

# **Democratic People's Republic of Korea**

## **Foreign Payment Law**

Adopted by Decree No. 311 of the Standing Committee of the Supreme People's Assembly on April 23, Juche 109 (2020), amended and supplemented by Decree No. 1235 on March 14, Juche 112 (2023)

### **Article 1 (Mission of the Foreign Payment Law)**

The Foreign Payment Law of the Democratic People's Republic of Korea contributes to establishing strict systems and order in foreign payment operations to fully guarantee foreign payments, balance foreign currency receipts and expenditures, and expand and develop foreign economic relations.

### **Article 2 (Definitions)**

The definitions of terms in this law are as follows:

1. Foreign payment refers to the settlement of claims and debts arising from trade and non-trade transactions between our country and other countries' governments or traders.
2. Foreign payment banks are banks approved by the state to conduct foreign payment operations.

### **Article 3 (Principle of Expanding Foreign Payment Relations)**

The state expands foreign payment relations with other countries' banks in line with the development of the country's foreign economic relations and ensures credit in foreign payments.

### **Article 4 (Scope of Application)**

This law applies to foreign payment banks and institutions, enterprises, organizations, and citizens engaged in trade and non-trade transactions.

### **Article 5 (Guidance of Foreign Payment Operations)**

Guidance of foreign payment operations is carried out by the Trade Bank under the unified direction of the Cabinet. The Trade Bank must regularly organize and operate meetings of responsible officials of foreign payment banks to strengthen collective consultation and establish necessary measures in foreign payment operations.

### **Article 6 (Opening Accounts for Foreign Payments)**

Foreign payment banks must open accounts for foreign payments with other countries' banks based on relevant contracts. In this case, the account relationship documents opened with other countries' banks must be registered with the Trade Bank. Institutions, enterprises, and organizations cannot open accounts with other countries' banks.

#### **Article 7 (Depositing Foreign Currency for Guaranteeing Foreign Payments)**

Foreign payment banks must regularly deposit foreign currency necessary for guaranteeing foreign payments into accounts opened with other countries' banks.

#### **Article 8 (Opening Accounts for Foreign Payments by Banks, Institutions, Enterprises, and Organizations)**

Foreign payment banks must open deposit accounts for foreign payments with the Trade Bank. Institutions, enterprises, and organizations engaged in trade and non-trade transactions must open accounts with the relevant foreign payment bank. Institutions, enterprises, and organizations that have opened accounts with the relevant foreign payment bank must not open accounts with other foreign payment banks.

#### **Article 9 (Approval for Opening Accounts)**

Institutions, enterprises, and organizations that wish to open accounts for foreign payments must submit account opening application documents to the relevant foreign payment bank. The relevant foreign payment bank must accurately review the account opening application documents and approve the account opening.

#### **Article 10 (Conclusion of Payment Agreements with Other Countries' Banks)**

The Trade Bank is responsible for concluding and implementing payment agreements between banks based on agreements made with other countries' governments. The Trade Bank must conclude payment agreements with banks designated in agreements made with other countries' governments.

#### **Article 11 (Foreign Payments Through International Payment Systems)**

Foreign payment banks must conduct foreign payments through international payment systems.

#### **Article 12 (Methods of Foreign Payment)**

Foreign payment banks and relevant institutions, enterprises, and organizations can conduct foreign payments using methods such as letter of credit payments, guarantee letter payments, remittances, cash payments, collection payments, barter trade

payments, clearing and loan payments, and bill payments according to their circumstances.

### **Article 13 (Submission of Foreign Payment Application Documents)**

Institutions, enterprises, and organizations that wish to conduct foreign payments must submit application documents according to the payment method to the relevant foreign payment bank. In this case, they must attach supporting documents required by the foreign payment bank, such as foreign currency expenditure application documents, export-import plan documents, contract documents, and price approval documents.

### **Article 14 (Review, Approval, and Rejection of Foreign Payment Application Documents)**

The relevant foreign payment bank must review the submitted foreign payment application documents within 2 business days and approve or reject them. If the foreign payment application documents are rejected, the bank must inform the institution, enterprise, or organization of the reasons.

### **Article 15 (Foreign Payment for Materials According to Plans and Contracts)**

Foreign payment banks must properly conduct foreign payments for materials circulated according to plans and contracts. Foreign payments cannot be made for materials not included in plans and contracts.

### **Article 16 (Foreign Payment Currency)**

Foreign payment banks must conduct foreign payments in convertible currency. However, if agreements or contracts regarding foreign payment currency are made with other countries' governments or banks, they follow those agreements or contracts.

### **Article 17 (Determination of Foreign Payment Exchange Rates and Service Fees)**

Foreign payment exchange rates and service fees are determined by the Trade Bank. The Trade Bank must determine foreign payment exchange rates and service fees based on international financial market conditions and the country's realistic conditions.

### **Article 18 (Application of Foreign Payment Exchange Rates)**

Foreign payment banks must apply the determined foreign payment exchange rates in foreign payment operations.

### **Article 19 (Application of Foreign Payment Service Fees)**

Institutions, enterprises, and organizations must pay foreign payment service fees according to the foreign payment method to the relevant foreign payment bank.

#### **Article 20 (Summary of Foreign Currency Utilization)**

Institutions, enterprises, and organizations must receive summary and review confirmation of foreign currency utilization from the relevant foreign payment bank and financial guidance agency within the specified period after completing trade and non-trade transactions.

#### **Article 21 (Accounting for Foreign Payment Operations)**

Accounting related to foreign payment operations is conducted according to the procedures determined by the Trade Bank. Foreign payment banks must accurately adhere to the specified accounting procedures and methods related to foreign payment operations.

#### **Article 22 (Organization of Foreign Payments)**

Foreign payment banks must join the national real-time foreign currency electronic payment system to ensure the accuracy and speed of foreign payments and meticulously organize payment operations to facilitate various foreign payment methods.

#### **Article 23 (Compliance with Confirmation, Registration, and Notification Order)**

Foreign payment banks must strictly adhere to the confirmation and registration order for institutions, enterprises, and organizations conducting foreign payments. If abnormal phenomena are discovered during foreign payment operations, they must notify the relevant institution.

#### **Article 24 (Confidentiality of Foreign Payment Operation Documents)**

Foreign payment banks must not disclose secrets related to foreign payment operation documents. Foreign payment operation documents cannot be shown to other institutions, enterprises, organizations, or individuals without approval.

#### **Article 25 (Storage of Foreign Payment Operation Documents)**

Foreign payment banks must store documents related to foreign payment operations until the specified period. Documents related to foreign payment operations cannot be destroyed before the specified period.

#### **Article 26 (Qualifications of Foreign Payment Bank Officials)**

Officials of foreign payment banks must possess qualifications in the relevant sector. Qualification assessment for officials of foreign payment banks is conducted by the ad hoc International Financial Officials Qualification Assessment Committee.

### **Article 27 (Supervision and Control of Foreign Payment Operations)**

Supervision and control of foreign payment operations are carried out by the Trade Bank and relevant supervision and control agencies. The Trade Bank and relevant supervision and control agencies must strictly supervise and control the status of foreign payment operations.

### **Article 28 (Fines)**

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

1. Foreign payment banks that fail to process payment documents within the specified period: 100,000-500,000 won.
2. Foreign payment banks that fail to apply the determined foreign payment exchange rates and service fees: 100,000-500,000 won.
3. Institutions, enterprises, and organizations that submit inaccurately prepared foreign currency expenditure application documents to foreign payment banks: 500,000-1,000,000 won.
4. Foreign payment banks, institutions, enterprises, and organizations that fail to properly summarize and review foreign currency utilization for export-import transactions: 500,000-1,000,000 won.
5. Institutions, enterprises, and organizations that embezzle, misuse, or waste foreign currency: 1,000,000-1,500,000 won; citizens: 100,000 won.

### **Article 29 (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 30 (Confiscation)**

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

### **Article 31 (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 process payment documents within the specified period.
2. Illegally opening accounts with other countries' banks.
3. Depositing foreign currency into accounts other than the relevant foreign payment bank or escaping to accounts of other foreign payment banks, institutions, other countries' banks, institutions, or individuals.
4. Conducting foreign payments for materials not included in plans and contracts.
5. Submitting inaccurately prepared foreign currency expenditure application documents to foreign payment banks.
6. Failing to summarize or misplacing foreign currency disbursed by remittance or cash within the specified period.
7. Failing to properly summarize and review foreign currency utilization for export-import transactions.
8. Embezzling, misusing, or wasting foreign currency.
9. Failing to apply the determined foreign payment exchange rates and service fees.
10. Conducting foreign payments for export-import transactions without using foreign payment banks.
11. Failing to accurately reflect the status of foreign payments, making it impossible to understand foreign payment relations.

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 32 (Criminal Liability)**

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

### **Article 33 (Dispute Resolution)**

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