

Our Ref: INS/TEC/6/45

11 March 2025

To : Chief Executives / Responsible Officers of all insurance institutions (“IIs”)¹

Dear Sir/Madam,

Statements issued by the Financial Action Task Force (“FATF”)

Frequently Asked Questions in relation to Anti-Money Laundering and Counter-Terrorist Financing

Further to our letter of 8 November 2024, we are writing to inform you of the following developments:

(1) The FATF Statement

(a) High-Risk Jurisdictions subject to a Call for Action

(i) Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures – The Democratic People’s Republic of Korea (“DPRK”) and Iran

DPRK

The FATF remained concerned by the DPRK’s continued failure to address the significant deficiencies in its anti-money laundering and counter-financing of terrorism (“AML/CFT”) regime and the serious threats posed by the DPRK’s illicit activities related to the proliferation of weapons of mass destruction and its financing.

DPRK has increased connectivity with the international financial system which raises proliferation financing risks. The FATF therefore calls for greater vigilance and renewed implementation and enforcement of countermeasures against the DPRK.

¹ Definition of IIs should be construed in conjunction with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (“GL3”), i.e. authorized insurers and reinsurers carrying on long term business, and licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business.

Iran

Given Iran's failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, the FATF fully lifts the suspension of countermeasures and call on its members and urges all jurisdictions to apply effective countermeasures, in line with Recommendation 19.

The FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system until Iran implements the measures required to address the deficiencies identified with respect to countering terrorism-financing in the Action Plan.

The statement on the aforesaid high-risk jurisdictions subject to a Call for Action can be found on the website of the FATF (<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-february-2025.html>).

- (ii) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction – Myanmar

The FATF urged Myanmar to work to fully address its AML/CFT deficiencies. Despite recent progress, it will remain on the list of countries subject to a call for action until its full action plan is completed. The call by the FATF on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from Myanmar in the October 2022 statement remains in effect. In this connection, IIs should apply enhanced due diligence measures, proportionate to the risks, to business relationships and transactions with natural and legal persons from Myanmar.

- (b) Jurisdictions under Increased Monitoring

In addition, the FATF issued an updated statement on Jurisdictions under Increased Monitoring which can be found on the website of the FATF (<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-february-2025.html>).

The statement sets out the list of jurisdictions that have committed to resolve swiftly strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring. The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information

presented in the statement in their risk analysis.

As the FATF will continue to assess the progress made by these jurisdictions in addressing the deficiencies in their AML/CFT systems and issue updated statements from time to time, IIs are reminded to browse the website of the FATF for the latest information.

(c) Other Outcomes from the FATF Plenary, 19 – 21 February 2025

In addition to the statements in (a) and (b) above, the FATF also published various other outcomes of its recent Plenary which may be of interest to IIs, including the following:-

- (i) The FATF will revise the FATF Standards (mainly Recommendation 1 on assessing risk and applying a risk-based approach) to better support financial inclusion. The changes will encourage financial institutions applying simplified measures where risks are lower, and thus facilitating people's access to financial services. The FATF is working on new guidance that will equip policy makers and regulators with practical examples to encourage widespread adherence to the changes.
- (ii) The FATF will consult on potential revisions to its Recommendation 16 on payment transparency which would improve standardisation and quality of originator and beneficiary information in payment messages. This should help achieve greater transparency and security, avoid duplication and foster more effective compliance processes by financial institutions, while also supporting faster, cheaper payments.
- (iii) The FATF seeks input on its work to understand Complex Proliferation Financing and Sanctions Evasions Schemes, including information on best practices and challenges on identifying, assessing, understanding and mitigating Proliferation Financing risk, and views on how the FATF can support the private sector to meet their obligations to counter proliferation financing.

Further information on the FATF Plenary's outcomes can be found on the website of the FATF (<https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomes-fatf-plenary-february-2025.html>).

(2) Frequently Asked Questions

FAQs in relation to AML/CFT have been updated² today. The FAQs published on 1 June 2023 are superseded with immediate effect. The updated set of FAQs is

² Addition of Questions 35 and 43, and updates of Questions 2 and 11.

available on our website (https://www.ia.org.hk/en/infocenter/faqs/faqs_9.html).

Should you have any enquiries regarding the above, please contact Mr Raven Chan at 3899 9754 or Mr Timothy Yim at 3899 9832.

Yours faithfully,

Dickson Chui
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Conduct Supervision Division
Insurance Authority

c.c. The Hong Kong Federation of Insurers
Professional Insurance Brokers Association
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