



## KOFIU AND FSS INSPECT BANKS OVER CRYPTOCURRENCY TRADING ACCOUNTS

Korea Financial Intelligence Unit (KoFIU) and Financial Supervisory Service (FSS) started to carry out joint inspections today on six commercial banks that are offering trading accounts to cryptocurrency exchanges in Korea. The inspectors will look into whether the banks comply with their anti-money laundering (AML) obligations in their transaction with cryptocurrency exchanges; and whether they have in place appropriate measures to verify their customers' identification in regard with cryptocurrency trading.

Cryptocurrencies are highly likely to be used as a means to money laundering due to their nature of anonymity and non-face-to-face transaction. Particularly, the so-called 'virtual accounts' offered to cryptocurrency exchanges have been making it more difficult to identify real names of account holders, and leaving cryptocurrency trading more vulnerable to crimes and money laundering. In this context, banks are required to assume a greater responsibility as gate keepers to prevent such illegal activities using cryptocurrencies.

### **Anti-money laundering measures**

In regards to the banks' compliance with AML obligations, the KoFIU and FSS will inspect:

1. whether they have in place internal controls and risk assessment in regard with money laundering risks by cryptocurrency exchanges;
2. whether they conduct customer due diligence in regard with cryptocurrency exchanges;
3. whether they have faithfully fulfilled obligations to report suspicious transactions.

### **Real name verification system**

To make sure the 'real name' policy in cryptocurrency trading can come into force this month, the inspections will focus on:

1. whether banks have in place electronic systems to check whether the name of a deposit account holder matches that of a virtual account holder;
2. whether they have in place appropriate measures to stop transactions if cryptocurrency exchanges refuse to provide customers' information;
3. whether they have in place appropriate measures to refuse transactions if information provided by cryptocurrency exchanges is deemed unreliable.

The government continues to review all possible options including shutdown of cyptocurrency exchanges in order to minimize side effects of cryptocurrency trading – fraud using cryptocurrencies, cyber hacks on cryptocurrency exchanges, and irrationally overheated speculation.

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