



HONG KONG MONETARY AUTHORITY
香港金融管理局

Regulator's Dialogue

Recent Developments in the Supervision of Anti-Money Laundering and Counter-Financing of Terrorism

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Agenda

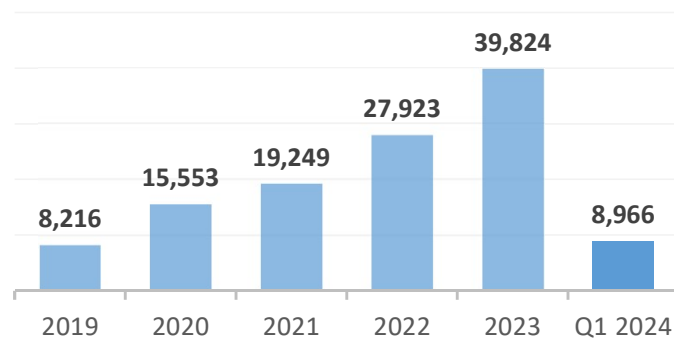


- **Priorities for the Year**

- I. Enhanced approaches to combat digital fraud
- II. AML Regtech
- III. Managing Geopolitical risks
- IV. Risk-based Approach for CDD
- V. Data driven supervision
- VI. International Standards

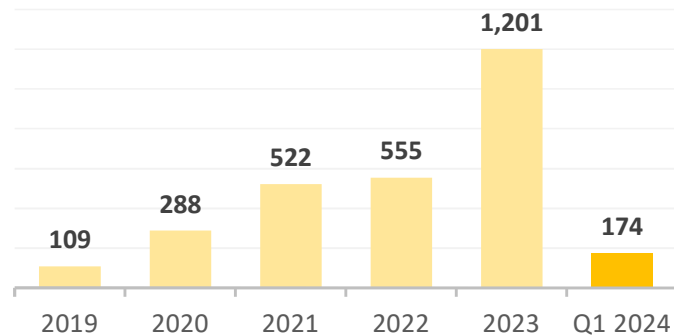
I. Enhancing the response to digital fraud

Deception cases in HK



Source: Hong Kong Police Force (HKPF)

Fraud-related banking complaints



Source: HKMA

Enhance eco-system responses & information flow



Bank-to-Bank Information Sharing Platform (FINEST)



Fraud and Money Laundering Intelligence Taskforce (FMLIT)



Assistance to criminal investigation

Strengthen detection & monitoring of suspicious transactions



Real-time fraud monitoring system



Enhancement of 24/7 stop payment mechanism



Co-location of bank staff

Raise customer alerts and education



Suspicious payee account



FPS suspicious Proxy ID alert



Public education campaign

I. Expanding Bank-to-Bank Information Sharing

FINEST

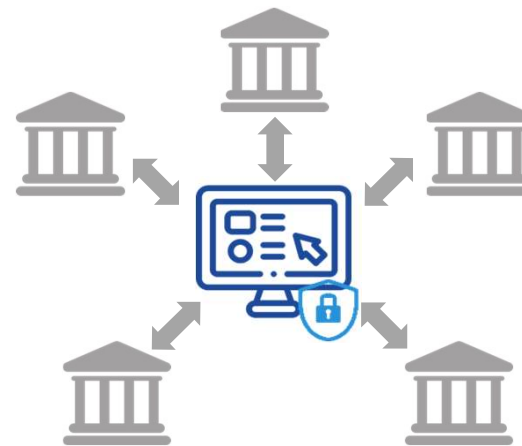


Pilot phase launched in June 2023

- Fraud-related suspicious corporate accounts
- Participation by 5 D-SIBs

Purposes:

- ✓ Identify previously unknown suspicious accounts
- ✓ Enhance monitoring on high-risk accounts
- ✓ File intelligence-led STRs to facilitate criminal investigation



I. Expanding Bank-to-Bank Information Sharing



Next Phases

- More participating banks
- Extend to personal accounts

*Public Consultation
ended on 29 March*



**Responses generally
supportive**



- Consultation Conclusion
- Legislative Amendments (Safe Harbour)
- Engagement with Industry on Uses Cases and Technical Aspects
- Regulatory Guidance

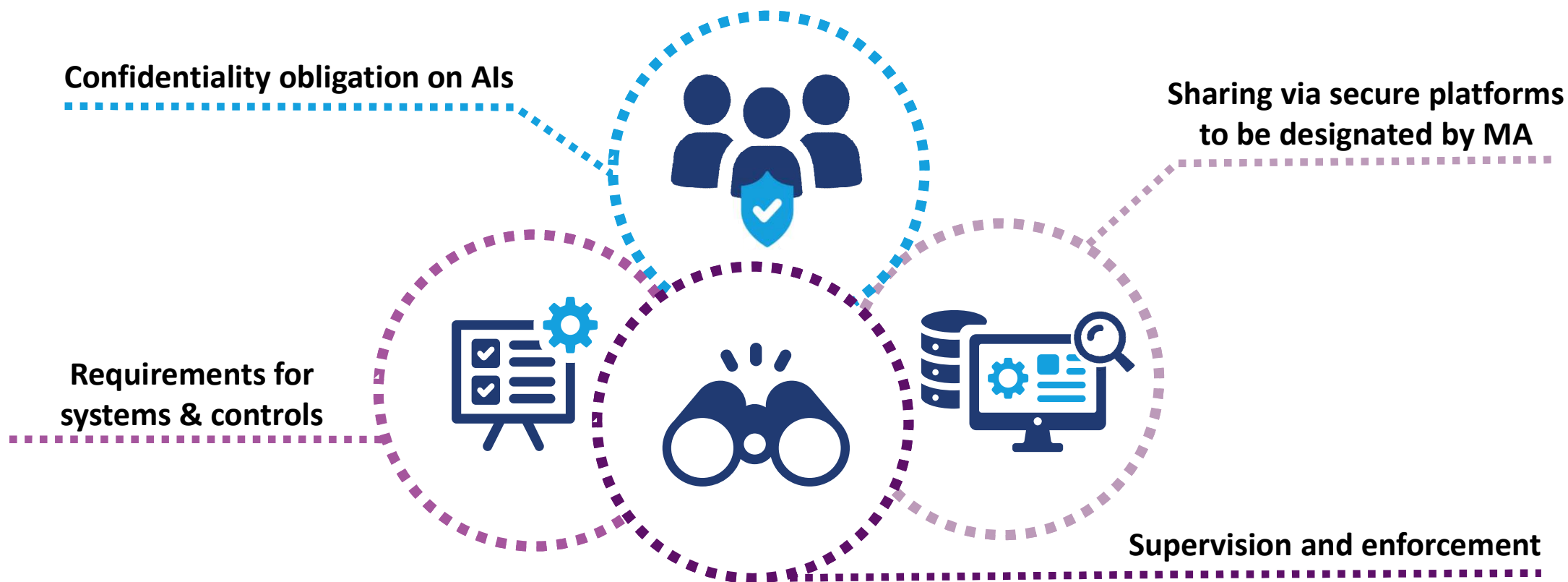
Circumstances
for information
sharing

Modes of sharing

What to share

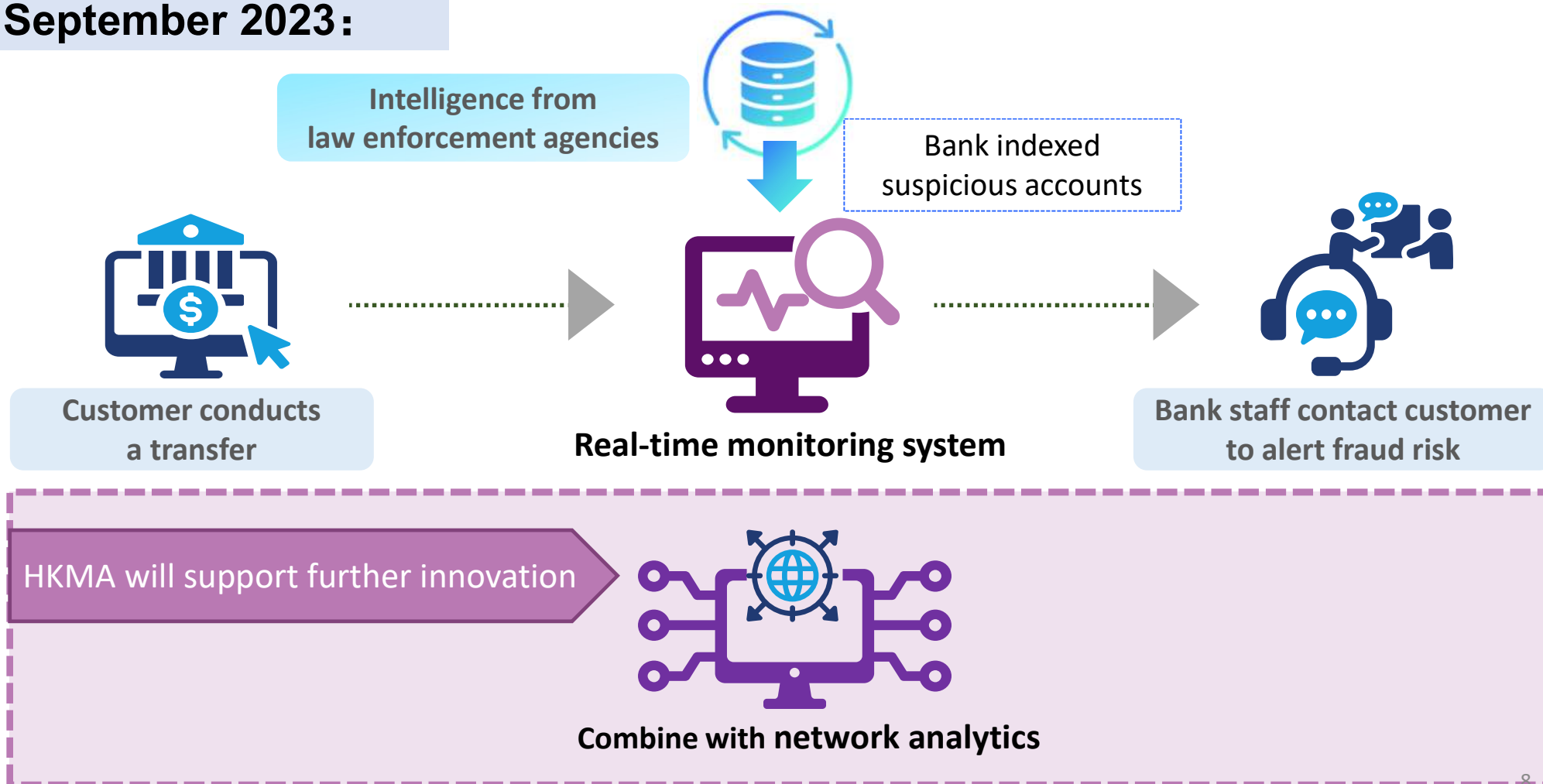
Safeguards

I. Expanding Bank-to-Bank Information Sharing (Guardrails)



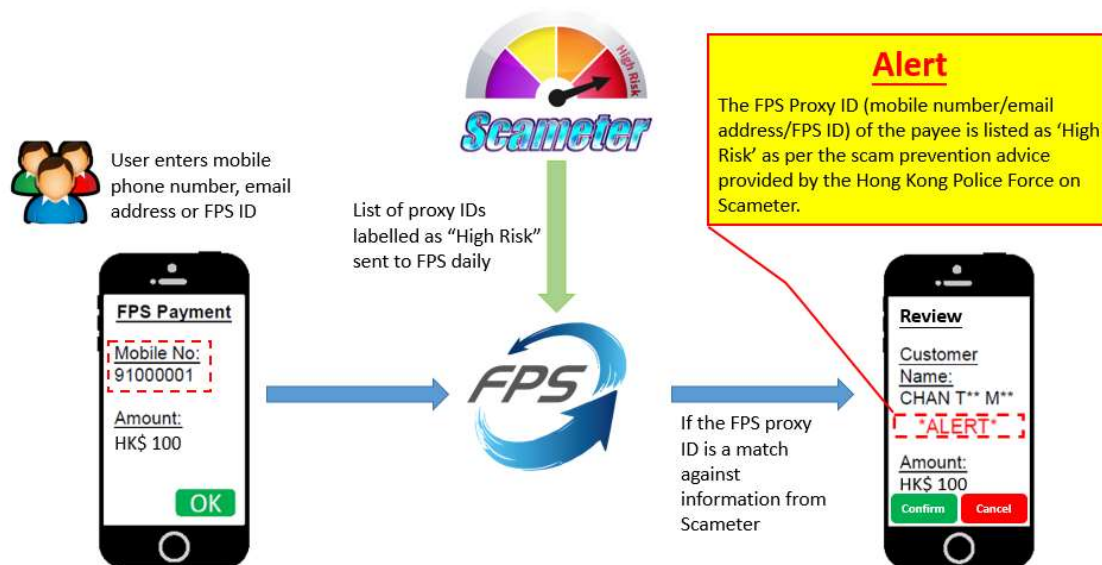
I. Strengthening Real-Time Fraud Monitoring

September 2023:



I. Enhancing Suspicious Proxy ID Alert

**November 2023:
Launched FPS Suspicious Proxy ID Alert**



**2024:
Cover non-FPS transactions**

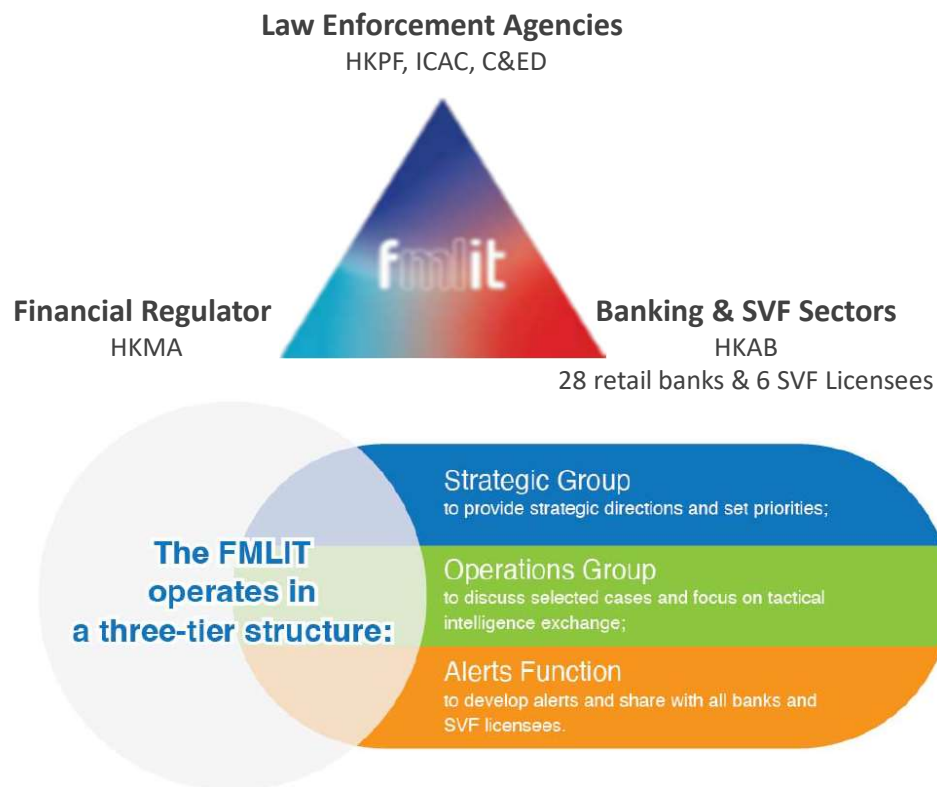
- Extend alert mechanism to interbank and intrabank transactions



I. Maximizing Public-Private-Partnership Work



Fraud and Money Laundering Intelligence Taskforce (FMLIT)



Ongoing work

- Work closely with stakeholders to respond to the evolving threat from fraud and ML
- Enhance information flow and sharing of latest M.O.

I. Raising Public Awareness

Anti-Fraud Publicity

- Joint anti-fraud publicity with Police and banks
- Prompt dissemination of fraud M.O.



II. AML Regtech

Case Studies & Insights, Guidance paper

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AML/CFT Regtech:
Case Studies and Insights Volume 2

September 2023

Deloitte.

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Insights for Design, Implementation and
Optimisation of Transaction Monitoring Systems

April 2024

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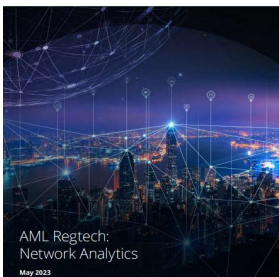


The Digitalisation of AML / CFT Supervision:
Where Now and What Next?

February 2024

Supported by
Deloitte.

HONG KONG MONETARY AUTHORITY
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AML Regtech:
Network Analytics

May 2023

Deloitte.

AMLabs & Regtech Connect



III. Managing Geopolitical risks



- Geopolitical risks present vulnerabilities for AIs
- Assessment and understanding of potential impact are key
 - Dual use goods in trade a good example
- Several rounds of testing on capabilities of AIs' screening systems since 2017
 - Expectation wider than screening – intelligence sharing and analytics
- Regular testing and quality assurance programmes
- Thematic review on effectiveness of AIs' controls over screening systems
 - Governance & oversight
 - Ongoing assurance testing
 - Understanding system performance

IV. Risk-based Approach for CDD



Guiding Principles of RBA (Circular on 8 Sep 2016)

- **Risk differentiation**
 - Risk assessment processes should be able to differentiate risks of individual customers within a particular segment or grouping
- **Proportionality**
 - AIs should apply proportionate risk mitigating and CDD measures based on the likely risk level of a customer
- **Not a “Zero Failure” regime**
 - AIs are not required to implement overly stringent CDD processes with a view to eliminating, ex-ante, all risks

IV. Risk-based Approach for CDD



Effective execution (Circular on 8 Feb 2024)

- Still room for improvement in both the design and execution of CDD
 - e.g. information requests to customers should be risk sensitive, not excessive and should not duplicate information already held or known, or are publicly available
- When implementing AML/CFT controls, banks should:
 - take into account the treat-customers-fairly principles
 - balance the provision of good customer experience with managing ML/TF risks
 - provide sufficient support to frontline staff to execute CDD procedures efficiently, reasonably and in a transparent manner
 - conduct effective staff training

V. Data Driven Supervision

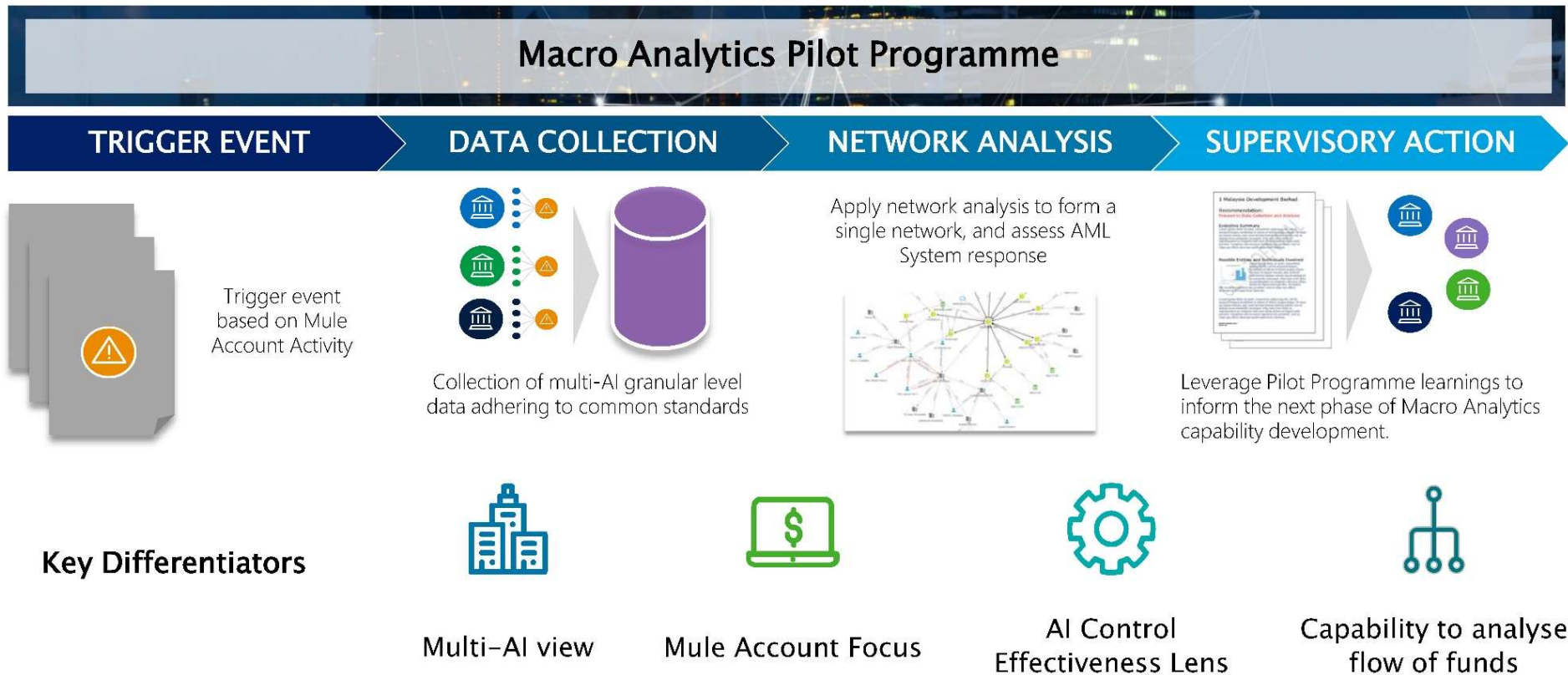


Financial Crime Risk Data Analysis

- Targeted on high risk areas
- Analysis of outlier & performance indicators
- Visualise level of risks / control effectiveness among peers
→ *achieve more agile & timely supervisory follow-up*



V. Data Driven Supervision – Macro Analytics



VI. International Standards - FATF

- Meeting FATF international standards
 - credibility of Hong Kong on world stage
 - third Hong Kong Risk Assessment underway
 - next FATF mutual evaluation in 4/5 years
- FATF Public Consultation on R.16 on Payment Transparency
 - feedback and draft revisions under review
- There may be material implications to banking sector
 - potential impact to whole payment ecosystem
 - potential amendments to AMLO and AML/CFT Guideline
 - HKMA is heavily involved and will closely monitor

