



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/21C

4 September 2019

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

FATF Mutual Evaluation Report of Hong Kong

I am writing to inform you that the Financial Action Task Force (FATF) and Asia/Pacific Group on Money Laundering (APG) published the Mutual Evaluation Report of Hong Kong today. The Report provides an assessment of the compliance and effectiveness of Hong Kong's anti-money laundering and counter-terrorist financing (AML/CFT) regime against the international standards. It was prepared by an assessment team comprising experts from member jurisdictions of the FATF and the APG, and was examined by the full membership of FATF and APG. The report can be found at <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hong-kong-2019.html>.

The Report recognises that Hong Kong has a strong legal foundation and effective system for combating money laundering and terrorist financing (ML/TF). Effectiveness is assessed across eleven immediate outcomes, the most relevant of which to the stored value facility (SVF) sector is Preventive Measures (Chapter 5 of the Report). As far as the SVF sector is concerned, the Report notes that the HKMA has a reasonable understanding of ML/TF risks in the sector in the light of its growing nature and the relatively recent supervisory regime.

The HKMA appreciates the need to sustain the efforts for the SVF sector and notes the recommendations made in the Report which will help focus our efforts in the coming years. We would like to highlight a few major themes in particular:

- *As ML/TF risks continue to evolve, so must our understanding and our response* – To this end, ongoing efforts to review and update understanding of ML/TF risks should continue in accordance with Chapter 2 of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Value Facility Licensees). In this regard, the HKMA continues to update its understanding of ML/TF risks at both the institutional and sectoral level and has

recently published a revised sectoral risk assessment¹, which will inform an updated jurisdiction-wide risk assessment. This will provide a critical element of the evidence base to determine our risk-based response in years to come.

- *The importance of quality and timeliness in suspicious transaction reporting* – SVF licensees are reminded to review policies and procedures against the revised guidance on “Quality and Consistency in Suspicious Transaction Reports”² provided to SVF licensees in May 2018.
- *Approaches and toolkits for AML/CFT efforts* – SVF licensees should focus efforts in areas which may offer the greatest potential to address ML/TF risks; continue to develop the information-sharing approach; and explore how technology can be used to more effectively and efficiently combat ML/TF risks, such as analytics in monitoring. The HKMA will also continue to deploy the full range of supervisory and enforcement measures in a proportionate and graduated manner.

I would like to take this opportunity to thank your commitment in AML/CFT efforts which have contributed positively to this assessment. The HKMA will continue to work together with the SVF sector and various stakeholders to follow up the relevant recommendations in the Report, and through close cooperation and coordination, to continue to make a strong contribution to the effectiveness of the AML/CFT regime of Hong Kong.

Yours sincerely,

Carmen Chu
Executive Director (Enforcement and AML)

¹ The Stored Value Facility Sector: Money Laundering and Terrorist Financing Risk Assessment Report published on 19 July 2019 can be found at <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190719e1.pdf>.

² HKMA circular on “Suspicious Transaction Reports” dated 10 May 2018.