Newsletter

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ANTITRUST & COMPETITION

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Korea Fair Trade Commission Announces Comprehensive Enforcement Plan for 2015

The Korea Fair Trade Commission ("KFTC") announced its detailed enforcement plans for 2015 (the "Plan") on February 1, 2015. Further details of the Plan are provided below.

Improve creativity and innovation by promoting competition

The Plan sets forth four strategies to promote fair competition: (i) stronger enforcement of abuse of dominance in the information and communications technology (ICT) sector; (ii) closer monitoring of anti-competitive collusion and M&As; (iii) eradication of unfair practices in the public sector and reform of regulations that restrict competition; and (iv) reform of the corporate governance structure of major conglomerates and closer monitoring of their internal transactions.

Regarding enforcement in the ICT sector, the Plan states that the KFTC will engage in close monitoring of unfair trade practices by mobile SNS and OS developers and the influence such platform firms can have on neighboring markets (such as finance, services, and content provision). The Plan also states that the KFTC will engage in close monitoring of abuse of dominance in the software sector, such as illegal tie-in by dominant software developers and abuse of patent rights by the firms with control over standard technologies. Of particular note, the KFTC plans to form a Special Task Force on the ICT Sector in February, composed of ICT experts and seasoned investigators within the KFTC, and headed by the Secretary General of the KFTC.

In reviewing mergers, the KFTC plans to encourage firms to file voluntary preliminary reviews and shorten the formal review period from 30 days to 15 days for mergers that do not raise anti-competitiveness concerns.

Strengthen enforcement of competition law in the global market

The KFTC plans to strengthen its monitoring of international cartels in sectors that are heavily reliant on imports, such as core components and materials for the automobile and electronics industries, and to increase cooperation with the US and EU competition authorities on possible manipulation of international benchmark prices for commodities, such as crude oil and crops. The KFTC will also be more aggressive in pursuing criminal prosecution of international cartels.

The KFTC will also strengthen its review of major global mergers and acquisitions, especially in the intermediate goods markets related to the IT and electronics industries.

Reform of unfair practices between large companies and SMEs

The Plan highlights subcontracting, distribution and retail, and franchising as areas of particular concern in terms of unfair trade practices suffered by SMEs. In the subcontracting sector, the KFTC will focus in particular on ensuring the proper flow of payments to the lower-level subcontractors. In distribution and retail, the KFTC will form a joint task force with other governmental entities to rectify unfair trade practices in the home shopping channel sector and closely monitor the unfair trade practices by hypermarkets, department stores, and outlets. In franchising, the KFTC will closely monitor areas of frequent complaints by franchisees, such as passing-on of marketing and sales costs.

Create a market environment friendly to consumers

The KFTC aims to strengthen its overall focus on consumers by improving the coordination among various public agencies on consumer policies and addressing consumer harm. The Plan also addresses the increase in consumer complaints due to the rapid growth of direct overseas purchasing by individual consumers and the KFTC's plans to strengthen international cooperation by joining in the UN Online Dispute Resolution discussion.

Korea Fair Trade Commission Amends IPR Guidelines, Effective December 24, 2014

The Korea Fair Trade Commission ("KFTC") made significant amendments to its "Guidelines on the Unfair Exercise of Intellectual Property Rights" ("Amended IPR Guidelines" or "Guidelines") on December 17, 2014, effective as of December 24, 2014. The amendments reflect the areas of main interest to the KFTC, including (i) enforcement of Standard Essential Patents ("SEPs") and (ii) activities of Non-Practicing Entities ("NPEs") that may receive a closer scrutiny. The main changes include the following (regarding the major amendments in relation to enforcement of SEPs and NPE's activities, please refer to the Intellectual Property section for major amendment in relation to enforcement of SEPs and activities of NPEs):

- The Amended IPR Guidelines make it clear that they purport to set out guidance for abuse of dominance and unfair collusion, but no longer provide guidance regarding unfair trade practices, which are separately set forth in the "Unfair Trade Practice Guidelines."

- Pursuant to the above change in position, the Amended IPR Guidelines make it clear that for purposes of the Guidelines, "anti-competitiveness" is the sole applicable standard of illegality and no longer make reference to "unfairness" or "impeding fair trade," which is the standard for unfair trade practices. Therefore, even when the Amended IPR Guidelines use the terms "unfair" or "unreasonable," this is understood to refer to the "anti-competitiveness" standard.

- The concept of "innovation markets," comprising R&D affected by the exercise of IPR and R&D for products, technology, or processes in actual or potential competition with IPR, has been newly introduced. Previously, the IPR Guidelines only referred to "product markets" and "technology markets."

- A section on "grantbacks" of improvements to licensed technology to the licensor has been included, as well as detailed standards for determining whether such grantbacks may constitute abuse.

- A new note on "Package Licensing" that discusses the pro-competitive effects of package licensing has been included. The Guidelines raise the possibility that compelling the licensing of non-SEPs together with SEPs against the will of the licensee may constitute tie-in sales.

The Amended IPR Guidelines show the KFTC's continued interest in enforcing competition law regarding unfair exercise of intellectual property rights and are expected to increase the predictability of the KFTC's enforcement.

Korea Fair Trade Commission Amends Notification on Mitigation or Exemption of Corrective Measures Against Leniency Applicants of Improper Concerted Acts

On January 2, 2015, the Korea Fair Trade Commission ("KFTC") promulgated amendments to its Notification on Mitigation or Exemption of Corrective Measures against Leniency Applicants of Improper Concerted Acts ("Notification"). The amended Notification will apply to cases where leniency applications for improper concerted acts are filed on and after January 2, 2015.

The key features of the amended Notification are as follows:

Abolition of provisional leniency status

Under the previous Notification, applicants first received a provisional leniency applicant status from the KFTC Secretary General. Final confirmation of the applicant's status was determined at a hearing by the Commissioners to decide the underlying cartel case.

The amended Notification eliminates the Secretary General's granting of the provisional leniency applicant status.

Clarification of evidentiary burden borne by leniency applicants

Applicants are now required to submit evidence "necessary to prove the existence of an improper concerted act." The previous Notification required applicants to meet this requirement by submitting (i) "direct" evidence, such as written agreements between cartel participants, meeting minutes, and internal reports or (ii) "narrative" evidence (e.g., employee affidavits and declarations), but only if the applicant confirmed such narrative evidence with supplemental evidence, such as documents, electronic files, and e-mails.

The amended Notification abolishes the need for leniency applicants to submit supplemental evidence confirming the contents of any submitted narrative evidence to meet its evidentiary burden to secure leniency status.

Clarification of restrictions on subsequent leniency applicants

The Enforcement Decree of the Monopoly Regulation and Fair Trade Law prohibits second-place leniency applicants from securing leniency benefits in two situations. First, applicants may not benefit from leniency in two-party cartels if the other party had already applied for leniency. The amended Notification now makes it clear that the relevant date for determining whether the cartel had only two participants is the date on which the cartel terminates. Second, applicants may not benefit from leniency if another cartel participant has already applied for leniency or is otherwise cooperating with the KFTC, and more than two years had passed since the other participant applied for leniency or began cooperating. The amended Notification clarifies that the two-year clock begins to run from the date on which the application for leniency or cooperation is filed with the KFTC.

SECURITIES

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Amendment to the Financial Investment Services and Capital Markets Act and its Enforcement Decree

An amendment to the Enforcement Decree of the Financial Investment Services and Capital Markets Act (the "FSCMA") was promulgated on December 9, 2014. The amendment went into effect as of January 1, 2015, with the exception of provisions for relaxing the exercise of shareholder rights by pension funds, which went into effect as of the promulgation date. The amendment aims to (i) relax the regulation of listed companies, (ii) relax the regulation of asset management business, and (iii) reform other regulatory matters. The following summarizes major aspects of the amendment.

Relaxing the solicitation of proxy votes by, for example, allowing the electronic issuance of proxy documents (Article 160, Item 5 newly added, and Article 163, Paragraph 1, Item 7 amended)

- The amendment permits a company to use an internet website to issue proxy documents, thereby adding a new lawful method for effecting delivery of proxy documents.

- The amendment stipulates explicitly that a company can solicit proxy votes for only parts of its shareholders' meeting agenda items, as opposed to all the agenda items.

Facilitating the issuance of redeemable notes with treasury shares by making it possible to apply a "deemed disposal" treatment (Article 176-2, Paragraph 4 amended)

- If a note is exchangeable with its issuer's own shares at the note holder's option, the shares are deemed to be disposed of when the note is issued. On the other hand, for a note which is redeemable with the issuer's own shares at its option, no similar "deemed disposal" treatment was available. The amendment provides for an explicit basis to apply the "deemed disposal" treatment to such note, which is redeemable with the issuer's own shares at its option.

Extending the mandatory disposal period for shares acquired by their issuer through the exercise of its appraisal right (Article 176-7, Item 4 amended)

- If a listed company acquires its own shares through the exercise of an appraisal right, the company must dispose of those shares within 5 years, rather than 3 years required before the amendment.

Relaxing the formula for determining the merger valuation of listed companies (Article 176-5, Paragraph 1, Item 1 amended)

- When a listed company merges with another listed company, their merger valuation can be within 30% of the threshold price (which is based on the arithmetic average of closing prices), rather than the 10% permitted before the amendment.

Lifting indirect restriction on pension funds in regards to their exercise of shareholder rights on dividends (Article 154, Paragraph 1, Item 4 amended)

- Before the amendment, if a pension fund exerted influence over payment of dividends by a company in which the pension fund held shares, the pension fund could be deemed as having an intention to participate in managing the company, and accordingly, the pension fund could not benefit from various favorable rules, such as the simplified filing of a report for large scale shareholding or the exemption from the requirement to return short swing profits. Based on the amendment, even if a pension fund exerts influence over payment of dividends by a company, the pension fund is no longer regarded as having the intention to participate in managing the company and, thus, can take advantage of the various favorable rules.

Exempting a collective investment business operator from the requirement to undergo a regulatory evaluation of its management status (Article 35, Paragraph 2, Item 1, Sub-Item E newly added)

- If a collective investment business operator does not conduct any dealing or brokerage business over financial investment products other than collective investment securities, such collective investment business operator can be exempt from the requirement to undergo a regulatory evaluation of its management status.

Prohibiting unfair business activities of a trust business operator in dealing with retirement funds (Article 109, Paragraph 1, Item 4 amended)

- A trust business operator can no longer use its trust assets covered by the Act for Guaranteeing Employees' Retirement Payments to conduct transactions with its own proprietary assets the principal and interest payments of which are guaranteed by the trust business operator.

Shadow Voting System

A supplemental provision has been added to the FSCMA to allow listed companies, which conduct electronic shareholder voting and proxy solicitation, to continue utilizing the shadow voting system for up to 3 years. (Supplemental Article 18 has been added to the FSCMA.)

Originally, the shadow voting system was planned to be abolished in its entirety starting on January 1, 2015. However, the supplemental provision has taken effect as of December 20, 2014, so that if a company (i) allows its shareholders to exercise their voting rights electronically and (ii) conducts proxy solicitation, the company can continue utilizing the shadow voting system until December 31, 2017, for any of the following agenda items presented at its shareholders' meeting: (a) appointment or dismissal of its auditor or a member of its audit committee; or (b) any agenda item if the company meets specific criteria announced by the Financial Services Commission based on the number of its shareholders.

BANKING

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Best Practice Guideline for Corporate Governance of Financial Companies Goes Into Effect

On December 24, 2014, the Financial Services Commission (the "FSC") finalized and announced the Best Practice Guideline for Corporate Governance of Financial Companies (the "Guideline"), key points of which are summarized below.

Companies Subject to the Guideline

- Financial holding companies
- Banks
- The following institutions with assets of KRW 2 trillion or more: insurers, financial investment business companies (as for the financial investment business companies, even if assets are less than KRW 2 trillion, the Guideline applies if working capital including from pooled investments and discretionary investment management are KRW 20 trillion or more in the aggregate), savings banks, and credit finance business companies
- Local branches of foreign financial institutions are not subject to the guideline

Board of Directors

- Expressly authorized to be responsible for risk management, internal control, supervision of conflict of interests (between the company and its directors/major shareholders), and corporate governance policies and principles for CEO succession
- Required to have an outside director recommendation committee, audit committee, compensation committee, and risk management committee (majority must consist of outside directors; however, in case of audit committee at least 2/3 must consist of outside directors)
- Bank holding companies and banks required to have officer recommendation committee

Outside Directors

- Initial term of office: Two years for banks and bank holding companies; three years for other financial companies (no more than five years consecutively)
- Outside directors' activities to be evaluated annually; evaluation by independent institution or organization at least once every two years recommended
- Publicly disclose (i) material information on candidate for outside director such as his/her work experience and (ii) details of activities and compensation of each outside director (in corporate governance annual report)

CEO Succession Program

- Establish comprehensive CEO succession program at each financial institution
- Disclose internal regulations on CEO succession, candidate management status, and details of CEO succession through corporate governance annual report

Corporate Governance Annual Reports

- Prepare corporate governance annual reports setting forth internal regulations on corporate governance and activities undertaken during past year
- Corporate governance annual reports to be publicly disclosed at least 20 days prior to general meeting of shareholders

Amendment to Bank Supervision Regulation Enters Into Force

An amendment to the Bank Supervision Regulation ("Amendment") went into effect on December 26, 2014. Key points of the Amendment include adoption of a Liquidity Coverage Ratio ("LCR") system and measures to implement the government's plans for financial regulatory reform such as rationalization of standards for calculating loan-to-deposit ratios with regard to Korean Won ("KRW LTD"). The changes are summarized below.

Adoption of LCR system

- LCR = highly liquid assets / net cash outflow for the following month (cash outflow – cash inflow)
- In view of local banks' level of liquidity (101% as of September 2014), LCR has been set at 80% (for commercial banks) for the initial year of implementation – this rate is higher than the Basel III standard (60% in 2015, to increase by 10% every year to reach 100% in 2019). The LCR will be increased by 5% each year for the next 4 years to reach 100% in 2019.
- However, relaxed standards apply for specialized banks and local branches of foreign banks in light of the uniqueness of their governance structure and business model, as follows:
  - Special banks: 60% initially → increased by 10% each year for next 4 years (100% from 2019 onwards)
  - Local branches of foreign banks: 20% initially → increased by 10% each year for next 4 years (60% from 2019 onwards)

Rationalization of Standards for Calculating KRW LTD

- Aid banks to make loans and increase autonomy in asset management by excluding policy fund loans (KRW 23.6 as of September 2014) when calculating KRW LTD
- Encourage issuance of covered bonds and support restructuring of household debt by including covered bonds with maturity of 5 years or more as deposit for purpose of calculating KRW LTD

Other Measures for Implementation of Financial Regulatory Reform

- Scope of leasable business property: In view of fairness with other financial institutions, banks are now allowed to lease up to 9 times the space they directly occupy, for business purposes (previously, banks could only lease the space that they directly occupy)
- Deregulation on outsourcing of asset management: Banks may now outsource asset management regardless of type of fund involved

INSURANCE

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Amendments to the Insurance Business Law and its Enforcement Decree

As a follow-up to the announcement on the implementation of the "Measures to Reform and Improve Insurance Business" made by the Financial Services Commission ("FSC") on July 15, 2014, the Korean government has prepared legislative bills to amend the Insurance Business Law ("IBL") and its Enforcement Decree. The bill to amend the IBL was introduced by the government on January 9, 2015 and is currently pending review and discussion by the National Policy Committee of the National Assembly. Also, a bill to amend the Enforcement Decree of the IBL was earlier and separately introduced on January 6, 2015 and will be effective on July 7, 2015 (with certain provisions taking effect in advance of this date). Summaries of the amendments to the IBL and its Enforcement Decree are set out below.

Amendments to the IBL

Reporting Exemption for Minor Changes to Bancassurance Products

- Insurers that make and adopt minor changes to the basic documents of its insurance products that are marketed and distributed through financial institutions registered as an insurance agent or broker (bancassurance products) shall be exempt from reporting such change to the FSC under the IBL.

Consolidation of overlapping regulations on transactions between an insurer and its subsidiaries

- Previously, Article 111(1) (Prohibition, etc. on Transactions with Large Shareholders) and Article 116 (Prohibited Conduct with Subsidiaries) both applied to transactions between an insurer and its subsidiaries. The overlapping regulations in Article 111(1) and Article 116 have been resolved by the amendment of Article 111(1) to exclude transactions between an insurer and its subsidiaries from those subject to Article 111(1) of the IBL.

Amendments to the Enforcement Decree of the IBL

Disclosures on Conditions and Adjustments related to the Payment of Insurance Proceeds

- Written explanations related to conditions and adjustments towards the payment of insurance proceeds (e.g., non-payment or reduction in the amount of insurance proceeds to be paid to claimants) are included as one of the required disclosures in insurance information materials provided to consumers such as product descriptions, subscription plans, etc.

- This change seeks to assist insurance policyholders to better understand the terms and conditions related to the payment of insurance proceeds under insurance products during the policy subscription phase.

Permitted image advertisements for insurance products

- Insurers are now permitted to launch image advertisements for their insurance products so long as the advertisements do not specifically describe the detailed terms and conditions of an insurance product (e.g., insurance premiums, proceeds, etc.).

- The Enforcement Decree (as amended) of the IBL regarding image advertisements became effective as of January 20, 2015 and, the specific requirements for such image advertisements (e.g., brief overview in a one minute segment without repetition of the major characteristics of the product of more than two times in the same segment) are separately provided by the amended Insurance Business Supervision Regulation (the "Supervision Regulation") which also entered into force on the same date.

Relaxation of the Standards and Burden for Product Development

- As for insurance products which should be reported to the FSS prior to its sale, the amended Enforcement Decree includes clarifications regarding the reporting requirements such as:
  - thirty days "prior to use" is now thirty days "prior to the commencement of sale of an insurance product"; and
  - the prior reporting requirement for amended reporting has been reduced to fifteen days from the date that the FSC recommends revisions to the basic documents for an insurance product.

- As for insurance products for which there is no FSS reporting requirement for sales, the submission requirement for written verifications related to basic documents have now been extended:
  - from twenty days from the submission request, to thirty days from the submission request.

- This amendment becomes effective on April 1, 2015 and all reports and submissions of the basic documents or written verifications made before the effective date will be grand-fathered and remain subject to the pre-amendment rules.

Establishment and Operation of an Insurance Solicitation Records System

- The amended Enforcement Decree now provides the legal basis permitting insurers and insurance agents to share solicitation records of insurance solicitors through the insurance association's information system.

- The amendment increases the scope of permitted business activities of the insurance association to now include the collection, management and sharing of solicitation records of insurance solicitors and individual agents. This measure seeks to address misselling and other unlawful business practices in the market, by disclosing the solicitation records of solicitors who frequently change their employment.

- The Supervision Regulation that specifies the details of the solicitation records to be registered and managed through the information system was promulgated on January 20, 2015 and will become effective on July 7, 2015.

Promulgation and Enforcement of the Amended Insurance Business Supervision Regulation

As a follow-up to the "Measures to Reform and Improve the Insurance Business" announced by the FSC on July 15, 2014, the amended Supervision Regulation was promulgated by the FSC and became effective on December 31, 2014. Provisions relating to the requirements for monoline insurance agents, solicitation records of insurance solicitors and image advertisements were separately promulgated and entered into force as of January 20, 2015 in consideration of the amendment schedule of the Enforcement Decree of the IBL. A summary of the amendments to the Supervision Regulation as promulgated and made effective as of December 31, 2014 are set out below.

Amendments relating to Financial Soundness

Improvement on Calculation/Application Methods for Rates

- The calculation method for a Standard Rate was amended to reflect the trend in market rates in order to force the accumulation of adequate levels for reserves. The detailed calculation methods are set out in the Insurance Business Supervision Rules.

- The amended Supervision Regulation permits a financially sound insurer (i.e., with a solvency margin ratio of 150% or more) to set higher standard rates by 0.25% in order to promote insurance premium competition while taking into account that a higher standard rate may lead to a decrease in insurance premium.

- The amendment also provides greater discretion for insurers by expanding the adjustable range of publicly disclosed rates (i.e., ±10% → ±20%).

Recognition of Liabilities (Deferred Income Tax as part of Contingency Reserves) for Solvency Margin

- Deferred income tax, which is booked as a liability for purposes of paying taxes in the future in connection with contingency reserves, was originally to be excluded from the calculation of the solvency margin starting this year. However, it was determined that deferred income tax will continue to be recognized as a factor for the solvency margin formula considering its role as capital buffer and international trends.

Strengthening Insurer Solvency Margin

- The solvency margin requirement will be gradually strengthened through 2016 in consideration of the adoption of fair market value evaluation of liabilities (2018 IAS) and the international evaluation schedule. Details of such requirement will be separately provided for in the Insurance Business Supervision Rules.

Relaxed Standards for Credit Extensions in connection with Derivative Transactions between Insurers and Affiliated Financial Companies

- In the event that an insurer entrusts a derivatives transaction to its affiliated securities company and the account balance exceeds the entrusted deposit, then such excess amount will not be included in the calculation of credit extension amount until the next business day. This provision takes into account the fact that same-day withdrawal is impossible although, in principle, such same-day withdrawal is required for the money to be excluded from the calculation of credit extension amount.

Limitation exemption for a derivatives transaction for purposes of risk hedging

- A derivatives transaction for purposes of risk hedging, variable life insurance, and foreign currency reserves (inclusive of reinsurance assets) are exempt from any limitations on the amount of derivatives transaction of insurers.

Amendments relating to rationalization of regulations

Expansion of Transfer from General Accounts to Special Accounts

- Initial investment amounts placed in a general account are now permitted to be transferred to special accounts that can be operated by an insurer in order to improve flexibility and efficiency in fund management. The ability to do so is not limited to variable insurance, performance-based pension insurance or long term non-life insurance contracts.

Special Treatment of Insurer Investments in a PEF

- In the event that an insurer acquires, as limited partner, shares of up to thirty percent (30%) in a private equity fund (i.e., PEF), the insurer will be permitted to own such shares without undergoing a separate reporting process with the Korean regulators. Previously, such special treatment had been granted only for investments in venture capital funds for small/medium businesses and new technology businesses, and the Korea Venture Fund.

No Obligation to Submit Documents in connection with Guarantees to Subsidiaries

- As an exception to the prohibition on providing debt guarantees to third parties, an insurer is permitted to provide a debt guarantee to an overseas subsidiary which engages in the insurance business under certain circumstances. In such case, the insurer is no longer obligated to submit relevant documents to the Chairman of the FSC in advance.

Extended Grace Period for Assessment of Overseas Branches

- The grace period of two years has been extended to five years for the assessment of business management of a newly established overseas branch of an insurer in consideration of the high entry barrier and initial investment amount, etc. In effect, the overseas branch office of the insurer will not be subject to assessment for the first five years of its establishment and operation.

Reasonable Calculations for Debt Ratio of Large Shareholders

- An increase or decrease of capital will be reasonably reflected in the calculation of the large shareholders' debt ratio in a timely manner for such capital increase or decrease during the period from the end of the immediately preceding fiscal year to the application date of the insurance business approval.

Improvement of Insurer Internal Regulations on Lending Rates

- Insurers are now required to have detailed procedures and standards for the calculation and management of lending rates in their internal regulations.

Reasonable Standards for FX Transactions by Insurers

- An insurer is permitted to acquire up to fifteen percent (15%) of the outstanding shares in an overseas company whose business is insurance-related and is not listed or registered in the foreign securities exchange market.

- An insurer is permitted to acquire foreign-denominated shares in domestic PEFs.

REAL ESTATE

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Amendments to Enforcement Decrees of Real Estate Investment Trust Company Act

Certain amendments to the Enforcement Decrees of the Real Estate Investment Trust Company Act (the "REITC Amendments") which aim to loosen restrictions on real estate investment trust companies ("REITs") became effective on October 28, 2014. The Amendments include, among others, the following:

Loosening of Restriction on Period during which REIT Must Own Residential Properties prior to their Disposition

Prior to the REITC Amendments, in order to regulate short-term speculative sales, the law prevented REITs from selling domestic residential properties within three years of their acquisition. However, such restriction on sales has been criticized for impeding the vitalization of the real estate investment market by preventing prompt sales in response to changes in the market conditions. The REITC Amendments have now shortened the restriction period from three years to one year.

Expansion of Scope of Real Property Assets

In connection with the requirement that REITs must invest 70% or more of their total assets in real estate and "deemed real estate" assets, under the REITC Amendments, funds invested in equity securities, beneficiary certificates, and debt securities issued by real estate funds and foreign REITs are considered "deemed real estate" assets.

Lifting of Restriction of Types of Bonds

Prior to the REITC Amendment, REITs were only permitted to issue bonds that were either secured or investment grade (as rated by rating agencies). Pursuant to the REITC Amendments, REITs are now permitted to issue bonds of various types meeting market demands, if their articles of incorporation permit the same, or if approved by resolution at an extraordinary meeting of the REIT shareholders.

Amendments to Enforcement Decrees of Act on Sale of Building Units

Certain amendments to the Enforcement Decrees of the Act on Sale of Building Units which aim to loosen restrictions on investments in building units, including officetels, became effective on December 3, 2014.

Prior to the amendment, unsold units remaining after a public units sale were permitted to be privately sold only if (i) more than 40% of the aggregate area of the units subject to the initial units sale had been sold, (ii) the aggregate area of the unsold units remaining after the initial units sale is less than 3,000 square meters, or (iii) two or more public units sales have been conducted. After the amendments, any unsold units remaining after the initial public units sale may be privately sold without restriction.

LABOR & EMPLOYMENT

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Key Changes to Employment and Labor Laws in 2015

There have been some important new labor laws and regulations that went into effect recently or are scheduled to take effect in later this year.

Reduction of working hours for the period of childcare may be used for an extended duration, and in more increments.

Before the amendment, employees were allowed to reduce work hours for the care for young children, for the remaining period of their childcare leave to which they are still entitled. From July 1, 2015, however, the period during which working hours could be reduced will be extended and employees will be allowed to use twice the remainder of their childcare leave (i.e., up to 2 years maximum). For example, if an employee took time away from work for 3 months on childcare leave, when such employee was allowed up to 1 year for his/her leave, the employee may apply to have working hours reduced for 18 months (i.e., 9 months of unused childcare leave * 2) for childcare.

Further, before the amendment, employees were allowed to use the reduction of working hours for a period of childcare in two increments only; however, the new rule will permit employees to split the period of reduced working hours up to three times.

Employers must establish a workplace nursery.

Previously, employers with 300 or more female employees or with 500 or more employees (regardless of gender) were not required to establish workplace nurseries if they provided childcare allowance. From January 1, 2015, the relevant law abolished the option of providing childcare allowance, and relevant employers are now required to establish workplace nurseries or otherwise provide childcare support by using the services provided by local private nursery facilities.

Employers in violation of the above requirements may be ordered to comply and/or may be subject to enforcement fines up to two times per year, in an amount up to KRW 100 million each time from January 1, 2016.

Employer's failure to establish workplace nurseries will be more widely publicized.

Under the old rules, an employer's failure to establish a workplace nursery was publicized in the official gazette or in the Ministry of Health and Welfare homepage for 6 months or longer.

From January 1, 2015, such employers will be listed in more than 2 daily newspapers in addition to being disclosed on the homepage of the Ministry of Health and Welfare and the Ministry of Employment and Labor for one year.

The Act on Fair Recruiting Procedures took effect.

Pursuant to the rules under the Act on Fair Recruiting Procedures that is being phased in from January 1, 2015, employers are now required to return job application related documents upon request by an unsuccessful job candidate. Further, employers are required to retain such documents for a certain period of time as candidates might ask that they be returned. Violation of such requirement may subject the employer to a corrective order by the Ministry of Employment and Labor and an administrative fine up to KRW 3 million.

The above rule is applicable to employers with 300 or more employees or public employers as of January 1, 2015. Employers with 100 to 300 employees must comply with the rules from January 1, 2016, and smaller companies with 30 to 100 employees must start complying from January 1, 2017.

National Health Insurance premium for 2015

National Health Insurance premium for 2015 has been increased to 6.07% in 2015 from 5.99% in 2014.

Minimum wage for 2015

The minimum wage for 2015 is KRW 5,580 per hour. This is a 7.1% (or KRW 370) increase from KRW 5,210 per hour in 2014. The 10% reduction in minimum wage that was applicable to surveillance/intermittent workers is no longer applicable as of December 31, 2014. Therefore, surveillance/intermittent workers must be paid at or above the minimum wage.

TAX

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Changes to the Presidential Decrees of Tax Laws for 2015

The Government amended the Presidential Decrees of various tax laws on February 3, 2015. Included below are some highlights:

New Excess Retained Earnings Tax (Article 93 of the Presidential Decree of the Corporate Income Tax Law)

The new excess retained earnings tax applies to both domestic corporations and Korean subsidiaries of foreign corporations with shareholders' equity exceeding KRW 50 billion (excluding small and medium-sized enterprises) for the fiscal year starting on or after January 1, 2015. Shareholders' equity is calculated as total assets less total liabilities exclusive of unpaid corporate income tax. Corporations subject to the excess retained earnings tax can select one of the following two methods (1) and (2) and, once a method has been selected, it must be applied for 3 consecutive years.

(1) [Current year income x 80% - (investment amount + wage increase + dividend payout, etc.)] x 11% (including local income tax)
(2) [Current year income x 30% - (wage increase + dividend payout, etc.)] x 11% (including local income tax)

Investment amount refers to the acquisition costs of tangible a nd intangible assets such as machinery & equipment, vehicles, tools, instruments and patents, as well as construction costs for new or existing buildings including land. Wage increase refers to the increase in the total amount of wages for employees (excluding executives, certain highly paid employees receiving annual salaries in excess of KRW 120 million, and other non-qualified employees), compared with the immediately preceding fiscal year. Dividend payout means cash dividend including any interim cash dividend made during the subject year.

Where there is under-used income (corporations unable to meet the threshold investment amount) in the fiscal year 2015 (the first year of the new tax law), corporations are not required to pay the tax immediately but can rollover such under-used income to the following fiscal year 2016 and offset against any over-used income of the fiscal year 2016 to determine whether there is any tax liability. If there is under-used income of 2015 remaining after the offset, excess retained earnings tax will be imposed for fiscal year 2016. Similarly, any over-used income can be rolled over to the next fiscal year to offset against under-used income. This new tax law applies through the fiscal year including December 31, 2017.

Reduction of Indirect Foreign Tax Credit (Article 94 of the Presidential Decree of the Corporate Income Tax Law)

Previously, where a domestic corporation receives dividend from a foreign subsidiary ("the first-tier subsidiary") for which its shareholding ratio is 10% or more, the domestic corporation could claim the corporate income tax paid by the first-tier subsidiary as indirect foreign tax credit. Moreover, in case where dividend was paid by a subsidiary of the first-tier subsidiary ("the second-tier subsidiary") and the payment forms part of the source of the dividend paid by the first-tier subsidiary, the domestic corporation was allowed to claim a credit of the corporate income tax paid by the second-tier subsidiary up to a statutory amount as indirect foreign tax credit. However, under the amended Presidential Decree, the threshold of the first-tier subsidiary's shareholding ratio for indirect foreign tax credit increased from 10% to 25% while corporate income tax paid by the second-tier subsidiary is no longer eligible for indirect foreign tax credit.

Change to the Requirements of a Small and Medium-sized Enterprise (Article 2 of the Presidential Decree of the Special Tax Treatment Control Law)

The requirements to qualify as a Small and Medium-sized Enterprise ("SME") have been simplified. Under the amended Presidential Decree, to qualify as an SME, a company must satisfy certain sales criteria determined for each industry classification as stipulated by the Small and Medium-sized Enterprise Basic Law and have total assets not exceeding KRW 500 billion. All other requirements have been abolished.

Strengthening of criteria for Determining Resident Status (Article 4 of the Presidential Decree of the Personal Income Tax Law)

The length of stay for determining the resident status was changed from one year to 183 days under the amended Article 1-2 of the Personal Income Tax Law. In line with this change, the residency period under the Presidential Decree of the Personal Income Tax Law was also revised from "cumulatively for one year or more" during two consecutive years in Korea, to "cumulatively 183 days or more" during the consecutive two year period.

Establishment of Capital Gains Tax on Transfer of Derivatives (Article 159-2 of the Presidential Decree of the Personal Income Tax Law)

Transfer of KOSPI 200 futures and KOSPI 200 options, etc. is now subject to capital gains tax at the rate of 11%, effective from 2016.

ENVIRONMENT

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Major Changes in Environmental Policy in 2015

Enforcement of the Act on the Registration, Evaluation, Etc. of Chemicals

The Act on the Registration, Evaluation, Etc. of Chemicals ("K-REACH") and its subordinate regulations, i.e., the Enforcement Decree and the Enforcement Rules to K-REACH, took effect as of January 1, 2015. Under K-REACH, businesses handling chemicals are subject to more stringent government control; for instance, any person who intends to import (i) a new chemical, (ii) a pre-existing chemical of one ton or more per year, or (iii) a product containing hazardous chemicals, is required to file the respective report with the regulatory authority.

Enforcement of the Amended Chemicals Control Act

The amended Chemicals Control Act ("CCA"), which also took effect on January 1, 2015 (replacing the previous Toxic Chemicals Control Act), requires businesses handling chemicals to prepare and submit supplemental documents to the regulatory authority (i.e., documents in addition to those required under the previous Toxic Chemicals Control Act).

For instance, the amended CCA requires a person who intends to operate a facility handling hazardous chemicals to submit an "off-site impact evaluation report" and a person operating a facility which handles chemicals requiring preparation for accident (referred to as "Accident Preparedness Chemicals") to submit a "risk management plan."

Enforcement of Greenhouse Gases Emissions Trading System

The Greenhouse Gas ("GHG") emissions trading system ("ETS") took effect on January 1, 2015. ETS is defined as a system under which the government establishes the total amount of permitted GHG emissions for companies while companies can reduce GHG and achieve GHG reduction targets through emissions trading. Specifically, qualified companies will be granted emissions permits, which give these companies the right to emit a certain amount of GHG for a certain period. In this regard, companies with a higher cost to reduce GHG may purchase emission permits in the market instead of making a voluntary reduction, while companies with a lower reduction cost may sell their emission permits in the market to gain profits.

Relaxation of Restrictions on Discharge of Designated Water Pollutants

The Amendment to the Water Quality and Ecosystem Conservation Act ("Water Conservation Act") and its subordinate regulations, which took effect on November 24, 2014, relaxed restrictions over facilities that discharge designated water pollutants ("discharging facilities"). Under this Amendment, installation of a discharging facility is now permitted if the facility generates the designated water pollutants at a level below the drinking water standards; installation will be restricted if the generated water pollutants exceed the drinking water standards level.

Allocation of Liability for Contaminated Soil Purification

Following the Korean Constitutional Court's decision holding the former Soil Environment Preservation Act ("SEPA") to be unconstitutional, SEPA was subsequently amended and went into effect on March 25, 2015. Under the Amendment to SEPA, not only the person who directly causes soil contamination but also other individuals – such as previous and current owners of the contaminated land – can be held liable as "responsible parties" and be held responsible for the cleanup of the contaminated land.

Application of More Stringent Air Pollutant Emission Control

In addition to facilities emitting air pollutants, vehicles will be subject to the Government's stringent enforcement of air pollutant emission standards. Thus, it will be important for businesses to familiarize themselves with the pollutant emission standards in advance and develop compliance strategies.

In particular, as the so-called "Euro VI Regulation" is in effect as of January 1, 2015, sale of vehicles emitting air pollutants such as fine dust and nitrogen oxide (NO2) in excess of certain required limit is prohibited. In addition, more stringent standards are expected to apply to gasoline-powered vehicles and gas-powered vehicles from January 1, 2016.

Promulgation of the Environmental Pollution Damage Compensation and Recovery Act

The Environmental Pollution Damage Compensation and Recovery Act was promulgated on December 31, 2014 to provide victims suffering from environmental damage with more effective remedial measures; the Act will be effective after a 1-year grace period. The Act imposes strict liability against businesses and adopts "presumption of causation" which allows the court to presume that a certain facility has caused damages if it finds that it was more likely than not that the facility caused such damage. However, the facility operator may overcome such presumption if it can prove that it had complied with all applicable environmental or safety laws and regulations.

TECHNOLOGY, MEDIA & TELECOMMUNICATIONS

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Proposed Amendment to the Location Information Protection Act

On January 12, 2015, the National Assembly passed the Proposed Partial Amendment to the Location Information Protection Act ("Proposed Amendment"). The Proposed Amendment will be effective as of August 4, 2015. Major details of the Proposed Amendment are as follows:

Abolishing Reporting Obligation for Location-Based Information Service Providers Not Using Personal Location Information

The Location Information Promotion Act ("LIPA") regulates two types of location-related businesses, i.e., Location Information Businesses ("LIB") and Location-Based Information Services ("LBS"). The LIB operators collect and store location information and are required to obtain the requisite license from the Korea Communications Commission (the "KCC"). LBS providers, on the other hand, only utilize the location information collected and stored by LIB operators in connection with their services, and are currently required to file a report with the KCC.

Under the Proposed Amendment, however, LBS providers that do *not* utilize "Personal Location Information" will be exempt from the reporting requirement. Here, "Personal Location Information" means information regarding the location of a specific individual, including (1) information which by itself can identify the individual's location and (2) information which cannot identify the location of a specific individual by itself, *but can be easily combined with other information* to identify the individual's location.

Given the broad definition of "Personal Location Information," it is still unclear to what degree LBS providers will be exempt from the reporting requirement under the Proposed Amendment. As such, it will be important to monitor the position and enforcement practices of the applicable regulatory authorities to determine how broadly or narrowly the reporting exemption will be applied.

Relaxing Notification Requirements for Disclosing Personal Location Information

Currently, the LIPA requires an LBS provider to notify the relevant individual when it discloses his/her Personal Location Information to a third party. Such notice is required to be provided *every* time the LBS provider makes such third party disclosure, and should include, among others, the name of the third party recipient and the purpose, date and time of such disclosure.

The Proposed Amendment relaxes the notification requirement. If the LBS provider obtains the consent of the individual, then the LBS provider may provide a single notice to the individual of all third party disclosures made during a maximum 30-day period. Further details of the relaxed notification requirements will be set forth in the Presidential Decree to the Proposed Amendment, which has yet to be drafted.

Authorizing the KCC to Request Information and Conduct Field Investigations

Under the LIPA, both LIB operators and LBS providers are required to implement managerial and technical measures to protect location information, such as setting up firewalls, using encryption software, etc. While the LIPA already empowers the KCC to conduct general inspections to ensure compliance with such managerial and technical requirements, the Proposed Amendment has expanded the KCC's inspection powers.

Specifically, in case the KCC discovers, suspects or receives a complaint about an LIPA violation, then the KCC may request the LIB operator or LBS provider to submit necessary information. If the LIB operator or LBS provider refuses to comply with such request or is found to have violated the LIPA, then the KCC may conduct a field investigation in order to examine the facilities or equipment of the LIB operator or LBS provider. Further, the Proposed Amendment provides that an administrative fine of KRW 10 million or less can be imposed against the LIB operator or LBS provider that refuses to comply, or interferes with, the KCC's information request or field investigation.

Newly Issued Online Personal Information Processing Guidelines

By announcing the Online Personal Information Processing Guidelines (the "Guidelines") on November 12, 2014, the Korea Communications Commission ("KCC") has further clarified the standards for (1) collecting minimum personal information, (2) destroying personal information, and (3) obtaining consent, as required under the Act on the Promotion of Information and Communications Network Use and Information Protection (the "Network Act"). The Guidelines contain the following key points:

Standards for Collecting Minimum Personal Information

Under the Network Act, an online service provider is only permitted to collect personal information of its users to the extent needed to provide its online services – i.e., minimum scope of personal information. The Guidelines strictly limit "necessary minimum personal information" to "personal information which is necessary in carrying out the essential functions of the relevant online service" (referred to as "required information"; this includes information such as the user's login ID, password, name, etc.). For other types of information which are not necessary in carrying out the essential functions of the relevant online services, the Guidelines provide that such information can be collected only at the option of the user (referred to as "optional information"; examples include the user's telephone number collected for marketing purpose).

In addition, the Network Act does *not* expressly provide a time period or time limitation when the online service provider should collect personal information with the consent of the user. The Guidelines, on the other hand, clarify that an online service provider should receive the user's consent *at the time when the user actually uses* the relevant online service, and for the services actually required at that time. For example, the Guidelines stipulate that at the subscription stage, companies should limit the scope of consent to the ID, password, etc., and request consent for further information (e.g., address) when such information is necessary (e.g., purchase of product).

Standard for drafting an easily comprehensible consent form

The Network Act provides that online service providers must disclose certain items about their collection and use of personal information so that the user can provide informed consent. In this regard, the Guidelines clarify how such disclosures should be made by the online service provider, as follows.

- Online service providers must mark key details in the consent form with symbols, colors, or particular fonts so that the user can easily identify and understand these key details. If technical terms are used in drafting the consent form, online service providers should create a separate section explaining the technical terms.

- "Required information" and "optional information" should be organized separately so that the user can clearly distinguish between these two items. Online service providers should make optional information distinguishable, so that a user can easily determine that providing such information is only optional. Further, online service providers should separately organize optional information in accordance with the purpose and usage of such information, so that the user can give separate consent for each type of optional information.

- A "one-click" method of having all consent boxes checked at once for each individual consent item is permitted (however, the user should be informed of the fact that optional information are also included).

- User consent should not be obtained through pre-checked boxes.

The Guidelines apply to all industries that collect and use personal information online. However, because the Guidelines are not legally binding, further monitoring will be needed to see how the KCC will practically implement and enforce the Guidelines in the future.

INTELLECTUAL PROPERTY

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Korea Fair Trade Commission Amends IPR Guidelines, Effective December 24, 2014

The Korea Fair Trade Commission ("KFTC") made significant amendments to its "Guidelines on the Unfair Exercise of Intellectual Property Rights" ("Amended IPR Guidelines" or "Guidelines") on December 17, 2014, effective as of December 24, 2014. The Amended IPR Guidelines reflect the KFTC's active interest in applying competition law against "unfair exercise" of intellectual property rights.

Main aspects of the Amended IPR Guidelines are as follows:

New section on Standard Essential Patent ("SEP") Holders' Claim for Injunction

The Amended IPR Guidelines appear to balance the interests of both SEP holders and implementers, stating that an SEP holder is not automatically required to grant a license to third parties, but since an SEP holder who provided a FRAND commitment is obliged to engage in good-faith negotiations, an injunction against a "willing licensee" may be determined as anti-competitive.

The Amended IPR Guidelines provide some details on the standards for what would constitute good-faith negotiations on the part of the SEP holder, but relatively little details on what is meant by a "willing licensee." The Guidelines do mention the possibility of "reverse hold-up" by "unwilling licensees," and give examples of where an SEP holder's injunction is less likely to be held as anti-competitive. However, the examples given appear to be fairly narrow in scope, such as when a potential licensee refuses to be bound by or comply with the FRAND terms that are to be determined by a court or arbitral institution, or when a claim for injunction is found to be the only available remedy because it is difficult to expect to recover damages from a potential licensee due to, e.g., imminent bankruptcy of the potential licensee.

As to the SEP, in addition to the above new section on injunctive relief, the Guidelines continue to include the provisions on the abuse of the standardization procedure or demanding unfair terms after the adoption as the standard technology which may be deemed as being beyond the legitimate scope of patent rights, as follows:

- An act of unfairly agreeing on certain terms such as the price, quantity, territory, counterparts, and restriction on technology improvement, etc., during the consultation for selection of standard technology;
- An act of unfairly refusing to disclose information about the related patent application or registered patents owned by oneself to increase the possibility of being selected as the standard technology or to avoid prior consultation on license terms;
- An act of unfairly avoiding or circumventing licensing on FRAND terms to strengthen monopolistic power in the relevant market or exclude competitors;
- An act of unfairly refusing to grant licenses for the SEP; or
- An act of discriminating the SEP license terms, or of imposing royalty at an unreasonable level, thereby restricting competition.

New section on Non-Practicing Entity ("NPE")

In referring to NPEs, the Guidelines created a new term, Enterprisers Specializing in Patent Management ("ESPM"), and defined it as enterprisers who generate profits through the exercise of patent rights against implementers without engaging themselves in the manufacture or sale of goods or provision of services using the patented technology. Possible abusive acts by such ESPMs include the following,

and the Guidelines state that these provisions can also apply to non-ESPM patentees.

- The imposition of markedly unreasonable royalties in light of normal trade practice;

- Denying the application of FRAND conditions that used to apply to the previous owner of a patent while imposing markedly unreasonable royalties;
- Members of a consortium forming an ESPM unfairly agreeing to refuse to license, or to license on a discriminatory basis, to non-members;

- Engaging in patent suits or sending warning letters in a manner that causes misunderstandings or makes it difficult for the other party to defend against the suit (e.g., by hiding or omitting important information); or

- The patent holder transferring its patent rights to an NPE and causing the NPE to commit the acts of (1) and (2) above, etc. against other enterprises.

KFTC's Enforcement Plans

In the press release accompanying the Amended Guidelines, the KFTC stated that it will continue to monitor the abuse of IPRs in the future. Also, the KFTC made its annual report to the Office of the President on its enforcement plans for 2015 ("2015 Annual Report") on January 13, 2015. Notably, the KFTC plans to continue to focus its attention on the information & communications technology ("ICT") sector by establishing a Special Task Force on the ICT Sector. The 2015 Annual Report also identifies the mobile and platform sectors and software and IP sectors as areas of particular interest. In this regard, the 2015 Annual Report states that the KFTC will engage in close monitoring of abuse of dominance, such as illegal tying by dominant software developers and abuse of patent rights by the firms with control over standard technology (such as coercing grant backs of the licensee's independently-obtained knowledge, experience or technological achievements regarding the contracted products or contracted technology to the licensor, or unreasonably charging royalty for parts which have not used for the licensed technology).

Together with the Amended IPR Guidelines, it is expected that the KFTC will pay close attention to the IP licensing and enforcement practices in the ICT and software industries, and developments as related to SEPs and NPEs. Please do not hesitate to let us know if you have any questions.

SELECTED REPRESENTATIONS

BS Financial Group acquires Kyungnam Bank

On October 10, 2014, BS Financial Group Inc. acquired 56.97% of the shares of Kyungnam Bank Co., Ltd. from the Korea Deposit Insurance Corporation, for approximately KRW 1.27 trillion. This transaction was conducted as a part of the privatization of Woori Financial Holdings Co., Ltd., and as a result, BS Financial Group became the leading regional financial group, ranking fifth among domestic financial groups.

Various complex legal and tax issues, including pending court proceedings, were identified as factors potentially affecting the valuation of Kyungnam Bank. Kim & Chang assisted BS Financial Group with every aspect of the transaction, including transaction structure, legal due diligence, negotiation and documentation, and coordinating the successful closing of the transaction.

JB Financial Group acquires Kwangju Bank

On October 10, 2014, JB Financial Group Co., Ltd. acquired 56.97% or 29,235,500 shares of common stock of Kwangju Bank, Ltd. from the Korea Deposit Insurance Corporation, for approximately KRW 500 billion.

Kim & Chang represented JB Financial Group and provided comprehensive legal services with respect to transaction structure, legal due diligence, negotiation and documentation, obtaining regulatory approval for recognition as a subsidiary, and coordinated the successful closing of this transaction.

MBK Partners II sells Techpack Solutions

On October 21, 2014, MBK Partners II, Inc., a private equity fund based in Korea, sold its 100% stake in Techpack Solutions Co., Ltd. to Dongwon Systems, StarKist Co. and S-Russell II Co., Ltd.

Kim & Chang represented MBK Partners II. with respect to all aspects of the transaction, including legal due diligence, drafting and negotiation of the share purchase agreement and ancillary agreements, and closing of the transaction.

SCPE acquires PET bottle business from Hyosung

On December 5, 2014, Standard Chartered Private Equity ("SCPE"), through its special purpose company, acquired the polyethylene terephthalate bottle and aseptic filling OEM business from Hyosung Corporation.

Although a private equity fund's investment in a special purpose company was prohibited under the Capital Markets Act and relevant regulations, Kim & Chang assisted SCPE in successfully persuading the regulators that SCPE's acquisition of the Hyosung business via a special purpose company was necessary in the context of the business transferor's restructuring scheme. In addition, complex legal issues arose in this transaction as some factories of the target business were located in industrial complexes.

Kim & Chang represented SCPE and provided comprehensive legal service with respect to transaction structure, legal due diligence, drafting and negotiation of the business transfer agreement and ancillary agreements, obtaining governmental licenses and approvals, including filing the business combination report with the Korea Fair Trade Commission, and the successful closing of the transaction.

Merger of Woori Investment & Securities with NH Nonghyup Securities

On December 31, 2014, Woori Investment & Securities Co., Ltd. ("Woori Investment & Securities") merged with its affiliate, NH Nonghyup Securities Co., Ltd., with the goal to increase business efficiency and maximize synergy with its other businesses. Woori Investment & Securities, the surviving entity, changed its name to "NH Investment & Securities Co., Ltd." ("NH Investment & Securities"). As a result of the merger, the newly named NH Investment & Securities has become the largest domestic securities company in Korea.

Several issues presented potential roadblocks before the completion of the transaction, including opposition from the labor union, prospectus disclosure issues and possible non-approval of the merger by the Financial Services Commission. Kim & Chang provided comprehensive legal service to both parties in connection with the transaction, including drafting and negotiating the definitive agreements, obtaining governmental approvals (including filing of the business combination report with the Korea Fair Trade Commission), reviewing disclosure documents, and assisting with the successful closing of the transaction.

Kunwha Pharmaceutical acquires the pharmaceutical business of Dream Pharma

On December 19, 2014, Kunwha Pharmaceutical Co., Ltd. acquired the 100% stake in Dream Pharma Corp., a newly incorporated company engaged in pharmaceutical business which was spun off from Hanwha Chemical Corporation, for the acquisition price of KRW 194,522,422,064.

Kim & Chang represented Kunwha Pharmaceutical in connection with the transaction, and advised as to all major aspects of the transaction including legal due diligence, transaction structure, drafting and negotiating the definitive agreements, obtaining governmental approvals (including filing the business combination report with Korea Fair Trade Commission), and assisting with the successful closing of the transaction.

Korean Supreme Court affirms corporations' choice regarding when to include bad debt allowance as deductible expenses

The Korean Supreme Court recently ruled in connection with a merger between a bank and its affiliated credit card company that the taxpayer's choice regarding bad debt allowance should be respected.

The bank in question had proceeded with a merger with its affiliated credit card company at the request of the Korean Financial Supervisory Service in 2003 to restructure the bank's credit card business. However, the credit card company had failed to set up a reserve for bad debt allowance against credit card loans as of the closing at the end of September 2003 (the merger date), for the maximum available amount of KRW 1,266.4 billion. Thereafter, the bank assumed the assets and liabilities of the credit card company and set up a reserve for the bad debt allowance against the assumed loans after the merger, which was then included as its deductible expenses. The tax authorities found that this was in breach of financial accounting standards that resulted in an inappropriate reduction of the bank's tax burden after the merger, and imposed corporate income and local income taxes of approximately KRW 412.1 billion.

The Supreme Court disagreed. The Court noted that under the Corporate Tax Act, bad debt allowance is an item that is subject to closing adjustment only if it was reflected in the closing by the corporation, and ruled that it is up to the corporation to decide whether deductible expense in respect of a particular receivable should be recognized after the event of bad debt actually occurs, or before the event of bad debt is realized, by means of establishing a bad debt allowance based on estimated loss. The Court reasoned that even if the credit card company had failed to establish a bad debt allowance in breach of applicable regulations, deductible expenses should not be imputed contrary to the corporation's own determination.

The Tax Audit & Tax Dispute Resolution Practice Group of Kim & Chang won the Supreme Court case on behalf of the taxpayer after an intense legal dispute with the tax authority. Also, in a separate case involving the merger

between a bank and a credit card company, where the credit card company had set up a bad debt allowance but only for the minimum statutory threshold amount and the bank assumed the excess amount equivalent to KRW 1,396.4 billion after the merger, Kim & Chang successfully obtained the Tax Tribunal's decision of approval regarding the corporation's tax treatment.

Both these decisions are significant in that the taxpayer's choice as to the treatment of the deductible expenses and bad debt under the Corporate Tax Act was respected, even where such choice resulted in a substantial reduction of tax burden for the tax payer.

Supreme Court affirms Seoul High Court's decision in Naver's administrative litigation against KFTC

On November 13, 2014, the Korean Supreme Court affirmed the Seoul High Court's decision that annulled the KFTC's corrective order and administrative fines imposed against Naver regarding Naver's alleged abuse of dominance practices vis-à-vis online video contents providers.

The KFTC had found that Naver unlawfully conditioned its agreements with online video contents providers to provide video index database services by including provisions that prohibit the online video contents providers from displaying advertisements on its video contents. Such practice, the KFTC found, violated Article 3-2 of the Monopoly Regulation and Fair Trade Law by forcing a transaction or act which is unjustly disadvantageous to a transaction counterparty.

The Supreme Court's decision is summarized in more detail below:

Relevant Product Market

- The KFTC had defined the relevant product market as the market for "Internet Portal Service Users" given that most internal portals provide similar services based on 1S – 4C (Search, Contents, Communication, Community and Commerce).
- The Supreme Court affirmed the Seoul High Court rejection of the KFTC's product market definition on grounds that the business practice concerned implicates the brokerage market between online video content providers and users, and that the determination of whether Naver has a market dominant position should be assessed based on the relevant market defined as the brokerage market between Naver users and online contents providers.

Conferring Disadvantages

- The Supreme Court also affirmed the Seoul High Court ruling that it is not sufficient to show that an undertaking has forced another to suffer disadvantages in order to find unlawfulness. Instead, to find unlawful conferring of disadvantages, one must show (i) an anticompetitive intent to undermine market competition; as well as (ii) an objective assessment that such practice had anticompetitive effects. In this case, although the online contents providers' advertisement revenues may decrease as a result of Naver's actions, the Seoul High Court had found that there was neither an anticompetitive intent nor any actual anticompetitive effects resulting from Naver's practices.

Kim & Chang represented Naver in this case.

KFTC approves consent decree with SAP Korea

On October 1, 2014, the Commissioners of the Korea Fair Trade Commission ("KFTC") approved a consent decree for SAP Korea, the Korean subsidiary of a global enterprise application software company. With this consent decree, the KFTC's investigation of SAP Korea was concluded without any finding of liability.

A key issue in the case concerned is whether SAP Korea prohibited partial termination of the license/maintenance service agreement as requested by certain licensees. SAP Korea presented an implementation plan including introduction of a new partial termination policy, and cash and in-kind contributions to a public-service corporation worth KRW 300 million and KRW 15.87 billion, respectively.

The KFTC's approval of the consent decree is significant in that it utilized the consent decree as a tool for promptly resolving cases in dynamic and innovative markets, such as the enterprise software market. In addition, this was the first time since its introduction that a consent decree was used to conclude a case involving a Korean subsidiary of a multinational company.

Kim & Chang represented SAP Korea in this case.

Advising on the initial public offering of Cheil Industries involving the sale of existing shares and the issuance of new shares

On December 18, 2014, Cheil Industries, Inc. undertook its initial public offering of 28,749,950 shares in the amount of KRW 1.5237 trillion at the price of KRW 53,000 per share.

Kim & Chang advised the underwriters with respect to all aspects of this initial public offering by preparing and reviewing subscription agreements, conducting due diligence, consulting on overall legal and tax issues concerning the underwriting, reviewing public disclosure documents, such as a securities issuance report, and providing other assistance relevant to the initial public offering.

Advising on the initial public offering of Samsung SDS involving the sale of existing shares

On November 14, 2014, Samsung SDS Co., Ltd. ("Samsung SDS") listed 6,099,604 shares held by its existing shareholders at the price of KRW 190,000 per share. The total issue amount was KRW 1,158,924,760,000.

Kim & Chang, as legal adviser to Samsung SDS, (i) reviewed various contracts relating to the public offering and listing of the shares, (ii) handled regulatory issues Samsung SDS would become subject to as a listed company, (iii) assisted in performing custody procedures for the shares held by the existing shareholders, (iv) advised on issues concerning an employee stock ownership plan for the purpose of allocating some of the shares to officers and employees of Samsung SDS, (v) coordinated offshore offering process timelines and public disclosure items, and (vi) performed various other local legal advisory services relevant to the public offering and listing of the shares, such as conducting due diligence.

Approval of the acquisition of LIG Non-Life Insurance by KB Financial Group

On December 24, 2014, the FSC approved the acquisition of a 19.47% stake in LIG Non-Life Insurance by KB Financial Group and the affiliation of LIG Non-Life Insurance's subsidiaries such as LIG Investment & Securities with KB Financial Group.

In connection with the above transaction, Kim & Chang provided key legal services and advice including with respect to the stock sale and purchase agreement and the FSC approval.

Seoul High Court's Decision on cartel case concerning variable life insurance commissions

In October and November of 2014 in two court actions brought by life insurers against the Korea Fair Trade Commission (the "KFTC"), the Seoul High Court held for the plaintiff life insurers and voided a corrective order and imposition of penalty surcharge imposed by the KFTC. The Seoul High Court stated that there was no evidence that the life insurers had formed a cartel to mutually agree upon the guaranteed minimum death benefit and the guaranteed minimum accumulation benefit.

Prior to the litigation, the KFTC had issued corrective orders and imposed penalty surcharges in the amount of KRW 20.5 billion in total against nine life insurers in March 2013, alleging that the life insurers had formed a cartel for the above commissions in connection with their variable life insurance products. Subsequently in April 2013, the KFTC referred three of the nine life insurers to the Seoul Prosecutor's Office for further investigation. However, following its investigation, the Seoul Prosecutor's Office determined that it would not indict the life insurers. The Seoul High Court decision in the administrative litigation followed.

Kim & Chang represented four of the seven plaintiff life insurers and advised each of them in the course of the litigation which successfully led to the Seoul High Court's decision voiding the KFTC's ruling and sanctions against the life insurers. Kim & Chang also represented the plaintiff life insurers in the investigation by the Seoul Prosecutor Office's, which resulted in in their decision not to indict.

Purchase of logistics warehouse located at Majang-myeon, Icheon-si

On November 21, 2014, the Mapletree Group, which operates various real estate investment companies and funds through management companies, entered into a sale and purchase agreement with Smart Logistics Asset Development Co., Ltd. through Majang 1 Logistics Korea Co., Ltd. (the "Company") incorporated by the Mapletree Group in Korea, pursuant to which the Company agreed to purchase certain warehouse buildings and the underlying land located within the Icheon Fashion Logistics Complex located at Majang-myeon, Icheon-si, Gyeonggi-do, Korea (the "Properties"). Thereafter, on December 10, 2014, the Company acquired title to the Properties. Concurrently with the execution of the sale and purchase agreement, the Company entered into lease agreements with the seller's affiliates, Smart Logistics Co., Ltd. and Smart Logistics Global Co., Ltd. for the lease of the Properties.

Kim & Chang provided comprehensive legal advice at all stages of the transaction, from due diligence of the Properties, the incorporation and initial operation of the Company, funding of the purchase price, preparation of transaction documents, including the sale and purchase agreement and a settlement agreement regarding existing disputes, and review of a proper transaction structure to minimize any risks associated with the transaction.

The Hyundai Motor Group's win in its ordinary wage case

On January 16, 2015, the Seoul Central District Court rendered a decision denying a back pay claim brought by the employees of Hyundai Motor Group, dismissing the employees' argument that “regular bonuses” should be classified as ordinary wages for purposes of assessing statutory allowances.

In dismissing the employee's argument, the Seoul Central District Court noted that under Hyundai Motor's company rules, “regular bonus“ is paid to an employee only if such employee has worked for 15 days or more in a given period for paying regular bonus (two months). The Seoul Central District Court found that this meant the payment of regular bonus was not “fixed,“ which is one of the elements of ordinary wage, and on such basis, ruled that regular bonus is not ordinary wage.

The Court further reasoned that even if the minimum days of work is not expressly stated as a condition for payment in the collective bargaining agreement, the fact that it is stipulated in the company compensation rules which supplement the collective bargaining agreement, and the fact that the company customarily has been paying regular bonus in accordance with the company's compensation rules must be taken into account.

The Seoul Central District Court decision followed the Supreme Court's decision in the *Kabul Autotech* cases, where the Supreme Court had ruled that imposing a condition of working a certain number of days as a condition for payment negates the “fixed“ element.

The Seoul Central District Court decision is expected to have a significant impact in the automobile and related industries.

The Supreme Court Decision on withholding tax on fees for patents registered abroad

The Korean Supreme Court recently rendered a decision holding that royalties received by a US corporation from a Korean corporation pursuant to a settlement agreement regarding a dispute involving infringement of patents registered abroad (but not in Korea) is not domestic-source income under the Korea-US Tax Treaty, regardless of whether the patents were used in Korea in manufacturing or sales activities, and that such royalties should be excluded from domestic-source income subject to Korean withholding tax.

The Supreme Court ruled that, under Article 6, paragraph 3 and Article 14, paragraph 4 of the Korea-US Tax Treaty, the license fee paid by a Korean corporation for use of patent should be treated as domestic-source income only to the extent that the patents are duly registered in Korea by the US corporation on grounds that patent rights (e.g., exclusive rights for production, usage, transfer, lending, importation, exhibition, etc.) are only effective in the country where the patents are registered in accordance with the territorial principle of patents. A previous Supreme Court case in 2007 already took the position that royalties arising from the use of patents only registered outside of Korea should not be treated as domestic-sourced income based on the above mentioned article of the Korea-US Tax Treaty.

However, soon after the above 2007 Supreme Court case decision, Article 93 of the Korean Corporate Income Tax Law was revised on December 26, 2008 to include a new provision stating that income or fees obtained by a foreign company from a Korean licensee's use of patents registered overseas in connection with manufacture and sale, etc. in Korea are considered domestic-source income even if they are not registered in Korea. Based on the revised law, the Korean tax authorities imposed withholding tax on US corporations' royalty income from foreign patents not registered in Korea.

In its latest decision, the Supreme Court held that, under Article 28 of the International Tax Coordination Law, the relevant tax treaty should take precedence over the Korean Corporate Income Tax Law with regard to the domestic-source income classification, and thus whether or not the patent royalty income is a domestic-source income should be determined by the Korea-US Tax Treaty. This decision reaffirmed the court's previous position on the income classification issue arising from domestic payment of royalty on patents registered overseas.

Kim & Chang advised the company in obtaining the decision for cancellation of the withholding tax assessment.

Landmark decision puts the freeze on copying ice cream shop's trade dress

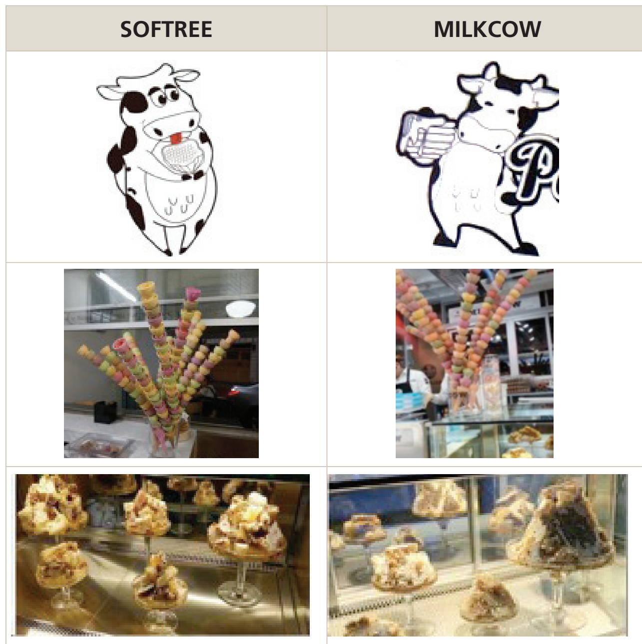
In the first Korean court ruling of its kind, the Seoul Central District Court recognized that a shop's general appearance and decorative elements can be protectable trade dress under the Unfair Competition Prevention and Trade Secrets Act ("UCPA").

In the case of NUPL Co., Ltd. ("Softree") vs. Mcostar Co., Ltd. ("Milkcow"), Kim & Chang successfully represented the operator of a dessert café chain in its lawsuit against the franchisor of a similar chain for unfair competition on the basis that the latter was copying its signature soft ice cream dessert and the unique appearance of its cafés.

The plaintiff Softree, a high end dessert café franchise in Korea, offers a signature dessert consisting of soft vanilla ice cream topped with real pieces of honeycomb and honey. The defendant Milkcow operates cafés which mimic the plaintiff's café concept and sells the same dessert with a similar presentation. Softree sought an injunction against Milkcow on the grounds that: (i) the latter's manufacture and sale of its honeycomb ice cream dessert infringed Softree's rights under the "dead copy" provision of the UCPA (Article 2(1)(ix)), and (ii) its adoption of Softree's interior and exterior design components infringed Softree's trade dress under the "catch-all" provision of the same Act (Article 2(1)(x)).

The Court found in favor of Softree as to its "dead copy" claim, noting that the ice cream dessert of Milkcow imitates the appearance of Softree's product (i.e., the product's shape, pattern, color, gloss, or a combination of these attributes) and granted a permanent injunction against Milkcow's manufacture and sale of its honeycomb desserts.

The Court further found that Milkcow was using exterior signage, menu boards, ice cream cone rings, and a milk cow logo that looked very similar to Softree's, as well as identical displays of ice cream cones, and honeycombs. The Court ruled that these six components (compared in the following table) amounted to Softree's trade dress as they give Softree cafés their unique atmosphere. In particular, the Court held that it was unjust for Milkcow to adopt for its business all of the above Softree shop design elements, which were conceived of and developed by Softree through substantial effort and investment. The Court granted a permanent injunction against Milkcow's use of the six Softree shop design components in combination.



The UCPA's "catch-all" provision was only recently introduced on January 31, 2014, and states that a party may not interfere with another person's economic interest by appropriating, for one's own business use without authorization, anything which the other person produced through considerable effort and investment, in a manner that contravenes fair trade practice or competition order. This broad provision is the only provision in the UCPA which proscribes general acts of unfair competition, and until this case, had never been interpreted by any Korean court. This case is significant as the first court decision in Korea to interpret the "catch-all" provision of the UCPA, and specifically to recognize that that provision protects a store's substantial effort and investment in designing its "look and feel."

Investment in Korean mobile game company

FourThirtyThree Inc. ("FourThirtyThree"), a Korean mobile game company that won the Korea Game Awards last year for its mobile game, Blade, secured an investment of approximately KRW 130 billion from Skyblue Vanguard Investment Pte. Ltd., the Singaporean affiliate of Tencent Holdings Limited ("Tencent"), and LINE C&I Corporation, an affiliate of Naver Corporation ("LINE").

The new partnership with Tencent and LINE is expected to enable FourThirtyThree to compete in overseas markets, in particular the Asian market, while also securing funds for potential investments in promising Korean developers. Meanwhile, Tencent and LINE were able to obtain rights to distribute FourThirtyThree content in overseas markets in order to continue their growth momentum.

Kim & Chang served as legal counsel for FourThirtyThree. Utilizing its in-depth understanding and experience in the game industry, Kim & Chang successfully advised FourThirtyThree on all aspects of the investment.

Seoul Administrative Court finds royalty non-dutiable

In a case involving domestic manufacturers that imported equipment for the manufacturing of advanced glass substrates, the Seoul Administrative Court determined that all of the royalty paid by the manufacturer to the licensor of the manufacturing technology, a related party, is not "related" to the imported equipment and thus not dutiable for customs valuation purposes. The Court went on to state that, even if a portion of the royalty paid can be deemed to be related to the imported equipment, since there is no reasonable way to separate this amount from the rest of the royalty, the customs duty assessment arising from adding back the entire royalty to the customs value should be cancelled in its entirety.

Kim & Chang successfully represented domestic manufacturers in this case, where the Court fully accepted the domestic manufacturers' arguments that the license agreement giving rise to the royalty payment at issue was for the right to use the manufacturing know-how including certain patents to produce the advance glass substrates domestically and thus the royalties are not related to the imported equipment. Under Korea Customs Law, if the royalty paid to an overseas licensor is not "related to" or "paid as a condition of sale" of the imported goods, it is not dutiable for valuation purposes.

This case marks a significant victory for domestic importers as Korean customs authorities have been aggressively challenging royalties paid overseas as a dutiable element of the underlying customs value of the imported goods and courts, in many instances, have been aligning their views with the Korean customs authorities.

FIRM NEWS

AWARDS & RANKINGS

Top rankings in 6 practice areas and recognition of 28 leading individuals - Chambers Global 2015

Kim & Chang was recognized as a top ranking (Band 1) law firm in Korea in 6 practice areas in the recent edition of *Chambers Global Guide*, a leading global law firm directory published by Chambers & Partners. Kim & Chang's Arbitration (International) practice earned a mention among law firms in the Asia-Pacific region and our General Business Law practice for North Korea earned top ranking (Band 1).

In addition, 28 professionals of our firm were recognized as "Leading Individuals" in their respective practice areas.

Practice Areas

Asia-Pacific
- Arbitration (International): Band 4

South Korea
- Banking & Finance: Band 1
- Capital Markets: Band 1
- Corporate/M&A: Band 1
- Dispute Resolution: Arbitration: Band 1
- Dispute Resolution: Litigation: Band 1
- Intellectual Property: Band 1
- International Trade: Band 2

North Korea
- General Business Law (Desks Based Abroad): Band 1

Leading Individuals

Asia-Pacific
- Arbitration (International): Byung Chol Yoon, Eun Young Park

South Korea
- Banking & Finance: Soo Man Park, Ick Ryol Huh, Young Kyun Cho, Hi Sun Yoon, Young Min Kim
- Capital Markets: Chang Hyeon Ko, Young Man Huh, Myoung Jae Chung, Seong Koo Cheong**
- Corporate/M&A: Kyung Taek Jung, Young Jay Ro, Jong Koo Park, Young Man Huh, Young Hoon Byun (Japan), Stefan Moller (Sweden)
- Dispute Resolution: Arbitration: Byung Chol Yoon* (Star Individual), Eun Young Park, Kyo-Hwa (Liz) Chung, Richard Menard
- Dispute Resolution: Litigation: Jin Yeong Chung, Jung Keol Suh
- Intellectual Property: Young-June (Jay) Yang, Duck-Soon Chang, Man-Gi Paik, Chun Y Yang, Jay J Kim, Young Kim, Na Young Kim, Martin Kagerbauer (Germany), Ann Nam Yeon Kwon**

North Korea
- General Business Law (Desks Based Abroad): Eun Min Kwon

* Star Individual: A lawyer with exceptional recommendations in his field.

** Other Noted Practitioner: An individual who has not yet been ranked but is seen to be active and accomplished in this area of law.

Top rankings in 16 practice areas and recognition of 50 leading individuals - Chambers Asia-Pacific 2015

Chambers Asia-Pacific 2015 Guide, published by a leading legal publisher Chambers & Partners, selected and announced the best law firms and lawyers in Asia-Pacific region.

Sixteen main practice areas of Kim & Chang have been ranked in the "Band 1" category, the highest ranking among law firms in South Korea. Kim & Chang's North Korea practice has been recognized as a leading team in General Business Law (Desks Based Abroad); the firm was also ranked as "Band 4" in International Arbitration in Asia-Pacific region.

In addition, 50 professionals were selected as "Leading individuals" in their respective practice areas; additional 7 professionals of the firm were recognized as "Other Noted Practitioners" in their fields.

Practice Areas

South Korea

- Banking & Finance : Band 1
- Capital Markets: Band 1
- Competition/Antitrust : Band 1
- Corporate/M&A : Band 1
- Dispute Resolution-Arbitration: Band 1
- Dispute Resolution-Litigation: Band 1
- Dispute Resolution-White-Collar Crime: Band 1
- Employment: Band 1
- Insurance: Band 1
- Intellectual Property: Band 1
- Real Estate: Band 1
- Restructuring/Insolvency: Band 1
- Shipping: Band 1
- Shipping-Finance: Band 1
- Tax: Band 1
- Technology, Media, Telecoms (TMT): Band 1
- International Trade: Band 2

North Korea

General Business Law (Desks Based Abroad): Band 1

Asia-Pacific

Arbitration (International): Band 4

Leading Individuals

South Korea

- Banking & Finance: Soo Man Park, Ick Ryol Huh, Young Kyun Cho, Hi Sun Yoon, Young Min Kim
- Capital Markets: Chang Hyeon Ko, Young Man Huh, Myoung Jae Chung, Seong Koo Cheong**
- Competition/Antitrust: Kyung Taek Jung, Sung Eyup Park, Jae Hong Ahn, Youngjin Jung, Gene Oh Kim**
- Corporate/M&A: Kyung Taek Jung, Young Jay Ro, Jong Koo Park, Young Man Huh
- Dispute Resolution-Arbitration: Byung Chol Yoon* (Star Individual), Eun Young Park, Kyo-Hwa (Liz) Chung, Richard Menard
- Dispute Resolution-Litigation: Jin Yeong Chung, Jung Keol Suh
- Dispute Resolution-White-Collar Crime: Kook Hyun Yoo, Myungsuk (Sean) Choi, Seung Ho Lee
- Employment: Chun Wook Hyun, Weon Jung Kim, Wan Joo, Jung Taek Park, Deok Il Seo**
- Insurance: Jae Hong Ahn, Jin Hong Lee, Woong Park, Hyun Wook Shin**
- Intellectual Property (Including Intellectual Property: Patent Specialists): Young-June (Jay) Yang, Duck-Soon Chang, Man-Gi Paik, Chun Y Yang, Jay J Kim, Young Kim, Na Young Kim, Ann Nam Yeon Kwon**
- Real Estate: Yon Kyun Oh, Kwan Sik Yu, Keun Ah Cho
- Restructuring/Insolvency: Jin Yeong Chung, Chi Yong Rim
- Shipping : Byung Suk Chung, Jin Hong Lee
- Shipping-Finance: Soo Man Park, Hi Sun Yoon
- Tax: Woo Hyun Baik, Dong Jun Yeo, Je-Heum Baik, Dong So Kim, Tae Yeon Nam, Im Jung Choi**, Stefan Moller**
- Technology, Media, Telecoms (TMT): Dong Shik Choi, Tae-Hyun (Brian) Chung, Min Chul Park

North Korea

General Business Law (Desks Based Abroad): Eun Min Kwon

Asia-Pacific

Arbitration (International): Byung Chol Yoon, Eun Young Park

* Star Individual: A lawyer with exceptional recommendations in his field.

** Other Noted Practitioner: An individual who has not yet been ranked but is seen to be active and accomplished in this area of law.

Korea Law Firm of the Year - IFLR Asia Awards 2015

Kim & Chang has again won the 'Korea Law Firm of the Year' award at the *IFLR Asia Awards 2015*. With this latest award, our firm has been named the top law firm in Korea for 13 consecutive years by International Financial Law Review (IFLR), which is published by Euromoney, one of the world's leading media groups. The awards are based on firm performance in 2014.

Asian Law Firm of the Year - The American Lawyer Asia Legal Awards 2015

Kim & Chang was selected as the 'Asian Law Firm of the Year' at *Asia Legal Awards 2015*, hosted by The American Lawyer (ALM), a world-renowned legal media group. The award was held in Hong Kong on March 3, 2015. In addition, 2 deals in which our firm acted as the legal advisor to were selected as the 'Dispute of the Year' and 'M&A Deal of the Year: Private Equity.'

As to our firm, ALM commented "Kim & Chang is particularly known for its international client base, the firm models itself as a world-class law firm, has a multinational team of lawyers and is capable of advising on sophisticated and complex products for international clients."

The details of our prize are as below:

Firm Categories

- Asian Law Firm of the Year

Deal Categories

- Dispute of the Year: Apple v. Samsung
- M&A Deal of the Year (Private Equity): KKR's $1.4B acquisition of Goodpack

Ranked as top-tier tax law firm in Korea - Tax Directors Handbook 2015

Kim & Chang was recognized as a top-tier tax law firm for 7 consecutive years in the *Tax Directors Handbook 2015*, the guide to the world's premier tax law firms published by Legalease, a leading UK publisher of legal market information.

Our firm was also ranked ninth in the 'Law Firm Tax 100,' which is a list of the world's leading law firms by the size of their respective tax department, and was referred to as "the best in the country in this area." In addition, Mr. Woo Hyun Baik of the firm was selected as one of the 'leading global tax lawyers - TDH 250' based on recommendations from clients.

No. 1 M&A advisor in Korea - Mergermarket M&A League Tables of Legal Advisors 2014

Kim & Chang was ranked as No. 1 South Korean M&A advisor by its deal value and count with USD 55,495 million and 83 counts, according to *Mergermarket M&A League Tables of Legal Advisors 2014*. In addition, Kim & Chang was ranked No. 3 by deal value and count in Asia Pacific (excluding Japan) M&A.

No. 1 M&A advisor in Korea - Thomson Reuters M&A Financial Advisory Review 2014

Kim & Chang was ranked as No. 1 South Korean M&A advisor according to the *Thomson Reuters M&A Legal Advisor League Tables*.

Our firm was ranked No. 1 for Any South Korea Involvement Announced with USD 25,506 million, 124 deals and Any South Korea Involvement Completed with USD 22,637 million, 120 deals respectively. It was also ranked No.1 for South Korea Target Announced with USD 25,182 million, 114 deals and South Korea Target Completed with USD 21,720 million, 109 deals.

No. 1 M&A advisor in Korea - Bloomberg Asia Pacific Legal Advisory M&A Rankings 2014

Kim & Chang was ranked No. 1 M&A advisor in Korea both by volume and deal counts with USD 38,208 million and 118 counts, announced *Bloomberg Asia Pacific Legal Advisory M&A Rankings 2014*.

Our firm was also ranked No. 2 in Asia Pacific (excl. Japan) by deal counts and No. 5 by volume. In addition, the firm was the only Korean firm in the Private Equity Deals in Asia Pacific, standing 9th.

PRO BONO

Recognized as World's Top 17 Pro Bono Firm - The American Lawyer Magazine's Global 100 (2014)

Kim & Chang was recognized as one of the world's top 17 pro bono firms in *Global 100*, a special feature of The American Lawyer, a renowned US-based legal magazine. Our firm was the only Asian firm to earn a mention on the list of the top 20 law firms in *Global 100*'s 'Pro Bono Commitment' chart.

The American Lawyer recently published its annual publication, *Global 100*, which ranks law firms based on a survey of global law firms. This year, it announced the top 100 law firms in each of the following categories: Pro Bono Commitment, Most Revenue, Most Lawyers, Most Profits Per Partner, and Most Global. In addition to the 'Pro Bono Commitment' chart, Kim & Chang was also ranked among the top 100 firms in the following categories: 'Most Lawyers (List of number of lawyers)' and 'Most Global (List of number of jurisdictions in which the firm has offices).'

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