

REVISION ACT ON CRYPTO ASSETS PASSES AT CABINET MEETING

The revision to the Act on Reporting and Using Specified Financial Transaction Information was approved at a cabinet meeting on March 17, 2020. This revision act will place Korea's legal framework on crypto assets more in line with international standards set forth by the Financial Action Task Force (FATF) and strengthen its AML/CFT regime.

BACKGROUND

Amid growing concerns about the use of crypto assets in money laundering and other illegal activities, the FATF and the G20 worked on a revision to the international standards and urged each country to adopt the revision. The Korean government introduced a revision bill in November last year to reflect this change, and following the passage of the revision act by the National Assembly on March 5 this year, the government approved the revision act at a cabinet meeting today.

KEY FEATURES

I. REQUIREMENTS FOR CRYPTO ASSET BUSINESS OPERATORS

Crypto-asset business operators will be a) required to report their transactions to the Korea Financial Intelligence Unit (KoFIU), b) subject to basic AML requirements (e.g. customer due diligence, suspicious transaction reporting, etc.), and c) bound to follow additional obligations such as keeping separate transaction details for users.

II. REQUIREMENTS FOR FINANCIAL INSTITUTIONS

Financial institutions dealing with crypto-asset business operators will be required to conduct customer due diligence on crypto-asset business operators and check whether they report their business to KoFIU and maintain customer deposits in a separate account.

If crypto-asset business operators fail to report to the KoFIU or are deemed as high-risk for money laundering, financial institutions are obliged to refuse (or terminate) such transactions.

III. SUPERVISION & INSPECTION

The KoFIU will oversee the supervision and may delegate the authority of inspection to the Financial Supervisory Service.

The revision bill will take effect one year after promulgation, and the current crypto-asset business operators will be given a six-month transition period to report to the KoFIU.

EXPECTATION

The revision will contribute to the prevention of illegal activities such as money laundering and increase transparency in transactions. By adopting international standards, it will also help increase Korea's credibility abroad.

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