

# FRAMEWORK ACT ON COOPERATIVES

Act No. 11211, Jan. 26, 2012

Amended by Act No. 12272, Jan. 21, 2014

Act No. 12866, Dec. 30, 2014

Act No. 14053, Mar. 2, 2016

## Article 1 (Purpose)

The purpose of this Act is to facilitate independent, self-supportive, and autonomous activities of cooperatives, thereby contributing to social integration and balanced development of the national economy by providing for basic matters regarding the establishment and operation of cooperatives.

## Article 2 (Definitions)

The terms used in this Act shall be defined as follows:

1. The term "cooperative" means a business organization that intends to enhance its partners' rights and interests, thereby contributing to local communities by being engaged in the cooperative purchasing, production, sales, and provision of goods or services;
2. The term "federation of cooperatives" means a federation of cooperatives established pursuant to subparagraph 1 in order to promote common interests of the cooperatives;
3. The term "social cooperative" means a cooperative that carries out business activities related to the enhancement of rights, interests, and welfare of local residents or provides social services or jobs to disadvantaged people, among cooperatives under subparagraph 1, but that is not run for profit;
4. The term "federation of social cooperatives" means a federation of social cooperatives established pursuant to subparagraph 3 in order to promote common interests of the social cooperatives.

## Article 3 (Naming)

(1) Each cooperative shall include the word "cooperative" in its name, each federation of cooperatives the words "federation of cooperatives", each social cooperative the words "social cooperative", and each federation of social cooperatives the words "federation of social cooperatives" respectively.

(2) No cooperative nor federation of cooperatives established pursuant to this Act (hereinafter referred to as "cooperative or federation of cooperatives") or no social cooperative nor federation of social cooperatives established pursuant to this Act (hereinafter referred to as "social cooperative or federation of social cooperatives") shall use any name identical or confusable with another cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives, as prescribed by Presidential Decree.

(3) No person, other than a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives established pursuant to this Act, shall use the words referred to in paragraph (1) or words similar thereto in its name. *<Amended by Act No. 12272, Jan. 21, 2014>*

(4) No federation of cooperatives or federation of social cooperatives shall use the name of the State, or a Special Metropolitan City, Metropolitan City, Special Self-Governing City, Do or Special Self-Governing Province (hereinafter referred to as "City/Do") in its name, causing ordinary people to misunderstand or mistake its name as having representation of the State or a City/Do: Provided, That where a federation of cooperatives or federation of social cooperatives satisfies requirements prescribed by Presidential Decree, such as capital invested and members, it may use the name of the State or a City/Do in its name with the approval from the Minister of Strategy and Finance. *<Newly Inserted by Act No. 12272, Jan. 21, 2014; Act No. 14053, Mar. 2, 2016>*

(5) Where a federation of cooperatives or federation of social cooperatives is likely to cause ordinary people to misunderstand or mistake that it is representative of the State or a region by using the name of the State or a City/Do in its name referred to in paragraph (4), the Minister of Strategy and Finance may prohibit such federation of cooperatives or federation of social cooperatives from using such name, or order it to revise such name, as prescribed by Presidential Decree. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 4 (Legal Personality and Domicile)**

(1) Each cooperative or federation of cooperatives shall be a legal entity.

(2) Each social cooperative or federation of social cooperatives shall be a legal entity.

(3) Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall have a principal place of business as its domicile and may have branch offices at places wherever necessary, as stipulated by its articles of association.

#### **Article 5 (Objectives of Establishment)**

Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall pursue the enhancement of welfare of its partners or members (referring to partners in cases of a cooperative or members in cases of a federation; hereinafter referred to as "members") and mutual help and aid between members and shall meet economic, social, and cultural requests from members.

#### **Article 6 (Basic Principles)**

(1) Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall apply its best endeavors to serve its members in carrying out its business activities.

(2) Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall be voluntarily organized, shall own property in common, and shall be operated democratically.

(3) No cooperative, federation of cooperatives, social cooperative, nor federation of social cooperatives shall conduct any business activity for speculative investment or shall be engaged in any business affair or activity only for interests of some of members.

### **Article 7 (Responsibilities of Cooperatives and Federations of Cooperatives)**

Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall carry out its activities actively for providing educational and training programs to its members, as well as information, in order to enhance rights and interests of its members.

### **Article 8 (Cooperation with other Cooperatives or Federations)**

(1) Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall endeavor to cooperate reciprocally with other cooperatives, cooperatives under other Acts, foreign cooperatives, and related international organizations, promote mutual understanding with them, and develop joint projects.

(2) When it is necessary to achieve the purposes prescribed by paragraph (1), a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives may organize and operate a council with other cooperatives or cooperatives or federations under other Acts.

### **Article 9 (Prohibition of Involvement in Election of Public Officials)**

(1) No cooperative, federation of cooperatives, social cooperative, nor federation of social cooperatives shall commit an act to support or oppose a specific political party in an election of public officials or an act to have a specific person elected or lost.

(2) No one shall commit an act under paragraph (1) by taking advantage of a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives.

### **Article 10 (Cooperation by Central Government and Public Organizations)**

(1) The central government or a public organization shall not encroach the autonomy of a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives.

(2) The central government and public organizations shall cooperate actively with a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives in its business activities, and may subsidize it as necessary for its business.

(3) The central government and public organizations shall hear opinions from cooperatives, federations of cooperatives, social cooperatives, and federations of social cooperatives, and shall endeavor to have their opinions reflected.

(4) The State and public organizations may conduct exchange and cooperation activities with international organizations, foreign governments and institutions in connection with cooperatives. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

### **Article 10-2 (Management Support)**

The Minister of Strategy and Finance may provide support, such as providing expert consultation and information in the fields of management, technology, tax affairs, labor affairs, accounting, etc., necessary for the establishment and operation of cooperatives, etc. and social cooperatives, etc.

### **Article 10-3 (Educational and Training Support)**

The Minister of Strategy and Finance may conduct education and training for the fostering of professional human resources, the improvement of ability of the members of a cooperative, etc. necessary for the

establishment and operation of a cooperative, etc. and a social cooperative, etc.

#### **Article 11 (Policies on Cooperatives)**

(1) The Minister of Strategy and Finance shall preside over policies on cooperatives and formulate a master plan for the promotion of autonomous activities of cooperatives (hereinafter referred to as "master plan") every three years.

(2) A master plan shall include the following matters:

1. Basic direction for revitalization of cooperatives, etc. and social cooperatives;
2. Improvement of related statutes and systems for revitalization of cooperatives, etc. and social cooperatives, etc.;
3. Matters concerning strategies for development of cooperatives, etc. and social cooperatives, etc. and creation of infrastructure therefor;
4. Matters concerning mutual cooperation among cooperation of cooperatives, etc. and social cooperatives, etc. and cooperation among the agencies related to policies on cooperatives;
5. Matters concerning the results of fact-finding surveys of cooperatives referred to in paragraph (6) and improvements of policies on cooperatives;
6. Other matters concerning creating conditions for revitalization of cooperatives.

(3) In presiding over policies on cooperatives and formulating a master plan pursuant to paragraphs (1) and (2), the Minister of Strategy and Finance shall consult with the heads of related central administrative agencies, and may request the Special Metropolitan City Mayor, the Mayors of Metropolitan Cities, the Mayor of a Special Self-Governing City, Governors of Doseos, or the Governor of a Special Self-Governing Province (hereinafter referred to as the "Mayor/Do Governor"), the heads of related agencies and organizations to present their opinions. In such cases, those who have received such request shall comply therewith unless a justifiable ground exists.

(4) The Minister of Strategy and Finance may consult and coordinate with Mayors and Do Governors about matters concerning policies on cooperatives and autonomous activities of cooperatives, as prescribed by Presidential Decree.

(5) Matters necessary for presiding over policies on cooperatives, formulating a master plan, consulting and coordinating with Mayors/Do Governors under paragraphs (1) through (4) shall be prescribed by Presidential Decree.

(6) In order to understand the actual conditions concerning the current status of activities, funds, human resources, management, etc. of cooperatives, the Minister of Strategy and Finance shall conduct a fact-finding survey every two years, and officially announce the results thereof and report the results to the competent standing committee of the National Assembly.

(7) The heads of related central administrative agencies or Mayors/Do Governors shall submit data necessary for a fact-finding survey referred to in paragraph (6) to the Minister of Strategy and Finance.

#### **Article 11-2 (Council for Cooperative Policy Deliberation)**

(1) The Council for Cooperative Policy Deliberation (hereinafter referred to as the "Council") shall be established under the jurisdiction of the Minister of Strategy and Finance to deliberate on principal matters concerning policies on cooperatives.

(2) The Council shall deliberate on the following matters:

1. Matters concerning the formulation or amendment of a master plan;
2. Matters related to the reporting of or approval for the establishment, merger, or division of cooperatives, etc. and social cooperatives, etc.;
3. Matters related to the supervision or management of cooperatives, etc. and social cooperatives, etc.;
4. Matters related to consultation, coordination, etc. with related administrative agencies related to policies on cooperatives;
5. Other matters prescribed by Presidential Decree to revitalize cooperatives, etc. and social cooperatives, etc., such as reform to laws or systems related to cooperatives.

(3) The Vice Minister of Strategy and Finance shall serve as the chairperson of the Council, and members shall be the following persons:

1. Public officials belonging to the senior civil service of related central administrative agencies prescribed by Presidential Decree;
2. Persons commissioned by the Minister of Strategy and Finance from among those with abundant knowledge of and extensive experience in cooperatives.

(4) In addition to matters provided for in paragraphs (1) through (3), matters necessary for the composition, operation, etc. of the Council shall be prescribed by Presidential Decree.

#### **Article 12 (Cooperatives Day)**

(1) In order to raise the awareness of cooperatives and encourage activities of cooperatives, the central government shall designate the first Saturday of July each year as Cooperatives Day and shall designate one week immediately before Cooperatives Day as Week of Cooperatives.

(2) The central government and each local government shall endeavor to hold events and conduct programs appropriate for the purposes of Cooperatives Day.

#### **Article 13 (Relationship to other Acts)**

(1) This Act shall not apply to cooperatives that were or are established pursuant to any other Act.

(2) Other statutes enacted or amended in regard to the establishment and fostering of cooperatives shall conform to the purposes and principles of this Act.

(3) The Monopoly Regulation and Fair Trade Act shall not apply to activities of a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives that meets the requirements prescribed by Presidential Decree: Provided, That the same shall not apply to cases where competition is unfairly restricted in a specific business area, such as unfair trade practices.

(4) The Insurance Business Act shall not apply to a mutual aid program of a federation of cooperatives and a federation of social cooperatives. <Newly Inserted by Act No. 12272, Jan. 21, 2014>

#### **Article 14 (Application Mutatis Mutandis of other Acts)**

(1) Except as otherwise provided for in this Act, the general provisions in Part I of the Commercial Act, the provisions regarding commercial activities in Part II of said Act, and provisions regarding limited liability companies in Chapter III-2 of Part III of said Act shall apply mutatis mutandis to cooperatives and federations of cooperatives under Article 4 (1). In such cases, the term "merchant" shall be construed as "cooperative or federation of cooperatives", and the term "partner" as "member".

(2) Except as otherwise provided for in this Act, the provisions regarding legal entities in Chapter III of Part I of the Civil Act shall apply mutatis mutandis to social cooperatives and federations of social cooperatives under Article 4 (2). In such cases, the term "incorporated association" shall be construed as "social cooperative or federation of cooperatives", the term "partner" as "member", and the term "permission" as "authorization".

#### **Article 15 (Reporting on Establishment, etc.)**

(1) Where a cooperative is to be established, at least five promoters qualified for membership shall prepare articles of association, table the articles of association at the inaugural general meeting for adoption, and shall report the articles of association to the competent Mayor/Do Governor having jurisdiction over its principal place of business. The same shall also apply where they revise reported matters. <Amended by Act No. 12272, Jan. 21, 2014>

(2) A resolution at the inaugural general meeting shall be passed with the attendance of a majority of persons who have submitted a letter of consent to establishment to promoters before the opening of the inaugural general meeting and by an affirmative vote of not less than two-thirds of persons present at the meeting.

(3) Immediately upon receiving a report on the establishment of a cooperative pursuant to paragraph (1), the competent Mayor/Do Governor shall notify the Minister of Strategy and Finance thereof.

(4) Except as otherwise provided in paragraphs (1) through (3), matters necessary to report the establishment of a cooperative and report the revision of reported matters shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 12272, Jan. 21, 2014>

#### **Article 15-2 (Issuance, etc. of Written Confirmation of Report)**

(1) The Mayor/Do Governor who has received a report on the establishment of a cooperative pursuant to Article 15 shall issue a written confirmation of the report, except where he/she returns such report on the establishment of the cooperative or requests the cooperative to supplement the report, as prescribed by Presidential Decree.

(2) Matters necessary for the issuance of a written confirmation of a report under paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 16 (Articles of Association)**

(1) The articles of association of a cooperative shall include the following matters:

1. Objectives:

2. Name and the principal place of business;
  3. Qualification for members and proxies;
  4. Matters regarding admission to, and withdrawal and expulsion from, a cooperative;
  5. The value of a contribution unit, the method and timing of payment of contributions, and the limit on the number of contribution units per member;
  6. Matters regarding rights and obligations of members;
  7. Matters regarding the appropriation of a surplus and the disposition of deficits;
  8. Matters regarding the method of accumulating reserves and the use of reserves;
  9. Matters regarding the scope of business and accounting;
  10. Matters regarding organs and executive officers;
  11. Matters regarding the method of giving public notification;
  12. Matters regarding dissolution;
  13. Matters regarding the transfer of contributions;
  14. Other matters necessary for the operation of the general assembly and the board of directors.
- (2) An amount of a contribution unit under paragraph (1) 5 shall be fixed uniformly. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*
- (3) An amendment to the articles of association of a cooperative shall become effective only after it is reported to the competent Mayor/Do Governor with whom the establishment report has been filed.

#### **Article 17 (Bylaws or Regulations)**

Except as stipulated in articles of association, matters necessary for the operation of a cooperative and its performance of business activities may be prescribed by bylaws or regulations.

#### **Article 18 (Transfer of Administrative Affairs for Establishment and Payment of Contributions)**

- (1) Upon completing the report on the establishment of a cooperative pursuant to Article 15 (1), promoters shall transfer administrative affairs therefor to its president without delay. *<Amended by Act No. 12272, Jan. 21, 2014>*
- (2) Upon having administrative affairs transferred pursuant to paragraph (1), the relevant president shall set the deadline for the payment of contribution and shall require persons who intend to become members to pay their contributions by the deadline.
- (3) Each in-kind contributor shall transfer an asset as the subject matter of his/her contribution by the deadline prescribed under paragraph (2), prepare documents necessary for the registration or recordation of such asset and the transfer of rights, and submit the documents to the cooperative.
- (4) Capital of a cooperative shall be the total amount of contributions paid by the members thereof. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 19 (Establishment of Cooperatives)**

- (1) A cooperative shall be duly formed when it completes registration for establishment under Article 61 with the registry office having jurisdiction over its principal place of business.

(2) The provisions of Article 328 of the Commercial Act shall apply mutatis mutandis to the annulment of the establishment of a cooperative.

#### **Article 20 (Qualification for Membership)**

A member of a cooperative shall consent to the objectives of establishment of the cooperative and be willing to fulfill his/her obligations as a member.

#### **Article 21 (Admission)**

(1) No cooperative shall reject a person's application for joining the cooperative as a member without a justifiable reason, if the person is qualified for the membership, nor attach any condition more unfavorable than conditions for other members in admitting a person as a member.

(2) Notwithstanding the provisions of paragraph (1), a cooperative may restrict the qualification for its membership as a person meeting the objectives of establishment of the cooperative and its characteristics, as stipulated by articles of association.

#### **Article 22 (Contribution and Liability)**

(1) A member shall contribute at least one unit, as stipulated by articles of association: Provided, That a member may make his/her contribution in kind, if necessary, as stipulated by articles of association.

(2) The number of contribution units per member shall not exceed 30 percent of the total number of contribution units.

(3) No contribution paid by a member shall be a subject matter of a pledge right.

(4) No contribution payable to a cooperative shall be off set against claims against the cooperative.

(5) No member's liability shall exceed the amount of contributions paid by him/her.

#### **Article 23 (Voting Rights on Resolution or Election)**

(1) Each member shall have one vote on a resolution or election, irrespective of the number of his/her contribution units.

(2) A member may exercise his/her voting right on a resolution or election by proxy. In such cases, the member shall be deemed to be present at the meeting.

(3) A proxy under paragraph (2) shall be another member or a family member who cohabits with the principal (referring to the spouse of a member, a lineal ascendent or descendent or a sibling of a member or his/her spouse, or the spouse of a lineal ascendent or descendent or a sibling of a member; hereinafter the same shall apply), and the number of members for whom a person can act as proxy shall be limited to one person.

(4) A proxy under paragraph (2) shall submit a document certifying his/her power of proxy to the cooperative, as stipulated by articles of association.

#### **Article 24 (Withdrawals)**

(1) A member of a cooperative may withdraw from the cooperative by notifying the cooperative of his/her intention to withdraw, as prescribed by articles of association.

(2) If a member of a cooperative falls under any of the following subparagraphs, he/she shall be withdrawn automatically from the cooperative:

1. If a member is found disqualified;
2. If a member is deceased;
3. If a member is bankrupt;
4. If a member is declared incompetent;
5. If an incorporated member is dissolved;
6. If any other cause specified by articles of association occurs.

(3) The transfer of the status as a member or the transfer of the share of a member shall be subject to a resolution by the general assembly.

#### **Article 25 (Expulsion)**

(1) If a member of a cooperative falls under any of the following subparagraphs, the cooperative may expel the member:

1. If a member has not used the business of the cooperative for a period not less than the period specified in its articles of association;
2. If a member fails to pay his/her contribution or expenses or fails to perform any of his/her obligations to the cooperative;
3. If any other cause specified in articles of association occurs.

(2) When a cooperative intends to expel a member pursuant to paragraph (1), it shall notify the member of the reason of expulsion by not later than ten days before opening a general meeting and shall give the member an opportunity to express his/her opinion at the general meeting.

(3) No cooperative shall have any valid defense to protest against a member expelled in accordance with a resolution passed at a general meeting to expel the member without giving the member an opportunity to express his/her opinion under paragraph (2).

#### **Article 26 (Right to Claim Refund of Share and Suspension of Refund)**

(1) A member who withdraws from a cooperative (including an expelled member; hereafter the same shall apply in this Article and Article 27) may claim for refund of his/her share from the fiscal year immediately subsequent to the fiscal year in which he/she withdraws (including the time when expelled; hereafter the same shall apply in this Article and Article 27), as stipulated by articles of association.

(2) The share under paragraph (1) shall be determined on the basis of assets and liabilities of the cooperative as of the end of the fiscal year in which a member withdraws.

(3) The right to claim under paragraph (1) shall be extinguished by prescription, unless it is exercised within two years.

(4) A cooperative may suspend the refund of the share under paragraph (1) until a member fully performs his/her obligations to the cooperative.

#### **Article 27 (Withdrawing Member's Share of Deficits)**

If a cooperative is unable to fully repay its debts with its assets, it may claim a withdrawing member to pay his/her apportionment of deficits, as stipulated by articles of association, when it calculates the amount of the share that shall be refunded pursuant to Article 26. The provisions of Article 26 (3) shall

apply mutatis mutandis to such cases.

#### **Article 28 (General Assembly)**

- (1) A cooperative shall have the general assembly.
- (2) The general assembly shall be comprised of the president and members.
- (3) The president shall convene general meetings and shall preside over such general meetings.
- (4) An annual general meeting shall be convened once a year at the time specified by articles of association, while a special general meeting may be convened whenever deemed necessary, as stipulated by articles of association.
- (5) The president shall determine the purposes, agenda items, date, time, and venue of a general meeting by not later than seven days before opening the general meeting and shall give notice that the general meeting is convened by the method stipulated by articles of association.

#### **Article 29 (Matters subject to Resolutions by General Meeting)**

(1) The following matters shall be subject to a resolution by the general meeting: <Amended by Act No. 12272, Jan. 21, 2014>

1. Amendment of articles of association;
2. Establishment, amendment, or repeal of bylaws;
3. Election and dismissal of executive officers;
4. Approval of business plans and budgets;
5. Approval of reports on settlement of accounts;
6. Approval of audit reports;
7. Merger, division, or dissolution of the cooperative, or temporary suspension of the cooperative's business;
8. Expulsion of members;
- 8-2. Refund of contributions to members who secede from a cooperative (including persons dismissed from membership);
9. Matters specified by articles of association as being subject to a resolution by the general meeting;
10. Other matters that the president or the board of directors deems it necessary to bring to the general meeting for resolution.

(2) A resolution on matters under paragraph (1) 1, 7, 8 or 8-2 shall be passed with the attendance of a majority of all members and by an affirmative vote of not less than two-thirds of members present at the meeting, while a resolution on other matters shall be passed with the attendance of a majority of all members and by an affirmative vote of a majority of members present at the meeting. <Amended by Act No. 12272, Jan. 21, 2014>

#### **Article 30 (Minutes of General Meetings)**

- (1) Minutes of a general meeting shall be taken in regard to proceedings of the meeting.
- (2) Minutes of a general meeting shall contain the proceedings and results of the meeting, on which the president and at least three members elected at the general meeting shall print their names and affix their

seals or signatures.

### **Article 31 (General Meeting of Representatives)**

(1) If the number of members of a cooperative exceeds the number specified by Presidential Decree, the cooperative may establish a general assembly of representatives as a substitute for the general meeting.

(2) A general meeting of representatives shall be comprised of representatives elected from among members.

(3) The fixed number of representatives comprising a general meeting of the representatives shall be at least ten percent of the total number of the members as at the time of election of representatives: Provided, That where the total number of such representatives exceeds 100, the fixed number of representatives comprising a general meeting may be 100. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

(4) No representative shall authorize a proxy to exercise his/her voting right on a resolution or election. *<Amended by Act No. 12272, Jan. 21, 2014>*

(5) Matters necessary for the operation of a general meeting of the representatives, such as the terms of office, election methods of, and qualifications for, representatives, shall be prescribed by the articles of association. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

(6) The provisions regarding a general meeting shall apply mutatis mutandis to a general meeting of representatives, and the term "member" shall be construed as "representative" in such cases: Provided, That the general meeting of representatives shall not adopt any resolution on matters regarding the merger, division, and dissolution of the cooperative. *<Amended by Act No. 12272, Jan. 21, 2014>*

### **Article 32 (Board of Directors)**

(1) A cooperative shall have the board of directors.

(2) The board of directors shall be comprised of the president and directors.

(3) The president shall convene board of directors' meetings and shall presided over such meetings.

(4) The board of directors shall adopt a resolution with the attendance of a majority of members and by an affirmative vote of a majority of members present at the meeting, and other necessary matters regarding the opening of a board of directors' meeting, the method of passing resolutions, and the operation of the board of directors shall be stipulated by articles of association.

(5) Notwithstanding paragraph (1), a cooperative, the number of members of which is fewer than 10, may choose not to organize a board of directors, following a resolution by a general meeting. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

### **Article 33 (Matters subject to Resolution by Board of Directors)**

The following matters shall be subject to a resolution by the board of directors:

1. Matters regarding property of the cooperative and the execution of business affairs;
2. Convening of a general meeting and agenda items to be tabled before the general meeting;
3. Establishment, amendment, or repeal of regulations;
4. Preparation of proposed business plans and budgets;

5. Matters specified as being subject to a resolution by the board of directors by a statute, or articles of association;
6. Other important matters for the operation of the cooperative or matters brought by president for resolution.

#### **Article 34 (Executive Officers)**

- (1) A cooperative shall have at least three directors, including one president, and at least one auditor as its executive officers.
- (2) The full number of directors and the method of electing directors and auditors shall be stipulated by articles of association.
- (3) The president shall be elected from among directors at a general meeting, as stipulated by articles of association.
- (4) Where a corporation that is a member of a cooperative is an executive officer of the cooperative, such corporation that is a member of the cooperative shall elect a person in charge of duties of an executive officer and notify the members of the cooperative of the name and domicile of such person elected. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*
- (5) Notwithstanding paragraph (1), a cooperative prescribed by Presidential Decree in consideration of the nature of its business, the composition of its members, etc. may choose not to have an auditor following a resolution by a general meeting. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 35 (Term of Office of Executive Officers, etc.)**

- (1) The term of office of executive officers shall be stipulated by articles of association within the limit of four years.
- (2) Executive officers may be reappointed for consecutive terms: Provided, That a president may be reappointed for one further term only once.
- (3) The term of office of an executive officer elected to fill a vacancy shall expire at the end of the term of office of his/her predecessor.

#### **Article 36 (Disqualification as Executive Officers, etc.)**

- (1) No person who falls under any of the following subparagraphs shall be qualified as an executive officer of a cooperative or a person in charge of duties of the executive officer prescribed in Article 34 (4): *<Amended by Act No. 12272, Jan. 21, 2014>*
  1. An incompetent person under the adult guardianship;
  2. A quasi-incompetent person under the limited guardianship;
  3. A person adjudicated bankrupt but not yet reinstated;
  4. A person in whose case three years have not passed since the date on which a sentence of imprisonment without prison labor or heavier punishment imposed upon him/her was completely executed (including cases where it is deemed that such sentence was completely executed) or discharged;

5. A person who is still in the suspension period of a sentence of the suspension of execution of imprisonment without prison labor or heavier punishment or a person in whose case two years have not passed since the date on which the suspension period of such sentence expired;
6. A person for whom sentencing imprisonment without prison labor or heavier punishment was suspended and is still in the sentence suspension period;
7. A person who has his/her qualification relinquished of or suspended by judgment by a court or by operation of any other Act.

(2) If any subparagraph of paragraph (1) applies to an executive officer, the executive officer or a person in charge of duties of the executive officer under Article 34 (4) shall be automatically dismissed from his/her office. *<Amended by Act No. 12272, Jan. 21, 2014>*

(3) A conduct in which an executive officer dismissed pursuant to paragraph (2) or a person in charge of duties of the executive officer under Article 34 (4) has engaged before his/her dismissal shall remain effective and valid. *<Amended by Act No. 12272, Jan. 21, 2014>*

### **Article 37 (Restrictions on Election Campaign)**

(1) No person shall commit any of the following acts with intent to have him/herself or any specific person elected or fail in an election for executive officer or representative of a cooperative: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. Any of the following acts committed toward a member (including a person who has filed an application for membership with the cooperative; hereafter the same shall apply in this Article) or any of his/her family (referring to a spouse of the member, a lineal ascendant, descendant, and sibling of the member or his/her spouse, and a spouse of a lineal ascendant, descendant, and sibling of the member; hereinafter the same shall apply), or toward an institution, organization, facility established and operated by a member or any of his/her family members:

(a) Offering money, goods, entertainment, or any other interest in property;

(b) Providing a government or private job;

(c) Expressing his/her intention to offer money, goods, entertainment, or any other interest in property or to provide a government or private job, or promising to offer such favor;

2. Committing an act under any item of subparagraph 1 against a person who intends to become a candidate or who is a candidate with intent to have the person fail to become a candidate or to have the person resign from the candidate;

3. Obtaining a benefit or a job under subparagraph 1 or 2, accepting the manifestation of the intent to offer such benefit or job, or demanding or arranging the offer of such benefit or job.

(2) No person who intends to become an executive officer or a representative shall visit members door to door or solicit members to gather in a specific place for election campaign during the period stipulated by articles of association.

(3) No person shall slander a candidate by publishing a false fact in relation to an election of executive officers or representatives of a cooperative or by stating a fact publicly by public speech, poster, or any

other means.

(4) No person shall conduct an election campaign by other than the following means in connection with an election of executive officers or representatives: <Amended by Act No. 12272, Jan. 21, 2014>

1. Posting propaganda posters;
2. Distributing official election bulletins;
3. Distributing printed leaflets;
4. Holding joint speeches or public forums;
5. Appealing for support by telephone (including text messages), fax, or computer communications (including electronic mail).

#### **Article 38 (Organization and Operation of Election Committee)**

(1) A cooperative may organize and operate an election committee in order to ensure the fair management of an election of executive officers or representatives.

(2) Necessary matters regarding the functions, organization, and operation of the election committee may be stipulated by articles of association.

#### **Article 39 (Duties and Liability of Executive Officers)**

(1) An executive officer shall observe this Act, any order issued pursuant to this Act, articles of association, bylaws, regulations, and resolutions by the general assembly and by the board of directors and shall perform his/her duties conscientiously for the cooperative.

(2) If an executive officer inflicts any loss or injury on a cooperative by violating a statute, or any provision of articles of association or by neglecting his/her duties, he/she shall jointly and severally compensate the cooperative for such loss or injury.

(3) If an executive officer inflicts any loss or injury on a third party by neglecting his/her duties by an intentional act or by gross negligence, he/she shall jointly and severally compensate the third party for such loss or injury.

(4) If an act under paragraph (2) or (3) is committed as a consequence of a resolution passed by the board of directors, executive officers who agreed on the resolution shall take the liability under paragraph (2) or (3).

(5) Any person who participated in a resolution under paragraph (4), but failed to express his/her dissent clearly, shall be deemed to have agreed to the resolution.

#### **Article 40 (Dismissal of Executive Officers)**

(1) Members may demand the dismissal of an executive officer at a general meeting with consent from not less than one-fifth of all members.

(2) In order to pass a resolution on dismissal of an executive officer, the executive officer shall be notified of the grounds of such dismissal and shall be provided with an opportunity to express his/her opinion at the general meeting.

#### **Article 41 (Duties of President and Directors)**

(1) A president shall represent a cooperative and shall execute business affairs of the cooperative, as stipulated by articles of association.

(2) Directors shall execute business affairs of a cooperative, as stipulated by articles of association, and shall act on behalf of a president in the order stipulated by articles of association, when the president is unable to attend to such affairs.

(3) Except the cases under paragraph (2) and where a president delegates his/her authority, a director, other than the president, shall not represent the cooperative.

#### **Article 42 (Duties of Auditors)**

(1) Auditors shall audit the current status of business execution and property of the cooperative and its accounting books and documents and shall report the results thereof to the general assembly.

(2) Auditors may inspect and examine accounting books and documents of the cooperative without notice.

(3) If it is discovered that a president or directors have executed business affairs in contravention of this Act, any order issued pursuant to this Act, articles of association, bylaws, regulations, or a resolution by the general assembly, auditors shall demand the board of directors to take corrective measures.

(4) Auditors may attend a general meeting or a board of director's meeting to express their opinions.

(5) Where a cooperative does not have an auditor as prescribed in Article 34 (5), a general meeting shall perform the duties of the auditor referred to in paragraphs (1) through (3). *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 43 (Auditors' Authority to Represent)**

(1) Where a cooperative institutes legal proceedings against its directors including its president, its auditor shall represent the cooperative. *<Amended by Act No. 12272, Jan. 21, 2014>*

(2) Where a cooperative that does not have an auditor pursuant to Article 34 (5) institutes legal proceedings under paragraph (1), the cooperative, its directors, or an interested party shall file an application with a court to appoint a person to be representative of the cooperative. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 44 (Prohibition of Concurrent Office of Executive Officers and Employees)**

(1) No president of a cooperative shall concurrently hold office as the president of any other cooperative.

(2) No president, director, or employee of any cooperative shall concurrently serve as its auditor.

(3) No executive officer of a cooperative shall concurrently work for the cooperative as its employee. *<Amended by Act No. 12272, Jan. 21, 2014>*

(4) Notwithstanding paragraphs (2) and (3), an executive officer may concurrently hold a position of an employee, as prescribed by Presidential Decree, in consideration of the nature of business, the composition of members, etc. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

(5) No executive officer or employee of a cooperative shall concurrently take the office of a member of the National Assembly or member of a local council. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 45 (Business Activities)**

(1) A cooperative shall autonomously stipulate its business activities necessary for fulfilling its objectives of establishment by articles of association, but the following business activities shall be included therein:

1. Programs for counselling, education, training of members and employees and for providing information to them;
2. Business activities for cooperation between cooperatives;
3. Advertisement of the cooperative and business activities for local communities.

(2) A cooperative shall conduct its business activities lawfully and fairly in accordance with the purposes, requirements, procedures, and methods provided for in relevant statutes.

(3) Notwithstanding the provisions of paragraphs (1) and (2), no cooperative shall be engaged in any financial or insurance business defined in the Korea Standard Industrial Classification Code publicly announced by the Commissioner of the Korea National Statistical Office pursuant to Article 22 (1) of the Statistics Act.

#### **Article 46 (Use of Services)**

Any cooperative may allow persons other than members of the cooperative to use its services to the extent that does not interrupt its members in using its services with the exception of services prescribed by Presidential Decree, as prescribed by the articles of association.

#### **Article 47 (Fiscal Year, etc.)**

(1) A cooperative's fiscal year shall be stipulated by articles of association.

(2) A cooperative's accounts shall be divided into general accounts and special accounts, and the business sector for each account shall be stipulated by articles of association.

#### **Article 48 (Business Plans and Budget for Revenue and Expenditure)**

A cooperative shall prepare a business plan and a budget for revenue and expenditure for each fiscal year and shall table them at the general assembly for approval.

#### **Article 49 (Transparency of Operation)**

(1) A cooperative shall actively disclose the following matters: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. Articles of association and bylaws or regulations;
2. Minutes of general meetings or meetings of the board of directors;
3. List of the members thereof;
4. Books of accounts;
5. Other matters prescribed by the articles of association.

(2) A cooperative shall keep documents including matters referred to in the subparagraphs of paragraph (1) in its principal place of business. *<Amended by Act No. 12272, Jan. 21, 2014>*

(3) A creditor or a member of a cooperative may read documents including matters referred to in the subparagraphs of paragraph (1), or demand copies thereof. *<Amended by Act No. 12272, Jan. 21, 2014>*

(4) Deleted. *<by Act No. 12272, Jan. 21, 2014>*

#### **Article 49-2 (Public Announcement of Management)**

(1) A cooperative over a specified size prescribed by Presidential Decree shall make a public announcement of the following matters concerning its management (hereafter referred to as "public announcement of management" in this Article) on the Internet homepage of the federation of cooperatives or a City/Do to which it has reported the establishment thereof pursuant to Article 15:

1. Articles of association and bylaws or regulations;
2. Annual report;
3. Current status of activities of general meetings, general meetings of representatives, and the board of directors;
4. Report on the results of activities including activities referred to in Article 45 (1) 1 through 3.

(2) Notwithstanding paragraph (1), the Minister of Strategy and Finance may separately standardize and consolidate matters referred to in the subparagraphs of the said paragraph, and make a public announcement of such matters in lieu of a public announcement of management.

(3) The Minister of Strategy and Finance may request a cooperative to submit data necessary to make a consolidated public announcement under paragraph (2). In such cases, the cooperative shall comply with such request unless any extenuating circumstance exists.

(4) In addition to matters provided for in paragraphs (1) through (3), matters necessary for public announcement of management of a cooperative or procedures for consolidated public announcement shall be prescribed by Presidential Decree.

#### **Article 50 (Legal Reserves and Voluntary Reserves)**

(1) When a cooperative has a surplus after the settlement of accounts for a fiscal year, it shall set aside not less than 10 percent of the surplus (hereinafter referred to as "legal reserve") until the amount reaches three times the total amount of contributions paid as at the end of the relevant fiscal year. <Amended by Act No. 12272, Jan. 21, 2014>

(2) A cooperative may set aside business reserves and other reserves (hereinafter referred to as "voluntary reserves"), as stipulated by articles of association.

(3) Except where the legal reserve is appropriated for the set off of losses or where a cooperative is dissolved, no cooperative shall use the legal reserve.

#### **Article 51 (Compensation for Losses and Distribution of Surplus)**

(1) When a cooperative has a loss after the settlement of accounts for a fiscal year (referring to a loss for the term), it shall appropriate the unappropriated carry-over, voluntary reserves, and the legal reserve for the set off of such loss in the order stated above, but shall carry over the balance of such loss to the following fiscal year, if a balance remains after offsetting the loss.

(2) A cooperative may distribute a surplus to members, as stipulated by articles of association, after it appropriates the earnings for the compensation for the loss under paragraph (1) and sets aside the legal reserve and voluntary reserves under Article 50.

(3) When a cooperative distributes a surplus pursuant to paragraph (2), the dividends of earnings from the use of the cooperative's business shall not be less than 50 percent of the total amount of dividends, but the

dividends of paid-in contributions shall not exceed 10 percent of the paid-in contributions.

#### **Article 52 (Approval of Report on Settlement of Accounts)**

(1) Each cooperative shall submit a report on the settlement of accounts (referring to a business report, a balance sheet, an income statement, and a plan for appropriation of retained earnings or a plan for disposition of deficits) to its auditor by not later than seven days before the opening date of an annual general meeting.

(2) Each cooperative shall submit a report on the settlement of accounts under paragraph (1) along with auditors' letter of opinion to an annual general meeting for approval.

#### **Article 53 (Resolutions on Reduction of Contributions)**

(1) When a cooperative passes a resolution on reduction of the value for each contribution unit, it shall prepare a balance sheet within 14 days from the date of resolution.

(2) Each cooperative shall give peremptory notice individually to known creditors simultaneously when it gives public notice during the period under paragraph (1) to require them to file an objection within a specified period if they have an objection.

(3) A period for filing an objection under paragraph (2) shall not be less than 30 days.

#### **Article 54 (Creditors' Objection against Reduction of Contributions)**

(1) If no creditor files an objection during a period for filing an objection under Article 53 (2), it shall be deemed that the reduction of the value per contribution unit has been approved.

(2) If a creditor files an objection, the cooperative shall repay debts or offer equivalent security to the creditor.

#### **Article 55 (Prohibition of Acquisition of Share of Contributions)**

No cooperative shall acquire a member's share of contributions nor take such share as the subject matter of a pledge right.

#### **Article 56 (Merger and Division)**

(1) A cooperative may initiate a merger or a division with a resolution thereon by the general assembly after it prepares a merger agreement or a division plan.

(2) When cooperatives are merged, the cooperative surviving the merger shall file a report on merger, the cooperative newly established after the division shall file a report on establishment, and the cooperative dissolved after the merger shall file a report on dissolution, respectively with the Mayor/Do Governor having jurisdiction over the seat of its principal office. *<Amended by Act No. 12272, Jan. 21, 2014>*

(3) The cooperative surviving or newly established as a consequence of a merger or division shall succeed to the rights and obligations of the cooperative dissolved as a consequence of the merger or division.

(4) The provisions of Articles 15, 15-2, 16, and 17 shall apply mutatis mutandis to cooperatives established pursuant to paragraph (1). *<Amended by Act No. 12272, Jan. 21, 2014>*

(5) No cooperative shall merge with any legal entity, organization, or cooperative other than cooperatives under this Act nor be split off into any legal entity, organization, or cooperative other than cooperatives under this Act.

(6) Notwithstanding paragraph (5), where a cooperative obtains approval from the Minister of Strategy and Finance, it may merge the following corporations: <Newly Inserted by Act No. 12272, Jan. 21, 2014>

1. A stock company incorporated pursuant to the Commercial Act;
2. A limited company incorporated pursuant to the Commercial Act;
3. A limited liability company incorporated pursuant to the Commercial Act.

(7) Necessary matters concerning criteria and procedures for approval under paragraph (6) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 12272, Jan. 21, 2014>

(8) The provisions of Articles 53 and 54 shall apply mutatis mutandis to the merger and division of cooperatives. <Amended by Act No. 12272, Jan. 21, 2014>

#### **Article 57 (Dissolution)**

(1) Each cooperative shall be dissolved when any of the following events occurs:

1. When an event specified as a ground for dissolution by articles of association occurs;
2. When the general assembly resolves to dissolve it;
3. When it is merged, divided, or insolvent.

(2) Where a cooperative is dissolved, a liquidator shall report the dissolution thereof within 14 days after he/she takes office as the liquidator, to the Mayor/Do Governor to whom the cooperative has reported the establishment thereof, as prescribed by Ordinance of the Ministry of Strategy and Finance, except cases where the cooperative becomes insolvent. <Amended by Act No. 12272, Jan. 21, 2014>

#### **Article 58 (Liquidators)**

(1) Except where a cooperative is dissolved due to its insolvency, when a cooperative is dissolved, its president shall serve as the liquidator: Provided, That any person, other than its president, may be appointed as the liquidator by the general assembly, if the general assembly passes a resolution thereon.

(2) The liquidator shall inspect the current status of the cooperative's property without delay after his/her inauguration, prepare a list of property and a balance sheet, determine the methods of disposing of property, and obtain approval thereof from the general assembly.

(3) When administrative affairs for liquidation are complete, the liquidator shall prepare a report on the settlement of accounts without delay and shall obtain approval thereof from the general assembly.

(4) If a cooperative fails to hold a general meeting even after it has convened the general meeting on at least two occasions in cases falling under paragraph (2) or (3), it shall be deemed that the general assembly approves relevant matters, even where not less than two-thirds of members present at the meeting approve them.

#### **Article 59 (Disposal of Residual Property)**

(1) Where a cooperative is dissolved and residual property remains after the repayment of debts, the cooperative shall dispose of such property, as prescribed by the articles of association.

(2) Notwithstanding paragraph (1), when a cooperative changes its organization pursuant to Article 60-2 (4), it may donate its retained earnings accumulated as a reserve to the federation of cooperatives or another cooperative, as prescribed by the articles of association. <Newly Inserted by Act No. 12272, Jan. 21,

2014>

**Article 60 (Application Mutatis Mutandis of the Civil Act, etc.)**

The provisions of Articles 79, 81, 87, 88 (1) and (2), 89 through 92, and 93 (1) and (2) of the Civil Act and the provisions of Article 121 of the Non-Contentious Case Procedure Act shall apply mutatis mutandis to the dissolution and liquidation of a cooperative.

**Article 60-2 (Organizational Change of Corporation, etc.)**

(1) A limited liability company, stock company, or limited company incorporated pursuant to the Commercial Act, or a for-profit corporation incorporated pursuant to other Acts and subordinate statutes (hereinafter referred to as "corporation, etc.") may change its organization to a cooperative under this Act, following a resolution by a general meeting with an unanimous consent of all constituent members (where a general meeting is not organized, referring to the consent of all constituent members; hereinafter the same shall apply in this Article and Article 105-2). In such cases, the existing corporation, etc. and a cooperative with organizational change shall be deemed the same corporation in terms of the rights and obligations.

(2) A resolution by a general meeting under paragraph (1) shall determine on the following matters on a cooperative with organizational change:

1. Articles of association;
2. Contributions;
3. Other matters necessary for organizational change to a cooperative.

(3) Organizational change to a cooperative under paragraph (1) does not allow an amount larger than the existing net assets of the existing corporation, etc. as the total amount of contributions of the cooperative.

(4) Retained earnings prescribed by Presidential Decree held by a corporation, etc. may be converted to a reserve under Article 50 following a resolution by a general meeting.

(5) Where it is necessary for a corporation, etc. to make a report to, or obtain authorization, permission, approval, etc. (hereinafter referred to as "approval, permission, etc.") from the head of a related administrative agency, among matters to be resolved by a general meeting for organizational change to a cooperative under paragraph (1), the corporation shall obtain his/her approval, permission, etc. in advance.

(6) Where a general meeting passes a resolution under paragraph (1), a corporation, etc. shall report matters concerning organizational change to a cooperative, to the Mayor/Do Governor having jurisdiction over the seat of the principal office of the corporation, etc., as prescribed by Presidential Decree.

**Article 61 (Registration of Establishment)**

(1) Each cooperative shall file for registration of its establishment with the registry office having jurisdiction over its principal place of business within 14 days from the date on which contributions are fully paid in.

(2) The following matters shall be stated in an application for registration of establishment: *<Amended by Act No. 12272, Jan. 21, 2014; Act No. 14053, Mar. 2, 2016>*

1. Matters under Article 16 (1) 1 and 2;
  2. The total number of capital shares and the total value of paid-in capital;
  3. The date the establishment report is filed;
  4. Names, resident registration numbers, and domiciles of executive officers (where an executive officer is a corporation, the name, corporate registration number and domicile of the corporation): Provided, That the foregoing shall not apply to the domicile of an executive officer who is not the chairperson of the board of directors.
- (3) In filing for registration of establishment, the president shall be the applicant.
- (4) An application for registration of establishment under paragraph (2) shall be accompanied by copies of an establishment report, minutes of the inaugural general meeting, and articles of association.
- (5) An application for registration of the establishment of a cooperative as a consequence of a merger or division shall be accompanied by all the following documents: *<Amended by Act No. 12272, Jan. 21, 2014>*
1. Documents under paragraph (4);
  2. A document proving that public notice or peremptory notice has been given pursuant to Article 53;
  3. A document proving that debts have been repaid to creditors who have filed an objection or that security has been provided to such creditors pursuant to Article 54.

#### **Article 62 (Registration for Establishment of Branch Offices)**

When a cooperative establishes a branch office, it shall file for registration therefor with the registry office having jurisdiction over its principal place of business within 21 days and with the registry office having jurisdiction over the branch office within 28 days, respectively.

#### **Article 63 (Registration for Relocation)**

(1) When a cooperative relocates its place of business, it shall file for registration for relocation with the registry offices having jurisdiction over its previous and new places of business respectively within 21 days.

(2) In filing for registration under paragraph (1), the president shall be the applicant.

#### **Article 64 (Registration of Changes)**

(1) If any changes are made to matters under the subparagraphs of Article 61 (2), the cooperative shall file for registration of such changes with the registry offices having jurisdiction over its principal place of business and the relevant branch office, respectively, within 21 days.

(2) Notwithstanding paragraph (1), registration of any changes to matters under Article 61 (2) 2 shall be obtained within three months after the fiscal year ends on the basis of the end of the relevant fiscal year.

*<Amended by Act No. 14053, Mar. 2, 2016>*

(3) In filing for registration of any changes under paragraphs (1) and (2), the president shall be the applicant.

(4) An application for registration under paragraph (3) shall be accompanied by documents proving the change in the relevant registered matter.

(5) An application for registration for any changes as a consequence of the reduction of capital, a merger, or a division shall be accompanied by all the following documents:

1. Documents under paragraph (4);
2. Documents proving that public notice or peremptory notice has been given pursuant to Article 53;
3. A document proving that debts have been repaid to creditors who have filed an objection or that security has been provided to such creditors pursuant to Article 54.

**Article 65 (Registration for Merger)**

(1) When cooperatives are merged, the cooperative surviving the merger shall file for registration for the change, the cooperative dissolved as a consequence of the merger shall file for registration for dissolution, and the cooperative established as a consequence of the merger shall file for registration for establishment under Article 61 respectively with the registry office having jurisdiction over the place of business of each cooperative respectively within 14 days from the date on which the report on merger is filed.

(2) In filing for registration for dissolution under paragraph (1), the president of the cooperative dissolved as a consequence of the merger shall be the applicant.

(3) In cases falling under paragraph (2), an application for registration shall be accompanied by documents proving the ground for dissolution.

**Article 66 (Registration for Dissolution)**

(1) Except where a cooperative is dissolved due to a merger or insolvency, when a cooperative is dissolved, it shall file for registration for dissolution with the registry office having jurisdiction over its principal place of business within 14 days and with the registry office having jurisdiction over the relevant branch office within 21 days.

(2) In filing for registration for dissolution under paragraph (1), the liquidator shall be the applicant.

(3) An application for registration for dissolution shall be accompanied by documents proving the ground for dissolution.

**Article 67 (Registration for Liquidator)**

(1) Each liquidator shall register his/her name, resident registration number, and address with the registry office having jurisdiction over the principal place of business within 14 days from the date of his/her inauguration.

(2) If the liquidator is not the president, an application for registration shall be accompanied by documents proving qualification of the applicant to file for registration under paragraph (1).

**Article 68 (Registration for Closing of Liquidation)**

(1) When liquidation is complete, the liquidator shall file for registration for closing of liquidation with the registry office having jurisdiction over the principal place of business within 14 days and with the registry office having jurisdiction over the relevant branch office within 21 days.

(2) An application for registration under paragraph (1) shall be accompanied by documents proving the approval of the report on the settlement of accounts under Article 58 (3).

## **Article 68-2 (Registration of Organizational Change)**

Where a corporation, etc. makes an organizational change to a cooperative pursuant to Article 60-2, the corporation, etc. before the organizational change shall register the dissolution thereof, and the cooperative shall register the incorporation thereof under Article 61, within 14 days at the seat of its principal office, and within 21 days at the seat of its branch, from the date it reports pursuant to Article 60-2 (6).

## **Article 69 (Registers)**

Each registry office shall keep the register of cooperatives.

## **Article 70 (Application Mutatis Mutandis of the Non-Contentious Case Procedure Act, etc.)**

The provisions regarding registration in the Non-Contentious Case Procedure Act and the Commercial Registration Act shall apply mutatis mutandis to the registration of a cooperative, except as otherwise provided for in this Act.

## **Article 71 (Reporting on Establishment, etc.)**

(1) Where cooperatives intend to establish a federation of cooperatives (hereinafter referred to as "federation"), at least three cooperatives qualified for membership shall prepare the articles of association as promoters, and report the establishment of the Federation to the Minister of Strategy and Finance following a resolution at the inaugural general meeting. The same shall also apply where the federation intends to modify reported matters. *<Amended by Act No. 12272, Jan. 21, 2014>*

(2) The resolution at the inaugural general meeting shall be passed with the attendance of a majority of the cooperatives that have submitted a letter of consent to establishment to promoters before the opening of the inaugural general meeting, and by an affirmative vote of not less than two-thirds of persons present at the meeting.

(3) Except as otherwise provided for in paragraphs (1) and (2), matters necessary to report the establishment of the federation and report the changes therein shall be prescribed by Presidential Decree. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

## **Article 71-2 (Issuance, etc. of Written Confirmation of Report)**

(1) Upon receipt of a report on the establishment of the federation pursuant to Article 71, the Minister of Strategy and Finance shall issue a written confirmation of the report, except where he/she returns the report on the establishment thereof or requests the federation to supplement the report.

(2) Matters necessary for the issuance of a written confirmation of a report under paragraph (1) shall be prescribed by Presidential Decree.

## **Article 72 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 16 through 19 shall apply mutatis mutandis to the establishment of a federation. In such cases, the term "cooperative" shall be construed as "federation", the term "member" as "member cooperative", the term "competent Mayor/Do Governor" as "Minister of Strategy and Finance", and the term "members and proxies" in Article 16 (1) 3 as "member cooperatives".

## **Article 73 (Qualification for Membership)**

- (1) Member cooperatives of a federation shall be cooperatives that consent to the objectives of the establishment of the federation and that are willing to fulfill their obligations as member cooperatives.
- (2) A federation may place restrictions on qualification for membership, as stipulated by articles of association.

#### **Article 74 (Withdrawals)**

- (1) A member cooperative may withdraw from a federation by notifying the federation of its intention to withdraw, as stipulated by articles of association.
- (2) If a member cooperative falls under any of the following subparagraphs, it shall be withdrawn from the federation automatically:
  1. If a member cooperative is disqualified;
  2. If a member cooperative is dissolved or insolvent;
  3. If any other ground specified by articles of association occurs.

#### **Article 75 (Voting Rights on Resolutions or Elections)**

A federation may grant its member cooperatives unequal voting rights on a resolution or election according to the number of members of member cooperatives, the level of participation in business activities of the federation, and the number of contribution units, as stipulated by articles of association.

#### **Article 76 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 21, 22, 25 through 27 shall apply mutatis mutandis to the members of the federation. In such cases, "cooperative" shall be construed as "federation", "member of a cooperative" as "member", "one member of a cooperative" in Article 22 (2) as "one member", and "30 percent" in the said paragraph as "40 percent". *<Amended by Act No. 12272, Jan. 21, 2014>*

#### **Article 77 (General Assembly)**

- (1) Each federation shall have a general assembly.
- (2) The general assembly shall be comprised of a chairperson and member cooperatives.

#### **Article 78 (Executive Officers)**

Executive officers shall be elected at a general meeting from among members who belong to any of member cooperatives, as prescribed by articles of association.

#### **Article 79 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 28 (3) through (5) and 29 through 44 shall apply mutatis mutandis to organs of the Federation. In such cases, "cooperative" shall be construed as "federation", "president" as "chairperson", "member of a cooperative" as "member", "one-fifth" in Article 40 (1) as "one-third", "member of a cooperative" in Article 37 as "member of a cooperative that belongs to a member", and "person who has filed an application for membership" in the said Article as "member who belongs to a cooperative that has filed an application for membership", respectively. *<Amended by Act No. 12272, Jan. 21, 2014>*

#### **Article 80 (Business Activities)**

(1) Each federation shall stipulate business activities necessary for fulfilling its objectives of establishment by articles of association, but include the following business activities therein:

1. Programs for guidance, support, communication, and coordination of member cooperatives;
2. Programs for counselling, education, training of members and employees who belong to member cooperatives and for providing information thereto;
3. Programs for survey, research, and advertisement of the business of member cooperatives.

(2) Each federation shall conduct its business activities lawfully and fairly in accordance with the purposes, requirements, procedures, and methods provided for in relevant statutes.

(3) Notwithstanding the provisions of paragraphs (1) and (2), no federation shall be engaged in any financial or insurance business defined in the Korea Standard Industrial Classification Code publicly announced by the Commissioner of the Korea National Statistical Office pursuant to Article 22 (1) of the Statistics Act.

#### **Article 80-2 (Mutual Aid Programs)**

(1) Notwithstanding Article 80 (3), the federation may conduct mutual aid programs (referring to programs the federation conducts for members who pay fees for mutual aid within the extent of a reserve made with fees for mutual aid paid by members for the purpose of mutual aid among the members) for mutual aid among the members thereof: Provided, That a guarantee program needed to fulfill an obligation or perform a duty of a member shall be excluded.

(2) Where the federation intends to conduct mutual aid programs under paragraph (1), it shall obtain approval from the Minister of Strategy and Finance. The same shall also apply where it intends to change approved matters.

(3) Matters necessary for approval, such as requirements and procedures for approval, under paragraph (2), shall be prescribed by Presidential Decree.

(4) The Minister of Strategy and Finance may formulate and operate standards necessary to supervise mutual aid programs for the healthy growth of mutual aid programs and the protection of contracting parties.

#### **Article 81 (Use of Services)**

(1) Each federation may allow persons other than members to use its services to the extent that does not interrupt its members in using its services with the exception of services prescribed by Presidential Decree, as prescribed by the articles of association. *<Amended by Act No. 12866, Dec. 30, 2014>*

(2) Where a member of cooperative uses any of the federation's business services, the cooperative shall be deemed to use them: Provided, That the foregoing shall not apply to mutual aid programs under Article 80-2. *<Amended by Act No. 12272, Jan. 21, 2014>*

#### **Article 82 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 47 through 49, 49-2, and 50 through 55 shall apply mutatis mutandis to a federation's accounting. In such cases, the term "cooperative" shall be construed as "federation", and the term "member" as "member cooperative", respectively. *<Amended by Act No. 12272, Jan. 21, 2014>*

### **Article 83 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 56 (1) through (5) and (7), 57, 58, 59 (1) and 60 shall apply mutatis mutandis to the merger, division, dissolution, and liquidation of a federation. In such cases, the term "cooperative" shall be construed as "federation", the term "member" as "member cooperative", the term "competent Mayor/Do Governor" as "Minister of Strategy and Finance", the term "Articles 15, 15-2, 16 and through 17" in Article 56 (4) as "Articles 71, 71-2 and 72", and the term "member of a cooperative" in Article 58 (4) as "member", respectively. <Amended by Act No. 12272, Jan. 21, 2014>

### **Article 84 (Provisions Applicable Mutatis Mutandis)**

@Articles 61 through 68, 69 and 70 shall apply mutatis mutandis to the registration of a federation. In such cases, the term "cooperative" shall be construed as "federation", and the term "president" as "chairperson", respectively. <Amended by Act No. 12272, Jan. 21, 2014>

### **Article 85 (Authorization for Establishment, etc.)**

(1) When it is intended to establish a social cooperative, at least five persons qualified for membership shall prepare articles of association as promoters, table the articles of association at the inaugural general meeting for a resolution, and then obtain authorization therefor from the Minister of Strategy and Finance.

(2) A resolution at the inaugural general meeting shall be passed with the attendance of a majority of persons who have submitted a letter of consent to establishment to promoters before the opening of the inaugural general meeting and by an affirmative vote of not less than two-thirds of persons present at the meeting.

(3) Upon receiving an application for authorization for establishment pursuant to paragraph (1), the Minister of Strategy and Finance shall authorize the establishment within 60 days from the date the application is filed, except the following cases: Provided, That the period may be extended only once by not more than 60 days if it is difficult to process the application due to an exceptional circumstance within the period specified for processing:

1. If documents required for authorization for establishment are inadequately prepared;
2. If the proceedings for establishment, articles of association, or any content of a business plan contravenes a statute;
3. If an application fails to meet the criteria for authorization for establishment, otherwise.

(4) Detailed matters regarding the procedure for filing an application for authorization for establishment under paragraphs (1) and (3), the number of members, the amount of contribution, other criteria necessary for authorization, and the method of authorization shall be prescribed by Presidential Decree.

(5) Deleted. <by Act No. 12272, Jan. 21, 2014>

### **Article 86 (Articles of Association)**

(1) The articles of association of a social cooperative shall include the following matters:

1. Objectives;
2. Name and the principal place of business;

3. Qualification for members and proxies;
  4. Matters regarding admission to, and withdrawal and expulsion from, a cooperative;
  5. The value of a contribution unit, the method and timing for payment, and the limit on the number of contribution units of each member;
  6. Matters regarding rights and obligations of members;
  7. Matters regarding the appropriation of a surplus and the disposal of deficits;
  8. Matters regarding the method of accumulating reserves and the use of reserves;
  9. Matters regarding the scope of business and accounting;
  10. Matters regarding organs and executive officers;
  11. Matters regarding the method of giving public notification;
  12. Matters regarding dissolution;
  13. Matters regarding the transfer of contributions;
  14. Other matters necessary for the operation of the general assembly and the board of directors.
- (2) An amount of one contribution unit under paragraph (1) 5 shall be fixed uniformly. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*
- (3) An amendment to articles of association of a social cooperative shall become effective only when it is authorized by the Minister of Strategy and Finance.

#### **Article 87 (Transfer of Administrative Affairs for Establishment and Payment of Contributions)**

- (1) Upon obtaining authorization for the establishment of a social cooperative pursuant to Article 85 (1), promoters shall transfer administrative affairs therefor to its president without delay.
- (2) Upon having administrative affairs transferred pursuant to paragraph (1), the president shall set a deadline for the payment of contributions and shall require persons who intend to become members to pay their contributions by such deadline.
- (3) Each in-kind contributor shall deliver an asset as the subject matter of his/her contribution by the deadline under paragraph (2), prepare documents necessary for the registration or recording of such asset and the transfer of rights, and submit the documents to the cooperative.
- (4) Capital of a social cooperative shall be the total amount of contributions paid by the members thereof. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 88 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 17 and 19 shall apply mutatis mutandis to the establishment of a social cooperative. In such cases, the term "cooperative" shall be construed as "social cooperative", and the term "registration for establishment under Article 61" in Article 19 (1) as "registration for establishment under Article 106", respectively.

#### **Article 89 (Right to Claim Refund of Contributions and Suspension of Refund)**

- (1) A member who withdraws from a cooperative (including an expelled member; hereafter the same shall apply in this Article and Article 90) may claim a refund of his/her contribution from the fiscal year immediately subsequent to the fiscal year in which he/she withdraws (including the time when expelled;

hereafter the same shall apply in this Article and Article 90), as stipulated by articles of association.

(2) A right to claim under paragraph (1) shall be extinguished by prescription, unless it is exercised within two years.

(3) A social cooperative may suspend the refund of contributions under paragraph (1) until a member who withdraws from a cooperative fully performs his/her obligations to the social cooperative.

#### **Article 90 (Withdrawing Member's Share of Deficits)**

If a social cooperative is unable to fully pay its obligations with its assets, it may claim a withdrawing member to pay his/her apportionment of deficits, as stipulated by articles of association, when it calculates the refundable amount of contribution that shall be refunded pursuant to Article 89. The provisions of Article 89 (2) shall apply mutatis mutandis to such cases.

#### **Article 91 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 20 through 25 shall apply mutatis mutandis to members of a social cooperative. In such cases, the term "cooperative" shall be construed as "social cooperative".

#### **Article 92 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 28 through 33, 34 (1) through (3), 35 through 41, 42 (1) through (4), 43 (1), and 44 shall apply mutatis mutandis to organs of a social cooperative. In such cases, the term "cooperative" shall be construed as "social cooperative". *<Amended by Act No. 12272, Jan. 21, 2014>*

#### **Article 93 (Business Activities)**

(1) Each social cooperative shall be engaged in at least one business activities as its main business among the following business activities: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. Programs for contributing to the renewal of local (referring to a region under the jurisdiction of a City/Do, but where the real life zone extends over at least two Cities/Dos, referring to the whole of such life zone; hereafter the same shall apply in this subparagraph) communities, invigoration of the local economy, enhancement of rights, interests, and welfare of local residents, and resolution of other problems that local communities face;
2. Programs for providing the disadvantaged class prescribed by Presidential Decree with social services in the areas of welfare, medical service, or environment;
3. Programs to provide jobs for the disadvantaged class prescribed by Presidential Decree;
4. Projects entrusted by the central government or a local government;
5. Other projects contributing to the promotion of public service.

(2) The main business referred to in the subparagraphs of paragraph (1) shall be at least 40 percent of the total amount of the entire business of a cooperative. *<Amended by Act No. 12272, Jan. 21, 2014>*

(3) Criteria for judgement of main business under the subparagraphs of paragraph (1) shall be prescribed by Presidential Decree. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

(4) Except as otherwise provided for in paragraphs (1) through (3), Article 45 shall apply to business of a social cooperative. In such cases, a "cooperative" shall be deemed a "social cooperative". *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 94 (Small Loans to Members and Mutual Aid Programs)**

(1) Notwithstanding Article 45 (3) which is applied mutatis mutandis in Article 93 (4), a social cooperative may lend small loans and provide mutual aid programs to members as its business activities in addition to its main business within the limit of the total amount of its paid-in contributions in order to enhance mutual welfare, as stipulated by articles of association: Provided, That small loans shall not exceed two-thirds of the total amount of paid-in contributions. <Amended by Act No. 12272, Jan. 21, 2014>

(2) Further necessary details, such as the interest rate of small loans in the business activities under paragraph (1), the loan ceiling, the scope of mutual aid, the amount of mutual aid, the mutual aid agreement, and the membership fee for mutual aid, shall be prescribed by Presidential Decree.

#### **Article 95 (Use of Business Services)**

Except for business services prescribed by Presidential Decree, a social cooperative may allow a non-member to use its business services, as prescribed by the articles of association.

#### **Article 95-2 (Preferential Purchase by Public Institutions)**

(1) Where there are goods or services produced by a social cooperative among goods or services 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 intends to purchase, he/she shall promote the preferential purchase of the relevant goods or services.

(2) The head of a public institution under paragraph (1) shall notify the Minister of Strategy and Finance of a purchase plan to increase the purchase of goods or services produced by a social cooperative and the results of the purchase of the preceding year.

(3) Matters necessary for notification of a purchase plan and the results of purchase under paragraph (2) shall be prescribed by Presidential Decree.

#### **Article 96 (Transparency of Operation)**

(1) Each social cooperative shall actively disclose the following matters: <Amended by Act No. 12272, Jan. 21, 2014>

1. Articles of association and bylaws or regulations;
2. Minutes of general meetings and meetings of the board of directors;
3. List of members;
4. Books of accounts;
5. Other matters prescribed by the articles of association.

(2) Each social cooperative shall keep documents including matters referred to in the subparagraphs of paragraph (1) in its principal place of business. <Amended by Act No. 12272, Jan. 21, 2014>

(3) A creditor or a member of a cooperative may examine documents including matters referred to in the subparagraphs of paragraph (1) or demand copies thereof. <Amended by Act No. 12272, Jan. 21, 2014>

(4) Deleted. <by Act No. 12272, Jan. 21, 2014>

#### **Article 96-2 (Management Disclosure)**

(1) A social cooperative shall disclose the following matters concerning management (hereinafter referred to as "management disclosure") on the Internet homepage of the Ministry of Strategy and Finance or the federation of social cooperative:

1. Articles of association and bylaws or regulations;
2. Annual report;
3. Current status of activities of general meetings, general meetings of representatives, and the board of directors;
4. Report on the outcomes of activities including activities referred to in Article 45 (1) 1 through 3 which are applied mutatis mutandis in Article 93 (4).

(2) Notwithstanding paragraph (1), the Minister of Strategy and Finance may separately standardize and consolidate matters referred to in the subparagraphs of the said paragraph and announce such matters in lieu of the management disclosure.

(3) The Minister of Strategy and Finance may request a social cooperative to submit data necessary to make a consolidated announcement under paragraph (2). In such cases, the social cooperative shall comply with therewith unless in an extenuating circumstance.

(4) Except as otherwise provided for in paragraphs (1) through (3), necessary matters concerning procedures for management disclosure of a social cooperative or consolidated announcement shall be prescribed by Presidential Decree.

#### **Article 97 (Legal Reserves and Voluntary Reserves)**

(1) When a social cooperative has a surplus after the settlement of accounts for a fiscal year, it shall set aside not less than 30 percent of the surplus for the legal reserve until the amount reaches three times the total amount of contributions paid as at the end of the relevant fiscal year. <Amended by Act No. 12272, Jan. 21, 2014>

(2) A social cooperative may set aside a business reserve and other reserves (hereinafter referred to as "voluntary reserves"), as stipulated by articles of association.

(3) Except where a legal reserve is appropriated for the set off of losses or where a social cooperative is dissolved, no social cooperative shall use the legal reserve.

#### **Article 98 (Compensation for Losses and Distribution of Surplus)**

(1) When a social cooperative has a loss after the settlement of accounts for a fiscal year (referring to a loss for the term), it shall appropriate the unappropriated carry-over, voluntary reserves, and the legal reserve for the set off of such loss in the order stated above, but shall carry over the balance of such loss to the following fiscal year, if a balance remains after setting off the loss.

(2) Each social cooperative shall set aside a surplus accruing after setting off a loss under paragraph (1) and setting aside the legal reserve under Article 97 for a voluntary reserve, but shall not distribute the surplus to members.

#### **Article 99 (Exemption from Charges)**

The business and property of a social cooperative shall be exempt from charges except taxes imposed by the central government and local governments.

#### **Article 100 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 47, 48, and 52 through 55 shall apply mutatis mutandis to a social cooperative's accounting. In such cases, the term "cooperative" shall be construed as "social cooperative".

#### **Article 101 (Merger and Division)**

(1) A social cooperative may initiate a merger or a division with the resolution thereon by the general assembly after it prepares a merger agreement or a division plan.

(2) A merger or division of a social cooperative shall be subject to authorization by the Minister of Strategy and Finance.

(3) A social cooperative surviving or newly established as a consequence of a merger or division shall succeed to the rights and obligations of the social cooperative dissolved as a consequence of the merger or division.

(4) The provisions of Articles 85, 86, and 88 shall apply mutatis mutandis to social cooperatives established pursuant to paragraph (1).

(5) Deleted. <by Act No. 12272, Jan. 21, 2014>

(6) No social cooperative shall merge with any legal entity, organization, or cooperative other than social cooperatives under this Act nor be split off into any legal entity, organization, or cooperative other than social cooperatives under this Act.

(7) Notwithstanding paragraph (6), where a social cooperative obtains approval from the Minister of Strategy and Finance, it may merge the following corporations: <Newly Inserted by Act No. 12272, Jan. 21, 2014>

1. A stock company incorporated pursuant to the Commercial Act;
2. A limited company incorporated pursuant to the Commercial Act;
3. A limited liability company incorporated pursuant to the Commercial Act;
4. An incorporated association established pursuant to the Civil Act;
5. A cooperative.

(8) Necessary matters concerning criteria and procedures for approval under paragraph (7) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 12272, Jan. 21, 2014>

(9) Articles 53 and 54 shall apply mutatis mutandis to the merger and division of social cooperatives. <Amended by Act No. 12272, Jan. 21, 2014>

#### **Article 102 (Dissolution)**

(1) A social cooperative shall be dissolved when any of the following events occurs:

1. When an event specified as a ground for dissolution by articles of association occurs;
2. When the general assembly passes a resolution on dissolution;
3. When it is merged, divided, or insolvent;

4. When authorization for establishment is revoked.

(2) When a social cooperative is dissolved pursuant to paragraph (1) 1 through 3, a liquidator shall report the dissolution thereof to the Minister of Strategy and Finance within 14 days after he/she takes office as a liquidator, as prescribed by Ordinance of the Ministry of Strategy and Finance, except where the social cooperative becomes insolvent. *<Amended by Act No. 12272, Jan. 21, 2014>*

### **Article 103 (Liquidators)**

(1) Except where a social cooperative is dissolved due to its insolvency, when a cooperative is dissolved, its president shall serve as the liquidator: Provided, That any person, other than its president, may be appointed as the liquidator by the general assembly, if the general assembly passes a resolution thereon.

(2) The liquidator shall inspect the current status of the social cooperative's property without delay after his/her inauguration, prepare a list of property and a balance sheet, determine the methods of disposing of property, and shall obtain approval thereof from the general assembly.

(3) When administrative affairs for liquidation are complete, the liquidator shall prepare a report on the settlement of accounts without delay and obtain approval thereof from the general assembly.

(4) If a social cooperative fails to hold a general meeting even after it has convened the general meeting on at least two occasions in cases falling under paragraph (2) or (3), it shall be deemed that the general assembly approves relevant matters, even where not less than two-thirds of members present at the meeting approve them.

(5) The Minister of Strategy and Finance shall supervise administrative affairs for liquidation of a social cooperative.

### **Article 104 (Disposal of Residual Property)**

If there is residual property left over after repaying debts and contributions when a social cooperative is dissolved, the ownership of such property shall be vested to any of the following persons in the manner stipulated by articles of association:

1. The higher federation of social cooperatives;
2. A social cooperative for similar purposes;
3. A non-profit corporation or a public-service corporation;
4. The National Treasury.

### **Article 105 (Application Mutatis Mutandis of the Civil Act, etc.)**

The provisions of Articles 79, 81, 87, 88 (1) and (2), 89 through 92, and 93 (1) and (2) of the Civil Act and Article 121 of the Non-Contentious Case Procedure Act shall apply mutatis mutandis to the dissolution and liquidation of a social cooperative.

### **Article 105-2 (Organizational Change of Cooperatives, Nonprofit Incorporated Associations, Corporations, etc.)**

(1) A cooperative or corporation under the following subparagraphs (hereafter referred to as "corporation subject to organizational change" in this Article and Article 108-2) may change its organization to a social cooperative under this Act through a resolution passed at a general meeting with the consent of all

constituent members. In such cases, a corporation subject to organizational change and a social cooperative whose organization has been changed shall be deemed the same corporation in terms of the rights and obligations: *<Amended by Act No. 14053, Mar. 2, 2016>*

1. A cooperative established pursuant to this Act;
2. A nonprofit incorporated association established pursuant to the Civil Act;
3. A nonprofit incorporated association established pursuant to the Act other than the Civil Act, such as a consumer cooperative established pursuant to the Consumer Cooperatives Act;
4. A corporation, etc.

(2) Notwithstanding paragraph (1), where the number of constituent members of a corporation subject to organizational change under paragraph (1) 2 and 3 exceeds 200, such corporation may change its organization to a social cooperative under this Act through a resolution passed at its general meeting with the consent of at least two-thirds of its constituent members. *<Newly Inserted by Act No. 14053, Mar. 2, 2016>*

(3) The following matters on a social cooperative whose organization is changed shall be decided through a resolution at a general meeting under paragraph (1): *<Amended by Act No. 14053, Mar. 2, 2016>*

1. Articles of association;
2. Capital invested;
3. Other matters necessary for organizational change to a social cooperative.

(4) Organizational change to a social cooperative under paragraph (1) shall not allow an amount larger than the amount of the existing net assets of an existing corporation subject to organizational change to be the total amount of capital invested of the social cooperative. *<Amended by Act No. 14053, Mar. 2, 2016>*

(5) Retained earnings prescribed by Presidential Decree, held by a corporation subject to organizational change, may be converted to a reserve under Article 97 through a resolution passed at a general meeting. *<Amended by Act No. 14053, Mar. 2, 2016>*

(6) Among matters decided at a general meeting for organizational change to a social cooperative under paragraph (1), where it is necessary for a corporation subject to organizational change to obtain authorization, permission, etc. from the head of a related administrative agency, it shall obtain such authorization, permission, etc. first. *<Amended by Act No. 14053, Mar. 2, 2016; Act No. 14053, Mar. 2, 2016>*

(7) Where a general meeting passes a resolution under paragraph (1), a corporation subject to organizational change shall obtain approval for organizational change to a social cooperative from the Minister of Strategy and Finance, as prescribed by Presidential Decree. *<Amended by Act No. 14053, Mar. 2, 2016>*

#### **Article 105-3 (Provisions Which Apply Mutatis Mutandis)**

Except as otherwise prescribed by this Act, the provisions on organizational change of a stock company to a limited liability company of the Commercial Act shall apply to organizational change to a social cooperative.

#### **Article 106 (Registration of Establishment)**

(1) A social cooperative shall file for registration of its establishment with the registry office having jurisdiction over its principal place of business within 60 days from the date on which the establishment is authorized. <Amended by Act No. 14053, Mar. 2, 2016>

(2) The following matters shall be stated in an application for registration of establishment: <Amended by Act No. 14053, Mar. 2, 2016>

1. Matters under Article 86 (1) 1 and 2;
2. The total number of capital shares and the total amount of paid-in capital;
3. The date of authorization for establishment;
4. Names, resident registration numbers, and domiciles of executive officers: Provided, That the foregoing shall not apply to the domicile of an executive officer who is not the chairperson of the board of directors.

(3) In filing for registration of establishment, the president shall be the applicant.

(4) An application for registration of establishment under paragraph (2) shall be accompanied by copies of the letter of authorization for establishment, minutes of the inaugural general meeting, and articles of association.

(5) An application for registration of the establishment of a social cooperative as a consequence of a merger or division shall be accompanied by all the following documents:

1. Documents under paragraph (4);
2. A document proving that public notice or peremptory notice has been given pursuant to Article 53;
3. A document proving that debts have been repaid to creditors who have filed an objection or security has been provided to such creditors pursuant to Article 54.

#### **Article 107 (Registration for Merger)**

(1) When social cooperatives are merged, the cooperative surviving the merger shall file for registration for the change, the cooperative dissolved as a consequence of the merger shall file for registration for dissolution, and the cooperative established as a consequence of the merger shall file for registration for establishment under Article 106 with the registry office having jurisdiction over the place of business of each cooperative, respectively, within 14 days from the date on which the merger is authorized.

(2) In filing for registration for dissolution under paragraph (1), the president of the social cooperative dissolved as a consequence of the merger shall be the applicant.

(3) In cases falling under paragraph (2), an application for registration shall be accompanied by documents proving the ground for dissolution.

#### **Article 108 (Registration for Dissolution)**

(1) Except where a social cooperative is dissolved due to a merger or insolvency, when a social cooperative is dissolved, it shall file for registration for dissolution with the registry office having jurisdiction over its principal place of business, within 14 days, and with the registry office having jurisdiction over the relevant branch office, within 21 days.

(2) In filing for registration for dissolution under paragraph (1), the liquidator shall be the applicant, except for cases falling under paragraph (4).

(3) An application for registration for dissolution shall be accompanied by documents proving the ground for dissolution.

(4) The Minister of Strategy and Finance shall make a request for registration for dissolution when he/she revokes authorization for establishment.

#### **Article 108-2 (Registration of Organizational Change)**

Where a corporation subject to organizational change has changed its organization to a social cooperative pursuant to Article 105-2, such corporation subject to organizational change before the organizational change shall register the dissolution thereof, and such social cooperative shall register the incorporation thereof under Article 106 within 14 days at the seat of its principal office, and within 21 days at the seat of its branch, from the date it obtains approval pursuant to Article 105-2 (7). *<Amended by Act No. 14053, Mar. 2, 2016>*

#### **Article 109 (Start Date of Period for Registration)**

Where it is required to obtain authorization or a similar disposition from the Minister of Strategy and Finance with regard to a matter subject to registration, the period for registration shall be counted from the date on which the document for authorization or a similar disposition arrives.

#### **Article 110 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 62 through 64, 67, 68, 69, and 70 shall apply mutatis mutandis to registration of a social cooperative. In such cases, the term "cooperative" shall be construed as "social cooperative". *<Amended by Act No. 12272, Jan. 21, 2014>*

#### **Article 111 (Supervision)**

(1) The Minister of Strategy and Finance shall respect the autonomy of social cooperatives and supervise their business affairs and may issue an order necessary for supervision, as provided for in this Act.

(2) In any of the following cases, the Minister of Strategy and Finance may require a social cooperative (including a cooperative in the process of establishment; hereafter the same shall apply in this Article) to report matters regarding its business and property or may assign public officials under his/her control to inspect the current status of the business affairs of a social cooperative, its accounting books, documents, and other necessary matters:

1. Where it is necessary to ascertain whether or not it complies with the authorization and the procedure for establishment under Article 85;
2. Where it is necessary to ascertain whether or not it violates this Act, any order under this Act, or its articles of association;
3. Where it is necessary to ascertain whether or not its business violates a relevant statute.

(3) A public official who conducts an inspection under paragraph (2) shall carry with him/her an identification card indicating his/her authority and shall produce it to persons involved.

(4) Where the Minister of Strategy and Finance discovers as a result of supervision under paragraph (1) that a social cooperative has violated this Act, any order under this Act, or its articles of association, he/she may order it to take measures necessary to correct such violation.

(5) If necessary to efficiently enforce this Act and to establish policies on social cooperatives, the Minister of Strategy and Finance may demand the head of a related central administrative agency to investigate, inspect, or examine a social cooperative, to require a social cooperative to submit data, or to take necessary corrective measures.

(6) Deleted. <by Act No. 12272, Jan. 21, 2014>

#### **Article 112 (Revocation of Authorization for Establishment)**

(1) If a social cooperative falls under any of the following subparagraphs, the Minister of Strategy and Finance may revoke authorization for its establishment: Provided, that where it falls under subparagraph 4, he/she shall revoke authorization for its establishment: <Amended by Act No. 12272, Jan. 21, 2014; Act No. 14053, Mar. 2, 2016>

1. Where the social cooperative fails to commence its main business prescribed in Article 93 (1) within one year from the date its establishment is authorized or fails to continue its business for not less than one year without a justifiable reason;
2. Where the social cooperative fails to take a corrective measure in compliance with a disposition made pursuant to Article 111 (4) and (5) on at least two occasions;
3. Where the social cooperative fails to meet any criteria prescribed by Presidential Decree for authorization for establishment pursuant to Article 85 (4);
4. Where it is discovered that the social cooperative has obtained authorization for establishment by fraud or other wrongful means;
5. Where the social cooperative fails to obtain the registration of the establishment thereof within the period under Article 106 (1).

(2) When the Minister of Strategy and Finance revokes authorization for establishment of a social cooperative pursuant to paragraph (1), he/she shall give public notice thereof immediately, as prescribed by Presidential Decree. <Amended by Act No. 12272, Jan. 21, 2014>

#### **Article 113 (Hearings)**

When the Minister of Strategy and Finance intends to revoke authorization for establishment pursuant to Article 112, he/she shall hold a hearing.

#### **Article 114 (Authorization for Establishment, etc.)**

(1) When it is intended to establish a federation of social cooperatives, at least three cooperatives qualified for membership shall prepare articles of association as promoters, table the articles of association at the inaugural general meeting for resolution, and then obtain authorization therefor from the Minister of Strategy and Finance.

(2) A resolution at the inaugural general meeting shall be passed with the attendance of a majority of the social cooperatives that have submitted a letter of consent to establishment, to promoters until before the

opening of the inaugural general meeting and by an affirmative vote of not less than two-thirds of persons present at the meeting.

(3) Necessary matters concerning criteria and procedures for authorization of the establishment of the federation of social cooperatives under paragraph (1) shall be prescribed by Presidential Decree. *<Newly Inserted by Act No. 12272, Jan. 21, 2014>*

#### **Article 115 (Provisions Applicable Mutatis Mutandis)**

(1) The provisions of Articles 17, 19, 21, 22, 25, 28 (3) through (5), 29 through 33, 34 (1) through (3), 35 through 41, 42 (1) through (4), 43 (1), 44, 47, 48, 52 through 55, 62 through 64, and 67, 68, 69, and 70 in Chapter II shall apply mutatis mutandis to a federation of social cooperatives. In such cases, the term "cooperative" shall be construed as "federation of social cooperatives", the term "president" as "chairperson", the term "member" as "member cooperative", the term "registration for establishment under Article 61" in Article 19 (1) as "registration for establishment under Article 106", the term "per member" in Article 22 (2) as "per member cooperative", the term "30 percent" in the aforesaid provision as "40 percent", the term "member" in Articles 29, 30, and 40 (1) as "representative" respectively, the term "one-fifth" in Article 40 (1) as "one-third", the term "member" in Article 37 as "member of a cooperative who belongs to a member", and the term "person who has filed an application for membership" as "member who belongs to a cooperative that has filed an application for membership", respectively. *<Amended by Act No. 12272, Jan. 21, 2014>*

(2) The provisions of Articles 73 through 75, 77, 78, 80, 80-2 and 81 (2) in Chapter III shall apply mutatis mutandis to a federation of social cooperatives. In such cases, the term "federation" shall be construed as "federation of social cooperatives." *<Amended by Act No. 12272, Jan. 21, 2014>*

(3) The provisions of Articles 86, 87, 89, 90, 96, 96-2, 97 through 99, 101 (1) through (6) and (9), 102 through 105, 106 through 108, 109, and 111 through 113 in Chapter IV shall apply mutatis mutandis to a federation of social cooperatives. In such cases, the term "social cooperative" shall be construed as "federation of social cooperatives", the term "member" as "member cooperative", and the term "members and proxies" in Article 86 (1) 3 as "member cooperatives", the term "Articles 85, 86, and 88" in Article 101 (4) as "Articles 114 and 115", and the term "member of a cooperative" in Article 103 (4) as "member", respectively. *<Amended by Act No. 12272, Jan. 21, 2014>*

#### **Article 116 (Delegation and Entrustment of Authority)**

(1) The Minister of Strategy and Finance may delegate part of his/her authority under this Act to the Mayor/Do Governor, as prescribed by Presidential Decree.

(2) The Minister of Strategy and Finance may entrust part of his/her authority pursuant to this Act to the head of a central administrative agency having jurisdiction over main business of a social cooperative referred to in Article 93, as prescribed by Presidential Decree. In such cases, where the head of a central administrative agency having jurisdiction over main business of a social cooperative is unclear, including cases where a social cooperative conducts at least two main businesses, etc., the Minister of Strategy and Finance shall designate the head of a central administrative agency having jurisdiction over main business

of the social cooperative and entrust part of his/her authority to him/her, in consideration of specific details, nature, etc. of business conducted by the social cooperative.

(3) The Minister of Strategy and Finance may entrust part of his/her authority under this Act to a Government-funded institution or non-governmental organization, as prescribed by Presidential Decree. In such cases, he/she may finance expenses incurred in conducting affairs of an institution or organization entrusted with the part of his/her authority.

#### **Article 117 (Penalty Provisions)**

(1) If an executive officer, employee, or liquidator of a cooperative, federation of cooperatives, social cooperative or federation of social cooperatives inflicts an injury or a loss upon the cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives by any of the following acts, he/she shall be punished by imprisonment with prison labor for not less than seven years or by a fine not exceeding 70 million won. In such cases, imprisonment with prison labor and a fine may be imposed concurrently: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. If he/she uses funds for any purpose other than the purposes of the cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives;
2. If he/she disposes of or uses assets of the cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives for speculative investment.

(2) If an executive officer, employee, or liquidator of a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives commits any of the following acts, he/she shall be punished by imprisonment with prison labor for not less than three years or by a fine not exceeding 30 million won: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. If he/she violates any of the provisions of Articles 45 (3), 50 (1) and (3), 51 through 53, 55, 58, 80 (3), 97 (1) and (3), 98, 103, and 104 (including cases to which Article 82, 83, 100, or 115 shall apply mutatis mutandis);
2. If it is discovered that he/she has filed for registration by fraud or other wrongful means;
3. If he/she executed an affair subject to resolution by the general assembly without such resolution.

(3) Any person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not less than two years or by a fine not exceeding 20 million won: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. A person who participates in an election of public officials, in violation of Article 9 (2);
2. A person who violates Article 37 (including cases to which Article 79, 92, or 115 shall apply mutatis mutandis).

#### **Article 118 (Joint Penalty Provisions)**

If an executive officer, employee, or liquidator of a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives commits a violation under Article 117 (1) or (2) in the scope of the business of the cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives, not only shall such offender be punished accordingly, but the cooperative, federation

of cooperatives, social cooperative, or federation of social cooperatives shall also be punished by the fine provided for in the relevant provisions: Provided, That the foregoing shall not apply to cases where the cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives has not neglected reasonable care and supervision over the business to prevent such violation.

**Article 119 (Administrative Fines)**

(1) Any of the following persons shall be punished by an administrative fine not exceeding two million won: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. A cooperative, etc. or social cooperative, etc. that uses an overlapping or confusing name, in violation of Article 3 (2);
2. A person who uses words under Article 3 (1) or words similar thereto in its name, in violation of paragraph (3) of the said Article;
3. A federation of cooperatives or federation of social cooperatives that fails to comply with an order to prohibit the use of a name or to correct the name under Article 3 (5).

(2) If a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives falls under any of the following subparagraphs, it shall be punished by an administrative fine not exceeding two million won:

1. If the number of contribution units per member or member cooperative exceeds the limit on number of contribution units, in violation of Article 22 (2) (including cases to which Article 76, 91, or 115 (1) shall apply mutatis mutandis);
2. If unequal voting rights on a resolution or election are granted to members, in violation of Article 23 (1) (including cases to which Article 91 shall apply mutatis mutandis);
3. If it allows a non-member or non-member cooperative to use its business services, in violation of Article 46, 81, or 95 (including cases to which Article 115 (2) shall apply mutatis mutandis);
4. If it lends small loans or provides mutual aid programs in excess of the gross ceiling of small loans or mutual aid, the restriction on the interest, the loan ceiling, the scope of mutual aid, or the restrictions on the amount of mutual aid, the mutual aid contract or the membership fee for mutual aid, in violation of Article 94.

(3) If an executive officer, employee or liquidator of a cooperative, federation of cooperatives, social cooperative or federation of social cooperatives falls under any of the following subparagraphs, he/she shall be punished by an administrative fine not exceeding one million won: *<Amended by Act No. 12272, Jan. 21, 2014>*

1. If he/she neglects reporting or registration;
2. If he/she neglects to keep documents under Article 49 (2) (including cases to which Article 82 shall apply mutatis mutandis) or 96 (2) (including cases to which Article 115 (3) shall apply mutatis mutandis);
3. If he/she neglects to disclose details of its operation pursuant to Article 49 (including cases where it is applied mutatis mutandis pursuant to Article 82), 49-2 (including cases where it is applied mutatis

mutandis pursuant to Article 82), 96 (including cases where it is applied mutatis mutandis pursuant to Article 115 (3)) and 96-2 (including cases where it is applied mutatis mutandis pursuant to Article 115 (3));

4. If he/she makes a false statement or submits a false report to a supervisory agency or the general assembly, or conceals a fact;

5. If he/she refuses, interferes with, or evades an inspection of a supervisory agency.

(4) Administrative fines under paragraphs (1) through (3) shall be imposed and collected by the Minister of Strategy and Finance or the competent Mayor/Do Governor, as prescribed by Presidential Decree.

## ADDENDA

### **Article 1 (Enforcement Date)**

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

### **Article 2 (Transitional Measures concerning Cooperatives, etc.)**

(1) If a business entity or legal entity already established for purposes similar to those of a cooperative before this Act enters into force intends to become a cooperative under this Act, it shall meet the minimum criteria for establishment under Article 15 within two years from the date this Act enters into force and shall obtain registration for establishment under Article 61 after adopting a resolution thereon at its general meeting with the attendance of a majority of its members and by an affirmative vote of not less than two-thirds of members present at the meeting and by undergoing the procedure under Articles 15 through 19. In such cases, the business entity or legal entity before registration for establishment and the cooperative after registration for establishment shall be deemed one and the same legal entity.

(2) If an incorporated association already established for purposes similar to those of a federation of cooperatives before this Act enters into force intends to become a federation of cooperatives under this Act, it shall meet the requirements provided for in Article 71 for the establishment of a federation of cooperatives within one year from this Act enters into force and shall obtain registration for establishment under Article 84 after adopting a resolution thereon at its general meeting with the attendance of a majority of its member cooperatives and by an affirmative vote of not less than two-thirds of member cooperatives present at the meeting and by undergoing the procedure under Articles 71 and 72. In such cases, the incorporated association before registration for establishment and the federation of cooperatives after registration for establishment shall be deemed one and the same legal entity.

(3) If a business entity or non-profit corporation already established for purposes similar to those of a social cooperative before this Act enters into force intends to become a social cooperative under this Act, it shall meet the minimum criteria provided for in Article 85 for establishment of a social cooperative within two years from the date this Act enters into force and shall obtain registration for establishment under Article 106 after adopting a resolution thereon at its general meeting with the attendance of a majority of its members and by an affirmative vote of not less than two-thirds of

members present at the meeting and by undergoing the procedure under Articles 85 and 88. In such cases, the business entity or corporation before registration for establishment and the social cooperative after registration for establishment shall be deemed one and the same non-profit legal entity.

(4) If an incorporated association already established for purposes similar to those of a federation of social cooperatives before this Act enters into force intends to become a federation of social cooperatives under this Act, it shall meet the requirements provided for in Article 114 for the establishment of a federation of cooperatives within one year from the date this Act enters into force and shall obtain registration for establishment under Article 115 (3) after adopting a resolution thereon at its general meeting with the attendance of a majority of its member cooperatives and by an affirmative vote of not less than two-thirds of member cooperatives present at the meeting and by undergoing the procedures under Articles 114 and 115 (1) and (2). In such cases, the incorporated association before registration for establishment and the federation of social cooperatives after registration for establishment shall be deemed one and the same non-profit legal entity.

### **Article 3 (Transitional Measure concerning Names)**

As to an organization that was not established pursuant to this Act, but performs the same functions as those of a cooperative as at the time this Act enters into force, Article 3 shall not apply for two years from the date this Act enters into force.

ADDENDA <Act No. 12272, Jan. 21, 2014>

### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Articles 15 (4), 16 (2) and (3), 18 (4), 34 (4), 36 (1) 1 and 2, Articles 37 (4), 44 (3) and (4), 56 (2), 57 (2), 61 (2) 4, Articles 61 (5), 71 (3), the former part of Article 76, the latter part of Article 79, Articles 85 (5), 86 (2) and (3), 87 (4), 93 (2) through (4), 94 (1), 101 (5), 102 (2), 111 (6), 112 (2), 114 (3), the latter part of Article 115 (1), the former part of Article 115 (2), the latter part of Article 115 (3), Article 116 (1) and (2) shall enter into force on the date of their promulgation, and the amended provisions of Articles 60-2, 68-2, 105-2, 105-3 and 108-2 shall enter into force on December 1, 2014.

### **Article 2 (Applicability concerning Issuance of Written Confirmation of Report)**

The amended provisions of Articles 15-2, 18 (1), 56 (4), 71-2 and the latter part of Article 83 (limited to the part related to the amended provisions of Articles 15-2 and 71-2) shall apply beginning with cases where a cooperative reports the establishment thereof after this Act enters into force.

### **Article 3 (Applicability concerning Amount of One Contribution Unit)**

The amended provisions of Articles 16 (2) (including cases where it is applied mutatis mutandis pursuant to Article 72) and 86 (2) (including cases where it is applied mutatis mutandis pursuant to Article 115 (3)) shall apply beginning with cases where a cooperative reports the establishment thereof or obtain approval for the establishment thereof after the said amended provisions enter into force.

#### **Article 4 (Applicability concerning Organization and Operation of General Meeting of Representatives)**

(1) The amended provision of Article 31 (3) (including cases where it is applied mutatis mutandis pursuant to Articles 79, 92, and 115 (1)) shall apply beginning with cases where a cooperative organizes a general meeting of representatives after this Act enters into force.

(2) The amended provision of Article 31 (5) (including cases where it is applied mutatis mutandis pursuant to Articles 79, 92, and 115 (1)) shall apply beginning with cases where a cooperative organizes a general meeting of representatives after this Act enters into force.

#### **Article 5 (Applicability concerning Restrictions on Election Campaign)**

The amended provision of Article 37 (4) (including cases where it is applied mutatis mutandis pursuant to Articles 79, 92, and 115 (1)) shall apply beginning with an election, the date of which is publicly announced after the said amended provision enters into force.

#### **Article 6 (Applicability concerning Revocation of Approval for Establishment following Violation of Corrective Orders)**

The amended provision of Article 112 (1) 2 (including cases where it is applied mutatis mutandis pursuant to Article 115 (3)) shall apply beginning with cases where a cooperative is ordered to take corrective measures under Article 111 (4) (including cases where it is applied mutatis mutandis pursuant to Article 115 (3)) after this Act enters into force.

#### **Article 7 (Transitional Measures concerning Amount of One Contribution Unit)**

A cooperative, etc. or social cooperative, etc. that fails to uniformly fix an amount of one contribution unit in the articles of association at the time the amended provisions of Article 16 (2) and 86 (2) enter into force, shall fix the amount of one contribution unit by changing the articles of association pursuant to the amended provisions of Article 16 (2) (including cases where it is applied mutatis mutandis pursuant to Article 72) and 86 (2) (including cases where it is applied mutatis mutandis pursuant to Article 115 (3)) within one year after the said amended provisions enter into force.

#### **Article 8 (Transitional Measures concerning Organization and Operation of General Meeting of Representatives)**

(1) A cooperative, etc. or social cooperative, etc. that has a general meeting of representatives at the time this Act enters into force shall organize a general meeting of representatives pursuant to the amended provision of Article 31 (3) (including cases where it is applied mutatis mutandis pursuant to Articles 79, 92, and 115 (1)) within one year after this Act enters into force.

(2) A cooperative, etc. or social cooperative, etc. that has a general meeting of representatives at the time this Act enters into force shall prescribe matters necessary for the operation of the general meeting of representatives by the articles of association thereof pursuant to Article 31 (5) (including cases where it is applied mutatis mutandis pursuant to Articles 79, 92, and 115 (1)) within one year after this Act enters into force.

### **Article 9 (Transitional Measures concerning Incompetent, etc.)**

An incompetent person under the adult guardianship or quasi-competent person under the limited guardianship under the amended provisions of Article 36 (1) 1 and 2 shall be deemed to include a person who remains under the effect of declaration of incompetent or quasi-incompetent pursuant to Article 2 of Addenda of partly amended Civil Act, Act No. 10429.

### **Article 10 (Transitional Measures concerning Prohibition of Concurrent Offices by Executive Officers and Employees)**

Notwithstanding the amended provision of Article 44 (5) (including cases where it is applied mutatis mutandis pursuant to Articles 79, 92, and 115 (1), a person who is an executive officer elected or an employee employed pursuant to the former provisions at the time this Act enters into force, who concurrently holds a position of a member of a local council, shall resign from the position of an executive officer or employee, or the position of a member of the local council, within six months after this Act enters into force.

### **Article 11 (Transitional Measures concerning Revocation of Approval for Establishment for Failure to Commence Business or Other Grounds)**

Notwithstanding the amended provision of Article 112 (1) 1 (including cases where it is applied mutatis mutandis pursuant to Article 115 (3), the former provision shall apply to a social cooperative or the federation of social cooperatives that has obtained approval for the establishment thereof at the time this Act enters into force: Provided, That where it should commence main business pursuant to the amended provision of Article 112 (1) 1 within one year after this Act enters into force, and fails to conduct main business for at least one consecutive year after the commencement of its main business, the amended provision of Article 112 (1) 1 shall apply thereto.

ADDENDA <Act No. 12866, Dec. 30, 2014>

### **Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That Article 2 of Addenda shall enter into force on the date of its promulgation.

### **Article 2 (Transitional Measures Concerning Cooperatives, etc.)**

(1) Where a business operator already incorporated for the purposes similar to those of a cooperative before December 1, 2012, intends to become the cooperative under this Act, he/she shall obtain the registration of incorporation under Article 61 following procedures for incorporation under Articles 15, 15-2, 16 through 19 after adopting a resolution in a general meeting with a majority of the constituent members present and the consent of at least two thirds of those present after meeting the minimum standards for incorporation provided in Article 15 by November 30, 2015. In such cases, the business operator before the registration of incorporation and the cooperative after the registration of incorporation shall be deemed the same corporation.

(2) Where a business operator already incorporated for the purposes similar to those of a social cooperative before December 1, 2012, intends to become the social cooperative under this Act, he/she shall obtain the registration of incorporation under Article 106 following procedures for incorporation under Articles 85 through 88 after adopting a resolution in a general meeting with a majority of the constituent members present and the consent of at least two thirds of those present after meeting the minimum standards for incorporation provided in Article 85 by November 30, 2015. In such cases, the business operator before the registration of incorporation and the social cooperative after the registration of incorporation shall be deemed the same nonprofit corporation.

ADDENDA <Act No. 14053, Mar. 2, 2016>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation: Provided, That the amended provision of the proviso to Article 3 (4) shall enter into force six months after the date of its promulgation.

**Article 2 (Applicability to Period of Registration of Establishment)**

The amended provision of Article 106 (1) shall also apply to a social cooperative in which case it obtained authorization for its establishment before this Act enters into force, and 21 days have not elapsed yet from the date it obtained authorization for its establishment at the time this Act enters into force.

**Article 3 (Transitional Measures concerning Cooperatives, etc.)**

(1) In order for a business already established for the purposes similar to those of a cooperative before December 1, 2012, to become a cooperative under this Act, it shall meet minimum standards for the establishment of a cooperative prescribed in Article 15 and obtain the registration of the establishment thereof under Article 61 by November 30, 2016, following a resolution passed by a general meeting with a majority of its constituent members attending the general meeting and with the consent of at least two-thirds of the members present, and following procedures for the establishment thereof under Articles 15, 15-2, and 16 through 19. In such cases, a business before the registration of the establishment of the cooperative and the cooperative after the registration of the establishment thereof shall be deemed the same corporation.

(2) In order for a business already established for the purposes similar to those of a social cooperative before December 1, 2012, to become a social cooperative under this Act, it shall meet minimum standards for the establishment of a social cooperative prescribed in Article 85 and obtain the registration of the establishment thereof under Article 106 by November 30, 2016, following a resolution passed by a general meeting with a majority of its constituent members attending the general meeting and with the consent of at least two-thirds of the members present, and following procedures for the establishment thereof under Articles 85 through 88. In such cases, a business before the registration of the establishment of the social cooperative and the social cooperative after the registration of the establishment thereof shall be deemed the same nonprofit corporation.