



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/1C
B1/15C

23 February 2018

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Amendments to Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Authorized Institutions)

I am writing to inform you that the Hong Kong Monetary Authority (HKMA) published in the Gazette today (G.N. 1223 of 2018) the revised Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Authorized Institutions) (the AML Guideline) under section 7 of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance¹ (AMLO) and section 7(3) of the Banking Ordinance. The revised AML Guideline will be effective on 1 March 2018.

The AML Guideline is amended to reflect the enhancements, which are relevant to the banking sector, made in the recently enacted Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018, which include:

- (a) changing the threshold at which beneficial ownership is defined from “not less than 10%” to “more than 25%” to align with prevailing international standards and practices;
- (b) amending an additional measure to be taken when the customer is not physically present for identification purposes from “verify all the information provided by the customer” to “verify information relating to the customer that has been obtained by the financial institution” to allow

¹ The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance will be renamed as the Anti-Money Laundering and Counter-Terrorist Financing Ordinance on 1 March 2018.

- more flexible approaches, including the use of technology, when obtaining and verifying customers' information;
- (c) expanding the categories of intermediaries, including foreign financial institutions within the same financial groups, which Authorized Institutions (AIs) are permitted to rely upon to perform customer due diligence measures;
 - (d) incorporating additional requirements on an intermediary institution and the need to include recipient information in wire transfers to reflect the current practice of AIs and international standards; and
 - (e) aligning the requirement for record keeping with international standards (from 6 years to a minimum of 5 years).

AIs are reminded to review the amendments to the AML Guideline and implement appropriate measures, consistent with the risk-based approach, to ensure compliance. Moreover, AIs are encouraged to adopt the flexibility and options allowed under the revised requirements, as far as practicable, and in particular for the use of technology, to improve the efficiency and reduce unnecessary compliance burden in the customer due diligence process.

On-line access to the revised AML Guideline, including a marked-up version, is available on the HKMA website (<http://www.hkma.gov.hk/eng/key-functions/banking-stability/aml-cft.shtml>) and supervisory communication website (<http://www.stet.iclnet.hk>).

If you have any questions relating to this letter, please feel free to contact Mr Gavin Cheung on 2878-8305.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
The Chairman, Private Wealth Management Association
FSTB (Attn: Ms Eureka Cheung)