



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

2 May 2018

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report (Report)

I am writing to draw your attention to the captioned Report published by the Government on 30 April 2018. The Report includes a policy statement of Hong Kong's anti-money laundering and counter-financing of terrorism (AML/CFT) regime and covers results of a jurisdiction-wide assessment of the money laundering and terrorist financing (ML/TF) risks and other related threats to Hong Kong, including those which are relevant to the stored value facility (SVF) sector. The Report can be found at <https://www.fstb.gov.hk/fsb/aml/en/risk-assessment.htm>.

The assessment concludes that our SVF sector faces medium ML/TF risks. Fraud is identified as by far the most prevalent predicate offence for ML. Given the increasing acceptance of SVFs as means of payment, the Report suggests that the inherent threat of these facilities being used as a vehicle for ML should not be underestimated. The functionality and geographic reach of certain SVF products, such as cash withdrawal or cross-border fund transfers, could increase the vulnerability to ML.

SVF licensees should study the Report carefully, consider the relevant insights and implications, and review and update, where appropriate, their own institutional ML/TF risk assessments accordingly. Implementing an approach to AML/CFT work which is risk-based and proportionate relies upon understanding and communicating the ML/TF threats, vulnerabilities and risks that we face, and targeting resources and activities at areas of genuine higher risks.

The HKMA will continue to work with the SVF sector to strengthen understanding of ML/TF threats¹; provide stronger encouragement for SVF licensees to adopt a risk-based approach; support innovation by SVF licensees and explore the greater use of technology in supervisory work. To that end, the HKMA's dedicated AML/CFT webpage (<http://www.hkma.gov.hk/eng/key-functions/international-financial-centre/regulatory-regime-for-svf-and-rps/regulation-of-svf/aml-cft.shtml>) provides a useful reference, and the Report will also serve as an additional resource to the senior management and relevant staff of SVF licensees for ongoing AML/CFT work. The HKMA is also currently updating the risk assessment in view of rapid developments in the SVF sector and will communicate the results with the industry in due course.

The HKMA will organise an industry seminar on 20 June 2018 to present and discuss the findings of the Report as they relate to the SVF sector. SVF licensees should nominate representatives, who may be Compliance Officers, Money Laundering Reporting Officers or other managing staff with the responsibility for institutional ML/TF risk assessments and implementation of AML/CFT systems, for the seminar. Further details and registration form for the seminar are attached.

If you have any questions regarding this letter, please contact Mr Dixon Lam at 2878-8721 or aml@hkma.iclnet.hk.

Yours sincerely,

Carmen Chu
Executive Director (Enforcement and AML)

cc. FSTB (Attn.: Ms Eureka Cheung)

Encl.

¹ The HKMA organized an industry forum in October 2017 for SVF licensees to share industry knowledge and experience on AML/CFT, including typologies of suspicious transactions.