

# ASIAPAC BANKING GUIDE FOR NONPROFITS


*HOW TO OPEN AND MANAGE AN ORGANIZATIONAL  
BANK ACCOUNT*



**SOUTH KOREA**



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# 1. OPENING AN ORGANIZATIONAL BANK ACCOUNT

## a. What are the requirements to open an organizational bank account?

i. Do organizations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

While organizations do not have to be physically present in Korea and can be operating overseas but still have a bank account in Korea, in order to open a bank account, a representative of the organization has to physically visit the bank in Korea with required documents initially.

However, in practice, banks may apply reinforced KYC procedures if the organization does not have a presence in Korea. Although the specific requirements will vary depending on the specific bank used, the bank may typically ask further questions as to the business purpose of opening the bank account. Furthermore, banks may require notarized translations, apostilles, or consular confirmations regarding documents issued overseas.

Practically, the bank account may have limited utility without an in-country representative with continuous presence, as carrying out transactions remotely (through a mobile app or the bank's website, or via email) is difficult for foreign entities due to requirements related to compliance with reporting obligations under Korean laws. Thus, in practice and to be able to use the bank account for operational purposes, either the entity's presence in Korea (an entity established in Korea) or an agent of the entity physically in Korea with the authority to act on behalf of the foreign entity will be necessary.

**ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)**

Please see below a list of documents generally required to open a bank account in Korea. Note that there may be additional requests based on each bank's practice and the specifics of the organization opening the bank account:

- (1) One of the following:
  - a. a document issued by the government of the country where the entity is established certifying that the entity has been established in the relevant country/jurisdiction (such as certification of incorporation, corporate registry, etc.); or
  - b. an investment registration certificate issued by the Financial Supervisory Service of Korea;
- (2) A document to verify the identity of the agent (the person visiting the bank on behalf of the entity);
- (3) Notarized power of attorney;
  - “Notarized” means (i) consular confirmation or (ii) notarization by a notary office in the country where the entity is established and verification by apostille. Additionally, a translation into Korean and notarization of (i) or (ii) are required; and
- (4) A shareholder registry of the foreign entity or an official letter from the entity certifying (i) the name (including English name), (ii) date of birth, (iii) ownership percentage of the entity, and (iv) nationality of the final beneficial owner of the entity (e.g., CEO/Representative).

In addition, the entity must stamp its seal on its bankbook when opening the account. There is no specific requirement for the entity's seal – the seal does not need to be an official seal of the entity, and the entity can simply create a seal in Korea and use it for purposes of opening and maintaining the bank account only. The seal stamped on its bankbook will need to be maintained and be used in carrying out transactions such as drawing down funds from the bank account.

Also note that based on the bank's policy, the entity will need to show that it is an entity of substance by submitting financial statements and other related documents. Absence of such documents may result in restrictions on the transactions that can be carried out, such as a low limit on fund drawdowns.

**iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?**

As noted above, it is not possible to complete the transaction online. A representative of the organization must visit the bank in person. The person visiting the bank to open the bank account can be designated and act on behalf of the organization through a power of attorney.

We have not come across any circumstances where banks have allowed for physical signing for the purposes of opening bank accounts to be done before a notary or through the embassies.

**iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?**

Once the requisite documents are submitted, the account will be set up almost immediately.

## **2. BANKING ACTIVITIES**

**a. What customer due diligence requirements are in place and what is their impact on civil society organizations' banking activities?**

Korean banks are subject to customer due diligence ("CDD") requirements under the Special Finance Information Act ("SFIA"). Such requirements apply uniformly to for-profit and not-for profit entities, including scientific or religious organizations.

Accordingly, certain information and supporting documents are required in order to open an account or engage in designated financial transactions (wiring sums exceeding KRW 1,000,000; transactions involving more than USD 10,000; and any other transactions involving more than KRW 10,000,000) through Korean banking establishments.

Regarding legal entities, including not-for-profit entities (“NPO”), banking establishments must verify the legal status of the entity, the identity of its representative, and the control of the entity. For this purpose, information and documentation related to the existence and registration of the entity, identity documents of the representative, and information related to the “actual owner,” defined as the natural person ultimately controlling the entity will be required, as noted under Section 1.

Depending on the type of transaction and type of entity, additional information regarding source of funds may be required as differing standards and requirements apply according to the presumed risk level.

If entities refuse to comply with CDD requirements, banking establishments are required to refuse provision of services.

**b. Which internal principles or official (central bank) “suspicious transaction” monitoring criteria are in place affecting the civil society organizations? Is it publicly available?**

No requirements specific to civil society organizations (“CSOs”) exist. Criteria regarding suspicious transactions are promulgated as laws and supervision rules. However, internal rules and principles adopted by banks are typically not publicly available.

Financial institutions must identify and report suspicious transactions to the Korea Financial Intelligence Unit (“KoFIU”) under SFIA, including when a transaction involves a large amount of cash (in excess of KRW 10 million), when they have justifiable grounds to suspect that assets received in relation to a financial transaction are related to illegal activities, or a transaction is used for money laundering or for the support of terrorist activities. Financial institutions must use their expertise and experience in determining whether there is a justifiable ground to form the above suspicions, and take into account circumstances such as the client’s usual transactions, profession, or business. The report must include information regarding the reporting entity, the counterparty, the content of the suspicious transaction, the justifiable ground for considering such a transaction suspicious, and the types of supporting material. Supervision rules adopted under SFIA stipulate that regarding smurfing specifically, factors such as the number of counterparties, transactions, entities, or branches involved, and the relevant period may be considered and reported to the



KoFIU. On the overall, Korean authorities and banks follow the position and guidelines of the Financial Action Task Force in implementing rules related to anti-money laundering and combating the financing of terrorism (“AML/CFT”), including suspicious transaction reporting.

**c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).**

**i. If yes, is the list of jurisdictions publicly available?**

Yes. Lists of sanctioned individuals and entities are published by public authorities such as the KoFIU, the Financial Services Commission, the Bank of Korea, and the Ministry of Economy and Finance. Restrictions are generally adopted against individuals and entities rather than entire jurisdictions in case of financial transactions. Jurisdictions, individuals, and entities designated by the UN or the Office of Foreign Assets Control can generally be expected to be subject to sanctions and restrictions in Korea. See also question 3(d) below.

**ii. What would be the procedures the bank would follow in this case for their CSO clients?**

No specific procedures are adopted in relation to CSO clients. Transactions directly involving sanctioned individuals and entities must obtain authorizations from the Bank of Korea. In order to obtain an authorization, the client must visit the Bank of Korea in person for an interview and submit the application. Decisions are made within 20 days from the submission date.

In practice, clients may face difficulties when initiating transactions toward jurisdictions subject to sanctions even if the specific entity or individual is not designated. Available resources and types of transaction will depend on the specific bank. See also question 3(d) below regarding Russian sanctions.

### 3. OBLIGATIONS AND REPORTING REQUIREMENTS

**a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?**

No general rules regarding CSO clients exist. See section 2 above regarding CDD and the reporting obligation in case of suspicious activities.

**b. What obligations do banks have to protect the privacy of clients' information?**

Banks must comply with the provisions of the Personal Information Protection Act, which ensures that any personal information -- which includes all information allowing the identification of an individual, whether used alone or in combination with other information -- is processed in compliance with data protection principles such as legality, data minimization, purpose limitation, accuracy, security, and guaranteeing certain rights to individuals whose personal information is processed.

**c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?**

See section 2 regarding CDD and reporting obligations in case of suspicious activities.

**d. Are you aware of any change in regulation/practice due to the Russian sanctions?**

Yes, in March 2022, South Korea's government joined the global efforts to impose sanctions against Russia's financial system by imposing restrictions on transactions with major Russian banks and excluding them from the SWIFT payments system.

On March 1, 2022, the South Korean Ministry of Economy and Finance issued a joint statement with the Ministry of Foreign



Affairs setting out details of the measures that the South Korean government is taking against Russia.<sup>1</sup> Under this announcement, the Korean government stated it will actively participate in the following 3 sanctions:

- (1) prohibiting transactions with major Russian banks;
- (2) suspending investment in Russian treasury bonds; and
- (3) removing Russian banks from the SWIFT messaging system.

Major Russian banks that the government suspended financial transactions with include the following: Sberbank, VEB, PSB, VTB, Otkritie, Sovcom, Novikom, and their affiliated entities. The Korean government also asked Korean financial institutions to closely monitor and manage their internal controls and procedures regarding the above sanctions.

Subsequently, on March 7, 2022, the Korean government announced its decision to impose additional financial sanctions on Russia, including prohibition of transactions with the Central Bank of Russia and sovereign wealth funds. Also, it prohibited transactions with Bank Rossiya.<sup>2</sup>

These measures limit the scope of banking activities with Russian banks and wire transfers to/from Russia.

Finally, on June 28, 2023, the South Korean Foreign Ministry imposed unilateral sanctions on a Russian individual, Choi Chon Gon, of Korean descent, involved in illegal financing of North Korea's weapons of mass destruction programs. He is known to have departed for Russia while being investigated in South Korea for an alleged financial crime.<sup>3</sup> The announcement was the first time for the Korean government to add an international individual of Korean descent to the blacklist.<sup>4</sup>

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1 Ministry of Economy and Finance of Korea, Korea Announces Additional Financial Sanctions Against Russia Including Central Bank of Russia (March 1, 2022), at <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5302>

2 Ministry of Economy and Finance of Korea, Korea Announces Additional Financial Sanctions Against Russia Including Central Bank of Russia (March 7, 2022), at <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5308>

3 <https://www.reuters.com/world/asia-pacific/south-korea-unveils-sanctions-russian-national-over-norths-weapons-programmes-2023-06-28/>

4 See <https://www.fsc.go.kr/no010101/80293>



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