



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C
B10/14C
B10/21C

31 December 2020

The Chief Executive
All Authorized Institutions and Stored Value Facility Licensees

Dear Sir/Madam,

Coronavirus disease (COVID-19) and Money Laundering and Terrorist Financing (ML/TF) risks – An Update

I am writing to draw your attention to the most recent update¹ from the Financial Action Task Force (FATF) on COVID-19-related ML/TF risks. The update highlights developments since the last report published in May 2020², details how criminals continue to attempt to exploit the global financial systems, and provides a selection of case studies, some provided by Hong Kong, which illustrate how the risks have evolved as along with the situation.

As COVID-19 situation continues to develop, the FATF update reinforces the continuing importance of a response which is risk-based and does not disrupt essential and legitimate services. The HKMA's regulatory expectation in this respect, including the flexibility provided by the risk-based approach and remote customer on-boarding, has already been articulated in letters dated 7 April 2020³ and 30 July 2020⁴.

¹ The updated report can be found at: <http://www.fatf-gafi.org/media/fatf/documents/Update-COVID-19-Related-Money-Laundering-and-Terrorist-Financing-Risks.pdf>.

² "COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses" report can be found at: <https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>.

³ HKMA Circular "Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures" issued on 7 April 2020 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200407e1.pdf> and <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200407e2.pdf>)

⁴ HKMA Circular "Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures – An Update" issued on 30 July 2020 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200730e1.pdf> and <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200730e2.pdf>)

Since our last communication, the HKMA has been monitoring the COVID-19 related impact on ML/TF risks and working closely with Authorized Institutions (AIs) and stored value facility (SVF) licensees to cope with the development. The Fraud and Money Laundering Intelligence Taskforce (FMLIT)⁵, the public-private partnership for information sharing in Hong Kong, has established an Operation Priority on COVID-19 related deceptions delivering alerts and case-based intelligence. In addition, the Fraud Risk Management Taskforce established under the Hong Kong Association of Banks (HKAB) in May 2020 broadcasted a video clip on television to remind the public to stay alert of COVID-19 related fraudulent activities and has shared good practices on fraud prevention and detection with the industry. A sharing session was also held by HKAB, with HKMA's support, in September 2020 to share financial crime trends observed and challenges encountered during COVID-19, and good practices of AIs in managing and mitigating ML/TF risks.

AIs and SVF licensees should study the most recent update in conjunction with the ML/TF risk information provided through the above-mentioned forums, and consider the relevant implications for their ML/TF risk management. For any questions about this circular, please approach your usual contacts in the AML & Financial Crime Risk Division or aml@hkma.iclnet.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

⁵ FMLIT was established in May 2017, in line with international standards and practices in other financial centres. FMLIT consists of law enforcement agency, banking supervisor and ten retail banks in Hong Kong.