

ENFORCEMENT DECREE OF THE FRAMEWORK ACT ON COOPERATIVES

Wholly Amended by Presidential Decree No. 25486, Jul. 21, 2014

Amended by Presidential Decree No. 27129, May 10, 2016

Article 1 (Purpose)

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

Article 2 (Names)

(1) A cooperative and a federation of cooperatives (hereinafter referred to as "cooperative, etc."), and a social cooperative and a federation of social cooperatives (hereinafter referred to as "social cooperative, etc."), established pursuant to the Framework Act on Cooperatives (hereinafter referred to as the "Act") shall use a name distinct from the name of every cooperative, etc., and social cooperative, etc., in consideration of the following matters pursuant to Article 3 (2) of the Act:

1. Fields and details of services;
2. Area where services are provided;
3. Composition of membership.

(2) No cooperative, etc., or social cooperative, etc. shall use a name registered by another cooperative, etc. or social cooperative, etc. in the same Special Metropolitan City, Metropolitan City, Special Self-Governing City, Special Self-Governing Province, or Si/Gun.

(3) Where the Minister of Strategy and Finance prohibits the use of a name or orders a federation of cooperatives or federation of social cooperatives to amend its name pursuant to Article 3 (5) of the Act, he/she shall give written notice to the relevant federation of cooperatives or the relevant federation of social cooperatives of the grounds therefor.

(4) A federation of cooperatives or federation of social cooperatives in receipt of notification under paragraph (3) may file a written objection with the Minister of Strategy and Finance within 30 days from the date it receives such notification, as prescribed by Ordinance of the Ministry of Strategy and Finance.

(5) Upon receipt of a formal objection under paragraph (4), the Minister of Strategy and Finance shall give written notice of the result of the handling thereof within 30 days from the date he/she receives the formal objection.

(6) A federation of cooperatives or federation of social cooperatives which files an objection pursuant to paragraph (4) may file an administrative appeal under the Administrative Appeals Act or administrative

litigation under the Administrative Litigation Act, irrespective of such objection.

Article 3 (Matters to Be Deliberated by Cooperative Policy Deliberative Committee)

"Matters prescribed by Presidential Decree" in Article 11-2 (2) 5 of the Act means the following:

1. Matters concerning the improvement of law and systems related to cooperatives, etc. and social cooperatives, etc.;
2. Matters concerning the inspection of the results of the pursuit of a master plan (hereinafter referred to as "master plan") under Article 11 (1) of the Act;
3. Matters concerning the formulation of an educational and advertising plan for cooperatives, etc. and social cooperatives, etc.;
4. Other matters submitted for deliberation because the chairperson of the Cooperative Policy Deliberative Committee (hereinafter referred to as the "Council") under Article 11-2 (1) of the Act deems the deliberation thereof necessary.

Article 3-2 (Organization of Council)

(1) "Related central administrative agencies prescribed by Presidential Decree" in Article 11-2 (3) 1 of the Act means the following agencies:

1. The Ministry of Science, ICT and Future Planning, the Ministry of the Interior, the Ministry of Agriculture, Food and Rural Affairs, the Ministry of Health and Welfare, the Ministry of Employment and Labor, the Ministry of Oceans and Fisheries, the Fair Trade Commission, the Financial Services Commission, the Korea Forest Service, and the Small and Medium Business Administration;
2. Other related central administrative agencies which the chairperson of the Council deems necessary to deliberate on items on the agenda.

(2) Public officials of related central administrative agencies under paragraph (1) 2 shall be qualified as members of the Council only for matters to be deliberated designated by the chairperson of the Council.

(3) The Council shall consist of up to 20 members including one chairperson, in consideration of their gender.

(4) The term of office of members appointed pursuant to Article 11-2 (3) 2 of the Act shall be two years.

(5) Where a member of the Council under Article 11-2 (3) 2 of the Act falls under any of the following, the Minister of Strategy and Finance may dismiss the relevant member of the Council: <Newly Inserted by Presidential Decree No. 27129, May 10, 2016>

1. Where he/she becomes unable to perform his/her duties due to mental or physical dysfunction;
2. Where he/she commits irregularities related to his/her duties;
3. Where he/she is deemed unsuitable for a member of the Council due to neglect of his/her duties, impairment of the dignity of a member of the Council, or for other reasons;
4. Where he/she makes it clear that it is difficult for him/her to perform his/her duties.

Article 3-3 (Operation of Council)

(1) In principle, meetings of the Council shall be held once a quarter, but an agenda for deliberation may be adjusted if necessary for efficient deliberation.

(2) The Council shall hold meetings when a majority of the incumbent members attend its meetings, and pass resolutions with the consent of a majority of the members present.

(3) Where necessary, the chairperson may require those who are not members of the Council to attend its meetings and to speak at its meetings.

(4) The Council may establish working committees to examine and adjust items on the agenda to be submitted to its meetings and to support the operation thereof. In such cases, matters necessary for the organization, operation, etc. of working committees shall be prescribed by the Minister of Strategy and Finance following a resolution passed by the Council.

Article 4 (City/Do Cooperative Policy Council)

(1) The City/Do Cooperative Policy Council (hereinafter referred to as the "Council") shall be established under the jurisdiction of the Minister of Strategy and Finance in order to hold consultations or coordinate under Article 11 (4) of the Act.

(2) The Council shall consult about or coordinate the following matters:

1. Matters concerning policies on cooperatives, such as the reporting and public announcement of management of cooperatives;
2. Matters concerning education or public relations of cooperatives;
3. Matters concerning the formulation of a master plan and fact-finding surveys under Article 11 (6) of the Act;
4. Other matters necessary to revitalize cooperatives.

(3) A public official belonging to the senior civil service designated by the Minister of Strategy and Finance shall serve as the chairperson of the Council; and directors of bureaus or directors general of headquarters in charge of affairs concerning cooperatives of each Special Metropolitan City, Metropolitan City, Special Self-Governing City, Do and Special Self-Governing Province (hereinafter referred to as "City/Do") shall serve as members of the Council.

(4) An administrative secretary shall be assigned to the Council in order to conduct its affairs, and shall be appointed by the Minister of Strategy and Finance from among public officials under his/her jurisdiction.

(5) Where the chairperson of the Council deems it necessary, he/she may require related public officials or experts to attend meetings of the Council to hear their opinions, or request related agencies, organizations, etc. to provide necessary cooperation, such as submitting data or opinions.

(6) In addition to matters provided for in paragraphs (1) through (5), matters necessary for the composition, operation, etc. of the Council shall be determined by the chairperson of the Council following a resolution adopted by the Council.

Article 5 (Relationship to other Acts)

"Cooperative, etc., and social cooperative, etc. meeting requirements prescribed by Presidential Decree" in Article 13 (3) of the Act means a cooperative, etc. and social cooperative, etc. meeting the following requirements:

1. Its objective shall be mutual assistance among small businesses or consumers;
2. It may be established freely, and a member of a cooperative or social cooperative, or member may join or withdraw from it at will;
3. Each member of a cooperative or social cooperative, or member shall have an equal voting right;
4. Where profits are distributed to members of a cooperative or social cooperative, or members, the limit thereof shall be prescribed by the articles of association.

Article 6 (Procedures for Establishment of Cooperatives, etc.)

(1) A person who intends to file a report on the establishment of a cooperative pursuant to the former part of Article 15 (1) of the Act shall hold an inaugural general meeting after officially announcing the following matters for at least seven days:

1. Date, time, and venue of the inaugural general meeting;
2. Requirements for qualification as members;
3. Matters requiring resolutions at the inaugural general meeting.

(2) Resolutions for the following matters shall be adopted at the inaugural general meeting:

1. Articles of association;
2. Business plan and budget;
3. Election of executives;
4. Matters necessary for establishment, such as expenses for the establishment.

(3) The minutes of proceedings of the inaugural general meeting shall be recorded.

(4) The proceedings and the results thereof shall be recorded in meeting minutes under paragraph (3); and the chairperson and at least three persons elected at the inaugural general meeting from among those who submit written consent for the establishment to the promoters before the inaugural general meeting is held pursuant to Article 15 (2) of the Act shall sign and seal or sign the minutes.

(5) Paragraphs (1) through (4) shall apply mutatis mutandis to procedures for the establishment of a federation of cooperatives under Article 71 (1) of the Act. In such cases, "cooperative" shall be construed as "federation of cooperatives" and "member of a cooperative" as "member," respectively.

Article 7 (Reporting of Establishment of and Reporting of Alterations in Cooperatives, etc.)

(1) Any person who intends to report the establishment of a cooperative pursuant to the former part of Article 15 (1) of the Act shall submit a written report of the establishment thereof, to the Mayor of a Special Metropolitan City, the Mayor of a Metropolitan City, the Mayor of a Special Self-Governing City, the Governor of a Do or the Governor of a Special Self-Governing Province (hereinafter referred to as the "Mayor/Do Governor"), along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(2) Any person who intends to report an alteration pursuant to the latter part of Article 15 (1) of the Act shall submit a written report of the alteration to the Mayor/Do Governor, along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(3) Paragraphs (1) and (2) shall apply mutatis mutandis to the reporting of the establishment of and the reporting of alterations in a federation of cooperatives under Article 71 (1) of the Act. In such cases, "cooperative" shall be construed as "federation of cooperatives".

Article 8 (Issuance, etc. of Certificates of Confirmation of Report)

(1) Pursuant to Article 15-2 (1) of the Act, except where the Mayor/Do Governor requests supplementation pursuant to paragraph (2) or returns a written report of the establishment of a cooperative pursuant to paragraph (3), he/she shall issue a certificate of confirmation of reporting within 20 days from the date he/she receives the written report of the establishment of the cooperative under Article 7 (1): Provided, That any period further required in extenuating circumstances, such as an inspection to confirm grounds for disqualification of an executive, etc. under Article 36 (1) of the Act, shall be excluded in the period for processing such report.

(2) Where it is necessary to supplement a written report of the establishment of a cooperative under Article 15 of the Act, such as the omission of matters that must be stated in the written report of the establishment of the cooperative under Article 7 (1) or failure to submit documents that must be attached to the written report, the Mayor/Do Governor shall request supplementation within a fixed period not exceeding 20 days. In such cases, where he/she receives a supplemented written report of the establishment of the cooperative, he/she shall issue a certificate of confirmation of reporting within 14 days from the date he/she receives such report.

(3) Where a written report of the establishment of a cooperative under Article 15 of the Act falls under any of the following, the Mayor/Do Governor may return such written report:

1. Where procedures for the establishment of the cooperative violate any Act or subordinate statute;
2. Where the details of the articles of association and a business plan of the cooperative violate Acts and subordinate statutes;
3. Notwithstanding a request for supplementation under the former part of paragraph (2), where the written report is not supplemented within a fixed period.

(4) Paragraphs (1) through (3) shall apply mutatis mutandis to the issuance of certificates of conformation of reporting by a federation of cooperatives under Article 71-2 (1) of the Act. In such cases, "Mayor/Do Governor" shall be construed as "Minister of Strategy and Finance", and "cooperative" as "federation of cooperatives," respectively.

Article 9 (General Meetings of Representatives)

"Number prescribed by Presidential Decree" in Article 31 (1) of the Act means 200 persons.

Article 10 (Holding Concurrent Office of Executive and Employee of Cooperative, etc.)

Where a cooperative falls under any of the following pursuant to Article 44 (4) of the Act (including cases where the aforesaid paragraph applies mutatis mutandis pursuant to Article 79 of the Act; in such cases, "cooperative" shall be construed as "federation of cooperatives", and "member" as "all members who belong to all member cooperatives," respectively), an executive of the relevant cooperative may concurrently be an employee:

1. Where at least two-thirds of members are employees, and employees who are members are at least two thirds of all employees (based on the point in time before an executive is concurrently an employee);
2. Where the number of members does not exceed ten;
3. Other cases prescribed and announced by the Minister of Strategy and Finance, where it is necessary for an executive to concurrently be an employee in consideration of the scale, assets, services, etc. of the cooperative.

Article 11 (Use of Services by Persons other than Members of Cooperative, etc.)

"Services prescribed by Presidential Decree" in Articles 46 and 81 (1) of the Act means any of the following services:

1. Mutual aid programs under Article 80-2 (1) of the Act;
2. Other services prescribed by Ordinance of the Ministry of Strategy and Finance in consideration of the nature, type, etc. of a cooperative, etc.

Article 12 (Public Announcement of Management of Cooperatives, etc.)

(1) "Cooperative larger than a certain scale prescribed by Presidential Decree" in Article 49-2 (1) of the Act (including where the aforesaid Article applies mutatis mutandis pursuant to Article 82 of the Act; in such cases, "cooperative" shall be construed as "federation of cooperatives", and a "member of the cooperative" shall be construed as "all members who belong to all member cooperatives"; hereafter the same shall apply in this Article) means any of the following cooperatives:

1. A cooperative with at least 200 members;
 2. A cooperative, the total amount of funds invested in which stated on its statement of accounts of the immediately preceding business year (referring to the statement of accounts approved at its regular general meeting pursuant to Article 52 (2) of the Act) is at least three billion won.
- (2) Where a cooperative becomes a cooperative with at least 200 members under paragraph (1) 1 because the number of members changes, it shall advise the Minister of Strategy and Finance of the fact.
- (3) A cooperative under paragraph (1) shall publicly announce matters referred to in the subparagraphs of Article 49-2 (1) of the Act on the Internet site designated by the Minister of Strategy and Finance pursuant to Article 49-2 (2) of the Act, within three months from the date of settlement of accounts of each fiscal year.

Article 13 (Merger of Cooperatives)

- (1) Guidelines for approval to merge cooperatives under Article 56 (6) of the Act shall be as follows:
1. No merger shall be against the objectives of the establishment under Article 5 of the Act and the basic principles under Article 6 of the Act;
 2. No procedures for merger shall violate any Act or subordinate statute;
 3. No details of the articles of association or a business plan of a cooperative merged shall violate any Act or subordinate statute.

(2) Any person who intends to apply for approval for merger pursuant to 56 (6) of the Act shall submit an application for approval for the merger to the Minister of Strategy and Finance along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(3) Upon receipt of an application for approval for merger pursuant to paragraph (2), the Minister of Strategy and Finance shall determine whether to approve the merger and notify his/her decision in writing within 60 days from the date he/she receives such application: Provided, That where it is impractical to handle the application within such period due to extenuating circumstances, he/she may extend the period only once within 60 days.

(4) Where it is necessary to supplement an application for approval for merger received pursuant to paragraph (2), such as an omission of any matter to be mentioned in such application or failure to submit documents to be attached, the Minister of Strategy and Finance may request supplementation within a fixed period. In such cases, the period for such supplementation shall not be included in the period for processing the application under paragraph (3).

Article 14 (Retained Earnings)

"Retained earnings prescribed by Presidential Decree" in Article 60-2 (4) of the Act means the accumulated net profit retained by a corporation, etc. (hereinafter referred to as "corporation, etc.") under Article 60-2 (1) of the Act, rather than distributed outside of the corporation, etc. as dividends, etc.

Article 15 (Reporting of Restructuring)

(1) Any person who intends to report restructuring of a cooperative pursuant to Article 60-2 (6) of the Act shall submit an application for restructuring to the Mayor/Do Governor having jurisdiction over its principal office along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(2) Article 8 (1) through (3) shall apply mutatis mutandis to a certificate of confirmation of report issued according to the reporting of restructuring under paragraph (1).

Article 16 (Mutual Aid Services of Federation of Cooperatives, etc.)

(1) Where a federation of cooperatives intends to obtain approval for mutual aid services pursuant to the former part of Article 80-2 (2) of the Act (including cases where the aforesaid Article applies mutatis mutandis pursuant to Article 115 (2) of the Act; in such cases, a "federation of cooperatives" shall be construed as a "federation of social cooperatives"; hereafter the same shall apply in this Article), it shall meet both the following requirements:

1. It shall have at least ten members;
2. It shall have a total amount of funds invested of at least 100 million won.

(2) A federation of cooperatives that intends to apply for approval for mutual aid services pursuant to the former part of Article 80-2 (2) of the Act shall submit an application for approval for mutual aid services, to the Minister of Strategy and Finance along with the regulations for mutual aid and documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(3) Upon receipt of an application for approval for mutual aid services pursuant to paragraph (2), the Minister of Strategy and Finance shall determine whether to approve mutual aid services within 60 days from the date he/she receives such application and notify his/her decision in writing: Provided, That where it is impracticable to process the application within such period due to extenuating circumstances, he/she may extend such period only once by up to 60 days.

(4) Where it is necessary to supplement an application for approval for mutual aid services received pursuant to paragraph (2), such as the omission of matters to be mentioned in such application or failure to submit documents to be attached, the Minister of Strategy and Finance may request supplementation within a fixed period. In such cases, the period for such supplementation shall not be included in the period for processing the application under paragraph (3).

(5) Except in cases where a federation of cooperatives falls under any of the following, the Minister of Strategy and Finance shall approve mutual aid services under Article 80-2 of the Act:

1. Where the federation of cooperatives fails to meet any of the requirements for approval for mutual aid services under the subparagraphs of paragraph (1);
2. Where any of the details of the regulations for mutual aid violates any Act or subordinate statute.

(6) The following matters shall be included in the regulations for mutual aid under paragraph (2), as prescribed by the Minister of Strategy and Finance:

1. Methods for implementing mutual aid services;
2. Terms and conditions of a mutual aid contract;
3. Fees for mutual aid.

(7) A federation of cooperatives that intends to change any matter approved pursuant to the latter part of Article 80-2 (2) of the Act shall submit an application for changed approval for mutual aid services to the Minister of Strategy and Finance along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(8) Paragraphs (3) through (5) shall apply mutatis mutandis to applications for change of approved matters under paragraph (7).

Article 17 (Procedures for Establishment of Social Cooperatives, etc.)

(1) A person who intends to apply for approval to establish a social cooperative pursuant to Article 85 (1) of the Act shall hold the inaugural general meeting after officially announcing the following matters for at least seven days:

1. Date, time, and venue of the inaugural general meeting;
2. Requirements for qualification of members;
3. Matters requiring a resolution at the inaugural general meeting.

(2) Resolutions for the following matters shall be adopted at the inaugural general meeting:

1. Articles of association;
2. Business plan and budget;

3. Election of executives;

4. Matters necessary for the establishment, such as expenses for the establishment.

(3) The minutes of proceedings of the inaugural general meeting shall be prepared.

(4) The proceedings and the results thereof shall be recorded in the minutes under paragraph (3), and the chairperson and at least three persons elected at the inaugural general meeting from among those who submit written consent for the establishment to the promoters before the inaugural general meeting is held pursuant to Article 85 (2) of the Act shall affix their signature and/or seal to the minutes.

(5) Paragraphs (1) through (4) shall apply mutatis mutandis to procedures for establishing a federation of social cooperatives under Article 114 (1) of the Act. In such cases, "social cooperative" shall be construed as "federation of social cooperatives", and "member of a social cooperative" shall be construed as "member," respectively.

Article 18 (Application for Approval to Establish Social Cooperatives, etc.)

(1) A person who intends to file an application for approval to establish a social cooperative pursuant to Article 85 (1) of the Act shall submit an application for approval to establish it to the Minister of Strategy and Finance along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(2) Paragraph (1) shall apply mutatis mutandis to an application for approval to establish a federation of social cooperatives under Article 114 (1) of the Act. In such cases, a "social cooperative" shall be construed as a "federation of social cooperatives".

Article 19 (Guidelines for Approval to Establish Social Cooperatives)

(1) Where a person intends to obtain approval to establish a social cooperatives pursuant to Article 85 (1), he/she shall meet both the following requirements:

1. Persons who submit a written consent to the establishment (hereafter referred to as "persons who consent to the establishment" in this Article) to the promoters before the inaugural general meeting is held pursuant to Article 85 (2) of the Act shall be at least five persons;

2. Persons who consent to the establishment shall be comprised of at least two interested persons among diverse interested persons, such as producers, consumers, employees, volunteers, and benefactors, so that they may efficiently perform services under Article 93 (1) of the Act.

(2) Notwithstanding paragraph (1), where a social cooperative establishes a medical institution, it shall comply with the following guidelines for approval to establish the social cooperative:

1. At least 500 persons shall consent to the establishment of each individual medical institution to be established;

2. The minimum amount of money invested per person who consents to the establishment shall be at least 50,000 won: Provided, That the foregoing shall not apply to persons falling under Article 25 (1) 2 through 6 and 8;

3. The maximum amount of money invested per person shall be within ten percent of the total amount of money invested: Provided, That where at least two persons who consent to the establishment are specially related persons prescribed by Ordinance of the Ministry of Strategy and Finance, the total

amount of money invested by such at least two persons who consent to the establishment shall be within ten percent of the total amount of money invested;

4. The total amount of money invested shall be at least 100 million won and shall be at least 50/100 of total assets: Provided, That the percentage of total money invested among total assets may be less than 50/100 if so approved by the Minister of Strategy and Finance;

5. The social cooperative shall meet other guidelines prescribed and announced by the Minister of Strategy and Finance through consultation with the heads of related central administrative agencies.

(3) Where a social cooperative that has established a medical institution after obtaining approval under Article 85 (1) of the Act intends to establish an additional medical institution, it shall meet all the requirements prescribed in paragraph (2) ("person who consents to the establishment" under the subparagraphs of paragraph (2) shall be construed as "member of the social cooperative") for each Si/Gun/Gu (Gu referring to an autonomous Gu; hereafter the same shall apply in this paragraph) in which it intends to establish a medical institution: Provided, That where a social cooperative intends to establish additional medical institutions in a Si/Gun/Gu having jurisdiction over the location of its principal office and an adjacent Si/Gun/Gu, it may establish additional medical institutions even if it fails to meet any of the requirements falling under the subparagraphs of paragraph (2).

Article 20 (Holding Concurrent Office of Executive and Employee of Social Cooperative, etc.)

(1) An executive of a social cooperative, etc. may concurrently be an employee to the extent that the number of executives who are concurrently employees pursuant to Article 44 (4) that is applied mutatis mutandis in Articles 92 and 115 (1) of the Act does not exceed one-third of the total number of executives: Provided, That where the social cooperative, etc. falls under any of the subparagraphs of Article 10, more than one-third of the total number of its executives may concurrently be employees.

(2) Where each subparagraph of Article 10 applies to a federation of social cooperatives pursuant to the proviso to paragraph (1), "member of a social cooperative" shall be construed as "all members who belong to all member cooperatives", and "cooperative" shall be construed as "federation of social cooperatives," respectively.

Article 21 (Criteria and Methods for Judging Main Services)

(1) Criteria for determining main services of a social cooperative under Article 93 (1) of the Act shall be in accordance with the following classification:

1. Services referred to in Article 93 (1) 1 of the Act: Any of the following services:

- (a) Services that contribute to the revitalization of local communities and the local economy by utilizing human and physical resources of the area, such as services that utilize local specialties or natural resources;
- (b) Services that promote the rights and interests and welfare of local residents, such as services that improve the living conditions of local residents;
- (c) Other services that contribute to solving problems with which local communities are confronted;

2. Services referred to in Article 93 (1) 2 of the Act: Services falling under any of the following, which provide social services to vulnerable people referred to in subparagraph 2 of Article 2 of the Social Enterprise Promotion Act, or other vulnerable people prescribed by the Minister of Strategy and Finance:

- (a) Services related to education, health, medical services, social welfare, environment, or culture;
- (b) Services that provide child care, nursing, or housekeeping support;
- (c) Provision of employment services under subparagraph 9 of Article 2-2 of the Employment Security Act;
- (d) Other services prescribed by Ordinance of the Ministry of Strategy and Finance;

3. Services referred to in Article 93 (1) 3 of the Act: The main objectives of the organization shall be services that provide jobs to vulnerable people referred to in subparagraph 2 of Article 2 of the Social Enterprise Promotion Act, or other vulnerable people prescribed by the Minister of Strategy and Finance;

(2) In addition to matters provided in paragraph (1), necessary matters regarding criteria, methods, etc. for determining main services shall be prescribed by Ordinance of the Ministry of Strategy and Finance.

Article 22 (Small Loans to Members of Social Cooperatives)

(1) The limit on a small loan under Article 94 (1) of the Act (hereafter referred to as "small loan" in this Article) shall be prescribed by the articles of association of each social cooperative in consideration of the following matters:

- 1. The number of members of a social cooperative;
- 2. The amount of money invested;
- 3. Kinds of small loans.

(2) Interest rates on small loans shall be prescribed by the articles of association of each social cooperative. In such cases, maximum interest rates on small loans shall be determined in consideration of the weighted average interest of household loans provided by saving banks based on the amount of new loans announced by the Bank of Korea.

(3) The overdue interest rates on small loans shall be prescribed by the articles of association of each social cooperative. In such cases, the maximum overdue interest rate shall not exceed the maximum interest rate under Article 2 (1) of the Interest Limitation Act.

(4) Accounting of small loan services shall be kept separately from main services under Article 93 of the Act and other services.

Article 23 (Mutual Aid among Members of Social Cooperatives)

(1) Mutual aid under Article 94 (1) of the Act (hereafter referred to as "mutual aid" in this Article) shall be services that pay a certain amount of mutual aid benefits to members who have paid fees for mutual aid from reserves of such fees shared by each member for the purpose of mutual aid where reasons prescribed by the articles of association of a social cooperative, such as a wedding, death, or sickness, occur.

(2) Matters necessary to pay mutual aid benefits, such as grounds for paying benefits of mutual aid under paragraph (1) and the limit on benefits of mutual aid paid for each reason, shall be prescribed by the articles of association of each social cooperative.

(3) Necessary matters concerning a mutual aid contract and fees for mutual aid under Article 94 (2) of the Act shall be prescribed by the articles of association of each social cooperative.

(4) Accounting of reserves for mutual aid shall be kept separately from main services under Article 93 of the Act and other services.

Article 24 (Use of Services by Persons other than Members of Social Cooperatives, etc.)

(1) Services which a social cooperative shall not allow persons other than members to use pursuant to Article 95 (2) of the Act shall be as follows: *<Amended by Presidential Decree No. 26339, Jun. 30, 2015>*

1. Small loan and mutual aid services under Article 94 (1) of the Act;
2. Health and medical services of a social cooperative that has established a medical institution;
3. Other services prescribed and announced by Ordinance of the Ministry of Strategy and Finance in consideration of the nature, type, etc. of services provided by a social cooperative.

(2) Notwithstanding paragraph (1) 2, a social cooperative that provides health and medical services may provide health and medical services to non-members to the extent of 50/100 of the total amount of services provided.

(3) Paragraphs (1) and (2) and Article 25 shall apply mutatis mutandis to the use of services by non-members of a federation of social cooperatives. In such cases, "social cooperative" shall be construed as "federation of social cooperatives", and "member of a social cooperative" shall be construed as "member," respectively.

Article 25 (Use of Services by Persons other than Members of Social Cooperative Providing Health and Medical Services)

(1) The range of non-members to whom a social cooperative may provide health and medical services pursuant to Article 24 (2) shall be as follows:

1. Emergency patients under subparagraph 1 of Article 2 of the Emergency Medical Service Act;
2. Beneficiaries under Article 3 of the Medical Care Assistance Act;
3. Disabled persons under subparagraph 1 of Article 2 of the Employment Promotion and Vocational Rehabilitation of Disabled Persons Act;
4. Persons eligible for support under Articles 5 and 5-2 of the Single-Parent Family Support Act;
5. Immigrants by marriage under subparagraph 3 of Article 2 of the Framework Act on Treatment of Foreigners Residing in the Republic of Korea;
6. Persons suffering from a rare and incurable disease prescribed and announced by the Minister of Health and Welfare;
7. Persons who have a domicile, abode, place of business, or workplace in the jurisdiction of a City/Do in which a medical institution established by the relevant social cooperative is located;

8. A person who belongs to the same household as that of a member of the social cooperative;
 9. Other persons to whom the Minister of Strategy and Finance deems it necessary to provide health and medical services through consultation with the heads of related central administrative agencies.
- (2) Guidelines selected by a social cooperative on either sales for the immediately preceding year or the number of persons who use services shall apply to guidelines for calculating the total amount of provided services under Article 24 (2); where the relevant member of the social cooperative obtains approval from the board of directors when the social cooperative provides health and medical services to a person falling under paragraph (1) 8, the total amount of services provided shall be calculated as if such member of the social cooperative uses health and medical services.

Article 26 (Notification of Purchase Plans and Results of Purchase)

The head of a public institution under subparagraph 2 of Article 2 of the Act on Facilitation of Purchase of Small and Medium Enterprise-Manufactured Products and Support for Development of Their Markets shall notify the Minister of Strategy and Finance of its plan to purchase goods or services produced by social cooperatives (hereafter referred to as "products of social cooperatives" in this Article) in the relevant year and the results of purchase in the preceding year, and a percentage of the purchase amount of products of social cooperatives of the total amount purchased by the relevant public institution by the end of February every year.

Article 27 (Public Announcement of Management of Cooperatives, etc.)

Pursuant to paragraphs (1) and (2) of Article 96-2 of the Act (including cases where the aforesaid Article is applied mutatis mutandis pursuant to Article 115 (3) of the Act; in such cases, "social cooperative" shall be construed as "federation of social cooperatives"), a social cooperative shall publicly announce matters referred to in the subparagraphs of Article 96-2 (1) of the Act on the Internet site designated by the Minister of Strategy and Finance pursuant to Article 96-2 (2) of the Act, within three months from the date accounts of each fiscal year are settled.

Article 28 (Merger of Social Cooperatives)

(1) Guidelines for approval to merge social cooperatives under Article 101 (7) of the Act shall be as follows:

1. No merger shall contravene any of the objectives of the establishment thereof, under Article 5 of the Act and basic principles under Article 6 of the Act;
 2. No procedures for merger shall violate any Act or subordinate statute;
 3. No details of the articles of association or a business plan of a social cooperative merged shall violate any Act or subordinate statute.
- (2) Any person who intends to apply for approval for merger pursuant to Article 101 (7) of the Act shall submit an application for approval for merger to the Minister of Strategy and Finance along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.
- (3) Upon receipt of an application for approval for merger pursuant to paragraph (2), the Minister of Strategy and Finance shall determine whether to approve the merger and notify his/her decision in writing

within 60 days from the date he/she receives such application: Provided, That where it is impractical to process the application within such period for extenuating circumstances, he/she may extend the period only once within 60 days.

(4) Where it is necessary to supplement an application for approval for merger received pursuant to paragraph (2), such as omitting matters to be mentioned in such application or failure to submit documents to be attached, the Minister of Strategy and Finance may request supplementation within a fixed period. In such cases, the period for such supplementation shall be excluded in the period for processing the application under paragraph (3).

Article 29 (Retained Earnings)

"Retained earnings prescribed by Presidential Decree" in Article 105-2 (4) of the Act means the accumulated net profit retained by a cooperative established pursuant to the Act, nonprofit corporation (limited to an incorporated association) established pursuant to the Civil Act, corporation, etc. rather than distributed outside the cooperative, etc. as dividends, etc.

Article 30 (Approval for Restructuring)

(1) Any person who intends to obtain approval to restructure a social cooperative pursuant to Article 105-2 (6) of the Act shall submit an application for approval for restructuring to the Minister of Strategy and Finance along with documents prescribed by Ordinance of the Ministry of Strategy and Finance.

(2) Upon receipt of an application for approval for restructuring pursuant to paragraph (1), the Minister of Strategy and Finance shall determine whether to approve restructuring and give a written notice within 60 days from the date he/she receives such application: Provided, That where it is impracticable to process the application within the period for processing due to extenuating circumstances, he/she may extend such period only once by up to 60 days.

(3) Where it is necessary to supplement an application for approval for restructuring received pursuant to paragraph (1), such as the omission of matters that should be mentioned in such application or failure to submit documents to be attached, the Minister of Strategy and Finance may request supplementation within a fixed period. In such cases, the period for such supplementation shall be excluded in the period for processing the application under paragraph (2).

(4) The Minister of Strategy and Finance shall approve restructuring under Article 105-2 (6) of the Act except in any of the following cases:

1. Where any of the procedures for restructuring violates any Act or subordinate statute;
2. Where any of the details of the articles of association or a business plan violates any Act or subordinate statute;
3. Where an application fails to meet guidelines announced by the Minister of Strategy and Finance because he/she deems the guidelines necessary to restructure a social cooperative.

Article 31 (Official Announcement of Revocation of Approval to Establish Social Cooperative, etc.)

When the Minister of Strategy and Finance officially announces the revocation of approval to establish a social cooperative pursuant to Article 112 (2) of the Act (including cases where the aforesaid paragraph is

applied *mutatis mutandis* pursuant to Article 115 (3) of the Act; in such cases, "social cooperative" shall be construed as "federation of social cooperatives"), he/she shall officially announce such revocation on a daily newspaper registered for nationwide distribution pursuant to Article 9 (1) of the Act on the Promotion of Newspapers, Etc., the Official Gazette, or the Internet homepage.

Article 32 (Entrustment of Authority)

(1) The Minister of Strategy and Finance shall entrust the following authority to the heads of central administrative agencies having jurisdiction over the main services of social cooperatives under Article 93 of the Act, (referring to ministries, agencies, and authorities under Article 2 of the Government Organization Act, the Korea Communications Commission, the Nuclear Safety and Security Commission, the Fair Trade Commission, the Financial Services Commission, and the Anti-corruption and Civil Rights Commission; hereinafter the same shall apply) pursuant to Article 116 (2) of the Act:

1. Approval to establish a social cooperative under Article 85 of the Act;
2. Approval to amend the articles of association of a social cooperative under Article 86 (3) of the Act;
3. Approval to merge and approval to divide a social cooperative under Article 101 (2) and (7) of the Act;
4. Reporting on the dissolution of a social cooperative under Article 102 (2) of the Act;
5. Supervision over the liquidation of a social cooperative under Article 103 (5) of the Act;
6. Approval to restructure a social cooperative under Article 105-2 (6) of the Act;
7. Entrusting a person with the registration of the dissolution of a social cooperative under Article 108 (4) of the Act;
8. Supervision over social cooperatives under Article 111 of the Act (excluding matters under paragraph (2) 8);
9. Revocation of approval to establish a social cooperative under Article 112;
10. Hearings under Article 113 of the Act;
11. Imposition of administrative fines on social cooperatives under Article 119 of the Act.

(2) The Minister of Strategy and Finance shall entrust the Korea Social Enterprise Promotion Agency under Article 20 of the Social Enterprise Promotion Act with the authority over the following matters pursuant to the former part of Article 116 (3) of the Act:

1. Matters concerning interchange and cooperation activities under Article 10 (4) of the Act;
2. Matters concerning managerial support under Article 10-2 of the Act;
3. Matters concerning educational and training support under Article 10-3 of the Act;
4. Matters concerning activities, such as events under Article 12 (2) of the Act;
5. Matters concerning the verification of details of the public announcement of management under Article 49-2 of the Act (including cases where the aforesaid Article is applied pursuant to Article 82 of the Act) and Article 96-2 of the Act (including cases where the aforesaid Article is applied pursuant to Article 115 (3) of the Act);

6. Matters concerning the verification of details of a report of the establishment of a federation of cooperatives under Article 71 of the Act;
7. Matters concerning the verification of details of an application for approval to establish a social cooperative under Article 85 of the Act;
8. Matters concerning the verification of the subparagraphs of Article 111 (2) of the Act necessary to supervise social cooperatives, etc. under Article 111 of the Act (including cases where the aforesaid Article is applied mutatis mutandis pursuant to Article 115 (3) of the Act);
9. Matters concerning the verification of details of an application for approval to establish a federation of social cooperatives under Article 114 of the Act.

Article 33 (Processing of Unique Identification Information)

(1) Where it is inevitable to conduct the following affairs, the Minister of Strategy and Finance (including a person entrusted with his/her authority pursuant to Article 116 (2) and (3) of the Act and Article 32 of this Decree) may process data including resident registration numbers or foreigner registration numbers under subparagraph 1 or 4 of Article 19 of the Enforcement Decree of the Personal Information Protection Act:

1. Affairs concerning approval of the merger of cooperatives under Article 56 (6) of the Act;
2. Affairs concerning reporting the establishment of and reporting alterations to a federation of cooperatives under Article 71 (1) of the Act;
3. Affairs concerning reporting amendments to the articles of association of a federation of cooperatives under Article 16 (3) of the Act which is applied mutatis mutandis in Article 72 of the Act;
4. Affairs concerning reporting the merger, establishment, and dissolution of a federation of cooperatives under Article 56 (2) of the Act which is applied mutatis mutandis in Article 83 of the Act;
5. Affairs concerning reporting the dissolution of a federation of cooperatives under Article 57 (2) of the Act which is applied mutatis mutandis in Article 83 of the Act;
6. Affairs concerning approval to establish a social cooperative, etc. under Articles 85 (1) and 114 (1) of the Act;
7. Affairs concerning approval for amendments to the articles of association of a social cooperative, etc. under Article 86 (3) of the Act (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to Article 115 (3) of the Act);
8. Affairs concerning approval to merge and approval to divide a social cooperative, etc. under Article 102 (2) of the Act (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to Article 115 (3) of the Act);
9. Affairs concerning approval to merge social cooperatives under Article 101 (7) of the Act;
10. Affairs concerning reporting the dissolution of a social cooperative, etc. under Article 102 (2) of the Act (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to Article 115 (3) of the Act);

11. Affairs concerning supervision of the liquidation of a social cooperative, etc. under Article 103 (5) of the Act (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to Article 115 (3) of the Act);
12. Affairs concerning approval to restructure a social cooperative under Article 105-2 (6) of the Act;
13. Affairs concerning supervision over social cooperatives, etc. under Article 111 of the Act (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to Article 115 (3) of the Act);
14. Affairs concerning the revocation of approval to establish a social cooperative, etc. under Article 112 (1) of the Act (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to Article 115 (3) of the Act).

(2) Where it is inevitable to conduct the following affairs, the Mayor/Do Governor (where the relevant authority is delegated or entrusted, including a person to whom the authority is delegated or entrusted) may process data including resident registration numbers or foreigner registration numbers under subparagraph 1 of 4 of Article 19 of the Enforcement Decree of the Personal Information Protection Act:

1. Affairs concerning reporting the establishment of and the reporting of alterations to a cooperative under Article 15 (1) of the Act;
2. Affairs concerning reporting amendments to the articles of association of a cooperative under Article 16 (2) of the Act;
3. Affairs concerning reporting the merger, establishment, and dissolution of a cooperative under Article under Article 56 (2);
4. Affairs concerning reporting the dissolution of a cooperative under Article 57 (2) of the Act;
5. Affairs concerning reporting restructuring of a cooperative under Article 60-2 (6) of the Act.

Article 34 (Review of Restrictions)

The Minister of Strategy and Finance shall review the validity of restrictions on the use of services by persons other than members, etc. of social cooperatives, etc. under Article 24, by every third anniversary from the base date (referring to by the end of December of every third year) based on January 1, 2015, and take measures, such as improvements.

Article 35 (Guidelines for Imposition of Administrative Fines)

Guidelines for the imposition of administrative fines under Article 119 (1) through (3) of the Act shall be as specified in attached Table.

ADDENDA

Article 1 (Enforcement Date)

This Decree shall enter into force on July 22, 2014: Provided, That the amended provisions of Articles 14, 15, 29, 30, 32 (1) 6, and 33 (1) 12 and (2) 5 shall enter into force on December 1, 2014.

Article 2 (Period of Existence of Cooperative Policy Deliberative Committee)

The amended provisions of Article 3 on the Cooperative Policy Deliberative Committee shall remain in effect until November 30, 2017.

Article 3 (Transitional Measures concerning Procedures for Establishment of Cooperative, etc. or Social Cooperative, etc.)

The amended provisions of Articles 6 and 17 shall apply beginning from the first case where the inaugural general meeting is held to establish a cooperative, etc. or social cooperative, etc. after this Decree enters into force.

Article 4 (Relationship to other Acts and Subordinate Statutes)

Where any provision of the former Enforcement Decree of the Framework Act on Cooperatives is cited by other Act or subordinate statute as at the time this Decree enters into force, if the provision corresponding thereto exists in this Decree, the relevant provision of this Decree shall be deemed cited in lieu of the former provision.

ADDENDUM <Presidential Decree No. 26339, Jun. 30, 2015>

This Decree shall enter into force on July 1, 2015.

ADDENDUM <Presidential Decree No. 27129, May 10, 2016>

This Decree shall enter into force on the date of its promulgation.