



투자권유준칙/ Investment Recommendation Standard

Subject	This procedure is to prescribe rules and guidelines to be complied when dealing with general investors according to the Financial Investment Business and Capital Markets Act ("FSCMA") and Financial Consumer Protection Act and any applicable laws and regulations
Author(s)	Compliance-Myungjin Koo
Reviewer(s) (in any)	<i>GM, Coverage & Real Asset</i>
Approver(s)	Management Committee
Effective date	2024.01.01
Last update	
Scope	Natixis Asia Limited, Seoul Branch
Associated document(s)	Investment Recommendation / Suitability and Appropriateness Test
Review Frequency	12 months

Document History				
Version	Date	Description of Revision	Reviewed / Updated By:	Approved By:
1.0	2023.04.03	Establishment		Seoul Man Co
2.0	2023.12.13 (Effective from 2024.01.01)	Revision upon revision of KOFIA standard		Seoul Man Co

Content

I . General Provisions.....	4
1. PURPOSE	<u>54</u>
2. DEFINITIONS	5
3. GENERAL PRINCIPLES OF INVESTMENT RECOMMENDATION AND SALES	6
II. Classification of Investors.....	<u>76</u>
4. CONFIRMATION OF THE PURPOSE OF THE VISIT	7
5. VERIFICATION OF CONSUMER TYPE: ORDINARY AND PROFESSIONAL FINANCIAL CONSUMERS	7
III. Sales to Investors Refusing Investment Recommendation	7
6. OBLIGATION TO PROTECT INVESTORS REFUSING INVESTMENT RECOMMENDATION.....	7
7. SPECIAL PROVISIONS ON PRODUCTS SUBJECT TO THE APPROPRIATENESS PRINCIPLE	9
IV. Sales to Investors Requesting Investment Recommendation	<u>109</u>
IV-1. Investor Information	<u>109</u>
8. IDENTIFICATION OF INVESTOR INFORMATION AND ANALYSIS OF INVESTOR PROPENSITIES	10
9. VALID TERM OF INVESTOR INFORMATION.....	11
IV-2. Investment Recommendation.....	12
10. INVESTMENT RECOMMENDATION PROCESS	12
11. STANDARDS FOR THE PROTECTION OF OLD-AGE INVESTORS DURING SALES OF FINANCIAL INVESTMENT PRODUCTS	14
12. SPECIAL RULES ON OTC DERIVATIVES	14
13. CAUTIONS FOR INVESTMENT RECOMMENDATIONS	15
13-2. CAUTIONS REGARDING CONTRACTS INVOLVING CONFIRMATION LETTERS	<u>1847</u>
IV-3. Duty of Explanation.....	18
14. DUTY OF EXPLANATION	18
15. SPECIAL RULES ON THE DUTY OF EXPLANATION REGARDING FOREIGN CURRENCY SECURITIES	<u>2120</u>
15-2. SPECIAL RULES ON THE DUTY OF EXPLANATION REGARDING CONTINGENT CAPITAL SECURITIES ...	22
V. Risk Rating of Financial Investment Products	<u>2322</u>
16. RISK RATING OF FINANCIAL INVESTMENT PRODUCTS	<u>2322</u>
VI. Other Cautions Regarding Investment Recommendation	23
17-①. PROVISION OF CONTRACT DOCUMENTS	23
17-②. WITHDRAWAL OF OFFER.....	24
17-③. TERMINATION OF UNLAWFUL CONTRACT	26
18. NO COMPENSATION FOR LOSS	<u>2827</u>
19. PROHIBITED ACTS BY INVESTMENT TRADERS AND INVESTMENT BROKERS	28
20. RETENTION AND PROVISION OF SALES DATA.....	<u>3134</u>

I . GENERAL PROVISIONS

1. Purpose

The purpose of these Investment Recommendation Standards (hereinafter referred to as the "Standards") is to specify the specific procedures and guidelines, etc. to be observed by the executives, employees, and investment solicitors (hereinafter referred to as the "executives and employees, etc.") of Natixis Seoul Branch (hereinafter referred to as the "Company") under Article 50 (1) of the Financial Investment Services and Capital Markets Act (hereinafter referred to as the "Act"), the Enforcement Decree of the Financial Investment Services and Capital Markets Act (hereinafter referred to as the "Enforcement Decree of the Act"), the Act on the Protection of Financial Consumers (hereinafter referred to as the "Financial Consumers Act"), the Enforcement Decree of the Act on the Protection of Financial Consumers (hereinafter referred to as the "Enforcement Decree of the Financial Consumers Act"), and the Supervision Regulation on the Protection of Financial Consumers (hereinafter referred to as the "Supervision Regulation of the Financial Consumers Act").

2. Definitions

The terms used in these Standards have the meaning ascribed to them in the following subparagraphs. The terms not prescribed in these Standards have the meaning ascribed to them in the Act, the Enforcement Decree of the Act, the Financial Investment Business Regulations, the Financial Consumers Act, the Enforcement Decree of the Financial Consumers Act, the Supervision Regulation of the Financial Consumers Act, and the regulations of the Korea Financial Investment Association (hereinafter referred to as the "relevant laws"):

- 1) The term "investment product" means financial investment products, discretionary investment contracts, and trust contracts (other than management trust contracts and non-investment trust contracts; the same applies hereinafter) under Article 3 of the Financial Consumers Act. The term "loan product" means loans under Article 3 of the Financial Consumers Act or similar contracts whereby a party agrees to provide money or other items of monetary value (hereinafter referred

to as "money, etc.") and receive money, etc., interests, or other forms of compensation in the future;

2) The term "investment recommendation" means recommending the sale or purchase of financial investment products, and/or the execution of investment advisory contracts, discretionary investment contracts, and/or trust contracts to specific investors;

3) The term "portfolio investment" means investing in two or more financial investment products for the purpose of diversifying investment risks; and

4) The term "product subject to appropriateness principle" means financial investment instruments falling under any of the following subparagraphs:

A. Financial investment products under the items of Article 12 (1) 2 of the Enforcement Decree of the Financial Consumers Act; or

B. Loan under the items of Article 12 (1) 3 of the Enforcement Decree of the Financial Consumers Act.

3. General Principles of Investment Recommendation and Sales

When recommending investments and selling products to investors, executives and employees, etc. shall:

1) Comply with the relevant laws, etc., and perform their duties in a fair manner in accordance with the principle of good faith and diligence;

2) Clearly explain the risks posed by investments as well as the characteristics and terms of transactions to allow investors to make reasonable investment decisions and judgments;

3) Inform investors of the fact that investors are required to make investment decisions based on their own judgment and responsibility and bear the results of the investments; and

4) Not gain benefits or cause the Company or a third party to gain benefits while undermining investors' interests without a justifiable reason.

II. CLASSIFICATION OF INVESTORS

4. Confirmation of the Purpose of the Visit

1) When visited by an investor, executives and employees shall confirm the investor's purpose of visit and whether the investor wishes to receive investment recommendations.

2) In cases where an investor does not wish to receive investment recommendations, executives and employees, etc. may not engage in any act that constitutes investment recommendation when dealing with the investor, and only provide objective information that the investor wants.

5. Verification of Consumer Type: Ordinary and Professional Financial Consumers

1) Before recommending investments to an investor, executives and employees, etc. shall confirm whether the investor is an ordinary financial consumer or a professional financial consumer.

2) In cases where a professional financial consumer eligible to change his/her status to an ordinary financial consumer informs the Company of his/her intention to be treated as an ordinary financial consumer in writing, executives and employees, etc. shall consent to the status change unless otherwise justified by a legitimate reason.

3) In cases where a listed corporation engages in over-the-counter ("OTC") derivative trading with the Company, the corporation is deemed as an ordinary financial consumer. However, in cases where the corporation notified the Company of its intention to be treated as a professional financial consumer in writing, the corporation is deemed as a professional financial consumer.

III. SALES TO INVESTORS REFUSING INVESTMENT RECOMMENDATION

6. Obligation to Protect Investors Refusing Investment Recommendation

1) Executives and employees, etc. shall notify investors that, if an investor does not provide investor

information because the investor does not wish to receive investment recommendations, they are not allowed to recommend investments to the investor. Executives and employees shall also notify investors that, if an investor wishes to trade products subject to the appropriateness principle but does not wish to provide investor information, the trading is not allowed under the relevant laws.

2) In cases where an investor requests a specific financial investment product, executives and employees, etc. may proceed with the sales process by collecting a "confirmation form of the investor's request for investment recommendations and provision of investor information." However, in this case, executives and employees, etc. shall explain the purpose of the confirmation letter and the relevant matters requiring the investor's caution in a way that the investor can fully understand them.

3) In cases where an investor wishes to invest without in, executives and employees, etc. shall inform the investor of the matters requiring the investor's caution with regard to investment, including the fact that the investor may lose his/her principal, and all losses and profits from the investment must be borne by the investor.

4) In cases where an investor wishes to invest in securities of which registration statement has taken effect pursuant to Article 120 (1) of the Act, regardless of whether investment recommendations were given to the investor, executives and employees, etc. shall provide the investor with the relevant prospectus before the sale, unless the prospectus requirement does not apply to the investor in accordance with Article 132 of the Enforcement Decree of the Act.

5) Notwithstanding paragraph 4), in case of investing in collective investment securities, a short-form prospectus may be provided in lieu of a prospectus. In such cases, executives and employees, etc. shall inform the investor that the investor may request a separate prospectus.

6) In cases where an investor receives investment advises from an investment advisory business entity and seeks to purchase financial investment products recommended by the entity by means

of any of the following, a financial investment company that sells the financial investment company is exempt from the suitability principle, the duty of explanation, and the prospectus requirement:

- A. The investor provides supporting documents confirming that the investment advisory business entity complied with the suitability principle, fulfilled the duty of explanation, and provided a prospectus; or
- B. The investor's intention to purchase a financial investment product based on the investment advice, through a sales account of the financial investment company combined with the investment advisory contract (hereinafter referred to as "advisory-combined account").

7. Special Provisions on Products Subject to the Appropriateness Principle

1) In case of selling a product subject to the appropriateness principle, even if the investor does not want an investment recommendation, executives and employees shall identify the investor's purpose of obtaining or selling the financial product, the investor's assets, and his/her experience in obtaining and selling financial products (hereinafter referred to as "investor information") by interviewing the investor.

2) In cases where executives and employees determine that the product subject to the appropriateness principle is not appropriate for the investor, executives and employees shall inform the investor of the terms of the product, the risks from investing in the product, and the inappropriateness of the investment based on the investor information, by means under Article 11 (5) of the Enforcement Decree of the Financial Consumers Act (writing, mail, email, telephone, fax, text message, and similar electronic means of communication). In such cases, the suitability criteria under clauses 10 and 12 apply to the determination of appropriateness.

3) In cases falling under paragraph 2) above, executives and employees shall provide the investor with documents detailing the appropriateness determination results and the grounds for the determination, as well as a prospectus for the financial product.

IV. SALES TO INVESTORS REQUESTING INVESTMENT RECOMMENDATION

IV-1. INVESTOR INFORMATION

8. Identification of Investor Information and Analysis of Investor Propensities

1) In cases where an investor wishes to receive investment recommendations, executives and employees, etc. shall identify the investor information before giving investment recommendations by interviewing the investor using the investor information confirmation form in Attached Form No. 1, have the investor verify the information with the investor's signature or other methods, and keep records of the confirmation.

2) Executives and employees, etc. shall promptly inform the details of the investor information verified under paragraph 1) and the propensities of the investor (hereinafter referred to as "investor propensities").

3) Executives and employees, etc. shall identify investor information from the investor him/herself. However, executives and employees, etc. may identify information about the investor from his/her agent if the agent presents the real name certificates of the agent and the investor and supporting documents for authorization including a proxy form. In such cases, the Company shall verify whether the scope of authorization includes the authority to edit investor information.

4) In cases where an investor who wishes to receive investment recommendations refuses to provide the investor information, executives and employees, etc. shall inform the investor that they cannot give recommendations because they cannot identify the investor's propensities without the information, and regard the investor as an investor who does not wish to receive investment recommendations and apply the procedures under "III. Sales to Investors Refusing Investment Recommendation."

~~5) In case of an investor who deals in collective investment securities of money market funds,~~

government bond securities, local government bond securities, special bond securities, and other equivalent financial investment products with low risk, or an investor repurchase agreement (hereinafter referred to as "repo") transactions, executives and employees, etc. may briefly identify his/her investor information using the investor information confirmation form in Attached Form 1.

6) In cases where an investor wishes to deal in OTC derivatives, regardless of whether the investor wishes to receive investment recommendations, executives and employees, etc. shall identify his/her investor information using the OTC derivative investor information confirmation form in Attached Form 2.

9. Valid Term of Investor Information

1) Without a separate request for modification from the investor, executives and employees may deem his/her investor information to remain unchanged for 24 months from the date of identifying the investor information (hereinafter referred to as the "valid term of investor information").

2) Executives and employees, etc. shall explain paragraph 1) to the investor, and instruct the investor to notify any change to the investor information to the company.

3) In cases where executives and employees, etc. wish to recommend investment to an investor whose investor information is already known to the Company, executives and employees, etc. shall verify whether the valid term of investor information has lapsed and, if it did, re-identify the investor information.

4) Notwithstanding paragraphs 1) to 3), in cases where the Company entered into a discretionary investment contract or a money trust contract (excluding money market trusts, whereby the investor designates specific items to manage and their percentages, etc.) with the investor, the Company shall identify changes to the investor's financial position and purpose of investment, etc. (in case of a discretionary investment contract) or changes the investor's financial position (in case of a monetary trust contract) at least once per year. The Company shall notify the investor that

he/she should inform the Company if the investor's financial position, purpose of investment, etc. changes once or more in a given quarter (in writing, by email, internet, mobile system, or similar electronic means of communication).

IV-2. INVESTMENT RECOMMENDATION

10. Investment Recommendation Process

1) Executives and employees, etc. may not provide an investor with investment recommendations determined to be unsuitable for the investor based on the suitability criteria prescribed by the Company.

2) In case of an investor whose investor information is already known to the Company, executives and employees, etc. are recommended to explain the investor's propensities and their meaning to the investor before providing investment recommendations.

3) In cases where executives and employees, etc. determine that an investor can mitigate or avert risks from investments by making investments aimed at averting risks regarding his/her assets or utilizing the dollar-cost averaging investment strategy, executives and employees, etc. may provide investment recommendations by applying more alleviated standards.

4) In cases where an investor wishes to invest in a financial investment product deemed unsuitable for the investor, executives and employees, etc. may not recommend investing in the product. In cases where an investor requests a financial investment product with a risk level exceeding his/her propensities without investment recommendations, executives and employees, etc. may proceed with the sales process after collecting a confirmation letter containing the "confirmation of trading of investment product unsuitable for investor propensities" in Attached Form 1. In such cases, executives and employees, etc. shall inform the investor of his/her investor propensities and the

risk level of the financial investment product, as well as the fact that the investment is unsuitable

for the investor, and explain the purpose of the confirmation letter and the matters requiring his/her caution to the investor in a way that he/she can fully understand them.

- A. Purpose of the confirmation letter: In cases where an investor provides a confirmation letter that he/she invests in a product with a risk level exceeding his/her propensities (unsuitable product) without the sales staff's investment recommendations, the seller uses the confirmation letter to inform the investor of the fact that the suitability principle under the Financial Consumers Act does not apply to this case, and the product may cause a loss larger than an investment in a product suitable for the investor's propensities.
 - B. Cautions: In cases where an investor provides his/her signature on a "confirmation of trading of investment product unsuitable for investor propensities" to invest in a high-risk product exceeding his/her investor propensities, the confirmation may work against the investor's interest in a possible dispute or lawsuit on damage caused by the contract with the company. Therefore, an investor should fully understand the legal meaning and the risks of the confirmation letter before providing his/her signature.
- 5) In cases where executives and employees, etc. wish to recommend a financial investment product under subparagraph B to an investor under subparagraph A, in order to help the investor make informed investment decisions, executives and employees, etc. shall provide the investor with a suitability report detailing the reason for recommendation and matters requiring caution before executing the contract:
- A. Relevant investors: New investors, old age investors, super-aged investors;
 - B. Relevant products: ELS, ELF, ELT, DLS, DLF, DLT
- 6) In case of selling a financial investment product (excluding those without risk of undermining investor protection and the sound transaction order as prescribed and announced by the Financial Services Commission (hereinafter referred to as the "FSC")) to a person for whom the product is unsuitable or inappropriate based on the investor information including his/her purpose of

investment, assets, and investment experience pursuant to Article 17 (2) or 18 (1) of the Financial Consumers Act, executives and employees, etc. shall audio-record the sales process and provide the recorded file at the investor's request, and provide the investor with at least two business days of cooling-off period during the sales process.

11. Standards for the Protection of Old-age Investors During Sales of Financial Investment Products

1) In case of selling a financial investment product to an old-age investor, executives and employees, etc. shall comply with the suitability criteria under 10 (1) as prescribed in Attached Form 3, and stricter criteria for the protection of old-age investors prescribed in Attached Form 4.

2) In case of selling a financial investment product (excluding those without risk of undermining investor protection and the sound transaction order as prescribed and announced by the FSC) to an old-age investor aged 65 or older, executives and employees, etc. shall audio-record the sales process and provide the recorded file at the investor's request, and provide the investor with at least two business days of cooling-off period during the sales process.

12. Special Rules on OTC Derivatives

1) In case of trading or brokering an OTC derivative with an ordinary investor or representing an ordinary investor in an OTC derivative transaction, regardless of whether investment recommendations were provided, executives and employees, etc. may engage in the transaction only for the purpose of partially or fully reducing possible future financial loss regarding the assets, liabilities, or contracts that the investor has or intends to hold (hereinafter referred to as "risk aversion targets") if:

A. The investor holds or is scheduled to hold risk aversion targets; and

B. Possible loss and profit from the transaction during the agreed term of transaction for the

- OTC derivative do not exceed the possible profit and loss from the risk aversion targets.
- 2) In such cases, executives and employees, etc. shall verify the types of risks and amount of risks to be averted by trading the OTC derivative and keep the relevant documents.
 - 3) In case of providing investment recommendations regarding an OTC derivative, executives and employees, etc. may not provide investment recommendations determined to be unsuitable in accordance with the criteria in Attached Form No. 5.

13. Cautions for Investment Recommendations

- 1) When providing investment recommendations, executives and employees, etc. may not engage in any of the following:
 - A. Informing false information regarding the terms of a financial investment product;
 - B. Providing a definite judgment on an uncertain matter or providing information that may mislead the investor into believing that the matter is certain;
 - C. Visiting or calling the investor, or using other means of real-time communication without a request for investment recommendations from the investor.. However, except in cases (1) and (2), this excludes cases where, prior to making an investment recommendation, the financial consumer is informed in advance of the financial consumer's personal information acquisition path, the type and content of the financial product to be recommended, and the financial consumer expresses his/her intention to receive the investment recommendation.
 - (1) For general financial consumers: complex financial investment products, complex investment discretionary contracts, complex money trust contracts, private equity funds, exchange-traded derivatives, and OTC derivatives
 - (2) For professional financial consumers: OTC derivatives
 - D. Continuing to provide investment recommendations despite the receiving investor's explicit refusal, except for the following:
 - (1) Providing investment recommendations to an investor who previously expressed his/her

refusal after a month from the refusal; and

(2) Providing investment recommendations for a different type of financial investment product, in which case the following financial investment product and contract types are deemed as different from one another:

(A) Financial investment products: debt securities, equity securities, beneficiary securities, investment contract securities, derivative linked securities, Korean Depository Receipt (hereinafter referred to as "KDR"), on-exchange derivatives, and OTC derivatives; and

(B) The following investment advisory contracts and discretionary investment contracts:

① Investment advisory contracts or discretionary investment contracts for securities;

② Investment advisory contracts or discretionary investment contracts for on-exchange derivatives; and

③ Investment advisory contracts or discretionary investment contracts for OTC derivatives; and

(C) The following trust contracts:

① Trust contracts for trust assets under Article 103 (1) 1 of the Act; and

② Trust contracts for trust assets under Article 103 (1) 2 to 7 of the Act;

(3) Notwithstanding paragraph (2), the financial investment products under each of the following subparagraphs are deemed to be different from one another:

(A) OTC derivatives with different types of underlying assets; and

(B) OTC derivatives with different structures including lead, swap, and option;

E. While recommending a contract on an investment product, recommending or providing information on another investment product that the investor did not request;

F. Failing to inform an investor of any information that the executives and employees, etc. know to have a significant impact on the value of the financial product or recommending an

- investor to purchase or sell a financial product without informing the investor of information that the executives and employees, etc. know to significantly affect the value of the product;
- G. Informing an investor that a specific financial product is superior or more favorable to other financial products without clarifying the target or criteria for comparison or providing an objective ground;
- H. Recommending an investor to obtain an investment product held by themselves or a third party in order to increase the value of the product;
- I. Recommending a sale or other transaction in violation of Articles 174, 176, or 178 of the Act knowing that the investor intends to engage in such transaction;
- J. Encouraging an investor to use a credit card or recommending another loan product without the investor's prior consent;
- K. Collecting writing, etc. from an investor indicating that the investor does not want to be recommended a contract, in order to provide recommendations outside the scope of Article 17 of the Financial Consumers Act; and
- L. Providing or receiving money, goods, benefits, and other financial interest without following the procedures prescribed by the relevant laws or the Company.
- 2) In cases where executives and employees, etc. determine that long-term investment is more favorable to an investor taking account of his/her propensities and the characteristics of the financial investment product, executives and employees, etc. may recommend long-term investment in the financial investment product to the investor.
- 3) Executives and employees, etc. may recommend an investor to distribute his/her investments so as to prevent the investment assets from being concentrated into a specific item.
- 4) In case of recommending a fund managed by a collective investment business entity that is an "affiliate or a company equivalent to an affiliate" (hereinafter referred to as "affiliate, etc.") to an ordinary investor, executives and employees, etc. shall:

- A. Inform the investor that the collective investment business entity is an affiliate, etc. of the Company; and
- B. Recommend investment in similar funds managed by collective investment business entities that are not affiliates, etc.

13-2. Cautions Regarding Contracts Involving Confirmation Letters

- 1) The Company shall verify investors' expressions that they do not wish the trading or recommendations of financial investment products that do not fit their investment propensities (no wish to receive investment recommendations, etc.) by inquiring the branch manager or the Head of Sales (in case of an online transaction, the verification may be carried out ex post facto in accordance with the internal control standards prescribed by the Company).
- 2) The Company shall regularly identify and review the status of financial investment products sold to investors who do not want financial investment products or investment recommendations unsuitable for their propensities and the status of the relevant complaints,* in accordance with the Company's internal control standards, along with the internal reporting procedures.

* The number of confirmation letters collected, and the number of collected confirmation letters against which complaints were filed.

IV-3. DUTY OF EXPLANATION

14. Duty of Explanation

- 1) In case of providing investment recommendations to an investor, executives and employees, etc. shall explain the terms of the financial investment product, the risks from the product, the structure and nature of the product, the fees to be paid by the investor, the terms of premature redemption, if any, and the matters regarding the termination of the contract (hereinafter referred to as "investment explanation") in a way that the investor can understand, and verify that the

investor understands the explanation by a signature or other ways.

2) The duty of explanation under paragraph 1) may not be fulfilled by simple verification, and must be fulfilled by a statement including the following in the investor's own handwriting or voice:

A. Investor: The characteristics and maximum risk of the product, as the investor understands them; and

B. Executives and employees, etc.: the investor's level of understanding of the product, and the content of the explanation, etc.

3) A prospectus must include the signature (including an electronic signature under Article 2, subparagraph 2 of the Electronic Signature Act) of the person who provided the explanations under Article 19 (1) of the Financial Consumers Act confirming that the explanation provided to the investor is consistent with the actual content of the prospect. However, the foregoing does not apply to prospectuses for:

A. Contracts for loan products; and

B. Contacts for services only provided through automated means using electronic devices under the Electronic Financial Transactions Act.

4) In case of fulfilling their duty of explanation under paragraph 1), executives and employees, etc. may adjust the level of explanation taking account of the complexity, risk level, and other characteristics of the financial investment product and the investor's investment experience, cognitive ability, and other characteristics.

5) In cases where an investor does not understand the key loss and profit structure and risk of loss despite an explanation provided under paragraphs 1) to 4), executives and employees, etc. may not continue providing investment recommendations.

6) In cases other than the following, executives and employees, etc. shall provide investors with a prospectus as required to fulfill their duty of explanation. However, executives and employees, etc.

_____ may omit the provision of a prospectus if the investor has been provided with a prospectus or a _____

short-form prospectus under Article 123 (1) of the Act prepared by the issuer of collective investment securities:

- A. An investor who wishes to obtain securities of which a registration statement has taken effect refuses to receive the prospectus by providing notice in writing, by phone, facsimile, telegraph, email, similar means of electronic means of communication, or other methods prescribed and announced by the FSC;
- B. An investor wishes to obtain more of the same collective investment securities that the investor previously obtained, only if the content of the prospectus for the collective investment securities is identical to the content of the previously provided prospectus; or
- C. An investor renews the underlying contract with the same terms or enters into an underlying contract and engages in repeated transactions in accordance with the terms of the contract.

7) Before providing an explanation under Article 19 (1) of the Financial Consumers Act, executives and employees, etc. shall provide investors with a prospectus by any of the following methods:

- A. Writing;
- B. Mail or email; or
- C. Text message or similar means of electronic communication.

8) In case of providing an explanation under paragraph 1), executives and employees, etc. may not provide false or misleading explanations or omit explanations regarding key matters that may significantly impact the investor's reasonable investment decisions or the value of the financial investment product.

9) When carrying out the obligation to explain the risk level, executives and employees, etc. must explain the meaning and precautions of the risk level, as well as the reasons for determining the risk level, so that investors can accurately understand what the risk level means.

10) In order to help investors inquire about financial investment products, executives and employees, etc. shall inform the investors of their names, positions, and contact information, as

well as instructions on contacting the call center or service center.

15. Special Rules on the Duty of Explanation Regarding Foreign Currency Securities

1) In case of recommending an investor to invest in foreign currency securities, an explanation under 14. 1) must include:

- A. The characteristics of the economy and market of the invested country or region;
- B. Standard investment risks and exchange rate volatility risk, and difference in the transaction and tax regimes of the country; and
- C. The fact that, in cases where the investor hedges foreign exchange risks by him/herself, a loss may be incurred without hedging rate adjustment depending on the market situation.

2) In case of recommending an investor to invest in the collective investment securities of a collective investment scheme investing in foreign assets, an explanation under 14. 1) must include:

- A. Risks from the economic and market situation of the invested country or region;
- B. Standard risks from investing in a collective investment scheme, exchange rate volatility risk, whether the collective investment scheme hedges exchange risks, the target exchange hedging rate, the currency used for the hedging, and the main means and methods of exchange hedging;
- C. The fact that exchange risk hedging does not remove all exchange rate volatility risks and, in cases where the investor hedges foreign exchange risks by him/herself, a loss may be incurred without hedging rate adjustment depending on the market situation; and,
- D. The fact that, in case of a master-feeder fund, different exchange risk hedging rates may apply (20%, 40%, or 60%, etc.) to the sales by adjusting the ratio between the feeder funds that hedge exchange risks and the feeder funds that do not hedge exchange risks at the investor's request.

3) In case of recommending an investor to invest in a trust contract that involves investing in

foreign assets, an explanation under 14. 1) must include:

- A. The percentage of investments in each of the invested countries, regions, and assets;
- B. The characteristics of the economy and market of the invested country or region;
- C. Standard risks from trust contracts, exchange rate volatility risks, whether the trust contract hedges exchange risks and the degree of hedging;
- D. The fact that past exchange rate trends do not fully predict exchange fluctuations in the future, and the relationship among currencies may change in the future; and, E. The fact that exchange risk hedging does not remove all exchange rate volatility risks and, in cases where the investor hedges foreign exchange risks by him/herself, a loss may be incurred without hedging rate adjustment depending on the market situation.

15-2. Special Rules on the Duty of Explanation Regarding Contingent Capital Securities

In case of recommending an investor to invest in contingent capital securities, an explanation under 14. 1) must include:

- A. The fact that the contract includes a rider that fully amortizes the principal and interests in certain events or converts them to common stocks;
- B. The amortization and conversion events and effects;
- C. (if the contract includes a rider restricting interest payments) the fact that interest may not be paid in certain events or at the issuer's discretion;
- D. (if the contract has a long-term maturity or a rider that allows the issuer to extend the maturity at its discretion) the fact that the product may be non-liquidatable for a long time, and its liquidity may not be guaranteed;
- E. (if the contract includes early redemption conditions) the fact that its maturity may be accelerated; and
- F. The priority of the bond.

V. RISK RATING OF FINANCIAL INVESTMENT PRODUCTS

16. Risk Rating of Financial Investment Products

1) The Company determines the risk rating by referring to matters stipulated in the law* and Korea Financial Investment Association's "Standard Investment Recommendation Rules" (hereinafter referred to as "Standard Investment Recommendation Rules") [Reference 3] 「 Investment Product Risk Rating Calculation Guidelines 」.

* ① Volatility of the underlying asset, ② Credit rating, ③ Complexity of product structure, ④ Maximum possible principal loss, ⑤ Ease of redemption and trading, ⑥ Exchange rate volatility, ⑦ Other matters affecting the risk of principal loss

2) Risk levels are divided into at least 6 levels, with level 1 being the highest risk. However, for calculating the risk level for OTC derivatives, separate standards are set in accordance with the Standard Investment Recommendation Rules [Reference 3].

3) In case of rating the risk levels of financial investment products, the Company may consider the risk assessment criteria defined by other institutions.

4) In case of rating the risk level of portfolio investment, executives and employees, etc. may use the portfolio risk level calculated by averaging the risk levels of individual financial investment products comprising the portfolio weighted by the percentage of the invested amount. However, executives and employees, etc. shall comply with the portfolio composition and management strategies, and risk levels determined by an expert organization within the Company.

VI. OTHER CAUTIONS REGARDING INVESTMENT RECOMMENDATION

17-④. Provision of Contract Documents

1) Upon executing a contract with an investor, the Company shall promptly provide the investor with the contract documents under the Financial Consumers Act using the following means. However, in cases where the investor requests the Company to provide the documents using a specific means among the following, the Company shall use the means to provide the documents:

- A. Writing;
- B. Mail or email; or
- C. Text message or similar means of electronic communication.

2) In case of providing contract documents under paragraph 1) by email or similar electronic means of communication, the Company shall provide the investor with the software and information that the investor needs in order to access the contract documents using electronic devices under the Electronic Financial Transactions Act.

3) In case of providing the contract documents under paragraph 1) by email, text message, or similar electronic means of communication, the Company shall take technical measures to prevent falsification or forgery of the contract documents.

4) In case of providing the contract documents under paragraph 1), the Company shall provide a description of the fact that the documents are being provided in accordance with the procedures prescribed in the relevant laws and the internal control standards on the contract documents.

17-②. Withdrawal of Offer

1) In cases where an investor elects to withdraw his/her offer for an investment product eligible for such withdrawal within seven days (or a longer period agreed between the Company and the investor, if any) from the following dates in writing (including email, text message, and other means under Article 37 (2) of the Enforcement Decree of the Financial Consumers Act; hereinafter referred to as "writing, etc." in 17-② and 17-③), the Company shall accept the withdrawal:

_____ A. The date on which the contract documents were provided (in accordance with the main part _____

of Article 23 (1) of the Financial Consumers Act); or

B. The date on which the contract was executed (in cases falling under the proviso of Article 23 (1) of the Financial Consumers Act).

1)-① Paragraph 1) does not apply to cases where, in contracts for investment products, the investor agrees to the Company promptly managing the entrusted money, etc. (including money or other articles of financial values; hereinafter referred to as "money, etc." in 17-②).

1)-② In case of an investment product eligible for withdrawal of the offer, the withdrawal takes effect when the investor sends the writing, etc. Upon sending the writing, etc., the investor shall promptly notify the Company.

1)-③ Upon receiving a request for withdrawal from an investor, the Company shall return the money, etc. provided by the investor within three business days and, in cases where the Company fails to return the money, etc. within three days, the Company shall pay the investor an amount calculated by multiplying the amount of the money, goods, services by the default interest rate under the contract for the financial product for each day of delay.2) In case of credit granting under Article 72 (1) of the Act, where an investor elects to withdraw his/her offer within seven days (or a longer period agreed between the Company and the investor, if any) from the following dates, the Company shall accept the withdrawal, except for cases where securities provided as collateral (pursuant to Article 37 of the Enforcement Decree of the Financial Consumers Act) have been disposed of in accordance with the Act:

A. The date on which the contract documents were provided (in accordance with the main part of Article 23 (1) of the Financial Consumers Act); or

B. The date on which the contract was executed (in cases falling under the proviso of Article 23 (1) of the Financial Consumers Act).

2)-① In case of a loan product eligible for withdrawal of offer, the withdrawal takes effect when _____the investor sends the writing, etc. to express his/her intention to withdraw the offer, and return_____

the money, etc. previously provided by the Company to the Company. Upon sending the writing, etc., the investor shall promptly notify the Company.

2)-② Upon receiving the money, etc. returned by an investor, Company shall return the money, etc. provided by the investor, including the fees paid by the investor with regard to the credit granting, within three business days and, in cases where the Company fails to return the money, etc. within three days, the Company shall pay the investor an amount calculated by multiplying the amount of the money, goods, services by the default interest rate under the contract for the financial product for each day of delay.

3) In cases where an offer is withdrawn, the Company may not claim damages, a penalty, or any other payment from the investor in connection with the withdrawal. A special agreement on the withdrawal of an offer is invalid if it is disadvantageous to the investor.

4) In cases where an offer is withdrawn and the Company returns the relevant money (including interests and fees) to the investor, the Company shall transfer the money to a deposit account designated by the investor.

17-③. Termination of Unlawful Contract

1) In cases where the Company enters into an investor for a contract for a financial product meeting all of the following conditions in violation of Article 17 (Suitability Principle) (3), Article 18 (Appropriateness Principle) (2), Article 19 (Duty of Explanation) (1) and (3), Article 20 (Prohibition of Unfair Business Practices) (1) or Article 21 (Prohibition of Unfair Solicitation), the Company shall accept an investor's written and other requests to terminate the contract:

A. The contract is a continuous contract (including the period of applying the collective investment agreement under Article 9 (22) of the Act, if such agreement applies); and

B. In cases where the financial consumer terminates the contract before the end of its term, the termination adversely affects the property of the financial consumer.

2) The investor may demand termination of an unlawful contract under paragraph 1) within a year from the date when the investor becomes aware of the fact that he/she entered into an unlawful contract under the said paragraph (but within five years from the date of executing the contract). The Company shall notify the investor of whether it accepts the demand within ten days and, in case of refusing the demand, notify the reason for the refusal.

3) In cases where the Company refuses to grant the termination demand from an investor without the following just reasons, the investor may terminate the agreement:

A. The investor did not provide the evidence, or provided false evidence, regarding the alleged violation;

B. The contract was not in violation at the time of execution, and the financial consumer alleges the violation based on changes that took place after the execution;

C. The violation has been remedied with the investor's consent; or

D. The Company provided reasonable and objective evidence required to confirm that the contract is not in violation of the law, within ten days from receiving the demand for termination, unless the Company has difficulty with providing such evidence to the investor within ten days for the following reasons, in which case the following applies:

(1) In cases where the Company is not able to identify the contact information or location of the investor demanding termination or has difficulty with contacting the investor within the notification period under the latter part of Article 47 (1) of the Financial Consumers Act for a similar reason: the Company shall notify the investor promptly upon resolving the cause of the difficulty; or

(2) In cases where the Company extended the notification period under the latter part of Article 47 (1) with the investor's consent, on the ground of the need to review the data

regarding the alleged violation of the Financial Consumers Act: the Company shall notify the investor by the end of the extended period; or

E. There exists clear evidence that the investor had known of the fact that the Company's actions are in violation of the Financial Consumers Act before executing the contract.

4) In cases where a contract is terminated pursuant to paragraph 2) or 3), the Company may not demand any fee, penalty, or expense from the investor in connection with the termination.

18. No Compensation for Loss

Executives and employees, etc. may not engage in the following with regard to the sales, purchase, and other transactions involving financial investment products, except for cases where the Company compensates for losses or guarantees benefits pursuant to Article 103 (3) of the Act (for New Old Age Living Pension Trusts, pension trusts, and lump-sum retirement payment trusts), or the Company's act does not pose any harm to the sound transaction order and is justified by a just reason:

- A. Promising, in advance, to compensate for all or a part of the loss to be incurred by the investor;
- B. Compensating for all or a part of the loss incurred by the investor after the loss;
- C. Promising, in advance, to guarantee certain benefits to the investor; or
- D. Providing certain benefits to the investor later.

19. Prohibited Acts by Investment Traders and Investment Brokers

1) No Recommendation of Excessive Trading

Executives and employees, etc. may not recommend an ordinary investor to engage in frequent trading of financial investment products or trade purchase excessive amounts of financial investment products. In such cases, executives and employees shall determine whether a certain

transaction is frequent or excessive by taking account of the following:

- A. The total amount of fees borne by the investor;
- B. Whether the transaction is suitable for the investor's assets or purpose of investment;
- C. Whether the investor fully understands the risks posed by the transaction, based on his/her knowledge or experience in investment; and
- D. Whether the content of the recommendation for the individual transactions was appropriate.

2) No Recommendation for Proprietary Trading

Executives and employees, etc. may not recommend an investor to obtain an investment product held by themselves or a third party in order to increase the value of the product.

3) No Wrongful Recommendation

- A. Executives and employees, etc. may not sell or purchase a financial investment product by recommending an investor to sell or purchase the product, without informing the investor of the matters that they know to significantly affect the value of the product;
- B. Executives and employees, etc. may not recommend an investor to trade stocks issued by the Company;
- C. Executives and employees, etc. may not utilize OTC derivative transactions, trust contracts, or linked contracts for the purpose of avoiding the prohibition or restriction under Article 55 (Prohibition on Compensation for Losses) and Article 71 (Prohibition on Unsound Business Activities);
- D. Executives and employees, etc. may not recommend an investor to trade a specific financial investment product, or employ a specific trading strategy or technique, or a specific asset management and distribution technique or strategy without an appropriate and reasonable ground including reliable information or theory, logical analysis or inference, or predictions;
- E. In cases where executives and employees, etc. come to have a special interest in the price or trading of a financial investment product beyond typical interests from the business

involving the product for a special reason (including the Company's merger contract, provision of payment guarantees, ownership of loan credits, relationship with affiliates, or the target of a corporate acquisition or merger pursued by the Company, ownership of 1% or more of all outstanding shares), executives and employees, etc. may not recommend an investor to trade the specific financial investment product without informing the investor of their special interest, unless executives and employees, etc. do not inform the investor for any of the following reasons:

- (1) The investor was aware, or they have reasonable ground to believe that the investor was aware, of the interest at the time of recommendation, except for trading recommendation based on investigation and analysis data;
- (2) The executive or employee who recommended the product was not aware of the interest, unless the Company instructed or caused the executive or employee to recommend the product without informing the executive or employee of the interest; or
- (3) The recommendation is determined to be in the investor's best interest, except for trading recommendation based on investigation and analysis data;

F. Executives and employees, etc. may not receive any financial interest in exchange for recommendation of a specific financial investment product from the issuer of the product or any other party with interest in the recommended product, including persons in special relationship with the issuer;

G. With regard to the sale of collective investment securities, executives and employees, etc. may not favor specific collective investment securities in promotion efforts on account of the fact that the sales commissions or compensations received by the Company for the sale of those securities are higher than the those of other similar collective investment securities traded by the Company, except for cases where the Company sells only the collective investment securities issued by a single collective investment entity or favors their securities

- in promotion efforts on a reasonable ground that it is in the investor's interest;
- H. Executives and employees, etc. may not encourage or instigate an investor to consent to trading through credit granting when the investor does not want to. In case of an investor who wants trading through credit granting, executives and employees, etc. shall sufficiently explain the risks from such trading; and
- I. Executives and employees, etc. may not recommend trading through credit granting, excessive or speculative transactions, or trading of high-risk financial investment products such as futures options to an investor who heavily relies on investment recommendations from the executives and employees, etc. on account of lack of trading experience.

20. Retention and Provision of Sales Data

- 1) The Company shall record and retain sales data in the form of writings, electronic documents, microfilms, etc. for at least the retention periods for different data types under Attached Table 12 of the Financial Investment Business Regulations.
- 2) The Company shall retain and manage the data regarding the sale of financial products and other businesses (see Article 26 of the Enforcement Decree of the Financial Consumers Act for details) for up to ten or five years.
- 3) Upon receiving a written request for sales data from an investor, the Company shall provide the data within six business days. In cases where the Company fails to provide the data within the said period due to an unavoidable reason, the Company shall notify the reason and the date on which it is able to provide the data to the investor.
- 4) Upon receiving an investor's request for access to data for the purpose of dispute mediation, a legal action, or a remedy for his/her rights, the Company shall allow the investor to access the data within eight days from the date of the request. However, in cases where the Company has a

legitimate reason not to allow access within eight days, the Company may postpone the access

by notifying the investor of the reason, in which cases the Company shall promptly allow the investor to access the data upon the reason no longer applies.