

Korea's plan to implement the G20 High-Level Principles on Beneficial Ownership Transparency

The G20 Summit in 2014 adopted the G20 High-Level Principles on Beneficial Ownership Transparency to prevent the misuse of legal persons and arrangements for activity such as money laundering, tax evasion, and corruption. Korea is committed to advocate the directions as follows to effectively implement the Principles.

1. Definition of beneficial ownership

Korea amended the Act on Reporting and Using Specified Financial Transaction Information (the Financial Transaction Reports Act (FTRA)) in 2014. Before the amendment, only those considered high-risk clients were subject beneficial ownership verification, but the 2014 revision of the Act has made it obligatory to identify beneficial ownership information of all legal person clients.

To set criteria for financial institutions to determine beneficial owners of legal person clients and group clients, Korea is working to revise the Enforcement Decree of the FTRA. Under the revised Enforcement Decree, there would be three-step criteria: i) any person who owns 25 percent (controlling interest) or more shares of the company would be deemed as a beneficial owner of the company, ii) when a person holding the controlling interest cannot be identified, other methods would be applied to determine beneficial ownership, and iii) if all above mentioned measures fail to identify beneficial ownership, the representative of the company would be considered a beneficial owner. When the information on beneficial ownership is identified based on the above mentioned criteria, financial institutions should collect information on beneficial ownership of their clients.

2. Assessment of the risks

In Korea, when making financial transactions, financial institutions should assess various risks, such as money laundering, which can arise depending on different characteristics of clients. Financial institutions should apply different procedures and methods to verify beneficial ownership of their clients, in accordance with the level of risks assessed.

Moreover, financial institutions in Korea should be especially careful with transactions which are complicated without clear economic and legal purposes, large-scale, or abnormal. Financial institutions should establish a risk-based transaction monitoring system to thoroughly review the background and the purpose of such transactions and record and manage review results

3. Access to information regarding the beneficial ownership of legal arrangements

Korea is committed to advocate the direction where the information on beneficial ownership is collected and the law enforcement authority which investigates money laundering and terror financing can have access to such information.

Financial institutions, when verifying information on beneficial ownership of legal person clients, should verify the documents such as the corporate register certificates, the articles of association, and the shareholders list.

4. Cooperation among domestic and international authorities

In order to exchange information on beneficial ownership of corporations, Korea will make efforts to promote global cooperation so as to coordinate with competent authorities in an expeditious manner.

5. Efforts to further improve beneficial ownership transparency

The amendment of the Act on Reporting and Using Specified Financial Transaction Information will expand, from January 2016, the scope of the clients subject to beneficial ownership verification from the current high-risk clients to all clients. Korea will continue its efforts to improve the transparency of the information on beneficial ownership.