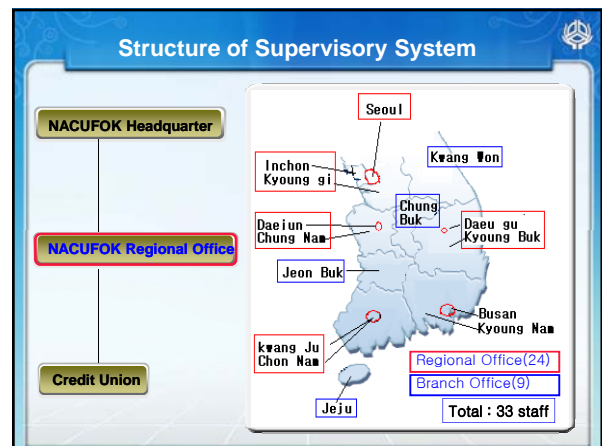
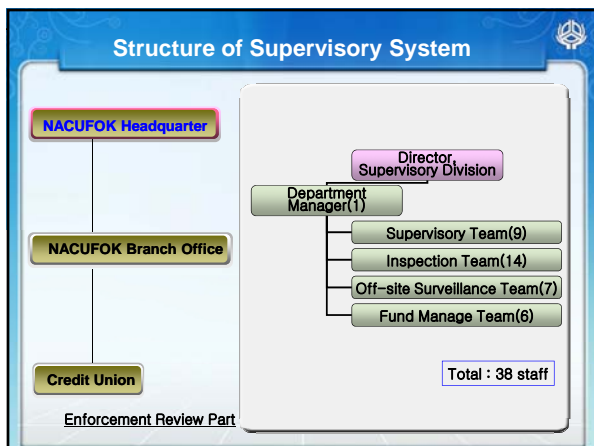
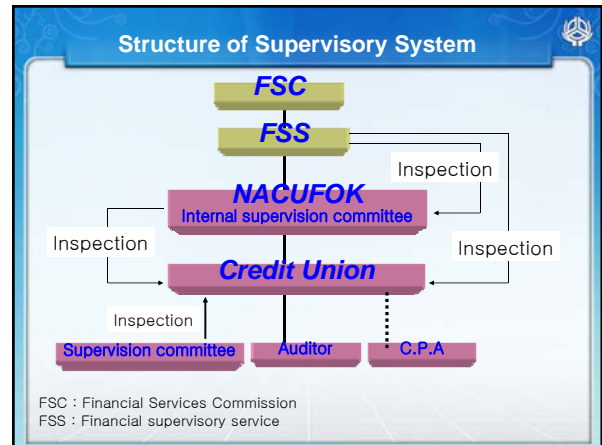
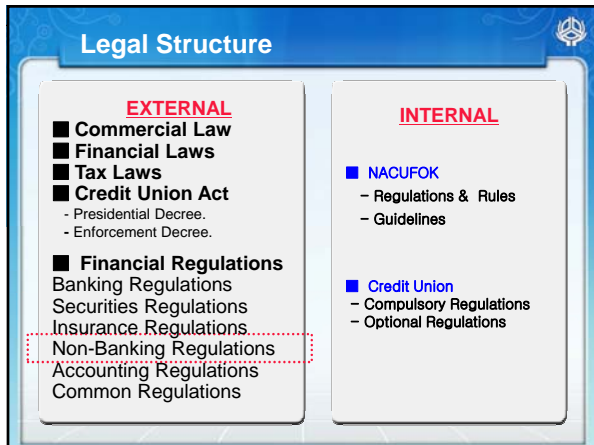
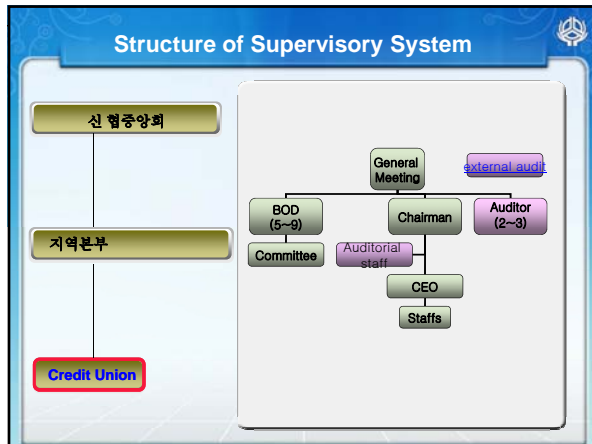




**Financial Institutions under Supervision of the FSC/FSS**

Financial Institutions			Number <sup>1</sup>
Banks	Commercial Banks	Nationwide Commercial Banks	8
		Regional Banks	6
	Specialized Banks <sup>2</sup>	Foreign Bank Branches <sup>2</sup>	40
		Mutual Savings Banks	5
Non-Bank Financial Institutions	Merchant Banking Corporations	Credit Card Companies	110
		Leasing Companies	2
	Credit-Specialized Financial Companies	Installment Finance Companies	6
		New Technology Venture Capital Companies	20
			15
			9
		Credit Unions	1,007
Insurance Companies	Life Insurance Companies <sup>4</sup>	Property & Liability Insurance Companies <sup>5</sup>	22
		Reinsurance Companies <sup>6</sup>	20
	Securities-Related Companies	Securities Insurance Companies	6
		Securities Companies <sup>7</sup>	1
		Asset Management Companies	54
		Investment Advisory Companies <sup>8</sup>	49
		Futures Companies	73
			14





### Inspection director's Duties

The **Director for inspection and supervision** shall exclusively carry out the affairs relating to inspection and supervision over the credit unions, while the NACUFOK Chairman shall take appropriate measures such as delegation of authorities so that the Director for inspection and supervision can carry out the assigned affairs independently.

- ### Purpose of supervisory system
- (1) To maintain sound management
  - (2) To help protect members' assets.
  - (3) To help manage the assets of credit union
  - (4) To help play a role of local finance
  - (5) To help execute businesses of credit union well and exactly.


- ### NACUFOK's Authority by the CU Act
1. Demand CUs to submit data or demand to dispatch their executive or employee to make a statement. [Article 84 (1)]
  2. Assign employees of national federation to inspect CUs business affairs, if necessary[Article 84 (1)]

- ### NACUFOK's Authority by the CU Act
3. Demand to take a disposition against an executive or an employee violating law & regulation
    - (1) Re-election, suspension of performance of duties, or censure, in case of an executive;
    - (2) Disciplinary dismissal, suspension from office, salary reduction, or censure, in case of an employee; or
    - (3) Caution or warning, in case of both

- ### NACUFOK's Authority by the CU Act
4. Appointment of an ad hoc executive
  5. Request for the registration of an ad hoc executive
  6. Administrative Deposition against a Union, etc
    - (1) Caution or warning to the union
    - (2) Order for correction of such violation; or
    - (3) Partial suspension of its business for a period of time not exceeding six months.
  7. Suspension of the entire business under the provision or law

### Management Status Analysis & Evaluation


- Normal CU
- Improvement Recommendation
- Improvement Requirement
- Management Control
- Bankruptcy



### Management Status Analysis & Evaluation

- Normal CU
- Improvement Recommendation
- Improvement Requirement
- Management Control
- Bankruptcy

- Net capital ratio is Less than 2%
- Total Grade is better than 3, but Capital Adequacy or Asset Quality is under 4.



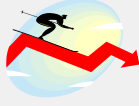
### Financial Status Improvement Recommendation

1. Improvement in personnel management and organizational operation;
2. Enhancement in the efficiency of business offices administration;
3. Cost reduction;
4. Disposal of risky assets and fixed assets;
5. Increase or decrease in investment;
6. Restriction on distribution of dividends; and
7. Recommendation of merger.

### Management Status Analysis & Evaluation

- Normal CU
- Improvement Recommendation
- Improvement Requirement
- Management Control
- Bankruptcy

- Net capital ratio is Less than -3%
- Total Grade is 4 or 5.




### Financial Status Improvement Requirement

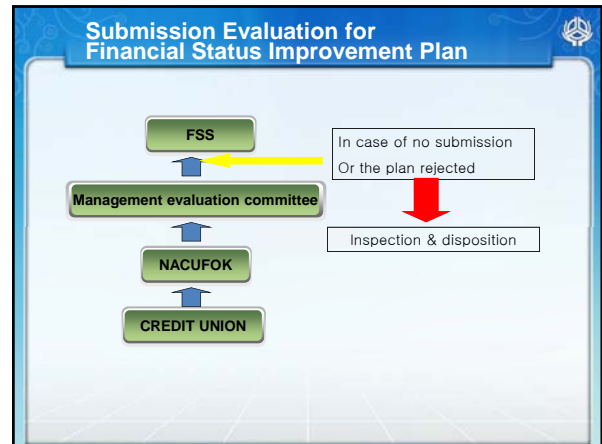
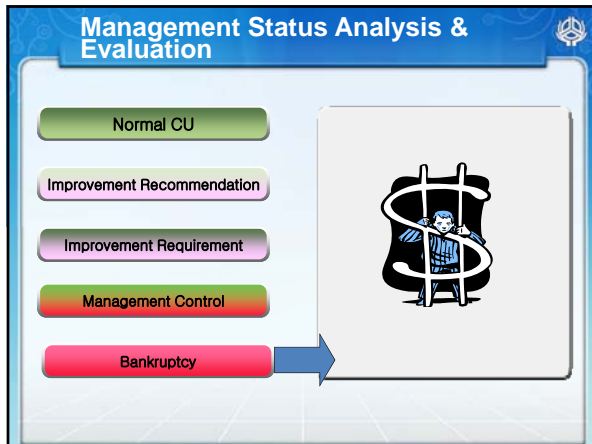
1. Request for merger;
2. Restriction on holding risky assets and disposal of such assets;
3. Downsizing of organization and manpower;
4. Closure, consolidation or restriction on opening of new branch offices;
5. Restriction on the level of interest applicable to deposits;
6. Request for improvement of officers; and
7. Any matters prescribed under Article 12-2, Paragraph (2).

### Management Status Analysis & Evaluation

- Normal CU
- Improvement Recommendation
- Improvement Requirement
- Management Control
- Bankruptcy

- Net capital ratio is Less than -15%
- Consequence of large scale financial accident(s) or non-performing loans.





### Evaluation of financial status Improvement plan

- Submit quarterly report to NACUFOK
- Field examination
  - Once(under 2%) or twice(under -3%) a year

**If there is no report or Plan failed**

- Governor may commence the management control.
- Federation may take measures, including Suspension of support fund or Withdrawal(Collection) of support fund, etc.
- Examination.

### Postpone the management control

- Self-effort 
- Fund support 
- Merger 

### Money Laundering Activities

#### Suspicious Transaction Report

- Suspected of illegal money
- Over 20,000,000(KRW) or Over 10,000US\$

#### Currency Transaction Report

- Total sum of paying or receiving the cash (excluding any foreign currency) is over 30,000,000(KWR) a day.

#### Duty of Customer Due Diligence of Financial Institutions

### Risk Management

(1) For the prior prevention and efficient management of risks arising out of engagement in mutual finance business, a union shall set up and operate a comprehensive risk management system, which can recognize, assess, monitor and control such corresponding risks.

(2) For the efficient risk management, a union shall set up and operate an adequate risk-bearing ceiling and transaction limit by departments or transactions.

### Approval of Amendment of the Articles of CU Bylaw

**NACUFOK Headquarter**

- Amendment of the articles of CU bylaw
- Changing CU Name
- Widening Common Bond

**NACUFOK Branch office**

- Move main office. Establish branch office
- Amount of per share(1 unit of share)
- Fiscal year
- The number of excutives or directors
- etc.

### Approval of CU General affairs

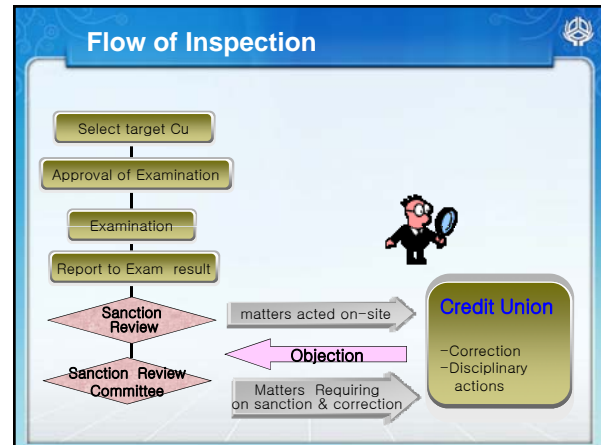
**NACUFOK HEADQUARTER**

- Appoint ad hoc executive
- Reduce Capital
- Amendment compulsory CU rules
- Exceed Limit of Loans per Person
- Exceed Maximum limit of borrowed loans
- Increase Collateral appreciation basis

### Approval of CU General affairs

**NACUFOK BRANCH OFFICE**

- Appointing a liquidator
- Approval of transactions of current account
- Approval of bad debt loss (charged-off loans)
- Excess of maximum acquisition of Operating Real Estates
- Excess of maximum cost of Welfare service
- Excess of maximum credit loan
- Approval of subordinated debt



### Education for CU Supervisory

- OJT
- NACUFOK & FSS Training Course
- Examination Manual
- Case manual for CU Supervisory about Matters Requiring Supervisory Actions

### Off-site Surveillance : Overview

- Monitoring & Check suspected transactions everyday by on line.
  - Cancellation of deposit
  - Cancellation of transactions (Loan, deposit)
- In case of necessary, Contact To CU daily auditor by Phone, ask written report. If needed field investigation.
- Analyse the reason of accident, type of accident, weak point.
- Amendment Regulations and Rules & Improvement of IT

**Off-site Surveillance : Future Plan**

**Improvement of Early Warning System**

- Case study of other financial organizations off-site surveillance system.
- Analysis the type of accident.
- Analysis the co-relation of risk factor.
- Develop accident indicator.

**Depositors Protection Fund**

**1. Establish & manage of the Credit Union Depositors Protection Fund**

- Every credit union shall join the fund.
- Nacufok shall have the management committee for deliberation and decision-making on important matters.
- Nacufok shall pay deposits, etc.

**2. Raising of Fund**

- (1) Contributions paid by unions: (No refund).
- (2) Funds transferred and borrowed from other accounts of the NACUFOK.
- (3) Borrowed loans as prescribed by the Presidential Decree.
- (4) Gains accrued from management of the fund.
- (5) Other revenue.

**Depositors Protection Fund**

**3. Exercise of Right to Claim Damages**

- (1) NACUFOK may, if it makes a payment by subrogation under credit union act, demand the union to claim damages against the executives and employees, former or incumbent, of the CU, who are found liable for the insolvency of the CU
- (2) NACUFOK may claim damages in subrogation of a CU immediately, if the CU does not follow its demand
- (3) NACUFOK may conduct an investigation into the business affairs and the status of assets of CU, if necessary.

**Thank you**

Presented by  
**Hee-yong Lee,**  
 CEO, NACUFOK