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KOREA'S PROPOSED DRAFT FETA ENFORCEMENT DECREE: VIRTUAL ASSET TRANSFER AND CROSS-BORDER PAYMENT

I. BACKGROUND

The amended Foreign Exchange Transactions Act (the "**Amended Act**"), which introduces a registration regime for virtual asset transfer business and reforms the regulatory framework for specialized foreign exchange business, was passed at the plenary session of the National Assembly on May 7, 2026, promulgated on June 2, 2026, and is scheduled to take effect on December 3, 2026. (For details on the key provisions of the Amended Act, please refer to our newsletter dated May 13, 2026, ["NATIONAL ASSEMBLY PASSES FETA AMENDMENT: KEY VIRTUAL ASSET TRANSFER PROVISIONS AND IMPLICATIONS"](#).)

Accordingly, on October 7, 2026, the Ministry of Finance and Economy (the "**MOFE**") issued a legislative notice of proposed partial amendments to the Enforcement Decree of the Foreign Exchange Transactions Act (the "**Draft Amendment**") to specify the matters delegated under the Amended Act and to minimize regulatory blind spots in respect of illegal foreign exchange transactions (MOFE Public Notice No. 2026-259). The Draft Amendment mainly addresses (i) the scope, registration requirements and procedures, and reporting, inspection and supervision framework for virtual asset transfer business; (ii) the business categories and registration requirements for overseas payment and settlement business, which integrates small-sum overseas remittance business and other specialized foreign exchange business; (iii) new personnel and facility requirements for registration and strengthened sanctions for money exchange business; and (iv) the expansion of the Korea Customs Service's authority to inspect foreign exchange transactions. The deadline for submitting comments is October 26, 2026.

II. KEY PROVISIONS OF THE DRAFT AMENDMENT

1. Scope of virtual asset transfer business (Draft Article 9-3)

The Amended Act defines virtual asset transfer business as (a) the transfer of virtual assets between Korea and foreign countries through the sale, purchase or exchange of virtual assets, or other acts prescribed by Presidential Decree, by a virtual asset service provider, and (b) acts prescribed by Presidential Decree that have substantially the same effect (Article 3(1)(xxiii) of the Amended Act). The Draft Amendment specifies these delegated matters as follows:

- **"Other acts prescribed by Presidential Decree" under item (a):** Custody and management of virtual assets, brokerage, arrangement and agency services for the sale, purchase or exchange of virtual assets, and other business activities (Draft Article 9-3(1)).

- **"Acts prescribed by Presidential Decree" under item (b):** Transfers of virtual assets between a virtual asset service provider and a virtual asset address not involving a virtual asset service provider (Draft Article 9-3(2)).

Accordingly, virtual asset transfer business encompasses not only transfers between domestic and overseas virtual asset service providers but also transfers between domestic virtual asset service providers and private (unhosted) wallets. The inclusion of private wallets is particularly noteworthy. Given that physical national borders are difficult to delineate in virtual asset transactions and that virtual assets become difficult to trace once transferred to private wallets, such transfers are regarded as having substantially the same effect as cross-border transfers. Accordingly, transfers involving private wallets have been included within the scope of regulatory monitoring to ensure regulatory effectiveness.

2. Registration requirements and procedures for virtual asset transfer business (Draft Articles 17-5 and 17-6, Appendices 2 and 4)

A virtual asset service provider intending to engage in virtual asset transfer business must register with the MOFE after (i) filing a report under the Act on Reporting and Using Specified Financial Transaction Information (the **"Financial Transaction Reports Act"**), (ii) establishing a connection to the computer network of the foreign exchange information concentration agency, and (iii) satisfying other requirements prescribed by Presidential Decree, such as those relating to facilities and professional personnel (Article 8-2(1) of the Amended Act). The Draft Amendment specifies the requirements under item (iii) and the registration procedures as follows:

CATEGORY	KEY CONTENTS
Registration requirements	Computer systems sufficient to ensure the smooth operation of virtual asset transfer business and related post-transaction management; at least two personnel at each business office who have either at least two years of experience in foreign exchange business or completed training prescribed by the Minister of Economy and Finance (Draft Article 17-5(2))
Application for registration	The application must state the applicant's name, the locations of its head office and domestic business offices, the details of its virtual asset transfer business, capital, facilities, professional personnel and officers, and must attach documents prescribed by the Minister of Economy and Finance by public notice (Draft Article 17-5(1))
Grounds for rejection of registration	Failure to satisfy registration requirements, deficiencies in submitted documents, the applicant (including its officers, in the case of a corporation) being ineligible for registration under Article 12(4) of the Amended Act, or violation of other applicable legal restrictions (Draft Article 17-5(3))
Reporting of changes or discontinuation	Where an operator intends to change its name or head office location or discontinue its virtual asset transfer business, it must submit documents prescribed by the Minister of Economy and Finance at least seven days before the scheduled date of such change or discontinuation (Draft Article 17-6)

Unlike money exchange business and overseas payment and settlement business, virtual asset transfer business is not subject to a separate equity capital requirement. The Draft Amendment also establishes standards for administrative sanctions and administrative fines for violations of the obligation to report changes or discontinuation of business under Article 8-2(2) of the Amended Act (Draft Appendix 2, Item 2(e), and Appendix 4, Item 2(a)).

3. Reporting of virtual asset transfer data and inspection and supervision framework (Draft Articles 35, 36, 37, 39 and 39-2)

Upon performing a virtual asset transfer, a virtual asset transfer business operator must notify the foreign exchange information concentration agency of the details of such transfer (Draft Article 39(2)), and virtual asset transfer data will also be subject to analysis by the foreign exchange information analysis agency (Draft Article 39(1)). The MOFE plans to share such data with the National Tax Service, the Korea Customs Service, the Financial Supervisory Service (the "**FSS**") and the Korea Financial Intelligence Unit (the "**KoFIU**") for their use, and the Draft Amendment adds the Financial Services Commission (the "**FSC**") to the list of relevant authorities to be notified (Draft Article 36(2)).

- **Inspection:** Inspection authority over virtual asset transfer business is entrusted to the Governor of the FSS (Draft Article 35(4)(ii)(e)), and virtual asset transfer business is added to the scope of business for which the Commissioner of the Korea Customs Service and the Governor of the FSS may request joint inspections (Draft Article 35(12)).
- **Sanctions:** Authority relating to business restrictions, business suspensions, hearings and the imposition of administrative surcharges is entrusted to the FSC (Draft Article 37(2)(iii) and (iv)).
- **Processing of unique identification information:** A legal basis is established for processing resident registration numbers and other unique identification information in connection with registration and the handling of reports of changes or discontinuation (Draft Article 39-2(1)(i-3)).

4. Reform of overseas payment and settlement business (Draft Articles 15-2, 15-3, 15-6, 17, 17-2, 35 and 37)

The Amended Act integrates small-sum overseas remittance business and other specialized foreign exchange business into overseas payment and settlement business. The Draft Amendment divides overseas payment and settlement business into six categories based on the manner in which the relevant activities are conducted and the scope of services provided (Draft Article 15-2). Categories 2 through 6 cover payments and receipts between Korea and foreign countries arising in the course of the relevant activities under the Electronic Financial Transactions Act.

OVERSEAS PAYMENT AND SETTLEMENT BUSINESS CATEGORY	CURRENT CLASSIFICATION
1. Small-sum overseas remittance business	Small-sum overseas remittance business
2. Foreign exchange business relating to electronic payment gateway services	Other specialized foreign exchange business
3. Foreign exchange business relating to the issuance and management of electronic currency	Other specialized foreign exchange business
4. Foreign exchange business relating to the issuance and management of electronic prepayment means	Other specialized foreign exchange business
5. Foreign exchange business relating to electronic payment escrow services	Newly introduced
6. Foreign exchange business relating to electronic bill presentment and payment services	Newly introduced

- **Equity capital:** The minimum equity capital requirement for small-sum overseas remittance business remains KRW 1 billion. For Categories 2 through 6, the applicable requirement is the capital requirement prescribed for the relevant business under the Electronic Financial Transactions Act and its Enforcement Decree (or equity capital prescribed by the Minister of Economy and Finance by public notice where the proviso to Article 2(xix) of the Electronic Financial Transactions Act applies) (Draft Article 15-3(2)(i)).
- **Professional personnel:** At least two personnel with either at least two years of experience in foreign exchange business or completion of the prescribed training are required. Where an operator concurrently engages in three or more business categories, at least five such personnel are required (Draft Article 15-3(2)(v)).
- **Authorization or registration under the Electronic Financial Transactions Act:** Operators engaging in Categories 2 through 6 must obtain the relevant authorization or registration under the Electronic Financial Transactions Act, except where the proviso to Article 2(xix) of that Act applies (Draft Article 15-3(2)(vii)).
- **Concurrent operation of multiple business categories:** An operator engaging in two or more categories must register separately for each category (Draft Article 15-6).
- **Business operation standards:** Operators must comply with standards prescribed by the Minister of Economy and Finance concerning information technology, management of user funds and user protection (Draft Article 17(1)(iv)). These standards apply not only to overseas payment and settlement business operators but also to specialized foreign exchange business operators generally, including money exchange business operators.
- **Performance guarantee deposits:** The Draft Amendment changes the operators subject to the deposit requirement from small-sum overseas remittance business operators to overseas payment and settlement business operators, while allowing an exemption for overseas payment and settlement business operators designated by the Minister of Economy and Finance by public notice that have implemented user fund protection measures under other laws (Draft Article 17-2(1)). It also revises the

grounds for applications for payment and for the return of performance guarantee deposits (Draft Article 17-2(3) and (4)).

- **Inspection and supervision:** Inspection authority is entrusted to the Governor of the FSS, while supervisory and sanctioning authority is entrusted to the FSC (Draft Articles 35(4)(ii)(b) and 37(2)).

Meanwhile, in its press release dated October 7, 2026, the MOFE announced that, once the Enforcement Decree is finalized, it plans to amend the Foreign Exchange Transactions Regulations to permit the transfer of foreign currency prepayment means to third parties within certain monetary limits, thereby institutionalizing the outcomes of the financial regulatory sandbox.

5. New registration requirements and strengthened sanctions for money exchange business (Draft Article 15 and Appendices 2 and 3)

According to the MOFE, 581 of the 1,346 money exchange business operators that reported their business performance for the first half of 2026 recorded no foreign currency purchases, indicating that a significant number of inactive or inadequately operated businesses remain in the market. In response, the Draft Amendment introduces the following registration requirements for money exchange business: (i) equity capital of at least the amount prescribed by public notice by the Minister of Economy and Finance, which must be no less than KRW 10 million; and (ii) officers not being subject to any of the disqualification grounds under Article 5(1) of the Act on Corporate Governance of Financial Companies (Draft Article 15(2)(iii) and (iv)).

Sanctions are also strengthened. Where a specialized foreign exchange business operator conducts foreign exchange business in violation of Article 8(3) of the Amended Act (for example, by operating beyond its registered business scope), the applicable sanction will be revocation of registration or authorization (Draft Appendix 2, Item 2(d)). The MOFE describes this as a so-called "one-strike-out" registration revocation, with voice phishing, illicit trade payments and unauthorized foreign exchange remittances involving virtual assets in mind.

In addition, the maximum administrative surcharges that may be imposed in lieu of business suspension, expressed as a percentage of the profits obtained through the violation, will be increased as follows (Draft Appendix 3, Item 1(a) through (d)):

CATEGORY	1-MONTH SUSPENSION	2-MONTH SUSPENSION	3-MONTH SUSPENSION	4-MONTH SUSPENSION
Current	20%	40%	50%	70%
Draft Amendment	40%	60%	80%	100%

6. Expansion of the Korea Customs Service's inspection authority and revisions to inspection and supervision reporting (Draft Articles 35 and 37)

The Draft Amendment expands the scope of inspections entrusted to the Commissioner of the Korea Customs Service to include parties to, and persons related to, service transactions and capital transactions where violations are identified during inspections of import and export transactions (Draft Article 35(4)(iii)(c)). This will allow the Korea Customs Service to continue inspecting such violations itself, in which case the Commissioner of the Korea Customs Service must notify the Governor of the FSS (proviso to Draft Article 35(4)(iii)).

In addition, the Governor of the Bank of Korea, the Governor of the FSS and the Commissioner of the Korea Customs Service must submit annual inspection plans to the Minister of Economy and Finance by March of each year and report inspection results and measures taken on a semiannual basis (Draft Article 35(18)). The Chairperson of the FSC and other relevant authorities must also report to the Minister of Economy and Finance the results of their performance of delegated or entrusted supervisory duties (Draft Article 37(8)).

III. FUTURE SCHEDULE AND TRANSITIONAL MEASURES

Following the public comment period ending on October 26, 2026, the Draft Amendment will undergo regulatory review by the Office for Government Policy Coordination, review by the Ministry of Government Legislation, and deliberation by the Vice-Ministers' Meeting and the Cabinet. It is expected to take effect on December 3, 2026, the effective date of the Amended Act (Article 1 of the Addenda to the Draft Amendment). Comments may be submitted to the MOFE's Foreign Exchange Policy Division by mail, email or fax.

Persons registered under the previous regulations as of the effective date to conduct money exchange business, small-sum overseas remittance business or other specialized foreign exchange business will be deemed registered for the corresponding specialized foreign exchange business under the amended framework. However, persons that do not satisfy the new registration requirements must meet those requirements by June 30, 2027 (Article 2 of the Addenda to the Draft Amendment). In contrast, the Addenda do not provide for any separate transitional measures applicable to virtual asset transfer business.

Further details, including the documents to be attached to registration applications, training for professional personnel, the minimum equity capital for money exchange business, limits on small-sum overseas remittances, standards for information technology and user fund management, and the operators exempt from performance guarantee deposits, will be prescribed by MOFE public notices, including the Foreign Exchange Transactions Regulations.

IV. IMPLICATIONS

The Draft Amendment is significant in that it sets out, for the first time, the detailed regulatory framework for virtual asset transfer business and overseas payment and settlement business. Market participants should proactively review the following matters.

- (a) Virtual asset service providers:** Virtual asset service providers should assess broadly whether their activities may be subject to the registration requirement and prepare accordingly. In our previous newsletter, we noted that it would be important to see how the cross-border criterion would be specified in the Enforcement Decree. The Draft Amendment defines the scope broadly, covering custody and management as well as brokerage, arrangement and agency services, and including transfers involving private (unhosted) wallets. Accordingly, not only virtual asset exchanges but also virtual asset service providers offering custody or wallet services may be subject to registration, depending on their specific business structures and methods of transferring virtual assets. Given that the Addenda do not provide for separate transitional measures and that conducting business without registration is subject to criminal penalties (Article 27-2(1)(i-2) of the Amended Act), operators should manage their timelines so that they can complete registration promptly when the Amended Act takes effect on December 3, 2026, by putting in place the necessary computer systems, professional personnel at each business office, connectivity with the foreign exchange information concentration agency, and systems for reporting transfer records.
- (b) Existing small-sum overseas remittance business operators and other specialized foreign exchange business operators:** Although these operators will be deemed registered for the corresponding overseas payment and settlement business, they must satisfy the amended registration requirements by June 30, 2027. As operators engaging in three or more business categories must have at least five professional personnel and register separately for each category, they should first determine which of the six categories their current activities fall within. Although the performance guarantee deposit provisions now apply to overseas payment and settlement business operators, the actual scope of the deposit requirement will be determined by the public notice on exemptions, which operators should review. In addition, electronic payment escrow service providers and electronic bill presentment and payment service providers may wish to consider the business opportunities that subsequent public notices may create.
- (c) Money exchange business operators:** Existing registered money exchange business operators that do not meet the amended registration requirements as of the effective date must satisfy the newly introduced requirements, including those relating to equity capital and officer disqualification, by June 30, 2027. Given that violations of Article 8(3) of the Amended Act, including activities conducted beyond the registered business scope, may result in revocation of registration even upon a first violation, and that the maximum administrative surcharges will increase, operators should review their internal controls, including customer due diligence and transaction monitoring, to prevent transactions linked to unauthorized foreign exchange remittances and voice phishing.

(d) Importers and exporters: As the Korea Customs Service will be able to directly inspect violations involving service and capital transactions identified during inspections of import and export transactions, importers and exporters should review, alongside their import and export transactions, whether they have complied with the filing and reporting obligations for capital transactions such as overseas direct investments and loans.

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Bae, Kim & Lee LLC will continue to monitor the legislative process for the Draft Amendment and the preparation of subsequent subordinate regulations, including the Foreign Exchange Transactions Regulations, and will provide tailored advice and practical solutions that reflect the specific business structures of market participants, including virtual asset service providers, fintech companies and money exchange business operators.

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