

---

## STATEMENT OF DISCIPLINARY ACTION

---

### The Disciplinary Action

1. The Monetary Authority (**MA**) has taken disciplinary action against China CITIC Bank International Limited (**CITIC**) to order it to pay a pecuniary penalty of HK\$4,000,000, 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**)<sup>1</sup>.

### Summary of Contraventions and Facts

2. The disciplinary action follows an investigation by the Hong Kong Monetary Authority (**HKMA**) which found that CITIC contravened two specified provisions, namely paragraph (c) of section 5(1) (**section 5(1)(c)**) and section 19(3) of Schedule 2 to the AMLO between November 2015 and July 2018 (**Relevant Period**). CITIC's contraventions and the related findings are summarised below.

### Sections 5(1)(c) and 19(3) of Schedule 2 to the AMLO

3. CITIC launched its automated transaction monitoring system in November 2015. It was found that 13 out of a total of 33 detection rules and two core model rules had not been implemented as intended in accordance with its defined parameters, thresholds and scoring logics (**identified deficiencies**). It had resulted in fewer alerts being generated for review. The omitted alerts, spanning over a considerable period of time, impacted on CITIC's overall capability to effectively detect and monitor suspicious transactions. It was further found that, in respect of 12 customers in a sample of 30 customers, CITIC failed to (i) examine the background and purpose of transactions, which were complex, unusually large in amount or of an unusual pattern, and had no apparent economic or lawful purpose; and (ii) set out its findings in writing, contravening section 5(1)(c) of Schedule 2 to the AMLO.
4. The HKMA concluded that the root causes of the above failure were: (i) the one-level input control (i.e. no maker-checker requirement) for the system values; and (ii) the inadequate user acceptance test, which was part of the implementation process of this transaction monitoring system. No validation was conducted to ensure the overall scores calculated in the system with multiple hits on the detection rules against those derived from the predefined conditions were accurate. Thus, CITIC contravened section 19(3) by failing to establish and

---

<sup>1</sup> 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.

maintain effective procedures for the purpose of carrying out its duties under section 5 during the Relevant Period.

## **Conclusion**

5. Having considered all the evidence and the representations of CITIC, the MA has found that CITIC contravened two specified provisions during the Relevant Period as set out in paragraphs 2 to 4 above.
6. 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*<sup>2</sup> and the *Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings*<sup>3</sup>. 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 CITIC and the industry about the importance of having effective controls and procedures to address money laundering and terrorist financing risks;
  - (c) CITIC has taken remedial actions to address the identified deficiencies; and
  - (d) CITIC has no previous disciplinary record in relation to the AMLO and cooperated with the HKMA during the investigation and enforcement proceedings.

- End -

---

<sup>2</sup> 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.

<sup>3</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.