



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

24 September 2021

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

**Feedback from Thematic Review of Stored Value Facility Licensees’
Application of AML/CFT Controls in Prepaid Card Business**

I am writing to share key observations identified in recent thematic reviews of stored value facility (SVF) licensees’ anti-money laundering and counter-terrorist financing (AML/CFT) controls over prepaid card business¹. The review was a follow-up to the money laundering and terrorist financing (ML/TF) risk assessment of the SVF sector issued in July 2019², focusing on an area of potentially higher ML/TF risk and assessed the effectiveness of relevant AML/CFT systems to mitigate such risk. The scope of the review included management oversight, compliance functions, risk assessment, customer due diligence, transaction monitoring, name screening as well as enhanced due diligence in high risk situations.

While the thematic review noted that SVF licensees have put in place AML/CFT control frameworks to meet legal and regulatory requirements, there is room for improvement in certain aspects, particularly as regards effective implementation of measures for high risk situation. Details of our observations and regulatory expectations are set out in the Annex. Where issues were identified, the SVF licensees concerned have been required to undertake remedial actions and make relevant enhancements.

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¹ In general, SVF licensees issue prepaid cards of international card schemes, e.g. Visa, MasterCard and UnionPay, which can be used to make point-of-sale and online payments for goods or services. Depending on the design of functions and usage of the prepaid cards, they may also be used to withdraw cash from automated teller machines.

² Risk assessment of the SVF sector can be found in the “Stored Value Facility Sector: Money Laundering and Terrorist Financing Risk Assessment Report” published by the HKMA in July 2019 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190719e1.pdf>).

The observations and regulatory expectations set out in the Annex are principle-based and also relevant to SVF licensees offering other types of products than prepaid cards. All SVF licensees are expected to make reference to relevant peer experience and regulatory expectations as set out in the Annex, review and optimise the performance of their AML/CFT controls, and implement appropriate enhancement measures which are commensurate with their individual businesses and risk profiles.

If you have any questions regarding this letter, please approach your usual supervisory contact at the AML & Financial Crime Risk Division.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

Encl.