

KOFIU HOLDS TALKS WITH CEOs OF VASPs AND DISCUSSES MARKET SITUATION

The KoFIU held a meeting with CEOs of five major virtual asset service providers (VASPs)¹ in Korea on November 16 and discussed their current anti-money laundering (AML) procedures and controls on overseas withdrawal and remittance of virtual assets, and their custody and management of customer assets.

With regard to the AML procedures and controls of domestic VASPs, the heads of VASPs said that the level of transparency in virtual asset transfer increased after the travel rule took effect from March 25 this year, and that they run the whitelisting² and blacklisting³ systems, which block transactions with high-risk traders. In particular, they said that VASPs are regularly monitoring and blocking wallet addresses that are used in crypto mixers, which split and blend virtual assets of many users together to obfuscate the origins and traces of the funds. In this regard, KoFIU authorities said that it is important to prevent money laundering taking place when users' virtual assets are transferred to high-risk countries or traders via personal wallets and the likes. For this, authorities asked VASPs to establish a standard for detecting suspicious transactions and enhance screening and checking the origin of the users' funds and the purpose of his or her transactions.

Regarding the condition of domestic VASPs' custody services for customer assets, authorities emphasized the importance of user protection efforts made by VASPs. Authorities indicated the need to set up a real-time information system on customers' assets in custody and asked VASPs to closely monitor the safety of their transaction support for the self-issued virtual assets. In the wake of the recent FTX crash, authorities said that they will support the ongoing legislative efforts at the National Assembly to ensure that relevant user protection measures are discussed. The heads of VASPs said that the root of the FTX collapse was the inappropriate use of customer assets by the company management and the misuse of self-created coin, FTT (FTX Token). However, in South Korea, the Act on Reporting and Using Specified Financial Transaction Information prevents this kind of accident from occurring, because the Act ensures that (a) deposits from customers are kept strictly separate in real-name verified bank accounts, (b) virtual assets owned by customers are regularly scrutinized with due diligence and made public, and (c) VASPs' issuance of virtual assets on their own platforms is restricted.

¹ Dunamu, Bithumb, Coinone, Korbit and Streami

² Allowing withdrawal and remittance only when the sender and receiver's information match with information from verified virtual asset exchange platforms and wallet addresses.

³ Restricting withdrawal and remittance on high-risk wallet addresses announced by OFAC (U.S. Office of Foreign Assets Control), EU, Chainalysis, etc.

At the meeting, KoFIU Commissioner Park Junghoon asked VASPs to step up efforts to establish a more effective AML system by developing more AML specialists, enhancing their organizational capacity and bolstering their own internal control mechanisms. He said that authorities will continue to closely communicate with VASPs in the future about market situation and important issues.

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