

## KoFIU UNVEILS 1<sup>ST</sup> COMPREHENSIVE SURVEY RESULT ON DOMESTIC VIRTUAL ASSET MARKET

The Korea Financial Intelligence Unit (KoFIU) has conducted its first comprehensive survey on 29 virtual asset service providers to have better understanding of the market based on the statistical data provided by individual business operators.

### OVERVIEW

As of the end of 2021, the total market capitalization of the virtual asset market in Korea stood at KRW55.2 trillion with the average daily transaction volume amounting to KRW11.3 trillion. As of the end of December 2021, a total of 29 virtual asset service providers (4 KRW-based exchange platforms, 20 coin-only exchange platforms and 5 crypto wallet or depository service providers) were given an approval to operate their business according to the Act on Reporting and Using Specified Financial Transaction Information.<sup>1</sup> Among them, the 5 wallet or depository service providers have been excluded from this survey as they were found to be at an early stage of business operation, thus offering no statistically significant data to the survey. The following are key findings from the survey which include key statistical data about the market size, number of virtual assets being traded, user characteristics, etc.

### KEY FINDINGS

#### **I. VIRTUAL ASSET EXCHANGE PLATFORMS**

	Average daily trading volume	Transaction Fee	Operating profit	Deposit in KRW	Average number of AML staff
KRW-based exchange	10.7 tril.	0.16%	3.35 tril.	7.63 tril.	18
Coin-only exchange	0.6 tril.	0.17%	0.02 tril.	4.99 bil.	6
Total	11.3 tril.	0.17%	3.37 tril.	7.64 tril.	8

**(TRADE VOLUME)** In the second half of 2021, the total transaction amount at 24 virtual asset exchanges amounted to KRW2.073 quadrillion with the average daily transaction amount of KRW11.3 trillion. At the end of December 2021, the total market capitalization of virtual assets being traded by 24 crypto exchanges stood at KRW55.2 trillion. The KRW-based exchange market's average daily trading amount

<sup>1</sup> The number of coin-only exchanges and crypto wallet or depository service providers that have been given an approval from the KoFIU have since increased to 22 and 7, respectively, at the time of this release.

was KRW10.7 trillion (or about 95%) whereas that for the coin exchange market was about KRW0.6 trillion (5%).<sup>2</sup>

**(TRANSACTION FEE)** The average transaction fee being charged at a virtual asset exchange was 0.17 percent, which is relatively high in comparison to stock trading fees. Depending on individual platforms, the transaction fee rate ranged from a minimum of 0.05 percent to a maximum of 0.30 percent.

**(OPERATING PROFIT)** From Q1 to Q3 2021, the total operating profits earned by all VASPs stood at KRW3.37 trillion. Some coin-only exchanges (9 entities) reported operating loss. The KRW-based exchange platforms took 99.3 percent (KRW3.35 trillion) of the total share of the operating profits whereas that for the coin-only exchanges was 0.7 percent (KRW22 billion).

**(DEPOSIT IN KRW)** As of the end of December 2021, user deposits amounted to KRW7.64 trillion. The amount of user deposits in KRW at the coin-only exchanges—which is subject to refund—stood at KRW4.99 billion.<sup>3</sup>

**(STAFF)** As of the end of December 2021, the total number of staff in the virtual asset industry was 1,717. On average, a KRW-based exchange had 239 staff and a coin-only exchange 38 staff. The total number of professionals devoted to the anti-money laundering (AML) compliance duties stood at 200 with the average number of AML staff for a KRW-based exchange standing at 18 and a coin market at 6.

## II. VIRTUAL ASSETS

	Number of virtual assets	Market capitalization	Stand-alone listing	Max drawdown rate
KRW-based exchange	622	53.3 tril.	149	59%
Coin-only exchange	635	1.9 tril.	254	71%
Total	1,257	55.2 tril.	403	65%

**(NUMBER OF VIRTUAL ASSETS)** The number of virtual assets being traded in domestic market was 1,257 in cumulative terms at the end of December 2021. Removing duplicates offered by multiple exchanges reduced that number down to 623. The average number of virtual assets being offered by a VASP was 55. On average, a KRW-based exchange offered 156 virtual assets whereas a coin-only exchange offered 33.

**(MARKET CAPITALIZATION)** At the end of December 2021, the total market value of virtual assets being traded domestically was KRW55.2 trillion (KRW53.3 trillion for KRW-based exchange market and KRW1.9 trillion for coin-only exchange market). Among the top ten domestically most valuable virtual assets by their market capitalization, five of them (BTC, ETH, XRP, ADA and SOL) were found to be in the

<sup>2</sup> Average daily trading amount as of Feb. 20, 2022 was KRW4.2 trillion in total (KRW-based exchange market: KRW4.1 trillion).

<sup>3</sup> As of Feb. 20, 2022, user deposits amounted to KRW7.18 trillion.

global top ten list.

**(STAND-ALONE LISTING)** As of the end of December 2021, 65 percent of virtual assets or 403 out of 623 virtual assets were found to be stand-alone listings (listed and traded by a single platform). The total market value of stand-alone listings amounted to KRW6.9 trillion, or about 12 percent of the total market capitalization. In the coin-only exchange market, stand-alone listings were found to be about 75 percent of the total market capitalization (KRW1.9 trillion).

**(MAX DRAWDOWN RATE)** In H2 2021, the average maximum drawdown rate of virtual assets being traded domestically stood at 65 percent, which is about 4.4 times higher than that of the securities markets. The average MDD rate for the KRW-based exchange market was 59 percent and that for the coin-only exchange market was 71 percent. The number of virtual assets with an MDD rate of 70 percent and above was 498 in cumulative terms (or about 41 percent of the total). Among them, 44 percent or 219 virtual assets were stand-alone listings.

MDD rate	Below 50%	50% to 70%	70% to 90%	90% and above
KRW-based exchange	194 (31%)	268 (43%)	101 (17%)	58 (9%)
Coin-only exchange	141 (24%)	105 (18%)	128 (22%)	211 (36%)

### III. USER CHARACTERISTICS

	Number of registered users	Number of active users (KYC fulfilled)
KRW-based exchange	13,395,173	5,528,940 (41.3%)
Coin-only exchange	1,858,948	55,713 (3.0%)
Total	15,254,121	5,584,653 (36.6%)

**(NOMINAL ASSESSMENT)** At the end of December 2021, the number of registered users at the 24 VASPs stood at 15.25 million in aggregate terms. Among them, 13.4 million users used KRW-based exchange platforms and 1.86 million used coin-only exchange platforms. 15.25 million users had individual user accounts whereas 4,426 had corporate user accounts.

**(ACTIVE USERS)** The number of active users (those that have fulfilled the “know your customer” rules for AML compliance) stood at 5.58 million at the end of December 2021, approximately 36.6 percent of the total registered users. Among them, 5.53 million were KRW-based exchange platform users and 56,000 were coin-only exchange users.<sup>4</sup>

Among the KYC fulfilled users, males in the 30s were found to be the most active users, followed by males in the 40s. Overall, males (67%) showed twice more

<sup>4</sup> As of Feb. 4, 2022, KYC fulfillment rate was 41.4% (46.8% for KRW-based exchanges and 5.6% for coin-only exchanges).

likelihood of using virtual asset services than females (33%).

At the end of December 2021, 3.13 million users (56%) held virtual assets worth KRW1 million or less. About 15 percent of users (82,000) held virtual assets worth KRW10 million or more. In Q4 2021, users on average traded four times a day, each time about KRW750,000.

#### **IV. EVALUATION**

This survey provides the first comprehensive overview of the domestic virtual asset market as it includes information about VASPs' business operation status, user characteristics and so on. As many business entities are still at an early stage, it is necessary to continue to make improvements in statistical data. The authorities will conduct biannual surveys to stay up to date in this regard.

The survey finds that the KRW-based exchange platforms have market dominance vis-à-vis the coin-only exchange platforms some of which may undergo business restructuring due to the lack of competitive edge. Moreover, the survey finds that some platforms have shown high tendency to handle stand-alone listings that tend to have higher MDD rates. As such, virtual asset service users are advised to practice caution when dealing with them. Finally, the survey finds that even though the virtual asset market poses high risks for money laundering, the current status on the proportion of AML staff (8%) is inadequate and needs to be improved.

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