

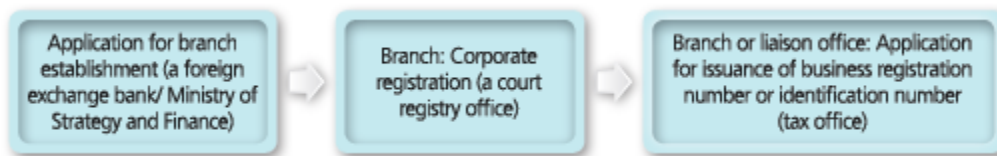
Establishment of a Foreign Company's Domestic Branch

The establishment of a local corporation and private business registration are recognized as foreign investment under the Foreign Investment Promotion Act. However, the establishment of a domestic branch is not recognized as foreign investment, and rather regulated by the Foreign Exchange Transactions Act.

1. Types a Foreign Company's Domestic Branch

There are two types of domestic branches: a branch and a liaison office (**representative office**). A branch undertakes sales activities in Korea to generate profits. Meanwhile, a liaison office does not conduct sales activities to create profits, but instead carries out non-sales functions such as business contacts, market research, R&D, etc. Liaison offices can carry out quality control, market surveys, advertisements, and other incidental and supportive roles. However, they are limited in their scope of activities, since they are not allowed to sell products directly, or to stock inventory for sale on behalf of the headquarters.

2. Procedures to Establish a Foreign Company's Domestic Branch



(1) Notification of Branch Establishment

In order for a foreign company to establish a domestic branch, a notification should be filed to the head of a designated foreign exchange bank.

■ Documents required

- Notification form of the establishment of a foreign company's domestic branch
- Certificate of appointment of the head of the domestic branch
- Documents certifying the foreign company (headquarters)'s name, location and major business operations (Notarization of the location of the headquarters is required if the documents are not original copies.)
- Where a permit, etc. is required for the establishment of a branch in accordance with other Acts and statutes, a copy of documents certifying that such permit, etc. has been obtained
- Articles of association of the headquarters
- Board meeting minutes containing the company's plans to establish a branch or liaison office in Korea and details on the appointment of its representative in Korea
- Specifications of the line of business that the company intends to operate in Korea and the scope of business
- Power of attorney in cases where the establishment of a domestic branch is commissioned to a person other than the branch head (Notarization of the location of the headquarters is required)

Both a branch and an office should notify the Minister of Strategy and Finance where it intends to operate any of the following business:

- Financial business other than banking business, including fund loans, brokering and arranging overseas finance, cards, and instalment financing
- Businesses related to securities and insurances
- Businesses that are not permitted under the Foreign Investment Promotion Act or other laws

(2) Registration of Branch Establishment

Under the Commercial Act, a branch is required to establish and register a business office. A liaison office does not require registration because it is not permitted to conduct sales activities and is only allowed to engage in activities such as information exchange.

The following documents should be attached to the application form for registration of branch establishment:

- Notification form of the establishment of a foreign company's domestic branch
- Documents certifying the foreign company (headquarters)'s name, location and major business operations (Notarization of the location of the headquarters is required if the documents are not original copies.)
- Where a permit, etc. is required for the establishment of a branch in accordance with other Acts and statutes, a copy of documents certifying that such permit, etc. has been obtained
- Articles of association of the headquarters
- Board meeting minutes containing the company's plans to establish a branch or liaison office in Korea and details on the appointment of its representative in Korea
- Specifications of the line of business that the company intends to operate in Korea and the scope of business
- Power of attorney in cases where the establishment of a domestic branch is commissioned to another person (Notarization of the location of the headquarters is required.)
- Application form for seal registration of the representative of the Korean office (for the convenience of the representative and is not mandatory)
- The branch representative's acceptance of appointment with a notarized signature, and certificate of address

All the above documents must be certified by a competent government authority of the foreign company's home country.

If the country where the foreign company's headquarters is based is a signatory of the Hague Convention Abolishing the Requirement for Legalization for Foreign Public Documents, or the Apostille Convention, the company may receive an Apostille certification on the documents certified by the competent government authority of the respective country.

If the home country of a foreign company is not a signatory of the Apostille Convention, a consul's notarization is required after obtaining a general notarization.

(Source: Invest Korea)