

## 42 VASPs FILE REGISTRATION REPORTS WITH KOFIU

FSC Chairman Koh Seungbeom held a meeting with relevant officials on September 26 to go over the registration status of virtual asset service providers (VASPs) and discuss measures to prevent damages to consumers. As the September 24 deadline has ended, 42 VASPs have filed registration reports with the Korea Financial Intelligence Unit (KoFIU).

### KEY DETAILS

**(REGISTRATION STATUS OF VASPs)** As of September 24, 42 VASPs have completed filing their registration reports, which include 29 virtual asset trading platforms (or 'crypto exchanges') and 13 other virtual asset-related services (e.g. virtual asset wallet or depository service providers). The KoFIU and the Financial Supervisory Service (FSS) will evaluate registration reports and decide whether to accept their registrations within three months.

Registration Status of VASPs (as of September 24, 2021)

Type	Requirement	# of entities with ISMS certification	# of registered entities
Virtual Asset Trading Platforms (crypto exchanges)	ISMS + real-name bank accounts	4	4
	ISMS only	25	25
Other (wallet or depository service providers)	ISMS only	14	13 <sup>1</sup>
Total		43	42

**(TERMINATION OF BUSINESS OPERATION)** Among 66 virtual asset trading platforms which have been in business operations, 29 entities with Information Security Management System (ISMS) certifications, which account for about 99.9 percent of the market (as of September 21, 2021), have completed submitting their registration reports. Out of the 29 trading platforms, 25 entities that have not secured partnership with banks for real-name verified accounts were found to have terminated the KRW-based trading services as they filed for registration to provide trading services in virtual assets only.

Considering that those that have failed to submit their registration reports by the deadline represent less than 0.1 percent of the market, the possibility of user damages has been significantly reduced.

<sup>1</sup> One entity that has gained ISMS certification did not submit registration reports.

Status of Business operation by Virtual Asset Trading Platforms (as of September 25, 2021)

Type	Requirement	# of entities (66)	# of registration reports received	Status of business operation	
Eligible for registration	A	ISMS + real-name bank account	4	4	- 4 crypto exchanges have applied for trading services both in KRW and virtual assets - Out of them, one entity (Upbit) was granted approval
	B	ISMS only	25	25	- 25 exchanges have filed registration application for trading service in virtual asset only, not in KRW - All of them have terminated their KRW transaction business operations
Subject to business closure	C	Submitted an ISMS application but failed to obtain the certification	14	-	- Out of 14, 13 exchanges – except for one new entrant that has yet to start operating – have terminated their business operations
	D	Have NOT submitted an ISMS application	23	-	- 23 exchanges have terminated their business operations

For the remaining 37 entities (in group C and D) that have not been able to obtain ISMS certifications and thus are subject to business closure, 36 of them — except for one new entrant that has yet to start operating—have terminated their business operations. As of September 21, the total amount of deposits (in KRW) held by these unqualified entities (in group C) stood at about KRW4.18 billion, down significantly from more than KRW260 billion in April this year. To make sure that these deposits are returned to users, the authorities have advised these entities to give users a sufficient time span of at least 30 days to withdraw their deposits.

To prevent and minimize losses for users and to reorganize the market around the registered VASPs, the FSC has worked to guide an orderly exit of unqualified VASPs. Since the government announced its plan to strengthen oversight on virtual asset transactions in May this year,<sup>2</sup> the FSC has held a series of information sessions and provide on-site consulting for VASPs to help their registration procedures and an orderly closure of unqualified business entities. As unqualified VASPs have taken steps to terminate their business operation including issuing advance notices, the impact of their business closure on users and markets will be limited.

**(GENERAL INSPECTION ON VASPs)** The KoFIU and the FSS plan to conduct general inspection on VASPs to minimize potential damages from business closure of unregistered VASPs to users. First, the authorities will inspect illegal business activities by unregistered entities and report them to the investigative authorities. Second, the authorities will continue to monitor whether users deposits and crypto assets held by unregistered VASPs are returned to users as scheduled. Third, the authorities will closely monitor any illegal activities, such as embezzlement and planned bankruptcy by unregistered entities, and closely cooperate with the investigative authorities in this regard.

<sup>2</sup> Please click [here](#) to see the press release dated May 28, 2021.

For 42 VASPs that have completed filing their registration reports, KoFIU will promptly carry out the review process and bring registered entities under stringent supervision.

**(CAUTION FOR USERS)** From September 25, VASPs which have not filed for registration and continue to provide virtual asset transactions services are considered illegal, which may be subject to penalties of up to five years of imprisonment or up to KRW50 million in fine. As such, users are urged to check the registration status of VASPs they are using and to immediately withdraw deposits and virtual assets if they are found to be unregistered entities. Even if VASPs have filed registration applications with the KoFIU, there is still a possibility that their applications are finally rejected; thus, users are strongly advised to keep checking the registration status of VASPs. Users should also notify the financial authorities if any delay is observed in the withdrawal process or if they encounter any illegal activities.

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