



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

04 Jul 2008

Guidance Paper - Good Practices on Transaction Monitoring

Our Ref.: B10/1C

4 July 2008

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Guidance Paper - Good Practices on Transaction Monitoring

In consultation with the Industry Working Group on Prevention of Money Laundering and Terrorist Financing (IWG), the HKMA has developed a guidance paper on "Good Practices on Transaction Monitoring". A copy of the guidance paper is enclosed with this letter.

Transaction monitoring is an important element of an AI's anti-money laundering (AML) and counter financing of terrorism (CFT) system. Its purpose is to alert AIs to activities which appear to be unusual or suspicious for further examination and investigation. In accordance with the HKMA's Supplement to the Guideline on Prevention of Money Laundering, AIs should put in place effective monitoring systems to enable them to identify and report suspicious transactions so as to discharge their legal and regulatory obligations in connection with AML/CFT.

In the second half of 2007, the HKMA completed a round of thematic examinations of selected AIs focused on transaction monitoring. While the examination results indicate that AIs have generally established appropriate MIS reports for the purpose of transaction monitoring, the systems and procedures of certain AIs are not considered to be sufficiently effective for their purpose, having regard to the types of business activities in which these AIs engage. The HKMA therefore considers it desirable to provide some guidance to AIs on this specific subject.

The guidance paper seeks to highlight the essential features of an effective transaction monitoring system. As stated in the introduction to the guidance paper, AIs are expected to give full consideration to the adoption of the recommended practices set out in the paper, or otherwise to adopt alternative control measures which are equally effective and which enable their institution to fully comply with the HKMA's AML/CFT guidelines and circulars.

On-line access to the guidance paper is available under the icon "Guidelines and Circulars" in the HKMA's public (<http://www.info.gov.hk/hkma>) and private (<http://www.stet.finnnet.hk>) websites.

If you have any questions about this guidance paper, please contact Ms Sophia Lam on 2878 8281 or Mr Ronnie Wong on 2878 1399.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl. [Good Practices on Transaction Monitoring](#) (PDF file, 41KB)

c.c. The Chairman, The Hong Kong Association of Banks
 The Chairman, The DTC Association
 FSTB (Attn: Ms Angelina Kwan)
 Narcotics Division (Attn: Ms Kitty Yu)
 Securities and Futures Commission (Attn: Mr Stephen Po)
 Office of the Commissioner of Insurance (Attn: Ms Carol Hui)

Last revision date : 01 August 2011