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B1/15C

30 June 2022

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Statements issued by the Financial Action Task Force

I am writing to update you on the statements published by the Financial Action Task Force (FATF) identifying jurisdictions that have strategic deficiencies in their anti-money laundering and counter-financing of terrorism (AML/CFT) and counter proliferation financing regimes, and also draw your attention to a number of outcomes from the FATF Plenary meeting held between 14 and 17 June 2022.

Statements on “High-Risk Jurisdictions subject to a Call for Action” and “Jurisdictions under Increased Monitoring”

In response to the COVID-19 pandemic, the FATF has paused the review process for the list of “High-Risk Jurisdictions subject to a Call for Action” since February 2020. Authorized Institutions (AIs) should therefore continue to refer to the HKMA circular on “Statements issued by the Financial Action Task Force” dated 11 March 2020, in particular, applying the enhanced due diligence measures and other counter-measures in relation to Iran and the Democratic People’s Republic of Korea.

In addition, the FATF has issued an updated statement on “Jurisdictions under Increased Monitoring”. The statement can be found at: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2022.html>.

FATF Plenary meeting, 14-17 June 2022

The outcomes of the FATF Plenary meeting, some of which may be of reference to AIs including emerging risks requiring vigilance, were published on the FATF website and can be found at: <https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-june-2022.html>.

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In particular, the FATF finalised a targeted update on implementation of the FATF requirements on virtual assets and virtual asset service providers (VASPs). The report focuses on the implementation of the FATF's Travel Rule, which requires VASPs to collect or send information on the identities of the originator and beneficiary with virtual asset transfers. The report will be published in due course.

Digital transformation is a strategic priority for the FATF. In a conference held immediately before the FATF Plenary, experts in financial crime, data protection and technology discussed the potential benefits and challenges of digital transformation in AML/CFT. Four projects supporting this priority have been completed under the existing Presidency, and details can be found at: [https://www.fatf-gafi.org/publications/digitaltransformation/digital-transformation.html?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/publications/digitaltransformation/digital-transformation.html?hf=10&b=0&s=desc(fatf_releasedate)).

This important work will continue under the incoming Presidency, whose priorities will include work to combat cross-border financial crime, such as cyber-enabled fraud/scams and ransomware, and the use of data analytics and public-private partnerships to better combat money laundering and terrorism financing. Information regarding the HKMA's ongoing efforts in line with these priorities can be found on our webpage: <https://www.hkma.gov.hk/eng/key-functions/banking/anti-money-laundering-and-counter-financing-of-terrorism/aml-cft-regtech/>.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)