



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

8 July 2022

The Chief Executive
All Stored Value Facility Licensees

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 stored value facility (SVF) 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 SVF sector have been delivered. For example, the Hong Kong Monetary Authority (HKMA) has strengthened the assessment of sectoral risks² based on regulatory experience and operational data, and used this improved understanding to enhance the regulatory regime, introducing a more risk-proportionate tiered approach to customer due diligence, which features 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. As part of the broader HKMA efforts to support innovation and RegTech adoption, we have also introduced

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 Risk assessment of the SVF sector can be found in the "Stored Value Facility Sector: Money Laundering and Terrorist Financing Risk Assessment Report" published by the HKMA in July 2019, which can be found at <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190719e1.pdf>.

revisions to the applicable Guideline³ to facilitate the adoption of technology solutions for remote customer on-boarding.

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. virtual asset service providers) and a standalone assessment of Hong Kong's proliferation financing risk. The 2022 HRA also sets 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 SVF sector continues to face a medium level of risks of being exploited for ML, which is in line with the risks noted internationally. The most prominent ML threats to SVF licensees continue to arise from fraud and illegal bookmaking activities, mostly concentrated in certain products with more functionality and broader geographic reach. Major developments since 2018 are emphasised, including the global trend of bad actors taking advantage of the COVID-19 pandemic to perpetrate fraud and exploitation scams.

The HKMA will continue to work closely with SVF licensees and other competent authorities to address the ML/TF risks in the SVF sector. In the coming twelve months, the HKMA will roll out further initiatives to support innovation and Regtech adoption. 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.

SVF licensees 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)

³ Details can be found in the HKMA circular "Amendments to Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Value Facility Licensees)" dated 18 September 2020, which can be found at <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200918e1.pdf>.

cc. FSTB (Attn: Mr Justin To)