

Korea’s emerging stablecoin framework

South Korea does not yet have a regulatory framework dedicated to stablecoins. Instead, they fall under the general definition of “virtual assets” under the Virtual Asset User Protection Act as being “electronic certificates (including all associated rights) that have economic value and that can be traded or transferred electronically”.

Regulatory initiatives and policy debates, however, are already progressing. On 15 January 2025, the Virtual Asset Committee of the Financial Services Commission (FSC), the primary financial regulatory authority in South Korea, announced the second phase of its legislative agenda for virtual assets, with a primary focus on establishing a dedicated regime for stablecoins.

Stablecoins subsequently became a prominent policy issue, particularly during the June 2025 presidential election, when institutionalising a Korean won-denominated (KRW) stablecoin was a key campaign pledge of President Lee Jae-myung. Following his election, the legislative momentum has accelerated.

The initial policy debate centred on the systemic risks, including threats to monetary sovereignty, capital flight and trade settlements in foreign-denominated stablecoins – all of which led to concerns over regulatory arbitrage. More recently, however, the discussion has shifted towards recognising the benefits of a domestically regulated KRW stablecoin, such as their potential to enhance the global competitiveness of KRW and foster innovation in domestic payment systems.

This article provides an overview of the proposed legislation on stablecoins in South Korea, focusing on the key issues of issuer eligibility and the regulatory treatment of foreign-issued stablecoins.

Current regulatory treatment

Because stablecoins are currently treated the same as any other virtual asset, the existing framework under the Protection Act, the Act on Reporting and Using Specified Financial Transaction Information, and numerous de facto

informal supervisory practices – often referred to as “shadow regulations” – apply.

This means that the issuance of virtual assets (including stablecoins) is prohibited. In addition, entities engaged in converting stablecoins into fiat currency for third parties are treated as virtual asset service providers (VASPs) that must be registered with the FSC. This classification creates two immediate challenges.

First, South Korean VASPs must obtain real-name bank accounts for clients, but domestic banks tend to be highly conservative in granting such accounts. Second, South Korean financial institutions are prohibited from holding virtual assets on their balance sheets. Whether this prohibition extends to stablecoins is unclear, but it could significantly constrain licensed intermediaries’ roles in stablecoin distribution.

As a result, while distributors (such as exchanges and payment service providers) are indispensable to adopting stablecoins, they face substantial compliance obligations and regulatory uncertainty. These challenges highlight why policymakers and stakeholders have increasingly called for a supervisory framework for stablecoins.

Legislative proposals under review

Three legislative proposals are under review in the National Assembly of Korea. Together, the three proposals illustrate differing philosophies on how to regulate stablecoins: comprehensive regulation; narrow but strict oversight; and innovation-focused openness.

The Digital Asset Basic Act, introduced by parliamentary representative Byung-deok Min in June 2025, creates a comprehensive legal framework for digital assets that distinguishes between “general digital assets” and “asset-linked digital assets”, the latter category covering stablecoins and requiring licensing from the FSC.

Accordingly, stablecoin issuers are required to maintain at least KRW500 million (USD360,000) in capital, establish adequate refund reserves, submit a credible business

and repayment plan, and file a registration statement detailing technical infrastructure, issuance limits, and redemption mechanisms. This bill resembles the EU’s Markets in Crypto-Assets Regulation for encompassing both stablecoins and other digital assets under a unified regime.

Fellow representative Do-geol Ahn sponsored the Issuance and Distribution of Value-Stabilised Digital Assets (the Value-Stabilised Assets Act) in July 2025. Unlike the broader Digital Asset Basic Act, the Value-Stabilised Assets Act focuses exclusively on stablecoins. The bill defines stablecoins as digital assets linked to legal tender designed to preserve stable value, and imposes a higher capital requirement of KRW5 billion.

It also sets conditions for financial integrity, social credibility, internal controls, qualified personnel, and cybersecurity safeguards. The proposal prohibits paying interest, discounts or other remuneration to stablecoin holders while requiring issuers to prepare and publish prospectuses and disclose reserve balances monthly.

Finally, the Act on Payment Innovation through Stable Digital Assets (the Payment Innovation Act) was introduced by parliamentary representative Eun-hye Kim in July 2025. This bill defines stablecoins as assets pegged to legal tender or other stable-value assets, issued on distributed ledgers, and redeemable on demand. It requires issuers to maintain KRW5 billion in capital, while holders are granted redemption rights enforceable within 10 days.

Foreign-issued stablecoins

A key distinction among the three bills lies in their approach to foreign-issued stablecoins. The Digital Asset Basic Act adopts the most restrictive approach by requiring foreign issuers to establish a local branch or subsidiary in South Korea and obtain a licence from the FSC, thereby subjecting them to the same standards as domestic issuers.

The Value-Stabilised Assets Act takes a more moderate stance by requiring foreign stablecoins to undergo a rigorous eligibility assessment before they can be listed on South Korean exchanges.

This assessment would evaluate the licensing status of the foreign issuer in its home jurisdiction, the adequacy and composition of reserve assets, the existence of comparable anti-money

laundering and counter-terrorism financing safeguards, and the availability of dispute resolution mechanisms.

The Payment Innovation Act is the most permissive, allowing foreign stablecoins to be distributed in South Korea upon a simple registration with the FSC, provided that basic prudential and operational requirements are satisfied.

These approaches can be summarised as follows:

Bill	Regulatory model for foreign stablecoins	Degree of restrictiveness	Supervisory authority
Digital Asset Basic Act	Local presence and licence required	Most restrictive	FSC
Value-Stabilised Assets Act	Exchange listing permitted subject to eligibility review	Moderate	FSC and virtual asset service providers where foreign stablecoins are listed
Payment Innovation Act	Simple registration sufficient	Most permissive	FSC

In short, regardless of the model ultimately adopted, the current unrestricted circulation of foreign stablecoins, such as USDT and USDC, in South Korea will end.

Issuer eligibility

Another core issue is the eligibility of issuers. While the Payment Innovation Act expressly permits both financial institutions and non-financial institutions to issue stablecoins, the other two bills also do not restrict issuance to financial institutions. Based on the current drafts of the three bills, any stock corporation meeting capital and governance requirements could obtain a licence.

However, South Korea has a history of taking a more cautious approach when opening the door for new financial innovations. For example, the government has required a minimum equity stake from financial institutions in internet-only banks to ensure prudential oversight and reduce risks associated with industrial capital.

In fact, the Bank of Korea has repeatedly cited concerns about monetary policy disruption, inflationary risks, and seigniorage. Allowing large non-financial conglomerates or technology companies to issue stablecoins, in the Bank of Korea’s view, would effectively authorise a form of “narrow banking”, undermining South Korea’s longstanding principle of separation between commerce and finance.

Given this context, any final legislation is likely to limit issuance to banks and regulated financial institutions or, alternatively, allow non-financial issuers to participate only within consortia where financial institutions hold controlling stakes. Reports suggest that major South Korean technology companies and domestic virtual asset exchanges are in negotiations with banks to form such consortia in anticipation of the

forthcoming framework.

Outlook

The debate over stablecoin regulation reflects the broader policy tension between safeguarding monetary sovereignty and financial stability, and fostering technological innovation and market competitiveness. The three legislative proposals present contrasting philosophies: prudential restriction in the Digital Asset Basic Act; balanced openness in the Value-Stabilised Assets Act; and innovation-driven permissiveness in the Payment Innovation Act.

All three bills are still at an early legislative stage, and their passage timeline is uncertain. Even so, given the political drive and sustained debate, market participants – whether issuers, distributors or financial institutions – should begin preparing in advance for a regime that will fundamentally reshape the treatment of stablecoins.

South Korea is emerging as a pivotal jurisdiction in the global debate on stablecoin regulation. With one of the world’s most dynamic financial markets and an active retail investor base, especially among younger generations, adoption is likely to be both swift and far-reaching. Once enacted, the stablecoin regime will not only influence domestic payment and settlement systems, but also shape the country’s role as a regional leader in digital finance.



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