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VENTURE INVESTMENT PROMOTION ACT

[Enforcement Date 12. Aug, 2020.] [Act No.16998, 11. Feb, 2020., New Enactment]

중소벤처기업부 (벤처투자과)044-204-7711



법제처 국가법령정보센터

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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose) The purpose of this Act is to promote investments in business starters, small and medium enterprises, venture businesses, etc., to promote the venture investment industry, and to contribute to balanced development of the national economy through the establishment of infrastructure for robust growth of small and medium enterprises, etc. by providing for matters necessary for venture investment.

Article 2 (Definitions) The terms used in this Act are defined as follows:

1. The term "investment" means:
 - (a) The acquisition of stocks, unsecured convertible bonds, unsecured exchangeable bonds, or unsecured bonds with warrant of a stock company;
 - (b) The acquisition of equity of a private limited company or a limited liability company;
 - (c) The acquisition of an equity interest in a business operated in a manner that a small or medium enterprise develops or produces, while maintaining accounting independence from other businesses, in accordance with Ordinance of the Ministry of SMEs and Startups;
 - (d) The acquisition of an equity interest through a contract on conditional acquisition of an equity interest with no maturity date for repayment of the invested amount and with no interest, satisfying the requirements prescribed by Ordinance of the Ministry of SMEs and Startups;
 - (e) Other manners similar to any manner referred to in items (a) through (4) and determined and publicly notified by the Minister of SMEs and Startups;
2. The term "venture investment" means an investment in a business starter, a small or medium enterprise, a venture business, or any other person determined and publicly notified by the Minister of SMEs and Startups;
3. The term "business starter" means a business starter defined in subparagraph 2 of Article 2 of the Support for Small and Medium Enterprise Establishment Act;
4. The term "business starter at early stage" means a business starter at early stage, defined in subparagraph 2-3 of Article 2 of the Support for Small and Medium Enterprise Establishment Act;
5. The term "small and medium enterprises" means small and medium enterprises defined in Article 2 of the Framework Act on Small and Medium Enterprises;

6. The term “venture business” means a venture business defined in Article 2 (1) of the Act on Special Measures for the Promotion of Venture Businesses;
7. The term “professional individual investor” means a person registered under Article 9 as an individual engaging in venture investment;
8. The term “individual investment association” means an association registered under Article 12 as an association organized by individuals, etc. mainly for the purposes of venture investment and distribution of gains from such investment;
9. The term “accelerator” means a corporation or a non-profit corporation registered under Article 24 as a person engaging mainly in specialized incubation of, and investment in, business starters at early stage;
10. The term “investment company for the establishment of small and medium enterprises” means a company registered under Article 37 as a company engaging mainly in venture investment;
11. The term “venture investment association” means an association registered under Article 50 as an association organized by investment companies for the establishment of small and medium enterprises, etc. mainly for the purposes of venture investment and distribution of gains from such investment.

Article 3 (Scope of Application) This Act shall apply to venture investment: Provided, That this Act shall not apply to cases prescribed by Presidential Decree as those significantly contrary to economic order or morals, such as the gambling industry.

Article 4 (Boosting of Balanced Investment between Regions) The Minister of SMEs and Startups shall establish and implement policies for alleviating unbalanced venture investment between regions and for boosting balanced venture investment between regions.

Article 5 (Implementation of Projects for Assistance in Facilitating Venture Investment) The Minister of SMEs and Startups may implement projects for the following activities or may establish and implement policies necessary to promote smooth business operations by persons whose purpose is to engage in venture investment pursuant to this Act and to facilitate venture investment:

1. Establishing infrastructure for the promotion of the venture investment industry and the facilitation of venture investment;
2. Analyzing domestic and international trends and conditions of venture investment;
3. Assisting in the enhancement of performance in venture investment;
4. Training professionals in venture investment, including professional individual investors;
5. Attracting foreign investment and expanding international exchange.

Article 6 (Fact-Finding Surveys) (1) The Minister of SMEs and Startups may conduct a fact-finding survey on the current status of, performance in, venture investment in order to establish and implement efficient policies for boosting venture investment.

(2) The Minister of SMEs and Startups may request the following persons to provide information or present their opinions, etc. if necessary for conducting a fact-finding survey under paragraph (1). The persons so requested shall comply with the request, unless a compelling reason exists not to do so:

1. The head of a central administrative agency;
2. The head of a local government;
3. The head of a public institution designated and publicly notified under Articles 4 through 6 of the Act on the Management of Public Institutions;
4. The head of the Korea Venture Investment Corporation under Article 66;
5. The heads of other institutions determined by Presidential Decree.

Article 7 (Establishment and Operation of Integrated Management System) The Minister of SMEs and Startups may establish and operate an integrated management system in order to provide comprehensive information on venture investment and to measure and manage the performance in venture investment systematically.

CHAPTER II INDIVIDUAL INVESTMENT AND PROFESSIONAL INDIVIDUAL INVESTORS

Article 8 (Implementation of Projects for Boosting Investment by Individuals) The Minister of SMEs and Startups may implement projects for the following activities in order to boost venture investment by individuals:

1. Search for, and training of, skilled individual investors;
2. Assistance in exchange of information between individual investors;
3. Assistance in exchange between individual investors and small and medium enterprises, business starters, venture businesses, etc.;
4. Other projects that the Minister of SMEs and Startups deems necessary for boosting venture investment by individuals.

Article 9 (Registration of Professional Individual Investors) (1) Any person who intends to qualify for the application of this Act as an individual engaging in venture investment shall register as a professional individual investor with the Minister of SMEs and Startups. The same shall also apply where such person intends to change any important matter determined by Ordinance of the Ministry of SMEs and Startups, among the registered matters.

(2) A person who intends to register as a professional individual investor under paragraph (1) shall meet the requirements prescribed by Presidential Decree in terms of investment performance, experience, qualifications, etc.

(3) Except as provided in paragraphs (1) and (2), matters necessary for the procedures and methods for the registration of professional individual investors and the registration of changes and for the operation, etc. thereof shall be prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 10 (Professional Individual Investors' Obligation to Invest) (1) A professional individual investor shall invest at least the amount determined and publicly notified by the Minister of SMEs and Startups in the following persons during each period of three years from the date of registration:

1. A business starter;
2. A venture business;
3. A technology-innovative small or medium enterprise defined in subparagraph 3-2 of Article 2 of the Act on the Promotion of Technology Innovation of Small and Medium Enterprises;
4. Other persons determined and publicly notified by the Minister of SMEs and Startups as similar to those referred to in subparagraphs 1 through 3.

(2) Matters regarding the detailed standards, methods, etc. for the computation of the amount of investment by a professional individual investor under paragraph (1) shall be prescribed by Presidential Decree.

Article 11 (Revocation of Registration of Professional Individual Investors) If a professional individual investor falls under any of the following subparagraphs, the Minister of SMEs and Startups may revoke the registration of such professional individual investor: Provided, That in cases falling under subparagraph 1, the Minister of SMEs and Startups must revoke the registration:

1. If a professional individual investor files for registration or registration of changes under Article 9 (1), by fraud or other improper means;
2. If a professional individual investor ceases to meet the requirements for registration under Article 9 (2);
3. If a professional individual investor fails to observe the obligation to invest, in violation of Article 10;
4. If a professional individual investor pretends to have paid an investment or makes an investment by fraud or other improper means.

CHAPTER III INDIVIDUAL INVESTMENT ASSOCIATION

Article 12 (Organization and Registration of Individual Investment Associations) (1) An association that intends to qualify for the application for this Act as an association organized with funds contributed mutually by a person falling under any of the following subparagraphs and the persons

prescribed by Ordinance of the Ministry of SMEs and Startups shall register as an individual investment association with the Minister of SMEs and Startups. The same shall also apply when such association intends to change any important matter prescribed by Ordinance of the Ministry of SMEs and Startups, among the registered matters:

1. An individual;
2. Any of the following persons meeting the criteria prescribed by Presidential Decree in terms of the purpose of investment, the equity amount, etc.:
 - (a) An accelerator;
 - (b) A company specializing in the start-up of new technology-based businesses, as defined in Article 2 (8) of the Act on Special Measures for the Promotion of Venture Businesses;
 - (c) Any other person engaging in assistance in the establishment of small and medium enterprises or in venture investment and determined and publicly notified by the Minister of SMEs and Startups.
- (2) An association that intends to register as an individual investment association under paragraph (1) shall meet the requirements prescribed by Presidential Decree in terms of the total partners' equity amount, the number of partners, the term of existence, etc.
- (3) An individual investment association shall comprise at least one operating partner with unlimited liability for the association's debts as its operating officer and limited partners with limited liability only up to the value of their shares of equity. An operating partner, in such cases, shall be a person falling under any subparagraph of paragraph (1) and shall meet the requirements prescribed by Presidential Decree.
- (4) When a person falling under any subparagraph of paragraph (1) intends to organize an individual investment association, the person shall solicit partners in the manner of private placement under Article 9 (8) of the Financial Investment Services and Capital Markets Act.
- (5) Each partner of an individual investment association may pay the full amount for his or her share of equity in a lump sum or in installments, as provided by bylaws of the association.
- (6) Except as provided in paragraphs (1) through (5), matters necessary for the procedures and methods for the registration of individual investment associations and for the operation, etc. thereof shall be prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 13 (Individual Investment Associations' Obligation to Invest) (1) The amount that an individual investment association shall use, out of its total partners' equity, for investment in business starters and venture businesses until three years after the date of its registration shall not be less than the ratio prescribed by Presidential Decree within a maximum of 50 percent of its total partners' equity.

(2) Notwithstanding paragraph (1), the amount that an individual investment association whose operating partner is an accelerator under Article 12 (1) 2 (a) shall use for investment in business starters at early stage shall not be less than the investment ratio under paragraph (1).

(3) The amount that an individual investment association shall invest in a corporation listed in a securities market under Article 8-2 (4) 1 of the Financial Investment Services and Capital Markets Act and determined and publicly notified by the Minister of SMEs and Startups shall not exceed the investment ratio prescribed by Presidential Decree.

(4) Except as provided in paragraphs (1) through (3), matters regarding the detailed standards, methods, etc. for the determination of the investment ratio of individual investment associations shall be prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 14 (Execution of Business Operations of Individual Investment Associations) (1) Each

operating partner shall execute business operations of the individual investment association with due care as a good manager.

(2) No operating partner shall do any of the following acts in executing business operations of the individual investment association: Provided, That this shall not apply to cases prescribed by Presidential Decree as those where such act is unlikely to undermine the soundness of asset management by the individual investment association:

1. Using property of the individual investment association for his or her own benefit or a third party's benefit;
2. Taking out a loan, guaranteeing a payment, or offering an asset as security;
3. Investing in a company that belongs to a business group subject to limitations on cross shareholding under the Monopoly Regulation and Fair Trade Act;
4. Acquiring or owning real property other than real property for business purposes (hereinafter referred to as "real property for non-business purposes"), such as a business incubator defined in subparagraph 7 of Article 2 of the Support for Small and Medium Enterprise Establishment Act, within the scope prescribed by Presidential Decree: Provided, That the same shall not apply where real property for non-business purposes is acquired as a result of exercising a security interest;
5. Other acts prescribed by Presidential Decree as those that undermine the purpose of establishment.

(3) Where an operating partner has acquired real property for non-business purposes by exercising a security interest under the proviso of subparagraph 4 of Article 2, he or she shall dispose of such real property within the period prescribed by Ordinance of the Ministry of SMEs and Startups, not exceeding a maximum of one year.

(4) An operating partner may entrust part of business operations of the individual investment association to limited partners under an agreement with the individual investment association.

Article 15 (Management and Operation of Property of Individual Investment Associations) (1)

If the property of an individual investment association reaches or exceeds the scale determined and publicly notified by the Minister of SMEs and Startups, the operating partner of such individual investment association shall preserve and manage the property in accordance with the following subparagraphs:

1. The operating partner shall entrust the preservation and management of property of the individual investment association to a trust business entity under Article 8 (7) of the Financial Investment Services and Capital Markets Act (hereinafter referred to as "trust business entity");
2. Where the operating partner intends to change the trust business entity, it shall obtain approval from the general meeting of partners.

(2) If necessary for the management of property of an individual investment association under paragraph (1), the operating partner shall give instructions to the trust business entity on the acquisition, disposal, etc. of property of the individual investment association, and the trust business entity shall acquire, dispose of, or otherwise manage the property in accordance with the operating partner's instructions.

Article 16 (Annual Reporting by Individual Investment Associations) An operating partner shall submit an annual report to the Minister of SMEs and Startups within three months after the end of each business year in accordance with Presidential Decree: Provided, That if there is no change in the investment performance for the previous year or if the size of the individual investment association is not larger than that prescribed by Ordinance of the Ministry of SMEs and Startups, it may submit the data prescribed by Ordinance of the Ministry of SMEs and Startups in lieu of the annual report.

Article 17 (Withdrawal of Operating Partner from Individual Investment Association) An

operating partner may withdraw from an individual investment association only in any of the following cases:

1. Where the operating partner is unable to continue business operations due to the revocation of registration under this Act or any other statute or any other reason;
2. Where the operating partner is bankrupt;
3. Where all partners consent to the withdrawal;
4. Where the operating partner who is a natural person is dead;
5. Other cases determined and publicly notified by the Minister of SMEs and Startups.

Article 18 (Dissolution of Individual Investment Associations) (1) If any of the following events occurs, an individual investment association shall be dissolved:

1. The expiration of the term of existence;
2. The withdrawal of all limited partners;
3. The withdrawal of all operating partners;
4. Cases where all operating partners are unable to continue business operations due to the revocation of registration under Article 36 or any other reason;
5. Other events prescribed by Presidential Decree.

(2) If an event referred to in paragraph (1) 3 or 4 occurs to an individual investment association, the individual investment association may continue to exist by appointing one of its limited partners as an operating partner or by admitting a person falling under any subparagraph of Article 12 (1) to the individual investment association as an operating partner in accordance with Presidential Decree, with all limited partners' consent thereto, within three months from the date such event occurs.

(3) Where an individual investment association is dissolved, its operating partner shall become a liquidator: Provided, That any person other than the operating partner may be appointed as a liquidator, as provided by bylaws of the association.

(4) If debts exceed the amount of the total partners' equity at the time of dissolution of an individual investment association, operating partners shall jointly pay the debts.

Article 19 (Reporting on Results of Liquidation and Cancellation of Registration) (1) When the liquidator under Article 18 (3) completes the liquidation process, he or she shall report the results thereof to the Minister of SMEs and Startups, without delay, in accordance with Ordinance of the Ministry of SMEs and Startups.

(2) Upon receipt of the report under paragraph (1), the Minister of SMEs and Startups shall proceed with the cancellation of registration of the individual investment association, without delay.

Article 20 (Protection of Property of Individual Investment Associations) Notwithstanding Article 704 of the Civil Act, when a creditor to a partner of an individual investment association exercises a claim against the partner, the creditor may exercise the claim only up to the amount of the partner's investment in the individual investment association.

Article 21 (Appropriation of Profit of Individual Investment Associations) An individual investment association may pay bonus to its operating partners in proportion to the profit from investment, as provided by bylaws of the association, and matters regarding the method, etc. for the determination of the return on investment for the purpose of paying bonus shall be prescribed by Presidential Decree.

Article 22 (Revocation of Registration of Individual Investment Association) (1) If an individual investment association or its operating partner falls under any of the following subparagraphs, the Minister of SMEs and Startups may revoke the registration of the individual investment association, issue an order to take corrective measures, give a warning, or suspend assistance under this Act for not more than three years: Provided, That in cases falling under subparagraph 1, the Minister of SMEs and Startups must revoke the registration:

1. If a professional individual investor files for registration or registration of changes under Article 12 (1), by fraud or other improper means;
2. If a professional individual investor ceases to meet the requirements for registration under Article 12 (2);
3. If the operating partner ceases to meet the requirements that the operating partner shall meet under the latter part of Article 12 (3);
4. If an individual investment association solicits partners, in violation of Article 12 (4);
5. If the individual investment association fails to observe its obligation to invest, in violation of Article 13;
6. If the operating partner violates Article 14 in executing business operations;
7. If the operating partner violates Article 15 in managing and operating property;
8. If the operating partner fails to submit an annual report, in violation of Article 16;
9. If the operating partner refuses, obstructs or evades the ascertainment and inspection under Article 72 or fails to report or submits a false report;
10. If the registration of all operating partners is revoked or canceled under this Act or any other statute;
11. If an individual investment association solicits members, in violation of Article 3 of the Act on the Regulation of Conducting Fund-Raising Business without Permission.

(2) If an individual investment association falls under any subparagraph (excluding subparagraph 1) of paragraph (1), the Minister of SMEs and Startups may take either of the following measures to its operating partner:

1. A warning;
2. A caution.

(3) If any operating partner (limited to an operating partner under Article 12 (1) 2; hereafter in this paragraph the same shall apply) of an individual investment association falls under any subparagraph (excluding subparagraph 1) of paragraph (1) and impairs or is likely to impair robust operation of the individual investment association, the Minister of SMEs and Startups may require the operating partner to take any of the following measures against its executive officers and employees (limited to executive officers and employees involved in the relevant duties):

1. Removal or dismissal from office;
 2. Suspension of performance of duties for not more than six months;
 3. A warning.
- (4) Matters regarding the detailed guidelines, procedures, etc. for the administrative dispositions or measures, etc. required under paragraphs (1) through (3) shall be determined and publicly notified by the Minister of SMEs and Startups.

Article 23 (Application Mutatis Mutandis of the Commercial Act to Individual Investment

Associations) Except as provided by this Act, the provisions of the Commercial Act governing limited partnerships shall apply mutatis mutandis to individual investment associations: Provided, That Articles 86-4 and 86-9 of the same Act shall not apply mutatis mutandis.

CHAPTER IV ACCELERATORS

Article 24 (Registration of Accelerators) (1) Any person who engages in a business falling under any of the following subparagraphs and intends to qualify for the application of this Act shall register as an accelerator with the Minister of SMEs and Startups. The same shall also apply when such person intends to change any important matter prescribed by Ordinance of the Ministry of SMEs and Startups, such as corporate name and location, among the registered matters:

1. The selection of business starters at early stage and specialized incubation services;
2. Investment in business starters at early stage;
3. The organization of individual investment associations or venture investment associations and the execution of business operations therefor;
4. A business determined by the Minister of SMEs and Startups as incidental to any of the businesses referred to in subparagraphs 1 through 3.

(2) A person who intends to register as an accelerator shall meet all the following requirements:

1. The person shall meet the following applicable requirement:
 - (a) If the person is a company under the Commercial Act: Its capital shall be at least 100 million won;
 - (b) If the person is a non-profit corporation under the Civil Act, etc.: The value of the property contributed for the business under Articles 25 and 26 shall not be less than the amount prescribed by Presidential Decree. In such cases, the non-profit corporation shall separate accounts of revenue and expenditure of the relevant business from those of its other businesses in accordance with Article 113 of the Corporate Tax Act in order to clearly record the revenue and expenditure for the relevant business;

(c) If the person is a cooperative, social cooperative, or other relevant entity under the Framework Act on Cooperatives or a small and medium enterprise cooperative under the Small and Medium Enterprise Cooperatives Act (hereafter in this Article referred to as "cooperative or other relevant entity"): The value of the property invested in the business falling under Articles 25 and 26 shall not be less than the amount prescribed by Presidential Decree. In such cases, the cooperative or other relevant entity shall separate accounts of revenue and expenditure of the relevant business from those of its other businesses in accordance with Article 113 of the Corporate Tax Act in order to clearly record the revenue and expenditure of the relevant business;

2. Any executive officer shall not be:

- (a) A minor, a person under adult guardianship, or a person under limited guardianship;
- (b) A person declared bankrupt and not yet reinstated;
- (c) A person in whose case five years have not passed since his or her imprisonment without labor or heavier punishment sentenced by a court was completely executed or he or she was exempt from such imprisonment (including cases where the execution of such sentence is deemed to have been completed);
- (d) A person who is under suspension of the execution of imprisonment without labor or heavier punishment sentenced to him or her by a court;
- (e) A person in whose case five years have not passed since the complete execution of, or the exemption from, a fine or heavier punishment sentenced to him or her for a violation of the Act on the Regulation of Conducting Fund-Raising Business without Permission or any other finance-related statute or regulation prescribed by Presidential Decree (including cases where such sentence is deemed to have been completely executed);
- (f) A person who is under suspension of the execution of imprisonment without labor or heavier punishment sentenced to him or her for a violation of the Act on the Regulation of Conducting Fund-Raising Business without Permission or any other finance-related statute or regulation prescribed by Presidential Decree;
- (g) A person who was an executive officer at the time of cancellation of registration, where the ground for the revocation of registration under Article 36 had existed before the cancellation of registration under Article 35, (limited to a person prescribed by Presidential Decree as a person who is directly or equivalently responsible for the ground for the revocation of registration under Article 36) and in whose case five years have not passed since he or she was notified of the grounds for the revocation of registration of the accelerator or seven years have not passed since such cancellation of registration;

(h) A person who was an executive officer of the accelerator whose registration was revoked under Article 36 (limited to a person prescribed by Presidential Decree as a person who is directly or equivalently responsible for the grounds for the revocation of registration under Article 36) and in whose case five years have not passed since the date of revocation of registration of the accelerator;

(i) A person in whose case five years have not passed since he or she was removed or dismissed from office under Article 36 (2) 1;

3. The business plan, etc. for performing the business falling under Articles 25 and 26 shall meet the standards prescribed by Ordinance of the Ministry of SMEs and Startups;

4. The person shall have full-time professionals and facilities that meet the standards prescribed by Presidential Decree;

5. The person shall have a system for preventing conflicts of interest between the accelerator and investors and between a particular investor and other investors.

(3) Notwithstanding paragraph (2), different requirements for capital, specialized full-time personnel, etc. may be prescribed for accelerators who intend to organize venture investment associations in accordance with Presidential Decree.

(4) Except as provided in paragraphs (1) through (3), matters necessary for the procedures and methods for the registration of accelerators and the registration of changes and for the operation, etc. thereof shall be prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 25 (Specialized Incubation Services for Business Starters at Early Stage) An accelerator shall select persons eligible for assistance, from among business starters at early stage, by the method prescribed by Presidential Decree, and assist them in the following activities (hereinafter referred to as “specialized incubation services”) to them:

1. The development of business models;
2. The development of technologies and products;
3. The provision of facilities and space;
4. Other activities prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 26 (Accelerators’ Obligation to Invest) (1) The amount that an accelerator shall use for investment in business starters at early stage until three years after the date of its registration shall not be less than the ratio prescribed by Presidential Decree within a maximum of 50 percent of its total investment amount.

(2) If an accelerator fails to maintain the investment ratio under paragraph (1) due to the recovery of investment, business normalization, or any other reason recognized by the Minister of SMEs and Startups, the Minister of SMEs and Startups may give a grace period not exceeding one year for the performance of the obligation to invest.

(3) Except as provided in paragraphs (1) and (2), matters regarding the detailed guidelines, methods, etc. for the determination of the accelerators' investment ratio shall be prescribed by Presidential Decree.

Article 27 (Restrictions on Acts of Accelerators) (1) No accelerator shall do any of the following acts:

Provided, That the same shall not apply to cases prescribed by Presidential Decree as those where it is unlikely to undermine the soundness of asset management by an accelerator:

1. Investing in a company that belongs to a business group subject to limitations on cross shareholding under the Monopoly Regulation and Fair Trade Act;
2. Acquiring or owning real property for non-business purposes: Provided, That the same shall not apply where real property for non-business purpose is acquired as a result of exercising a security interest;
3. Other acts prescribed by Presidential Decree as those that undermine the purpose of establishment of an accelerator.

(2) Where an accelerator acquired real property for non-business purposes by exercising a security interest under the proviso of subparagraph 2 of Article 1, it shall dispose of such real property within the period prescribed by Ordinance of the Ministry of SMEs and Startups, not exceeding one year.

Article 28 (Restrictions on Acts of Large Shareholders of Accelerator) (1) Any large shareholder

(referring to a partner prescribed by Presidential Decree) of an accelerator and his or her affiliated persons (hereafter in this Article referred to as "large shareholder, etc.") shall not do any of the following acts with intent to obtain benefit for the large shareholder, etc. themselves against the accelerator's interest:

1. Demanding that the accelerator provide data or information not disclosed to the outside in order to exercise undue influence: Provided, That the same shall not apply to the exercise of a right under Article 466 of the Commercial Act;
2. Exercising undue influence on the investment activities and management of the accelerator, in collusion with other shareholders, on condition of giving an economic interest or other benefit in return;
3. Demanding that the accelerator commit an offense;
4. Demanding that the accelerator make a transaction with large shareholders, etc. themselves or a third party on condition significantly unfavorable to the accelerator with regard to interest, fees, security, etc., as compared with normal terms and conditions of transactions;

5. Other acts prescribed by Presidential Decree as similar to the activities referred to in subparagraphs 1 through 4.

(2) Where it is found that any large shareholder, etc. of an accelerator has violated paragraph (1), the Minister of SMEs and Startups may request the accelerator or the large shareholder, etc. to submit necessary data. In such cases, the persons so requested shall comply, unless a compelling reason exists not to do so.

Article 29 (Standards for Accelerators' Management Soundness) (1) An accelerator shall meet the standards prescribed by Presidential Decree for the management soundness.

(2) The Minister of SMEs and Startups may inspect the current status of management by an accelerator in order to ensure management soundness.

(3) If the Minister of SMEs and Startups finds that an accelerator fails to meet the standards under paragraph (1) or that it is impracticable for an accelerator to maintain management soundness, as a result of an inspection on the current status of management under paragraph (2), the Minister of SMEs and Startups may require the accelerator to take measures necessary to improve management, such as an increase of its capital, etc. and restriction on the distribution of profit.

Article 30 (Prohibition on Use of Information Relating to Accelerator's Duties) Any of the following persons (including persons in whose case one year has not passed since they ceased to fall under any of subparagraphs 1 through 5, but excluding financial investment business operators under the Financial Investment Services and Capital Markets Act) shall not use information that can seriously affect investors' judgment on investment and that has not been disclosed by public disclosure of an accelerator under Article 32 or by public disclosure of a venture investment association under Article 61 (hereafter in this Article referred to as "information relating to duties") for his or her own benefit or a third party's benefit:

1. A person who obtained information relating to duties as an executive officer, an employee, or an agent of an accelerator (including its affiliates defined in subparagraph 3 of Article 2 of the Monopoly Regulation and Fair Trade Act (hereinafter referred to as "affiliates"); hereafter in subparagraph 2 the same shall apply);
2. A person who obtained information relating to duties as a major shareholder of an accelerator prescribed by Presidential Decree in the course of exercising his or her right;
3. A person who obtained information relating to duties as a person with authority for permission, authorization, guidance, or supervision or other authority over an accelerator under a statute or regulation;
4. A person who obtained information relating to duties as a person who executed, or is negotiating, a contract, with an accelerator in the course of executing, negotiating, or performing the contract;

5. A person who obtained information relating to duties as an agent (if the person is a corporation, including its executive officers, employees and agents), an employee of, or any other person employed by, a person falling under any of subparagraphs 2 through 4 (if the person falling under any of subparagraphs 2 through 4 is a corporation, it refers to any of its executive officers and employees);
6. A person who received information relating to duties from a person falling under any of subparagraphs 1 through 5 (including persons in whose case one year has not passed since they ceased to fall under any of subparagraphs 1 through 5).

Article 31 (Annual Reporting by Accelerators) An accelerator shall submit an annual report to the Minister of SMEs and Startups within three months after the end of each business year in accordance with Presidential Decree.

Article 32 (Public Disclosure by Accelerators) (1) An accelerator shall disclose the following matters to the public:

1. Organization and human resources;
2. Finance and profit and loss;
3. The organization of individual investment associations or venture investment associations and the performance of operation of such associations;
4. Details of the measures required to take for the improvement of management under Article 29 (3) and of orders received to suspend business operations or to take corrective measures or warnings received under Article 36 (1).

(2) Matters regarding the timing, method, etc. of the public disclosure under paragraph (1) shall be determined and publicly notified by the Minister of SMEs and Startups.

Article 33 (Succession to Rights and Obligations of Accelerator upon Business Transfer) (1)

Where an accelerator transfers its business or is divided and merged and the transferee or the corporation established through the division and merger or the corporation surviving the division and merger intends to succeed to the previous status of the accelerator, the transferee or such corporation shall report the fact to the Minister of SMEs and Startups within 30 days from the date of transfer or the date of division and merger in accordance with Ordinance of the Ministry of SMEs and Startups.

(2) Upon receipt of a report under paragraph (1), the Minister of SMEs and Startups shall accept the report if he or she finds that the report conforms to this Act after review of its contents.

(3) When the report under paragraph (1) is accepted, the transferee or the corporation established through a division and merger or surviving the division and merger shall succeed to the previous status of the

accelerator on the date of transfer or the date of division and merger.

Article 34 (Public Announcement of Registration of Accelerators) When any of the following events occurs with respect to an accelerator, the Minister of SMEs and Startups shall announce details of such event through the Official Gazette and post the details on the website:

1. When an accelerator is registered under the former part of Article 24 (1);
2. When the registration is canceled under Article 35 (2);
3. When the registration is revoked under Article 36 (1).

Article 35 (Cancellation of Registration of Accelerators) (1) If it is impossible or impracticable for an accelerator to engage in a business referred to in any subparagraph of Article 24 (1), such accelerator may apply for the cancellation of registration in accordance with Ordinance of the Ministry of SMEs and Startups. (2) Upon the receipt of an application from an accelerator for the cancellation of registration under paragraph (1), the Minister of SMEs and Startups shall proceed with cancellation of registration, without delay.

Article 36 (Revocation of Registration of Accelerators) (1) If an accelerator falls under any of the following subparagraphs, the Minister of SMEs and Startups may revoke the registration of the accelerator, issue an order to the accelerator to suspend business operations for not more than six months or to take corrective measures, issue a warning to the accelerator, or suspend assistance under this Act for not more than three years: Provided, That in cases of subparagraph 1 the Minister of SMEs and Startups must revoke the registration:

1. If a professional individual investor files for registration or registration of changes under Article 24 (1), by fraud or other improper means;
2. If an accelerator ceases to meet the requirements for registration under Article 24 (2) or (3): Provided, That the same shall not apply where an accelerator had an executive officer falling under any item of Article 24 (2) 2 but terminated the cause of revocation within three months from the date on which such cause occurred;
3. If an accelerator fails to select persons eligible for assistance or provide specialized incubation services to persons eligible for assistance, in breach of the method prescribed according to Article 25;
4. If an accelerator fails to observe the accelerator's obligation to invest, in violation of Article 26;
5. If an accelerator fails to observe the obligation to refrain from doing prohibited acts, in violation of Article 27;

6. If any large shareholder of an accelerator does an act referred to in any subparagraph of Article 28 (1) with intent to obtain his or her own benefit, in violation of that paragraph;
 7. If an accelerator executes business operations, in violation of Article 14 or 52, as an operating partner of an individual investment association or a venture investment association;
 8. If an accelerator fails to take the measures required under paragraph (2).
- (2) If the Minister of SMEs and Startups finds that an accelerator falls under any subparagraph (excluding subparagraph 1) of paragraph (1) and undermines, or is likely to undermine, robust operation of the accelerator, the Minister of SMEs and Startups may require the accelerator to take any of the following measures to the accelerator's executive officers and employees (limited to executive officers and employees involved in the relevant duties):
1. Removal or dismissal from office;
 2. Suspension of performance of duties for not more than six months;
 3. A warning;
- (3) Matters regarding the detailed guidelines and procedures for the administrative dispositions, etc. under paragraphs (1) and (2) shall be determined and publicly notified by the Minister of SMEs and Startups.

CHAPTER V INVESTMENT COMPANIES FOR ESTABLISHMENT OF SMALL AND MEDIUM ENTERPRISES

Article 37 (Registration of Investment Companies for Establishment of Small and Medium Enterprises)

(1) A person who engages in any of the following business activities and intends to qualify for the application of this Act shall register as an investment company for the establishment of small and medium enterprises with the Minister of SMEs and Startups. The same shall also apply where such person intends to change any important matter prescribed by Ordinance of the Ministry of SMEs and Startups, such as corporate name and location, among the registered matters:

1. Investment in business starters;
2. Investment in technology-innovative and management-innovative small and medium enterprises under Articles 15 and 15-3 of the Act on the Promotion of Technology Innovation of Small and Medium Enterprises;
3. Investment in venture enterprises;
4. The organization of venture investment associations and the execution of business operations therefor;
5. Overseas investment by the methods determined and publicly notified by the Minister of SMEs and Startups, such as the acquisition of stocks or equity interests in foreign enterprises;

6. Investment in businesses that small and medium enterprises develop or produce and operate in a manner of maintaining accounting independence from other businesses;
7. Investment in persons determined and publicly notified by the Minister of SMEs and Startups as similar to the persons referred to in subparagraphs 1 through 6;
8. A business determined by the Minister of SMEs and Startups as incidental to any of the businesses referred to in subparagraphs 1 through 7.

(2) A person who intends to register as an investment company for the establishment of small and medium enterprises under paragraph (1) shall meet all the following requirements:

1. The person shall be a stock company under the Commercial Act, and the amount of its capital and the ratio of loans to its capital shall meet the requirements prescribed by Presidential Decree;
2. None of its executive officers shall fall under any of the following items. Items (j) and (k) shall apply only to its representative director or chief executive officer:
 - (a) A minor, a person under adult guardianship, or a person under limited guardianship;
 - (b) A person declared bankrupt and not yet reinstated;
 - (c) A person in whose case five years have not passed since his or her imprisonment without labor or heavier punishment sentenced by a court was completely executed or he or she was discharged from such imprisonment (including cases where the execution of such sentence is deemed to have been completed);
 - (d) A person who is under suspension of the execution of imprisonment without labor or heavier punishment sentenced to him or her by a court;
 - (e) A person in whose case five years have not passed since the complete execution of, or the exemption from, a fine or heavier punishment sentenced to him or her for a violation of the Act on the Regulation of Conducting Fund-Raising Business without Permission or any other finance-related statute or regulation prescribed by Presidential Decree (including cases where such sentence is deemed to have been completely executed);
 - (f) A person who is under suspension of the execution of imprisonment without labor or heavier punishment sentenced to him or her for a violation of the Act on the Regulation of Conducting Fund-Raising Business without Permission or any other finance-related statute or regulation prescribed by Presidential Decree;
 - (g) A person who was an executive officer at the time the registration was canceled, where the cause of the revocation of registration under Article 49 had existed before the cancellation of registration under Article 48, (limited to a person prescribed by Presidential Decree as a person who is directly or

equivalently responsible for the cause of the revocation of registration under Article 49) and in whose case five years have not passed since he or she was notified of the cause of the revocation of registration of the investment company for the establishment of small and medium enterprises or seven years have not passed since the date of cancellation of such registration;

(h) A person who was an executive officer of the investment company for the establishment of small and medium enterprises whose registration was revoked under Article 49 (limited to a person prescribed by Presidential Decree as a person who is directly or equivalently responsible for the cause of the revocation of registration under Article 49) and in whose case five years have not passed since the date of revocation of registration of the investment company for the establishment of small and medium enterprises;

(i) A person in whose case five years have not passed since he or she was removed or dismissed from office under Article 49 (2) 1;

(j) A person prescribed by Presidential Decree among persons who have not paid obligations by the agreed date for financial or commercial transactions;

(k) An executive officer, an employee, or a large shareholder (referring to a partner prescribed by Presidential Decree; hereafter in this Chapter the same shall apply) of another investment company for the establishment of small and medium enterprises;

3. A large shareholder shall not have any criminal record of having been punished for a violation of this Act or any finance-related statute or regulation and shall have social credit as prescribed by Presidential Decree;

4. The person shall have full-time professionals and facilities that meet the standards prescribed by Presidential Decree;

5. The person shall have a system for preventing conflicts of interest between the investment company for the establishment of small and medium enterprises and investors and between an investor and other investors.

(3) If a person who was not a large shareholder and does not have social credit referred to in paragraph (2) 3 becomes a large shareholder by acquiring new shares, such person shall not exercise the voting right for the acquired shares.

(4) The Minister of SMEs and Startups may order the large shareholder who acquired shares for which the large shareholder is not allowed to exercise voting right under paragraph (3) to dispose of such acquired shares within a prescribed period not exceeding six months.

(5) Except as provided in paragraphs (1) through (4), matters necessary for the procedures and methods for the registration of investment companies for the establishment of small and medium enterprises and the registration of changes and for the operation, etc. thereof shall be prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 38 (Investment Obligations of Investment Companies for Establishment of Small and Medium Enterprises)

(1) The amount that an investment company for the establishment of small and medium enterprises shall use, out of its total assets managed by it (referring to its capital and the aggregate of investments in all venture investment associations operated by it), for the businesses referred to in Article 37 (1) 1 through 4, 6 and 7 until three years after the date of its registration shall not be less than the ratio prescribed by Presidential Decree within a maximum of 50 percent of its total assets.

(2) An investment company for the establishment of small and medium enterprises shall maintain the compulsory investment ratio under paragraph (1) even after three years from the date of its registration, but if an investment company for the establishment of small and medium enterprises fails to maintain the investment ratio under paragraph (1) due to the recovery of investment, business normalization, or other reason recognized by the Minister of SMEs and Startups, the Minister of SMEs and Startups may give a grace period not exceeding one year for the performance of the obligation to invest.

(3) Except as provided in paragraphs (1) and (2), matters regarding the detailed guidelines, methods, etc. for the determination of the investment ratio of investment companies for the establishment of small and medium enterprises shall be prescribed by Presidential Decree.

Article 39 (Restrictions on Activities of Investment Companies for Establishment of Small and Medium Enterprises)

(1) No investment company for the establishment of small and medium enterprises shall do any of the following acts: Provided, That the same shall not apply to cases prescribed by Presidential Decree as those where the quality of asset management of an investment company for the establishment of small and medium enterprises is unlikely to be impaired:

1. Investing in a company that belongs to a business group subject to limitations on cross shareholding under the Monopoly Regulation and Fair Trade Act;
2. Acquiring or owning real property for non-business purposes: Provided, That the same shall not apply where real property for non-business purposes is acquired as a result of exercising a security interest;
3. Other acts prescribed by Presidential Decree as those that undermine the purpose of establishment of an investment company for the establishment of small and medium enterprises.

(2) Where an investment company for the establishment of small and medium enterprises acquired real property for non-business purposes by exercising a security interest under the proviso of subparagraph 2 of Article 1, it shall dispose of such real property within the period prescribed by Ordinance of the Ministry of SMEs and Startups within a maximum of one year.

Article 40 (Restrictions on Acts of Large Shareholders of Investment Companies for

Establishment of Small and Medium Enterprises) (1) Any shareholder of an investment company for the establishment of small and medium enterprises and his or her affiliated persons (hereafter in this Article referred to as "large shareholder, etc.") shall not do any of the following acts with intent to obtain benefit for the large shareholder, etc. themselves against the interest of the investment company for the establishment of small and medium enterprises:

1. Demanding that the investment company for the establishment of small and medium enterprises provide data or information not disclosed to the outside in order to exercise undue influence: Provided, That the same shall not apply to the exercise of a right under Article 466 of the Commercial Act;
2. Exercising undue influence on the investment activities and management of the investment company for the establishment of small and medium enterprises, in collusion with other shareholders, on condition of giving an economic interest or other benefit in return;
3. Demanding that the investment company for the establishment of small and medium enterprises commit an offense;
4. Demanding that the investment company for the establishment of small and medium enterprises make a transaction with the large shareholder, etc. themselves or a third party on condition significantly unfavorable to the investment company for the establishment of small and medium enterprises in terms of interest, fees, security, etc., as compared with normal terms and conditions of transactions;
5. Other acts prescribed by Presidential Decree as similar to the activities referred to in subparagraphs 1 through 4.

(2) Where it is found that any large shareholder, etc. of an investment company for the establishment of small and medium enterprises violated paragraph (1), the Minister of SMEs and Startups may request the investment company for the establishment of small and medium enterprises or the large shareholder, etc. to submit necessary data. The persons so requested to submit data in such cases shall comply with the request, unless a compelling reason exists not to do so.

Article 41 (Standards for Management Soundness of Investment Companies for Establishment of Small and Medium Enterprises) (1) An investment company for the establishment of small and

medium enterprises shall meet the standards prescribed by Presidential Decree for the management soundness.

(2) The Minister of SMEs and Startups may inspect the current state of management of an investment company for the establishment of small and medium enterprises in order to secure the management soundness of the accelerator.

(3) If the Minister of SMEs and Startups finds that an investment company for the establishment of small and medium enterprises fails to meet the standards under paragraph (1) or that it is impracticable for an investment company for the establishment of small and medium enterprises to maintain the management soundness, as a result of an inspection on the current status of management under paragraph (2), the Minister of SMEs and Startups may require the investment company for the establishment of small and medium enterprises to take measures necessary to improve management, such as an increase of its capital, etc. and restriction on the distribution of profit.

Article 42 (Prohibition of Use of Information Relating to Duties of Investment Companies for Establishment of Small and Medium Enterprises) Any of the following persons (including persons in whose case one year has not passed since they ceased to fall under any of subparagraphs 1 through 5, but excluding financial investment business operators under the Financial Investment Services and Capital Markets Act) shall not use information that can seriously affect investors' judgment on investment and that has not been disclosed through public disclosure of an investment company for the establishment of small and medium enterprises under Article 45 or public disclosure of a venture investment association under Article 61 (hereafter in this Article referred to as "information relating to duties") for his or her own benefit or a third party's benefit:

1. A person who obtained information relating to duties as an executive officer, an employee, or a representative of an investment company for the establishment of small and medium enterprises (including its affiliates; hereafter in subparagraph 2 the same shall apply);
2. A person who obtained information relating to duties as a major shareholder of an investment company for the establishment of small and medium enterprises prescribed by Presidential Decree in the course of exercising his or her right;
3. A person who obtained information relating to duties as a person who has authority for permission, authorization, direction, or supervision or other authority over an investment company for the establishment of small and medium enterprises under a statute or regulation;
4. A person who obtained information relating to duties as a person who executed, or is negotiating, a contract with an accelerator in the course of executing, negotiating, or performing the contract;

5. A person who obtained information relating to duties as a representative (if the person is a corporation, including its executive officers, employees and representatives), an employee of, or any other person employed by, a person falling under any of subparagraphs 2 through 4 (if the person falling under any of subparagraphs 2 through 4 is a corporation, it refers to any of its executive officers and employees);
6. A person who received information relating to duties from a person falling under any of subparagraphs 1 through 5 (including persons in whose case one year has not passed since they ceased to fall under any of subparagraphs 1 through 5).

Article 43 (Issuance of Bonds of Investment Companies for Establishment of Small and Medium Enterprises) An investment company for the establishment of small and medium enterprises may issue bonds under the Commercial Act within a maximum of 20 times its capital and total reserves in order to raise funds necessary for its business operations.

Article 44 (Annual Reporting by Investment Companies for Establishment of Small and Medium Enterprises) An investment company for the establishment of small and medium enterprises shall submit an annual report to the Minister of SMEs and Startups within three months after the end of each business year in accordance with Presidential Decree.

Article 45 (Public Disclosure by Investment Companies for Establishment of Small and Medium Enterprises) (1) An investment company for the establishment of small and medium enterprises shall disclose the following matters to the public:

1. Organization and personnel;
2. Finance and profit and loss;
3. The organization of venture investment associations and the performance of operation of such associations;
4. Details of the measures required to take for the improvement of management under Article 41 (3) and of orders received to suspend business operations or to take corrective measures or warnings received under Article 49 (1).

(2) Matters regarding the timing, method, etc. of the public disclosure under paragraph (1) shall be determined and publicly notified by the Minister of SMEs and Startups.

Article 46 (Succession to Rights and Obligations of Investment Companies for Establishment of Small and Medium Enterprises by Business Transfer) (1) Where an investment company for the establishment of small and medium enterprises transfers its business or is divided and merged and the

transferee or the corporation established through the division and merger or the corporation surviving the division and merger intends to succeed to the previous status of the investment company for the establishment of small and medium enterprises, the transferee or such corporation shall report the fact to the Minister of SMEs and Startups within 30 days from the date of transfer or the date of division and merger in accordance with Ordinance of the Ministry of SMEs and Startups.

(2) Upon the receipt of the report under paragraph (1), the Minister of SMEs and Startups shall accept the report if he or she finds as a result of his or her review on its contents that the report conforms to this Act.

(3) When the report under paragraph (1) is accepted, the transferee or the corporation established through a division and merger or surviving the division and merger shall succeed to the previous status of the investment company for the establishment of small and medium enterprises on the date of transfer or the date of division and merger.

Article 47 (Public Announcement of Registration of Investment Companies for Establishment of Small and Medium Enterprises)

When any of the following events occurs with respect to an investment company for the establishment of small and medium enterprises, the Minister of SMEs and Startups shall announce details of such event through the Official Gazette and post the details on the website, without delay:

1. When an accelerator is registered under the former part of Article 37 (1);
2. When the registration is canceled under Article 48 (2);
3. When the registration is revoked under Article 49 (1).

Article 48 (Deletion of Registration of Investment Companies for Establishment of Small and Medium Enterprises)

(1) If it is impossible or impracticable for an investment company for the establishment of small and medium enterprises to engage in a business referred to in any subparagraph of Article 37 (1), such investment company for the establishment of small and medium enterprises may apply for the cancellation of its registration in accordance with Ordinance of the Ministry of SMEs and Startups.

(2) Upon receipt of an application from an investment company for the establishment of small and medium enterprises for the cancellation of registration under paragraph (1), the Minister of SMEs and Startups shall cancel the registration, without delay.

Article 49 (Revocation of Registration of Investment Companies for Establishment of Small and Medium Enterprises)

(1) If an investment company for the establishment of small and medium enterprises falls under any of the following subparagraphs, the Minister of SMEs and Startups may revoke the registration of the investment company for the establishment of small and medium enterprises, issue an

order to the investment company for the establishment of small and medium enterprises to suspend business operations for not more than six months or to take corrective measures, issue a warning to the investment company for the establishment of small and medium enterprises, or suspend assistance under this Act for not more than three years: Provided, That in cases falling under subparagraph 1, the Minister of SMEs and Startups shall revoke the registration:

1. If an investment company for the establishment of small and medium enterprises files for registration or registration of changes under Article 37 (1), by fraud or other improper means;
2. If it is impracticable for an investment company for the establishment of small and medium enterprises to engage in the business under Article 37 (1) due to a cause attributable thereto;
3. If an investment company for the establishment of small and medium enterprises ceases to meet the requirements for registration under Article 37 (2): Provided, That the same shall not apply where an investment company for the establishment of small and medium enterprises had an executive officer falling under any item (items (j) and (k) shall apply only to its chief executive officer or representative executive officer) of Article 37 (2) 2 but terminated the cause of revocation within three months from the date such cause occurred;
4. If an investment company for the establishment of small and medium enterprises fails to continue to make investments under Article 37 (1) 1 through 4, 6 and 7 for at least one year in accordance with Article 37 (1), until the lapse of three years after its registration, without good cause: Provided, That the same shall not apply where an investment company for the establishment of small and medium enterprises has performed all matters prescribed by Presidential Decree;
5. If an investment company for the establishment of small and medium enterprises fails to observe its obligation to invest, in violation of Article 38;
6. If an investment company for the establishment of small and medium enterprises fails to observe the obligation to refrain from doing prohibited activities, in violation of Article 39;
7. If any large shareholder of an investment company for the establishment of small and medium enterprises does an act referred to in any subparagraph of Article 40 (1) with intent to obtain his or her own benefit, in violation of that paragraph;
8. If an investment company for the establishment of small and medium enterprises executes business operations in violation of Article 52 as an operating partner of a venture investment association;
9. If an investment company for the establishment of small and medium enterprises violates the Financial Investment Services and Capital Markets Act or an order issued or a disposition made under that Act, as the operating partner of a publicly placed venture investment association under Article 63;

10. If an investment company for the establishment of small and medium enterprises violates Article 3 of the Act on the Regulation of Conducting Fund-Raising Business without Permission;

11. If an investment company for the establishment of small and medium enterprises fails to take the measures required under paragraph (2).

(2) If the Minister of SMEs and Startups finds that an investment company for the establishment of small and medium enterprises falls under any subparagraph (excluding subparagraph 1) of paragraph (1) and undermines, or is likely to undermine, robust operation thereof, the Minister of SMEs and Startups may require the investment company for the establishment of small and medium enterprises to take any of the following measures against its executive officers and employees (limited to executive officers and employees involved in the relevant duties):

1. Removal or dismissal from office;
2. Suspension of performance of duties for not more than six months;
3. A warning;

(3) Matters regarding the detailed guidelines and procedures for the administrative dispositions, etc. under paragraphs (1) and (2) shall be determined and publicly notified by the Minister of SMEs and Startups.

CHAPTER VI VENTURE INVESTMENT ASSOCIATIONS

Article 50 (Organization and Registration of Venture Investment Associations) (1) An association that intends to qualify for the application for this Act, as an association organized with funds contributed mutually by a person falling under any of the following subparagraphs and other persons, shall register as a venture investment association with the Minister of SMEs and Startups. The same shall also apply when such association intends to change any important matter prescribed by Ordinance of the Ministry of SMEs and Startups, among the registered matters:

1. An accelerator meeting the requirements under Article 24 (3);
2. An investment company for the establishment of small and medium enterprises;
3. The Korea Venture Investment Corporation under Article 66;
4. A new technology venture capitalist defined in subparagraph 14-3 of Article 2 of the Specialized Credit Finance Business Act or a specialized new technology venture financing company under subparagraph 14-4 of that Article (hereinafter referred to as "new technology venture capitalist or other relevant entity");
5. A company meeting all the requirements prescribed by Presidential Decree with respect to the total partners' equity amount, specialized human resources, etc. as a private limited company or a limited liability company under the Commercial Act;

6. A foreign investment company recognized by Minister of SMEs and Startups to meet all the following requirements necessary for the organization of venture investment associations: Provided, That a foreign investment company shall be deemed to meet all the following requirements if it organizes a venture investment association with a person falling under any of subparagraphs 1 through 5:
- (a) It shall meet all physical and human resources requirements equivalent to those of investment companies for the establishment of small and medium enterprises, such as domestic branches and specialized human resources;
 - (b) It shall have a high international credit rating and a feasible business plan;
7. Other persons determined and publicly notified by the Minister of SMEs and Startups.
- (2) An association that intends to register as a venture investment association under paragraph (1) shall meet the requirements prescribed by Presidential Decree with respect to the total partners' equity amount, the number of partners, the term of existence, etc.
- (3) A venture investment association shall comprise at least one operating partner who shall have unlimited liability for the association's debts as an operating officer of the association and limited partners with limited liability only up to the value of their respective shares of equity. An operating partner in such cases shall be a person falling under any subparagraph of paragraph (1), and a person prescribed by Ordinance of the Ministry of SMEs and Startups may become an operating partner jointly with a person falling under paragraph (1) 1 through 6.
- (4) Notwithstanding the former part of paragraph (3), a publicly placed investment association organized under Article 63 shall have only one operating partner.
- (5) An operating partner of a venture investment association shall not be replaced by another person referred to in any subparagraph of paragraph (1) while the operation of the venture investment association.
- (6) Each partner of a venture investment association may pay the full amount for his or her share of equity in a lump sum or in installments, as provided by bylaws of the association.
- (7) Except as provided in paragraphs (1) through (6), matters regarding the procedures and methods for the registration of venture investment associations and for the operation, etc. thereof shall be prescribed by Ordinance of the Ministry of SMEs and Startups.

Article 51 (Venture Investment Associations' Obligation to Invest) (1) The amount that a venture investment association (excluding the venture investment associations whose operating partner is the Korea Venture Investment Corporation under Article 66) shall use for the businesses under Article 37 (1) 1 through 3, 6 and 7 until three years after the date of its registration shall not be less than the following investment ratios:

1. The ratio prescribed by Presidential Decree, not exceeding 50 percent of the aggregate of the total partners' equity in all venture investment associations operated by the same operating partner;
2. The ratio prescribed by Presidential Decree, not exceeding 40 percent of the total partners' equity in each venture investment association.

(2) Notwithstanding paragraph (1), the amount that a venture investment association whose operating partner is an accelerator under Article 50 (1) 1 shall use for investment in business starters at early stage shall not be less than the investment ratios prescribed in subparagraphs of paragraph (1).

(3) Notwithstanding paragraph (1) 1, Article 38 (1) shall apply to the investment ratios of a venture investment association whose operating partner is an investment company for the establishment of small and medium enterprises.

(4) The amount that a venture investment association shall invest in a corporation listed in a securities market under Article 8-2 (4) 1 of the Financial Investment Services and Capital Markets Act and determined and publicly notified by the Minister of SMEs and Startups shall not exceed the following investment ratios:

1. The ratio prescribed by Presidential Decree to the aggregate of total partners' equity in all venture investment associations operated by the same operating partner;
2. The ratio prescribed by Presidential Decree to the total partners' equity in each venture investment association.

(5) If a venture investment association fails to maintain the investment ratios under paragraphs (1) through (3) due to the recovery of investment, business normalization, or any other reason recognized by the Minister of SMEs and Startups, the Minister of SMEs and Startups may give a grace period not exceeding one year for the performance of the obligation to invest.

(6) Matters regarding the detailed guidelines, methods, etc. for the determination of the investment ratios of venture investment associations under paragraphs (1) through (5) shall be prescribed by Presidential Decree.

Article 52 (Execution of Business Operations of Venture Investment Associations) (1) Each

operating partner shall execute business operations of the venture investment association with due care as a good manager.

(2) No operating partner shall do any of the following acts in executing business operations of the venture investment association: Provided, That the same shall not apply to cases prescribed by Presidential Decree as those where the soundness of asset management of the venture investment association is unlikely to be impaired:

1. Using property of the venture investment association for his or her own interest or a third party's interest;

2. Taking out a loan, guaranteeing payment, or offering an asset as security;
3. Investing in a company that belongs to a business group subject to limitations on cross shareholding under the Monopoly Regulation and Fair Trade Act;
4. Acquiring or owning real property for non-business purposes: Provided, That the same shall not apply where real property for non-business purposes is acquired as a result of exercising a security interest;
5. Other acts prescribed by Presidential Decree as those that undermine the purpose of establishment.

(3) Where an operating partner acquired real property for non-business purposes by exercising a security interest under the proviso of paragraph (2) 4, it shall dispose of such real property within the period prescribed by Ordinance of the Ministry of SMEs and Startups, not exceeding the maximum of one year.

(4) An operating partner may entrust part of business operations of the venture investment association to limited partners of the venture investment association under an agreement with the venture investment association.

Article 53 (Management and Operation of Property of Venture Investment Associations) (1) An operating partner shall preserve and manage property of the venture investment association in accordance with the following subparagraphs:

1. The operating partner shall entrust the preservation and management of property of the venture investment association to a trust business entity;
2. When the operating partner intends to change the trust business entity, it shall obtain approval from the general meeting of partners.

(2) If necessary for the management of property of a venture investment association under paragraph (1), the operating partner shall give instructions to the trust business entity on the acquisition, disposal, etc. of property of the venture investment association, and the trust business entity shall acquire, dispose of, or otherwise manage the property in accordance with the operating partner's instructions.

Article 54 (Annual Reporting by Venture Investment Associations) An operating partner shall submit an annual report to the Minister of SMEs and Startups within three months after the end of each business year as prescribed by Presidential Decree.

Article 55 (Withdrawal of Operating Partner from Venture Investment Association) An operating partner may withdraw from the venture investment association only in any of the following cases:

1. Where the operating partner is unable to continue business operations due to the revocation of registration under this Act or any other statute or any other reason;

2. Where the operating partner is bankrupt;
3. Where all partners consent to the withdrawal;
4. Other cases determined and publicly notified by the Minister of SMEs and Startups.

Article 56 (Dissolution of Venture Investment Associations) (1) If any of the following events, a venture investment association shall be dissolved:

1. The expiration of the term of existence;
2. The withdrawal of all limited partners;
3. The withdrawal of all operating partners;
4. Cases where all operating partners are unable to continue business operations due to the revocation of registration under this Act or any other statute or any other reason;
5. Other events prescribed by Presidential Decree.

(2) When an event falling under paragraph (1) 3 or 4 occurs to a venture investment association, the venture investment association may continue its business operations by admitting persons falling under any subparagraph of Article 50 (1) as operating partners, with consent of all limited partners, within three months from the date such event occurs in accordance with Presidential Decree.

(3) When a venture investment association is dissolved, the operating partner shall become a liquidator: Provided, That any person other than the operating partner may be appointed as a liquidator, as provided by bylaws of the association.

(4) If debts exceed the amount of the total partners' equity at the time of dissolution of a venture investment association, operating partners shall jointly pay the debts.

Article 57 (Reporting of Results of Liquidation of Venture Investment Association and Cancellation of Registration) (1) When the liquidator under Article 56 (3) completes the liquidation

process, it shall report the results thereof to the Minister of SMEs and Startups, without delay, in accordance with Ordinance of the Ministry of SMEs and Startups.

(2) Upon receipt of the report under paragraph (1), the Minister of SMEs and Startups shall cancel the registration of the venture investment association, without delay.

Article 58 (Protection of Property of Venture Investment Associations) Notwithstanding Article 704 of the Civil Act, when a creditor to a partner of a venture investment association exercises a claim against the partner, the creditor may exercise the claim only up to the amount that the partner has invested in the venture investment association.

Article 59 (Appropriation of Profit of Venture Investment Associations) A venture investment association may pay bonus to its operating partners in proportion to the return on investment, as provided by bylaws of the association, and matters regarding the methods, etc. for the determination of the return on investment for the purpose of paying bonus shall be prescribed by Presidential Decree.

Article 60 (Prohibition on Compensation for Loss of Venture Investment Associations) (1)

Unless the robust system for venture investment is unlikely to be undermined and there is good cause, no venture investment association shall do either of the following acts for investors in connection with investment in the venture investment association. The same shall also apply where the operating partner of a venture investment association does either of such acts on its own account:

1. Fully or partially compensating for a loss sustained by any investor;
2. Guaranteeing and providing a certain amount of profit to investors, regardless of whether the venture investment association has sustained a loss on investment.

(2) No investor in a venture investment association shall request the venture investment association or any operating partner of the venture investment association to do any act referred to in paragraph (1).

Article 61 (Public Disclosure by Venture Investment Associations) (1) An operating partner shall disclose the following matters to the public:

1. An annual report for each accounting year;
2. Other documents on the operation of the venture investment association, determined and publicly notified by the Minister of SMEs and Startups.

(2) Matters regarding the timing, method, etc. of the public disclosure under paragraph (1) shall be determined and publicly notified by the Minister of SMEs and Startups.

Article 62 (Revocation of Registration of Venture Investment Associations) (1) If a venture

investment association or its operating partner falls under any of the following subparagraphs, the Minister of SMEs and Startups may revoke the registration of the venture investment association, issue an order to the venture investment association to suspend business operations for not more than six months or to take corrective measures, issue a warning to the venture investment association, or suspend assistance under this Act for not more than three years: Provided, That in cases falling under subparagraph 1, the Minister of SMEs and Startups shall revoke the registration:

1. If a venture investment association or its operating partner files for registration or registration of changes under Article 50 (1), by fraud or other improper means;

2. If a venture investment association or its operating partner ceases to meet the requirements for registration under Article 50 (2);
 3. If a venture investment association or its operating partner fails to observe the venture investment association's obligation to invest, in violation of Article 51;
 4. If a venture investment association or its operating partner violates Article 52 in executing business operations;
 5. If a venture investment association or its operating partner violates Article 53 (1) in preserving and managing its property;
 6. If a venture investment association or its operating partner fails to submit an annual report, in violation of Article 54;
 7. If the operating partner of a publicly placed venture investment association under Article 63 violates the Financial Investment Services and Capital Markets Act or an order issued or a disposition made under that Act;
 8. If a venture investment association or its operating partner refuses, obstructs or evades the ascertainment and inspection under Article 72 or fails to report or submits a false report;
 9. If the registration of all operating partners is revoked or canceled under this Act or any other statute;
 10. If a venture investment association or its operating partner solicits members, in violation of Article 3 of the Act on the Regulation of Conducting Fund-Raising Business without Permission.
- (2) If any operating partner of a venture investment association falls under any subparagraph (excluding subparagraph 1) of paragraph (1), the Minister of SMEs and Startups may take any of the following measures against the operating partner:
1. Full or partial suspension of business operations for not more than six months;
 2. An order to take corrective measures;
 3. A warning.
- (3) If any operating partner of a venture investment association falls under any subparagraph (excluding subparagraph 1) of paragraph (1) and impairs or is likely to impair robust operation of the venture investment association, the Minister of SMEs and Startups may request the operating partner to take any of the following measures against its executive officers and employees (limited to executive officers and employees involved in the relevant duties):
1. Removal or dismissal from office;
 2. Suspension of performance of duties for not more than six months;

3. A warning.

(4) If a venture investment association falls under any subparagraph of paragraph (1) and any operating partner of the venture investment association is a new technology venture capitalist or other relevant entity, the Minister of SMEs and Startups may request the Financial Services Commission to take measures under paragraph (2) or (3) against the new technology venture capitalist or other relevant entity or its executive officers and employees (limited to executive officers and employees involved in the relevant duties).

(5) Matters regarding the detailed guidelines and procedures for the requesting, etc. of administrative dispositions or measures under paragraphs (1) through (4) shall be determined and publicly notified by the Minister of SMEs and Startups.

Article 63 (Special Cases concerning Publicly Placed Venture Investment Associations) (1)

Articles 11 through 16, Articles 30 through 36, Articles 40 through 43, Articles 51 through 53, Articles 56, 58, 60, 62, 63, 65 and 80, Articles 82 through 84, subparagraphs 2, 3 and 6 through 8 of Article 85, Articles 86 through 95, Articles 181, 182, 182-2, 183, 184 (excluding paragraph (4)), 196, 218 and 219, Articles 221 through 223, Articles 229 through 241, Articles 244 through 249, Articles 249-2 through 249-22, Articles 250 through 253, and Articles 415 through 425 of the Financial Investment Services and Capital Markets Act and the Act on Corporate Governance of Financial Companies shall not apply to publicly placed venture investment associations (referring to venture investment associations not classified as privately placed funds defined in Article 9 (19) of the Financial Investment Services and Capital Markets Act; hereinafter the same shall apply).

(2) Prior to the registration of a publicly placed venture investment association, the Minister of SMEs and Startups shall consult with the Financial Services Commission thereon. In such cases, the publicly placed venture investment association shall meet the requirements prescribed in Article 50 (4), and other requirements that a publicly placed venture investment association shall meet for registration and the requirements that operating partners of a publicly placed venture investment association shall meet with respect to minimum equity capital, etc.

(3) If necessary to protect public interest or partners of publicly placed venture investment associations, the Financial Services Commission may order a publicly placed venture investment association or the investment company for the establishment of small and medium enterprises that is the operating partner of a publicly placed venture investment association to submit documents or reports about its business operations and may authorize the Governor of the Financial Supervisory Service to inspect its business operations.

(4) If a publicly placed venture investment association or the investment company for the establishment of small and medium enterprises that is the operating partner of a publicly placed venture investment

association violates this Act or an order issued or a disposition made this Act or violates the Financial Investment Services and Capital Markets Act or an order issued or a disposition made under that Act, the Financial Services Commission may request the Minister of SMEs and Startups to take measures under any of Article 49 (1) and (2) or Article 62 (1) through (3), and the Minister of SMEs and Startups shall comply with such request, unless a compelling reason exists not to do so. In such cases, the Minister of SMEs and Startups shall notify the Minister of SMEs and Startups of the results of the measures taken.

Article 64 (Special Cases concerning Foreign Investment in Venture Investment Associations)

An investment in a venture investment association by a foreigner defined in Article 2 (1) 1 of the Foreign Investment Promotion Act shall be deemed a foreign investment defined in subparagraph 4 of that paragraph.

Article 65 (Application Mutatis Mutandis of the Commercial Act to Venture Investment

Associations) Except as provided in this Act, the provisions of the Commercial Act concerning limited partnerships shall apply mutatis mutandis to venture investment associations: Provided, That Articles 86-4 and 86-9 of that Act shall not apply mutatis mutandis.

CHAPTER VII ESTABLISHMENT OF KOREA VENTURE INVESTMENT CORPORATION AND ORGANIZATION AND OPERATION OF FUND OF FUNDS FOR VENTURE INVESTMENT

Article 66 (Establishment of Korea Venture Investment Corporation) (1) The Korea Venture

Investment Corporation shall be established for the purpose of efficiently promoting investment, for the growth and development of business starters, small and medium enterprises, venture businesses, etc.

(2) The Korea Venture Investment Corporation under paragraph (1) (hereinafter referred to as the "Korea Venture Investment Corporation") shall be a juristic person.

(3) The Korea Venture Investment Corporation shall be duly incorporated when it completes the registration of its establishment with the registry having jurisdiction over its principal place of business.

(4) The State, a local government, or a public institution designated and publicly notified under Articles 4 through 6 of the Act on the Management of Public Institutions may contribute funds required for the establishment of the Korea Venture Investment Corporation to the Korea Venture Investment Corporation.

(5) The articles of incorporation of the Korea Venture Investment Corporation shall include the following matters, and the Korea Venture Investment Corporation shall obtain authorization from the Minister of SMEs and Startups before the formulation or amendment of its articles of incorporation:

1. Purpose;
 2. Name;
 3. Locations of its principal place of business and branches;
 4. Matters concerning business operations and the execution of such business operations;
 5. Matters concerning property and accounting;
 6. Matters concerning executive officers and employees;
 7. Matters concerning the board of directors;
 8. Matters concerning the amendment of the articles of incorporation;
 9. Matters concerning the methods of public announcement;
 10. Other matters necessary for the organization and operation of the Korea Venture Investment Corporation.
- (6) Except as provided in this Act, the provisions of the Commercial Act concerning stock companies shall apply mutatis mutandis to the Korea Venture Investment Corporation.

Article 67 (Business Activities of Korea Venture Investment Corporation) (1) The Korea Venture Investment Corporation shall perform the following business activities in order to accomplish its purpose under Article 66 (1):

1. The organization of a fund of funds for venture investment under Article 70 (1) and the execution of its business operations;
2. The organization of venture investment associations and the execution of business operations therefor;
3. Venture investment;
4. Assistance in attracting foreign venture investment funds;
5. Assistance in developing overseas markets for business starters, small and medium enterprises, venture businesses, etc.;
6. The promotion of investment companies for the establishment of small and medium enterprises;
7. The management of performance in venture investment;
8. Other business activities prescribed by Presidential Decree.

(2) If necessary for the business activities under paragraph (1), the Korea Venture Investment Corporation may borrow funds from domestic and foreign financial institutions, etc.

(3) If necessary, the State, a local government, or a public institution designated and publicly notified under Articles 4 through 6 of the Act on the Management of Public Institutions may contribute funds required for the performance of the business activities of the Korea Venture Investment Corporation under paragraph (1) to the Korea Venture Investment Corporation.

Article 68 (Prohibition on Disclosure of Confidential Information by Executive Officers and Employees of Korea Venture Investment Corporation) Any person who serves or served as an executive officer or employee of the Korea Venture Investment Corporation shall not disclose or misappropriate confidential information acquired in the course of performing his or her duties, without good cause.

Article 69 (Guidance and Supervision of Business Operations of Korea Venture Investment Corporation) (1) The Minister of Economy and Finance shall guide and supervise the Korea Venture Investment Corporation in its business operations, and may give instructions or issue orders regarding its business operations, if necessary.

(2) Matters regarding the guidance and supervision by the Minister of Economy and Finance over the Korea Venture Investment Corporation shall be prescribed by Presidential Decree.

Article 70 (Organization of Fund of Funds for Venture Investment) (1) The Korea Venture Investment Corporation may organize a fund of funds for venture investment (hereinafter referred to as the "Fund of Funds") with funds contributed mutually by it and the persons prescribed by Presidential Decree in order to invest in the following associations, etc.:

1. Individual investment associations;
2. Venture investment associations;
3. New technology venture business associations defined in subparagraph 14-5 of Article 2 of the Specialized Credit Finance Business Act (hereinafter referred to as "new technology venture business associations");
4. Private equity fund for improving corporate structure under Article 20 of the Industrial Development Act;
5. Private equity fund under Article 9 (19) 1 of the Financial Investment Services and Capital Markets Act;
6. Agriculture and food investment associations under Article 13 of the Act on Formation and Operation of Agricultural, Fisheries, and Food Investment Funds;
7. Other persons determined and publicly notified by the Minister of SMEs and Startups.

(2) Notwithstanding Article 67 of the Small and Medium Enterprises Promotion Act, the person who manages the Fund for the Establishment and Promotion of Small and Medium Enterprises under Article 63 of the Small and Medium Enterprises Promotion Act may invest in the Fund of Funds.

(3) The Korea Venture Investment Corporation shall manage and operate assets of the Fund of Funds according to purposes of policies, such as the boosting of venture investment.

(4) The term of existence of the Fund of Funds shall be the period prescribed by Presidential Decree, and other matters necessary for the management, operation, etc. of the Fund of Funds shall be prescribed by

Presidential Decree.

(5) Notwithstanding Articles 13 (1) and (2) and 51 (1) and (2), the Minister of SMEs and Startups may determine different investment ratios for individual investment associations or venture investment associations in which the Fund of Funds invests.

CHAPTER VIII SUPPLEMENTARY PROVISIONS

Article 71 (Investment of Fund) (1) The person who manages a fund prescribed by Presidential Decree, among funds under the National Finance Act, (hereinafter referred to as “fund management entity”) may invest a portion of the fund up to the ratio prescribed by Presidential Decree for venture investment or may contribute such portion of the fund to a venture investment association or a new technology venture business association, in accordance with its fund management plan.

(2) When a fund management entity invests the fund for venture investment or contributes the fund to a venture investment association or a new technology venture business association within the scope of the fund management plan, it shall be deemed that the fund management entity obtained authorization, permission, approval, etc. under relevant statutes or regulations.

(3) Notwithstanding Articles 106, 108, and 109 of the Insurance Business Act, an insurance company defined in subparagraph 6 of Article 2 of that Act may invest its funds for venture investment or contribute its funds to venture investment associations or new technology venture business associations up to the limit prescribed by the Financial Services Commission.

(4) The person who manages a fund established by the head of a local government for promoting local small and medium enterprises under Article 62-17 (1) 1 of the Small and Medium Enterprises Promotion Act may contribute a portion of the fund to the following associations in order to promote local small and medium enterprises and venture businesses:

1. Venture investment associations;
2. The Fund of Funds;
3. New technology venture business associations.

Article 72 (Reporting and Inspection) (1) If necessary, the Minister of SMEs and Startups may ascertain and inspect the current status of business operations of the following persons or may require the following persons to file a report on their investment performance:

1. Professional individual investors;

2. Individual investment associations;
3. Accelerators;
4. Investment companies for the establishment of small and medium enterprises;
5. Venture investment associations;
6. The Korea Venture Investment Corporation;
7. Private limited companies or limited liability companies that are operating partners of a venture investment.

(2) In any of the following cases, the Minister of SMEs and Startups may authorize competent public officials to enter the location or place of business of a person referred to in any subparagraph of paragraph (1) (in cases of an association, including its operating partners) to inspect books of accounts, documents, etc. prescribed by Presidential Decree, including auditor's reports:

1. Where it is necessary to ascertain whether the requirements for registration under Articles 9, 12, 24, 37 and 50 are maintained;
2. Where it is necessary to ascertain whether the obligation to invest under Articles 10, 13, 26, 38 and 51 are observed;
3. Where it is necessary to inspect the execution, etc. of business operations under Articles 14 and 52;
4. Where it is necessary to ascertain whether the restrictions on activities under Articles 27 and 39 are violated;
5. Where it is necessary to ascertain whether the standards for the management soundness under Articles 29 and 41 are observed;
6. Where it is necessary to ascertain whether information relating to duties under Articles 30 and 42 has been used;
7. Other cases prescribed by Presidential Decree as similar to those referred to in subparagraphs 1 through 6.

(3) When the Minister of SMEs and Startups intends to conduct an inspection under paragraph (2), he or she shall notify the person to be inspected of the inspection plan, containing the purpose, date, time, details, etc. of inspection, no later than seven days before the scheduled date of inspection: Provided, That the same shall not apply where it is necessary to conduct an inspection urgently or where it is deemed impracticable to accomplish the purpose of inspection due to the destruction of evidence, etc. if prior notice is given.

(4) Public officials who conduct an inspection under paragraph (2) shall carry an identification showing their authority and produce it to interested persons.

Article 73 (Submission of Data) The Minister of SMEs and Startups may require a new technology venture capitalist, a specialized new technology venture financing company, a new technology venture business

association, the Korea Development Bank under the Korea Development Bank Act, or the Industrial Bank of Korea under the Industrial Bank of Korea Act to submit data on the performance in venture investment on a quarterly basis in order to boost venture investment and efficiently establish and implement policies.

Article 74 (Public Notice of Guidelines for Business Operations) The Minister of SMEs and Startups may determine and publicly notify guidelines for business operations for venture investment in order to efficiently assist professional individual investors, individual investment associations, accelerators, investment companies for the establishment of small and medium enterprises or venture investment associations in their venture investment.

Article 75 (Hearings) When the Minister of SMEs and Startups intends to revoke the registration of a professional individual investor, an individual investment association, a business starter, an investment company for the establishment of small and medium enterprises, or a venture investment association under Article 11, 22, 36, 49 or 62, he or she shall hold hearings.

Article 76 (Delegation and Entrustment of Authority) (1) Part of the authority of the Minister of SMEs and Startups under this Act may be delegated to the heads of agencies affiliated with the ministry or Mayors/Do Governors, as prescribed by Presidential Decree.
(2) The affairs assigned to the Minister of SMEs and Startups under this Act may be entrusted to the Korea Venture Investment Corporation or an institution or organization relating to venture investment, as prescribed by Presidential Decree.

Article 77 (Prohibition on Use of Similar Names) No person other than a professional individual investor, an individual investment association, an accelerator, an investment company for the establishment of small and medium enterprises, a venture investment association, the Korea Venture Investment Corporation, or the Fund of Funds may use such a name as professional individual investor, individual investment association, accelerator, investment company for the establishment of small and medium enterprises, venture investment association, Korea Venture Investment Corporation, or Fund of Funds or any similar name.

CHAPTER IX PENALTY PROVISIONS

Article 78 (Penalty Provisions) (1) Any of the following persons shall be punished by imprisonment with labor for not more than five years or by a fine not exceeding 50 million won:

1. A person who commits an act referred to in any subparagraph of Article 28 (1) or 40 (1) as a large shareholder, etc. with intent to obtain his or her own benefit, in violation of Article 28 (1) or 40 (1);
2. A person who uses information relating to duties for his or her own benefit or a third party's benefit, in violation of Article 30 or 42;
3. A person who uses property of a venture investment association as an operating partner of the association for his or her own benefit or a third party's benefit, in violation of Article 52 (2) 1.

(2) Any of the following persons shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 10 million won:

1. A person who fails to dispose of shares, in violation of an order to dispose of shares under Article 37 (4);
2. A person who discloses or misappropriate confidential information acquired in the course of performing duties, in violation of Article 68.

Article 79 (Joint Penalty Provisions) If the representative of a corporation or an agent or employee of, or any other person employed by, the corporation or an individual commits any violation described in Article 78 in performing any business affair of the corporation or individual, the corporation or individual shall, in addition to punishing the violator accordingly, be punished by a fine prescribed in the relevant Article: Provided, That the same shall not apply where the corporation or individual has not been negligent in the exercise of due care and supervision as to the relevant business affair to prevent such violation.

Article 80 (Administrative Fines) (1) Any of the following persons shall be subject to an administrative fine not exceeding 30 million won:

1. A person who fails to register a change in accordance with the latter part of Article 9 (1), the latter part of Article 12 (1), the latter part of Article 24 (1), the latter part of Article 37 (1), or the latter part of Article 50 (1) or who falsely registers a change;
2. A person who fails to submit an annual report in accordance with Article 16, 31, 44 or 54 or who submits a false annual report;
3. A person who fails to make a public disclosure in accordance with Article 32, 45 or 61 or who makes a false public disclosure;
4. A person who fails to report a transfer of business or a division and merger in accordance with Article 33 (1) or 46 (1) or who falsely report a transfer of business or a division and merger;
5. A person who fails to submit a report in accordance with Article 72, who submits a false report, or who refuses, obstructs or evades an inspection conducted under that Article;

6. A person who uses such a name as professional individual investor, individual investment association, accelerator, investment company for the establishment of small and medium enterprises, venture investment association, Korea Venture Investment Corporation, or Fund of Funds or any similar name, in violation of Article 77.

(2) Administrative fines under paragraph (1) shall be imposed and collected by the Minister of SMEs and Startups as prescribed by Presidential Decree.