



Regulatory Update on AML/CFT

15 December 2022



HONG KONG MONETARY AUTHORITY
香港金融管理局

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Evolving risk landscape...



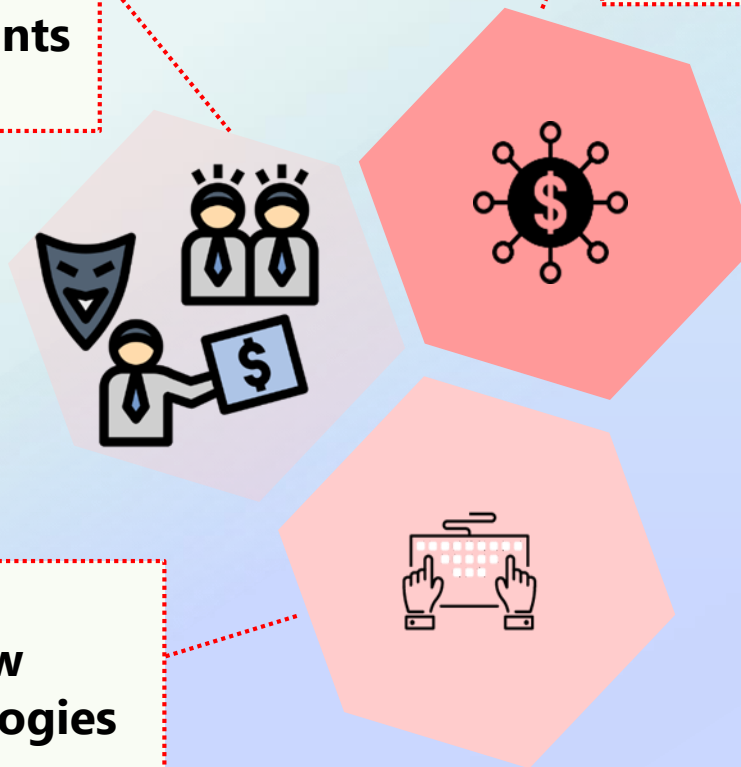
HONG KONG
MONEY LAUNDERING
AND TERRORIST FINANCING
RISK ASSESSMENT REPORT



July 2022

**Fraud and
mule accounts**

**New payment
methods**



**New
technologies**

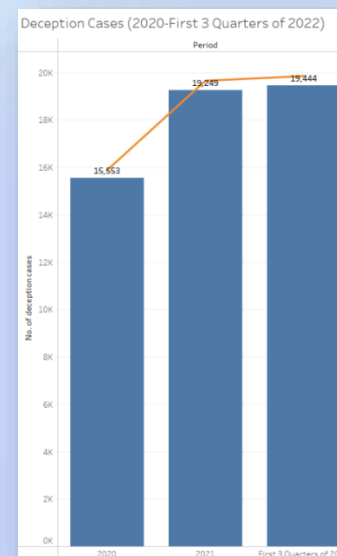
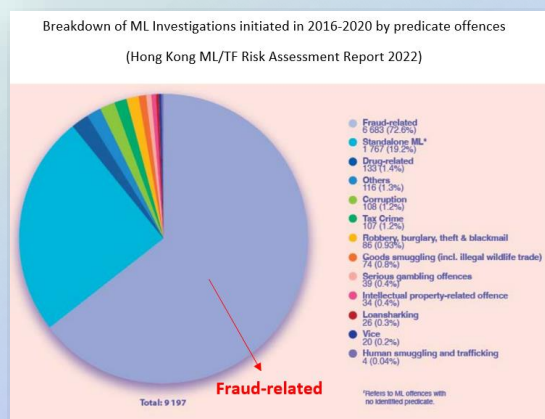


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1. Fraud and Money Mules



- Fraud-related crimes remain in the majority (~70%)
- Deception cases increase: 15,553 (2020), 19,249 (2021), 19,444 (Q3 2022)
- Bank accounts opened by money mules or stooges remain a common means of laundering fraud-related funds through the banking sector.



Anti-Fraud Efforts



FMLIT



- **>19000** new suspicious accounts and networks identified, with **HK\$820 mn** in criminal proceeds restrained or confiscated by Q3 2022
- **28 alerts** issued since its establishment

Bank-to-bank Sharing



- Corporate customers suspected to be involved in fraud

Surge in Fraud
>19000
deception cases
↑ **40%** y-o-y
>HK\$3.3 bn
losses
In Q3 2022

24/7 Stop Payment Mechanism



- **>HK\$2.2 bn** intercepted in suspected fraudulent payments in 2021
- **22 banks** are able to provide this service

Search Engine “Scameter”



- Enables public pre-transaction check of information (e.g. bank account number) against Police database

Publicity and education



- HKMA's education webpage and social media posts on “Don't Lend/Sell Your Account”
- Collaborate with Police on publicity campaign



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Anti-Fraud Efforts (Next Steps)



- Step up FMLIT: volume and quality of intelligence, and expansion of memberships
- Launch of bank-to-bank sharing platform
- Study Safe Harbour Provisions
- Enhance 24/7 Stop Payment Mechanism
- Increase publicity and education



2. New Payment Methods



- NPM providers have gained popularity globally, including in Hong Kong
- Present additional in assessing and mitigating risks



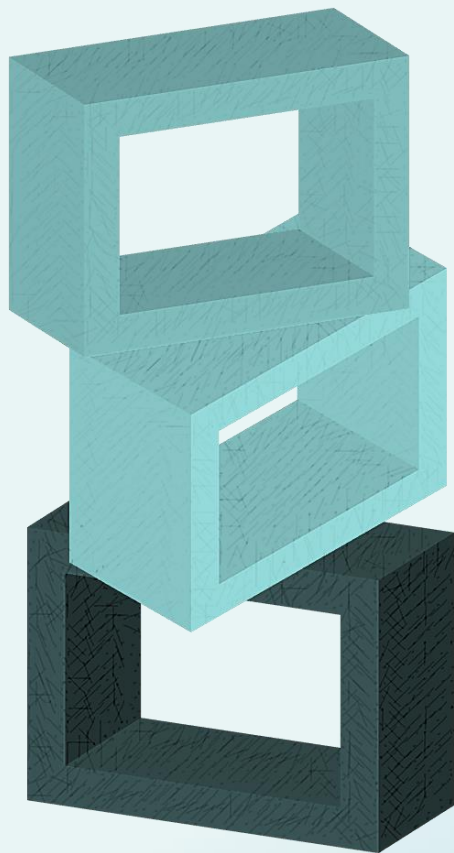
Can be challenging to “see through” to the originator and ultimate beneficiary



Difficult for the “host jurisdiction” to confirm their principal place of business



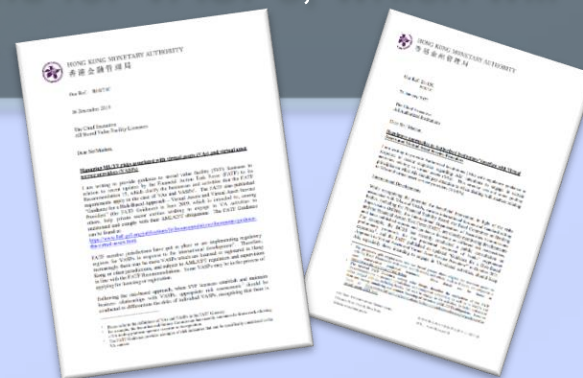
VAs and VASPs



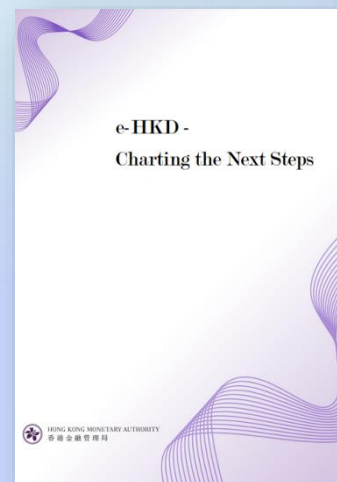
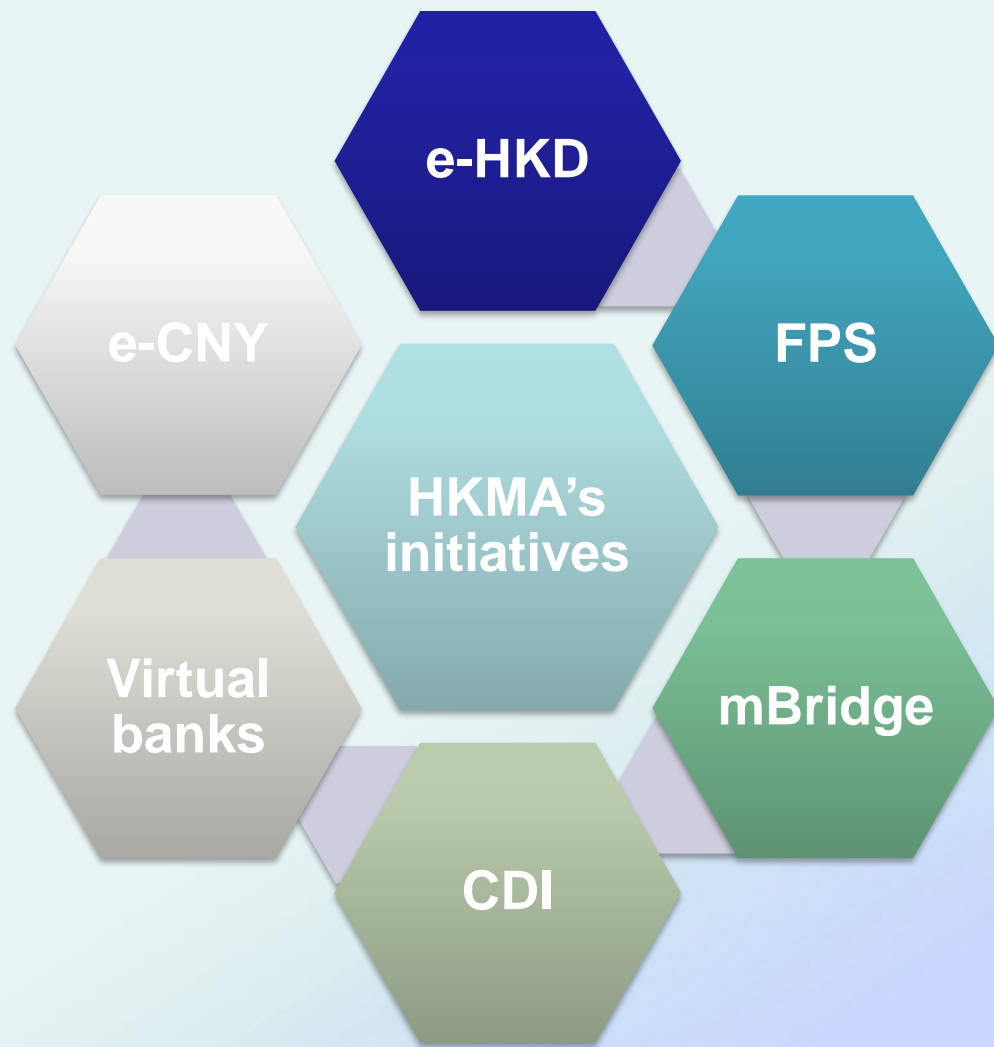
The HKMA provided updated guidance to banks on managing ML/TF risks associate with VAs and VASPs in December 2019

The HKMA had responded to VASP sector developments through a circular in **January 2022**

Hong Kong amending the AML/CFT framework to include a licensing regime for VASPs, which will come into effect in 2023



HKMA's Initiatives



3. New Technologies



- Financial crime increasingly exploits vulnerabilities arising from the use of technology, and increased reliance on **the Internet, email, and social media**

>90% of retail banks in HK have either launched / are planning to launch remote customer on-boarding

>970 000 personal accounts opened remotely in 2021

8 VBs commenced business in 2020

use of digital identify systems (e.g. **iAM Smart**) and facial recognition technology

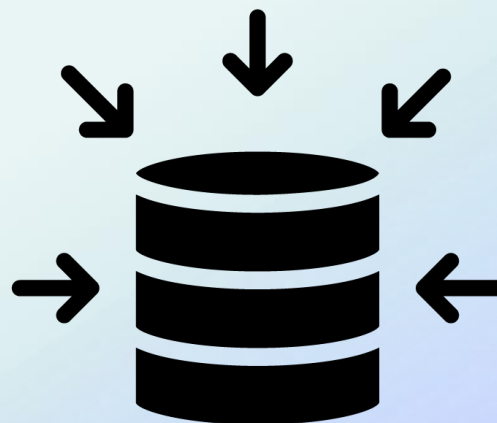




Mule account
network analytics



Deep dive analysis
of ML/TF risks



Financial crime data collection –
reduce duplication & enhance data scope



AML Regtech



1

AMLab

Co-organise further AMLabs with Cyberport

2

Network Analytics Publication

- Illustrative use cases and practical guidance
- Insight from banks participating in AMLab Network Analytics

3

Transaction Monitoring Systems

- Feedback from thematic reviews
- Insights on next-generation transaction monitoring

4

AML/CFT Regtech: Case Studies & Insights Vol. 2

- Updates Jan 2021 publication: “AML/CFT Regtech: Case Studies and Insights”
- New case studies and overview of regulatory landscape

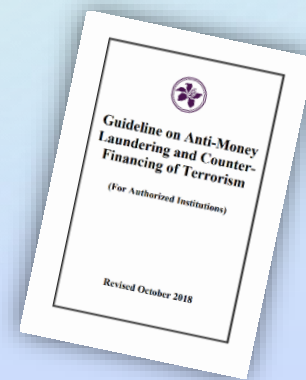


Update to Regulatory Guidance



Updated Guidance Paper on Name Screening, Transaction Monitoring and Suspicious Transaction Reporting

Consequential amendment to the AML/CFT Guideline



Guidance Paper on applying risk-based approach to PEP requirements



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Thank you



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