

## ENFORCEMENT OF TRAVEL RULE ON VASPs TO TAKE EFFECT FROM MARCH 25

The FSC announced that the enforcement of the travel rule on virtual asset service providers (VASPs) will go into effect from March 25, 2022 pursuant to the revised Act on Reporting and Using Specified Financial Transaction Information (“the Act” hereinafter).<sup>1</sup> The travel rule aims to prevent money laundering activities using virtual assets by requiring VASPs to provide relevant information about users sending and receiving virtual assets when they are asked to transfer virtual assets to another VASP.

### **TRAVEL RULE DETAILS**

**(TRAVEL RULE APPLICATION)** The travel rule applies when a VASP transfers virtual assets worth KRW1 million or more to another VASP upon user’s request.<sup>2</sup>

**(INFORMATION TYPES & PERIOD)** When sending a virtual asset to another VASP, the originating VASP is required to provide the names of senders and receivers as well as virtual asset addresses to the VASP at the receiving end. The originating VASP is also bound to provide the resident registration number of the sender within three business days from the time of request when requested by the commissioner of the Korea Financial Intelligence Unit (KoFIU) or the VASP at the receiving end.

**(INFORMATION STORAGE)** With the enforcement of the travel rule, VASPs are obligated to keep relevant user information on senders and receivers for five years from the time of termination of transactions, or face a fine of up to KRW30 million.

**(INSPECTION & SUPERVISION)** When a violation of the travel rule is found, authorities may issue a caution, warning or corrective order to a VASP depending on the outcome of the inspection and supervision, along with a disciplinary measure on its employee.

### **NOTE**

The travel rule under the Act applies only when a transfer of virtual asset occurs between VASPs. The pre-registration system that is currently being carried out by individual VASPs for moving a virtual asset to a digital wallet is an industry-level AML

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<sup>1</sup> For more information about the revised Act, please click [here](#) to see the press release dated March 16, 2021. The travel rule was introduced as part of the revised Act, which went into effect in March 2021, and is scheduled to go into effect from March 25, 2022 after VASPs getting their travel rule solutions ready.

<sup>2</sup> Based on the price displayed by VASP and converted to the Korean won at the time when customer makes a request for a transfer.

measure implemented on a voluntary basis.

Unlike domestic VASPs, overseas VASPs are not bound by or prepared to implement the travel rule. Thus, after consulting with the virtual asset industry, transfers of virtual assets to overseas VASPs will take place only after confirming that the sender and receiver are the same person and when there exist low risks of money laundering via overseas VASPs.

#### **FURTHER PLAN**

The KoFIU will closely monitor the implementation of the travel rule by VASPs and how the system is taking root in the industry when conducting inspections in the future in order to rigorously deal with money laundering activities and help promote transparency in virtual asset transactions.

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