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# NEWSLETTER

Digital Finance Team

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## Phased Corporate Access to Virtual Asset Markets

### ••• FSC Announces Roadmap for Corporate Participation in Crypto Markets

#### 1. INTRODUCTION

On February 13, the Financial Services Commission (FSC) unveiled a policy roadmap that will gradually open virtual asset markets to corporate participants. This development comes on the heels of the Act on Protection of Virtual Asset Users (VAUPA), which took effect on July 19, 2024, and represents another significant shift in Korea's evolving crypto regulatory landscape. In this newsletter, we outline the key elements of this important policy change and its potential implications for market participants.

#### 2. REGULATORY BACKGROUND

Since 2018, Korean regulatory policy has effectively barred corporations from participating in domestic virtual asset trading. This restriction stemmed from the "Anti-Money Laundering Guidelines for Virtual Currencies" (effective as of January 30, 2018), which required real-name accounts for crypto trading while instructing banks to withhold such accounts from corporate entities. Although these guidelines formally expired in December 2021, the prohibition remained in effect through continued banking practices, and it has been perceived that the government's policy direction is to prohibit corporations from participating in the virtual asset KRW market both domestically and internationally.

Meanwhile, the global landscape has evolved significantly. While international markets have increasingly embraced institutional participation in crypto ecosystems and blockchain infrastructure development, Korean corporations have been sidelined by trading restrictions that impede innovation and new business ventures. During this period, it became increasingly apparent that corporate market access needed to be addressed as a prerequisite for the legislation of the second phase VAUPA, particularly regarding stablecoin regulation and the introduction of spot virtual asset ETFs. These developments have amplified calls for a fundamental shift in Korea's regulatory approach toward broader corporate participation in virtual asset markets.



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### 3. KEY ELEMENTS OF THE FSC ROADMAP

The roadmap establishes a phased approach to corporate participation, starting with lowest-risk activities and gradually expanding access.

#### ■ Phase 1: Limited Transactions for Liquidation Purposes (2H 2024 – 1H 2025)

In the initial phase, real-name accounts will be made available to specific entities with legitimate needs to convert virtual assets to fiat currency. This includes law enforcement agencies (prosecutors' offices, tax authorities, and local governments) liquidating confiscated or seized assets, non-profit organizations converting donated virtual assets, and virtual asset exchanges disposing of fees received in crypto.

The FSC plans to assist non-profit organizations in developing appropriate standards and procedures for internal controls for crypto donations. For virtual asset exchanges, which face potential conflicts of interest with their users when selling their own crypto holdings, regulators will require the prior establishment of industry guidelines limiting daily and monthly sales volumes and restricting self-trading activities.

#### ■ Phase 2: Pilot Programs for Investment and Financial Transactions (Beginning 2H 2025)

The second phase will create a pilot program allowing professional investors—specifically listed corporations and registered professional investors, but excluding financial companies—to engage in virtual asset trading. This institutional participation is expected to reduce market volatility historically driven by retail investors, enhance overall market stability and maturity, support blockchain business development, and potentially reshape the stablecoin distribution framework.

Prior to implementation, regulators plan to issue enhanced anti-money laundering guidelines and monitoring measures, including requirements for pre-transaction verification of purpose and fund source, and recommendations for the use of third-party custodial / management services.

For financial companies, on the other hand, the FSC has opted for a more cautious approach given concerns about systemic risk. These entities will initially be limited to indirect participation through security token offering (STO) facilitation and blockchain infrastructure investment, with direct trading authorization deferred for future consideration.

#### ■ Phase 3: Full Permission for General Corporate Trading (Medium to Long-term)

Full market access for all corporate entities remains a longer-term objective, dependent on the implementation of the legislation of the second phase VAUPA, adjustments to foreign exchange regulations, and refinement of applicable tax frameworks.

### 4. IMPLICATIONS

This policy shift marks a watershed moment for Korea's digital asset ecosystem and blockchain industry. While only the roadmap/framework has been announced, market participants should closely monitor forthcoming implementation guidelines from financial regulators.

In particular, professional investors contemplating virtual asset trading should begin preparing for the pilot program slated for the second half of this year by reviewing internal compliance mechanisms, particularly anti-money laundering protocols, and addressing relevant foreign exchange and tax considerations.

Lee & Ko's Digital Finance Team brings industry-leading expertise on the VAUPA and related regulatory frameworks. Our attorneys have advised on a wide range of legal issues in this rapidly evolving space. For more guidance on navigating these developments, please do not hesitate to contact us.

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