

12 March 2018

Our Ref: INS/TEC/6/45

To : Chief Executives of all authorized insurers
carrying on long term business

Dear Sirs,

Guidance on Counter Proliferation Financing issued by the Financial Action Task Force (“FATF”)

We are writing to draw your attention to a guidance paper recently issued by the FATF entitled “Guidance on Counter Proliferation Financing – The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction”¹, which is available on the FATF’s website (<http://www.fatf-gafi.org/publications/financingofproliferation/documents/guidance-counter-proliferation-financing.html>).

The paper provides guidance to facilitate both public and private sector stakeholders in understanding and implementing proliferation financing-related Targeted Financial Sanctions made under United Nations Security Council Resolutions (“UNSCRs”). Various sections of the guidance are relevant for you to better understand and mitigate proliferation financing risks, including:

- Taking note of circumstances where customers and transactions are more vulnerable to be involved in proliferation financing activities, including factors that are relevant to the sanctions regime on the Democratic People’s Republic of Korea;
- Identifying high risk customers and transactions, and applying enhanced scrutiny, using a risk-based approach; and

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¹ This paper updates two earlier FATF guidance papers: The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction (2013) and Best Practices Paper to Recommendation 2 Information Sharing and Exchange Related to the Financing of Proliferation Among Relevant Authorities at the Domestic Level (2012).

- Undertaking reasonable efforts to collect additional information (e.g. available typologies of proliferation finance) related to identified high-risk customers and transactions in order to identify, and avoid engaging in, prohibited activities, and to enable follow-up actions.

You are recommended to review the paper carefully to enhance the understanding of proliferation financing-related Targeted Financial Sanctions and the range of possible approaches that can be adopted, depending on your own situation, risk profile and risk appetite.

Should you have any enquiries regarding the above, please contact Mr Steven Ho at 3899 9752 or Mr Penny Chiu at 3899 9756.

Yours faithfully,

Dickson Chui
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c.c. Chairman, The Hong Kong Federation of Insurers