



HONG KONG MONETARY AUTHORITY
香港金融管理局

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

2 May 2018

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report (Report)

I am writing to draw your attention to the captioned Report published by the Government on 30 April 2018. The Report includes a policy statement of Hong Kong's anti-money laundering and counter-financing of terrorism (AML/CFT) regime and covers results of a jurisdiction-wide assessment of the money laundering and terrorist financing (ML/TF) risks and other related threats to Hong Kong, including those which are relevant to the banking sector. The Report can be found at <https://www.fstb.gov.hk/fsb/aml/en/risk-assessment.htm>.

The assessment concludes that our banking sector faces high ML/TF risks, which is consistent with the situation in other major financial centres. The more prominent threats to banks include fraud, tax evasion, corruption and sanctions evasion, and these threats arise from domestic activities and, to a greater extent, external activities due to Hong Kong's status as an international financial centre. ML/TF vulnerabilities exist in various segments and banking products/services, including private banking, trade finance, international funds transfer, and retail and corporate banking.

In this respect, the HKMA has been, and will continue to be, working closely with other competent authorities as well as Authorized Institutions (AIs) to make significant efforts to address the ML/TF risks in the banking sector. These efforts¹ include, among others, strengthening the understanding of ML/TF threats; providing stronger encouragement for AIs to adopt a risk-based approach; strengthening the public-private partnership, particularly for intelligence sharing; strengthening cooperation with regulatory authorities in other jurisdictions; supporting innovation by AIs and exploring the greater use of technology in supervisory work.

¹ Please refer to, for example, circular on "De-risking and Financial Inclusion" dated 8 September 2016, circular on "Fintech Supervisory Sandbox" and press release on "Fintech Supervisory Chatroom" dated 6 September 2016 and 28 November 2017 respectively, and press release on "Fraud and Money Laundering Intelligence Taskforce launched" dated 26 May 2017.

AIs should study the Report carefully, consider the relevant insights and implications, and review and update, where appropriate, their own institutional ML/TF risk assessments accordingly. Implementing an approach to AML/CFT work which is risk-based² and proportionate relies upon understanding and communicating the ML/TF threats, vulnerabilities and risks that we face. To that end, the HKMA's dedicated AML/CFT webpage consolidates all relevant guidance on AML/CFT (<http://www.hkma.gov.hk/eng/key-functions/banking-stability/aml-cft.shtml>), including information on ML/TF risks, expectations on risk assessment and industry practice on risk-mitigating measures. The Report reinforces various efforts and should be used as an additional resource by the senior management and relevant staff of AIs for ongoing AML/CFT work.

The HKMA will organise an industry seminar on 11 June 2018 to present and discuss the findings of the Report as they relate to the banking sector. AIs should nominate senior representatives, who may be Money Laundering Reporting Officers, Heads of Legal and Compliance or other managing staff with the responsibility for institutional ML/TF risk assessments and implementation of AML/CFT systems, for the seminar. Further details and registration form for the seminar are attached.

If you have any questions regarding this letter, please contact Ms Idy Chan at 2878 1714 or aml@hkma.iclnet.hk.

Yours sincerely,

Carmen Chu
Executive Director (Enforcement and AML)

cc. FSTB (Attn.: Ms Eureka Cheung)

Encl.

² Guiding and monitoring of AIs' proper application of a risk-based approach in AML/CFT work continues to be on top of the HKMA's work priorities for 2018. For details, please refer to the presentation "2017 Year-End Review and Priorities for 2018" on 1 February 2018 <http://www.hkma.gov.hk/media/eng/doc/key-information/speeches/s20180201e1.pdf>.