



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

18 September 2020

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

Amendments to Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Value Facility Licensees)

I am writing to inform you that, following consultation with the stored value facility (SVF) industry, the Hong Kong Monetary Authority (HKMA) has today published in the Gazette¹ the revised Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Value Facility Licensees) (AML/CFT Guideline for SVF licensees) in accordance with section 54(1A)(b) of the Payment Systems and Stored Value Facilities Ordinance. To allow sufficient time for SVF licensees to make preparations to implement the revised AML/CFT Guideline, and taking into account measures already being taken by licensees to mitigate risks, the AML/CFT Guideline for SVF licensees will take effect on 2 July 2021.

The amendments to the AML/CFT Guideline for SVF licensees take into account the assessment made by the Financial Action Task Force (FATF) in its mutual evaluation of Hong Kong in 2019² and international developments in the regulatory regimes for SVF. It also updates and addresses emerging money laundering and terrorist financing risks identified³ in some aspects of SVF licensee operations as the sector develops, while also retaining flexibility in customer due diligence (CDD) requirements consistent with the risk-based approach.

¹ G.N. 5226 of 2020

² The “*Mutual Evaluation Report of Hong Kong*” published by the FATF on 4 September 2019 can be accessed at:
<http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hong-kong-2019.html>.

³ The “*Stored Value Facility Sector: Money Laundering and Terrorist Financing Risk Assessment Report*” published by the HKMA on 19 July 2019 can be found at:
<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190719e1.pdf>.

Among other things, amendments to the AML/CFT Guideline for SVF licensees include:

- (a) replacing the existing “streamlined approach” to CDD with a “tiered approach”, featuring account limits and different functions for SVF products depending on whether or not the customer’s identity has been verified and subject to the customer’s choice. Consistent with the risk-based approach, products with a lower functionality and risk, such as domestic payments for goods and services, will remain available to unverified customers (i.e. those for whom no CDD is required)⁴ and options are also available for pre-existing customers. For ease of reference, a diagram in the Annex illustrates the customer migration journey for reloadable network-based SVF products (e.g. e-wallets); and
- (b) providing guidance to facilitate adoption by SVF licensees of technology solutions for remote customer on-boarding, articulating the principles of identity authentication and identity matching⁵.

SVF licensees should review the amendments to the AML/CFT Guideline for SVF licensees and implement appropriate measures, consistent with the risk-based approach, to ensure compliance. The revised AML/CFT Guideline for SVF licensees is available on the HKMA website (<https://www.hkma.gov.hk/eng/key-functions/banking/anti-money-laundering-and-counter-financing-of-terrorism/aml-cft-related-information-for-stored-value-facility-licensees/statutory-guidelines/>) and regulatory reporting and information website (<http://www.rri.iclnet.hk>). If you have any questions relating to the AML/CFT Guideline for SVF licensees, please approach your usual supervisory contact at the AML & Financial Crime Risk Division.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

c.c. Financial Services and the Treasury Bureau (Attn: Ms Eureka Cheung)

Encl.

⁴ More functions (e.g. person-to-person fund transfers) may be available to SVF products offered to unverified customers with identifiable funding sources (e.g. credit cards and bank accounts).

⁵ For example, iAM Smart (previously known as “eID”) is an acceptable technology solution for remote on-boarding. Details of iAM Smart are available on the website of Office of the Government Chief Information Officer (https://www.ogcio.gov.hk/en/our_work/business/tech_promotion/iam_smart/).