

Democratic People's Republic of Korea

Loan Law

Adopted by Decree No. 1218 of the Standing Committee of the Supreme People's Assembly on February 2, Juche 112 (2023)

Article 1 (Mission of the Loan Law)

The Loan Law of the Democratic People's Republic of Korea contributes to establishing strict systems and order in loan operations to fully guarantee the funds necessary for economic construction and improving people's lives.

Article 2 (Definitions)

The definitions of terms in this law are as follows:

1. A loan is a credit operation in which a bank or other financial institution lends funds to a borrower for a specified period, subject to repayment.
2. A borrower is a bank, institution, enterprise, or organization that borrows funds from a bank for a specified period.
3. A guarantor is a bank, institution, enterprise, or organization that guarantees the repayment of the borrower's loan and assumes responsibility for repayment if the borrower fails to repay.

Article 3 (Scope of Application)

This law applies to banks, institutions, enterprises, and organizations engaged in loan operations. Matters not regulated by this law regarding foreign currency loans are governed by relevant laws.

Article 4 (Guidance of Loan Operations)

Guidance of loan operations is carried out by the central bank under the unified direction of the Cabinet. The central bank must properly determine and continuously improve loan types, standard interest rates, criteria for bank fund accumulation and utilization, loan limits, terms, procedures, and methods. Loan operations are conducted by banks approved by the central bank.

Article 5 (Drafting and Execution of Loan Plans)

The central bank must draft and execute loan plans according to the currency circulation plan.

Article 6 (Sources of Loans and Loans Through Banks)

The sources of loans for banks include loans received from the central bank or other banks, deposits, and bank funds. Loans are principally received through the bank with which the borrower conducts transactions.

Article 7 (Loan Application)

Borrowers must submit loan application documents to the bank. The loan application documents must specify the loan amount, purpose, term, collateral, and guarantor relationship.

Article 8 (Review, Approval, and Rejection of Loan Application Documents)

The bank must review the repayment ability and repayment method of the borrower and guarantor specified in the loan application documents within 10 business days and approve or reject the application. If the loan application documents are rejected, the bank must inform the borrower of the rejection within 2 business days.

Article 9 (Conclusion of Loan Contracts)

The bank must conclude a written loan contract with the borrower upon approval of the loan application. If necessary, a written guarantee contract must also be concluded with the guarantor. The loan contract documents must specify the loan type, amount, purpose, term, interest rate, collateral, guarantor relationship, penalties, and late fees. The bank must not conclude contracts that exceed the repayment ability of the borrower and guarantor.

Article 10 (Effectiveness of Loan Contracts)

Loan contracts become effective when the bank and borrower sign the loan contract documents. If the effectiveness of the loan contract is otherwise specified, it follows that specification. Loan contracts cannot be transferred to third parties.

Article 11 (Modification and Cancellation of Loan Contracts)

The bank and borrower can modify existing loan contracts by mutual agreement. If the bank fails to disburse the loan amount as specified in the contract or if the borrower requests cancellation after the contract is concluded, the contract can be canceled. In this case, the responsible party compensates for any damages caused by the cancellation.

Article 12 (Registration and Inspection of Loan-Related Documents)

The bank must promptly register all loan contract documents with the central bank. The bank can inspect the credit status of borrowers registered with the central bank. In this case, approval from the central bank is required.

Article 13 (Disbursement of Loan Amounts)

The bank must accurately deposit the contracted loan amount into the borrower's account and promptly inform the borrower of the status.

Article 14 (Understanding the Utilization of Loan Amounts)

The bank must regularly understand the utilization status of the borrower's loan amount and establish appropriate measures.

Article 15 (Repayment of Loans)

Borrowers must repay the loan within the term specified in the loan contract. Interest is calculated and paid according to the period the loan amount is utilized. The bank must issue a confirmation document specifying the receipt date, amount, and interest when the borrower repays part or all of the loan.

Article 16 (Extension of Loan Terms and Re-loans)

Borrowers who cannot repay the loan within the term specified in the loan contract can extend the term with the bank's approval. Nationally important projects can receive re-loans upon request even if they cannot repay the loan within the term specified in the loan contract. In this case, approval from the central bank is required.

Article 17 (Disposition of Collateral)

If the borrower cannot repay the loan within the term specified in the loan contract, the bank can dispose of the collateral specified in the loan contract documents. The bank must dispose of property recovered according to court rulings and judgments and property received as loan repayment collateral through established channels.

Article 18 (Repayment of Loans by Guarantors)

If the borrower cannot repay the loan, the guarantor must repay the guaranteed amount as specified in the loan contract. The bank must issue a confirmation document specifying the repayment of the guaranteed amount by the guarantor.

Article 19 (Submission of Loan Statistics)

The bank must submit loan statistics to the central bank as specified.

Article 20 (Supervision and Control of Loan Operations)

Supervision and control of loan operations are carried out by the central bank and relevant supervision and control agencies. The central bank and relevant supervision and control agencies must strictly supervise and control the status of loan operations.

Article 21 (Responsibility for Repayment of Loans in Cases of Integration, Separation, Reorganization, and Transfer)

If the borrower is integrated into another institution, the integrated institution is responsible for repaying the loan. If separated, the institution utilizing the loan is responsible for repayment. If reorganized, the superior institution is responsible for repayment. If the responsible person of the borrowing unit is transferred or dismissed, the newly appointed responsible person is responsible for repaying the loan.

Article 22 (Civil Liability)

If property damage occurs during loan operations, the responsible party is subject to civil liability for compensation, penalties, and late fees.

Article 23 (Fines)

Fines are imposed on institutions, enterprises, organizations, and citizens in the following cases:

1. Banks that fail to promptly register or submit loan contract documents and statistics to the central bank: 100,000-500,000 won.
2. Banks that fail to deposit the loan amount into the borrower's account by the specified date: 100,000-500,000 won.
3. Banks that fail to accumulate or misuse bank funds: 100,000-500,000 won.
4. Institutions, enterprises, and organizations that misuse, waste, or embezzle loan amounts: 1,000,000-1,500,000 won; citizens: 100,000 won.

Article 24 (Suspension of Activities)

If the responsible party fails to correct deficiencies despite the supervision and control agency's request for correction, the activities of the relevant institution, enterprise, or organization are suspended, and if the situation is severe, the business is closed.

Article 25 (Confiscation)

If the order related to loan operations is violated, money, goods, equipment, and materials obtained through illegal activities are confiscated.

Article 26 (Warnings, Severe Warnings, Unpaid Labor, Labor Reform, Demotion, Dismissal, Removal)

Warnings, severe warnings, or unpaid labor for up to three months, labor reform, demotion, dismissal, or removal are imposed in the following cases:

1. Failure to realistically draft and execute loan plans.
2. Failure to accumulate or misuse bank funds.
3. Failure to properly review loan application documents, hindering loan operations.
4. Forcing the bank to grant loans to borrowers.
5. Concluding loan contracts inaccurately or arbitrarily modifying them.
6. Failure to execute loan contracts as specified, leading to cancellation.
7. Failure to promptly register or submit loan contract documents and statistics to the central bank or submitting inaccurate documents.
8. Failure to deposit the loan amount into the borrower's account by the specified date.
9. Failure to regularly understand the utilization status of loan amounts.
10. Misuse, waste, or embezzlement of loan amounts or failure to repay within the term specified in the loan contract.
11. Disposing of collateral without approval.
12. Obstructing the bank's disposal of collateral.
13. Failure to fulfill the guarantor's responsibility for loan repayment.
14. Avoiding loan repayment by imposing unreasonable conditions.
15. Granting loans to borrowers with personal relationships under more favorable conditions than other borrowers.

If the above acts are repeated or cause property damage of 20,000 won or more, unpaid labor for more than three months, labor reform, demotion, dismissal, or removal is imposed.

Article 27 (Criminal Liability)

If acts violating this law constitute a crime, criminal liability is imposed according to the relevant provisions of the criminal law.

Article 28 (Dispute Resolution)

Disputes related to loan operations are resolved through consultation. If consultation fails, disputes are resolved through arbitration or judicial procedures.