

March 6, 2025

## THE KOREA CUSTOMS SERVICE PROVIDES GUIDANCE ON THE DIRECTION OF EXPANDED FOREIGN EXCHANGE INSPECTIONS

### I. OVERVIEW

On February 18, 2025 (at 15:00), the Korea Customs Service (the "Service") held a "Meeting of customs officials engaged in foreign exchange investigations in 2025" at the Government Daejeon Complex, attended by around 20 officials including directors general and directors of foreign exchange investigation at the customs throughout the country. The purpose of this meeting was to review the results of foreign exchange investigations and controls by the Service last year, to share the direction of its foreign exchange investigations this year with the officials of foreign exchange investigation at the customs throughout the country and to gather opinions on the same from the field.

Jong-Wook Lee, the Director General of Investigation Bureau of the Service, who presided over the meeting, made the following opening statement (shortened):

"In light of the unstable economic conditions both domestically and internationally, we will take decisive action against illegal foreign exchange transactions, money laundering, and capital flight that could threaten the national economy and disrupt market order. To this end, we will fully mobilize our foreign exchange investigation capabilities. At the same time, to protect businesses from unintended violations in foreign exchange transactions, we will strengthen compliance with foreign exchange laws and regulations across the market by implementing a proactive and preventive inspection system."

### II. KEY POINTS

#### 1. Additional Collections

The Service announced that it had detected a total of 300 cases of trade or foreign exchange crimes (KRW 2.6 trillion worth) last year. Compared to 2023, cases detected increased by 52% in number (from 198 to 300) or 34% in amount (from KRW 1.9 trillion to KRW 2.6 trillion), and such increase appears to be attributable to large-scale cases such as import or export price manipulation.

These cases by field include: (i) foreign exchange crimes in violation of the Foreign Exchange Transactions Act, such as unregistered foreign exchange (alternative remittance system) (30 billion won); (ii) manipulations of the prices of imported and exported goods (436.1 billion won); and (iii) money laundering or capital flight through false transactions disguising the proceeds of crime as legitimate funds or transfer of domestic properties overseas for personal uses (195.7 billion won).

Field	2021		2022		2023		2024	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Foreign exchange crime	101	13,256	123	63,084	174	16,544	270	20,300
Price manipulation	14	1,931	16	518	19	1,812	23	4,361
Capital flight or money laundering	9	239	6	262	10	1,518	7	1,957
<b>Total</b>	<b>124</b>	<b>15,426</b>	<b>145</b>	<b>63,864</b>	<b>198</b>	<b>19,874</b>	<b>300</b>	<b>26,618</b>

\* (Foreign exchange crime) violation of the Foreign Exchange Transactions Act; (Price manipulation): price manipulation under the Customs Act or the Foreign Trade Act; (Capital flight) crime of property moving to foreign country under the Act on the Aggravated Punishment of Specific Economic Crimes; (Money laundering) violation of the Act on Regulation and Punishment of Criminal Proceeds Concealment.

## 2. Measures to Strengthen Controls

### 1) More active foreign exchange inspections

The Service explained its plan for a paradigm shift in foreign exchange inspection through the overhaul of the foreign exchange inspection system. In the past, selective foreign exchange inspections were conducted mainly for companies suspected of violating foreign exchange laws and regulations, but the Service announced that it will create a sound foreign exchange trading environment by conducting a consulting-based preventive foreign exchange inspection focused on companies that conduct foreign exchange transactions of a certain size or more.

To this end, the Service plans to increase the foreign exchange inspection team in Seoul, Busan and Incheon Customs, and actively utilize the written inspection\* along with the on-site inspection.\*\*

\* Self-checklist sheets are distributed for communications in writing.

\*\* Public officials visit companies in person.

### 2) Response to virtual assets

In preparation for the spread of trade and foreign exchange crimes\* via the use of virtual assets, the Service will conduct planned crackdowns to curb various foreign exchange crimes related to virtual assets. In addition, to enhance the relevant investigative capabilities, the Service plans to purchase more virtual asset tracking programs and expand its training programs to nurture virtual asset tracking specialists. The Service also plans to make institutional improvements to obtain information on virtual asset transfers in and outside Korea, which is essential for monitoring virtual asset crimes.

\* The volume of virtual assets transferred overseas has continued to increase from KRW 19.9 trillion (in the second half of 2022) and KRW 19.7 trillion (in the first half of 2023) to KRW 25.3 trillion (in the second half of 2023) to KRW 52.3 trillion (in the first half of 2024).

### 3) Strengthening the crackdown on trade economic crimes

In response to more diverse and intellectual wrongdoings in export and import transactions, the Service implements planned crackdowns by theme to tackle with (i) swindling of public finance through false trade transactions, and (ii) swindling of private profits through abuse of special transactions. In addition, the Service plans to (iii) continue to cooperate with relevant agencies, such as the Financial Supervisory Service, the National Tax Service, and the National Intelligence Service, to obtain criminal information and strengthen collaboration.

### 4) Restraining the demand for money laundering and capital flight

The Service will conduct planned inspections on money exchanges on a regular basis and strengthen follow-up inspections of users of alternative remittance systems. This is expected to prevent any attempts to transfer various criminal proceeds and wealth overseas or launder money through cross-border transactions by taking advantage of free foreign exchange transactions and expanded international capital movements.

### 5) Expanding capabilities to investigate new types of foreign exchange crime

The Service will also investigate wealth flight and money laundering crimes not covered by the existing investigation, such as foreign exchange derivatives transactions, by abusing trade transaction proceeds.

## III. IMPLICATIONS

Recently, the Service has provided internal training on foreign exchange for its investigators and has continuously expressed, through related press releases, its strong will to enforce a strict crackdown on illegal foreign exchange transactions. In fact, on October 26, 2024, the Service revised the relevant provisions by amending its instructions on inspection and sanctions of foreign exchange transactions, made self-checklist forms more effective and clarified the written inspection procedures, thereby supplementing some deficiencies that have been revealed in the operation of the system.

In addition, this year, the Service plans to conduct foreign exchange inspections on more than twice as many companies compared with the last year and increase the foreign exchange inspection workforce significantly, indicating that it will conduct foreign exchange inspections on a regular basis in the future, similarly to the customs inspection.

Under the circumstances, it is necessary for companies to check trends and major issues regarding foreign exchange inspections and investigations in advance and prepare countermeasures to prevent unexpected risks. Foreign exchange cases may involve not only monetary risks related to administrative fines, but also compliance issues that may lead even to penalties depending on the amount of violation. It is thus essential for companies to identify major issues through preliminary diagnosis, etc.

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BAE, Kim & Lee LLC has accumulated various work experience and know-how in the field of foreign exchange, such as preliminary foreign exchange diagnosis, foreign exchange reporting, comprehensive advice on foreign exchange, and response to foreign exchange inspection and investigation, and has excellent expertise and abundant practical experience in the field of advice on foreign exchange compliance. Based on this, we provide our clients with practical and customized answers. Please feel free to contact us if you have any questions regarding the entire foreign exchange sector.

## Related Professionals

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### **Seongjun Joo**

Partner

**T** 82.2.3404.6517

**E** seongjun.joo@bkl.co.kr

### **Seungwon Suh**

Partner

**T** 82.2.3404.0964

**E** seungwon.suh@bkl.co.kr

### **Maria Chang**

Senior Foreign Attorney (Ohio)

**T** 82.2.3404.7589

**E** maria.chang@bkl.co.kr

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