



# HONG KONG MONETARY AUTHORITY

## 香港金融管理局

Our Ref.: B10/21C

7 April 2020

The Chief Executive  
All Stored Value Facility Licensees

Dear Sir/Madam,

### **Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures**

I am writing to share observations gathered through our recent engagement with stored value facility (SVF) licensees and set out the type of support, guidance and assistance in relation to money laundering and terrorist financing (ML/TF) risk management that the HKMA is providing to support swift and effective implementation of measures in response to COVID-19. The HKMA acknowledges that COVID-19 poses unprecedented challenges, which impact the normal operations of the AML/CFT systems and customer due diligence (CDD) processes of SVF licensees.

The content of this letter resonates with the statement published by the Financial Action Task Force (FATF) on 1 April 2020 encouraging governments to work with financial institutions and other businesses in support of COVID-19 aid and containment efforts whilst remaining alert to new and emerging risks<sup>1</sup>. In particular, the statement encourages use of the flexibility built into the FATF's risk-based approach and the fullest use of reliable digital customer on-boarding; emphasises the role of the FATF Standards in giving confidence in financial transactions; and draws attention to COVID-19 related financial crime risks.

#### **Customer due diligence for SVF**

We believe the provision of remote account opening and the use of financial technology will provide significant opportunities to manage some of the challenges

---

<sup>1</sup> The FATF statement can be found at: <https://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>.

presented by the current situation, especially the community efforts on social distancing. SVF licensees continue to offer network-based products to help support payment needs of members of the public against the backdrop of the COVID-19 crisis. Flexibility has been built into the risk-based approach, as set out in the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (for SVF Licensees); SVF licensees may conduct CDD measures commensurate with the lower ML/TF risks of many SVF products based on their stored values, transaction limits and functions. SVF licensees are encouraged to continue to work closely with the HKMA to provide greater convenience for account opening and continued payment services to the public amidst our fight against COVID-19.

#### Remaining vigilant to COVID-19 related financial crime risks

In line with FATF's observations, it has become apparent that criminals are taking advantage of COVID-19 to perpetrate a number of fraud and exploitation scams, some of which have impacted Hong Kong (e.g. face mask scams). The changing financial behaviour, including the rising number of customers unfamiliar with online platforms, also increase vulnerabilities to the financial systems globally and locally. While SVF licensees continue to work closely with the HKMA and assist law enforcement agencies' investigations to deter such scams and recover assets concerned, it is important that SVF licensees should remain vigilant to emerging ML/TF risks and ensure that they continue to focus on priority areas and effectively mitigate risks through information sharing and detecting and reporting suspicious transactions to the Joint Financial Intelligence Unit (JFIU). Where an SVF licensee encounters issues in reporting to the JFIU, they should discuss with the HKMA and the JFIU without delay.

#### Ongoing outreach and advice

The HKMA is also in touch with SVF licensees to understand the challenges they are facing and recognises that maintaining normal operations of AML/CFT systems may not be achievable in all cases. Where there is a short-term impact on an SVF licensee's ability to meet a particular obligation, the SVF licensee concerned should maintain a record of the circumstances, the risk assessment that has been performed as well as any mitigation measures being taken. The HKMA is using its supervisory tools flexibly in this period and reiterates that its risk-based approach to AML/CFT supervision does not require or expect a "zero failure" outcome<sup>2</sup>.

We also support public-private partnership in the sharing of information and typologies to help prioritise and address key ML/TF risks, particularly those related to fraud linked to COVID-19. Moreover, the HKMA also continues its active participation in the FATF discussion as well as ongoing dialogues with other supervisors and regulators to identify and share good practices in response to common issues faced in many affected jurisdictions.

---

<sup>2</sup> HKMA Circular "Policy and Supervisory Approach on Anti-Money Laundering and Counter-Financing of Terrorism" issued in October 2018 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2018/20181019e4.pdf>)

The HKMA will continue to work constructively with SVF licensees to keep its assessment of the situation up-to-date and address practical AML/CFT issues that may be related to COVID-19 in the most pragmatic manner, including through the provision of further guidance to support the current industry efforts in the light of evolving situation. For any question about this circular, please approach the HKMA through their usual contacts in the AML & Financial Crime Risk Division or [aml@hkma.iclnet.hk](mailto:aml@hkma.iclnet.hk).

Yours faithfully,

Carmen Chu  
Executive Director (Enforcement and AML)