
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Monetary Authority (MA) has reprimanded and ordered 33 Financial Services Limited (33FS) to pay a pecuniary penalty of HK\$1,600,000 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 investigation conducted by the Hong Kong Monetary Authority (HKMA) which found that, during the period from 1 December 2019 to 31 August 2023 (Relevant Period), 33FS contravened section 8Q of the PSSVFO as it had not fulfilled the minimum criterion under section 6(2)(b) of Part 2 of Schedule 3 to the PSSVFO. The areas of non-compliance and related findings are summarised in the following paragraphs.

Paragraph 4.6.1 of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Value Facility Licensees) (Guideline)¹

3. During the Relevant Period, a group consisting of a corporate customer and five individual customers purchased over 49,000 gifts cards totalling some HK\$25 million. The purpose of use/intended usage of the gift cards was either left blank in the relevant application forms or stated as gifts or for buying goods for their trading business. In addition, it was noted that: (i) the valid period of the gift cards was relatively short; (ii) there were discrepancies between 33FS' knowledge of the actual usage of the gift cards vis-à-vis that recorded in the application forms; and (iii) 33FS was aware of the fact that some of these customers were purchasing gift cards using different identities. Hence, the trading business was unclear and not self-evident, and 33FS should have obtained further and sufficient information to understand the purpose and nature of the business relationship it established with such customers.

Paragraphs 4.1.3(a), 4.1.3(d) and 4.4.4 of the Guideline

4. During the Relevant Period, 33FS sold gift cards, with each time over HK\$25,000, to 10 individual customers, and was aware that these customers were acting on behalf of business entities to purchase the gift cards. Nonetheless, 33FS classified these customers as beneficial owners of the gift cards purchased on the basis that they submitted the application forms in their own names, and did not carry out

¹ During the Relevant Period, two versions of the Guideline prevailed: October 2018 and September 2020. Reference to the Guideline herein refers to the September 2020 version unless specified otherwise.

customer due diligence measures on the business entities of which the individual customers acted on behalf.

Paragraph 4.3.16 of the Guideline

5. 33FS failed to have in place adequate and appropriate systems of control for ensuring that, while no remote on-boarding solution was adopted, face-to-face identification and verification of identity of customers was conducted and documented by its business partners when on-boarding non-Hong Kong resident customers on its behalf in accordance with its internal requirement.

Conclusion

6. Having considered all information on hand, the MA has found that 33FS 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 PSSVFO², the Guideline on Exercising Power to Order a Pecuniary Penalty³, and the Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings⁴. 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 as well as the fact that 33FS has previous disciplinary record in respect of the PSSVFO;
 - (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) 33FS has taken remedial measures to address the deficiencies identified by the HKMA and enhance its systems of control;
 - (d) 33FS is cooperative in resolving concerns identified by the HKMA.

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² Section 33Q(3) of the PSSVFO specifies the matters that the MA must have regard to before imposing any sanctions against a regulated person under section 33Q(2). According to section 33Q(4) of the PSSVFO, in reaching a decision to impose a sanction 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.

³ 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.

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.