

# WORLD TRADE ORGANIZATION

RESTRICTED

**GATS/SC/48/Suppl.1/Rev.1**

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**Trade in Services**

## **REPUBLIC OF KOREA**

### **Schedule of Specific Commitments**

#### **Supplement 1**

#### **Revision**

(This is authentic in English only)

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The attached texts replace the ALL SECTORS section contained in pages 1 to 9 of document GATS/SC/48, and the Financial Services section contained in pages 35 to 50 of the same document.



## REPUBLIC OF KOREA - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
ALL SECTORS INCLUDED IN THIS SCHEDULE (ALL SECTORS)	<p>(3) The acquisition of outstanding stocks of existing domestic companies by natural persons or juridical persons of another member is restricted. However, foreign portfolio investment in Korean stocks is permitted only for the stocks listed on the Korean Stock Exchanges, and individual foreign investors can own up to 3 per cent of each company's total stock, while aggregate foreign investments cannot exceed 15 per cent (10 per cent in the case of two public enterprises: Pohang Iron and Steel Company, Korea Electric Power Corporation) per each company.</p> <p>The aggregate and individual ceilings will be raised in 1996-1997.</p>	<p>(3) The amount of foreign direct investment must be at least 50 million Won.</p> <p>The acquisition of land is unbound except:</p> <p>(i) That the acquisition of land by companies which are not deemed as foreign under the Alien Land Law is permitted, and</p> <p>(ii) That the acquisition of land by companies which are deemed as foreign under the Alien Land Law and branches of foreign company is permitted, subject to approval or notification in accordance with the Alien Land Law, for the following legitimate business purposes:</p>	<p>(3) Residents who have been treated as foreigners in the Securities Exchange Act are accorded national treatment in portfolio investment in Korean stocks.</p>	

\*An asterisk on the CPC (UN Provisional Central Product Classification: statistical Papers series M No. 77, Department of International Economic and Social Affairs, Statistical Office of the United Nations, New York, 1991) code number indicates that the corresponding service subsector in this schedule only covers a part or parts of the service subsector classified under the given CPC code number.

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment		
	<p>The acquisition of outstanding bonds of existing domestic companies by natural persons or juridical persons of another Member is restricted except in the following cases:</p> <p>(i) Direct foreign investment is allowed in non-guaranteed Convertible Bonds issued by listed small-and medium sized companies.</p> <p>(ii) The purchase of government and public bonds, with interest rates comparable to international interest rates, is allowed in the primary market.</p> <p>(iii) Foreign investors are allowed to make indirect bond investment through the purchase of beneficiary certificates offered exclusively to foreigners.</p>	<p>land used for supplying services during the course of normal business activities;</p> <p>land used for housing senior company personnel under pertinent laws; and</p> <p>land used for fulfilling land-holding requirements stipulated by pertinent laws.</p> <p>Eligibility for subsidies, including tax benefits, may be limited to companies which are established in Korea according to the pertinent laws.</p> <p>Unbound for research and development subsidies.</p>		

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>Foreign investors will be allowed to make indirect bond investment through the establishment of a country fund.</p> <p>Foreign direct investment in long-term non-guaranteed bonds issued by small- and medium-sized companies will be allowed in 1997.</p> <p>The establishment of branches must be approved in accordance with the Foreign Exchange Management Act. In financial services, the establishment of representative offices must also be approved in accordance with the Foreign Exchange Management Act.</p> <p>(4) Unbound except for measures affecting the entry and temporary stay of natural persons as defined below:</p>	<p>(4) Unbound except for measures concerning the categories of natural persons referred to in the market access column.</p>		

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	<p>A. Natural persons who are employees of firms that supply services through 100 per cent foreign ownership, joint venture companies or branches established in Korea and who have been in the employ of their firm for a period of not less than one year immediately preceding the date of their application for admission and who are one of the following:</p> <p>(i) Executives - persons within an organization who primarily direct the management of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organization.</p>	<p>The acquisition of land is unbound except that the leasehold right of land is permitted, subject to approval.</p> <p>Eligibility for subsidies, including tax benefits, may be limited to residents according to the pertinent laws.</p>	

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>(ii) Senior Managers - persons within an organization who primarily direct the organization or a department of the organization; supervise and control the work of other supervisory, professional or managerial employees; have the authority to hire and fire or recommend hiring, firing or other personnel actions; and exercise discretionary authority over day-to-day operations. Senior managers do not include first-line supervisors, unless the employees supervised are professionals, nor do they include employees who primarily perform tasks necessary for the supply of the service.</p>			

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>(iii) Specialists - persons within an organization who possess knowledge at an advanced level of continued expertise and proprietary knowledge on the services, research equipment, techniques, or management of the organization.</p> <p>B. Natural persons meeting the criteria of category A(i) or A(ii) and who are responsible for the setting up, in Korea, of a commercial presence of a service supplier of a Member when the service supplier has no representative office, branch or subsidiary in Korea and the persons are not engaged in making direct sales or supplying services.</p>			



**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>C. Natural persons not based in the territory of Korea and receiving no remuneration from a source located within Korea, who are engaged in activities or representing a service supplier for the purpose of negotiating for the sale of the services of that supplier when such sales are not directly made to the general public and the persons are not engaged in supplying the services.</p> <p>Entry and stay of natural persons as defined in A is limited to a period not exceeding three years that may be extended if extension is deemed to be necessary.</p> <p>Entry and stay of natural persons as defined in B and C is limited to a period of 90 days.</p>			

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
7. FINANCIAL SERVICES <sup>1</sup>	Natural persons whose entries and temporary stays are permitted shall observe the Immigration Law and the labour laws. Korea's commitments regarding temporary movement of natural persons do not apply in the case of labour-management disputes.			
All financial services covered by this schedule including Insurance	(1),(2),(3) Korea undertakes a standstill commitment for limitations on market access, where specific commitments are undertaken, in financial services listed in this schedule as of 30 June 1995.	(1),(2),(3) Korea undertakes a standstill commitment for limitations on national treatment, where specific commitments are undertaken, in financial services listed in this schedule as of 30 June 1995.		

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<sup>1</sup>Subsectors in financial services are classified based on the unit of business establishment. A financial institution must be established for only one business defined in subsectors (1) through (12), and thus cannot engage in business activities in other subsectors.

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>Cross-border supply of financial services and supply through consumer movement may not be settled in Korean currency. After the establishment of a commercial presence, financial institutions may handle only transactions, denominated and settled in Korean currency, with residents. Approval is required for transactions denominated or settled in foreign currency or transactions with non-residents.</p> <p>The management and operation of assets of a financial institution are restricted. A financial institution may not own non-business real estate.</p> <p>Assets owned by branches must be kept within the territory of Korea. The capital of the head office is not recognized as the basis for determining the extent of funding and lending activities of branches.</p>			

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>Interest rates of government-financed loans, loans rediscounted by the Bank of Korea, and short-term deposits of less than one year (in case of instalment savings deposits, less than two years) are regulated.</p> <p>All deposit rates except for those on demand deposits and its equivalents will be liberalized in 1996-1997.</p> <p>Some new financial products, including derivatives, are subject to approval.</p> <p>With interest rate and foreign exchange liberalization, such products will be more widely allowed, subject to relevant laws and regulations.</p>			

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector		Limitations on market access	Limitations on national treatment	Additional commitments
BANKING AND OTHER FINANCIAL SERVICES				
(1) BANKING BUSINESSES				
Following banking services:		(1) Unbound	(1) Unbound	
		(2) Unbound	(2) Unbound	
		(3) Horizontal limitations on banking services .	(3) None	
(i) Deposit and related services <sup>2</sup> [81115*, 81116*]		Only branches of foreign banks which rank among the world's top 500 banks in terms of assets size or representative offices are permitted.		
(ii) Loan and related services <sup>3</sup> [81131*, 81132*]		Foreign financial institutions will be allowed equity participation in existing domestic banks in 1996-1997		
(iii) Payment and money transmission services including credit card services [81339*]				

<sup>2</sup>Activities in which banks obtain funds from the public by receiving deposits or issuing transferable instruments or other securities.

<sup>3</sup>Activities, such as loans and bill discounts, in which banks provide funds to the public in order to receive interest.

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
<p>(iv) Settlement and clearing services<sup>4</sup> [81339*]</p> <p>(v) Foreign exchange services<sup>5</sup> [81333*]</p> <p>(vi) Services auxiliary to banking:</p> <ul style="list-style-type: none"> <li>- Sale of commercial bills<sup>6</sup> [81339*]</li> <li>- Sale of trade bills<sup>7</sup> [81339*]</li> <li>- Mutual instalment deposit [81132*]</li> </ul>	<p>Issuance of debentures is prohibited.</p> <p>Foreign exchange position is regulated.</p> <p>The oversold position of spot foreign exchange is 3 per cent of the previous month's average balance of foreign exchange bills bought, US\$3 million, or 2 per cent of capital (whichever is greatest).</p> <p>&lt; Limitations on Deposit and Related Services&gt;</p>		

<sup>4</sup>Settlement and clearing services on notes, bills and cheques by banks according to the Articles of KFTCI.

<sup>5</sup>Purchase, sale, issuance, remittance and collection of foreign exchange.

<sup>6</sup>A commercial bill is defined as a bill accompanying commercial transactions.

<sup>7</sup>A trade bill is defined as a bill issued by exporters based on L/C before shipping export cargo.

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment		Additional commitments
- Payment guarantees and commitments [81339*]  (vii) Trust services <sup>8</sup> [81192*, 81193]	<p>Issuance limit of CDs is limited to the larger of 400 per cent of capital or 35 billion Won. The maturity of CDs is restricted to 60-270 days, and its minimum denomination is restricted to 30 million Won.</p> <p>The minimum denomination will be lowered and the maturity expanded in 1996-1997.</p> <p>Deposits for specific purposes, such as housing subscription deposits, may be handled only by designated institutions.</p> <p>&lt; Limitations on loan and related services&gt;</p> <p>Foreign currency loans are restricted with respect to ceiling and uses.</p> <p>Mandatory lending to small-and medium-sized companies are required.</p>			

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<sup>8</sup> Activities where the trustee, having been delegated the authority, manages assets of the trust for the beneficiary.

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	<p>&lt; Limitations on foreign exchange services&gt;</p> <p>Underlying documentation requirements apply to foreign exchange transactions.</p> <p>Underlying documentation requirements are ex-post notification in the case of forward transactions.</p> <p>In the following cases, underlying documentation requirements are exempt:</p> <p>(i) Forward transactions between two foreign currencies.</p> <p>(ii) Forward transactions involving the Won and a foreign currency, valued at under US\$10 million.</p>		



**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>(iii) Financial futures transactions in exchanges.</p> <p>(iv) Financial futures transactions in the OTC market, valued at under US\$20 million.</p> <p>&lt; Limitations on trust services&gt;</p> <p>Real estate trust business is prohibited.</p> <p>Approvals both from the Monetary Board for engaging in businesses other than the main banking businesses and from the Ministry of Finance and Economy for handling a trust business are required, provided that the head office is licensed in the home country to handle a trust business.</p>			

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(2) CREDIT CARD BUSINESSES Credit card services [81133]	Except for Specific Money Trusts, mandatory purchase of Monetary Stabilization Bond is required in managing assets of a trust business.			
	The purchase ratio will be lowered in 1996-1997.			
	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.		
	(1) Unbound	(1) Unbound		
	(2) Unbound	(2) Unbound		
	(3) Only representative offices or branches of foreign suppliers which deal exclusively with credit card services are permitted.	(3) None		
	Lending for credit card members through such means as card loans is subject to limitations.			
	Maximum limits are applied to various rates such as fees and interest rates.			

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access		Limitations on national treatment	Additional commitments
(3) FINANCIAL LEASING BUSINESSES Financial leasing services [81120]	(4)	Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.	
	(1)	Unbound	(1) Unbound	
	(2)	Unbound	(2) Unbound	
	(3)	Unbound	(3) None	
	(4)	Unbound, except as indicated in ALL SECTORS.	(4) Unbound, except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.	

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access			
(4) SECURITIES BUSINESSES Following services related to securities:	Limitations on national treatment			
(i) Dealing [81199*]	(1) Unbound	(1) Unbound	(1) Unbound	
(ii) Broking [81321*]	(2) Unbound	(2) Unbound	(2) Unbound	
(iii) Underwriting [81322*]	(3) Only representative offices, branches, or joint ventures of foreign securities companies whose paid-in capital or shareholder's equity is valued at over 50 billion Won or 100 billion Won, respectively and which have been in the securities business for over 5 years are permitted.	(3) Among the three main businesses, namely (i), (ii), and (iii) an operating fund of at least 5,10 or 15 billion Won is required to engage in any one, two, or all three of the above businesses, respectively.		
(iv) securities savings [81119*]	In joint ventures, which must be established as a Chusik Hoesa (a joint stock corporation), foreign equity participation must be at least 40 per cent but less than 50 per cent.			
(v) Credit granting [81139*]				

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
	<p>If there are multiple foreign shareholders in the joint venture companies, at least one shareholder must hold more than 20 per cent of the equity. Shareholders must meet certain eligibility criteria. Paid-in capital of joint ventures must be at least 50 billion Won. International financial organizations may hold less than 5 per cent of the equity.</p> <p>Equity participation in an existing domestic securities company by foreign securities companies is limited to less than 10 per cent per company and less than 50 per cent in the aggregate.</p> <p>Broking for foreigners is limited to listed stocks.</p> <p>Ceilings and operating conditions are applied to the services listed under (iv) and (v).</p>			

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(5) SECURITIES INVESTMENT TRUST BUSINESSES  Securities investment trust services [81193*]	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) Unbound	(1) Unbound		
	(2) Unbound	(2) Unbound		
	(3) Only representative offices of foreign securities investment trust companies are permitted.  Equity participation in an existing domestic securities investment trust company by foreign securities investment trust companies is limited to less than 5 per cent per foreign company and less than 10 per cent in the aggregate.  The maximum limit of equity participation will be expanded in 1994-1995.	(3) None		

# REPUBLIC OF KOREA (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(6) INVESTMENT ADVISORY BUSINESSES Investment advisory services [81332]	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) Unbound	(1) Unbound		
	(2) Unbound	(2) Unbound		
	(3) Only representative offices of foreign investment advisory companies are permitted.  Equity participation in an existing domestic investment advisory services company by foreign investment advisory companies is limited to less than 5 per cent per foreign company and less than 10 per cent in the aggregate.  The maximum limit of equity participation will be expanded in 1994-1995.	(3) None		

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
INSURANCE AND INSURANCE-RELATED SERVICES	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) Unbound	(1) Unbound		
	(2) Unbound	(2) Unbound		
	(3) In joint ventures, multiple foreign shareholders are not allowed, and the foreign share must exceed 49 per cent. Shareholders must meet certain eligibility criteria.  Establishment of a commercial presence is subject to the economic needs test.	(3) None		
	(7) LIFE INSURANCE BUSINESSES  Life insurance services [81211]			



**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(8) NON-LIFE INSURANCE BUSINESSES	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) Unbound except for marine export/import cargo and aviation insurance	(1) Unbound		
	(2) Unbound	(2) Unbound		
	(3) Quoting insurance rates from abroad is subject to restrictions. These restrictions do not apply to aviation insurance.  Only representative offices and branches of foreign non-life insurance companies are permitted.  Foreign equity participation is limited to only existing domestic non-life insurance companies.	(3) None		

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(9) REINSURANCE AND RETROCESSION BUSINESSES  Reinsurance and retrocession services [81299*]	Establishment of a commercial presence is subject to the economic needs test.			
	Duopoly by specialized firms is maintained in fidelity and surety insurance.			
	The recruitment and employment of insurance professionals, including sales personnel, are restricted.			
	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) None	(1) Ceding insurers are required to reinsure with priority given to reinsurance companies established in Korea. The above requirement does not apply to aviation insurance.		

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(10) INSURANCE BROKING AND AGENCY BUSINESSES  Insurance broking and agency services [81401*]	(2) None	(2) None		
	(3) Direct insurance companies may participate in the supply of services subject to the restriction in section (8) regarding non-life insurance services.	(3) None		
	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) Unbound	(1) Unbound		
	(2) Unbound	(2) Unbound		
	(3) Only exclusive agencies are allowed. In the case of life and non-life insurance services, dual agency is permitted.  Establishment of a commercial presence is subject to the economic needs test.	(3) None		

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(11) CLAIM SETTLEMENT BUSINESSES Claim settlement services [81403*]	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		
	(1) Unbound	(1) None		
	(2) Unbound	(2) None		
	(3) Unbound	(3) None		
	(4) Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.		

**REPUBLIC OF KOREA** (continued)

Modes of supply: (1) Cross-border supply		(2) Consumption abroad	(3) Commercial presence	(4) Presence of natural persons
<b>Sector or subsector</b>	<b>Limitations on market access</b>		<b>Limitations on national treatment</b>	<b>Additional commitments</b>
(12) ACTUARIAL BUSINESSES Actuarial services [81404]	(1)	Unbound	(1) None	
	(2)	Unbound	(2) None	
	(3)	Unbound	(3) None	
	(4)	Unbound except as indicated in ALL SECTORS.	(4) Unbound except as indicated in ALL SECTORS.  Top executive personnel of each establishment must reside in Korea.	