28 Jan 2010

Account Opening for Ethnic Minorities

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The Chief Executive
All authorized institutions

Dear Sir/Madam,

Account Opening for Ethnic Minorities

There have been reports in the last few days that there were cases in which some persons from certain ethnic minorities had encountered difficulties in opening bank accounts with certain AIs in Hong Kong. According to the reports, this has been linked to the anti-money laundering and countering financing of terrorism (AML/CFT) requirements of the HKMA.

The HKMA circulates from time to time statements issued by the Financial Action Task Force (FATF) which highlights concerns of the international community with the AML/CFT risks emanating from certain jurisdictions and requests AIs to take appropriate measures to address such risks. However, the HKMA has NOT imposed any requirements on AIs to prohibit the establishment of banking relations with individuals connected with such jurisdictions. In fact the Interpretative Notes of the HKMA's Supplement to the Guideline on Prevention of Money Laundering clearly indicate that:

> *"AIs should adopt a balanced and common-sense approach with regard to customers connected with jurisdictions which do not or insufficiently apply the FATF recommendations. While extra care may well be justified in such cases, it is not a requirement that AIs should refuse to do any business with such customers or automatically classify them as high risk and subject them to enhanced CDD process. Rather, AIs should weigh all the circumstances of the particular situation and assess whether there is a higher than normal risk of money laundering."*

In addition, as requested in our letter of 17 July 2009, AIs should familiarize themselves with the provisions of the Race Discrimination Ordinance (RDO) and review their existing policies and procedures to ensure compliance with its provisions. AIs should provide suitable training and guidance to their staff to raise their awareness and understanding of the new legislation. The Code of Banking Practice also stipulates that in addition to the statutory requirements, AIs should not discriminate against any customers simply on the ground of race in the provision of banking services and in the quality and terms of services provided.

In the light of the recent reported incidents, AIs should review their internal policies and procedures to ensure that they are in full compliance with the above and other relevant requirements, and that their staff are given suitable training and guidance so that they understand the relevant requirements properly. I also urge AIs to handle complaints in this regard promptly and sensibly and offer appropriate redress as required.

The HKMA will conduct more detailed examinations on individual AIs' policies and procedures should there be concern about systemic lapses in this regard.

Yours faithfully,

Arthur Yuen
Deputy Chief Executive

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