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Panel Discussion: Regulatory feedback and updates

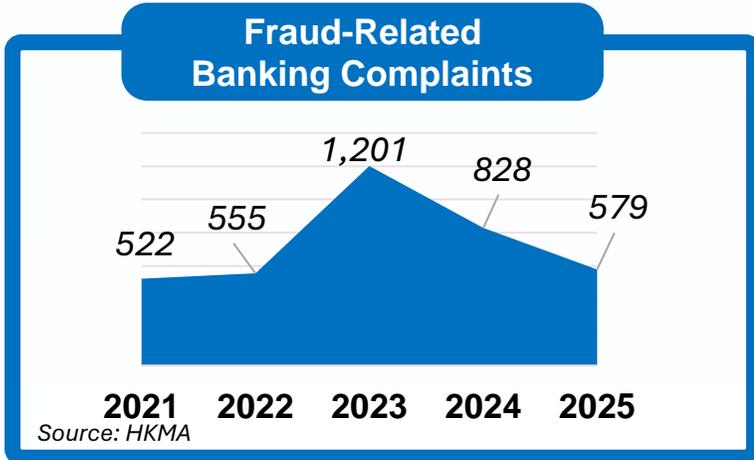
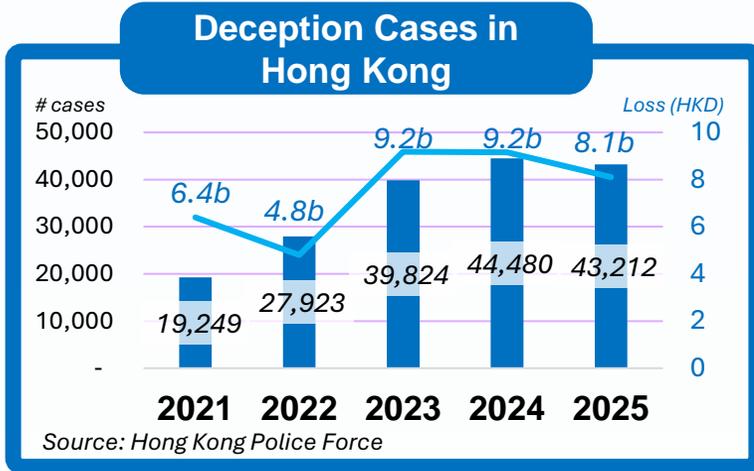
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- This presentation provides guidance to authorized institutions (“AIs”) and stored value facility (SVF) licensees relating to the Anti-Money Laundering and Counter-Terrorist Financing. The presentation is provided for training purposes and does not form part of the formal legal and regulatory requirements of the HKMA.
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(1) Fraud and Scams – Risk Landscape



	2025		vs 2024	
	Case no.	Loss (HKD mn)	Case no.	Loss (HKD mn)
Online Investment Scam	5,135	3,583.5	+30.7%	+58.4%
Telephone Deception	8,621	1,730.3	-6.3%	-40.56%
Online Employment Fraud	4,095	880.8	+6.3%	+10.49%
Social Media Deception	2,215	519.5	-27.11%	-21.58%
E-Shopping Fraud	12,505	395.1	+8.2%	+7.77%

Source: Hong Kong Police Force



Real-time fraud monitoring & upstream scam intervention

Fraud cases intervened +98%
Average loss per case -18%



24/7 stop payment mechanism

HK\$2.1 billion intercepted in 2025 (+41%)



Enhanced information sharing

Increased case sharing significantly:
Monthly cases: ~120 → ~670 (+460%)

(1) Fraud and Scams – Supervisory Feedback



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Customer

- Conduct targeted educational campaigns to strengthen fraud prevention and self-protection awareness of the public

Bank-to-bank

- Facilitate information sharing among banks to more expeditiously intercept suspicious activities

Bank-to-customer

- Provide risk alerts and even suspend transactions to strengthen protection of customer funds comprehensively

Banks

- Strengthen the ability in combating fraud and mule accounts, share relevant good practices and establish framework and measures to combat authorized payment scams (APS)

 Dedicated resources

 Adopt technology (AI/ machine learning) in APS monitoring system

 Utilize transactional and non-transactional data attributes

 Application of risk-based services and functionalities

 Clarity and prioritization for senior management

 Agile approach to risk

 Initiatives not delivering intended outcome

 System and measures effectiveness assessment

(1) Fraud and Scams – Regulatory Update



Enhance collaboration and information sharing within anti-fraud eco-system



Strengthen capabilities of banks and SVF licensees in detection and intervention of deception and mule accounts



Raise public awareness and education



Leverage data and technology



(2) Geopolitical Risks – Risk Landscape



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BBC

Sanctions reimposed on Iran 10 years after landmark nuclear deal

28 September 2025

Share Save

Stuart Lau



UK Foreign Secretary Yvette Cooper, alongside her French and German counterparts, urged Iran against "escalatory action"

Six vessels attacked in Gulf, Strait of Hormuz as war puts merchant ships on front lines

By Aref Mohammed Ahmed Rasheed Jonathan Saul

March 11, 2026 1:57 PM GMT+8 · Updated 1 hour ago

Bookmark Font Share



Near Al Faw Port of Basra, Iraq
Released March 12, 2026

March 1, 2026

The U.S. and Israel Strike Iran

Iran's supreme leader, Ayatollah Ali Khamenei, was killed in a major assault launched by the United States and Israel.



GULF CRISIS MARCH 3

Gulf conflict heightens banks' compliance and fincrime risks, expert warns

Insurers pull war risk cover amid risks of 'opaque routing' and signal spoofing

by Anita Hawser



Lenders face increased resource demands for sanctions screening as shipping disruptions in the Strait of Hormuz escalate © Mumen Khatib/AFP via Getty Images

Iran will target US-Israeli economic and banking interests in region – state media

By REUTERS

11 March 2026, 10:39 am

SHARE



People walk past a branch of Bank Leumi in Jerusalem on February 5, 2024. (Chaim Goldberg/Flash90)

(2) Geopolitical Risks – Supervisory Feedback



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Apr 2018

Feedback from Recent Thematic Review of AIs' Sanctions Screening Systems

Feb 2023

Guidance Paper on Transaction Monitoring, Screening and Suspicious Transaction Reporting

Dec 2024

Frequently Asked Questions in relation to AML/CFT - Guidance on Dual-use Goods

Mar 2026

Thematic Review of Sanctions Screening Systems

(2) Geopolitical Risks – Regulatory Update



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Thematic Review of Sanctions Screening Systems

Governance and Oversight



- Understanding of inherent sanctions risks and obligations
- Monitoring of geopolitical developments and associated sanctions risks
- Regular reporting of system performance data to senior management

System Testing and Validation



- Explainable, effective and efficient sanctions controls
- Testing by independent parties with expertise
- Aligning testing frequency with risk
- Prompt implementation of remedial actions resulted from testing

Sanctions List Management



- Timely, complete and accurate list updates
- Reliance on commercial databases or head offices
- Establishment of checking mechanisms

Adoption of Artificial Intelligence



- Explainable and transparent logic frameworks
- Optimisation of sanctions screening processes
- Quality assurance checks

(3) Private Wealth Management and High-end Money Laundering – Risk Landscape



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Hong Kong as a global asset and wealth management centre



+30% AUM of private banking customers in the past 3 years



+25% number of single family offices in the past 2 years (3,384 as of end 2025)

ML risks and vulnerabilities globally

- High-end money laundering
- Tax evasion
- Corruption
- Front and shell companies
- Complex corporate structure
- Professional service providers

Evolving typologies on high-end money laundering globally

- Access to the banking system through **retail banking**
- Use of **retail** and **private wealth management** accounts to launder funds
- **Citizenships** acquired through **investment programmes**



Balanced and risk proportionate AML/CFT controls

(3) Private Wealth Management and High-end Money Laundering – Supervisory Feedback



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Thematic Review on High-end Money Laundering



Understanding of ML/TF Risks

- ⊗ Inadequate understanding of customer characteristics and material changes
- 👍 Additional controls on customers with multiple nationalities
- 👍 Training on new ML/TF typologies

Customer Due Diligence

- ⊗ Difference in CDD between private banking and retail high-net-worth customers
- 👍 Monitoring of portfolio of retail high-net-worth customers
- 👍 Application of risk proportionate CDD measures



SoW and SoF Corroboration

- ⊗ Over-reliance on customer representation
- 👍 Operational guidance to front-line staff
- 👍 Development of Regtech to detect fraudulent documents

Transaction Monitoring

- ⊗ Alert clearance without sufficient justification
- 👍 Adoption of network analytics to identify hidden linkages
- 👍 Enhanced controls on large deposits from opaque sources



(3) Private Wealth Management and High-end Money Laundering – Regulatory Update



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Mar 2023

Smart Tips for Private Banking – Establishment of SoW and SoF

Nov 2025

Smart Tips on the Treatment of Politically Exposed Persons

Feb 2024

Circular on Effective Execution of Risk-based Approach for CDD

Dec 2025

Guidance on Combating High-end Money Laundering



2026

Thematic Review on Controls over Private Banking Business

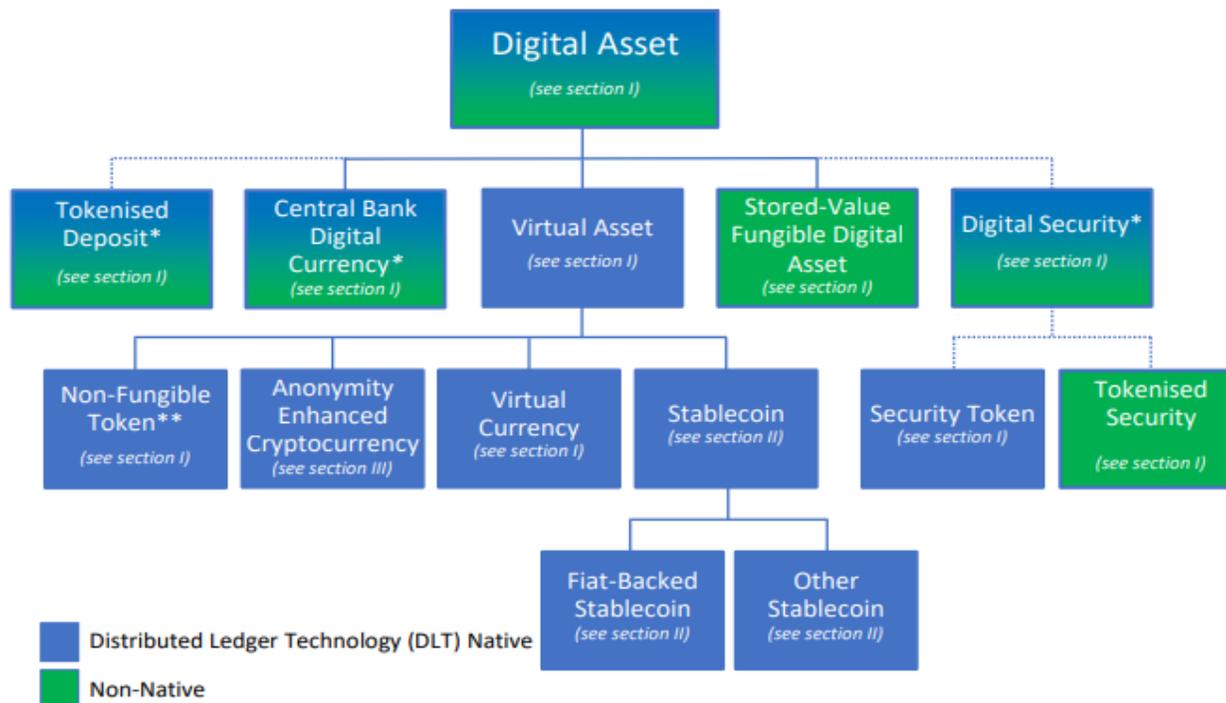
- ✓ Risk differentiation
- ✓ Proportionality (i.e. more stringent controls for higher risk customers; simplified controls for lower risk customers)
- ✓ Effective execution

(4) Digital Assets – What are they?



Hierarchy of Digital Assets – by Wolfsberg

Figure 1: Hierarchy of Digital Assets



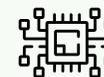
AMLO (Cap. 615)

s.53ZRA Meaning of VA or virtual asset

Approach for classification



Functional approach
(payment, investment, utility)



Technical approach
Network type (permissionless vs permissioned)
Consensus mechanism

Source: Wolfsberg FAQ on Digital Asset

(4) Digital Assets – Regulatory Landscape



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Jun 2025: HKSARG’s Policy Statement 2.0: “LEAP” framework



Legal and regulatory streamlining

Expanding the suite of tokenised products

Advancing use cases and cross-sectoral collaboration

People and partnership development

Hong Kong’s regulatory frameworks in the DA sector



Standard-setting bodies



(4) Digital Assets – Regulatory Landscape



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FATF

FATF Report

Targeted Report on Stablecoins and Unhosted Wallets

Peer-to-Peer Transactions

March 2026

BIS

BIS Papers
No 166

From cash to crypto: towards a consistent regulatory approach to illicit payments

by Andrea Minto, Anneke Kosse, Takeshi Shirakami and Peter Wierts

Monetary and Economic Department

March 2026

JEL classification: E42, G18, G21, G23

Keywords: payments, cash, bank accounts, retail central bank digital currency (CBDC), crypto, stablecoins, anti-money laundering (AML), combating the financing

the Wolfsberg Group

Wolfsberg Group
Banco Santander
Bank of America
Barclays
Citigroup
Deutsche Bank
Goldman Sachs
HSBC
JPMorgan Chase
Mizuho Bank
Société Générale
Standard Chartered Bank
UBS

Wolfsberg Group Guidance on the Provision of Banking Services to Fiat-backed Stablecoin Issuers

Introduction

The increased adoption of fiat-backed stablecoins represents a new financial crime risk management challenge to financial institutions (FIs). Stablecoin features offer significant legitimate benefits for individuals and businesses worldwide, however these same attributes of price stability, global reach, pseudonymity, and rapid settlement also make them attractive to illicit actors, allowing them to access major currency denominated value without engaging traditional payment rails, including in sanctioned jurisdictions. At the same time, the increased ability to trace and, in some cases, freeze transactions presents a compliance challenge to FIs on where to draw the line with respect to oversight and monitoring. The Wolfsberg Group believes that most of the same financial crime risk management principles apply in developing and monitoring a relationship with any type of bank or non-bank financial institution, which is reinforced in this document. However, this guidance also explores the unique financial crime risks associated with the provision of banking services to a fiat-backed stablecoin issuer operating in a regulated jurisdiction and establishes a framework for FIs to manage these relationships appropriately.

(4) Digital Assets – Risk Landscape

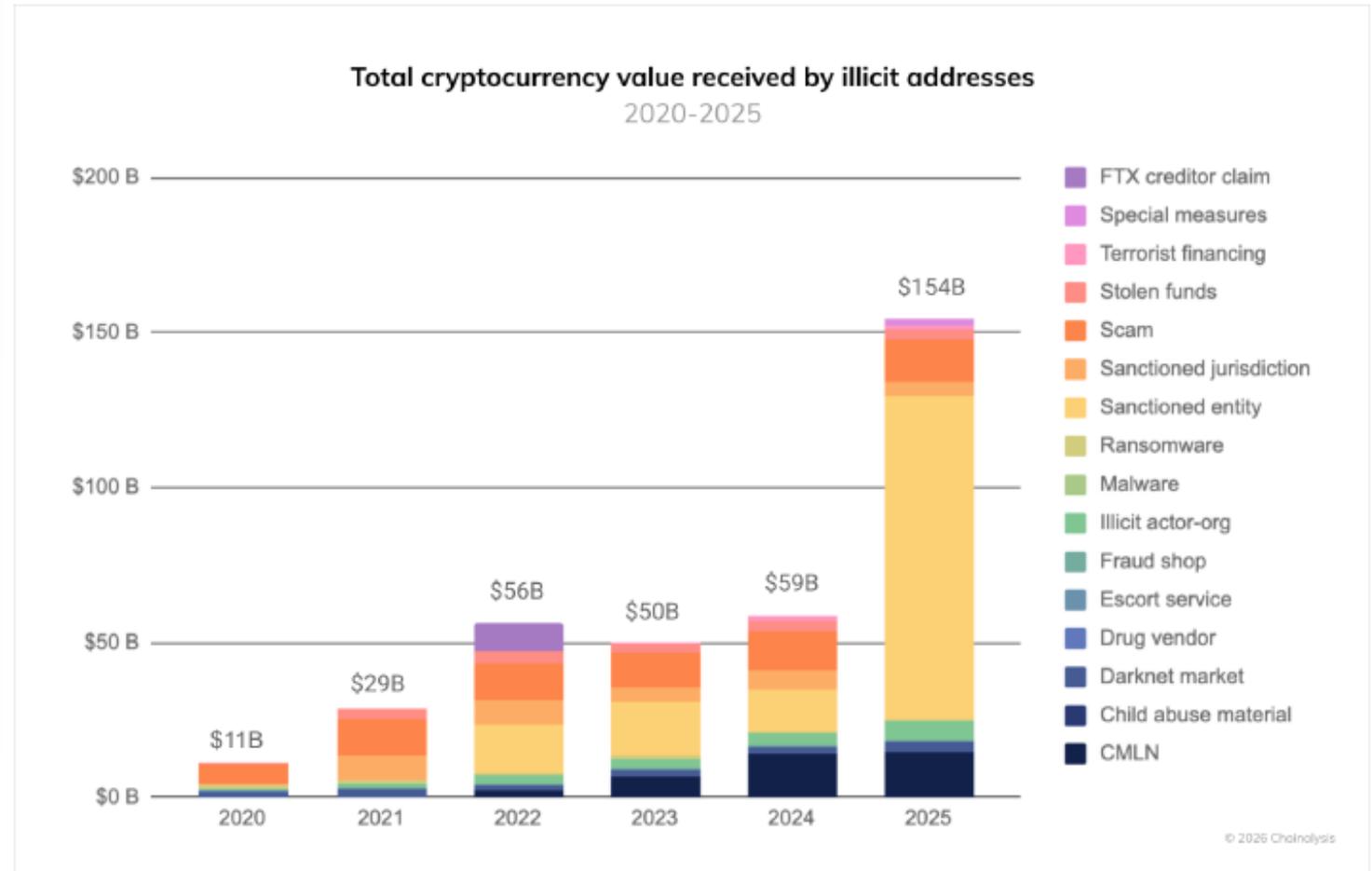


Source: *The Chainalysis 2025 Crypto Crime Report*

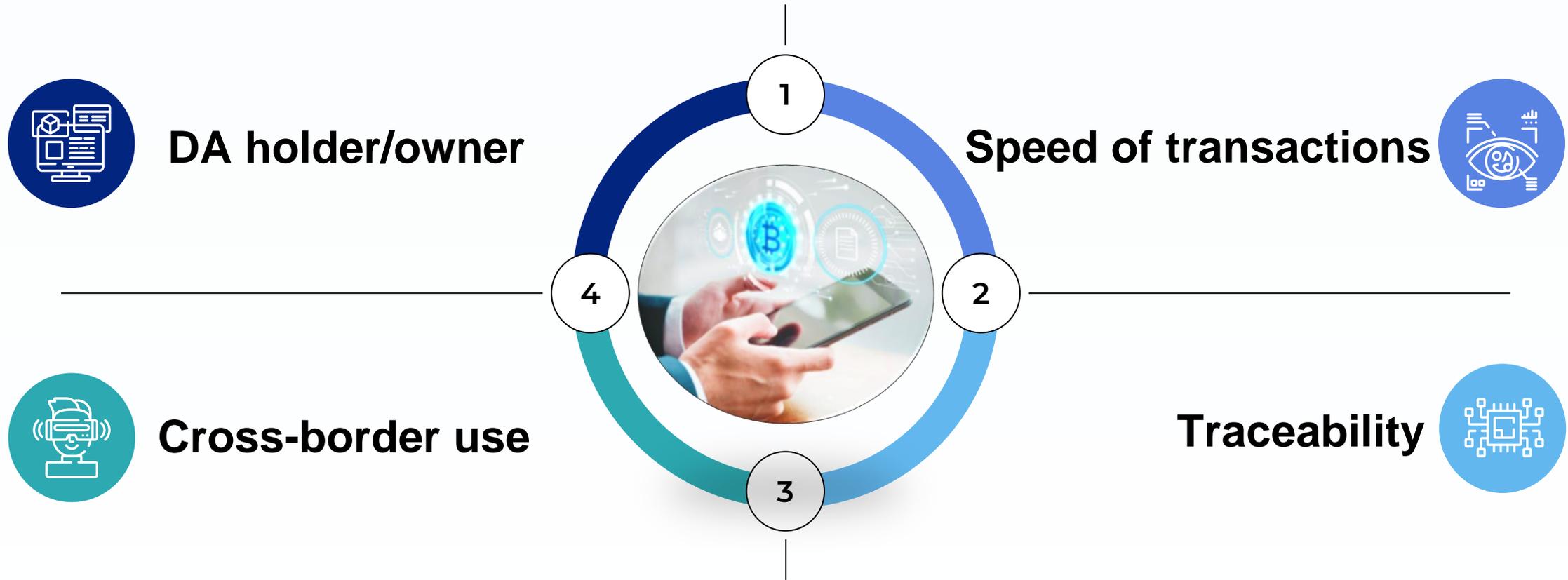
● US\$154B crypto crime

● 162% YoY increase

● Stablecoins - 84% of illicit txn volume



(4) Digital Assets – Vulnerabilities



(4) Digital Assets – Expectations for FIs



Comprehensive ML/TF risk assessment before carrying out DA-related activities

- Tokens and underlying assets
- DA services provided
- Role(s) of your institution
- Targeted customers

HKMA Regulatory Approach



Industry Guidance (2022)
Regulatory approaches to Authorized Institutions' interface with Virtual Assets and Virtual Asset Service Providers

Work in progress

- Engage individual banks on DA initiatives
- Closely collaborate with SFC and LEAs
- Monitor development and provide guidance