FII Market Requirements for South Korea

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| **Important** | In order for foreigners to open an account at a financial company to engage in securities trades, in accordance with Article 188 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act and Article 6-14(1) of the Regulations on Financial Investment Business, they should provide the financial company with the following identification methods\*.  a. Foreigners with an existing Investment Registration Certificate (IRC) : IRC number  b. Foreign entities without an IRC: Legal Entity Identifier (LEI) code given to a legal entity as defined by the International Organization for Standardization (ISO) 17442 standard.  In addition, the following matters should be taken into account when using foreign investor identification methods.  1. A foreign individual or entity with an existing IRC cannot substitute the IRC with other identification methods (e.g., passport number or LEI).  2. A foreign entity without an existing IRC must provide a valid LEI that has not expired. In cases where the LEI data changes due to events such as a merger or split-up, the foreign entity should promptly notify all financial companies where they have opened accounts of the change.  If a foreign individual or entity fails to promptly notify all financial companies where they have opened accounts of the changes in LEI, they bear full responsibility for any consequences resulting from using more than two identification methods when opening accounts.  KOFIA (Korea Financial Investment Association) has released an important note on using LEI as the new foreign investor identification with effective from 14 December 2023. Please refer to the attached herewith.    It should be noted that the concept of multi-managed funds is not fully recognized in Korea. In the market, the approved IRC account will be seen as the sole beneficial owner, even if RBC IS knows this account as a fund managed by multiple fund managers.   1. **Disclosure requirements**: In the case of individual foreign shareholding limits, it is possible for a fund manager to breach the limits owing to the holdings of another fund manager in the same multi-managed fund. 2. **Proxy voting**: Most Korean companies will not allow a split vote.   These issues may be reduced but not eliminated by the opening of sub-accounts at our agent.  **Note:** As part of the FII account opening process all documentation must be in exactly the same investor name and on the investor's letterhead where appropriate. |
| **Fees** | None |
| **Reduction in withholding tax rates** | RBC IS recommends that clients who are eligible and wish to apply for reduced withholding tax rates on Korean income under double taxation treaties (**DTT**) to submit the required documentation detailed below to RBC IS so that the appropriate tax rates can be applied to the accounts before clients invests in Korea.  This is for clients’ interests as tax reclamation in Korea is onerous and may not be possible.  Clients may open accounts in Korea and invest without setting up reduced withholding tax rates but client will **receive income** **taxed at maximum tax rate until submission of the required tax documents to RBC IS so that the documents can be lodged in Korea and appropriate tax rates applied to your account(s)**. Clients should speak to their own tax advisors for further advice on the tax implications and tax form completion.  Should you have further questions concerning the Withholding Tax Application Forms, please contact [**Tax\_Operations@rbc.com**](mailto:Tax_Operations@rbc.com)for Bank &[**RBCISTAXOPSUK@RBC.COM**](mailto:RBCISTAXOPSUK@RBC.COM)for Trust |
| **Tax Consultant**  **Dormant Accounts**  **E-signature** | Appointment of local tax agent is not required for investor id application, account opening or for processing of proceeds for repatriation  Clients may appoint their own tax consultant for tax advice relating to the market but this will be out of scope for this market entry pack.  SCB South Korea has brought to our attention their re-documentation/re-activation policy below related to client dormant/unclaimed accounts opened with them:  According to SCB policy, cash/securities accounts will become dormant from an active status after 24 months of inactivity and further change to unclaimed after 12 months of inactivity from the moment the account became dormant.   If a client has an active securities account but the cash account is dormant/unclaimed, when there is a credit of funds, the cash account will remain in dormant/unclaimed status after receiving in the funds. However, if there is a debit of funds, the cash account status will change to active when sending the funds.  **If there is at least one account (either cash or securities) that is in active status while other accounts are dormant/unclaimed, re-documentation/activation is not required before the client can resume/begin trading. However, if both/all securities and cash accounts are dormant/unclaimed, SCB South Korea may need to conduct KYC etc. on the client before trading.**  SCB South Korea will alert us when they find any of IRC accounts turning dormant/unclaimed.  RBC does not support omnibus account structure in South Korea due to the T+2 reporting requirement on underlying IRC trade details.  Wet ink signature |

## Account Opening

**Documentation Required by the Agent**

**I. Account opening under a new IRC**

**a) Account Opening Form** *– This should be signed by PoA signor and received in original. This is for the foreign investors, either LEI or IRC holders to open new account upon proper level of CDD conduct at SCB Korea.*

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*- \* LEI holders should fill out this form upon checking LEI status meeting below criteria at https://www.gleif.org/en*

*1. Entity Status – Active and;*

*2. Registration Status – Issued and;*

*3. Corroboration Level – Fully Corroborated (Level 1)\*\**

*- IRC holders should fill out this form to the best of its knowledge/information they filed to the FSS for IRC application in the past.*

*\*\* Foreign investors with LEI Level 2 (Partially Corroborated) or Level 3 (Entity Supplied Only) due to no registration requirement in their home country, the account opening will be allowed if other supporting documents issued by their authorities can be provided. Please refer to Constitutional Document for more details.*

**b) Power of Attorney** *– This should be signed by authorised signor, e.g. CEO or representative etc. and received in original upon notarization by Notary Public. This is for the foreign investors, either LEI or IRC holders to allow SCB Korea to act on its behalf as its local standing proxy in Korea market.*



**c) Consent Letter**  - *This should be signed by PoA signor and received in original. This is for the foreign investors, either LEI or IRC holders to agree to our provision of the financial transactional information with SCB branches, affiliates or subsidiaries overseas pursuant to a regulation precluding disclosure of such without client's consent.*



**d) Declaration of Ownership -** *This should be signed by PoA signor and received in original. This is for the foreign investors, either LEI or IRC holders to disclose/declare its ownership structure by the natural person.*



**e)** **Constitutional Document**

**Constitutional Document – for LEI Level 1**

* This should be received in original or copies notarized by Notary Public.
* This is for the foreign investors to prove that they are legitimately established in its jurisdiction.
* It should be the document issued by registration authorities on the GLEIF registration list and submitted by LEI owner to its LEI issuer (LOU) during LEI registration.

**Constitutional Document – for LEI Level 2 and 3**

* This should be received in original or copies notarized by Notary Public.
* This should be official documents issued by government authorities or equivalent documents used to be accepted by Financial Supervisory Service for IRC application

1. COI that includes LEI’s name, establishment date, issuing entity’s name and date of issuance.
2. If COI is not available, it can be documents issued by government authorities and examples are as follows

(a) Documents issued by regulators (e.g. Certificate of Limited Partnership, or printed webpage of regulator’s website (e.g. SEC EDGAR, FCA, SEDAR) or tax document issued by tax authority (e.g. Certificate of Residence)

(b) For trust fund, trust deed/declaration of trust/certificate of trust and documents issued by tax authority etc.

(c) For LEI investor who do not have obligation to register in the country of incorporation (e.g. feeder fund, portfolio under SPC, trust type investors) can provide COI of its related company (e.g. master fund, asset management company, SPC etc.) and the documents to prove the relationship between the LEI owner and its related company

For more details, please refer to attached.



**II. Account opening under an existing IRC**

Instructions will be sent to SCB South Korea in order to open a new securities account under the existing IRC. No additional document is required.

**III. Stock Borrow and Lending Account opening**

IRC Number must be obtained before opening the SBL account. Once IRC number is available, the enclosed document must be completed and provided to the SBL account-opening unit. Soft copy on email will suffice



Note: Korea Securities Depository (KSD) only allows opening SBL account per IRC, so all sub accounts opened under the same IRC is linked to the KSD account.   
**Note: SBL accounts are automatically closed after 3 years of inactivity**

For the re-opening of SBL accounts, it will take 1-2 working days for KSD after agent receives the MT599.   
Once reactivated, it might be subject to FATCA documentation. It depends on the annual SLB balances and the account opening date, and KSD will notify us if required.   
  
The agent has delivered concerns and comments to KSD on the dormant account closure, and KSD has confirmed that they will give a prior notice before account closure going forward. **Please make sure to check the status of the account on the FII account list prior trading.**

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| **Timing** | The market timeframe for opening accounts is **10 to 15 business** days for a new IRC & **3 business days** for an existing IRC post completion and acceptance of documents by the agent. The executed documents received from the client may be sent for further certification or legalization affecting the turnaround time for market application. The documents may also be subject to regulatory and KYC checks and additional documents may be requested by the agent/market authorities which could potentially extend the normal processing time. |
| **Sub-Custodian** | RBC IS has appointed the Standard Chartered Bank Seoul as Sub-Custodian. Their role is to translate the IRC Application Form into Korean & process the application and submit it to the FSS for approval. |
| **Further Details** | The FSS link for application of IRC under Article 6-10  <http://english.fss.or.kr/fss/en/laws/securities/view.jsp?bbsid=1289368624482&category=null&idx=1311315988763&num=10&color=violet> |

### Name Change

**Documentation Required by the Agent**

**a) Account opening Form***– Original signed*

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**b) Power of Attorney -** *Notarized*



**c) Declaration of Ownership** *– Original signed*



It’s required only if there is a change in the current representative or beneficial owner

**d) Name change proof –** *Notarized or Certified as a true copy by a notary public of the country of origin*

Name change certificate must be **certified as a true copy by a notary public of the country of origin.** The name change proof prepared in foreign language should be accompanied by a summarized Korean translation.

### Account Closure

Clients to verify and confirm if they really want to exit Korean market since once IRC is closed, the client cannot re-apply IRC for two years in the Korean market.

An IRC closure is different from the account closure, hence clients can keep the IRC opened even though the accounts are closed and re-activate the IRC if clients want to invest in Korean market later.

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