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## MARKETS

# South Korea Joins Cryptocurrency Crackdown

Regulator bans 'initial coin offerings,' will step up inspections of virtual-currency exchanges



The South Korean won is the third-most-used currency for bitcoin purchases after the Japanese yen and the U.S. dollar.

PHOTO: BENOIT TESSIER/REUTERS

By *Gregor Stuart Hunter*

Updated Sept. 29, 2017 1:26 a.m. ET

South Korea will step up inspections of virtual-currency exchanges and has banned so-called initial coin offerings, joining in a widespread cryptocurrency crackdown.

Initial coin offerings—the sale of bitcoin-like “tokens” to fund new businesses—have come under intense scrutiny this year from regulators world-wide who see cybersecurity and fraud risks in the red-hot market. Korea’s Financial Services Commission cited a rise in criminal cases involving cryptocurrencies. In addition to ICOs, the regulator said it would ban coin margin transactions—buying virtual currencies with borrowed money.

The penalties for illegal acts will be “stern,” it added.

“South Korea is following China, the U.S. and Singapore to tighten regulations on ICOs and shares the view of other countries about the risks associated with trading virtual currencies,” the regulator said. “The FSC is concerned that ICOs would lead to fraudulent transactions and is concerned about the market becoming overheated.”

The U.S. Securities and Exchange Commission said this week it had established a cyber unit to target internet-related misconduct, including violations of market rules involving ICOs and distributed-ledger technology, also known as a blockchain, which underpins cryptocurrencies.

China banned fundraising through ICOs this month as part of a wider crackdown on bitcoin trading. Financial regulators in Hong Kong and Singapore have said in recent months that they would regulate ICOs like any other fundraising, citing fraud concerns as well as the risk of money laundering and terrorist financing.

The U.K.’s Financial Conduct Authority warned investors this month that ICOs are “very high-risk, speculative investments” and vulnerable to fraud.

Trading volume on South Korea’s bitcoin exchanges increased substantially during the summer as the price of the virtual currency more than quintupled to around \$5,000 before falling sharply. Bitcoin last traded down 3.5% at \$4,051 on Bitstamp.

The South Korean won is the third-most-used currency for bitcoin purchases after the Japanese yen and the U.S. dollar, according to market monitor CryptoCompare. A year ago, it ranked sixth.

The country's internet security agency probed a suspected cyberattack at Seoul-based bitcoin exchange Bithumb in July, which said it lost personal data on 30,000 customers, according to the Yonhap news agency.

*—Yun-Hee Kim contributed to this article.*

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