

MEMORANDUM OF UNDERSTANDING

Between:

- (1) THE SECURITIES INVESTOR PROTECTION CORPORATION (“SIPC”) whose office is at 805 Fifteenth Street, NW, Suite 800, Washington, DC 20005, USA
- (2) THE KOREA DEPOSIT INSURANCE CORPORATION (“KDIC”) whose office is at Da-Dong 33, Chung-gu, Seoul, Korea

INTRODUCTION

1. SIPC is a nonprofit, membership corporation created in 1970 by the Securities Investor Protection Act (“SIPA”). SIPA is codified at Title 15, United States Code, Sections 78aaa *et seq.* SIPC’s purpose is to afford certain protections against losses to customers resulting from a broker-dealer failure, thereby promoting investor confidence in the securities markets.
2. KDIC was established in 1996 in accordance with the Depositor Protection Act (“DPA”). KDIC’s aim is to sustain stability and safeguard public confidence through an explicit deposit protection system in respect of bank deposits.
3. This Memorandum of Understanding (the “MoU”) is intended to create a cooperative relationship between and amongst SIPC and KDIC in the context of a cross-border insolvency or liquidation of firms whose customers are protected by SIPC and/or KDIC.
4. SIPC and KDIC recognize the potential for cross-border insolvencies of member firms and the prospect of cross border claims from investors. The parties accept the responsibility of cooperating with each other to ensure that investors receive compensation promptly.
5. SIPC and KDIC desire to provide one another the fullest mutual assistance possible, subject to their available resources, to facilitate the performance of functions with which each investor protection program is entrusted within their respective jurisdictions to secure confidence with their laws and regulations.
6. The parties recognize that the investor compensation programs operated by the parties differ in both the scope of protection afforded to investors and the financial benefits afforded to investors under each program.
7. SIPC and KDIC have agreed to base their cooperation in the field of investor compensation on the principles and procedures provided for in this MoU. The implementation of the memorandum will allow for more efficient and economic handling of claims and related issues, and it will therefore be in the interest of investors, those who fund or contribute to the cost of

compensation, and financial services regulators.

A. OBJECTIVES

8. The objectives of this MoU are to facilitate and encourage good relations between SIPC and KDIC including:

- a). the exchange of information on a regular basis regarding the nature, role and experience of each (“communication”);
- b). cooperation when dealing with claims for compensation that involve cross-border issues of member firms (“cooperation”);

B. LEGAL IMPLICATIONS

9. This MoU is not legally binding on the parties. Nothing in this MoU applies to override or challenge any laws or obligations to which either SIPC or KDIC are subject. In identifying these objectives, each party recognizes that the other’s compliance with these objectives is subject to those limits.

10. The home country investor compensation program has the primary responsibility for compensating investors with respect to member firms operating in both the home and host country. SIPC and KDIC agree that the host country’s investor compensation program shall, as far as legally and practically possible, respond to requests from the home country concerning the practicalities of dealing with claims and making payments to investors under the terms specifically settled by SIPC and KDIC in each case.

11. SIPC and KDIC agree that more detailed rules and procedures for cooperation between them must be worked out in respect to specific member firms, having regard to the size of the firm, any corporate affiliates or branch offices, the number of investors and the amounts of compensation to be paid. All such issues shall be resolved as quickly as possible by negotiation between SIPC and KDIC.

C. COMMUNICATION

12. Each investor compensation program will notify the other as soon as possible of:

- a). the initiation of a proceeding to implement an investor compensation program with respect to any member firm or clearing firm that has connections to the host country and notify over time, the other investor protection program regarding developments in such a proceeding;
- b). any material changes (for example, to rules, structure or funding) likely to affect

overseas investors;

- c). any changes in the legal aspects for that investor compensation program. In the case of material changes in the investor compensation program, a revised overview of the investor compensation program following the changes shall also be supplied;
- d). a significant change in market or business conditions; and
- e). any circumstance that makes it necessary to amend or extend this MoU.

13. At least every 12 months SIPC and KDIC will send each other a report of its activities for that period. Each investor compensation program is free to decide the length and format of its report, but the content should include:

- a). contact details and any change of personnel;
- b). where known, a list of all member firms with branches or operations in the country of the other investor compensation program which are in liquidation under the auspices of the home country investor protection program;
- c). where available, a list of branches or operations of member firms of the other investor compensation program who are members of its own investor compensation program;
- d). an overview of claims experience and the funding position, and
- e). the annual report.

14. It is also recognized that SIPC and KDIC should attempt to supply particulars of its investor compensation program as soon as possible upon request to the other program.

D. COOPERATION

15. Upon one investor compensation program becoming aware of an insolvent member firm which is also a member of the other investor compensation program or against whom claims for compensation might be made from investors based in the country of the other investor compensation program, that first investor compensation program will notify the other of the firms identity and other relevant details as soon as permissible.

16. The investor compensation program in the host country shall, at the request of the investor compensation program in the home country, assist, as far as legally and practically possible, in providing all the information required by the home country for the purpose of assessing and

paying compensation to investors with claims arising in the host country, for example by:

- a). providing details of the identity and whereabouts of investors and/or claimants;
- b). directing investors/claimants to the appropriate investor compensation program;
and
- c). distributing information with respect to the relevant investor compensation programs and contact information.

17. At the request of either investor compensation program, the other will provide or assist in arranging such practical assistance or advice as may be required to deal with investors' claims including:

- a). legal, insolvency and accounting advice;
- b). translation services;
- c). expert opinions (for example, on conduct of business rules);
- d). the wording and dispatch of application forms, requests for information and offers of compensation; and
- e). methods of payment to investors.

18. Paragraphs 16 and 17 apply regardless of whether or not the insolvent member firm is also a member of the investor compensation program in the host county, in order to continue an effort of cooperation.

E. MISCELLANEOUS

19. SIPC and KDIC recognize this MoU may need to be adjusted in the light of experience and agree to review its terms from time to time.

20. Any dispute over the meaning of any term used in this Memorandum of Understanding will be solved in each case by agreement between SIPC and KDIC.

Dated: October 22, 2007

Signed for and on behalf of the Securities Investor Protection Corporation

by: _____

Name: Stephen P. Harbeck

Title: President

Signed for and on behalf of the Korean Deposit Insurance Corporation

by: _____

Name: Jang-Bong Choi

Title: Chairman & President

GLOSSARY

- “home country”:
the country in which the member firm has its principal place of business and is authorized or regulated for that business;
- “host country”:
the country in which a member firm’s overseas or foreign branch or subsidiary is located;
- “insolvent”:
the financial (or commercial) state of a member firm in which the firm may be or has been determined by the competent authority to be unable to meet its obligations arising out of investors’ claims and has no early prospect of being able to do so, or where a judicial authority has made a ruling for reasons directly related to a member firm’s financial circumstances which has the effect of suspending investors’ ability to make claims against it. Since brokerage firms in the U.S. may file for insolvency outside of a SIPA liquidation, see e.g., 11 U.S.C. Sect. 741, the “insolvent” or “insolvent firms” in this MoU with respect to SIPC, refers to member firms that are in a SIPA liquidation proceeding. Additionally, in the US a firm may be insolvent and file no proceeding at all;
- “member firm”:
an investment firm against whom investors may have claims which are compensated by the investor compensation program;
- “investor compensation program”:
the programs operated by SIPC or KDIC;