

FSC PROPOSES ADDITIONAL AML DUTIES FOR VASPs

The FSC announced a revision proposal to the Enforcement Decree of the Act on Reporting and Using Specified Financial Transaction Information on June 17. The revisions are intended to impose additional AML requirements on VASPs and clarify implementation details about the customer due diligence (CDD) and suspicious transaction report (STR) requirements. The proposal will be put up for public notice from June 17 to July 27 before moving on to further legislative steps.

KEY REVISIONS

(AML MEASURE FOR VASPs) The problem of VASPs registering false information on their own networks for illegitimate activities including price rigging has been identified. Pursuant to the Act on Reporting and Using Specified Financial Transaction Information (“the Act” hereinafter), the Enforcement Decree will be revised to add an AML measure for VASPs, which restricts VASPs and their employees from handling or engaging in cross-trading of virtual assets that are issued by one’s own exchange or by an entity that is deemed to be in a special relationship with the former as specified by the relevant law. This proposal is aimed at improving transaction transparency.

(CLARIFICATION ON AML DUTIES OF FINANCIAL INSTITUTIONS) Financial institutions are required under the Act to perform risk assessment on their clients as part of the AML duties. However, the current Enforcement Decree may be misinterpreted as to require risk assessment for the purpose of checking highly risky clients only. As such, the revision proposal clarifies this and states that financial institutions are required to perform risk assessment on all clients. This will also help encourage financial institutions to develop and operate a graded risk management system on a par with global standards under the FATF recommendations.

(VERIFICATION OF CORPORATE CLIENT IDENTITY) Financial institutions are required to confirm the legal name, date of birth and nationality of their corporate clients. However, there exist confusions as the current law exempts financial institutions from checking the date of birth of corporate clients when checking the ownership status. In order to help distinguish between different entities using the same name, the revision proposal requires financial institutions to check the date of birth of corporate entities.

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