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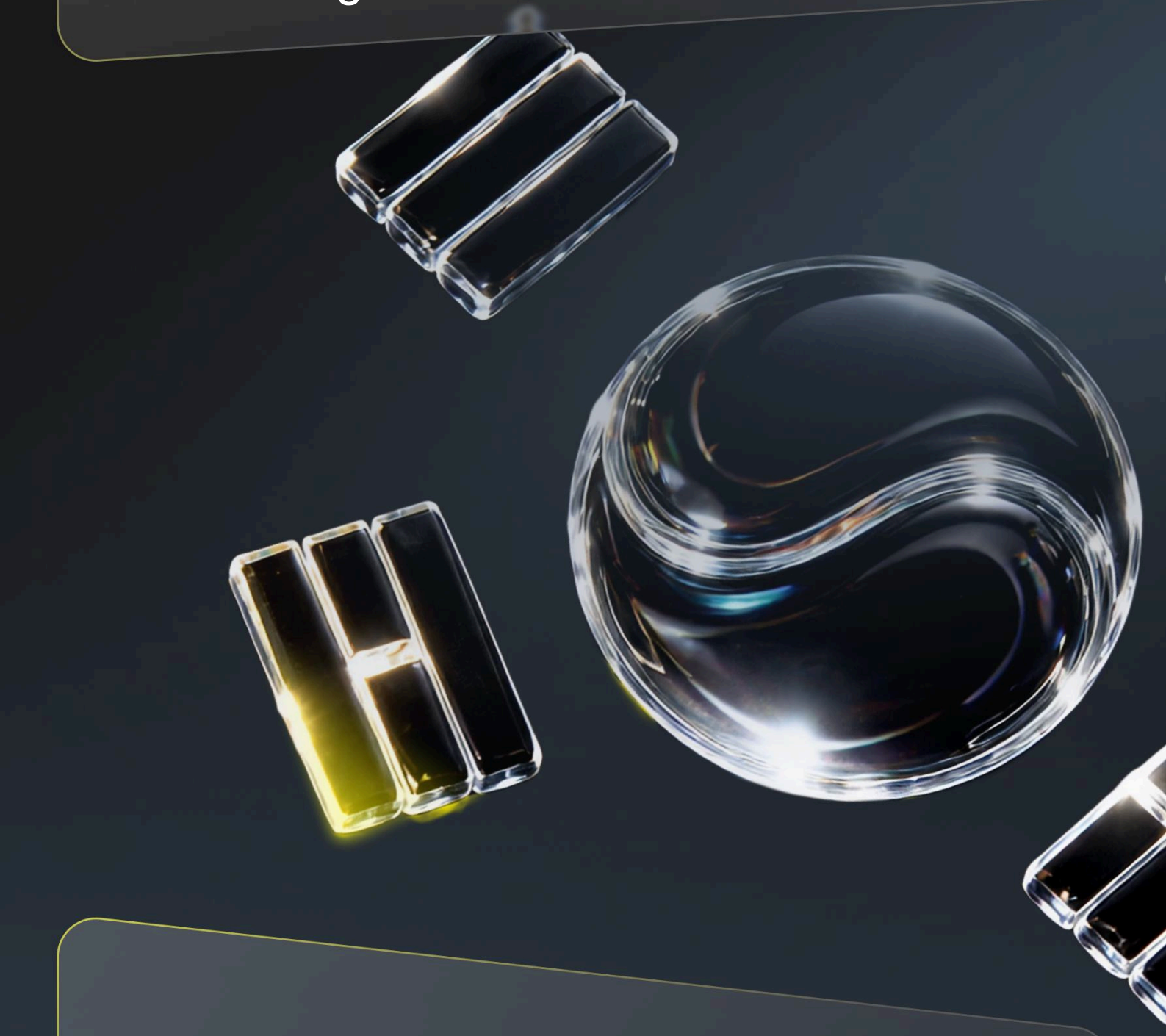
MAY 2026



COUNTRY ASSESSMENT REPORT

South Korea

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SECTION 1:

Introduction

South Korea is one of the world's most active cryptocurrency markets. More than 16 million South Koreans held crypto assets on major domestic exchanges in 2025 — one-third of the population.

Trading is concentrated on licensed domestic exchanges, conducted directly against the South Korean won, the country's official currency, through verified domestic bank accounts.

The regulatory environment is strict. All virtual asset service providers must register with the Korea Financial Intelligence Unit (KoFIU). Real-name verified accounts linked to domestic banks are mandatory for all users.

Crystal Intelligence has monitored South Korea's crypto landscape since 2017. This report draws on that experience, combined with original peer-to-peer market research conducted in March 2026, to assess the country's regulatory framework, market infrastructure, and financial crime threats.

South Korea's crypto market reflects the country's broader political context. Persistent tensions with North Korea have shaped both user behavior and the threat landscape. North Korean state-sponsored cyber actors pose a documented, ongoing risk to domestic exchanges. This threat is explored in detail in Section 5.

Adoption is concentrated among younger generations. Generation Z and millennials account for the majority of active users.

This population is digitally native, mobile-first, and increasingly targeted by organized fraud networks operating from scam compounds across Southeast Asia.

South Korea also presents a market consolidation story. Between 2020 and 2026, the country transformed its crypto market from largely unregulated to strictly supervised. As of March 2026, 27 virtual asset service providers are registered with KoFIU, with Upbit holding approximately 70% of domestic trading volume.

South Korea in Numbers

Cryptocurreny Market Snapshot 2025-2026

ACTIVE CRYPTO INVESTORS

16M+

1/3 of population held crypto assets

LICENSED VASPs

27

Registered with KoFIU

NORTH KOREAN THREAT

CRITICAL

9 major exchange hacks

CRYPTO CRIME

$7.1B

Illegal Transactions

Figure 1. Key market statistics 2025-2026.
Source: Crystal Intelligence analysis, KoFIU, Korea Customs Service

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Key Findings

South Korea Cryptocurrency Landscape | Mar 2026

Crypto users (1/3 of population)	Licensed VASPs registered with KoFIU	Foreign exchanges blocked in 2025	Suspicious transaction reports (Jan-Aug 2025)
16M+	27	17	36,684

Risk assessment overview:



Total losses from hacks (2017-2025)

$196M+

Illicit funds seized in 2025

$101M+

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SECTION 2:

Regulatory Framework

South Korea has one of the most mature virtual asset regulatory frameworks in Asia. Successive reforms since 2017 have transformed the market from largely unregulated to strictly supervised — with each intervention responding directly to documented market failures and crime risks.

The primary regulatory body is the Financial Services Commission (FSC), supported by KoFIU for anti-money laundering enforcement and the Financial Supervisory Service (FSS) for market oversight. All VASPs must register with KoFIU and maintain real-name verified accounts linked to domestic banks.

South Korea adheres to global standards set by the Financial Action Task Force (FATF), including the Travel Rule for virtual asset transfers. The country's willingness to enforce regulations across borders was demonstrated clearly after the 2022 Terra/ Luna collapse, when authorities pursued Terraform Labs leadership internationally.

Several developments between 2024 and 2026 have reshaped the regulatory landscape significantly.

- The Act on the Protection of Virtual Asset Users came into force in July 2024, introducing mandatory asset segregation, insurance requirements, and enhanced investor protections across all licensed exchanges.
- In March 2025, authorities blocked 17 foreign exchanges from operating in South Korea, collaborating with Google to prevent Korean users from installing the relevant apps.
- In January 2026, a nine-year corporate investment ban on cryptocurrency was lifted, allowing listed companies to invest in 20 approved crypto assets. USDT and USDC were explicitly excluded.

MARKET PROTECTION 2025

17 exchanges blocked

March 2025: Foreign exchanges including KuCoin and MEXC blocked from operating in South Korea

ENFORCEMENT 2026

$24.6M fine

March 2026: KoFIU issued largest ever enforcement action against a domestic exchange. The suspension was subsequently challenged and overturned in court.

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South Korea's regulatory journey from 2017 to 2026 reflects a consistent pattern. Each major intervention responding directly to a documented market failure, enforcement gap, or criminal exploitation. The timeline below traces nine key milestones that have shaped the framework now in force.

Regulatory timeline

2017-2026

2017	ICO BAN	South Korea becomes one of the first major markets to ban initial coin offerings, signalling early regulatory intent.
2018	Real-name trading system	Mandatory real-name verified bank accounts introduced for all crypto users. Anonymous deposits prohibited across all exchanges.
2020	VASP registration framework	Act on Reporting and Using Specified Financial Transaction Information enacted. All VASPs required to register with KoFIU.
2021	First registrations issued	25 VASPs register with KoFIU in the inaugural cohort. Unregistered platforms begin facing enforcement action and market exit.
2022	Travel Rule + Terra/ Luna collapse	FATF Travel Rule enforcement begins. TerraUSD/Luna collapse wipes out $60B in investor wealth globally — triggering international prosecution of Terraform Labs leadership
2023	Exchange CEO prosecution	A major exchange owner charged with embezzlement and fraudulent transactions.
2024	Act on the Protection of Virtual Asset Users	Landmark legislation in force July 2024. Mandatory asset segregation, insurance requirements, enhanced investor protections.
2026	Corporate investment ban lifted	Nine-year ban lifted. Listed companies permitted to invest in 20 approved crypto assets. USDT and USDC explicitly excluded.
2026	Largest ever enforcement action	KoFIU issues a $24.6M and six-month partial suspension against a domestic exchange for 6.65 million AML violations. Suspension was overturned in May 2026.

Figure 2. South Korea regulatory timeline 2017-2026. Source: FSC / KoFIU announcements.

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What businesses need to know

New licensing regime

Only KoFIU-authorised VASPs may legally operate in South Korea. Unregistered operators face criminal penalties of up to five years in prison and a fine of KRW 50 million ($35,200).

AML/CFT obligations

Suspicious transaction report (STR) filing is mandatory for all VASPs. Full KYC is required for every transaction. The FATF Travel Rule is enforced. Enhanced reporting obligations apply to all registered exchanges.

Real-name accounts

All users must link crypto accounts to a verified domestic bank account. Anonymous deposits are not permitted on any licensed exchange. Banks must confirm user identity before accounts are activated.

Foreign exchange integration

Cross-border cryptocurrency transfers, including stablecoin remittances, are treated as foreign exchange transactions under Korean law. Reporting obligations apply to all cross-border flows involving crypto assets.

Mandatory asset segregation

User holdings must be held separately from exchange operational funds. Insurance and proof-of-reserve reporting is required under the Act on the Protection of Virtual Asset Users (July 2024).

Corporate investment rules

Listed companies may hold 20 approved crypto assets following the lifting of the nine-year ban in January 2026. USDT and USDC are explicitly excluded from the approved asset list — a deliberate regulatory signal.

MARKET BREAKDOWN

The Big Four — Upbit, Bithumb, Coinone, and Korbit — dominate the licensed market. Upbit holds approximately 70% of domestic trading volume.

70% Upbit

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SECTION 3:

Registered Market Infrastructure



*Figure 3. 27 licensed VASPs registered with KoFIU as of March 2026. Source: KoFIU register.**© 2026 Crystal Intelligence B.V. All rights reserved.*

As of March 2026, 27 VASPs are registered with KoFIU — a market that has grown steadily since the first registrations were issued in late 2021. The country's exchanges are tightly integrated into the financial system, with close ties to local banks. The South Korean won is the universal settlement currency across platforms.

Upbit holds approximately 70% of domestic trading volume, trading, remaining the clear market leader. The market structure remains highly centralized compared to other regions.

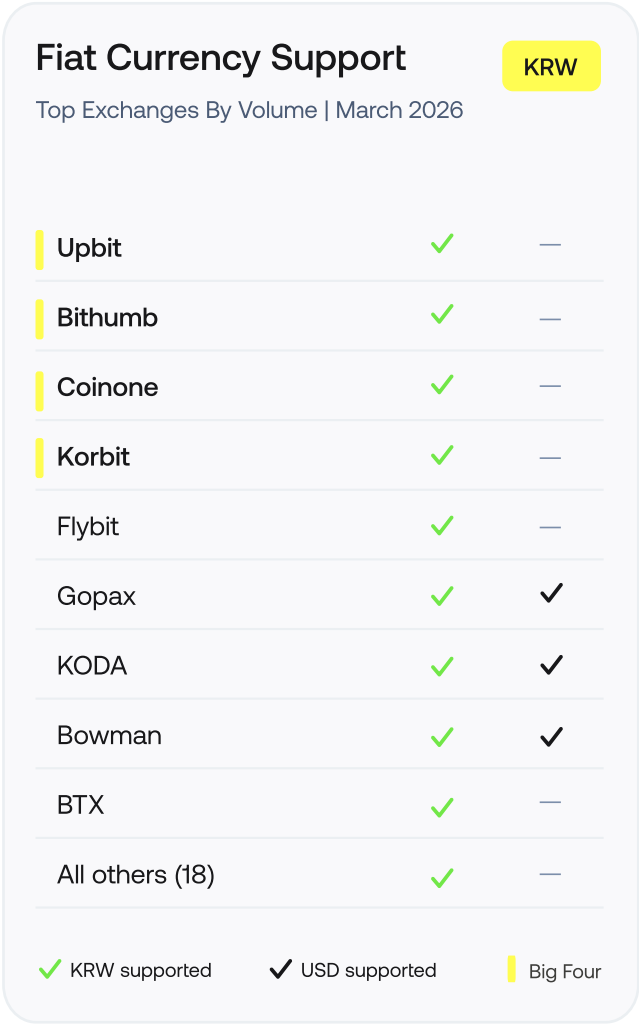

Figure 4. Fiat currency support, March 2026. Source: Crystal Intelligence, exchange listings

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Token Availability Across Licensed Exchanges

Top 8 Exchanges · 9 Tokens · March 2026

	BTC	ETH	XRP	USDT	SOL	ADA	DOGE	LTC	USDC
Upbit	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bithumb	✓	✓	✓	✓	✓	✓	✓	✓	✓
Coinone	✓	✓	✓	✓	✓	✓	—	✓	✓
Korbit	✓	✓	✓	✓	✓	—	—	✓	✓
Flybit	✓	✓	✓	✓	—	—	—	—	—
Gopax	✓	✓	✓	✓	✓	—	—	—	✓
KODA	✓	✓	—	✓	—	—	—	—	✓
KDAC	✓	✓	—	✓	—	—	—	—	—
Coverage by token	8/8	8/8	7/8	8/8	5/8	3/8	2/8	4/8	6/8

✓ Supported Big Four

Figure 5. Token availability across licensed exchanges, March 2026.

A joint KoFIU and FSS survey indicates 10.77 million users are active traders as of June 2025. Participation is concentrated in the 30s (27.9%) and 40s (27.1%) age cohorts. Wealth distribution is strongly skewed toward small holders — approximately 70% of active users held less than KRW 500,000, while only 1.7% held over KRW 100 million.

Physical crypto infrastructure remains minimal. ATMs operate only under a regulatory sandbox in Seoul, accessible to international tourists with strict identity verification requirements.

Phase two of South Korea's digital asset legislation is expected to address stablecoin regulation explicitly. The Korean government has framed stablecoins as increasingly used for cross-border settlement while also being misused for AML and foreign exchange crimes.

The most widely traded assets across licensed exchanges are Bitcoin, Ethereum, XRP, and Tether (USDT). South Korean won trading pairs dominate, with US dollar support available on select platforms for institutional clients.

70%

of active traders hold less than KRW 500,000

1.7%

of active traders hold over KRW 100 million

"South Korea's registered market is among the most traceable in Asia — real-name accounts, domestic bank linkage, and mandatory KYC create an unusually strong data environment."



Nicholas Smart
Chief Intelligence Officer
Crystal Intelligence

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SECTION 4:

P2P and Unregistered Market

P2P Platforms

Beyond licensed exchanges, a significant informal market operates through peer-to-peer platforms where individual traders buy and sell crypto directly. Crystal Intelligence analysed 247 active advertisements across four platforms in March 2026, revealing a market dominated by Tether (USDT) and structured around domestic bank transfers.

Noones leads by advertisement count with 133 listings, followed by KuCoin with 61, LocalCoinSwap with 41, and Bitvalve with 12. The top two platforms account for nearly 80% of all peer-to-peer activity observed.

Source: Crystal Intelligence original research, March 2026

South Korea's unregistered crypto market operates outside the KoFIU licensing framework. Activity is driven by social media brokers, informal over-the-counter channels, and alternative platforms including Bitrefill gift cards — which offer a route to access USDT outside the regulated exchange network.

Unregistered cash desk activity is concentrated in Seoul's Gangnam-Yeoksam-Seocho corridor, where transactions are arranged through Facebook, Telegram, and Instagram channels.

In-person trades carry limits of up to several billion South Korean won per transaction, indicating significant over-the-counter activity at scale.

These services attract both retail users seeking convenience and criminal actors seeking anonymity. They represent meaningful risk points for money laundering and fraud — risks addressed directly by the enforcement actions documented in Section 5.

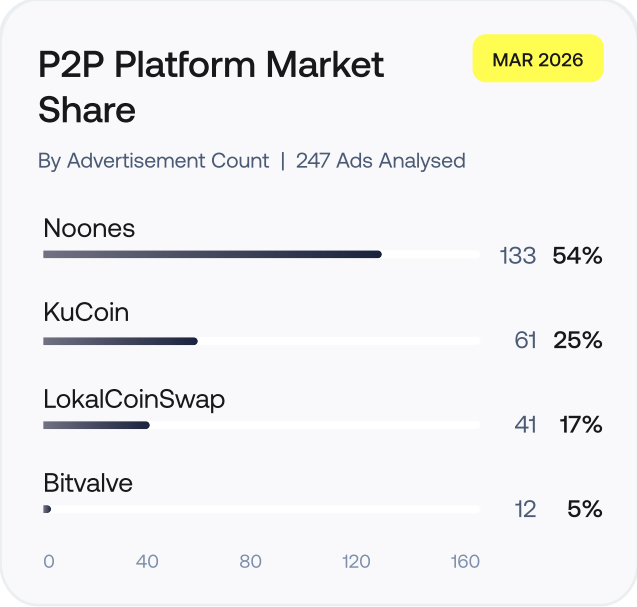

Figure 6. Payment Method Distribution. Domestic bank transfer dominates as the preferred settlement method at 43%. Source: Crystal Intelligence, September 2025.

Token Distribution

USDT represents 47% of all peer-to-peer advertisements — consistent with South Korean users' preference for dollar-linked assets as a hedge against South Korean won volatility. Bitcoin accounts for 38% of listings. Ethereum activity is modest, skewed heavily toward the sell side, suggesting limited retail buy demand.

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Stablecoin preference reflects a pragmatic approach to crypto. South Korean users prioritise price stability for transfers and value storage over speculative assets.

Stablecoin preference mirrors broader behaviour in markets where currency volatility drives demand for dollar-pegged instruments. South Korean users function as financially sophisticated actors using crypto as practical infrastructure rather than speculative instruments.

USDT and Bitcoin combined account for 85% of all peer-to-peer activity. The dominance of these two assets over more speculative tokens reflects the maturity and risk awareness of the South Korean crypto user base.

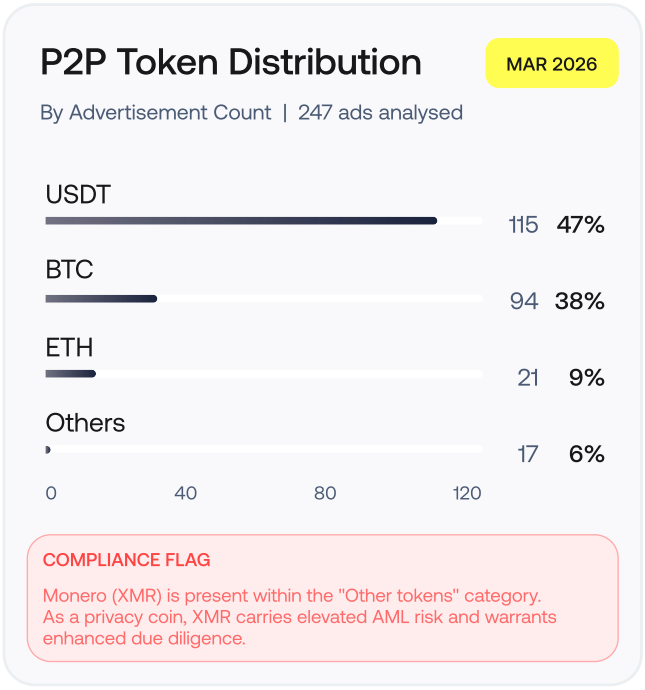

Figure 7. P2P token distribution by advertisement count, March 2026. Source: Crystal Intelligence original research, March 2026.

Payment Methods

Domestic bank transfer dominates settlement, appearing in 106 of 247 advertisements.

Korean banks represented include Hana, NongHyup, IBK, Shinhan, KB, and Woori. Gift cards represent the second most common payment method — 76 advertisements, concentrated on Noones and LocalCoinSwap, with international traders paying premiums of 15-130% over market rate.

This pattern is consistent with gift card money laundering typologies documented by FATF.

Alipay appears as a payment method in peer-to-peer listings, indicating Chinese payment rails being used to move funds across borders via cryptocurrency. Remittance services including Wise, Western Union, and M-Pesa suggest crypto being used as a corridor for informal cross-border flows.

Monero (XMR) is present across peer-to-peer listings. As a privacy coin, XMR carries elevated anti-money laundering risk and warrants enhanced due diligence.

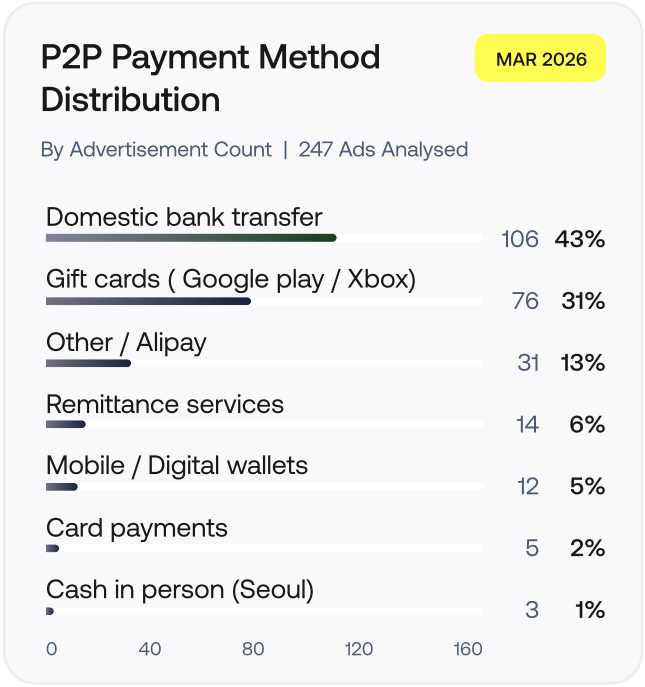

Figure 8. P2P payment method distribution, March 2026. Source: Crystal Intelligence original research, March 2026.

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SECTION 5:

Financial Crime and Threat Landscape

ILLEGAL CRYPTO TRANSACTIONS 2021-2025

$7.1B

90% transaction linked to Hwanchigi

ILLICIT FUNDS SEIZED 2025

$101M+

15.8% of all seized crime proceeds

FAKE TOKEN ARRESTS 2024

215 arrested
$228M in losses

28 separate fake token schemes dismantled in a single coordinated enforcement operation

PIG BUTCHERING INVESTMENT SCAMS 2025

$70.6M
1,565 cases +48% YoY

South Korean nationals also recruited and coerced into running overseas fraud operations

STR RECORD JAN- AUG 2025

36,684 suspicious transaction reports

Already exceeds combined totals of 2023 and 2024. Driven predominantly by Hwanchigi-linked activity.

JAN-AUG 2025

HWANCHIGI DOMINANCE

90% of all STRs linked to illegal FX remittance

$6.4B of the $7.1B total directly attributed to Hwanchigi money flows.

JAN-AUG 2025

CYBER THREAT 2025

9 incidents $196–225M combined

Lazarus Group attributed to 6 of 9 attacks. $120M+ in North Korea-linked crypto theft confirmed in the period.

2025

CRYPTO DAMAGES 2025

$332M from illegal activity

Primarily driven by investment scams. Total across fraud, theft, and market manipulation in the period.

TERRAUSD / LUNA COLLAPSE

$60B investor wealth wiped out globally

Terraform Labs leadership pursued internationally following the collapse of the algorithmic stablecoin ecosystem.

KOK TOKEN FRAUD

$2.97B from 1.86 million investors

One of the largest single crypto fraud cases in South Korean enforcement history.

Figure 9. Financial crime & risk landscape. Source: Crystal Intelligence, KoFIU, Korea Customs Service, Yonhap News Agency

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Money Laundering

South Korea's crypto market has grown rapidly, and so has the sophistication of the financial crime threats targeting it. Authorities have responded with force. Between 2021 and August 2025, enforcement actions identified $7.1B in illegal crypto transactions, with the majority linked to a money laundering method known as Hwanchigi.

Hwanchigi works by moving money across borders outside the formal banking system. Funds are converted into cryptocurrency offshore, routed through domestic exchanges, and cashed out in South Korean won. Without cross-chain tracing capability and real-time monitoring, the method is difficult to detect.

In January 2026, South Korean customs authorities dismantled a major Hwanchigi network responsible for laundering approximately $113M over four years. Suspicious transaction reports filed by Korean VASPs reached a record 36,684 cases between January and August 2025 — approximately 90% linked to Hwanchigi activity — reflecting both the scale of the problem and the growing effectiveness of detection.

Gift card abuse represents a distinct and growing typology in South Korea's peer-to-peer market. Google Play and Xbox gift cards appear in 76 of 247 peer-to-peer advertisements analysed by Crystal Intelligence and are used primarily by international traders paying significant premiums over market rate. This pattern is consistent with gift card money laundering typologies documented by the Financial Action Task Force.

Cross-border flows present additional complexity. Alipay appears as a payment method in peer-to-peer listings, indicating Chinese payment rails being used to move funds across borders. Two Russian nationals were found to have conducted over 6,000 transactions moving $42M between South Korea and Russia using the Hwanchigi method.

> *"Criminal networks exploit the gaps between jurisdictions. South Korea's Hwanchigi flows move through multiple chains, multiple borders, and multiple intermediaries. Tracing them requires cross-chain intelligence — not just compliance checkboxes. The platforms that understand this will be the ones that stay ahead."*



Nicholas Smart
Chief Intelligence Officer
Crystal Intelligence

Fraud, Scams and Human Trafficking

Investment fraud and Ponzi schemes represent the dominant financial crime threat facing South Korean crypto users. In 2025, authorities seized $101M in illicit funds connected to crypto crime — spanning investment fraud, ransomware, darknet market activity, and money laundering — making crypto assets 15.8% of all seized crime proceeds for the year. Total damages from crypto-related illegal activity reached $332M, primarily driven by investment scams.

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High-profile cases illustrate the scale. The 2022 collapse of TerraUSD and Terra Luna wiped out an estimated $60B in investor wealth globally. In October 2024, the KOK token scheme defrauded 1.86 million investors of approximately $2.97B. The same year, 215 people were arrested across 28 separate fake token schemes responsible for $228M in losses.

South Korean authorities have responded with force. In March 2026, a domestic exchange was fined $24.6M and handed a six-month partial suspension for widespread anti-money laundering failures — the largest enforcement action against a domestic exchange to date.

South Korea lost $70.6M to pig butchering investment scams in 2025 alone — a 48% rise year-on-year. Scam Alert connects victim reports with blockchain attribution to identify fraud networks, link related cases, and broadcast wallet alerts to VASPs before further transfers occur. With 685K+ scams reported and 140K+ addresses flagged, Scam Alert is the fastest route from victim report to coordinated enforcement action. It enables faster coordination between platforms, investigators, and compliance teams.

Learn more at scam-alert.io

Scam-alert.io
by Crystal Intelligence

South Korea has also confronted a growing human dimension to crypto-enabled crime.

Organized fraud networks operating from compounds across Cambodia, Myanmar, and Laos have recruited and in some cases coerced South Korean nationals into running large-scale online investment scams targeting victims in their home country.

The number of South Koreans detained in Cambodia rose from 10 to 20 cases annually in 2022 and 2023, to 220 in 2024, and 330 by August 2025. In October 2025, South Korea repatriated 64 nationals from Cambodia. A further 73 were returned in January 2026 — members of a network that used deepfake technology to impersonate investment experts and defrauded more than 860 South Koreans of approximately $33M.

Authorities estimate approximately 1,000 South Koreans are among those detained across scam operations in the region.

$70.6M

Lost to pig butchering investment scams in 2025. Cases rose 48% year-on-year, with 1,565 reported incidents.

~1,000

South Koreans estimated detained across scam compounds in Cambodia, Myanmar, and Laos

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Hack and Theft Timeline

South Korea's crypto market has faced a persistent and sophisticated cyber threat since 2017. It is one that cannot be separated from the broader geopolitical context of the Korean peninsula. North Korea's state-sponsored Lazarus Group has been attributed to six attacks on South Korean exchanges since 2018, exploiting technical vulnerabilities and, in some cases, compromising administrator credentials to authorise fraudulent transfers.

South Korean authorities have responded with increasing forensic capability. The 2019 Upbit breach — the largest single attack on a South Korean exchange — was formally attributed to Lazarus Group five years after the event, demonstrating both the patience of investigators and the difficulty of real-time attribution in state-sponsored attacks.

The timeline below documents nine major incidents between 2017 and 2025, with combined estimated losses of $196-225M.

Hack & Theft Incident Timeline 2017– 2025

COMBINED LOSSES	NK ATTRIBUTED
$196–225M	6 of 9

#	YEAR / EXCHANGE	AMOUNT	ATTRIBUTION	NOTES
1	2017 Bithumb	$7M	Suspected	User account breach. $7M stolen
2	2018 Coinrail	$40M	Suspected	Altcoin theft. One of first major Korean exchange hacks
3	2018 Bithumb	$31M	Suspected	Second Bithumb hack within 12 months
4	2019 Upbit	$49M	Lazarus ✓	ETH stolen. Attributed to Lazarus Group after five years
5	2020 KuCoin	$275M*	Suspected	Significant SK user base. Partial recovery via chain rollbacks
6	2021 Liquid	$97M	Lazarus ✓	Multi-chain theft. Funds through NK-controlled mixers
7	2022 Harmony Horizon Bridge	$100M	Lazarus ✓	Cross-chain bridge exploit
8	2023 Atomic Wallet	$35M	Lazarus ✓	Wallet software exploit SK users among victims
9	2025 Upbit	$30.4M	Suspected	Under investigation at time of publication

☐ Lazarus Group confirmed ☐ North Korea suspected

Figure 13. Hack & theft incidents 2017–2025. Source: Crystal Intelligence research, public records, Korea Customs Service.

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SECTION 6:

Looking ahead

South Korea's regulatory framework continues to evolve. Phase two of the country's digital asset legislation is expected to address stablecoin regulation explicitly — a significant development given that USDT represents 47% of all peer-to-peer trading activity observed by Crystal Intelligence in March 2026. The Korean government has framed stablecoins as increasingly used for cross-border settlement while also being misused for anti-money laundering and foreign exchange crimes.

The January 2026 decision to allow listed companies to invest in 20 approved crypto assets marks a structural shift in how South Korea positions digital assets within its broader financial system. Notably, USDT and USDC are excluded from the approved list — a deliberate signal about the regulatory treatment of foreign-denominated stablecoins.

North Korea's state-sponsored cyber threat shows no sign of abating. The November 2025 Upbit hack — suspected to involve the Lazarus Group — demonstrates that even the country's most tightly regulated exchanges remain targets.

South Korea's approach to crypto regulation is being watched closely across the region. Its combination of strict licensing, mandatory real-name accounts, active enforcement, and phased legislative development offers a template that other Asian markets are considering.

For organizations operating in or entering the South Korean market, the compliance bar is high and rising. Crystal Intelligence provides the blockchain intelligence, cross-chain tracing capability, and hyperlocal insight needed to meet that bar with confidence.

Discover how Crystal Intelligence's investigation, compliance, and advisory solutions can help your organization solve the complex puzzle of crypto regulation by booking a demo here.



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