

Memorandum of Understanding

In connection with the Agreement between the Government of the United States of America and the Government of the Republic of Korea to Improve International Tax Compliance (hereafter referred to as “the Agreement”), signed at Seoul on June 10, 2015, the United States Department of the Treasury and the Republic of Korea (“ROK”) Ministry of Strategy and Finance wish to confirm their respective governments’ understanding of the following:

In reference to Article 1 of the Agreement (Definitions)

1. It is understood that paragraph 7 of Article 4 of the Agreement applies to all the definitions in Article 1 of the Agreement, including, for example, the definitions of Preexisting Account and of Financial Account. Accordingly, the following interpretations are understood:
 - a. Consistent with applicable U.S. Treasury Regulations, the ROK Ministry of Strategy and Finance may interpret the term “Depository Account,” as that term is defined in the Agreement, as not including negotiable debt instruments that are traded on a regulated market or over-the-counter market and distributed and held through Financial Institutions.
 - b. Consistent with applicable U.S. Treasury Regulations, the ROK Ministry of Strategy and Finance may interpret “Cash Value,” as that term is defined in the Agreement, as not including an amount payable under a Life Insurance Contract solely by reason of the death of an individual insured; or as not including a return of an advance premium or premium deposit for an Insurance Contract for which the premium is payable at least annually if the amount of the advance premium or premium deposit does not exceed the next annual premium payable under the contract.
 - c. Consistent with applicable U.S. Treasury Regulations, the ROK Ministry of Strategy and Finance may interpret an “Investment Entity,” as that term is defined in the Agreement, such that an entity would not be treated as an Investment Entity if less than 50% of its gross income is attributable to investing, reinvesting, or trading in financial assets, and provided that it would not otherwise meet any of the other requirements to be treated as an Investment Entity.
 - d. Consistent with applicable U.S. Treasury Regulations, the ROK Ministry of Strategy and Finance may interpret “Preexisting Account” as that term is defined in the Agreement to include other Financial Accounts that are part of a consolidated obligation, regardless of the date such accounts are entered into, provided that the accounts would be treated as preexisting obligations under relevant U.S. Treasury Regulations.

- e. Consistent with applicable U.S. Treasury Regulations, the ROK Ministry of Strategy and Finance may apply the aggregation of Financial Accounts rules as set forth in relevant U.S. Treasury Regulations to determine the balance or value of such Financial Accounts.
2. It is understood that a “Financial Institution,” as that term is used in the Agreement, does not include ROK credit card issuers that (i) do not accept deposits when a customer makes a payment in excess of a balance due with respect to their card because the credit card issuer’s payment system does not permit overpayments to be made by customers; and (ii) do not maintain any other Financial Accounts.

In reference to Subparagraph 2(a)(3) of Article 2 of the Agreement

It is understood that the ROK Ministry of Strategy and Finance intends for each Korean Financial Institution to use a Global Intermediary Identification Number (“GIIN”) issued by the Internal Revenue Service as the identifying number referenced in Subparagraph 2(a)(3) of Article 2 of the Agreement.

In reference to Subparagraph 1(c) of Article 4 of the Agreement

It is understood that the ROK Ministry of Strategy and Finance intends for Korean Financial Institutions to comply with the registration requirements applicable to Financial Institutions in Partner Jurisdictions by registering with the Internal Revenue Service and obtaining a GIIN from the Internal Revenue Service.

Signed in duplicate in the English and Korean languages.

For United States Department of the Treasury:



Date 5.11.16
Place WASHINGTON DC

For the Republic of Korea Ministry of Strategy and Finance:



Date 4.25, 2016
Place Seoul