Financial Services Commission

Press Release

June 27, 2018

REVISION TO VIRTUAL CURRENCY ANTI-MONEY LAUNDERING GUIDELINES

BACKGROUND

The Korea Financial Intelligence Unit (KoFIU) introduced the Virtual Currency Anti-Money Laundering Guidelines (hereinafter referred to as 'Guidelines') on January 30, 2018 to prevent the use of cryptocurrencies for money laundering and enhance transparency in financial transactions involving cryptocurrencies.

Since then, the KoFIU and the FSS conducted inspections in April on banks for monitoring their compliance with the Guideline. Based on the results of the inspections, the KoFIU proposed a revision to the Guidelines to address some insufficiencies related with the implementation of the Guidelines.

The revised Guideline, approved by the FSC on June 27, goes into effect July 10, 2018.

MAJOR CHANGES

► Strengthened monitoring and enhanced customer due diligence (EDD)

Cryptocurrency exchanges have two types of separate bank accounts: one for collecting their customers' money for cryptocurrency trading (hereinafter referred to as 'money-collecting accounts'), and the other for parking their operational expenses (hereinafter referred to as 'non-trading accounts'). Currently, only money-collecting accounts are subject to enhanced customer due diligence (EDD) by financial institutions. In order to prevent cryptocurrency exchanges from using their non-trading accounts for collecting money or other illegal activities, the revised Guidelines require financial companies to strengthen monitoring on such non-trading accounts and conduct EDD if they find any sign of suspicious transactions.[1]

► Sharing information on overseas cryptocurrency exchanges

The revised Guidelines require financial companies to share a list of overseas cryptocurrency exchanges as well as domestic ones and strengthen monitoring on

[1] e.g. (i) a repeated pattern of frequent money transfer between "money-collecting accounts" and "non-trading accounts" over a short period of time; or (ii) a pattern of transactions suspicious of collecting money through non-trading accounts

money transfer to overseas exchanges in order to prevent tax evasion or money laundering through such transactions between domestic exchanges/customers between overseas exchanges.

► Clarifications in regard with rejection of transaction

The revised Guidelines stipulate that financial companies shall reject or cease transactions with cryptocurrency exchanges *'immediately'* when they report to the KoFIU such transactions as suspicious ones. The revision also allows financial companies to reject or cease transactions when they are not able to conduct on-site inspections on cryptocurrency exchanges due to their incorrect address or contact information; or temporary/permanent closure.