



Circulars

22 Nov 2006

Implementation of FATF SR VII

Our Ref: B10/1C
B1/15C

22 November 2006

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Implementation of FATF SR VII

Following consultation with the industry, I am writing to inform you that the HKMA has finalised amendments to the Supplement to the Guideline on Prevention of Money Laundering ("Supplement") and Interpretative Notes ("INs") for the purpose of implementing the revised requirements under Special Recommendation VII ("SR VII") issued by the Financial Action Task Force on Money Laundering ("FATF") in relation to wire transfers. The opportunity has also been taken to make a few other minor amendments of a housekeeping nature. Please see [Annex 1](#) for details of the amendments.

The above-mentioned amendments will take effect on 2 January 2007, and a full set of the revised Supplement and INs incorporating the amendments will be issued on 1 December 2006 under section 7(3) of the Banking Ordinance by notice in the Gazette.

Revised Requirements

Paragraph 9.2 of the Supplement sets out the originator information an ordering AI in a remittance transaction is required to include in the remittance message (i.e. name and, where applicable, account number of the originating customer). Starting from 2 January 2007, the message of a cross-border remittance transaction should also include the address of the originating customer or, failing this, the customer's date of birth or the number of a government-issued identity document the customer holds (e.g. identity card, passport). Such additional information need not be included in the message of a domestic remittance transaction provided that the ordering AI can make available the information to the beneficiary AI and appropriate authorities within 3 business days upon request.

Paragraph 9.3 of the Supplement specifies the de minimus threshold for the value of remittances below which the above-mentioned originator information need not be included in the remittance message. This threshold will be lowered from HK\$20,000 to HK\$8,000 on 2 January 2007, meaning that it will not be a requirement to include the originator information

in the case of remittances of less than HK\$8,000 (or its equivalent in foreign currencies). Nevertheless, the requirement for the ordering AI to make available such information within 3 business days upon request from either the beneficiary financial institution or appropriate authorities would similarly apply to these cases.

As the HKMA is minded to review the application of the threshold at a later date, with a view to possibly eliminating the threshold in due course, AIs are encouraged to include, where possible, the relevant originator information in the remittance messages of all remittance transactions.

Some consequential changes are being made to the INs to (i) delete the statement in IN 32 (renumbered as IN 32b) which put on hold the requirement to include in remittance messages the additional originator information set out in paragraph 9.2, (ii) clarify the interpretation of "address" under paragraph 9.2, and (iii) explain the application of the de minimus threshold under paragraph 9.3.

For ease of reference, the major requirements applicable to the inclusion of originator information in remittance messages are summarized in a table at [Annex 2](#).

Implementation

While the revised requirements on remittance transactions will come into effect on 2 January 2007, it is recognised that some AIs may need time to make the necessary adaptations to their systems and procedures. The HKMA would expect these adaptations to be completed by end-June 2007 at the latest.

In implementing the revised requirements, it is important for AIs to satisfy themselves that they meet the relevant provisions of the Personal Data (Privacy) Ordinance. AIs will also be expected to ensure that the revised requirements are adequately communicated and explained to their customers when the requirements are implemented, and that they have the necessary customer consent. Clearly, AIs will wish to ensure that notice is given to their customers of the revised requirements, but the means of notification may vary from institution to institution, depending on their own circumstances.

Particularly in the transitional period when not all jurisdictions may have implemented the revised requirements, AIs will need to adopt a risk-based approach to handling exceptions. However, generally speaking, all cross-border remittances with a value of not less than the de minimus threshold should include all the required originator information in remittance messages.

Press Release

The HKMA is issuing the attached Press Release (see [Annex 3](#)) today, informing the public of the revised requirements on remittance transactions as well as the background and purpose of implementing the requirements. This will provide the basis for AIs to explain the revised requirements to their customers.

Proposed legislative amendments to certain requirements applicable to remittance agents and money changers

With a view to implementing FATF SR VII in respect of non-bank financial institutions, the Administration is consulting remittance agents and money changers operating in Hong Kong on the proposal to lower the threshold for customer identification and recordkeeping requirements applicable to these entities under the Organized and Serious Crimes Ordinance ("OSCO") from HK\$20,000 to HK\$8,000. While AIs will remain exempt from these requirements under OSCO, there are similar requirements under the Guideline on Prevention of Money Laundering ("Guideline") issued by the HKMA in respect of remittance or money changing transactions undertaken for their customers who are non-account holders. We will make corresponding amendments to the Guideline upon the enactment of the legislative amendments to OSCO.

If there are any questions relating to this letter, please feel free to contact Mr Ronnie Wong on 2878-1399 or Mr Edmund Leung on 2878-8281. On-line access to this letter and the annexes is available under the icon "Circulars and Guidelines" in the HKMA's public (<http://www.hkma.gov.hk>) and private (<http://www.stet.finnet.hk>) web-sites.

Yours faithfully,

Simon Topping
Executive Director (Banking Policy)

Encl. [Annex 1](#) (Word file, 41KB)
 [Annex 2](#) (Word file, 35KB)
 [Annex 3](#) (Word file, 34KB)

c.c. The Chairman, The Hong Kong Association of Banks
 The Chairman, The DTC Association
 FSTB (Attn: Ms Angelina Kwan)

Last revision date : 01 August 2011