



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

8 March 2018

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

FATF Guidance on Counter Proliferation Financing

I am writing to draw your attention to a guidance paper recently issued by the Financial Action Task Force (FATF) entitled “Guidance on Counter Proliferation Financing – The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction”¹, which is available on the FATF’s website (<http://www.fatf-gafi.org/publications/financingofproliferation/documents/guidance-counter-proliferation-financing.html>).

The paper provides guidance to facilitate both public and private sector stakeholders in understanding and implementing proliferation financing-related Targeted Financial Sanctions made under United Nations Security Council Resolutions (UNSCRs). Various sections of the guidance are relevant for stored value facility (SVF) licensees to better understand and mitigate proliferation financing risks, including:

- Taking note of circumstances where customers and transactions are more vulnerable to be involved in proliferation financing activities, including factors that are relevant to the sanctions regime on the

¹ This paper updates two earlier FATF guidance papers: *The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction (2013)* and *Best Practices Paper to Recommendation 2 Information Sharing and Exchange Related to the Financing of Proliferation Among Relevant Authorities at the Domestic Level (2012)*.

Democratic People's Republic of Korea;

- Identifying high risk customers and transactions, and applying enhanced scrutiny, using a risk-based approach; and
- Undertaking reasonable efforts to collect additional information (e.g. available typologies of proliferation finance) related to identified high-risk customers and transactions in order to identify, and avoid engaging in, prohibited activities, and to enable follow-up actions.

SVF licensees are recommended to review the paper carefully to enhance the understanding of proliferation financing-related Targeted Financial Sanctions and the range of possible approaches that can be adopted, depending on individual SVF licensee's own situation, risk profile and risk appetite.

The HKMA is also reviewing the guidance to the public sector as set out in the paper, including the role of financial supervisors in contributing to the effective sharing of information such as typologies and case studies. The HKMA will work closely with SVF licensees and all relevant public authorities in combating proliferation financing.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

cc: FSTB (Attn: Ms Eureka Cheung)