



HONG KONG MONETARY AUTHORITY
香港金融管理局

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

8 July 2022

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

**Hong Kong Money Laundering and Terrorist Financing Risk Assessment
Report 2022 (2022 HRA)**

I am writing to inform you that the Government published today (8 July 2022) the captioned report, which can be found at <https://www.fstb.gov.hk/fsb/aml/en/risk-assessment.htm>. As money laundering and terrorist financing (ML/TF) risks continue to evolve, so must our understanding and response. This report will therefore be central to shaping, and sharpening, the banking sector's anti-money laundering and counter-financing of terrorism (AML/CFT) work in the coming years.

Since the first report was published in 2018¹, many of the actions applicable to the banking sector have been delivered. For example, the Hong Kong Monetary Authority (HKMA) has helped to strengthen collaboration using a public-private partnership approach, delivering concrete results in disrupting fraud and other financial crimes through the Fraud and Money Laundering Intelligence Taskforce and similar ecosystem initiatives. Amendments to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) have been made or are being introduced² to bring the latest international standards into law. Significant developments have been made in AML/CFT innovation and Regtech adoption by Authorized Institutions (AIs), supported by a range of HKMA initiatives.

The 2022 HRA provides an updated view of the ML/TF risk landscape, largely following the same methodology with expanded sectoral assessments for some sectors (e.g. stored value facilities, virtual asset service providers) and a standalone assessment of Hong Kong's proliferation financing risk. The 2022 HRA also sets

¹ The first report was published in April 2018 and can be found at https://www.fstb.gov.hk/fsb/aml/en/doc/hk-risk-assessment-report_e.pdf.

² The AMLO was last amended on 1 March 2018 and would be further amended in 2022.

out the key ML/TF risks for Hong Kong that have changed since the first assessment, and the actions taken to address these risks.

The 2022 HRA concludes that the local banking sector continues to face a high level of risks of being exploited for ML, which is commensurate with Hong Kong's status as an international financial centre and in line with the risks noted internationally. The most prominent ML threats to banks continue to arise from fraud, corruption and tax crimes. Major developments since 2018 are emphasised, including an accelerated rise in online commerce and financial services and widespread application of technology (e.g. remote on-boarding), especially during the COVID-19 pandemic, the launch of virtual banks and the Faster Payment System in Hong Kong, and the emergence of new payment methods and virtual assets.

The HKMA will continue to work closely with AIs and other competent authorities to address the ML/TF risks in the banking sector. In the coming twelve months, the HKMA will roll out further initiatives to support innovation and Regtech adoption including the second Anti-Money Laundering Regtech Lab (AMLab) on a new theme, as well as further sharing of updated case studies and insights. To remain ready and able to meet emerging threats, the HKMA is embedding supervisory technologies and analytical capabilities in its AML/CFT work as part of the HKMA's digital transformation. In parallel, we will continue to strengthen collaboration and intelligence sharing with the banking industry and law enforcement to deliver further results in preventing, detecting and disrupting possible abuse of the banking system for illicit fund flows, and thus protecting the integrity of customer bank accounts and the entire system.

AIs should study the report carefully, consider the relevant insights and possible implications, review your institutional ML/TF risk assessments and update risk mitigating measures accordingly. Should you have any questions, please contact us at aml@hkma.iclnet.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

cc. FSTB (Attn: Mr Justin To)
The Chairperson, HKAB
The Chairperson, DTCA