

## Crypto Worldwide - South Korea

*Florence Lau*

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As home to one of the world's most tech-savvy, digitally-connected populations and several of the top global digital currency exchanges, South Korea has been a hotbed for blockchain technology developments and cryptocurrency trading.

In step with the government's express intention to spearhead the development of technology and service in the blockchain field, South Korean banks, conglomerates, as well as healthcare and educational institutions, have been prolific in launching joint research projects and blockchain pilot schemes. These include blockchain-powered credit card operations, logistics and data-sharing systems, security platforms etc.

Developments in recent months, however, reflect the South Korean government's intention to become more actively involved in monitoring, and in some cases regulating, the rapidly evolving cryptocurrency space. Most notably, in September 2017 the South Korea Financial Services Commission ("SKFSC") announced a ban on all forms of initial coin offerings ("ICOs"). However, in December 2017, the SKFSC's Vice Chairman, Kim Yong-beom, opened the door to removing the ban by stating that "considering its risk and technology expertise, it is right for professional investors to do an ICO, not regular citizens who are not informed of its technology and [complexity]."

In early January 2018, South Korea's Justice Minister, Park Sang-ki, announced that sweeping bans on cryptocurrencies would be put into effect by shutting down all cryptocurrency exchanges in South Korea. These comments, however, were not officially endorsed by the government, and after over 220,000 South Koreans signed a petition to demand a response from the government, the presidential Blue House released a statement that no final decision had been made. Following suit, on January 23, 2018, the SKFSC confirmed its intention to ban minors from using domestic exchanges, and also announced that all foreigners, regardless of residential status, would be banned from trading through South Korean based cryptocurrency accounts in an effort to protect its young citizens and to address money laundering and related crimes. As of January 30, 2018, qualifying South Korean citizens will be able to create cryptocurrency accounts under their legal name through six local banks as part of the effort to implement similar measures to the "Know Your Customer" ("KYC") verification system in the United States. All pre-existing cryptocurrency accounts will be required to be replaced with one of the regulated bank accounts. Deposits and withdrawals will only be permitted between real-name bank accounts and matching cryptocurrency exchange accounts within the same bank. As well, cryptocurrency exchanges will be required to share users' transaction data with banks, and banks will be expected to halt anonymous transactions if the exchanges refuse to provide this information. Additionally, the South Korean government announced that it would be collecting up to 24.2 percent of corporate and local income taxes from local

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cryptocurrency exchanges this year.

It remains to be seen how foreign government intervention in the trading of cryptocurrencies will affect the cryptocurrency market long term and the proliferation of ICOs. While many would argue that the actions of the South Korean government are inherently incompatible with the decentralized and pseudonymous nature of cryptocurrencies, it may bring a sense of legitimacy to the markets, ultimately attracting more skeptical investors and spur the growth of the cryptocurrency market.

## **We Can Help**

For more information about how Cassels can assist with your business, please contact Michael Weizel or another member of our firm's cross-disciplinary Emerging Companies Group.

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