

Industry Working Group on Prevention of Money Laundering and Terrorist Financing

Address Proof for Personal Customers

Preamble

This paper provides guidance to authorized institutions (AIs) on issues relating to anti-money laundering (AML) and counter-terrorist financing (CFT). It has been developed by the User Sub-group on Customer Due Diligence Process (General) established under the auspices of the Industry Working Group on Prevention of Money Laundering and Terrorist Financing (IWG).

The IWG is convened by the Hong Kong Monetary Authority (HKMA) and comprises representatives of the Joint Financial Intelligence Unit (JFIU) and some twenty AIs in Hong Kong. Its mandate is to provide a forum for the exchange of views on topical AML/CFT issues, and to develop guidance to AIs on any such issues.

The practices recommended in this paper do not form part of the formal regulatory requirements of the HKMA. However, the HKMA considers that the adoption of these practices would strengthen an AI's systems and procedures for combating money laundering and terrorist financing. The HKMA therefore expects every AI to give full consideration to the adoption of these practices. In cases where the management of an AI decide not to follow the recommended practices, they should satisfy themselves that either the recommended practices are not applicable to their institution, or their institution has adopted alternative control measures which are equally effective and which enable their institution to fully comply with the HKMA's AML/CFT guidelines and circulars.

Introduction

The IWG observes that some AIs have encountered difficulties in obtaining reliable, independent source documents to verify the residential or permanent address of a personal customer or the relevant individuals of a corporate customer (i.e. principal shareholders, beneficial owners, directors and account signatories). This paper seeks to provide practical guidance to AIs on how to tackle such difficulties. References to a personal customer in this paper include the relevant individuals of a corporate customer.

Requirements of the HKMA

Paragraph 3.2 of the Supplement to the Guideline on Prevention of Money Laundering (the Supplement) provides that the customer due diligence (CDD) process of an AI should comprise steps to identify the customer and verify the customer's identity using reliable, independent source documents, data or information. Insofar as personal customers are concerned, paragraph 3.3 states that the identity of an individual includes the individual's name (including former or other name(s)), residential address (and permanent address if different), date of birth and nationality. To comply with the requirements in these two paragraphs, an AI should, among other things, obtain reliable, independent source documents such as a recent utility or rates bill from the customer, or consult independent data sources such as the Voters Roll maintained by the Registration and Electoral Office.

It is recognised that there may be cases where a personal customer (e.g. a student or housewife) has difficulties in providing an address proof acceptable to AIs. Interpretative Notes No.6 therefore encourages AIs to use a common sense approach in handling such situations.

Recommended measures

The User Sub-group on CDD Process (General) has conducted a survey among its members. The following are common examples of cases where a personal customer is unable to provide acceptable address proof:-

- (i) Business people who are going to stay in Hong Kong for a short while but nonetheless require a personal account for meeting daily expenses;
- (ii) Expatriates, particularly those working in Mainland China, who reside in a serviced apartment with utility bills registered in the name of the management company and who may have sold their property in the home country;
- (iii) Individuals who live in an overseas country where utility bills are written in a language other than Chinese or English;
- (iv) Individuals, especially celebrities, who normally use their office address or a Post Office box as correspondence address and do not have correspondence sent to their residential address;
- (v) Individuals who live in a village type property with address proof showing the village's lot number only;

- (vi) New immigrants or expatriates who have just arrived in Hong Kong and are living in the home of a relative or in a serviced apartment;
- (vii) Children, students, individuals who come back to Hong Kong after studying abroad, and housewives who usually do not have utility bills registered in their name;
- (viii) Emigrants who return to Hong Kong and live in the property of their relatives; and
- (ix) Foreigners working in Hong Kong who are unable to provide a proof of their permanent address in the home country.

To handle these situations, AIs may, first of all, consider expanding their list of acceptable address proof documents to cover the following documents:-

- (a) utility, rates or tax bills;
- (b) bank or credit card statements;
- (c) management fee bills;
- (d) letters issued by government or other public bodies;
- (e) correspondence received from banks, MPF providers, insurance companies or professional bodies;
- (f) mobile phone or pay TV statements;
- (g) rental agreements showing the address of the customer and having the customer as one of the contracting parties; and
- (h) ID card, passport or driving licence¹ (with the customer's photo on it), which shows the customer's address in the home country.
- (i) (for overseas domestic helpers) a copy of the domestic helper's employment contract which shows the domestic helper's residential address in Hong Kong and his/her permanent address in the home country;

It is envisaged that most personal customers should be able to provide one of the above documents as their address proof. However, in cases where the customer is unable to do so, AIs may consider accepting the following types of document as address proof:-

- (j) correspondence received from the customer's employer which shows the residential address of the customer;
- (k) letters issued by a qualified intermediary confirming the address of the customer;
- (l) up-to-date annual returns which contain the customer's residential address;

¹ In some countries, a driving licence may be valid for a long period. AIs should exercise caution in accepting a driving licence as an address proof if it was issued a long time ago.

- (m) address proof of an immediate family member plus a written confirmation from the immediate family member that the customer is living at that address (especially for customers who are students, housewives or senior citizens);
- (n) an acknowledgement of receipt duly signed by the customer in response to a letter sent by the AI to the address provided by the customer²;
- (o) a land search report on the address provided by the customer which confirms that the customer is the owner of the property; and
- (p) a copy of the statement which is sent by the AI to the address provided by the customer and is returned by the customer during his/her visit to the AI.

It should be stressed that correspondence addressed to “the Occupant” should never be accepted as address proof.

The guidance provided in this paper will not cover all the possible cases that AIs may encounter in real life situations. It is therefore important that AIs should exercise their judgement to identify a suitable means to verify the address of their customers. In other situations not mentioned in this paper, AIs should satisfy themselves that the address proof provided by the customer is recent (i.e. issued within 3 months) and issued by an independent and reliable source.

In order to give AIs more flexibility in verifying the address of personal customers, the HKMA has indicated that, where the only outstanding identity document is the address proof of the customer, it is acceptable to extend the grace period for completion of the verification process referred to in Interpretative Note No 8 from 1 month to 3 months. This means that an AI may allow payments to third parties from an account pending completion of the verification of the address of the personal customer if the verification process will be completed within 3 months and the other conditions set out in Interpretative Notes No.8 are met.

User Sub-group on Customer Due Diligence Process (General)
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² AIs should make sure that they have the consent of the customer to sending such a letter to them. Some customers may not want any bank correspondence to be sent to their residential address.