



HONG KONG MONETARY AUTHORITY
香港金融管理局

“Our Shared Challenge is to combat money laundering and terrorist financing while reversing financial abandonment. These aims are entirely compatible”

*Mark Carney, “The Sustainable Development Goal Imperative”
in an address to the United Nations General Assembly
21 April 2016*





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Regulatory Update on AML/CFT

Combating Trade-based Money Laundering & Counter Proliferation Financing

Anti-Money Laundering and Financial Crime Risk Division
Hong Kong Monetary Authority

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Introduction

- Trade Finance is a key component in maintaining a competitive and productive economy for Hong Kong
 - Hong Kong's position as a major financial centre could be severely affected if banks do not provide world class efficient financial services to the sector
 - Many global bodies have however drawn attention to the misuse of international trade finance as a means to launder illicit funds, fund terrorism and finance the proliferation of weapons of mass destruction
 - Hong Kong's standing as a major financial centre could also be severely affected if banks engaging in trade finance activity do not have appropriate systems and controls to prevent ML, TF and sanctions breaches from taking place



Background

- Multiple related circulars
- Industry Seminar: 13 August 2015
 - Presentation on trade-based AML controls (industry best practices)
- Thematic examinations
- Testing of controls, screening etc.
 - Well established and has been included in training and examinations
 - Ongoing work on efficacy and calibration of screening systems
- Trade Based Money-laundering:
 - Hong Kong's national ML/TF risk assessment
 - Included as a strategic priority in FMLIT
 - What is FMLIT and how will it help?



Fraud and Money Laundering Intelligence Task Force 'FMLIT'

3 PRIMARY OBJECTIVES

OPERATIONAL

Enhance collective AML detection capability and generate increased prevention and disruption opportunities relating to ML activity in HK

STRATEGIC

Increase HK's public and private sectors' resilience to economic crime and developing our reputation in this regard



fmlit

DEVELOPMENT

Create a more sophisticated, collective HK response to ML, driven by better informed and capable law enforcement agency and bank staff



Objectives of today's session (1)

– *Controls to combat TBML*

- Industry Guidance issued for 17+ months
 - Clarify AIs' understanding of the risk-based nature of the Guidance
 - Understand barriers and share industry best practices
- Clarify HKMA's expectations as to how AIs should use the Guidance
 - Assist AIs to better understand, manage and mitigate risk and apply a Risk-based Approach in anti-TBML work
 - Supports other ongoing work streams [screening systems, risk assessment]
 - Means by which greater flexibility is provided to AIs
- Identify need for any future work
- *No objective to either tighten or relax how this guidance is implemented*
 - *Consistent understanding and consideration of risk is the key takeaway*
 - *Improve effectiveness [consistency] across the sector*



Objectives of today's session (2)

– *Countering proliferation financing (CPF)*

- Raise situational awareness
 - Leverage expert knowledge
 - Clarify AIs' understanding of proliferation finance
 - Building blocks of CPF, importance of risk assessment
 - Assist AIs to better understand, manage and mitigate the risk
- Linkages to TBML work
- Draw attention to useful reference sources
- Identify need for any future work
- consistent understanding and consideration of risk is the key takeaway



Reference

- Royal United Services Institute – Out of Sight, Out of Mind? A Review of Efforts to Counter Proliferation Finance (June 2016)
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(<http://daccess-ods.un.org/access.nsf/GetFile?OpenAgent&DS=S/2016/1038&Lang=E&Type=DOC>)
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