Financial Services Commission

Press Release

January 23, 2018

FINANCIAL MEASURES TO CURB SPECULATION IN CRYPTOCURRENCY TRADING

The FSC announced measures that only allow cryptocurrency trading through real-name bank accounts linked to cryptocurrency exchanges and introduced a guideline to prevent cryptocurrency-related money laundering (hereinafter *'Cryptocurrency-related AML Guideline'*), as part of the government-wide efforts to curb cryptocurrency speculation and prevent cryptocurrencies from being exploited for illegal activities.

Real Name Policy in Cryptocurrency Transactions

Banks will switch to real name policy starting from January 30 that only allows cryptocurrency trading through real-name bank accounts linked to cryptocurrency exchanges. Under the new rule, users who want to make cryptocurrency transactions must have a bank account under their real name at the same bank with cryptocurrency exchanges. Those who do not have their real-name account at the same bank will only be allowed to withdraw money from their existing bank account. To make new deposits, they are required to open a new bank account under their real name at the same bank with the exchanges.

These are intended to make sure banks indentify their customers and comply with their anti-money laundering (AML) obligations relating to cryptocurrencies. Minors under the age of 18 and foreigners will not be allowed to open new bank accounts linked to cryptocurrency exchanges to deposit their money for cryptocurrency trading. Once the real name policy comes into force on January 30, existing anonymous bank accounts that have been used to trade cryptocurrencies will no longer be in use.

Cryptocurrency-related AML Guideline

The KoFIU and the FSS conducted joint inspections from January 1 to 16 on six commercial banks that offer bank accounts to cryptocurrency exchanges,[1] and found a number of loopholes in banks' compliance with AML regulations. Based on the results of our inspections, the KoFIU came up with a 'Cryptocurrency-related AML Guideline' to address such loopholes and clarify obligations and responsibilities of financial institutions to prevent cryptocurrency-related money laundering. The guideline, approved by the FSC today, goes into effect on January 30.

※ Summary of key points:

1. The guideline requires financial institutions to conduct enhanced due diligence (EDD) in transaction with cryptocurrency exchanges to make sure users' money are in safe hands. The EDD requires banks to verify additional information for cryptocurrency exchanges: the purpose of financial transactions and the source of money; details about services that the exchanges provide; whether the exchanges are using real-name accounts; and whether the exchanges verify their users' identification.

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[1] Press release (Jan. 8, 2018), 「KoFIU and FSS Inspect Banks over Cryptocurrency Trading Accounts」

2. The guideline offers types of financial transactions deemed money laundering using cryptocurrencies.

For example,

- a user makes deposits or withdrawals of more than KRW10 million per day or KRW20 million per week; *or*
- a company or an organization deposits or withdraws their money from bank accounts to trade cryptocurrencies.

These all constitute a type of suspicious transactions for money laundering, which prompt banks to submit a Suspicious Transaction Report (STR) to KoFIU.

3. The guideline mandates banks to refuse to offer accounts to cryptocurrency exchanges if they do not provide their users' ID information. Banks can also reject any transaction with cryptocurrency exchanges if they are deemed having high risk of money laundering.

4. The guideline requires financial institutions to strengthen their internal controls relating to cryptocurrencies and share information about cryptocurrency exchanges with each other.

Expected Effect

The FSC expects the measures announced today to reduce room for cryptocurrency transactions to be exploited for illegal activities such as crimes, money laundering and tax evasion.

Under the guideline, banks are allowed to refuse to offer bank accounts if cryptocurrency exchanges do not provide information upon their request. In practice, therefore, it could have effect that those exchanges in high risk of money laundering will be forced out of business.

The guideline will also caution banks against offering accounts to cryptocurrency exchanges without careful consideration. That will help prevent speculative money or illegal funds from flowing into cryptocurrency trading through bank accounts.

The measures are aimed at minimizing the side effects such as money-laundering and tax evasion using cryptocurrencies. We would like to stress that these are not intended to formally institutionalize cryptocurrency exchanges, or facilitate cryptocurrency trading through the exchanges.

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