

AUTHORITIES TO SEEK SUSPENSION OF FRAUDULENT ACCOUNTS HELD BY VASPs

The FSC announced the result of comprehensive inspections conducted on the legitimacy of deposit accounts held by virtual asset service providers (VASPs) on July 28. As of the end of June, it was found that 79 VASPs had 94 deposit accounts, of which 14 of them were found to be linked to fraudulent or fictitious account activities.

Many VASPs were found to use their main business accounts for deposit taking. Others had separate accounts for deposit and payment. With increased restrictions imposed on opening up new deposit accounts at financial institutions, some VASPs have created new business entities to open up deposit accounts. Small-scale VASPs have been increasingly turning to mutual finance firms and other small and medium-sized financial institutions for deposit accounts. Others have been found to switch between different financial institutions to avoid their accounts being suspended.

Financial institutions are expected to suspend the accounts linked to fraudulent activities. Making use of the suspicious transaction reports, the Korea Financial Intelligence Unit (KoFIU) will relay any cases connected to money laundering or other illicit activities to law enforcement agencies. The authorities will continue to closely monitor deposit accounts held by VASPs until the registration deadline of September 24, 2021.

Virtual asset service users are advised to practice caution in their dealings with VASPs and keep a close eye for their possible use of illegitimate accounts. Users also need to check whether their service providers are on schedule for registration by the September 24 deadline.

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