be converted into Korean Won to be used.

### Article 6 (Buying, selling, saving, depositing)

Foreign currency shall be bought, sold, saved, deposited or mortgaged only through a bank authorized to conduct foreign exchange transactions.

A bank authorized to conduct foreign exchange transactions shall undertake its business within the range approved by the central financial guidance organ.

#### Article 7 (Determination of exchange rate)

The kinds of exchange rate of Korean Won into foreign currency, the range of their application and fixed exchange rate shall be determined by the central financial guidance organ.

The rates of settlement exchange into Korean Won and translation of foreign currency into cash shall be determined by the Foreign Trade Bank.

#### Article 8 (External settlement)

External settlement shall be made in foreign currencies prescribed by the central financial guidance organ.

Where an agreement has been concluded concerning external settlement between the governments of the DPRK and a foreign country, the agreement shall prevail.

#### Article 9 (Protection of legally earned foreign currency)

The State shall protect the foreign currencies earned legally and ensure their inheritance by citizens.

#### Article 10 (Applicability)

This Law shall be applied to the institutions, enterprises, organizations and citizens that earn or use foreign exchange.

This Law shall also be applicable to the representative offices of foreign countries and international organizations, foreign-invested businesses, foreign individuals and overseas Koreans that earn or use foreign exchange in the territory of the DPRK.

The system of foreign exchange control in the special economic zones shall be established separately.

## Chapter 2 Earning and Use of Foreign Currency

#### Article 11 (Rate of obligatory payment)

The central financial guidance organ shall fix the rate of obligatory payment of foreign currency to the State by the relevant institutions, enterprises and organizations according to the plan for foreign currency income and expenditure formulated by the State planning organ.

The institutions, enterprises and organizations shall keep their accounts with the Foreign Trade Bank and deposit their foreign exchange earnings without delay.

#### Article 12 (Foreign currency accounts of representative offices of foreign countries and international organizations)

The representative offices of foreign countries and international organizations shall open their accounts with the Foreign Trade Bank and deposit the foreign exchange therein.

#### Article 13 (Foreign currency accounts of foreign-invested businesses)

Foreign-invested businesses shall open their accounts with the Foreign Trade Bank and deposit therein the foreign currency they earned.

In case they wish to open their accounts with other banks or the banks outside the territory of the DPRK, agreement thereon shall be sought from the central financial guidance organ.

#### Article 14 (Obligatory payments to the State)

Institutions, enterprises and organizations shall timely fulfill their plans for foreign currency earning and pay the foreign currency due to the State on a priority basis.

#### Article 15 (Retaining, selling and saving of foreign currency by a citizen)

Citizens of the DPRK may retain foreign currency earned legally.

In case they wish to deposit or sell it, they shall deal with the bank that engages in foreign exchange transactions.

#### Article 16 (Saving and selling of foreign currency by foreigner)

A foreign individual may deposit foreign currency remitted from abroad or legally earned in the bank that engages in foreign exchange transactions or sell it to that bank.

#### Article 17 (Scope of use)

Foreign currency may be used in the following transactions:

1. Payment under external economic contracts and payment agreements;
2. Payment in such non-trade transactions as payment of travel expenses, overheads and maintenance costs;
3. Buying or selling of Korean Won at a bank; and
4. Such transactions as depositing, trusting, loaning and debt guarantee.

#### Article 18 (Modes of external settlement)

External settlement shall be made by virtue of a letter of credit, remittance, payment claim or payment order.

#### Article 19 (Use of foreign currency by institutions, enterprises and organizations)

Institutions, enterprises and organizations shall use foreign currency for the items and purposes prescribed.

In case they wish to use foreign currency for the items and purposes other than those prescribed, approval thereof shall be obtained from the central financial guidance organ.

#### Article 20 (Use of excess income)

Institutions, enterprises and organizations shall use at their discretion the foreign currency earned in excess of their foreign currency earning plans. In this case, they shall use it for the prescribed items and purposes.

#### Article 21 (Confidentiality)

The bank that conducts foreign currency transactions shall hold in confidence the information concerning deposits and savings of foreign currency and pay the calculated interests as prescribed.

The bank shall, without delay, pay the depositors and savers the foreign currency that they wish to withdraw.

#### Article 22 (Bank loan)

The bank of the DPRK that deals with foreign exchange transactions may grant a loan of foreign currency to the institutions, enterprises, organizations and foreign-invested businesses. In this case, a plan for the loaning of foreign currency shall be formulated and submitted to the central financial guidance organ for agreement before obtaining endorsement thereon by the Cabinet.

#### Article 23 (Loan from foreign countries and international organizations)

Institutions, enterprises and organizations may, for their management and operation, obtain a loan of foreign currency from a foreign country or an international organization. In this case, agreement thereon shall be sought from the central financial guidance organ and endorsement thereon obtained from the Cabinet.

#### Article 24 (Issuance of securities)

The institutions, enterprises and organizations that wish to issue securities denominated in foreign currency shall obtain the approval of the relevant organs.

## Chapter 3 Bringing In and Taking Out Foreign Currency

### Article 25 (Commission, tariff)

Foreign currency in cash, securities denominated in foreign currency and precious metals may be brought into the territory of the DPRK without any restrictions. In this case, commission or tariff shall not be payable.

### Article 26 (Foreign currency in cash)

Foreign currency in cash shall be taken out of the territory of the DPRK within the limit specified in the foreign currency exchange statement issued by a bank or declared to the customs upon entry.

### Article 27 (Securities denominated in foreign currency)

Securities in foreign currency shall not be taken out of the territory of the DPRK without the approval of the central financial guidance organ.

Securities in foreign currency declared to the customs upon entry may be taken out of the territory of the DPRK without permission being sought.

### Article 28 (Precious metals)

Precious metals may be taken out of the territory of the DPRK subject to the approval of the Central Bank.

Precious metals brought into the territory of the DPRK shall be taken out within the limit declared to the customs upon entry.

### Article 29 (Profit and other income of foreign investor)

A foreign investor shall be allowed to remit out of the territory of the DPRK tax-free the profits and other earnings from business.

Investment property may be taken out of the territory of the DPRK without being taxed.

### Article 30 (Salary and other legally earned income of foreigner)

A foreign individual working for a foreign-invested business may remit or take out of the territory of the DPRK the foreign currency amounting to 60% of his total salary and other legal earnings.

## Chapter 4 Guidance and Supervision of Foreign Exchange Control

### Article 31 (Guidance organ)

The work of foreign exchange control shall be placed under guidance and control of the central financial guidance organ under the unified direction of the Cabinet.

The central financial guidance organ shall establish a proper system of guidance on foreign exchange control and balance the earning and expenditure of foreign currency.

### Article 32 (Foreign exchange control by the provincial people's committee)

Management of foreign exchange holdings by the institutions, enterprises and organizations under the central budget shall be placed under the direct guidance of the central financial guidance organ. Management of foreign currency holdings by the institutions, enterprises and organizations under the local budget shall be guided by the provincial people's committee.

**Article 33 (Unified control of foreign exchange claims and debts)**

The central financial guidance organ shall exercise unified supervision and management of the foreign exchange claims and debts to foreign countries.

The relevant institutions, enterprises and organizations shall comply in time with the demands of the central financial guidance organ.

**Article 34 (Salary and traveling expenses paid in foreign currency)**

The central financial guidance organ shall define a correct standard of living allowances and travel expenses to be paid in foreign currency, and ensure proper compliance therewith.

**Article 35 (Control of foreign exchange banks)**

The central financial guidance organ shall receive from the bank that engages in foreign exchange transactions quarterly and yearly financial statements and other necessary statistical data concerning its business.

**Article 36 (Reports of implementation of foreign currency earning plans)**

Institutions, enterprises and organizations shall prepare reports of execution of their plans for foreign currency earning on a quarterly and yearly basis and submit them to the central financial guidance organ.

The central financial guidance organ shall review the results of the execution of the plans for foreign currency earning and report them to the Cabinet.

**Article 37 (Inspection of foreign exchange management)**

The central financial guidance organ may inspect the status of foreign exchange management of the institutions, enterprises, organizations and the banks that engage in foreign exchange transactions.

The relevant institutions, enterprises, organizations and the banks that engage in foreign exchange transactions shall provide conditions necessary for the inspection by the central financial guidance organ.

**Article 38 (Imposition of arrearage)**

Where foreign currency due to the State is not paid at the prescribed time and short of the required amount, arrearage shall be charged.

**Article 39 (Compensation)**

Where losses are inflicted on the depositors and savers due to delay in paying the foreign currency they demand, the loss so caused shall be compensated.

**Article 40 (Fines)**

Where foreign currency is not deposited with a bank within the prescribed period of time or deposited with a different bank, fines shall be imposed.

**Article 41 (Forfeiture)**

Foreign currency and other materials transacted illegally or diverted to foreign countries shall be forfeited.

**Article 42 (Administrative or penal liability)**

Officials of the institutions, enterprises and organizations and individual citizens who are responsible for the grave consequences caused through their violation of this Law shall, depending on the gravity of the offence, be liable to administrative or penal liability.