

# ENFORCEMENT RULE OF THE FRAMEWORK ACT ON COOPERATIVES

Ordinance Of the Ministry of Ministry of Strategy and Finance No. 303,  
Nov. 27, 2012

## **Article 1 (Purpose)**

The purpose of this Rule is to provide for matters delegated by the Framework Act on Cooperatives and the Enforcement Decree of the aforesaid Act and matters necessary for the enforcement thereof.

## **Article 2 (Organization, etc, of Cooperatives Policy Council)**

(1) "Related central administrative agencies specified by Ordinance of the Ministry of Strategy and Finance" in Article 4 (3) of the Enforcement Decree of the Framework Act on Cooperatives (hereinafter referred to as the "Decree") mean the following agencies:

1. The Ministry of Public Administration and Safety, the Ministry for Food, Agriculture, Forestry and Fisheries, the Ministry for Health and Welfare, the Ministry of Employment and Labor, the Fair Trade Commission, the Financial Services Commission, the Small and Medium Business Administration, and the Korea Forest Service;
2. Other related central administrative agencies that the chairperson of the Cooperatives Policy Council (hereinafter referred to as the "Council") deems necessary to deliberate on specific issues.

(2) The Council shall be comprised of not more than 20 members, including one chairperson.

(3) The term of office of a member, if he/she is a public official, shall coincide with the term of service in his/her position, while the term of office of a commissioned member shall be one year.

## **Article 3 (Operation of Cooperatives Policy Council)**

(1) In principle, the Council shall hold a meeting once a month but may adjust the time schedule for deliberation, if necessary for efficiency in deliberation.

(2) A meeting of the Council shall be duly formed with the attendance of a majority of current members and shall adopt a resolution by concurring votes of a majority of members present at the meeting.

(3) The chairperson may permit any person, other than members of the Council, to attend a meeting and express his/her opinions.

(4) The Council may have a working committee to examine and adjust items on agenda to be tabled for deliberation and assist the Council in its operation. Necessary matters regarding the composition and operation of the working committee shall be determined by the Minister of Strategy and Finance.

#### **Article 4 (Reporting, etc, of Establishment of Cooperatives, etc.)**

(1) A report on the establishment of a cooperative or a federation of cooperatives (hereinafter referred to as "cooperative or a federation of cooperatives") under Article 6 (1) of the Decree (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 6 (3) of the Decree; the same shall apply hereafter in this Article) shall be prepared in Form 1 attached hereto.

(2) "Documents specified by Ordinance of the Ministry of Strategy and Finance" in Article 6 (1) 7 of the Decree mean the following documents:

1. A budget for revenue and expenditure;
2. A document stating the amount per contribution unit or the number of contributions units for which each member or member cooperative intends to subscribe;
3. A public notice of holding the inaugural meeting.

(3) The receipt of a report on the establishment of a cooperative or a federation of cooperatives under Article 6 (2) of the Decree (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 6 (3) of the Decree) shall be issued in Form 2 attached hereto.

#### **Article 5 (Amendment of Articles of Association of Cooperatives, etc.)**

Pursuant to Article 16 (2) of the Act (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 72 of the Act), a person who intends to amend articles of association of a cooperative or a federation of cooperatives shall file a report on the amendment of articles of association with the Minister of Strategy and Finance or the competent authority, such as the Special Metropolitan City Mayor or a Metropolitan City Mayor, Special Self-Governing City Mayor, Do Governor, or Special Self-Governing Province Governor (hereinafter referred to as "Mayor/Do Governor") in Form 3 attached hereto, along with the following documents:

1. A document stating the provisions to be amended in the articles of association;
2. Minutes of the general meeting at which the amendment of the articles of association was resolved;
3. A business plan and a budget for revenue and expenditure subsequent to the amendment of articles of association (applicable only where articles of association are to be amended according to a revision to the relevant business plan);
4. A balance sheet and a document providing facts relevant to the resolution on the reduction of contributions, the public notice to creditors, and the response to objections (applicable only where articles of association are to be amended according to the reduction of the amount per contribution unit).

#### **Article 6 (Disclosure of Management of Cooperatives, etc.)**

"Its report on business performance and other important data about management specified as those subject to disclosure by Ordinance of the Ministry of Strategy and Finance" in Article 10 (2) of the Decree mean the following documents:

1. Articles of associations (including amendments thereto);
2. A business plan in Form 4 attached hereto;

3. A report on the settlement of accounts in Form 5 attached hereto;
4. A report on activities of the general meeting, the representatives' assembly, and the board of directors in Form 6 attached hereto;
5. A report on business performance.

#### **Article 7 (Reporting of Dissolution of Cooperatives, etc.)**

(1) Pursuant to Article 57 (2) of the Act (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 83 of the Act), a person who intends to report the dissolution of a cooperative or a federation of cooperatives shall file a report on dissolution in Form 7 attached hereto (including a report in the form of an electronic document) with the Minister of Strategy and Finance or the competent Mayor/Do Governor, along with minutes of the general meeting at which dissolution was resolved.

(2) Upon receipt of a report under paragraph (1), the Minister of Strategy and Finance or a Mayor/Do Governor shall verify the certificate of facts recorded in the relevant corporate register by using administrative information available for sharing under Article 36 (1) of the Electronic Government Act.

#### **Article 8 (Documents for Applying for Authorization for Establishment of Social Cooperatives, etc.)**

(1) Pursuant to Article 11 (1) of the Decree (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 11 (2) of the Decree; the same shall apply hereafter in this Article), an application for authorization for the establishment of a social cooperative or a federation of social cooperatives (hereinafter referred to as "a social cooperative or a federation of social cooperatives") shall be prepared in Form 8 attached hereto.

(2) "Documents specified by Ordinance of the Ministry of Strategy and Finance" in Article 11 (1) 7 of the Decree mean the following documents:

1. A budget for revenue and expenditure in Form 9 attached hereto;
2. A document stating the amount per contribution unit and the number of contribution units for which each member or member cooperative intends to subscribe;
3. A public notice of holding the inaugural meeting;
4. A document proving that the main business meets the criteria for authorization for establishment.

(3) A certificate of authorization for the establishment of a social cooperative or a federation of social cooperatives under Article 85 (1) or 114 (1) of the Act.

#### **Article 9 (Criteria for Authorization for Establishment of Social Cooperatives)**

"A specially related person, defined by Ordinance of the Ministry of Strategy and Finance" in Article 12

(2) 3 of the Decree means any of the following persons:

1. A blood relative in the sixth or higher degree;
2. A relative by marriage in the fourth or higher degree;
3. Spouse (including a person in a de facto marital relationship);
4. Other persons determined and publicly notified by the Minister of Strategy and Finance.

#### **Article 10 (Amendment of Articles of Association of Social Cooperatives, etc.)**

A person who intends to apply for authorization for the amendment of articles of association of a social cooperative or a federation of social cooperatives pursuant to Article 86 (2) of the Act (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 115 (3) of the Act) shall file an application for authorization for the amendment of articles of association with the Minister of Strategy and Finance or the head of the competent central administrative agency, along with the following documents:

1. A document stating the provisions to be amended in articles of association;
2. Minutes of the general meeting at which the amendment of articles of association was resolved;
3. A business plan and a budget for revenue and expenditure subsequent to the amendment of articles of association (applicable only where articles of association are to be amended according to a revision to the relevant business plan);
4. A balance sheet and a document providing facts relevant to the resolution on the reduction of contributions, the public notice to creditors, and the response to objections (applicable only where articles of association are to be amended according to the reduction of the amount per contribution unit).

#### **Article 11 (Criteria for Determination of Main Business of Social Cooperatives)**

(1) The main business activities referred to in Article 14 (1) 1 (a) of the Decree mean the following business activities:

1. Business activities for utilizing local specialities and natural resources;
2. Business activities for activating traditional markets and shopping districts;
3. Business activities for the production and distribution of agricultural, forestry, livestock, and fishery products;
4. Other business activities determined and publicly notified by the Minister of Strategy and Finance as those reviving local communities by utilizing human and physical resources in the locality and contributing to local communities by invigorating local economy.

(2) The main business activities referred to in Article 14 (1) 1 (b) of the Decree mean the following business activities:

1. Business activities for improving the environment for local residents;
2. Business activities for improving the sanitation of business establishments serving the general public in the locality;
3. Business activities for preventing infectious or other diseases in the locality;
4. Business activities for preventing disasters, a fire, or an accident in the locality;
5. Business activities for counseling on grievances of local residents;
6. Business activities for providing social services to local residents;
7. Other business activities determined and publicly notified by the Minister of Strategy and Finance as business activities for promoting interests and welfare of local residents.

(3) "Other business activities specified in Ordinance of the Ministry of Strategy and Finance" in Article 14 (1) 2 (d) of the Decree mean any of the following business activities:

1. Business activities relating to art, tourism, or sports;
2. Business activities for providing services for the preservation and management of forests;
3. Business activities relating to the preservation and utilization of cultural heritage;
4. Business activities for the maintenance of business facilities, including cleaning;
5. Business activities relating to crime prevention and counseling and medical treatment therefor;
6. Other business activities determined and publicly notified by the Minister of Strategy and Finance.

(4) If the Minister of Strategy and Finance or the head of a related central administrative agency deems it necessary to determine whether the business activities in which a social cooperative intends to engage constitutes the main business activities defined in paragraph (2), he/she may request the competent Mayor/Do Governor to present his/her opinion thereon.

(5) Except as otherwise provided for in paragraph (1) through (4), necessary matters regarding the criteria for determining main business activities shall be determined and publicly notified by the Minister of Strategy and Finance.

#### **Article 12 (Methods for Determining Main Business Activities of Social Cooperatives)**

(1) Whether the business activities in which a social cooperative intends to engage constitute a main business activity specified in any subparagraph of Article 93 (1) of the Act shall be determined by applying the following criteria:

1. If the intended business activities fall under Article 93 (1) 1 or 4 of the Act: Any of the following criteria:

- (a) At least 40/100 of the total business expenses on the budget for revenue and expenditure shall be disbursed for the main business activities;
- (b) The number of persons eligible for services to be provided through the main business activities on the relevant business plan and the hours and frequency of such services shall be concentrated on at least 40/100 of all services;

2. If the intended business activities are to provide social services to the disadvantaged class pursuant to Article 93 (1) 2 of the Act: The number of persons eligible for services to be provided through the main business activities on the relevant business plan and the hours and frequency of such social services shall be concentrated on at least 40/100 of all social services;

3. If the intended business activities are to provide jobs to the disadvantaged class pursuant to Article 93 (1) 2 of the Act: Any of the following criteria:

- (a) The ratio of the total personnel expenses incurred in hiring employees from the disadvantaged class to the total personnel expenses on the relevant budget for revenue and expenditure shall be at least 40/100;
- (b) The ratio of employees from the disadvantaged class to all employees on the relevant business plan shall be at least 40/100;

4. If the intended business activities fall under Article 93 (1) 3 of the Act: At least 40/100 of the total business expenses on the relevant budget for revenue and expenditure shall be financed with the budget for the business activities entrusted by the State or a local government;

5. If the intended business activities overlap with the business activities referred to in subparagraphs 1 through 4 of Article 93 of the Act: The aggregate of the ratio of the intended business activities constituting the business activities referred to in subparagraphs 1 through 4 of Article 93 of the Act shall be at least 40/100.

(2) Except as otherwise provided for in paragraph (1), the Minister of Strategy and Finance may determine and publicly notify necessary matters regarding the methods for determining main business activities of social cooperatives.

#### **Article 13 (Disclosure of Management of Social Cooperatives, etc.)**

"Its report on business performance and other important data about management specified as those subject to disclosure by Ordinance of the Ministry of Strategy and Finance" in Article 19 of the Decree mean the following documents:

1. Articles of association (including amendments thereto);
2. A report on activities of the general meeting, the representatives' assembly, and the board of directors in Form 6 attached hereto;
3. A budget for revenue and expenditure in Form 9 attached hereto;
4. A business plan in Form 12 attached hereto;
5. A report on the settlement of accounts in Form 13 attached hereto;
6. A report on business performance in Form 14 attached hereto;
7. A report on small loans and the mutual aid program in Form 15 attached hereto (applicable only to social cooperatives).

#### **Article 14 (Reporting of Dissolution of Social Cooperatives, etc.)**

(1) A person who intends to report the dissolution of a social cooperative or a federation of social cooperatives pursuant to Article 102 (2) of the Act (including cases to which the aforesaid paragraph shall apply mutatis mutandis pursuant to Article 115 (3) of the Decree) shall file a report on dissolution with the Minister of Strategy and Finance or the head of the competent central administrative agency in Form 16 attached hereto, along with the following documents:

1. A list of property at the time of dissolution;
2. A document stating the outlines of the methods for disposing of residual property;
3. Articles of association at the time of dissolution;
4. Minutes of the general meeting at which the dissolution was resolved.

(2) Upon receipt of a report under paragraph (1), the Minister of Strategy and Finance or a Mayor/Do Governor shall verify the certificate of facts recorded in the relevant corporate register by using administrative information available for sharing under Article 36 (1) of the Electronic Government Act.

## ADDENDUM

This Rule shall enter into force on December 1, 2012.

Attachments: Forms 1 through 16

