

# **Regulation on Prevention of Unsound Sales Activity**

## **Chapter 1 General Provision**

**Article 1 (Purpose)** This regulation is aimed to enhance value and competitiveness of the Bank and protect customers of the Bank by preventing unsound sales activity regarding businesses carried out by the Bank, officers and employees of the Bank under laws related to banking and finance including but not limited to the Bank Act.

### **Article 2 (Organizational Structure)**

- ① Legal & Compliance shall be responsible for the enactment and amendment of this regulation.
- ② Setting sales targets of branches, impact assessment, and branch performance evaluation shall be done by the relevant department.
- ③ Performance evaluation of sales employees shall be carried out by the relevant department.
- ④ Legal & Compliance and the relevant department shall be in charge of providing officers and employees of the Bank with education and training on prevention of unsound sales activity.
- ⑤ Management Internal Control shall be responsible for checking appropriateness of measures taken to prevent unsound sales activity, taking necessary action and carrying out external audits regarding unsound sales activity.

## **Chapter 2 Prohibition of Unsound Sales Activity**

### **Article 3 (Prohibition of Unsound sales activity)**

- ① Officers and employees of the Bank shall not commit an act falling under any of the following subparagraphs (“unsound sales activity”) due to excessive competitions among branches or sales pressure exerted upon officers and employees of the Bank. Provided that, however, this shall not apply where there exist justifiable reasons.

1. Unjust recommendation

- a. To recommend or offer a product providing a customer with a definitive judgment on uncertain matters, or giving the customer information that may mislead the customer to believe that such a matter is certain
- b. To continuously recommend or offer a product without justifiable reasons even after the customer expresses his/her rejection; or
- c. To recommend or offer a financial product which is deemed not suitable to the customer without taking into consideration the age, the investment purpose, financial condition and investment experience of the customer.

2. Excessively inflated performance

- a. To split transaction without consent from the customer or recommend transaction split against the customer's will in dealing with financial products including but not limited to deposits, installment deposits, collective investment securities and insurance;
- b. To repeat entrance or termination of a contract in one's or other person's name or have others do so;
- c. To inflate sales figures without entering into a real transaction (deposit, loan or foreign exchange transactions); or
- d. Other activity to inflate sales figures with no real transaction

3. Unsound solicitation

- a. Any act of advising customers to solicit family members or friends to invest in financial products by providing special benefits such as favorable interest rates, etc in violation of social norms;
- b. Any act of providing benefits including contributions, donations, rebate, excessively favorable interest rates or additional service (regardless of the name thereof) in direct or indirect connection with the contract entered with the customer, and such provision of benefits generate reverse margin or goes against social norms;
- c. Any act of advising a customer to unjustly terminate any transaction with other bank against the customer's will;
- d. Any act of rejecting a customer's request to terminate a financial with no justifiable reason even when the customer expresses his/her intention of termination;
- e. Any act of requesting excessive information from customers for sales activity; or
- f. Other solicitation activity that goes against social norms.

4. Promise of loss compensation or profit guarantee

- a. To promise to compensate all or part of loss incurred upon the customer;
- b. To compensate all or part of loss incurred upon the customer afterwards;
- c. To promise to guarantee a certain level of profits to the customer; or
- d. To provide a certain level of profits to the customer afterwards

### **Chapter 3 Setting Sales Target and Impact Assessment**

#### **Article 4 (Reasonable Sales Target)**

- ① The relevant department of the Bank shall set, give and assign reasonable sales targets in order to prevent unsound sales activity from occurring due to excessive competition.
- ② When setting, giving or assigning sales targets, the relevant department shall keep documentation of the grounds thereof.

#### **Article 5 (Setting Sales Targets and Impact Assessment)**

- ① When setting, giving or assigning sales targets, the relevant department shall come up with ways to prevent or reduce unsound sales activity by investigating, predicting and assessing each of the following subparagraphs.
  - 1. Whether business is carried out in a fair manner and policies and procedures established for the business are being complied with;
  - 2. Possible unsound sales activity or violation of relevant laws and regulations;
  - 3. Damage suffered by bank customers or financial disputes with bank customers; and
  - 4. Loss or Reputation Risk of the Bank
- ② It is required to analyze and assess impact which sales targets established have on unsound sales activities and the aforementioned items.
- ③ The result of impact assessment shall be reported to the senior management of the Bank.

#### **Article 6 (Performance Evaluation of Branch)**

- ① When setting items relevant for performance evaluation index of a branch office of the Bank or changing weight of the items, the relevant branch office shall be careful not to trigger excessive competitions which could lead to unsound sales activities.
- ② Compliance shall be included as an independent item in the performance evaluation index in order to prevent unsound sales activity.

- ③ Details on performance evaluation of branch office shall be determined based on what is separately agreed.

**Article 7 (Performance Evaluation of Sales Employees)**

- ① The evaluation of compliance shall be included as one of the performance evaluation items for sales employees.
- ② Details on performance evaluation of sales employees shall be determined based on what is separately agreed.

**Chapter 4 Internal Control System**

**Article 8 (Computerized Internal Control System)** The Bank shall set up a computerized internal control system to monitor and prevent unsound sales activity which is detectable and controlled via the computer system.

**Article 9 (Monitoring of Unsound Sales Activity)** Monitoring including but not limited to mystery shopping and telephone monitoring may be carried out in order to reflect the result of performance evaluation or prevent unsound sales activity.

**Article 10 (Analysis of the Cause of Unsound Sales Activity)**

- ① In case where any unsound sales activity by officers and employees of the Bank is discovered, the relevant department shall clarify who is responsible and find out whether it is the result of the enforcement of an unreasonable sales target.
- ② In case where any unsound sales activity occurs as provided in Paragraph ①, the relevant department shall take action necessary to prevent any similar case from occurring again.

**Chapter 5 Training and Education of Officers and Employees of the Bank**

**Article 11 (Training and Education of Employees and Officers)**

- ① Online/offline training and education on unsound sales activity including but not limited to relevant laws and regulations, cases, customer protection and prevention of dispute shall be provided to officers and employees of the Bank on a regular basis.

- ② In case where it is deemed that education or particular action regarding unsound sales activity is required, MIC or LCP may ask for cooperation from the relevant department, which shall extend fullest possible cooperation to such request unless it has any special circumstances that may affect its ability to cooperate.

### **Addendum**

**Article 1(Effective Date)** This regulation shall take effect from 1 Oct 2011.