



- Using seals in Korea -

Sealing instead of Signing

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What is it all about?

Using a seal instead of signing a document with one's own name is a very natural thing for Koreans, while it is usually something new and extraordinary for foreigners from non-Asian countries. Even after gaining some understanding of this practice which exists in most Asian countries, it may take some time to get used to it and actively apply it. The seal has the function of replacing the seal holder's handwritten signature, i.e. if you seal a document, it has the same effect as signing it.

As an expat in Korea, you should know about seals and how to safely use them. The following text shall give you an overview about Korean seals and what to keep in mind in order to prevent any misuse.

1. Using seals for legal transactions

Most Koreans have a personal seal displaying their name. In order to have a private seal which fulfills its full legal function, it needs to be officially registered with a local authority, e.g. a *Dong-Office* (동사무소). The local authority will issue a so-called "seal certificate" to the seal holder on request, which contains the seal holder's personal data such as name, address and ID number as well as a picture of the registered seal imprint. A seal certificate can only be obtained personally by the seal holder upon presentation of his or her Korean ID card or by an agent through a power of attorney. It enables the seal holder to prove the authenticity of an imprint made through his or her seal. A person provided with such a certificate can verify through comparison that the seal imprint on a document originates from the right seal. If the party to a contract seals the contract and provides a seal certificate, the issuance date of which is not older than three months from the date of signing (see the issuance date on the certificate), then the contract is deemed to having been concluded by the parties who have an authority to execute such a contract. The seal imprint has, in conjunction with the seal certificate, also a legal validity comparable to that of a notarized signature in most European countries. Consequently, any accusation that the seal imprinted on the document has not been made by the seal holder, is difficult to be substantiated by way of, for example, proving that an unauthorized third party used the seal without permission of the seal holder.

Worth knowing is also the method of sealing multi-page documents, which is called *Gan-in* (간인). This procedure means that the document is not only sealed on the last page, where the signature fields are, but also on every single page. When doing *Gan-In*, the first page of the

document is folded so that its backside is visible. The seal is then stamped on the fold, so that half of the imprint is on the backside of the first page and the other half is on the front of the second page. This method is repeated throughout the whole document for every page. It is therefore easy to prove of which pages a document consists of.

If the process of sealing is still not clear to you, just ask a Korean friend or colleague to show you how he or she would seal a document, in order to get a better understanding of this unique procedure.

2. Carrying a seal as a foreigner

A foreign resident in Korea who holds a valid visa can also have a seal made and registered officially at the district office of his or her place of residence (*Dong-Office*, 동사무소). Such a seal will have the same function for him or her as it has for Koreans. The district authority will also issue seal certificates accordingly.

If you stay in Korea for a longer period, it might be beneficial and convenient to have a seal registered. For Koreans, seals are taken for granted and many official documents for banks, insurance companies or authorities are sealed and not signed, as it is an easier way to make legal transactions. One should however keep in mind that up-to-date seal certificates need to be obtained from the competent district authority whenever necessary, because of the limited validity of three months from date of issuance that official documents in Korea have in common. When using valid seal certificates, no other notarizations are required, at least not for Korean documents sealed for legal transactions in Korea.

3. Who is obliged to carry a seal?

For some foreigners, it can become a legal duty to have a seal. This is the case if the foreigner gets to hold a position as Representative Director (대표 이사) of a Korean company, e.g., a limited liability company or stock company.

According to the Korean Commercial Registration Act, each director who can represent the company shall register a seal with the competent registry office. The seal usually includes the name of the company as well as the name of the Representative Director or simply his position "Representative Director". A picture of the director's seal imprint needs to be provided to the court when registering the director as Representative Director of a company in the company register. The court will issue a so-called company seal card (법인인감카드) with a six-digit Personal Identification Number ("PIN"). The company seal card is blue (older versions are grey) and looks like a check or credit card. It also has a magnetic stripe on its back. The company seal card enables the holder to obtain the Representative Director's seal certificates at the court (either at the counter or at a vending machine).

Comparable to the use of personal seals, every document sealed with the company seal is deemed to have been legally signed by the Representative Director of the company. If a company seal certificate is attached to the sealed document, challenging the authenticity of the seal imprint is difficult (as in the case where a registered personal seal is used), as its binding effect is comparable with a signature notarization by a public notary in Europe. Consequently, the company is likely to be found by the court to be legally bound by the document to which the company seal is affixed - with or without the company seal certificate. However, the first solution will just ease the proof of authentication of the seal.

So much for the theory of using company seals in Korea. Practically, the authors have experienced foreign managers of numerous Korean companies handing their company seal along with the company seal card and their PIN to their secretaries. This practice was motivated by convenience and a lack of understanding of the legal effects of Korean seals. The secretaries then stored all the materials within their desks in order to have it easily accessible.

Such approach is extremely questionable. One can easily imagine how it enables various abuse scenarios. In case of legal proceedings before the court, any judge will recognize a sealed and certified document as genuine because the Representative Director is expected to take good care of his or her company seal, seal card and the PIN to it. The seal and related documents should be kept in a safe place in order to protect them effectively from unauthorized access by third parties. The situation itself is comparable to the use of blank checks in countries where no seal culture exists. The company can possibly suffer harm and may later seek compensation from the Representative Director responsible for it, if any fraud or abuse takes place. Every Representative Director should keep in mind that a careless handling and use of the company seal may have financial and personal consequences for him or her (for example a claim of damages by the company or the termination of the service agreement).

4. What to do?

The company seal and company seal card should always be kept in a safe accessible only by the Representative Director him/herself in order to protect them from any unauthorized usage. The PIN of the company seal card should be treated confidentially and, if necessary, changed after any disclosure of it (intended or not) to an employee. It is in the own interest of the Representative Director to obtain the seal certificates at the court by himself, if necessary, with the support of a Korean employee, and to have them directly issued to him- or herself.

Nowak & Partner is not advising on any legal matters but is experienced with practical business advice for foreigners in Korea.

About Nowak & Partner

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We deliver customized turn-key solutions to international companies that are entering the Korean market, hiring key personnel (headhunting) to lead the business in Korea, and negotiating in M&A or joint-venture agreements with Korean counterparts.

We offer project management support across a wide range of areas, where commercial common sense, Korea expertise, and our reliability are winning factors. For established companies in Korea, we are a reliable ally for succeeding at difficult and unusual tasks. We provide locally adapted solutions and provide you with everything you need to make your business operations and market entry to Korea a remarkable success.

Nowak & Partner has successfully completed projects in key industrial sectors in Korea, such as automotive, engineering, robotics, chemical, energy, renewable energy, arts, retail, cosmetics and more.

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<i>We structure your market entry and business development in Korea, including office search, office set-up and HR Services.</i>	<i>We tackle a variety of commercial and technical assignments, offer interim management and support you in difficult times.</i>	<i>We select and recruit executives (C-level and mid-level), technical specialists and strategically critical professionals.</i>
<i>We provide customized one-stop solutions for our customers, including providing freelancers – qualified professionals – who represent your company in Korea.</i>	<i>We negotiate with Korean business partners for you and deliver professional advice regarding your joint venture or M&A endeavours.</i>	<i>We provide a shortlist of the most suitable candidates for your business objectives, leaving you to choose your preferred match.</i>
Turnkey Company Setup	Benchmark Audit	Executive Search
Business Incubation	Interim Management	Team Setup
Office Search & Setup	Crisis Management	HR Assessment
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