

## ANNEX III

### Financial Services

#### Schedule of Canada – Explanatory Notes

1. Canada's Schedule to this Annex sets out:
  - (a) headnotes that limit or clarify commitments of Canada with respect to the obligations described in subparagraphs (b) and (c);
  - (b) in Section A, the reservations:
    - (i) Article 10.2 (National Treatment);
    - (ii) Article 10.3 (Most-Favoured-Nation Treatment);
    - (iii) Article 10.4 (Market Access for Financial Institutions);
    - (iv) Article 10.5 (Cross-Border Trade); or
    - (v) Article 10.8 (Senior Management and Boards of Directors); and
  - (c) in Section B, the reservations taken by Canada, pursuant to Article 10.9.2, for measures that Canada may adopt or maintain that do not conform with obligations imposed by Article 10.2 (National Treatment), 10.3 (Most-Favoured-Nation Treatment), 10.4 (Market Access for Financial Institutions), 10.5 (Cross-Border Trade), or 10.8 (Senior Management and Boards of Directors).
2. Each reservation in Section A sets out the following elements:
  - (a) **Sector** refers to the general sector in which the reservation is taken;
  - (b) **Sub-sector** refers to the specific sector in which the reservation is taken;
  - (c) **Type of Reservation** specifies the obligation referred to in paragraph 1(b)

- (d) **Level of Government** indicates the level of government maintaining the measure for which the reservation is taken;
  - (e) **Measures** identifies the laws, regulations or other measures, as qualified by the **Description** element, for which the reservation is taken. A measure cited in the **Measures** element:
    - (i) means the measure as amended, continued or renewed as of the date of entry into force of this Agreement; and
    - (ii) includes a subordinate measure adopted or maintained under the authority of and consistent with the measure; and
  - (f) **Description** sets out references, if any, for liberalisation on the date of entry into force of this Agreement pursuant to other sections of Canada's Schedule to this Annex, and the remaining non-conforming aspects of the existing measures for which the reservation is taken.
3. Each reservation in Section B sets out the following elements:
- (a) **Sector** refers to the general sector in which the reservation is taken;
  - (b) **Sub-sector** refers to the specific sector in which the reservation is taken;
  - (c) **Type of Reservation** specifies the obligation referred to in paragraph 1(c) for which the reservation is taken;
  - (d) **Level of Government** indicates the level of government maintaining the measure for which the reservation is taken; and
  - (e) **Description** sets out the scope of the sectors, sub-sectors or activities covered by the reservation.
4. In the interpretation of a reservation in Section A, all elements of the reservation shall be considered. A reservation shall be interpreted in the light of the relevant provisions of the Chapter against which the reservation is taken. To the extent that:
- (a) the **Measures** element is qualified by a specific reference in the **Description** element, the **Measures** element as so qualified shall prevail over all other elements; and



## **Headnotes**

1. Commitments under this Agreement, in the sub-sectors listed in this Schedule, are

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### Schedule of Canada

#### Section A

<b>Sector:</b>	Financial Services
<b>Sub-sector:</b>	All
<b>Type of Reservation:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Bank Act – s.s. 159(2)</i> <i>Insurance Companies Act – s.s. 167(2)</i> <i>Trust and Loans Companies Act – s.s. 163(2)</i> <i>Cooperative Credit Associations Act – s.s. 169(2)</i>
<b>Description:</b>	A simple majority of the directors at a financial institution are required to be resident Canadians.

<b>Sector:</b>	Financial Services
<b>Sub-sector:</b>	All
<b>Type of Reservation:</b>	National Treatment (Article 10.2) Most-Favoured-Nation (Article 10.3) Cross-Border Trade (Article 10.5) Senior Management and Boards of Directors (Article 10.8)
<b>Level of Government:</b>	Sub-national
<b>Measures:</b>	
<b>Description:</b>	All existing non-conforming measures of all provinces and territories.

## **Section B**

**Sector:** Financial Services

**Sub-sector:** All





<b>Sector:</b>	Financial Services
<b>Sub-sector:</b>	Banking and Other Financial Services (Excluding Insurance)
<b>Type of Reservation:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	Federal
<b>Description:</b>	<p>Canada reserves the right to adopt or maintain a measure requiring that a foreign bank establish a subsidiary in order to accept or maintain retail deposits of less than Can\$150,000.</p> <p>Canada reserves the right to adopt or maintain a measure prohibiting full service bank branches and lending bank branches from becoming member institutions of the Canadian Deposit Insurance Corporation.</p>

**Sector:**

<b>Sector:</b>	Financial Services
<b>Sub-sector:</b>	Banking and Other Financial Services (Excluding Insurance)
<b>Type of Reservation:</b>	Most-Favoured-Nation Treatment (Article 10.3)
<b>Level of Government:</b>	Federal and sub-national
<b>Description:</b>	Canada reserves the right to adopt or maintain a measure relating to cross-border trade in securities services.

## ANNEX III

### Financial Services

#### Schedule of Korea – Explanatory Notes

1. Korea's Schedule to this Annex sets out:
  - (a) headnotes that limit or clarify the commitments of Korea with respect to the obligations described in subparagraphs (b) and (c);
  - (b) in Section A, pursuant to Article 10.9.1, the existing measures of Korea that do not conform with some or all of the obligations imposed by:
    - (i) Article 10.2 (National Treatment);
    - (ii) Article 10.3 (Most-Favoured-Nation Treatment);
    - (iii) Article 10.4 (Market Access for Financial Institutions);
    - (iv) Article 10.5 (Cross-Border Trade); or
    - (v) Article 10.8 (Senior Management and Boards of Directors); and
  - (c) in Section B, pursuant to Article 10.9.2, the specific sectors, subsectors, or activities for which Korea may maintain existing, or adopt new or more restrictive, measures that do not conform with the obligations imposed by Article 10.2 (National Treatment), 10.3 (Most-Favoured-Nation Treatment), 10.4 (Market Access for Financial Institutions), 10.5 (Cross-Border Trade), or 10.8 (Senior Management and Boards of Directors).
2. Each entry in Section A sets out the following elements:
  - (a) **Sector** refers to the general sector for which the entry is made;
  - (b) **Sub-sector** refers to the specific sector for which the entry is made;

- (c) **Obligations Concerned** specifies the Articles referred to in paragraph 1(b) that, pursuant to Article 10.9.1(a), do not apply to the non-conforming aspects of the law, regulation, or other measure, as set out in paragraph 4;
- (d) **Level of Government** indicates the level of government maintaining the scheduled measure(s);
- (e) **Measures** identify the laws, regulations, or other measures for which the entry is made. A measure cited in the Measures element:
  - (i) means the measure as amended, continued, or renewed as of the date of entry into force of this Agreement; and
  - (ii) includes any subordinate measure adopted or maintained under the authority of and consistent with the measure; and
- (f) **Description** provides a general, non-binding description of the measure for which the entry is made.

3. Each entry in Section B sets out the following elements:

- (a) **Sector** refers to the general sector for which the entry is made;
- (b) **Sub-sector** refers to the specific sector for which the entry is made;
- (c) **Obligations Concerned** specifies the Articles referred to in paragraph 1(b)

5. For entries in Section B, pursuant to Article 10.9.2, the articles of this Agreement specified in the Obligations Concerned element of an entry do not apply to the sectors, subsectors, and activities identified in the Description element of that entry.

6. Where Korea adopts or maintains a measure that requires that a service supplier be a citizen, permanent resident, or resident of its territory as a condition to the supply of a service in its territory, a Schedule entry for that measure taken with respect to Article 10.2 (National Treatment), 10.3 (Most-Favoured-Nation Treatment), 10.4 (Market Access for Financial Institutions), or 10.5 (Cross-

## Headnotes

1. Commitments in these sub-sectors under the Agreement are undertaken subject to the limitations and conditions set forth in these headnotes and in the Schedules below.
2. To clarify the commitment of Korea with respect to Article 10.4 (Market Access for Financial Institutions), juridical persons supplying financial services and constituted under the laws of Korea are subject to non-discriminatory limitations on juridical form<sup>1</sup>.
3. The commitments of Korea pursuant to Articles 10.2 (National Treatment) and 10.4 (Market Access for Financial Institutions) are subject to the limitation that in order to establish or acquire a controlling interest in a financial institution in Korea, a foreign investor must own or control a financial institution that engages in supplying financial services within the same financial services subsector in its home country.
4. Korea limits its commitments pursuant to Article 10.9.1(c) with respect to Article 10.4 (Market Access for Financial Institutions) in the following manner:  
Article

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### Schedule of Korea

#### Section A

<b>1. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Insurance
<b>Obligations Concerned:</b>	Market Access for Financial Institutions (Article 10.4)
<b>Level of Government:</b>	National
<b>Measures:</b>	Insurance Business Act (Law No. 10866, 21 July 2011), Articles 91 and 100  Enforcement Decree of the Insurance Business Act (Presidential Decree No. 24097, 7 September 2012), Article 40
<b>Description:</b>	<p>Only two employees of a commercial bank, mutual saving bank, or an investment trader or investment broker may sell insurance products at any one time at a single location.</p> <p>For transparency purposes, Korea restricts the manner of sales of insurance products including by limiting the number of windows in a single bank location devoted to the sale of insurance, the percentage of insurance sold by a bank that may be underwritten by a single insurer, and the type of insurance products which may be sold by a bank, and restricting unfair business practices such as compelling the purchase of insurance products in return for a loan.</p>





Road Traffic Act(Law No. 11298, 10 February 2012)

Protection of Wild Fauna and Flora Act(Law No. 10893,  
21 July 2011)

Trucking Transport Business Act(Law No. 10804,  
15 June 2011)

Industrial Accident Compensation Insurance Act  
No. 11569, 18 December 2012)

Construction Technology Management Act  
No. 11180, 17 January 2012)

Nuclear Damage Compensation Act(Law No. 10912,  
25 July 2011)

FrameworkAct on Logistics Policies(Law No. 11473,  
1 June 2012)

Social Welfare Services Act(Law No. 11442,  
23 May 2012)

AnglersManagement and Promotion Act(Law No. 10801,  
15 June 2011)

Electronic Finance Transaction Act(Law No. 11461,  
1 June 2012)

Digital Signature Act(Law No. 10465, 29 March 2011)

Attorneyat-Law Act(Law No. 10922, 25 July 2011)

Laboratory Safety Environment Act(Law No. 10874,  
21 July 2011)

Act on the Establishment and Operation of Private  
Teaching Institutes and Extracurricular Lessons  
No. 10916, 25 July 2011)

Safety Management Act on Amusement Facilities for  
Children (Law No. 11394, 21 March 2012)

Act on Regulation of Marriage Brokerage Agency  
No. 11461, 1 June 2012)

Business Affairs of Licensed Real Estate Agents and Report  
of Real Estate Transactions Act (Law No. 10580,  
12 April 2011)

Certified Public Accountant Act (Law No. 10866,  
21 July 2011)

Tourism Promotion Act (Law No. 10599, 14 April 2011)

Tramway Transaction Act (Law No. 11060,  
16 September 2011)

Enforcement Decree of the Road Traffic Act (Presidential  
Decree No. 24091, 7 September 2012)

Door-To-Door Sales, Etc. Act (Law No. 11461,  
1 June 2012) -



**3. Sector:** Financial Services

**Sub-Sector:** Banking and other financial services (excluding insurance)

**Obligations Concerned:** National Treatment (Article 10.2)

**Level of Government:** National

**Measures:** Banking Act (Law No. 10866, 21 July 2011), Articles 15, 15-2, 15-3, and 16-2

Enforcement Decree of the Banking Act (Presidential Decree No. 23427, 28 December 2011), Articles 1-6, 5, 9, 10, and Annex

Financial Holding Company Act (Law No. 10361, 8 June 2010), Articles 8 and 8-2

Enforcement Decree of the Financial Holding Company Act (Presidential Decree No. 23644, 29 February 2012), Article 6-3

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- (b) a natural person shall not own more than 10 percent of the shares of a commercial bank or bank holding company constituted under the laws of Korea;
- (c) a corporate entity other than a financial institution, the main business of which is not financial services, shall not own more than nine percent of the shares of a commercial bank or bank holding company constituted under the laws of Korea. However, the ownership percentage can be increased to 10 percent if the corporate entity waives its ability to exercise voting rights relating to the shares in excess of nine percent; and
- (d) a corporate entity or a private equity fund invested by a corporate entity which is the largest stockholder of the relevant financial institution or participates in the management of the financial institution shall obtain approval of the Financial Services Commission when it intends to hold more than four percent of the shares of a commercial bank or bank holding company constituted under the laws of Korea.

<b>4. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	National
<b>Measures:</b>	Banking Act (Law No. 10866, 21 July 2011), Article 58  Enforcement Decree of the Banking Act (Presidential Decree No.23427, 28 December 2011), Article 24-8 and Annex  Regulation on Supervision of Banking Business (Notice of the Financial Services Commission No. 2012-31, 26 December 2012), Articles 5-4, 11, and Annex
<b>Description:</b>	Each branch location in Korea of a bank constituted under the laws of another country requires a separate license. A branch of a banking subsidiary, including one owned or controlled by investors of another country does not require such a license.

**5. Sector:**

Financial Services



<b>6. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	Market Access for Financial Institutions (Article 10.4)
<b>Level of Government:</b>	National
<b>Measures:</b>	Financial Investment Services and Capital Markets Act (Law No. 11758, 5 April 2013), Articles 166 and 294 through 323
<b>Description:</b>	Only the Korea Securities Depository may serve as the depository for listed and unlisted securities issued in Korea or as the intermediary for transfer of those securities between accounts of depositors in Korea.

**7. Sector:** Financial Services

**Sub-Sector:** Banking and other financial services (excluding insurance)

**Obligations Concerned:** Market Access for Financial Institutions (Article 10.4)

**Level of Government:** National

<b>8. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	Cross Border Trade (Article 10.5)
<b>Level of Government:</b>	National
<b>Measures:</b>	Financial Investment Services and Capital Markets Act (Law No. 11758, 5 April 2013), Article 166  Enforcement Decree of the Financial Investment Services and Capital Markets Act (Presidential Decree No. 24497, 5 April 2013), Article 184
<b>Description:</b>	A non-professional investor and some professional investors <sup>3</sup> shall make transactions through an investment broker licensed in Korea when the investor intends to trade securities denominated in foreign currencies and exchange-traded derivatives on foreign securities markets or foreign derivatives markets.

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<sup>3</sup> Institutional investors by Article 1-2 of the Foreign Exchange Transaction Regulation (Notice of the Ministry of Strategy and Finance No. 2009-2, 3 February 2009) are excluded.

<b>9. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	National
<b>Measures:</b>	<p>Banking Act (Law No. 10866, 21 July 2011), Articles 62 and 63</p> <p>Enforcement Decree of the Banking Act (Presidential Decree No.23427, 28 December 2011), Articles 25 and 26</p> <p>Financial Investment Services and Capital Markets Act (Law No. 11758, 5 April 2013), Article 65</p> <p>Enforcement Decree of the Financial Investment Services and Capital Markets Act</p>

<b>10. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	Market Access for Financial Institutions (Article 10.4)
<b>Level of Government:</b>	National
<b>Measures:</b>	<p>Credit Unions Act (Law No. 11545, 11 December 2012), Article 7</p> <p>Mutual Savings Bank Act (Law No. 10866, 21 July 2011), Article 6</p> <p>Specialized Credit Financing Business Act (Law No. 11410, 21 March 2012), Article 5</p> <p>Financial Investment Services and Capital Markets Act (Law No. 11758, 5 April 2013), Article 254, 258, 263, and 355</p> <p>Use and Protection of Credit Information Act (Law No. 10465, 29 March 2011) Article 5</p> <p>Foreign Exchange Transaction Act (Law No. 11407, 21 March 2012), Article 9</p>
<b>Description:</b>	<p>The following types of business shall not be conducted by a branch of a financial institution constituted under the laws of another country:</p> <ul style="list-style-type: none"> <li>(a) credit unions;</li> <li>(b) mutual savings banks;</li> <li>(c) specialized capital finance companies;</li> <li>(d) foreign and won currency capital brokerage firms;</li> <li>(e) credit information companies;</li> <li>(f) general fund administration firms;</li> </ul>

(g) collective investment vehicle appraisal companies;  
and

(h) bond appraisal companies.

<b>11. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	Market Access for Financial Institutions (Article 10.4)
<b>Level of Government:</b>	National
<b>Measures:</b>	Electronic Finance Transaction Act (Law No. 11461, 1 June 2012), Article 30
<b>Description:</b>	A non-financial institution that seeks to offer certain electronic financial services in Korea may establish only as a subsidiary.

<b>12. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	National
<b>Measures:</b>	<p>Korea Development Bank Act (Law No. 10303, 17 May 2010)</p> <p>Industrial Bank of Korea Act (Law No. 11501, 16 September 2011)</p> <p>Korea Housing Finance Corporation Act (Law No.10924, 25 July 2011)</p> <p>Agricultural Cooperative Federation Act (Law No. 11532, 11 December 2012)</p> <p>National Federation of Fisheries Cooperatives Act (Law No. 11320, 17 February 2012)</p>
<b>Description:</b>	<p>Korea may grant:</p> <ul style="list-style-type: none"> <li>(a) to one or more of the following financial institutions (collectively, Government-Sponsored Institutions or GSIs): <ul style="list-style-type: none"> <li>(i) the Korea Development Bank;</li> <li>(ii) the Industrial Bank of Korea;</li> <li>(iii) the Korea Housing Finance Corporation;</li> <li>(iv) the National Agricultural Bank; and</li> <li>(v) the National Federation of Fisheries Cooperatives; and</li> </ul> </li> </ul>



- (b) special treatment, including the following:
  - (i) guarantees of loans to or bonds issued by the GSIs;
  - (ii) permission to issue more bonds per capital than similarly-situated non-GSIs;
  - (iii) reimbursement of losses incurred by GSIs;  
and
  - (iv) exemption from public assets and certain taxes on capital, surplus, profit, or assets.

<b>13. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	Senior Management and Boards of Directors (Article 10.8)
<b>Level of Government:</b>	National
<b>Measures:</b>	<p>Korea Housing Finance Corporation Act (Law No. 10924, 25 July 2011), Article 16</p> <p>Agricultural Cooperative Federation Act (Law No. 11532, 11 December 2012), Article 49</p> <p>National Federation of Fisheries Cooperatives Act (Law No. 11320, 17 February 2012), Article 51</p>
<b>Description:</b>	Chief, deputy executive officers and all members of the Board of Directors of the Korea Housing Finance Corporation, the National Agricultural Cooperative Federation,

<b>14. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	National
<b>Measures:</b>	Housing Act (Law No. 11243, 26 January 2012), Article 75  Rules on Provision of Housing (Ordinance of the Ministry of Land, Transportation and Maritime Affairs No. 554, 21 December 2012), Article 5.2
<b>Description:</b>	Korea may limit the number of financial institutions designated to hold housing accounts, such as the National Housing Subscription Deposit Accounts.



## Section B

<b>16. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Insurance
<b>Obligations Concerned:</b>	Cross-Border Trade (Article 10.5)
<b>Level of Government:</b>	National
<b>Measures:</b>	None
<b>Description:</b>	<p>Korea reserves the right not to consider any “compulsory” third-party insurance service supplied in the territory of a foreign country to a natural person in Korea or juridical person established therein, in determining whether such natural or juridical person has satisfied a legal obligation to purchase such “compulsory” third party insurance service not listed in Annex 10-A (Cross-Border Trade).</p> <p>However, services supplied outside the territory of Korea may be considered in satisfaction of the legal obligation if the required insurance cannot be purchased from an insurer established in Korea.</p>

<b>17. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	National
<b>Measures:</b>	None
<b>Description:</b>	In the context of privatising government-owned or government-controlled entities that supply financial services, Korea reserves the right to adopt or maintain any

<b>18. Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and other financial services (excluding insurance)
<b>Obligations Concerned:</b>	National Treatment (Article 10.2)
<b>Level of Government:</b>	National
<b>Measures:</b>	Financial Investment Services and Capital Markets (Law No. 11758, 5 April 2013)
<b>Description:</b>	<p>Korea reserves the right to limit ownership by foreign investors of the Korea Exchange and the Korea Securities Depository. In the event of public offering of shares of the Korea Exchange or the Korea Securities Depository, Korea reserves the right to limit shareholding by foreign persons in the relevant institution, if Korea ensures that:</p> <ul style="list-style-type: none"><li>(a) any shareholding interests held by foreign persons at the time of the public offering is preserved; and</li><li>(b) following the public offering, the Korea Exchange or</li></ul>

## **APPENDIX**



- (e) securities credit extensions are subject to restrictions on the maximum credit amount and use of proceeds. An investment trader or investment broker is only permitted to extend credit for the purpose related to the sale and purchase of securities (Article 72 of the Financial Investment Services and Capital Markets Act (Law No. 11758, 5 April 2013); Article 69 of the Enforcement Decree of the

2. The following measures fall within Article 10.10.1 and that, therefore, Article 10.2 (National Treatment) does not prevent Korea from maintaining them:

- (a) the operating fund of a branch of a foreign insurance company will be considered as capital and the head office's capital will not be taken into consideration for the purposes of determining the amount of funds to be raised or loans to be extended by such local branch (Article 9.3 of the Insurance Business Act (Law No. 10866, 21 July 2011) and Article 25-2 of the