
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Monetary Authority (**MA**) has taken disciplinary action against DBS Bank (Hong Kong) Limited (**DBSHK**) to order it to pay a pecuniary penalty of HK\$10,000,000, pursuant to section 21(2)(c) of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (**AMLO**)¹.

Summary of Contraventions and Facts

2. The disciplinary action follows an investigation by the Hong Kong Monetary Authority (**HKMA**) which found that DBSHK contravened four specified provisions, namely paragraph (a) and paragraph (c) of section 5(1) (**section 5(1)(a) and section 5(1)(c)**), paragraph (a) of section 15 (**section 15(a)**), section 19(3) and section 20(3) of Schedule 2 to the AMLO during various periods between 1 April 2012 and 30 April 2019. DBSHK's contraventions and the related findings are summarised below.

Section 5(1)(a) of Schedule 2 to the AMLO

3. DBSHK failed to obtain the copies of the identity document of 609 IDEAL² Authorizers (i.e. an individual authorized by the customer to approve transactions and considered a person purporting to act on behalf of the customer) (**IDEAL Authorizer**) who were registered by 477 corporate customers on or before 30 July 2017, and that no identity verification was conducted against these IDEAL Authorizers during the period from 1 April 2012 to 30 July 2017.
4. DBSHK failed to duly complete the trigger event review of customer due diligence (**CDD**) documents of 23 customers during the period from 1 October 2017 to 30 April 2019, which resulted in customers' documents, data and information not being relevant or up-to-date for a prolonged period of time.

Section 5(1)(c) of Schedule 2 to the AMLO

5. DBSHK failed to identify transactions that have no apparent economic or lawful purpose when reviewing alerts generated from its transaction monitoring system, examine the background and purpose of suspicious transactions and set out the

¹ Prior to 1 March 2018, the short title of Chapter 615 of the Laws of Hong Kong was the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

² IDEAL is the corporate internet banking service offered by DBSHK.

findings in writing in respect of 15 customers during the period from 1 March 2017 to 30 September 2017.

Section 15(a) of Schedule 2 to the AMLO

6. DBSHK failed to take reasonable measures to establish the source of wealth (**SoW**) and the source of funds (**SoF**) of high risk customers, or take additional measures to mitigate the risk of money laundering or terrorist financing involved in the business relationship of 15 customers during the period from 1 December 2018 to 28 February 2019.

Section 19(3) of Schedule 2 to the AMLO

7. During various periods between 1 April 2012 and 30 April 2019, DBSHK contravened section 19(3) by failing to establish and maintain effective procedures for the purpose of carrying out its duties under section 5 and section 15. In particular, in respect of: -

- (a) the duty to continuously monitor business relationships with customers under section 5 of Schedule 2 to the AMLO, in that

- (i) DBSHK did not require in its policy and procedure that the identity verification of the IDEAL Authorizers be conducted prior to 31 July 2017;

- (ii) DBSHK did not have effective policy and procedures to ensure that the CDD reviews were completed properly;

- (iii) DBSHK failed to provide sufficiently detailed guidance for the purpose of assisting analysts to conduct examination of the transaction alerts and document the relevant findings; and

- (b) the requirements of enhanced due diligence in high risk situations under section 15 of Schedule 2 to the AMLO, in that DBSHK did not have effective policy and procedure to establish customers' principal business activities, in particular the SoF and SoW information provided by customers who are not politically exposed persons or private bank customers.

Section 20(3) of Schedule 2 to the AMLO

8. In respect of the 15 customers mentioned in paragraph 6 above, DBSHK failed to keep records required to be kept under section 20(1)(b) of Schedule 2 to the AMLO, in respect of 9 customers, throughout the continuance of the business relationship with the customer and for a period of at least 5 years beginning on the date on which the business relationship ends.

Conclusion

9. Having considered all the evidence and the representations of DBSHK, the MA has found that DBSHK contravened the four specified provisions during various periods between 1 April 2012 and 30 April 2019 as set out in paragraphs 2 to 8 above.
10. In deciding the disciplinary action set out in paragraph 1 above, the MA has had regard to the *Guideline on Exercising Power to Impose Pecuniary Penalty*³ and the *Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings*⁴. The MA has taken into account all relevant circumstances of the case, including but not limited to:
- (a) the seriousness of the investigation findings;
 - (b) the need to send a clear deterrent message to the industry about the importance of effective controls and procedures to address money laundering and terrorist financing risks;
 - (c) remedial actions have been taken to address the deficiencies identified and efforts have been made to improve the bank's anti-money laundering and counter-financing of terrorism controls; and
 - (d) DBSHK has no previous disciplinary record in relation to the AMLO and cooperated with the HKMA during the investigation and enforcement proceedings.

- End -

³ This guideline was published by the HKMA on 29 June 2012 under section 23(1) of the AMLO. It sets out the factors that the MA will consider, where applicable, in determining whether to impose a pecuniary penalty and the amount of the pecuniary penalty if there has been a contravention of a specified provision as defined by section 5(11) of the AMLO. A revised version of this guideline was published on 27 April 2018.

⁴ 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.