

PRIVATE-PUBLIC JOINT TASKFORCE ON DIGITAL ASSET HOLDS KICKOFF MEETING

The FSC announced that a private-public joint taskforce¹ on digital asset consisting of private sector experts, relevant government authorities and institutions was launched on August 17 and held its kickoff meeting chaired by FSC Vice Chairman Kim So-young.

The government has actively responded to digital asset related issues through vice ministerial meetings organized by the Office for Government Policy Coordination thus far. In particular, by seeking an enactment of a framework law on digital asset, the new administration has been working on ways to promote a proper balance between innovation based on new technology such as blockchain and consumer protection and financial stability. A private-public joint taskforce on digital asset was launched in this regard to promote discussion and sharing of information between private sector experts, relevant government authorities and related institutions in seeking government-wide collaboration for legislative efforts.

Through operation of a taskforce, authorities plan to comprehensively review the following issues—(a) the legal characteristics and the rights relationship regarding digital assets and ways to respond to digital asset related crimes, (b) digital assets and financial stability, central bank digital currency (CBDC) and taxation issues, (c) regulatory framework for digital asset issuance and distribution markets and (d) ways to promote the blockchain industry.²

SUMMARY OF VICE CHAIRMAN'S OPENING REMARKS

In his opening remarks, Vice Chairman Kim So-young stated that the new administration has been engaging in discussions from multifaceted perspectives to support innovation based on blockchain technology while creating an environment to foster responsible growth of the digital asset market. A research commissioned to examine relevant issues and response strategies based on a comparative analysis of various digital asset related bills pending at the National Assembly and overseas legislative trends was completed in early June. In order to understand global regulatory trends more closely, authorities from relevant ministries and institutions made a joint visit to the U.S. Department of the Treasury, Department of Justice, Federal Reserve Board and the International Monetary Fund and held consultations

¹ Will also assume financial regulatory reform committee meeting's subcommittee on digital innovation

² Out of 36 tasks put forward by the financial regulatory reform committee, (2-5) establishing a well-balanced rules system for new industry, (2-5-17) legislating a framework law on digital asset, (2-5-18) establishing rules for digital securities, (2-5-19) reviewing whether to allow financial institutions to assume digital asset related business areas

in late June. From July, authorities have been in talks with relevant government ministries, private sector experts and the industry for working-level consultations on the future direction of discussions.

Vice Chairman Kim emphasized that the private-public joint taskforce on digital asset was launched with aims to seek government-wide solution for legislating a law that ensures a proper balance between innovation based on new technology and investor protection and financial stability, and stated that the taskforce will have thorough discussions on key policy tasks related to digital asset focusing on each issue area.

- a) It is necessary to thoroughly look into the legal characteristics and the rights relationship of digital assets which emerged with the development of new technology that was unthinkable in the past, while carrying out discussions on ways to respond to digital asset related crimes.
- b) As the linkage between the traditional financial markets and digital asset market is expanding and the use of digital asset as a payment mechanism is becoming more prevalent, authorities will examine potential risks of digital assets on our economy and financial markets and prepare effective response measures.
- c) With the need to ensure market stability and bolster user protections, authorities plan to review and prepare a regulatory framework for digital asset issuance and distribution markets that is consistent with global regulatory trends.
- d) To foster a sound development of the digital asset industry based on blockchain technology, authorities will provide government-wide support through relevant policymaking and enhanced security and by cultivating professional personnel.

KEY DISCUSSION ISSUES

At the kickoff meeting, participants discussed global regulatory trends and direction for rulemaking on digital asset.

First, on global regulatory trends on digital asset, senior research fellow Kim Kab-lae of the Korea Capital Market Institute said that the financial sector soundness regulations are being examined globally as digital assets are expected to pose substantial risks to financial stability with increased handling of digital assets by financial institutions. Mr. Kim explained that the regulatory measures for issuers, disclosures and reserve asset requirements are currently being discussed in response to risk factors such as the monetary and financial stability, user protection, financial crime and cyber threat posed by stablecoins that have seen a rapid growth recently. On decentralized finance (DeFI), Mr. Kim said that it is expected to take some time for individual countries to establish regulatory frameworks on DeFI even though major international organizations such as the Financial Stability Board and the Bank for International Settlements have been stressing the need to have stronger regulations and international cooperation.

The FSC said that authorities will maintain close communication with experts from the private sector through the joint taskforce on digital asset and its working groups and comprehensively review the following issue areas—(a) the legal characteristics and the rights relationship regarding digital assets and ways to respond to digital

asset related crimes, (b) digital assets and financial stability, central bank digital currency (CBDC) and taxation issues, (c) regulatory framework on digital asset issuance and distribution markets and (d) ways to promote the blockchain industry.

FURTHER PLAN

The private-public joint taskforce meeting on digital asset will be held once every month and specific issues will be dealt with in working groups. The joint taskforce will seek ways to find a proper balance between consumer protection and financial stability on the one hand and promoting development of new technology and industry on the other. Moreover, authorities will continue to closely monitor regulatory trends and discussions taking place on digital asset in major economies such as the U.S. and EU and international organizations and ensure global regulatory consistency through international cooperation.

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