

FATF



Anti-money laundering and counter-terrorist financing measures

Korea

4th Follow-Up Report &
Technical Compliance Re-Rating

October 2024





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Korea's 4th Enhanced Follow-up Report

Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Korea in February 2020¹. Based on the MER results, Korea was placed into enhanced follow-up. Korea did not request technical compliance re-ratings in its three previous enhanced Follow Up Reports (FUR) (2021-23). This 4th enhanced FUR analyses Korea's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendation 8. A re-rating is given where sufficient progress has been made.

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Korea has made to improve its effectiveness.

The following expert, supported by Ms. Lisa Kilduff, Policy Analyst within the FATF Secretariat, assessed Korea's request for technical compliance re-ratings:

- **Mr. Ian McDonald**, Senior Policy Analyst, Royal Canadian Mounted Police from Canada.

The second section of this report summarises Korea's progress in improving technical compliance. The third section sets out the conclusion and includes a table showing Korea's MER ratings and updated ratings based on this and previous FURs.

Progress to improve Technical Compliance

This section summarises Korea's progress to improve its technical compliance by addressing some of the technical compliance deficiencies identified in the MER (R.8).

Progress to address technical compliance deficiencies identified in the MER

Korea has made progress to address the technical compliance deficiencies identified in the MER in relation to R.8. Because of this progress, Korea has been re-rated on this Recommendation.

¹ www.fatf-gafi.org/en/publications/Mutualevaluations/Mer-korea-2020.html

Recommendation 8

	Year	Rating
MER	2020	PC
FUR1	2021	PC (not re-assessed)
FUR2	2022	PC (not re-assessed)
FUR3	2023	PC (not re-assessed)
FUR4	2024	↑ LC

Criterion 8.1 (*Mostly Met*)

Korea did not fully meet the requirements of this criterion at the time of the MER as it had not clearly identified which registered NPOs fell within the FATF definition of Non-Profit Organisations (NPO). Furthermore, Korea's definition of 'public interest corporation' (PIC) did not strictly align with the FATF definition (c.8.1(a)). Since its MER, Korea has taken steps to identify which NPOs fall within the FATF definition. As of 2022, Korea identified that there was a total of 53 918 Non-Profit Corporations (NPCs) in Korea, which were registered with the National Tax Service (NTS) based on in the Corporate Tax Act and the Value-added Act. These NPCs all received their unique identification numbers issued from the competent tax offices. In consultation with the NPO sector, Korea has since imposed the duty of disclosure on NPCs to monitor tax evasion, misappropriation of funds and other illicit activities and to protect the legitimate activities of NPOs. It has done so by stipulating that a person who conducts business for purposes of public service, related to religion, charity, or academic studies under the Inheritance Tax and Gift Tax Act constitutes a Public Service Corporation (PSC). As of 2022, there were a total of 39,273 PSCs that are subject to disclosure requirements under the Inheritance Tax and Gift Tax Act (art. 50.3). In general, all PSCs in Korea have a duty of disclosure to report settlement statements. However, organisations that are determined to be contributing to religious propagation and reformation of the people are exempt from this disclosure. As well, small PSCs are allowed to make this report through a simple form, to ensure that the reporting requirement reflects the risk-based approach being used in Korea. Korea has identified 309 internationally active NPOs and 159 NPOs conducting religious activities as being at higher risk of TF abuse, and these NPOs are subject to the full reporting requirement and cannot qualify for simplified reporting measures. Korea has therefore addressed the deficiency identified in the MER under c.8.1(a).

While the 2020 MER found that Korea had made efforts to identify the nature of TF threats posed to at-risk NPOs, some of the threats identified were very general and information provided on TF threats and vulnerabilities were largely based on international studies and lacked specificity in the Korean context (c.8.1(b)). In 2023, Korea undertook an assessment of the risks facing the NPO sector. This was based on analyses of STR statistics, TF crime typologies and interviews with representative agencies from the NPO sector. The assessment concluded that NPOs with an international presence are more likely to be at risk to TF abuse than domestically active NPOs in Korea. The study resulted in findings and guidance that was issued to representative agencies as a result by KoFIU. However, limited information has been provided on the extent to which Korea identifies the nature nature of threats

posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs. The deficiency under c.8.1(b) has only been addressed to some extent and the deficiency remains.

As set out in 2020, KoFIU undertakes reviews of the adequacy of Korea's measures to prevent TF abuse of at-risk NPOs, and the legislative framework was considered adequate and risk based. No technical shortcomings were identified (c.8.1(c)). Similarly, Korea has periodically reassessed the NPO sector to review up-to-date information on its vulnerabilities, the most recent of which was undertaken in 2023. The NPOs CFT Agencies Committee meets on an ad hoc basis to discuss issues as they arise, including new information on risks and vulnerabilities. No technical shortcomings were identified (c.8.1(d)). While Korea has addressed deficiencies under c.8.1(a) and made progress regarding c.8.1(b) to some extent, shortcomings remain under this sub-criterion. Criterion 8.1 remains mostly met.

Criterion 8.2 (*Met*)

Korea did not fully meet the requirements of this criterion at the time of the MER due to deficiencies under c.8.2(a)-(c). The MER found that the Guidelines on Combating TF Abuse of NPOs were not comprehensive, and while certain NPOs were subject to measures and obligations that aim to increase transparency and accountability and prevent TF, Korea lacked comprehensive policies aimed at promoting accountability, integrity and public confidence for all NPOs (c.8.2(a)). As at the time of the MER, there are policies in place regarding the establishment, control and supervision of PICs under the Act on the Establishment and Operation of Public Interest Corporations. As noted under c.8.1, since the MER, Korea has established policies regarding PSCs under the Inheritance Tax and Gift Tax Act, which are subject to reporting requirements and oversight by the NTS. Under the Inheritance Tax and Gift Tax Act, PSCs are required to: undertake public financial reporting, including details on collection and disbursement of donations (art. 50.3); apply accounting standards (art. 50.4); keep records and preserve significant evidentiary documents for 10 years from the last date of a taxable period of income tax or a business year of corporate tax (art. 51), and; undergo tax verification and audit (art. 50). Korea has therefore demonstrated that there are policies in place to promote accountability, integrity and public confidence in the administration of NPOs, and the deficiency under c.8.2(a) has been addressed.

Regarding c.8.2(b), the MER identified shortcomings in Korea's outreach efforts, noting that they did not include certain high-risk NPOs or donor communities. Since 2020, the Korean government has reinforced its outreach activities to strengthen awareness among NPOs about their potential vulnerabilities to TF risks and abuse. Such activities include holding a roundtable meeting with three representative agencies from the NPO sector (GuideStar, KCOC, KCMS), with a focus on internationally active NPOs considered at-risk to TF abuse and working alongside NPOs to develop educational materials on the subject. The technical shortcomings have therefore been addressed under c.8.2(b).

While the KoFIU Guidelines on Combatting TF Abuse of NPOs include best practices for addressing TF risks and vulnerabilities, the MER noted a minor

deficiency regarding the lack of NPO input into the development or refinement of the guidelines (c.8.2(c)). Since the MER, in addition to the guidelines, Korea has developed checklists that allow the NPO sector to self-assess their exposure to potential TF risks and abuse, which can be filtered by regulation, area of activity and risk level. The three representative agencies (GuideStar, KCOC, KCMS) participated in the development of said checklists, which have been distributed to at-risk NPOs. Considering this progress, the technical deficiencies under c.8.2(c) have been addressed.

As set out in 2020, all NPOs are required to use regulated financial channels and provide information on their accounts to the NTS (Inheritance Tax and Gift Tax Act, art.50-2). Development aid NPOs are also subject to additional requirements to conduct transactions through certified bank accounts or regulated financial channels (Korea International Cooperation Agency Act, art.22-2). No technical deficiencies were identified (c.8.2(d)). Considering the progress made under c.8.2(a)-(c), this criterion is now considered met.

Criterion 8.3 (Mostly Met)

The 2020 MER found that while Korea had some measures in place to promote supervision and monitoring of NPOs and demonstrate that the measures applied to NPOs were risk-based, half of the country's higher-risk NPO population were not subject to adequate reporting or disclosure requirements. As noted under c.8.1, PSCs are now subject to reporting requirements under the Inheritance Tax and Gift Tax Act, including NPOs identified as higher risk². NPOs that are not defined as a PSC but that have profit-making business must submit financial statements to the competent tax office (art. 60, Corporate Tax Act) and report the inheritance tax, if the organisation receives tangible or intangible property (art. 4.2, Inheritance Tax and Gift Tax Act). NPOs identified as high risk are now subject to duty of disclosure and subsequent monitoring, as noted under c.8.1(a). However, it is not entirely clear if NPOs that submit a simpler disclosure form are doing so because of their asset size alone or if there is consideration of the TF risk. Korea has made progress in ensuring that NPOs at risk of TF abuse are subject to monitoring and supervision, but gaps remain in the application of risk-based supervision.

Criterion 8.4 (Partly Met)

As outlined under c.8.3, the 2020 MER found deficiencies regarding the monitoring of higher-risk NPOs in Korea. While the MER notes that many NPOs are subject to ongoing and strict scrutiny to prevent misuse of public funds, which indirectly contributes to TF prevention, this does not extend to all NPOs identified as high risk (c.8.4(a)). Furthermore, monitoring is focused on criminal activity rather than compliance with R.8 requirements. The MER did however note that Korea's monitoring and supervisions systems were generally consistent with Korea's risk profile. The efforts undertaken by

² There are nine organisations that are exempt from reporting requirements, five of which do not meet the definition of NPO under the FATF Standards and four that failed to comply with disclosure obligations pursuant to Article 50.3 of the Inheritance Tax and Gift Tax Act. In case of failure to comply with this obligation in 2024, they will be required to pay additional tax pursuant to Article 78.11 of the Act.

Korea on outreach and guidance through the self-checklist as described under c.8.2 are useful tools for improving understanding of TF risks on the part of NPOs. However, these efforts do not address the deficiency identified in the MER under c.8.4(a), namely that monitoring efforts for compliance continue to be secondary compared to monitoring of suspected ML/TF activity. The technical deficiencies under c.8.4(a) therefore remain.

Regarding c.8.4(b), as set out in 2020, Korea has some ability to apply effective, proportionate and dissuasive sanctions for violations of the requirements applicable to NPOs. Registrars can deregister NPOs for breaches of their financial reporting obligations (Civil Act, art.38; Act on the Establishment and Operation of Public Interest Corporations, art.16) and the NTS can also sanction such breaches by imposing additional tax. While no sanctions are available for the NPO's officers, where a NPO collects donations outside its specified collection plan, the NPO or its officer(s) can face imprisonment of up to three years or a fine of KRW 30 million (EUR 23 500) (Act on Collection and Use of Donations, art.4, 10, 16). The MER deemed the range of sanctions available to be relatively limited, which may reduce Korea's ability to impose proportionate sanctions. Korea does not appear to have made new sanctions available for breaches of compliance with R.8 and the technical shortcomings remain. The deficiencies remain under c.8.4.

Criterion 8.5 (Met)

Korea did not fully meet the requirements of this criterion at the time of the MER. While Korea ensures cooperation and coordination between authorities with information on NPOs through the NPOs CFT Agencies Committee, this committee and other mechanisms did not include all NPO registrars, which was deemed as detrimental to information sharing on NPOs (c.8.5(a)). Since the MER, to promote effective cooperation, coordination, and information exchange between related agencies that hold NPO information, the NPO CFT Agencies Committee was established under the purview of the KoFIU. Participating agencies include the Office for Government Coordination, National Intelligence Service, Ministry of the Interior and Safety, NTS, National Police Agency, Financial Supervisory Service, and Korea International Cooperation Agency (KOICA). The consultative group adjourns to discuss policies, inspections, education and outreach programmes and information sharing, with a focus on how to protect NPOs from TF abuse. As NPOs are now defined as Public Service Corporations under the Inheritance Tax and Gift Tax Act, the NTS is the competent authority that manages and oversees the registration of NPOs in Korea (as of 2022). The NTS takes part in the Council, and as such, the deficiency identified under c.8.5(a) has been resolved.

As set out in 2020, competent authorities can carry out investigations into NPOs suspected of TF abuse (c.8.5(b)), the NPA is able to obtain information on the administration and management of NPOs through various channels (c.8.5(c)) and the NPOs CFT Agencies Committee and Counter-Terrorism Committee provide mechanisms for sharing suspicions of NPO abuse with relevant authorities, including the NPA for investigation. NPO registrars are aware of the TF risks in the sector, in part due to outreach on this topic, and know to report any suspicions to the NPA (c.8.5(d)). No technical deficiencies were identified regarding c.8.5(b)-(d). Given that the technical shortcoming under c.8.5(a) has been addressed, this criterion is now met.

Criterion 8.6 (Met)

As set out in 2020, international requests for information regarding NPOs suspected of TF abuse are dealt with in the same way as any other request for information. KoFIU, the NPA or other competent authorities can informally provide information as described in R.40 of the MER. Where one agency receives a request for information relevant to another agency, the NPOs CFT Agencies Committee provides contact points through which such requests can be shared. Foreign parties may also obtain public financial or administrative information through GuideStar or the NTS.

Weighting and conclusion: Korea has taken steps to address the deficiencies identified in its 2020 MER. Korea has identified which NPOs fall within the FATF definition and since 2022, subjected PSCs to duty of disclosure under the Inheritance Tax and Gift Tax Act. These PSCs are subject to supervision and monitoring, in line with the risk-based approach. KoFIU undertakes reviews of the adequacy of Korea's measures to prevent TF abuse of at-risk NPOs, and the legislative framework is adequate and risk based. Korea periodically reassesses the NPO sector to review up-to-date information on its vulnerabilities and the NPOs CFT Agencies Committee meets on an ad hoc basis. Korea ensures that NPOs are subject to measures and obligations that aim to increase transparency and accountability and prevent TF and has established policies to promote accountability, integrity and public confidence in the administration of NPOs under the Inheritance Tax and Gift Tax Act. Outreach efforts and activities have been strengthened through roundtable meetings with representative agencies from the NPO sector with a focus on internationally active NPOs considered at-risk to TF abuse. With the participation of representative agencies, Korea has developed checklists that allow the NPO sector to self-assess their exposure to potential TF risks and abuse, and all NPOs are required to use regulated financial channels and provide information on their accounts to the NTS. Korea ensures that there are effective information gathering and coordination mechanisms in place, namely through the NPO CFT Agencies Committee, and competent authorities can carry out investigations into NPOs suspected of TF abuse. Information is readily available to competent authorities and NPO registrars are aware of the TF risks in the sector. KoFIU deals with international requests for information regarding NPOs suspected of TF abuse adequately.

However, some deficiencies remain. While Korea has made efforts to identify the nature of TF threats posed to at-risk NPOs, some of the threats identified were very general and information provided on TF threats and vulnerabilities were largely based on international studies and lacked specificity in the Korean context. Korea has made progress in ensuring that NPOs at risk of TF abuse are subject to monitoring and supervision, but gaps remain in the application of risk-based supervision. Monitoring efforts for compliance continue to be secondary compared to monitoring of suspected ML/TF activity, and while Korea has some ability to apply effective, proportionate and dissuasive sanctions for violations of the requirements applicable to NPOs, the range of sanctions available is relatively limited. Considering the progress made and taking into account Korea's risk and context,

Recommendation 8 is re-rated as Largely Compliant.

Conclusion

Overall, Korea has made progress in addressing technical compliance deficiencies identified in its MER and has been re-rated Largely Compliant with R.8.

The table below shows Korea's MER ratings and reflects the progress it has made, and any re-ratings based on this and previous FURs:

Table 1. Technical compliance ratings, October 2024

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	C	LC	PC	PC	<i>LC (FUR 2024) PC</i>	LC	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	PC	C	C	C	LC	C	LC	LC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	PC	PC	LC	LC	C	PC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	C	LC	LC	LC	LC	C	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Korea has seven Recommendations rated PC. Korea will report back to the FATF on progress achieved in improving the implementation of its AML/CFT measures in its 5th round mutual evaluation.

Annex to the FUR

Summary of Technical Compliance -Deficiencies underlying the ratings

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	LC	<ul style="list-style-type: none"> • The approach to allocating resources and implementing AML/CFT measures does not specifically respond to risk, and actions are particularly limited for TF risks. • AML/CFT measures do not apply to DNFBPs, except for casinos. • FIs and casinos are not required to have their AML/CFT policies, controls and procedures approved by senior management.
2. National cooperation and coordination	LC	<ul style="list-style-type: none"> • Korea's AML/CFT strategies are not always clearly informed by identified risks. • There is no standing mechanism to ensure general domestic co-operation and co-ordination on PF at the policymaking or operational levels
3. Money laundering offences	LC	<ul style="list-style-type: none"> • The range of tax offences included as predicate offences is too narrow. • The sanctions for ML for natural are too low to be sufficiently dissuasive. • The sanctions for ML for legal persons are too low to be proportionate or dissuasive.
4. Confiscation and provisional measures	C	<ul style="list-style-type: none"> • All criteria met.
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> • The TF offence incorporates an additional mental element which goes beyond the TF Convention. • The indirect collection of funds is not clearly covered by the offence. • The financing of FTFs is not clearly covered. • Sanctions for TF for legal persons are too low to be proportionate and dissuasive.
6. Targeted financial sanctions related to terrorism & TF	PC	<ul style="list-style-type: none"> • DNFBPs (other than casinos) are not subject to TFS. • The freezing obligation does not extend to (ii) funds and other assets which are indirectly owned or controlled by listed natural and legal persons, including joint ownership, or (iii) funds or other assets derived or generated therefrom, as well as (iv) funds and other assets of other persons and entities acting on behalf, or at the direction, of designated persons. • Criminalisation of all natural and legal persons providing funds and other assets are conditional upon a level of knowledge. • There is no mechanism in place to communicate designations, de-listings and un-freezings to DNFBPs other than casinos. • No guidance has been issued to FIs and DNFBPs on how to meet their TFS obligations or specifically on respecting delisting or unfreezing actions.
7. Targeted financial sanctions related to proliferation	PC	<ul style="list-style-type: none"> • DNFBPs (other than casinos) are not subject to TFS obligations, nor subject to monitoring. • The freezing obligation does not extend to (ii) funds and other assets which are indirectly owned or controlled by listed natural and legal persons, including joint ownership, or (iii) funds or other assets derived or generated therefrom, as well as (iv) funds and other assets of other persons and entities acting on behalf, or at the direction, of designated persons. • There is no mechanism in place to communicate designations, de-listings and un-freezings to DNFBPs other than casinos. • No guidance has been issued to FIs and casinos on how to meet their TFS obligations or specifically on respecting delisting or unfreezing actions. • It is not explicit that authorising access to funds must be based on a determination that the exemption conditions set out in UNSCRs 1718 and 2231 are met. • No specific guidance has been provided to FIs or casinos on their obligations to respect de-listing or unfreezing actions. • No legal basis to prohibit/permit addition to frozen accounts pursuant to UNSCRs 1718 or 2231 and no legal basis to allow designated persons or entities to make payments due under contracts.
8. Non-profit organisations	PC (MER) LC (FUR 2024)	<ul style="list-style-type: none"> • Monitoring of certain at-risk NPOs, monitoring is focused on criminal activity rather than ensuring compliance with R.8 requirements. • The range of sanctions for breaching R.8 requirements is relatively limited, which may reduce Korea's ability to impose proportionate sanctions. • No sanctions are available for the NPO's officers.
9. Financial institution secrecy laws	LC	<ul style="list-style-type: none"> • The ability for FIs to share information does not extend to CDD information, in cases where this information is unrelated to a transaction.

Recommendations	Rating	Factor(s) underlying the rating
10. Customer due diligence	LC	<ul style="list-style-type: none"> For transactions in domestic currency FIs are required to apply CDD when carrying out a transaction of EUR 11 691. FIs are required to identify any person acting on behalf of another person, but only when a person is carrying out transactions or opening an account, not in other cases. There is no requirement to identify any natural person who otherwise exercise effective control over the trust. FIs are not required to terminate a business relationship with an existing customer where CDD cannot be performed.
11. Record keeping	C	<ul style="list-style-type: none"> All criteria met.
12. Politically exposed persons	PC	<ul style="list-style-type: none"> There is no requirement to undertake enhanced ongoing monitoring of the relationship with a foreign PEP except for transactions monitoring. There are no requirements for domestic PEPs or PEPs of international organisations There are no requirements to determine whether a BO of a beneficiary of a life insurance policy is a PEP.
13. Correspondent banking	C	<ul style="list-style-type: none"> All criteria met.
14. Money or value transfer services	C	<ul style="list-style-type: none"> All criteria met.
15. New technologies	C	<ul style="list-style-type: none"> All criteria met.
16. Wire transfers	LC	<ul style="list-style-type: none"> There is no requirement to obtain and verify customer information for wire transfers below the threshold. Ordering FIs are not prohibited from executing a wire transfer if it does not comply with the requirements specified above at criteria 16.1-16.7. There is no explicit requirement covering appropriate follow-up actions related to executing, suspending or reject wire transfers. MVTS providers controlling both the ordering and the beneficiary side of a wire transfer, are not required to consider information from both sides of the transfer nor file an STR in any country affected by the suspicious wire transfer.
17. Reliance on third parties	C	<ul style="list-style-type: none"> All criteria met.
18. Internal controls and foreign branches and subsidiaries	LC	<ul style="list-style-type: none"> FIs are not required to take appropriate additional measures when the host country does not permit proper implementation of the AML/CFT measures. There is no explicit requirement for financial groups to implement the measures set out in c.18.1 and c.18.2(a)-(c) at the group-wide level
19. Higher-risk countries	LC	<ul style="list-style-type: none"> It is not explicit that counter measures should be applied proportionate to the risks.
20. Reporting of suspicious transaction	C	<ul style="list-style-type: none"> All criteria met.
21. Tipping-off and confidentiality	C	<ul style="list-style-type: none"> All criteria met.
22. DNFBPs: Customer due diligence	PC	<ul style="list-style-type: none"> Casinos are subject to the same technical deficiencies as FIs with regards to CDD and record keeping requirements under R.10 and R.12 and are not required to comply with the requirements under R.15 and R.17. Real estate agents are not required to comply with all CDD measures and record keeping requirements. For DNFBPs, only limited record keeping requirements and none of the requirements of R.10, R.12, R.15 and R.17 apply.
23. DNFBPs: Other measures	PC	<ul style="list-style-type: none"> There is no requirement for casinos to appoint a compliance officer. Casinos are required to comply with the same higher-risk countries requirements as FIs under R.19 and are subject to the same technical deficiency. DNFBPs (other than casinos) are not subject to any of these requirements.
24. Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> Information is not publicly available on the processes for obtaining and recording beneficial ownership information. It is not clear if associations and foundations are required to maintain registry information. Legal persons are not clearly required to keep shareholder and membership information held by NTS up-to-date and registry information is not systematically verified for accuracy. BO information is not always available in a timely manner to competent authorities. Available beneficial ownership information is somewhat accurate and up to date. Associations and foundations are not required to have a representative that is obliged to co-operate with competent authorities and company representatives do not have to be resident in Korea.

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> The requirement for registers to maintain basic information following dissolution of a company is not explicitly clear. Competent authorities do not always have the power to obtain BO information at the intelligence gathering phase, and access is not always timely particularly if international co-operation is needed. Sanctions for failing to ensure accurate and up-to-date basic information are not available for a legal person and it is not clear there are satisfactory sanctions for: failure to maintain an accurate and up-to-date register of shareholders or members; failing to maintain records; or failure to co-operate with competent authorities in determining the beneficial owner. There is no formal system to monitor the quality of international assistance in obtaining basic and beneficial ownership information beyond Korea's generic case monitoring frameworks.
25. Transparency and beneficial ownership of legal arrangements	LC	<ul style="list-style-type: none"> Trustees of civil and foreign trusts are not required to identify the settlor, trustee, or beneficial owner of the trust. Trustees of civil and foreign trusts are not required to hold basic information on regulated agents or service providers to the trust. Civil and foreign trustees have no specific obligation to keep information accurate and up to date beyond a general prohibition on negligent bookkeeping. Civil and foreign trustees are not subject to a specific timeframe for providing information to competent authorities. Sanctions available for trustees of a civil or foreign trust are not dissuasive or proportionate.
26. Regulation and supervision of financial institutions	LC	<ul style="list-style-type: none"> The fit and proper requirement does not explicitly extend to beneficial owners.
27. Powers of supervisors	C	<ul style="list-style-type: none"> All criteria met.
28. Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> The fit and proper requirement does not extend to beneficial owners, significant shareholders, or senior management. DNFBPs (other than casinos) are not subject to AML/CFT regulation or supervision, including to some extent fit and proper tests.
29. Financial intelligence units	C	<ul style="list-style-type: none"> All criteria met.
30. Responsibilities of law enforcement and investigative authorities	C	<ul style="list-style-type: none"> All criteria met.
31. Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> Controlled delivery is not available for other offences than drug-related. Information can only be requested in relation to investigations into ML, TF and certain tax and customs offences.
32. Cash couriers	LC	<ul style="list-style-type: none"> A fine of 5% of the undeclared or falsely declared amount may not be sufficiently proportionate. Penalties for ML and TF are not sufficiently proportionate or dissuasive.
33. Statistics	C	<ul style="list-style-type: none"> All criteria met.
34. Guidance and feedback	LC	<ul style="list-style-type: none"> No guidance has been provided on how to implement TFS obligations.
35. Sanctions	LC	<ul style="list-style-type: none"> DNFBPs (other than casinos) and its directors and senior management are not subject to sanctions for failure to apply preventive measures or TFS. The applicable sanctions to NPOs are not proportionate in all cases.
36. International instruments	LC	<ul style="list-style-type: none"> Some limitations remain in Korea's implementation of the TF Convention (see R.5). There are some issues with Korea's implementation of the Merida Convention, including: the scope of bribery and corruption offences included as predicate offences is limited where the value is over KRW 300 million (EUR 229 000); there are no general provisions providing for the liability of legal persons for corruption offences (with the exception of foreign bribery); and the preparation of certain corruption offences is not criminalised.
37. Mutual legal assistance	LC	<ul style="list-style-type: none"> Lack of dual criminality is a discretionary ground upon which Korea can refuse MLA requests.
38. Mutual legal assistance: freezing and confiscation	C	<ul style="list-style-type: none"> All criteria met.
39. Extradition	LC	<ul style="list-style-type: none"> The limitations identified in Korea's ML and TF offences (see R.3 and R.5) may mean there are instances where Korea is unable to provide extradition. There is no explicit requirement to prosecute on request where an extradition request is denied for nationality. Korea has the discretion to refuse to extradite its own nationals.
40. Other forms of international co-operation	LC	<ul style="list-style-type: none"> Certain competent authorities do not have clear processes for the prioritisation and timely execution of requests.

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none">• No information was provided on whether other authorities (the NPA, KCS, the NTS, the Coast Guard, the FSC and FSS) can refuse requests to provide information if the requesting information cannot protect it effectively.• BO information is not available in all cases and can therefore not be exchanged.• There is no requirement that the FSC or FSS should be informed promptly when a requesting financial supervisor is under a legal obligation to disclose or report the exchanged information.

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October 2024

Anti-money laundering and counter-terrorist financing measures in Korea

4th Follow-up Report & Technical Compliance Re-Rating

As a result of Korea's progress in strengthening its measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on Recommendation 8.

Follow-up report