
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Monetary Authority (MA) has taken disciplinary action against Bank of Communications (Hong Kong) Limited (BCOM(HK)) 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).

Summary of Contraventions and Facts

2. The disciplinary action follows an investigation by the Hong Kong Monetary Authority (HKMA) which found that BCOM(HK) contravened two specified provisions, namely section 19(3) and paragraph (b) of section 5(1) (section 5(1)(b)) of Schedule 2 to the AMLO during the period between January 2018 and December 2024 (Relevant Period). BCOM(HK)'s contraventions and the related findings are summarised below.

Section 19(3) of Schedule 2 to the AMLO

3. BCOM(HK) contravened section 19(3) of Schedule 2 to the AMLO by failing to establish and maintain effective procedures for the purpose of carrying out its duties under section 5 of Schedule 2 to the AMLO during the Relevant Period. Specifically, BCOM(HK) failed to put in place effective procedures to ensure the completeness of the scope of transactions covered by its transaction monitoring system (TMS) upon implementation of the core banking system, subsequent system changes and introduction of new services. As a result, certain types of transactions were not loaded into the TMS for scrutiny as intended. While the Relevant Period ends in December 2024, the major omissions had already been identified and rectified by September 2022, and the identification and rectification of all omissions were completed by December 2024.

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

4. In respect of around 97,000 customers, BCOM(HK) contravened section 5(1)(b) of Schedule 2 to the AMLO in that it failed to continuously monitor the business relationships with these customers by conducting appropriate scrutiny of transactions carried out for these customers (either by the TMS or management information system reports) to ensure that they were consistent with its knowledge of these customers, their business, risk profile and source of funds.

Conclusion

5. Having considered all of the evidence and the representations of BCOM(HK), the MA has found that BCOM(HK) contravened the two specified provisions of the AMLO 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*¹ and the *Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings*². The MA has also 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 BCOM(HK) and the industry about the importance of having effective controls and procedures to address money laundering and terrorist financing risks;
 - (c) BCOM(HK) has taken remedial actions to address the transaction monitoring failures and the associated control deficiencies; and
 - (d) BCOM(HK) has no previous disciplinary record in relation to the AMLO and cooperated with the HKMA during the investigation and enforcement proceedings.

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¹ 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.

² 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.