

Hong Kong's Regulatory Regime on Anti-Money Laundering and Counter Terrorist-Financing



**Office of the Commissioner of Insurance
The Government of the Hong Kong Special Administrative Region**

International AML Standards

Financial Action Task Force (“FATF”)

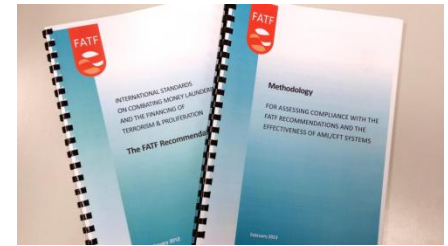
Third Mutual Evaluation on Hong Kong in 2008

- Deficiencies found in the following measures :
 - ❑ Customer Due Diligence and Record Keeping ✓
 - ❑ Responsibilities and Powers in regulating financial institutions ✓
 - ❑ Criminal or Civil Sanctions ✓
 - ❑ Regulation on Money Value Transfer Service ✓
 - ❑ Disclosure or declaration of cross-border transportation of cash or bearer instruments ✗

International AML Standards

FATF Recommendations 2012

- Renumber and restructure 40 recommendations
- Adopting a risk-based approach



FATF Methodology 2013

- Other than “Technical Compliance (“TC”)” assessment, “Effectiveness” assessment is added
- TC : Availability of laws or guidelines
- Effectiveness : Are these laws or guidelines effectively implemented, are these institutions / staff aware and enforcing the laws & guidelines

→ Your participation is very important

International AML Standards

Member Jurisdictions assessed under new FATF standards :

- Spain, Norway, Belgium, Australia and Malaysia

Result :

- TC : Achieved most technical compliance

- Effectiveness : Mostly moderate levels, room for improvement

Examples :

- ◆ **Financial institution (“FI”) staff has good understanding of money laundering but less appreciation of terrorist financing risk**
- ◆ **Good Customer Due Diligence (“CDD”) Measures, but over-reliance by some sectors on the CDD undertaken by banks when accepting business through agency arrangements**
- ◆ **Lack of consistency in processes of ascertaining beneficial ownership information**
- ◆ **Undue reliance on registry information and customers’ self declaration**
- ◆ **Delay and inaccuracy in “Suspicious Transaction Reporting (“STR”)**

International AML Standards on Mutual Evaluation

- **FATF will conduct the fourth round mutual evaluation on Hong Kong in 2018**
- **The Government has implemented a work plan in accordance with the latest FATF standards and methodology, including:**
 - (1) Implementation of a money laundering risk assessment mechanism**
 - (2) Public consultation on establishing a reporting system on the physical cross-boundary transportation of cash (“R32 System”)**
 - (3) Identification of gaps between existing legislation / practice and standards**
 - (4) Discussion with stakeholders on how to improve effectiveness of existing legislation / practice**

International AML Standards on Mutual Evaluation

Your roles and responsibilities

- (1) Establish anti-money laundering and counter-terrorist financing (“AML/CFT”) strategies and measures**
- (2) Adopt a risk-based approach against AML/CFT activities**
- (3) Review existing strategies and measures for any gap with regulator’s requirement, and closing the gap**
- (4) Raise awareness and implementation capabilities of your staff in complying with these measures**

International AML Standards on Mutual Evaluation

Contributions :

- (1) Minimise your company's risk on AML/CFT sanctions**
- (2) Raise your company's reputation in AML/CFT's efforts**
- (3) Enhance Hong Kong's reputation in AML/CFT's efforts**