HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/67C
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27 April 2023

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Access to banking services for corporate customers

Maintaining safe and efficient banking system and promoting access to basic banking services for legitimate businesses are key priorities of the Hong Kong Monetary Authority (HKMA). To support this objective, and in line with international standards, the HKMA requires authorized institutions (AIs) to adopt a risk-based approach (RBA) in anti-money laundering and counter-financing of terrorism (AML/CFT) efforts, which will deliver effective outcomes consistent with the principles of treating customers fairly and financial inclusion[1].

To assist AIs in applying the RBA, the HKMA provides practical guidance and feedback from time to time in relation to customer on-boarding and ongoing monitoring[2]. These include a thematic review in 2019 undertaken in collaboration with an external consultant on on-boarding of Small and Medium-sized Enterprises (SME) customers, and best practices for risk-based AML/CFT work were shared with the industry for system review and procedural enhancement by individual AIs as appropriate[3]. A dedicated team in the HKMA was also formed in 2017 and have since been closely engaging with the business

1 HKMA Circular "De-risking and Financial Inclusion" issued on 8 September 2016 (https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160908e1.pdf)

2 The statutory AML/CFT Guideline, circulars on remote on-boarding, frequently-asked questions developed by the Hong Kong Association of Banks, which can be found at the HKMA website (https://www.hkma.gov.hk/eng/key-functions/banking/anti-money-laundering-and-counter-financing-of-terrorism/)

3 HKMA Circular "Feedback from Thematic Review of AIs' Application of AML/CFT Controls in the SME Segment" issued on 14 June 2019 (https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190614e2.pdf).
See also seminar training material (https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/aml-cft/seminar_20190913_2.pdf)

community and following up on bank account opening and maintenance matters. These efforts have been well received, yet the HKMA occasionally receives feedback from corporates seeking to open bank accounts, which is largely related to execution issues.

In this connection, we would like to share some observations and good practices (see **Annex**) identified through our ongoing engagement with stakeholders. In particular, we would like to draw AIs' attention to three areas:

- *Initial customer contact* – Feedback reflects that sometimes the handling of account opening applications may not fully represent the intended outcomes of the AIs' policies and procedures. AIs should therefore provide staff members with relevant training and up-to-date information, taking into account customers' feedback and complaints. AIs should put in place processes which adequately support applications from specialised industries, such as dedicated teams with appropriate training and knowledge.

- *Understanding of market developments* – To cope with the fast moving technology landscape, AIs should take a forward-looking approach and seek to strengthen their understanding of new and developing sectors as well as related market developments, which will help AIs differentiate individual customers with different risk characteristics. In particular, AIs should endeavour to support virtual asset service providers (VASPs) licensed and regulated by the Securities and Futures Commission (SFC) on their legitimate need for bank accounts in Hong Kong.

- *Risk management vs. wholesale de-risking* – AIs should avoid a wholesale de-risking approach, i.e. precluding customers with common backgrounds (e.g. nationality and new industries) from target customer segments. Rather, AIs should endeavour to understand the risks and adapt operational responses consistent with the RBA, so that potential customers and legitimate businesses will have fair access to basic banking services.

AIs should review their account opening procedures and customer due diligence (CDD) measures, as well as provide staff training, to ensure a balanced approach that delivers effective ML/TF risk management while providing inclusive access to banking services. The HKMA also takes this opportunity to strongly encourage AIs to support the Tiered Account Services initiative and, where

appropriate, seek to offer Simple Bank Accounts for meeting the needs of SMEs and start-ups which only require basic banking services[4].

The HKMA will continue its close dialogue with the industry, and to share observations and good industry practices where appropriate to further assist AIs in achieving effective outcomes and enhancing customer experience in bank account opening and maintenance.

Should you have any questions regarding this circular, please feel free to contact us at aml@hkma.iclnet.hk or financial_inclusion@hkma.iclnet.hk.

Yours faithfully,

Arthur Yuen
Deputy Chief Executive

cc: The Chairperson, The Hong Kong Association of Banks
The Chairperson, The DTC Association
Secretary for Financial Services and the Treasury (Attn: Mr Justin To)

[4] HKMA Circular "Introduction of Tiered Account Services" issued on 12 April 2019 (https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190412e1.pdf).