

***By-laws***  
***Of The***  
***Korean Institute of Certified Public Accountants***

*Developed December 11, 1954*

*Amended July 1, 2009*

***Chapter 1 General Provisions***

***Provision 1 (Name)***

This organization was incorporated in accordance with the provision 41 of the CPA act (hereinafter, referred to as ‘the act’) and its name is the Korean Institute of Certified Public Accountants.

***Provision 2 (Objectives)***

- 1) The Institute’s objectives shall be to promote members’ sense of duty; to enhance their professional behavior and build capacity; to promote and maintain high professional standards of practice and expand the scope of professional services; to provide members with guidance and supervision; to enhance members’ welfare; to foster cordial relations among members and international cooperation; and to serve public interest.
- 2) To fulfill its objectives defined in the paragraph (1), the Institute shall;
  - A. Set standards governing accounting, auditing, taxation, business advisory and other professional services and conduct related research and study.
  - B. Strengthen the quality and expand the scope of professional accountants’ services.
  - C. Develop and amend the code of ethics for professional accountants and supervise members’ compliance.
  - D. Develop CPD policies and monitor progress.
  - E. Propose improvements to accounting and taxation systems and promote policy coordination in taxation and others.
  - F. Publish monthly magazines and related information.
  - G. Support, guide and regulate members in providing professional services.
  - H. Run mutual aid programs to enhance welfare and rights of members
  - I. Run mutual aid programs to help members deal with legal liabilities
  - J. Provide education and training to unregistered accountants to help them fulfill professional experience requirement

- K. Educate members and non-members and perform qualification tests.
- L. Provide information about accounting, taxation, financial analysis and others on the internet.
- M. Foster cooperation with international accountancy organizations and conduct research projects on accounting industries and systems of other countries.
- N. Serve public interest by mediating disputes with clients, disclosing annual reports and financial information of accounting firms and providing counseling services on accounting, auditing, taxation and others.
- O. Support the development and dissemination of Extensible Business Reporting Language (hereinafter, referred to as 'XBRL') to promote global standardization of financial and corporate reporting.
- P. Conduct other projects to deliver objectives defined in the paragraph (1).

***Provision 3(Location)***

- 1) The Institute is located in Seoul, South Korea.
- 2) The Institute may establish a local branch or chapter with the approval of the Financial Services Commission in accordance with the provision 41 (5) of the act.
- 3) The local branch or chapter prescribed in the paragraph (2) shall be established in a special city, a metropolitan city or a province after the resolution of the General Assembly.

## ***Chapter 2      Members***

***Provision 4 (Members)***

- 1) The Institute members are classified into regular, associate and honorary members.
  - A. Regular members shall include professional accountants who are registered in accordance with the provision 7 of the act, accounting firms prescribed in the act, and audit teams provided for in the Act on the External Audit of Stock Companies (hereinafter, referred to as 'the external audit act') (hereinafter, accounting firms and audit teams are collectively referred to as 'auditors').
  - B. Associate members are the Institute members who are admitted as CPAs but not registered.
  - C. Honorary members are the Institute members who are nominated by the Council in accordance with the provision 24.
- 2) Provisions 12 - 14, 70 - 72, 76 - 78, and 82 shall not apply to associate members.
- 3) Provisions 9, 12 - 14, 70 - 72, 76 - 78, 81 and 82 shall not apply to honorary members.

***Provision 5 (Admission)***

- 1) Registered CPAs shall join the Institute upon registration in accordance with provision 42 of the act.
- 2) CPAs who wish to join the Institute shall submit an application to the president and pay dues including admission dues. Accounting firms and audit teams are considered to be admitted when they register in accordance with provision 24 of the act and provision 3.1.1 of the external audit act respectively. They are exempt from obligation to pay admission dues.

***Provision 6 (Membership list and others)***

- 1) The Institute shall keep a membership list which contains following information grouped into CPAs, associate members and honorary members in accordance with provision 7 of the act.
  - A. Name and Social Security Number
  - B. CPA registration No.(regular members only) or CPA certificate No.(associate members only)
  - C. Address and office address
  - D. Date of admission
  - E. Photo
  - F. Disciplinary actions (Regular members only)
- 2) The Institute shall document and keep an auditors' list which contains information of auditors provided in provision 3 of the external audit act and CPAs working for them.

***Provision 7 (Rights of members)***

Rights and powers of members are defined as follows. Paragraphs 1) and 2) below shall not apply to auditors, associate members and honorary members.

- 1) Right to attend and vote at general assembly meetings
- 2) Right to be appointed as officers (including officers of local branches), council members and committee members defined herein.
- 3) Right to seek opinions or provide suggestions, written or verbal, to the president regarding matters relevant to the Institute's objectives.

***Provision 8 (Duties of members)***

Duties of members are defined as follows. Paragraph 2) below shall not apply to associate and honorary members.

- 1) Duty to comply with the bylaws, internal regulations, code of ethics for professional accountants, auditing standards and resolutions of meetings.
- 2) Duty to faithfully fulfill missions mandated or delegated by the Institute.

***Provision 9 (Ethical behavior of members and others)***

- 1) Members shall perform services faithfully and in a professional manner by complying with the code of ethics for professional accountants developed by the Institute.
- 2) The code of ethics for professional accountants provided in paragraph 1) shall include regulations governing professional ethics that members defined in provision 43 of the act should comply with in the performance of professional services.
- 3) No members shall:
  - ① Be involved in any act discreditable to the profession or the Institute, regardless of whether the act is done as part of professional services.
  - ② Disclose or use confidential information without justifiable reasons which has been obtained in connection with their service performed as a KICPA officer or committee member described herein for personal gain or interests.
  - ③ Lend their name/ business name or CPA license to a third party to perform professional services provided in provision 2 of the act.
  - ④ Perform professional services provided in provision 2 of the act as non-practicing regular members.
- 4) The code of ethics for professional accountants provided in paragraph 2) shall be developed by the Institute by seeking input from stakeholders after the deliberation and resolution of the Ethics Standards Board provided in provision 52.2 herein.

***Provision 9.2 (Developing and Amending Auditing Standards)***

- 1) Auditing standards developed by the Institute in accordance with provision 5.2 of the external audit act shall be decided after the deliberation and resolution of the Auditing and Assurance Standards Board provided in provision 61.2 herein.
- 2) In developing standards provided in paragraph 1), stakeholder input shall be gathered and reviewed.

***Provision 10 (Guiding and regulating members)***

- 1) The Institute shall provide guidance and supervision to ensure that members practice in a professional and proper manner. If necessary, it may request members to provide data/ reports or answer questions on their professional services or behavior.
- 2) Members shall follow faithfully the guidance and supervision provided by the Institute in accordance with paragraph 1) and comply with the requests for data or others unless there are justifiable reasons.
- 3) Internal regulations shall define matters that are important for the performance of members' professional services and the organization and operation of auditors.
- 4) Regular members shall comply with auditing standards or special purpose auditing standards described in provision 5 of the external audit act when they perform audit services not prescribed in the external audit act. They are allowed to skip some parts of the auditing procedure defined by the auditing standards depending on the form, size, and business type of an audit client.

5) Practicing members should complete more than 40 hours of CPD a year in accordance with CPD regulations provided in provision 68.4 herein.

***Provision 11 (Termination of Membership)***

Membership in the Institute is terminated when:

- 1) A regular member's registration is cancelled or a regular member is dissolved in accordance with provision 9 or 37 of the act or provision 2.6 of the enforcement rule of the act.
- 2) An associate member registers as a CPA or one of the cases prescribed in provision 9 of the act takes place.
- 3) An honorary member passes away or is decided to be dismissed from the membership by Council.

### ***Chapter 3 Registration and Reporting***

***Provision 12 (Registration)***

If one wishes to register as a CPA in pursuant to provision 7 of the act, one should submit registration documents to the Institute.

***Provision 12-2 (Confirmation of Disqualification)***

When the Institute reviews the application for registration or registration renewal described in provision 7 of the act as entrusted by the Financial Services Commission, the president shall check whether there are any grounds for disqualification provided in provision 4 of the act.

***Provision 13 (Register of Certified Public Accountants)***

The Institute shall document and keep the register of Certified Public Accountants described in provision 6 of the enforcement rule of the act.

***Provision 14 (Reporting)***

- 1) Members shall report to the Institute without delay when they start, suspend or quit practice and when they open or move their office.
- 2) Members shall report to the Institute without delay when there is any change in their registration information.
- 3) Members shall report to the Institute without delay when they have one of the grounds for disqualification provided in provision 4 of the act.
- 4) When members wish to renew their registration, they shall submit an application to the Institute 30 days before the 5 year period elapses after the registration.

- 5) Accounting firms who are the Institute members shall report to the Institute without delay in case of any changes in their articles of incorporation in accordance with provision 23. 2 of the act.

## ***Chapter 4 General Assembly***

### ***Provision 15 (General Assembly Meeting)***

- 1) The Institute shall establish the General Assembly as the premier decision-making body.
- 2) General assembly meetings are classified into regular meetings and special meetings.

### ***Provision 16 (Convening meetings)***

- 1) The president shall call a regular meeting within 90 days after the end of a fiscal year.
- 2) Special meetings are convened by the president in one of the following cases.
  - ① When the president deems such a meeting necessary and the Board of Directors agrees and reaches resolution.
  - ② When more than two tenths of regular members request a general assembly meeting by submitting to the president documentation detailing objectives and issues to be dealt with at such a meeting.
- 3) When the president doesn't convene a meeting within 30 days after the meeting request date described in paragraph 2).② without justifiable reasons, the auditor shall call a meeting without delay.
- 4) Notice should be sent out 2 weeks prior to a general assembly meeting by detailing venue, date and objectives of the meeting. In case of emergency the president deems appropriate, shorter notice shall be allowed.

### ***Provision 17 (Matters for Resolution)***

The general assembly meeting reviews and resolves on following matters.

- 1) Matters concerning the amendment to the by-laws
- 2) Matters concerning the approval of business plans, budgets and financial statements. The Council is mandated to review and approve supplementary budget during a fiscal year.
- 3) Matters concerning the appointment and dismissal of the president, a vice president and auditors
- 4) Matters concerning the establishment of local chapters or branches.
- 5) Matters concerning the recommendation of honorary presidents
- 6) Any other matters that need the resolution of the general assembly under the internal regulations described herein.
- 7) Any other matters the president deems necessary to be addressed for the operation of the Institute. The

president shall present them before the Council with the approval of the Board of Directors and the Council.

***Provision 18 (Methods of Resolution)***

- 1) The general assembly members shall reach resolutions by a majority vote of members present and voting unless specified otherwise in the by-laws. In case of an equality of votes, the chair shall hold casting vote.
- 2) When a motion to vote is approved, the vote shall be taken by show of hands.
- 3) Despite the paragraph 2), items on agendas that are related to personnel appointment, personal character or reputation shall be decided by unsigned secret vote. The vote can be taken by show of hands provided that the two thirds of members present agree.
- 3) Any other matters concerning the method of resolution not defined in paragraph 2) and 3) shall be defined by the internal regulations.
- 4) Voting rights shall not be delegated.
- 5) Those whose membership is valid on the date when a general assembly meeting is notified in pursuant to provision 16. 4) shall be entitled to exercise voting rights at general assembly meetings.

***Provision 19 (Amendment to the by-laws)***

- 1) The amendment to the by-laws shall need the approval of the two thirds of members present at a general assembly meeting.
- 2) When a member wishes to amend the by-laws, he or she should present to the Board of Directors a petition signed by more than 100 members and following documentation 4 weeks prior to a general assembly meeting.
  - ① Documentation detailing reasons for proposed amendment
  - ② Details of the proposed amendment
  - ③ Comparison between the existing and proposed provisions
  - ④ Written Consents
- 3) When a member wishes to propose amendment to provisions that are related to the provisions to which amendments are put forward for the consideration of the general assembly (The creation of new provisions included. As for the provisions which are not related to those considered by the general assembly, paragraph 2) shall apply.), he or she shall present to the chair provided in the provision 20 below a petition signed by more than 100 members along with documentation listed in paragraph 2) 5 days prior to a general assembly meeting.

***Provision 20 (Chair)***

- 1) The chair of the general assembly meeting shall be the president of the Institute.

2) When the president can't serve as chair due to unavoidable reasons, persons listed below shall act as chair in the following order.

- ① the vice president elected at a general assembly meeting
- ② the full-time vice president
- ③ the vice president approved by the Council
- ④ and a director.

When there is more than one full-time vice president, vice president approved by the Council or director, the acting chair shall be decided based on age.

***Provision 21 (Meeting minutes)***

The chair and officers present at a meeting shall sign meeting minutes and the summary of the minutes shall be forwarded to all members within 30 days after the meeting.

## ***Chapter 5. Council***

***Provision 22 (Composition of the Council)***

- 1) The Council is composed of the president, vice-presidents, presidents of branches (hereafter, referred to as 'branch presidents') and 100 ~130 council members who are nominated by members of the Institute.
- 2) The Council members nominated by members of the Institute as prescribed in paragraph 1) shall be classified into three groups; the members working for accounting corporations; the members working for audit teams; and the members who are not auditors. The number of Council members nominated by each group shall be in proportion to the size of each group, not exceeding the total number of Council members prescribed in the paragraph 1). Details shall be set out by the internal regulations.
- 3) In deciding the number of the Council members as prescribed in the paragraph 2), the number shall be in proportion to the number of members of the Institute as of April 1, June 1 and December 1 every year.
- 4) When a Council member leaves the auditor he or she used to belong to and becomes subject to one of the provisions 31 2) ② - ④, he or she will lose the membership of the Council. Details of the disqualification shall be provided by the internal regulations.
- 5) Any proposals to nominate or change a Council member shall be presented to the president (including the nomination of a council member by an auditor after the auditor's member is disqualified as prescribed in the paragraph 4).



***Provision 23(Convening meetings and Method of Resolution)***

- 1) The Council shall be convened by the president at such times as he or she deems necessary.
- 2) The Council shall make resolutions by a majority vote of members present. In case of an equality of votes, the president shall hold casting vote.
- 3) Each member present shall be entitled to one vote. The council member may exercise his or her voting right by proxy in accordance with internal regulations. In this case, one proxy can have only one vote and shall present to the chair a letter of proxy signed by the council member he or she represents.

***Provision 24 (Matters for Resolution)***

- 1) The Council shall review and decide matters as follows.
  - ①Agendas that will be put forward to a general assembly meeting
  - ②Matters concerning the approval of budget transfer.
  - ③Matters concerning developing and amending the internal regulations. As for other regulations which don't have direct impact on the members of the Institute including the office regulations of the Secretariat and the regulations on professional experience requirement, the Board of Directors can be entrusted to develop and amend such regulations.
  - ④Matters concerning the nomination of honorary president candidates and honorary members.
  - ⑤Matters concerning the appointment and dismissal of part-time directors.
  - ⑥Matters concerning the appointment and dismissal of the Ethics Investigation & Deliberation Committee members.
  - ⑦Matters concerning the appointment and dismissal of the chair of the Audit Quality Control Review Committee and part-time vice presidents who are nominated by the president.
  - ⑧Matters concerning the appointment and dismissal of the full-time vice president and the full-time officer in charge of research and education (meaning the full-time vice president or the full-time director defined in provision 30, 2). The same shall apply hereinafter) who are nominated by the Full-time Officer Nominations Committee and the chair of the Audit Quality Control Supervisory Committee.
  - ⑨Important matters concerning the allocation of engagements to members.
  - ⑩Matters the Council is entrusted to review by the general assembly
  - ⑪Matters that need the resolution of the Council in accordance with the internal regulations defined herein.
  - ⑫Any other matters the president deems necessary to be considered for the operation of the Institute. President shall bring them before the Council with the approval of the Board of Directors.
- 2) The Council may decide to dismiss the full-time vice president, the full-time officer in charge of research and education and the chair of the Auditing Quality Control Supervisory Committee for one of the following reasons in accordance with the paragraph 1) ⑧.
  - ① Causing the Institute economic damage by making material mistakes knowingly or unknowingly.

- ② Being involved in acts which are discreditable to the Institute or spark public criticism.
  - ③ Causing serious disruptions to the operation of the Institute by being involved in wrongdoings or illegalities or making serious mistakes due to negligence and others.
  - ④ Doing other acts which have impact equivalent to the sub-paragraphs ①- ③.
- 3) A motion for dismissal shall be adopted as an agenda item when sponsored by more than one third of registered Council members. It shall be passed by a majority vote when the two thirds of the registered Council members are present. When the Council passes the motion, the president shall dismiss the named officer without delay.
- 4) The representative sponsor of the motion for dismissal described in the paragraph 3) shall submit documentation detailing the reasons for the dismissal and details of acts corresponding to each of the paragraph 2) to the chair 5 days prior to a Council meeting date. The chair shall give the floor to the person whose dismissal is proposed before the motion is put to vote.
- 5) The president shall implement the resolutions reached by the Council.

***Provision 25(Applicable Provisions)***

Provisions 18, 2) – 4), 20 and 21 shall apply in connection with the Council

## ***Chapter 6 Board of Directors***

***Provision 26 (Composition of the Board of Directors)***

The Board of Directors comprises the president, vice presidents and directors

***Provision 27(Convening meetings and Method of Resolution)***

- 1) The Board of Directors meets at such times as the president deems necessary.
- 2) A majority of the enrolled directors shall constitute a quorum. A resolution shall be reached with a majority vote of the quorum. Documentary resolution is allowed provided that the president recognizes that there are unavoidable reasons including emergency.

***Provision 28(Matters for Resolution)***

The Board of Directors shall deliberate and reach resolutions on the following matters.

- 1) Matters to be presented to the Council or the general assembly meeting.
- 2) Important matters concerning changes in assets and liabilities
- 3) Matters concerning the use of reserve fund
- 4) Important matters concerning the recommendation of members or jobs.
- 5) Important matters concerning proposals made and questions presented both from inside and outside the

Institute.

- 6) Matters concerning the allocation of responsibilities among directors
- 7) Matters concerning the appointment and dismissal of the members of the Ethics Investigation & Deliberation Committee and the directors named by the president.
- 8) Matters concerning the appointment of a member of the Audit Quality Control Review Committee.
- 9) Matters entrusted by the general assembly or the Council
- 10) Matters that need the resolution of the Board of Directors in accordance with the by-laws and the internal regulations defined herein.
- 11) Any other matters that the president deems to be considered by the Board of Directors for the operation of the Institute.

***Provision 29(Applicable Provisions)***

Provisions 18 2)-5), 20, 21, 24 2)-4) shall apply in connection with the Board of Directors.

## ***Chapter 7 Officers***

***Provision 30 (Officers)***

- 1) The Institute shall have officers as follows;
  - ① One president
  - ② More than 3 and less than 5 vice presidents
  - ③ More than 10 and less than 15 directors
  - ④ Two auditors
- 2) More than 1 vice president and more than 1 director provided in paragraph 1) shall be full-time officers.

***Provision 31 (Qualifications)***

- 1) Reregistered CPAs only shall be entitled to hold offices in the Institute. Full-time directors who don't have voting rights don't have to be CPAs.
- 2) Persons who fall under one of the following cases shall not hold offices in the Institute.
  - ① when the two year period hasn't passed after reasons for disqualification as CPA in accordance with provision 4 of the act and provision 4 of the Certified Tax Accountant Act were resolved.
  - ② when the two year period hasn't passed after practice suspension, punitive penalties or reprimand actions lapsed (including partial suspension or reprimand actions the Institute is entrusted to impose

pursuant to the act). These disciplinary actions are taken by the Financial Services Commission or the Ministry of Strategy and Finance in accordance with provision 48 of the act or provision 17 of the Certified Tax Accountant Act.

- ③ Persons who were and are still banned from providing audit services to specific companies for more than two years by the Securities and Futures Commission under provision 16 of the external audit act (Including those who face disciplinary actions for deficiencies identified during the audit services the Institute is entrusted to provide under the external audit act).
  - ④ Persons whose membership is suspended under the By-Laws.
  - ⑤ Persons who turn 65 years old in American age during the term of office.
- 3) The president, vice presidents and auditors shall be members of the Institute and fall under one of the following categories.
- ① Persons with more than 10 year experience working for an auditor.
  - ② Present or former university professors
  - ③ Grade 2 public officials or those with equivalent qualifications
  - ④ Others who have qualifications equivalent to those in one of the subparagraphs above.
- 4) Full and part- time directors shall fall under one of the following categories.
- ① Persons with more than 7 year experience working for an auditor
  - ② Grade 7 public officials or those with equivalent qualifications
  - ③ Persons who have served the Institute for more than 10 years are qualified to become full-time directors without voting rights.
  - ④ Others who have qualifications equivalent to those in one of the subparagraphs above.
- 5) Whether a candidate has qualifications described in paragraphs 1)-4) above shall be decided under the internal regulations in accordance with provision 33 4).
- 6) When an officer falls under one of the categories described in subparagraphs 2)①-④, he or she shall lose the title effective on the date when such disciplinary actions are taken.
- 7) The full-time vice president and the full-time directors shall not hold other occupation.

### ***Provision 32 (Appointment)***

- 1) The president, one vice president and auditors are elected at general assembly meetings.
- 2) The full-time vice presidents and the full time officers in charge of education and research shall be nominated by the Full-Time Officer Nominations Committee and appointed by the president with the approval of the Board of Directors and the Council.
- 3) The vice presidents except for the full-time vice presidents and the vice president appointed in accordance with paragraph 1) shall be nominated and appointed by the president with the consent of the Council and

the Board of Directors.

- 4) The president shall nominate and appoint up to four directors (Excluded are the full-time officers in charge of research and education and the full-time directors without voting rights) with the consent of the Board of Directors.
- 5) The full-time directors without voting rights shall be nominated by the Full-time Officer Nominations Committee and appointed by the president.
- 6) The Full-time Officer Nominations Committee prescribed in paragraph 2) shall comprise the president, the vice presidents appointed in accordance with paragraph 1) and a senior auditor.
- 7) Directors other than directors appointed pursuant to paragraphs 4) and 5) shall be appointed by the Council. Half of such directors shall be replaced every year.

***Provision 33 (Methods of Election)***

- 1) The president, one vice president and auditors are elected by unsigned vote at a general assembly meeting or a local branch meeting prescribed in provision 73.
- 2) When the vote prescribed in paragraph 1) is taken at a general assembly meeting, all members present prescribed in provision 18 6) are allowed to vote, while at a local branch meeting, only practicing members who have offices in the jurisdiction of local chapters described in provision 73 are allowed to vote.
- 3) Officers elected in accordance with paragraph 1) shall receive a majority vote of members present and voting. When more than two candidates are tied in a vote, decision shall be made based on age. When there is only one candidate, he or she shall be elected without vote.
- 4) Any other matters necessary to the election of officers not prescribed in the by-laws shall be defined by the internal regulations.

***Provision 34(Election to Fill Vacancies)***

- 1) In the case vacancies occur in the offices of the president and the vice president who is elected at a general assembly meeting, an auditor shall convene a meeting within 30 days after the vacancy occurs to elect replacements.
- 2) When there are no disruptions to the operation of the Institute caused by vacancies in the offices of the president or the vice president, the Board of Directors may resolve not to elect replacements.
- 3) In the case vacancies occur in the offices of both of the two auditors or all of the full-time vice presidents and the full-time directors, replacements shall be appointed or elected immediately.
- 4) In the case vacancies occur in the office of an auditor or in the offices of less than one quarter of the total part-time directors, the Board of Directors may resolve not to fill vacancies.

***Provision 35 (Term of Office)***

- 1) The term of office for officers shall be two years. The term of office for fulltime directors who have no voting rights shall be set out by the internal regulations.
- 2) The term of office for officers elected or appointed to fill vacancies in accordance with provision 34 shall be the remainder of the term of the predecessor.
- 3) An officer shall continue to serve until the replacement is appointed even after his or her term expires. This doesn't apply when the Board of Directors resolves not to appoint a replacement.
- 4) The president can be reappointed for another term, but not more than two consecutive terms.
- 5) Part-time officers who are appointed in accordance with provision 32 3) and 4) shall not serve more than three consecutive terms in the same office.

***Provision 36 (Responsibilities of the president)***

- 1) The president shall represent the Institute and oversee the overall operation of the Institute.
- 2) The vice presidents shall support the president in performing his or her duties.
- 3) Directors shall support the president and carry out responsibilities assigned to them in pursuant to provision 28.
- 4) In case of the death of the president, persons listed provision 20 2) shall act as the president in the order of the list.

***Provision 37 (Responsibilities of Auditors)***

- 1) Auditors shall inspect financial reports and operation of the Institute and report the outcome of inspection to the Council and the general assembly.
- 2) Auditors can attend and have the floor at a meeting of the Council or the Board of Directors. But they don't have voting rights.
- 3) Other matters important for the responsibilities of auditors shall be set out by the internal regulations.

## ***Chapter 8 Secretariat and others***

### ***Provision 38 (Creation of secretariat)***

- 1) The Institute shall create a Secretariat
- 2) The Secretariat shall conduct day-to-day business to operate the Institute and conduct research, compile statistics and prepare documentation to support members in performing professional services.
- 3) The organization of the Secretariat shall be set out by the internal regulations.

### ***Provision 39 (Duties and confidentiality)***

- 1) The staff of the Secretariat shall perform their duties faithfully to meet objectives of the Institute in strict compliance with the by-laws and the internal regulations of the Institute.
- 2) The staff of the Secretariat shall not disclose or use information they obtain in the course of performing their duties to third parties for personal gains without justifiable reasons. This shall continue to apply after they leave the Secretariat.

### ***Provision 40 (Office of Disclosure)***

- 1) The Institute shall create an office of disclosure to keep and disclose the business reports filed by accounting corporations in accordance with provision 14 4) of the external audit act.
- 2) Other matters necessary for the disclosure of business reports and the operation of the office of disclosure prescribed in paragraph 1) shall be set out by the internal regulations.

## ***Chapter 9 Honorary Chairman and Advisers***

### ***Provision 41 (Honorary Chairman)***

- 1) Honorary chairman shall be nominated by the Council and appointed at a regular general assembly meeting among past presidents who are recognized to have made substantial contribution to the success of the Institute.
- 2) The term of office for the honorary chairman shall be two years
- 3) The honorary chairman shall be elected by a majority vote of members present and voting at a regular general assembly meeting. The vote shall be taken by unsigned vote.

***Provision 42 (Adviser)***

Advisers shall be past presidents

***Provision 43 (Advice)***

Honorary chairman and advisers shall provide advice and counsel on important matters to the Institute at the request of the president.

## ***Chapter 10 Ethics Committee and Others***

***Provision 44 (Creation of the Ethics Committee)***

- 1) The Institute shall create the Ethics Committee in accordance with provision 24 (5) of the enforcement rule of the act.

***Provision 45 (Composition of the Ethics Committee and Others)***

- 1) The Ethics Committee shall be composed of 7 members including one chairman.
- 2) The chairman shall be appointed from among respected members by the president and other committee members shall include;
  - ① A public official of grade 4 or higher who is in charge of the regulations on the accountancy profession at the Financial Services Commission.
  - ② One officer of the Financial Supervisory Service who is in charge of the accountancy profession
  - ③ The chairman of the Ethics, Investigation & Deliberation Committee
  - ④ The chairman of the Audit Quality Control Review Committee
  - ⑤ One full professor nominated by the Korean Accounting Institute
  - ⑥ One lawyer who is knowledgeable about financial accounting. He or she shall be appointed by the president.
- 3) The chairman convenes an ethics committee meeting and presides over it as chair.
- 4) When the chairman is not able to fulfill his or her duties as chair for unavoidable reasons, a member named by the chairman shall act as chair. When the chairman fails to nominate such a member due to unavoidable reasons, a member nominated by the president shall act as chair.
- 5) The term of office for the chairman and the members provided in the paragraph (2)⑤-⑥ shall be two years. The chairman and members shall continue to serve until the replacement is appointed even after their term expires.



***Provision 46 (Matters for Resolution)***

The Ethics Committee shall deliberate and resolve on following matters at the request of the president.

1. Disciplinary actions that the Institute is entrusted to consider and impose by the Financial Services Commission in accordance with provision 38(2) of the enforcement decree of the act (Included are disciplinary actions and other actions that the Financial Services Commission recommends).
2. Disciplinary cases for which the Ethics Investigation & Deliberation Committee recommends disciplinary actions.
3. Disciplinary cases for which the Audit Quality Control Review Committee recommends disciplinary actions.
4. Matters that the president considers material irregularity and brings before the Committee with the approval of the Board of Directors.

***Provision 47 (Method of Resolution)***

- 1) An Ethics Committee resolution shall require quorum to be present and a majority vote of members voting. The majority of enrolled members shall constitute a quorum.
- 2) The committee members who are relatives to or related in other ways to a person who faces disciplinary action shall not be involved in the deliberation of that particular disciplinary case.
- 3) Persons who face disciplinary actions may report in writing to the Ethics Committee when they have reasonable grounds to believe that certain committee members may make unfair decisions.
- 4) When such a report is filed as provided in the paragraph (3), the Ethics Committee shall decide whether mentioned members should be excluded from that particular deliberation. When the committee decides so, such members shall not attend the deliberation.

***Provision 48 (Time Limit for Reaching a Resolution)***

The Ethics Committee shall decide a disciplinary action within 30 days from the day when it was requested to do so by the president. The time limit can be extended by no more than another 30 days with a committee resolution provided that there are unavoidable reasons.

***Provision 49 (Creation of the Ethics Investigation & Deliberation Committee)***

The institute shall create an Ethics Investigation & Deliberation Committee to investigate into alleged wrongdoings and decide disciplinary actions including those for infringement on the by-laws.

***Provision 50 (Composition of the Ethics Investigation & Deliberation Committee)***

- 1) The Ethics Investigation & Deliberation Committee is composed of 19 members, including 14 members appointed by the Council and 5 members nominated and appointed by the president with the approval of the Board of Directors.
- 2) The chairman shall be appointed from among three Ethics Investigation & Deliberation Committee members by the president. The vice chairman and the secretary shall be elected from among the committee members by mutual vote.
- 3) The term of office for members shall be two years. Members whose term expires shall continue to serve until his or her replacement is appointed.

***Provision 51(Matters for Resolution)***

- 1) The Ethics Investigation & Deliberation Committee shall investigate, deliberate, and decide matters as follows at the request of the president.
  - ①. Matters concerning the investigation into regular members as prescribed in the provision 76 (1).
  - ②. Monitoring including monitoring auditors' compliance with professional regulations. Excluded are auditors who received quality inspection prescribed in provisions 8 and 9 of the enforcement decree of the act in the preceding three years or those who will be subject to such an inspection in the following three years.
  - ③. Matters concerning actions including disciplinary actions imposed against regular members prescribed in the provision 76 (1).
  - ④. Matters concerning the investigations or disciplinary actions launched at the request of supervisory authorities including the heads of the Financial Services Commission, the National Tax Service or the Financial Supervisory Service.
  - ⑤. Matters concerning disciplinary actions against regular members for deficiencies identified in the reviews of audits, tax accounting or business diagnosis engagements as requested by the president.

***Provision 52 (Applicable Regulations)***

- 1) The provisions 31 (1), (2) and (4) shall apply regarding the qualifications of the members of the Ethics Investigation & Deliberation Committee. The provision 45 (3) and the provisions 47 and 48 shall apply regarding the Ethics Investigation & Deliberation Committee.
- 2) The Ethics Investigation & Deliberation Committee shall create and run three sub committees as decision-making bodies which shall consider and decide cases in connection with the breach of ethical standards, auditing and tax reviews/business diagnosis respectively.
- 3) Other matters concerning the operation of the committee and the appointment of members which are not prescribed herein shall be set out by the internal regulations.

***Provision 52.2 (The Ethics Standards Board)***

- 1) The Institute shall create and run an Ethics Standards Board which shall be responsible for developing the ethical standards for professional accountants including regulations on professional ethics that members should comply with in accordance with provision 43 of the act.
- 2) The Ethics Standards Board shall:
  - ① Develop and revise the ethical standards for professional accountants. Develop and revise detailed guidelines as the committee is entrusted to do in accordance with the by-laws.
  - ② Interpret the ethical standards for professional accountants
  - ③ Propose training on professional ethics.
  - ④ Study and review the international code of ethics and their exposure drafts.
- 3) The Ethics Standards Board shall comprise 9 members who fall under one of the following categories. They shall be appointed by the president after the deliberation of the Board of Directors. The provisions 31 (2) and (3) shall apply for the qualifications of the members prescribed in the sub-paragraphs ③-⑦.
  - ① The full-time officer in charge of research and education.
  - ② One member of the Audit and Assurance Standards Board named by the president.
  - ③ Two CPAs working for auditors
  - ④ One CPA working in the government, industry, law or other organizations.
  - ⑤ Two university professors nominated by academic societies which are relevant to the accountancy profession.
  - ⑥ One person nominated by an academic society or organization which is relevant to business ethics or professional ethics of accountants.
  - ⑦ One person who is recognized to have interests in the professional ethics of accountants.
- 4) The chairman shall be appointed from among members by the president.
- 5) The term of office for the members prescribed in the paragraphs 3 (3)-(7) shall be two years. The members whose term expires shall continue to serve until his or her replacement is appointed.
- 6) The matters necessary to the development and amendment of the ethical standards for professional accountants and the operation of the Ethics Standards Board which are not prescribed by the by-laws shall be set out by the internal regulations.

## ***Chapter 11. Audit Quality Control Review Committee***

### ***Provision 53 (Creation of the Audit Quality Control Review Committee)***

The Institute shall create and run the Audit Quality Control Review Committee to deliberate and decide corrective actions and recommendations in response to non-compliance with accounting or auditing standards identified in audit reviews performed as entrusted by the Securities and Futures Committee in accordance with the provision 9 (3) and (4) of the external audit act.

### ***Provision 54 (Composition of the Audit Quality Control Review Committee)***

- 1) The Audit Quality Control Review Committee shall comprise 9 members including one chairman.
- 2) The chairman shall be nominated and appointed by the president with the approval of the Council. Other members shall fall under one of the following categories and be appointed by the president.
  - ① One public official of grade 4 or higher of the Financial Services Commission who is responsible for the regulations on the accountancy profession.
  - ② One director of the accounting service division of the Financial Supervisory Service.
  - ③ The chairman of the Auditing Quality Control Review Committee
  - ④ A high commissioner of the Korea Accounting Institute
  - ⑤ One CPA who is appointed by the president with the approval of the Board of Directors
  - ⑥ One professor nominated by the Korea Accounting Association
  - ⑦ One person nominated by the Korea Chamber of Commerce & Industry
  - ⑧ One lawyer who is knowledgeable about financial accounting and auditing.
- 3) The Audit Quality Control Review Committee shall decide on following matters.
  - ① Approval of annual audit review plans
  - ② Selection of entities which are subject to quality control reviews and implementing follow-up measures after a review
  - ③ Remedial actions against breaches of standards including accounting standards and auditing standards identified in audit report reviews.
- 4) The term of office for the chairman and the members provided in the provision 2.(5)-(8) shall be two years. The chairman and the members whose terms expire shall continue to serve until a replacement is appointed.

### ***Provision 55 (Applicable Regulations)***

- 1) Provision 31(1)-(3) shall apply as for the qualifications of the chairman of the Audit Quality Control Review Committee and its member provided in the provision 54(2)⑤. As for the Audit Quality Control Review Committee, the provision 45(3)-(4) and the provisions 47 and 48 shall apply.

- 2) Matters concerning the operation of the Audit Quality Control Review Committee not provided herein shall be set out by the internal regulations.

## ***Chapter 12 Audit Quality Control Supervisory Committee and others***

### ***Provision 56 (Creation of the Audit Quality Control Supervisory Committee)***

- 1) The Institute shall create and run the Audit Quality Control Supervisory Committee (hereinafter, referred to as 'the Supervisory Committee') to perform reviews as entrusted by the Securities and Futures Committee in accordance with provision 9(3) of the enforcement decree of the external audit act.
- 2) The Committee shall have independence in performing reviews.

### ***Provision 57 (Composition of the Audit Quality Control Supervisory Committee)***

- 1) The Supervisory Committee shall comprise one full-time chairman, full-time members (the number of full-time members shall be decided by the president) and less than 10 part-time members.
- 2) The full-time chairman shall be nominated by the Full-Time Officer Nominations Committee provided in the provision 32(6) and appointed by the president with the approval of the Council. The full-time and part-time members shall be appointed by the president and they shall be KICPA members or scholars who are recognized as being knowledgeable about audit review.
- 3) The Supervisory Committee shall:
  - ①Develop annual audit review plans
  - ②Perform quality control reviews of auditors which are designated by the Financial Services Commission.
  - ③Select entities to perform audit report reviews of among those designated by the Financial Services Commission and perform reviews.
  - ④Propose follow-up measures to be taken after a control quality review
  - ⑤Propose corrective actions against incompliance with accounting and auditing standards identified in audit report reviews.
  - ⑥Deleted
  - ⑦Deleted
- 4) The provisions 31(1)-(3) and 35(2) shall apply as for the qualifications of the full-time chairman. The provision 31(2)⑤ shall apply to the full-time chairman, as well.
- 5) The term of office for the full-time chairman and part-time members shall be two years and full-time members shall serve three years.

***Provision 58 (Administrative Office)***

The Institute shall create an administrative office to assist the Supervisory Committee in carrying out reviews provided in the provision 56.

***Provision 59 (Others)***

Matters concerning the operation of the Supervisory Committee, qualifications of full-time members, methods of reviews, organization of the administrative office and other matters that are relevant to performing reviews which are not provided herein shall be set out in the Operation Rules on the Audit Quality Control Supervisory Committee.

***Provision 59-2 (Audit Quality Control Examination Committee)***

- 1) The Institute shall create and run the Audit Quality Control Examination Committee to examine matters as requested by the president.
- 2) Matters concerning the composition, responsibilities and operation of the Audit Quality Control Examination Committee provided in the paragraph (1) shall be set out by the internal regulations.

***Provision 60 (Tax Reconciliation Review Committee)***

- 1) The Institute shall create and run the Tax Reconciliation Review Committee to perform tax reviews.
- 2) The Tax Reconciliation Review Committee shall comprise fewer than 21 members including one chairman who is appointed by the president.
- 3) The term of office for members shall be two years. Members whose term expires shall continue to serve until a replacement is appointed.
- 4) Matters concerning the operation of the Committee and its tax reviews shall be set out by the Operation Rules on the Tax Reconciliation Review Committee.

***Provision 61 (Business Diagnosis Review)***

- 1) The president may appoint full-time reviewers to perform business diagnosis reviews.
- 2) The term of office for full-time reviewers provided in the paragraph (1) shall be three years.
- 3) Provisions 60(4) shall apply as to the performance of reviews provided in the paragraph (1). Reviews shall be performed based on the regulations governing business diagnosis. The rules provided in the provision 60(4) shall apply with 'Tax Review Statements' being replaced with 'Business Diagnosis Report'.

## ***Chapter 13 Auditing and Assurance Standards Board and others***

### ***Provision 61-2(Auditing and Assurance Standards Board)***

- 1) The Institute shall create and run the Auditing and Assurance Standards Board to develop auditing standards in pursuant to the provision 5 of the external audit act.
- 2) The Auditing and Assurance Standards Board shall:
  - ① Develop and amend auditing standards
  - ② Develop and amend details of auditing standards
  - ③ Interpret auditing standards
  - ④ Study and review the International Auditing Standards and their exposure drafts
  - ⑤ Develop and amend standards and application rules on non-audit assurance services including review and diagnosis services
  - ⑥ Consider such matters concerning auditing as requested by the president
- 3) The Auditing and Assurance Standards Board shall comprise fewer than 15 members who are appointed by the president after the deliberation of the Board of Directors. Provisions 31 (1)-(3) shall apply as for the qualifications of the members described in the paragraphs (4)② and ⑤.
- 4) Members shall fall under one of the following categories and the chairman shall be appointed by the president from among members.
  - ①The full-time officer in charge of research and education
  - ②Four CPAs working for auditors
  - ③One director of the accounting service division at the Financial Supervisory Service
  - ④One accounting professor nominated by the Korea Accounting Association
  - ⑤Others who are recognized to be knowledgeable about auditing.
- 5) The term of office for the members shall be two years. The members whose term expires shall continue to serve until a replacement is appointed.
- 6) Other matters relevant to the development and amendment of auditing standards and the operation of the Auditing and Assurance Standards Board shall be set out by the internal regulations.

### ***Provision 61-3 (Education Board)***

- 1) The Institute shall create and run the Education Board to provide quality education to members.
- 2) Education Board shall:
  - ①Develop and amend regulations governing members' education
  - ②Develop CPD plans for members
  - ③Manage CPD program providers and developers
  - ④Evaluate and control CPD programs

- ⑤ Evaluate the appropriateness of CPD hours of each program
  - ⑥ Supervise members' compliance with CPD requirements, review their requests for the deferment of the requirements and make relevant decisions.
  - ⑦ Interpret regulations governing CPD requirements
  - ⑧ Review and decide disciplinary actions against non-compliance with CPD requirements.
  - ⑨ Other matters the president deems necessary and brings before the Education Board for consideration.
- 3) The Education Board shall comprise 7 members who are appointed by the president after the deliberation of the Board of Directors.
  - 4) The chairman shall be the full-time officer in charge of education and research and other members shall include:
    - ① The director in charge of education
    - ② Three CPAs working for auditors
    - ③ Two university professors who are nominated by an academic association relevant to the accountancy profession including the Korea Accounting Association.
  - 5) The term of office for members shall be two years. Members whose term expires shall continue to service until a replacement is appointed.
  - 6) Matters concerning the operation of the Education Board which are not provided herein shall be set out by the internal regulations.

***Provision 61-4***

Deleted.

***Provision 62 (Deliberation Committee)***

- 1) The Institute shall create and run the Deliberation Committee as a counseling body for the president. The Deliberation Committee shall consider matters (including the matters the president deems necessary among the outcomes of studies conducted by other research committees) requested by the president to review.
- 2) The Deliberation Committee shall comprise fewer than 10 members appointed by the president.
- 3) The chairman shall be appointed by the president from among members.
- 4) The term of office for members shall be two years. Members whose term expires shall continue to serve until a replacement is appointed.
- 5) Matters concerning the operation of the Deliberation Committee which are not provided herein shall be decided by the internal regulations.



***Provision 62-2 (Accounting Credibility Enhancement Committee)***

- 1) The Institute shall create and run the Accounting Credibility Enhancement Committee to devise and consider policies to raise Korea's accounting credibility into the global top 10.
- 2) The Accounting Credibility Enhancement Committee shall:
  - ① Develop project plans and review progress to raise the nation's accounting credibility into the global top 10.
  - ② Develop detailed strategies to improve the accounting credibility and enhance audit quality.
  - ③ Evaluate progress in improving the accounting credibility and publish review reports annually.
  - ④ Update the Globalization White Paper
  - ⑤ Review whether the Institute's major policies are consistent with global standards
  - ⑥ Communicate with the public and the government on the need to enhance the accounting credibility
  - ⑦ Review other matters requested by the president to review
- 3) The Accounting Credibility Enhancement Committee shall comprise 13 members including one chairman.
- 4) The chairman is appointed by the president after the deliberation of the Board of Directors. Other members shall be appointed by the president and include:
  - ① The full-time officer in charge of research and education
  - ② One public official of grade 4 or higher of the Financial Services Commission who is responsible for the regulation on the accountancy profession.
  - ③ One officer of the Financial Supervisory Commission who is responsible for the accountancy profession.
  - ④ Three CPAs who are working for auditors and appointed by the president.
  - ⑤ One finance director of a large conglomerate nominated by the Korea listed Companies Association.
  - ⑥ Two full university professors nominated by the Korea Accounting Association
  - ⑦ One commercial law professor nominated by the Korea Association of Company Laws
  - ⑧ One senior member of the Korea Federation of Banks(KFB) who is nominated by the chairman of the KFB.
  - ⑨ One CEO of a press agency named by the president
  - ⑩ One senior member of the Korea Accounting Institute
- 5) The term of office for the members provided in the sub-paragraphs ②, ④–⑨ shall be two years. Members whose term expires shall serve until a replacement is appointed.
- 6) Matters concerning the operation of the Committee which are not provided herein shall be set out by the internal regulations.

## ***Chapter 14 Research Committee and Others***

### ***Provision 63 (Research Committee and others)***

- 1) The Institute shall create and run research committees as follows to perform research projects with an aim to promote the development of the accountancy profession.
  - ① Accounting Committee
  - ② National Tax Research Committee
  - ③ Local Tax Research Committee
- 2) The research committees provided in the paragraph (1) (hereinafter, referred to as ‘the research committee’) shall comprise 5-15 full/part-time research fellows appointed by the president.
- 3) The chairman of each research committee shall be appointed by the president and the vice chairman and secretaries shall be appointed from among committee members by mutual vote.
- 4) The term of office for full-time research fellows shall be three years while the term of office for part-time research fellows shall be two years. Part-time research fellows whose term expires shall continue to serve until a replacement is appointed.
- 5) The Institute shall create and run a counseling center to provide counseling services on accounting, taxation and others to members and non-members. Matters concerning the operation of the center shall be defined by the internal regulations.
- 6) Matters concerning the responsibilities and operation of the committees shall be defined by the internal regulations.

## ***Chapter 15 Arbitration Committee***

### ***Provision 64 (Arbitration Committee)***

The Institute shall create and run the Arbitration Committee to settle disputes regarding professional services among CPAs (accounting firms included. Hereinafter, the same shall apply in this provision) or between CPAs and clients (Including bona fide third parties provided in the provision 19 and 28(1) of the act) in accordance with the provision 45(2) of the act.

### ***Provision 65(Others)***

- 1) Details of the composition of the Arbitration Committee, application and process for arbitration shall be set out by the provision 27-29 of the enforcement decree of the act.
- 2) Matters concerning the operation of the Arbitration Committee and the arbitration process which are not provided in the paragraph (1) shall be decided by the Arbitration Committee.
- 3) The arbitration application form shall be defined by the paragraph (2).

## ***Chapter 16 Joint Fund Committee***

### ***Provision 66 (Indemnity Joint Fund Committee)***

- 1) In accordance with the provision 7 of the enforcement rule of the external audit act, the Institute shall create and run a Joint Fund Committee to deliberate and decide basic policies on the operation and management of the Indemnity Joint Fund (Hereinafter, referred to as 'Joint Fund') which is raised in accordance with the provision 17(2)① of the external audit act.
- 2) The Joint Fund Committee shall comprise fewer than 10 members appointed by the president.
- 3) The chairman is appointed by the president from among members.
- 4) The term of office for members shall be two years. Members whose term expires shall continue to serve until a replacement is appointed.

### ***Provision 67 (Others)***

- 1) Details concerning the operation of the Joint Fund shall be stipulated in provision 7(2) of the enforcement rule of the external audit act.
- 2) Matters concerning the composition and operation of the Joint Fund Committee and the management of the Joint Fund shall be defined by the internal regulations, subject to the approval of the Financial Services Commission.

## ***Chapter 17 Training, Publishing and others***

### ***Provision 68 (Training)***

- 1) The Institute shall provide training to members and non-members and guide and supervise members' voluntary training activities pursuant to provision 46 of the act.
- 2) The Institute shall create and run the Accounting Training Center to provide the training prescribed in paragraph (1).
- 3) The Institute may make participants in the training prescribed in paragraph (1) pay for some or all of the training costs.
- 4) Matters concerning the training, supervision and the operation of the Accounting Training Center provided in paragraphs (1) and (2) shall be stipulated by the internal regulations.

### ***Provision 69 (Publishing, Certification Tests and Others)***

- 1) The Institute may conduct publishing and certification businesses to the extent necessary to achieve the goals provided in provision 2 to promote the development of accounting systems and benefit accounting information users.

- 2) The Institute may launch business to provide information on accounting, financial analysis and taxation on the internet for the convenience of accounting information users.
- 3) The Institute may create a business unit to do the businesses provided in paragraphs (1) and (2) if necessary. Matters concerning the business shall be set out in the internal regulations.

## ***Chapter 18 Mutual Aid Programs***

### ***Provision 70 (Mutual Aid Programs)***

- 1) The Institute shall develop and run mutual aid programs to help members help each other in case of funerals, weddings or other important events in members' lives.
- 2) Matters concerning the mutual aid programs shall be defined by the internal regulations.

### ***Provision 71(Welfare Programs)***

- 1) The Institute shall run welfare programs including a pension plan to enhance the welfare of its members when they can no longer practice due to various reasons including old age.
- 2) Matters concerning the welfare program shall be set out by the internal regulations.

## ***Chapter 19 Indemnification Programs***

### ***Provision 72 (Indemnification Program)***

- 1) The Institute shall create and run an indemnification program (Hereinafter, referred to as 'Indemnification Program') to indemnify clients (Including bona fide third parties for whom a professional accountant performs services prescribed in provision 2 (1) of the act) for any damages caused inadvertently or intentionally by a professional accountant (Excluded are accountants working in accounting firms) in the course of performance of professional services pursuant to provision 19 of the act.
- 2) Those who can join the program are professional accountants who are registered in accordance with provision 7 of the act under provision 13 of the enforcement decree of the act and have obtained a business license in accordance with provision 5 of the Value Added Tax Act to perform services prescribed in provision 2 of the act. Such program participants shall not have professional indemnity insurance.
- 3) Contributions to the programs shall be more than 50 million won per member prescribed in paragraph (2).
- 4) Matters concerning the operation of the program including the payment, due process, return of fund raised by the program shall be set out by the internal regulations.

## ***Chapter 20 Local Chapters***

### ***Provision 73(Creation of Local Chapters)***

- 1) The Institute shall create local chapters which have control over each region as follows.
  - ①. Busan Chapter : Busan Metropolitan City, Ulsan Metropolitan City and Gyeongnam Region
  - ② Daegu Chapter: Daegu Metropolitan City, Gyeongbook Region
  - ③ Gwangju Chapter: Gwangju Metropolitan City, Jeongnam Region
  - ④ Daejeon Chapter: Daejeon Metropolitan City, Choongbuk and Choongnam Region
  - ⑤ Jeonbuk Chapter: Jeonbuk Region
- 2) Local chapters prescribed in paragraph (1) shall be established in the metropolitan city or province where a provincial government office is situated in case.

### ***Provision 74 (Officers of Local Branches)***

Each local branch may appoint one president and a number of officers including vice presidents.

### ***Provision 75 (Operation)***

Matters concerning the organization and operation of the local chapters shall be set out by the internal regulations.

## ***Chapter 21 Disciplinary actions***

### ***Provision 76 (Disciplines and actions)***

- 1) The president may order disciplinary actions prescribed in provision 77 to be imposed based on the resolution reached by the Ethics Committee, the Ethics Investigation & Deliberation Committee or the Audit Quality Control Review Committee (Hereinafter, collectively referred to as “The Ethics Committee and others” within this provision) in accordance with the provision 46, 51 and 54 when:
  - ①. A regular member violates the act or orders issued pursuant to the act.
  - ② A regular member makes a material mistake or omits important information in performing audit or attestation services.
  - ③ There is a significant deficiency identified by audit report reviews.
  - ④ There is a significant omission or mistake in taxation and business analysis services.
  - ⑤ There is an incompliance with the by-laws or operation rules developed under the by-laws, the code of ethics

for professional accountants, auditing standards and resolutions.

- ⑥ A member engages in acts discreditable to the accountancy profession regardless of whether the act is related to professional service or not.
  - ⑦ A member undermines the credibility of the accountancy profession or hurt interests of members in connection with the performance of professional services provided in provision 2 of the act.
  - ⑧ Officers or the chairman of the Audit Quality Control Supervisory Committee fall into one of the categories provided in provision 24 (2).
- 2) Members shall report to the president and submit supporting documents when they notice the existence of persons who fall into one of the categories of the paragraph (1).
  - 3) When the president recognizes the existence of one of the cases provided in the paragraph (1) including the one provided in the paragraph (2), he or she shall call on the Ethics Committee to vote on disciplinary actions with supporting documents. In this case, the president shall notify such a suspected person of this fact.
  - 4) The Ethics Committee shall report details of resolutions to the president within 14 days after the committee reviews and votes on disciplinary actions against such a suspected person.

***Provision 77(Types of Disciplinary actions and Others)***

- 1) Disciplinary actions or other actions considered and voted on by the Ethics Committee shall include;
  - ①. Requesting the CPA Disciplinary Committee of the Financial Services Commission to impose disciplinary actions
  - ② Recommending actions of the Financial Services Commission including the cancellation of auditors' registration in accordance with provision 39 of the act or provision 16 (1) of the external audit act
  - ③ Suspension of practice for less than one year
  - ④ Reprimand
  - ⑤ Calling on the president to take appropriate actions
- 2) Those who are disciplined in accordance with the act, the external audit act or the by-laws shall have their rights as members of the Institute suspended during a period prescribed below.
  - ①. From the day when practice is suspended by the Financial Services Commission in accordance with provision 48 (including the suspension the Institute is entrusted to impose in accordance with the act) until the day a two year period ends after the expiry of suspension.
  - ② The two year period after a reprimand is imposed by the resolution of the Ethics Committee
  - ③ When a ban on audit services for a certain company (Including remedial actions taken for deficiencies identified in audit reviews the Institute is entrusted to perform in accordance with the act) is imposed for more than two years by the Securities and Futures Commission in accordance with provision 16 of the external audit act, the period during which such a ban is effective.
- 3) The Ethics Investigation & Deliberation Committee shall decide:
  - ① To request the Ethics Committee to impose disciplinary actions

- ② To suspend rights as members of the Institute for less than two years in accordance with the by-laws
- ③ To issue a warning
- 4) The Ethics Investigation & Deliberation Committee may issue a caution to a regular member in case where the committee acknowledges the misconduct committed by such a member is insignificant. Receiving cautions more than twice a year is equivalent to receiving a warning for a regular member.
- 5) Along with other disciplinary actions, the Ethics Committee and the Ethics Investigation & Deliberation Committee may also decide:
  - ① To require the disciplined member to receive professional training for more than a certain number of hours
  - ② To require the disciplined member to pay special dues not exceeding fees for relevant professional services
  - ③ To exclude the disciplined member when assigning engagements for less than one year
  - ④ To suggest a special audit of the disciplined member to the president.
  - ⑤ To require the disciplined member to submit a written promise
- 6) The Audit Quality Control Review Committee shall consider and vote on:
  - ① Requesting the Ethics Committee to impose disciplinary actions
  - ② Imposing disciplinary actions with the approval of the Securities and Futures Commission
- 7) Matters concerning the disciplinary actions prescribed in paragraph (6) ② shall be set out by the internal regulations on the operation of the Audit Quality Control Review Committee.

***Provision 78 (Viewing and Eliminating Discipline Records)*** Matters concerning viewing discipline records and elimination of them from the discipline records book and the membership register shall be set out by the internal regulations.

## ***Chapter 22 Accounting***

### ***Provision 79 (Fiscal Year)***

A fiscal year of the Institute shall be twelve months beginning April 1 and ending March 31.

### ***Provision 80 (Income)***

- 1) The Institute shall finance its operation with income from;
  - ① Admission dues
  - ② Regular dues
    - Individual member's annual dues
    - Corporate member's annual dues
    - Engagement dues
    - Lifetime dues

- Special dues
- ③ Donations, support fees, and miscellaneous income.
- 2) Paid dues shall not be returned unless there are justifiable reasons.
- 3) Matters concerning the payment or delayed payment of admission fees and regular fees provided in the paragraph (1) shall be set out by operation rules.

## ***Chapter 23 Apprenticeship (Professional Experience)***

### ***Provision 81 (Professional Apprenticeship)***

- 1) The Institute shall deal with matters concerning the apprenticeship of qualified CPAs who are fulfilling the professional experience requirement (Hereinafter, referred to as ‘Apprentice CPA’) in accordance with the provision 12 (4) of the enforcement decree of the act.
- 2) The Institute may make apprentice CPAs to pay all or part of the costs of the apprenticeship program provided by the Institute
- 3) Matters concerning the content, methods and procedure of the apprenticeship prescribed in the paragraph (1) and other matters concerning the calculation of apprenticeship periods shall be set out by the internal regulations.

## ***Chapter 24 Supplementary Provisions***

### ***Provision 82 (Registration of Tax Accountants and Others)***

- 1) Members shall submit to the Institute such documentation as follows to register as a tax accountant or tax representative as prescribed in the Tax Accountant Act.
  - ① Tax Accountant License Application
  - ② Tax Accountant Registration Application or Tax representative Registration Application
- 2) The Institute shall keep the copy of the tax accountants register to manage the members who are registered as tax accountants as prescribed in the paragraph (1).
- 3) The Institute may establish a Tax Administration Consultation Committee in each tax jurisdiction to promote cooperation in tax administration and support members’ performance of professional services.

### ***Provision 83 (Electronic Reporting and others)***

- 4) Documentation that should be filed or submitted to the Institute in accordance with relevant acts, the by-laws and the internal regulations prescribed in the by-laws may be submitted electronically.
- 5) Matters concerning the submission and management of electronic documents prescribed in the paragraph



(1) shall be set out by the internal regulations.