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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Monetary Authority (MA) has reprimanded ePaylinks Technology Co., Limited (ePaylinks) and ordered it to pay a pecuniary penalty of HK\$1,000,000 pursuant to sections 33Q(2)(b)(iii) and 33Q(2)(a) of the Payment Systems and Stored Value Facilities Ordinance (Chapter 584 of the Laws of Hong Kong) (PSSVFO).

### Summary of the Contravention and Facts

2. The disciplinary action follows an on-site examination and further investigation by the Hong Kong Monetary Authority (HKMA) which found that, during the period from November 2016 to May 2019 (Relevant Period), ePaylinks failed to have in place adequate and appropriate systems of control to ensure compliance with the relevant paragraphs of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) for Stored Value Facility (SVF) Licensees (Guideline)<sup>1</sup>, and therefore not fulfilling the minimum criterion relating to anti-money laundering and counter-terrorist financing measures under section 6(2)(b) of Part 2 of Schedule 3 to, and amounted to a contravention of section 8Q of, the PSSVFO. The contravention involved control deficiencies in respect of transaction monitoring, name screening and taking additional measures or conducting enhanced due diligence (EDD) in high risk situations. ePaylinks' non-compliance with the relevant paragraphs of the Guideline and the related findings are summarised in the following paragraphs.

#### Paragraph 5.1 of the Guideline

3. During the Relevant Period, ePaylinks failed to comply with paragraph 5.1 of the Guideline regarding transaction monitoring in that:
  - (a) a substantial amount of alerts were generated and not cleared, rendering the automated transaction monitoring system (System) not functioning as intended;
  - (b) inappropriate parameters were set in the System for certain types of transactions. The parameters were higher than the respective transaction limits, therefore, the System by design would not generate any alerts for scrutiny of such transactions;
  - (c) the parameters used in the System were denoted in HKD only and were not converted into the equivalent amounts in USD or RMB for scrutiny of transactions that were conducted in such currencies; and

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<sup>1</sup> During the Relevant Period, three versions of the Guideline prevailed: September 2016, February 2018 and October 2018. References to the Guideline herein refer to the October 2018 version save paragraphs 4.11.1 and 4.14.1 which refer to the September 2016 version.

- (d) during the Relevant Period, ePaylinks initially adopted a single rule of monitoring which resulted in an unreasonably restrictive scope of review as top-up transactions were not covered. The additional monitoring rules which were subsequently adopted by ePaylinks also failed to take into account certain transaction patterns (e.g. structuring, smurfing, U-turn, etc.) which were indicative of suspicious activities.

Paragraph 6.16 of the Guideline

4. During the Relevant Period, ePaylinks failed to comply with paragraph 6.16 of the Guideline in that name screening of beneficial owners (BOs) of its corporate customers was not conducted subsequent to on-boarding when name screening databases had new or updated information. The investigation found that such systematic failure impacted ePaylinks' 851 corporate customers involving 1,070 BOs as at the end of the Relevant Period.

Paragraphs 4.11.1 and 4.14.1 of the Guideline

5. During the period from March 2017 to January 2018, ePaylinks failed to comply with paragraphs 4.11.1 and 4.14.1 of the Guideline in that, despite the issuance of three circulars by the HKMA to SVF licensees requiring them to apply EDD measures to business relationships and transactions with persons from the specified high risk jurisdictions according to the public statements issued by the Financial Action Task Force on 24 February 2017, 23 June 2017 and 3 November 2017 respectively, ePaylinks failed to update its policies, procedures or practices and apply additional measures or conduct EDD in the specified high risk situations in a timely manner.

**Conclusion**

6. Having considered all information on hand, the MA has found that ePaylinks contravened section 8Q of the PSSVFO during the Relevant Period.
7. In deciding the disciplinary action set out in paragraph 1 above, the MA has had regard to the PSSVFO<sup>2</sup>, the Guideline on Exercising Power to Order a Pecuniary Penalty<sup>3</sup>, and the Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings<sup>4</sup>. The MA has taken into account all relevant circumstances of the case, including but not limited to:

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<sup>2</sup> Section 33Q(3) of the PSSVFO specifies the matters that the MA must have regard to before taking any actions against a regulated person under section 33Q(2). According to section 33Q(4) of the PSSVFO, in reaching a decision to take an action under section 33Q(2)(a) or (b), the MA may have regard to any information or material in the MA's possession that is relevant to the decision, regardless of how the information or material has come into the MA's possession.

<sup>3</sup> This guideline was published by the HKMA on 27 April 2018 under section 54(1E) of the PSSVFO. It sets out the factors that the MA will consider, where applicable, in determining whether to order a pecuniary penalty and the amount of the pecuniary penalty if there has been a contravention of a provision of the PSSVFO, a requirement imposed under the PSSVFO or a condition attached to a licence, consent or any other instrument granted or given by the MA under the PSSVFO.

<sup>4</sup> This guidance note was issued by the HKMA on 22 August 2018 to provide an overview of how the HKMA considers and recognises cooperation in its investigations and enforcement proceedings and highlight the benefits of cooperation.

- (a) the seriousness of the investigation findings;
- (b) the need to send a clear deterrent message to ePaylinks and the industry about the importance of effective controls and procedures to address money laundering and terrorist financing risks;
- (c) ePaylinks has taken remedial measures to address the deficiencies identified by the HKMA and enhance its AML/CFT systems of control. In this regard, ePaylinks will submit to the HKMA a report prepared by an external auditor to validate the completeness and effectiveness of the remedial measures and the enhancement; and
- (d) ePaylinks has no previous disciplinary record and is co-operative in resolving concerns identified by the HKMA.

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