



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/1C
B1/15C

3 June 2020

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Feedback from recent thematic reviews of Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) control measures for remote customer on-boarding initiatives

I am writing to share key observations and good practices in AML/CFT control measures that have been identified in recent thematic reviews of remote on-boarding initiatives, insights and observations from engagement with Authorized Institutions (AIs) and technology firms in the Fintech Supervisory Sandbox (FSS) and Chatroom, as well as supervision of virtual banks that have commenced or are in the process of commencing business. It is also in response to industry feedback through the Balanced and Responsive Supervision initiative of the Hong Kong Monetary Authority (HKMA) for sharing supervisory observations and practical issues, and further to our articulation of the key guiding principles of identity authentication and identity matching in February 2019¹.

To date, more than 10 AIs have launched remote on-boarding, while others are considering or testing similar initiatives. In the light of COVID-19 and the need for social distancing, remote on-boarding and digital delivery of financial services has become more important². We also welcome AIs to make use of the HKMA FSS to test applications leveraging on the government's iAM Smart³ to enhance the efficiency of

¹ HKMA Circular "Remote on-boarding of individual customers" issued on 1 February 2019 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190201e1.pdf>)

² HKMA Circular "Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures" on 7 April 2020 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200407e2.pdf>)

³ https://www.ogcio.gov.hk/en/our_work/business/tech_promotion/iam_smart/

customer due diligence (CDD) processes and improve customer experience.

Our review examined how AIs conducted assessment of ML/TF risks associated with remote on-boarding; how that understanding underpinned the application of a risk-based approach in the design and implementation of control measures to mitigate the identified risks; the extent to which AIs were able to effectively monitor and manage the technology adopted to remotely on-board customers; and how ongoing monitoring took into account vulnerabilities and threats, where these differed from accounts opened for customers in the presence of staff of AIs.

AIs considering to introduce remote on-boarding or enhance existing systems may make reference to the key observations and good practices set out in the Annex, together with all relevant guidance including the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Authorized Institutions) (AML/CFT Guideline). AIs are also reminded to adopt a risk-based approach in applying control measures, which includes taking into consideration the size and complexity of target customer segments and service scope when deciding whether examples of good practices are relevant.

Should you have any questions regarding this circular, please contact us at aml@hkma.iclnet.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

Encl.