



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

29 September 2020

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

**Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT)
Surveillance Capability Enhancement Project**

I am writing to inform you of the implementation of the “AML/CFT Surveillance Capability Enhancement Project” (AMLS Project), through which the HKMA is strengthening the use of data and Supervisory Technology (Suptech) in its risk-based AML/CFT supervision¹. The AMLS Project is one of the initiatives under the HKMA’s Digitalisation Programme² to respond to the risks and opportunities resulting from new and emerging technologies, which are driving changes across the financial services landscape.

The AMLS Project builds on the Financial Action Task Force’s positive assessment of the HKMA’s risk-based AML/CFT supervision³ and responds to the international trend of leveraging technology and data to identify and assess money laundering and terrorist financing (ML/TF) risks to the stability and integrity of the financial system. It also aims to help prioritise resources of the stored value facility (SVF) sector as a key stakeholder within the broader AML/CFT ecosystem in Hong Kong.

The AMLS Project has delivered a number of recommendations by Deloitte Advisory (Hong Kong) Limited, the project consultant, to inform our work over the next three years in implementing changes to make AML/CFT supervision more proactive, targeted and collaborative. Further details are provided at the **Annex**.

¹ Further information on the HKMA’s risk-based approach to AML/CFT Supervision can be found in HKMA’s circular “Policy and Supervisory Approach on Anti-Money Laundering and Counter-Financing of Terrorism” in October 2018 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2018/20181019e4.pdf>).

² HKMA’s inSight article “Digital Transformation of the HKMA” in January 2020 (<https://www.hkma.gov.hk/eng/news-and-media/insight/2020/01/20200121/>)

³ HKMA’s Press Release on the Financial Action Task Force Mutual Evaluation Report of Hong Kong, September 2019 (<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2019/09/20190904-4/>)

Adapting our AML/CFT supervision to be more proactive and agile will also mean changes for SVF licensees. We intend to increase our engagement and data collection, making better use of data to provide more forward-looking assessment of risks, in light of rapid changes in digital activities. At the same time, we will be using various Suptech tools to help improve and streamline work processes, increase accuracy and enhance interface with the industry.

The progress we are making respond both to the evolution of ML/TF risks globally as well as the industry response to managing these risks, which increasingly involves Regulatory Technology (Regtech). We appreciate the significant increases in Regtech adoption since the inaugural AML/CFT RegTech Forum in 2019, which have also been driven in part by higher customer demand for digital services and resource optimisation under COVID-19 situation.

SVF licensees are encouraged to review the Annex in the context of, and assess the implications for, their ML/TF risk management systems, particularly with respect to the adoption of Regtech solutions in their AML/CFT programmes. The HKMA will continue to engage SVF licensees individually and collectively on follow-up actions in accordance with our risk-based supervisory approach, including practical guidance, thematic dialogues and sharing sessions as appropriate.

Should you have any questions regarding this circular, please contact us at aml@hkma.iclnet.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

Encl.