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Press Release

May 17, 2011

INTERNAL RULES ON CORPORATE GOVERNANCE IN BANKS

BACKGROUND

Corporate governance in banks can have a significant impact on the interests of shareholders and customers; therefore, banks' governance rules need to be made public.

In order to enhance the transparency of banks' corporate governance, the FSC has revised the Banking Act on November 18, 2010 to require banks to establish and publicize their internal rules on corporate governance. Banks are required to have internal governance rules in place by May 17, 2011 and make a public notice on their websites and the Korea Federation of Bank's.

MAIN CONTENTS OF INTERNAL GOVERNANCE RULES

Banks are given discretion to stipulate more details about what they are mandated under the Banking Act (Article 23-4) and the Enforcement Decree (Article 17-4) of the Banking Act.

1. Executives

(mandatory) qualifications for executives, principles and procedures for appointment and retirement of executives, training programs for executives and candidates, performance evaluation

(optional) qualifications for key executive members of banks e.g. president, vice president, and auditor *; developing a "management succession program"**

*Given that the mandatory introduction of age limits for executives might undermine the autonomy of banks' management and basic rights of executives, whether to introduce age limitations for executives is left to the discretion of each bank. For consecutive terms, however, stricter standards based upon performance evaluation during preceding terms will be applied to candidates' qualifications to be reappointed.

** The succession program will include how to elect substitutes or successor in the absence of executives; how to select candidates for executives; and how to utilize results of training and performance evaluation, etc.

2. Composition and operation of board of directors

(mandatory) composition of the board, qualifications for directors, standards and procedures for appointment and retirement of directors, evaluation of performance of the board

(optional) further qualifications for directors that meet each bank's specific needs



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3. Establishment and operation of subcommittees within the board

(mandatory) types of subcommittees within the board, composition and roles of subcommittees, performance evaluation

(optional) Besides subcommittees that banks are mandated by law to establish within the board such as the audit committee or the candidate recommendation committee for outside directors, banks can create and operate other subcommittees (e.g. a risk management committee or a compensation committee) within the board depending on each bank's specific needs.

For further inquiries:

Lee, J. Ernst
Spokesperson, Foreign Media
Foreign Press & Relations Office
Financial Services Commission

Tel: +82-2-2156-9582

Fax: +82-2-2156-9589

E-mail: happyhero@korea.kr